



# Economic Development



Presented by Governor Arne H. Carlson to the 80th Legislature

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1998-99 BIENNIAL BUDGET

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**1998-99 BIENNIAL BUDGET**

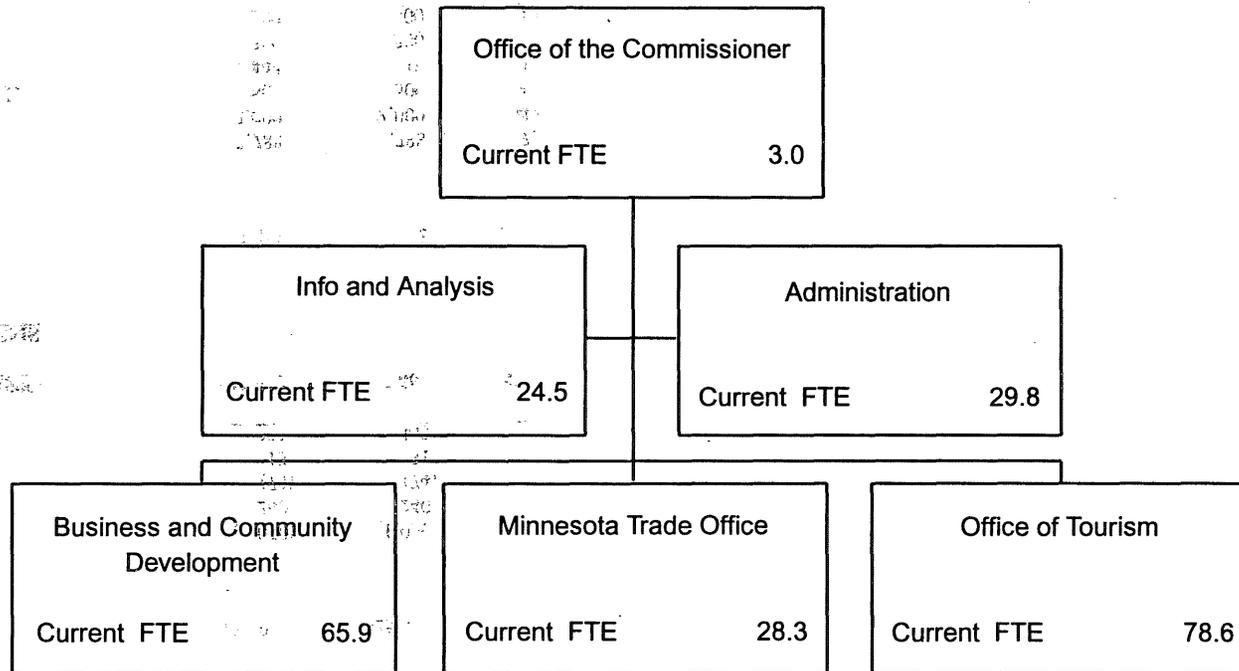
**PROGRAM STRUCTURE**

**AGENCY:** Trade and Economic Development, Department of (DTED)

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# DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

## Organization Chart 7/1/96



Total FTE Employees: 231.3

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Trade and Economic Development, Department of (DTED)

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$25,978	\$25,978	\$51,956
<b><u>BASE ADJUSTMENT</u></b>			
One-time Appropriation	(1,050)	(1,050)	(2,100)
Transfer between Agencies	240	240	480
Biennial Appropriations	(74)	(74)	(148)
Doc. Rent/Lease Inc/Dec	13	31	44
1998-99 Salary Inflation	231	463	694
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$25,412</b>	<b>\$25,662</b>	<b>\$51,074</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
None	-0-	-0-	-0-
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$25,412</b>	<b>\$25,662</b>	<b>\$51,074</b>
<b><u>BUDGET INITIATIVES</u></b>			
MN Job Skills Partnership	3,788	3,788	7,576
MN Investment Fund	2,000	2,000	4,000
Contamination Cleanup Funds	500	500	1,000
Drinking Water Revolving Funds	4,444	-0-	4,444
Advantage Minnesota	300	300	600
Minnesota Film Board	500	500	1,000
Software Technology	250	-0-	250
Pathways	2,000	2,000	4,000
China Strategic Trade Initiative	250	100	350
St. Paul Economic Development	2,000	2,000	4,000
<b>BUDGET INITIATIVES</b>	<b>\$16,032</b>	<b>\$11,188</b>	<b>\$27,220</b>
<b>GOVERNOR'S RECOMMENDATION</b>	<b>\$41,444</b>	<b>\$36,850</b>	<b>\$78,294</b>

**BRIEF EXPLANATION OF AGENCY PLAN:**

The agency is placing a strong emphasis on increasing efficiency and service while holding operational costs. To that end, services in 3 key areas - information management, information analysis, and communications - have been centralized to support the DTED line divisions: Business and Community Development; Tourism; and Trade. Aggressive use of technology to better serve agency customers is being employed. Two new projects - The Journey Travel Planning Service and Dylan Community Profiles - have been introduced and are receiving positive reviews. Where possible, program resources are being leveraged through external partnerships.

**REVENUE SUMMARY:**

None.

**AFFECTED STATUTES:**

None.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that initiatives totaling \$27,220,000 be added to the agency as a comprehensive expansion of the state's efforts to create high quality jobs, aid potential employees in developing needed skills to participate in that job growth, and build upon the economic vitality the state currently enjoys.

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Trade and Economic Development, Department of (DTED) Fund: Trunk Highway

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$689	\$689	\$1,378
<b><u>BASE ADJUSTMENT</u></b>			
1998-99 Salary Inflation	<u>17</u>	<u>34</u>	<u>51</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$706</b>	<b>\$723</b>	<b>\$1,429</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$706</b>	<b>\$723</b>	<b>\$1,429</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>GOVERNOR'S RECOMMENDATIONS</u></b>	<b>\$706</b>	<b>\$723</b>	<b>\$1,429</b>

**Brief Explanation of Agency Plan:**

No Changes

**Revenue Summary:**

None.

**Affected Statutes:**

None.

1998-99 Biennial Budget

AGENCY: Trade and Economic Development, Department of (DTED)

AGENCY DESCRIPTION:

1. **Vision**

The purpose of the Department of Trade and Economic Development is to advance the economic vitality of Minnesota.

2. **Mission**

The department will employ all available resources to generate growth of high-quality jobs; expand foreign direct investment and exportation of Minnesota products; and encourage travel.

3. **Organization**

The department is organized under M.S. 116J into 3 operating divisions.

**Business and Community Development (BCD):** The primary emphasis of Business and Community Development is to facilitate the growth of existing Minnesota businesses. BCD provides a variety of financial, training, and technical services to communities, businesses, and economic development professionals.

**Minnesota Trade Office (MTO):** The MTO works to promote, assist, and enhance exports and foreign direct investments that contribute to the growth of the Minnesota economy. Primary functional areas include export outreach and education; international marketing and investment; and export finance.

**Minnesota Office of Tourism (MOT):** The Minnesota Office of Tourism markets Minnesota as a travel destination to tour operators, group tours and travel agents; promotes coverage of Minnesota in international and travel trade media; and initiates, develops, and coordinates activity with travel industry buyers and sellers in the U.S. and throughout the world.

Providing support to the 3 operating divisions are the divisions of **Information and Analysis and Administration**. Information and Analysis provides centralized communication, public relations, marketing, research, analysis, program evaluation and governmental liaison services. Administration offers cost-effective and efficient administrative, fiscal, human resources, and information services.

AGENCY ISSUES:

Improvements in Minnesota's business climate, and improving economic conditions and travel conditions nationally and worldwide, have helped Minnesota maintain strong economic growth. Although Minnesota's unemployment rate has been below 4% for more than 2 years and the state's job market is very tight, the Minnesota economy shows few signs of slowing. Moreover, with business investment remaining at high levels during the current economic expansion, the state of Minnesota finds itself in a unique and enviable economic position to encourage and leverage private sector investment in the state. DTED must take advantage of these economic conditions by facilitating private sector investment and quality job creation in the state through financial stimulus, export and

foreign direct investment assistance, improving community economic development capacity, and encouraging greater tourism to the state. This exceptional economic environment has generated an increase in the number of businesses and communities requesting DTED services and programs to assist them with their job creation, export and tourism activities.

- Minnesota continues to outpace national employment growth, and for the first time in many years, there are few signs of distress among Minnesota regions or industries. Several industrial sectors including manufacturing, FIRE, and business services continue to provide employees with above-average compensation packages (wages and benefits.) Many key industries within these sectors have shown particularly strong growth and account for a large share of employment growth. The Business and Community Development Division continues to facilitate investment and quality job creation through technical and financial assistance to businesses and communities. Although projections show strong job growth through 2001, shortages of labor (particularly skilled workers) and housing may dampen future economic growth potential.
- Despite continuing weakness in industrial machinery (computer) exports, overall exports from the state continue to grow, albeit at a slightly slower pace than the nation. However, exports in several Minnesota industries are growing rapidly and increasing their relative share of state exports and U.S. industry exports. As a result, Minnesota's export portfolio is becoming increasingly diverse and less dependent on computer exports. Moreover, Minnesota and the Minnesota Trade Office are well positioned to take advantage of the significant trade opportunities available in emerging markets.
- Minnesota relies on its tourism industry and the Office of Tourism to build the image and awareness of the state to travelers and potential businesses. Overall, tourism business receipts have grown from \$4.9B in 1990 to \$6.9B in 1994. Moreover, the state's advancing per capita ranking among states reflects an improving position within the national tourism industry. Partnerships, industry collaboration and Minnesota's assets provide the resources needed to take advantage of emerging international visitor markets and increase the share of U.S. and Minnesota resident tourism expenditures. Continued growth in Minnesota's tourism industry will help business receipts reach \$10B by 2000.

AGENCY STRATEGIES:

The department has identified 4 agency wide goals. Following are those goals and the strategies to achieve them:

1. **Goal: Facilitate growth of business by influencing private sector investment and quality job creation.**

**Strategies:**

- Stimulate quality job growth and private investment by providing financing stimulus to new and expanding businesses
- Improve skills and employability of citizens
- Increase Minnesota business exports and attract foreign direct investment
- Help make communities viable and accommodate business growth by enhancing their economic development capacity
- Increase Minnesota's share of domestic and international travel market

1998-99 Biennial Budget

AGENCY: Trade and Economic Development, Department of (DTED)  
(Continuation)

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2. **Goal: Promote Minnesota as an excellent business location and travel destination.**

Strategies:

- Position Minnesota as a high-valued-added state with quality work force
- Publicize recent improvements to Minnesota's business climate as well as ongoing efforts for further reform
- Position DTED as the primary source for business, community, tourism and trade information
- Develop advocacy partnerships
- Increase public awareness of economic impact, value of tourism

3. **Goal: Remove government impediments to doing business in Minnesota.**

Strategies:

- Advocate initiatives to improve business climate
- Expedite the process of establishing and doing business in Minnesota
- Maximize access of government services and information through technology
- Coordinate economic development activities through partnerships with public and private organizations
- Scan environment to identify additional or potential impediments

4. **Goal: Deliver programs and services efficiently and cost effectively.**

Strategies:

- Cut costs by introducing cost-sharing, privatization, partnerships and cost-containment efforts while improving customer satisfaction and outcomes
- Maximize productivity through the effective use of technology
- Establish system for client feedback and outcome measurement
- Implement communication methods and systems to provide quick, coordinated and comprehensive information and technical assistance

**REVENUE SUMMARY:**

The department's total biennial budget request includes \$168,682,000 (71.4%) in federal funds and \$14,556,000 (6.2%) in special revenue funds. No significant changes in revenue are expected.

**SUMMARY OF BUDGET REQUEST:**

After six years of economic recovery, Minnesota faces significantly different economic challenges than businesses, communities and the state itself are accustomed to dealing with. At present, Minnesota is prospering. Unemployment rates are at record low levels throughout the state. Job openings are plentiful. For the first time in more than two decades, no industry and no region of Minnesota can be called economically distressed. Our challenges are to:

- 1) enhance the quality, not merely the number, of job opportunities available to Minnesotans;
- 2) enable an expanded number of Minnesota companies to take part in growing global markets; and
- 3) improve the infrastructure of our communities in order to prepare them to accommodate further development.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that initiatives totaling \$27,220,000 be added to the agency as a comprehensive expansion of the state's efforts to create high quality jobs, aid potential employees in developing needed skills to participate in that job growth, and build upon the economic vitality the state currently enjoys.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
BUSINESS/COMMUNITY DEVELOPMENT	52,005	86,089	103,199	103,199	118,481	102,152	102,152	112,740
MINNESOTA TRADE OFFICE	2,458	2,443	2,474	2,474	2,724	2,503	2,503	2,603
OFFICE OF TOURISM	8,700	9,629	8,268	8,268	8,768	8,348	8,348	8,848
INFORMATION & ANALYSIS		1,382	1,408	1,408	1,408	1,437	1,437	1,437
ADMINISTRATIVE SUPPORT	1,957	3,301	3,096	3,096	3,096	3,153	3,153	3,153
<b>TOTAL EXPENDITURES BY PROGRAM</b>	<b>65,120</b>	<b>102,844</b>	<b>118,445</b>	<b>118,445</b>	<b>134,477</b>	<b>117,593</b>	<b>117,593</b>	<b>128,781</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	28,746	34,148	25,412	25,412	41,444	25,662	25,662	36,850
MINNESOTA RESOURCES	45							
TRUNK HIGHWAY	679	689	706	706	706	723	723	723
<b>OPEN APPROPRIATIONS:</b>								
GENERAL	26	74	74	74	74	74	74	74
<b>STATUTORY APPROPRIATIONS:</b>								
GENERAL	4	74						
SPECIAL REVENUE	5,432	10,312	7,755	7,755	7,755	6,950	6,950	6,950
FEDERAL	30,183	57,529	84,498	84,498	84,498	84,184	84,184	84,184
GIFT	5	18						
<b>TOTAL EXPENDITURES</b>	<b>65,120</b>	<b>102,844</b>	<b>118,445</b>	<b>118,445</b>	<b>134,477</b>	<b>117,593</b>	<b>117,593</b>	<b>128,781</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	229.6	228.4	228.4	228.4	228.4	228.4	228.4	228.4
TEMP/SEAS/PART_TIME	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>231.3</b>	<b>230.1</b>	<b>230.1</b>	<b>230.1</b>	<b>230.1</b>	<b>230.1</b>	<b>230.1</b>	<b>230.1</b>

**1998-99 Biennial Budget  
Agency Level Revenue Summary**

Agency: Trade and Economic Development, Department of (DTED)

**REVENUE SOURCES:**

DTED generates dedicated and non-dedicated revenue.

The dedicated revenue is generated from loan repayments, seminars and tourism marketing. Non-dedicated revenue is generated from loan and grant repayments and PFA organizational fees (as an offset to the General Fund appropriation).

Grants from the federal government represent about \$85,000,000/year from various agencies.

**FEE STRUCTURE:**

None.

**RECENT CHANGES:**

None

**FORECAST BASIS:**

DTED is expecting revenues to remain similar to 1997.

**DECISION ITEMS:**

None.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
GENERAL	413	515	515	515	515	515	515	515
CAMBRIDGE DEPOSIT FUND	7	5	5	5	5	5	5	5
<b>OTHER REVENUES:</b>								
GENERAL	1,045	1,230	1,230	1,230	1,230	1,230	1,230	1,230
<b>OTHER SOURCES:</b>								
GENERAL	613	315	315	315	315	315	315	315
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>2,078</b>	<b>2,065</b>	<b>2,065</b>	<b>2,065</b>	<b>2,065</b>	<b>2,065</b>	<b>2,065</b>	<b>2,065</b>
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
SPECIAL REVENUE	1,825	1,550	1,550	1,550	1,550	1,550	1,550	1,550
<b>GRANTS:</b>								
FEDERAL	30,168	57,524	84,498	84,498	84,498	84,184	84,184	84,184
<b>OTHER REVENUES:</b>								
GENERAL	4	74						
SPECIAL REVENUE	1,707	1,647	1,448	1,448	1,448	1,452	1,452	1,452
GIFT	10	7						
<b>OTHER SOURCES:</b>								
SPECIAL REVENUE	1,843	1,198	1,387	1,387	1,387	1,577	1,577	1,577
<b>TOTAL DEDICATED RECEIPTS</b>	<b>35,557</b>	<b>62,000</b>	<b>88,883</b>	<b>88,883</b>	<b>88,883</b>	<b>88,763</b>	<b>88,763</b>	<b>88,763</b>
<b>AGENCY TOTAL REVENUES</b>	<b>37,635</b>	<b>64,065</b>	<b>90,948</b>	<b>90,948</b>	<b>90,948</b>	<b>90,828</b>	<b>90,828</b>	<b>90,828</b>

1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)

Agency: Trade and Economic Development, Department of

**USEPA Safe Drinking Water SRF Program**

**Importance**

Drinking water is a basic service which is required for people to live and business and industry to flourish. Unfortunately many municipalities have not invested in the modernization of their systems since the WPA days of the 1930. It is critical to upgrade these water systems to maintain the State reputation for quality water. Funds will also be used to address federally imposed mandates on the state to improve operating training and system viability.

**Significant Changes**

This program was established in 1997.

**Future Funding**

The program has been authorized through 2003. We expect the federal government to live up to its promise.

**USHUD-Small Cities Community Development Block Grant Program**

**Relative Importance of Federal Funds to Agency Operations/Programs**

The Small Cities Community Development Block Grant Program is the sole source of funding for DTED's Small Cities Development Program and an important source of funds for DTED's Minnesota Investment Fund. Without the federal money, DTED would fund fewer sewer, water and economic development projects and no commercial building or housing rehabilitation projects. This year, the federal program will also provide DTED with nearly \$600,000 in administrative funds.

**Significant Changes in Program Funding or Guidelines in Past Year**

Program funding has changed by less than 1% in the past year. Program guidelines change continuously. The most significant change is HUD's implementation of an Integrated Data Information System (IDIS). IDIS is a computer program management database and HUD is requiring all states to use and support the system. States already have computer systems, so HUD's system amounts to unnecessary duplication of state efforts. The reason this issue is significant is that additional state human and financial resources will be required to use and support IDIS.

**Areas at risk of Future Funding Cuts or Being Discussed for Increases**

There is conflicting information regarding the amount of funds that will be devoted to the maintenance of the status quo. The worst case scenario is a 30% cut over five years. The best case is maintenance of the status quo. No information suggests a funding increase.

**USEPA Clean water SRF program:**

**Importance**

Wastewater, like drinking water, is a basic service to residents and business statewide. Without adequate treatment at affordable costs the state would be forced to shut down business. Without

wastewater treatment capacity businesses could not expand in Minnesota.

The Public Facilities Authority also provides federal funding to the Pollution Control Agency for administrative costs of certifying wastewater projects and loans under the Clean Water Partnership program. Funds are also provided to the Department of Agriculture for their best management Loan Program. Both improve water quality statewide, which is essential for future development and maintenance of our tourism industry.

**Significant Changes**

None

**Future funding**

The programs were designed to operate in perpetuity as required under federal law. Once the funds end, loan repayments and investment earnings from the federal funds will allow the Authority to continue to make loans, with the state paying for administrative costs.

**USSBA-Small Business Development Centers**

**Relative Importance of Federal Funds to Agency Operations/Programs**

The Small Business Development Center (SBDC) program enables DTED to deliver free one-on-one business management counseling and training programs at modest cost to small business owners and managers across Minnesota. DTED provides overall program management and grants federal and state funds to nine subcenters, primarily state colleges and universities, to deliver services. In 1995, the SBDCs delivered approximately 34,000 hours of counseling to 3,500 businesses and sponsored 204 training programs attended by 3,900 individuals. Clients indicated that as a result of SBDC assistance, they created or retained nearly 900 jobs, increased sales by more than \$28 million, and secured capital in excess of \$60 million. Without the resources supplied by the federal funds, DTED would not be able to provide the assistance that helps small Minnesota companies achieve these results.

**Significant Changes in Program Funding or Guidelines in Past Year**

SBA increasingly is requiring recipients to address federal priorities first, regardless of the state economic development goals. For example, SBA now requires SBDCs to assist SBA borrowers first, including delinquent borrowers. At the same time, SBA proposes reducing SBDC funding (see below). As a result, assuming no increase in resources, there is a risk that clients with significant state economic development potential will be unserved so that federal priorities can be met.

**Areas at Risk of Future Funding Cuts or Being Discussed for Increases**

There is substantial risk of future funding cuts, which seriously threaten continuation of the program. SBA and the President have recommended to Congress that the match requirement be increased from the present ration of 1:1 to a ratio of \$1 in federal funds to \$3 of match by the year 2000. It is increasingly difficult for the subcenters to provide matching funds at the current level of funding, and will be even more difficult if the match requirement is increased. Declining enrollments and the merger of the state's higher education systems have reduced instructional budgets from which the subcenters' match is provided. Further, efforts by subcenters to raise matching funds from outside sources are time consuming and reduce the amount of time available for direct client service.

**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**PROGRAM DESCRIPTION:**

The programs and services of this program are delivered directly to businesses and communities, or in partnership with economic development service providers, utilities, banks, local government and others. The division focuses its efforts primarily on facilitating job creation and retention by Minnesota companies.

**PROGRAM STATUS:**

The division is organized into 5 main program areas:

**Business Development and Finance** programs include the Minnesota Investment Fund, a tax-exempt Revenue Bond program through the Agricultural and Economic Development Board, the Capital Access Program and the Tourism Loan Program. The Office targets Minnesota's highest growth industries for marketing Minnesota's business climate, and works in partnership with other economic development organizations including Advantage Minnesota to expand Minnesota's economic base and create high quality employment opportunities.

**Minnesota Job Skills Partnership** provides training grants through state higher education institutions to assist business with customized training needs. Minnesota Job Skills Partnership's purpose is to enable businesses and the community to be economically viable; to enable Minnesota citizens to be economically self-sufficient; and to support the state's educational institutions in being more responsive to business needs.

**Community Development** programs include financing for housing, sewer and water capacity, and commercial rehabilitation. Programs for rural housing and other infrastructure needs are financed through the federal Small Cities Development Program. The Office of Community Finance also administers Contaminated Site Cleanup Grants, Community Resource Program Grants, Border City Enterprise Zone tax credits, and Mortgage Credit Certificate Aid Grants. The Minnesota Public Facilities Authority manages a \$450,000,000 bond pool to finance wastewater treatment facilities, and uses federal dollars, in cooperation with MPCA, Department of Agriculture, and DTED to finance non-point source pollution projects.

**Regional Initiatives** provide service to local economic development service providers on a regional basis to support job creation needs. The Office of Regional Initiatives administers the Urban Initiative Program, the Minnesota Initiative Fund Challenge Grant Program, and the Star Program, and works with Regional Development Commissions, Community Development Corporations, MEDA and WomenVenture. The Office also administers the DYLAN database to provide property and community profile information to businesses in seeking site location assistance.

**Small Business Assistance Office** serves as point of first, and continuing, contact for businesses that are starting, operating and expanding in Minnesota. The Office of Small Business Assistance provides "one-stop information" on business planning, financing, marketing, licensing and regulatory questions, produces many publications on a variety of topics on doing business in Minnesota, and administers, under federal law, the Small Business Development Centers at 23 locations around the state.

**PLANNED RESULTS:**

The division's programs facilitate the creation of new jobs. The division's customers are businesses and communities and the division serves these customers through financial and technical assistance. Primary goals of the division include:

1. Stimulate job growth and private investment by providing financing assistance to communities, and to new and expanding businesses:
2. Enhance businesses ability to grow jobs in Minnesota and compete globally by developing a well trained work force:
3. Help make communities viable and accommodate job growth by investing in decent housing, public infrastructure, and functional business districts:
4. Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.
5. Facilitate start-up and growth of existing businesses in Minnesota, targeting small business, by providing information, business counseling and technical assistance.

**BUDGET AND REVENUE SUMMARY:**

The base, General Fund budget will allow BCD to make progress toward its stated mission of using all available resources to advance economic vitality for all Minnesota citizens through the retention and creation of high quality jobs, and to influence private sector decision-making relative to business start-ups and expansions. Most of the programs are, by nature, straight expenditures without potential to provide direct revenue back to the department. (The programs stimulate revenue to the state through additional income, sales and other taxes collected from businesses and individuals assisted through the programs.) Where authorized by law, DTED can and does recapture and reuse some program funds.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that \$25,870,000 be added to the agency plan for creating jobs and sustaining economic vitality. Initiatives funded include:

- \$7,576,000 for the Job Skills Partnership;
- \$4,000,000 for the Minnesota Investment Fund;
- \$1,000,000 for Contamination Clean-up Funds;
- \$4,444,000 to match federal funds for the Drinking Water Revolving Fund;
- \$600,000 for Advantage Minnesota;
- \$250,000 for the Software Technology Center;
- \$4,000,000 for the Pathways Program; and
- \$4,000,000 for City of St. Paul Economic Development.

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Trade and Economic Development, Department of

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
USEPA-Clean Water SRF	Yes	Loans-Pol Subdiv	-0-	-0-	25,000	25,000
USEPA-Drinking Water SRF	Yes	Loans-Pol Subdiv	-0-	-0-	32,000	32,000
USEPA-Tourism Loan Pgm Septic Loans	Yes	Loans-Pol Subdiv	-0-	-0-	250	-0-
USEPA-Septic Loans SCDP	Yes	Loans-Pol Subdiv	-0-	1,250	-0-	-0-
USDOA-Mn Rural Partners	No	SO	119	105	100	100
USHUD-Sm Cities Comm Dev Block Grt Pgm	Yes	Grants-Pol Subdiv	28,664	55,237	25,718	25,654
USBA-Sm Business Develop Centers	Yes	State Op/Grts-PS	1,300	878	1,340	1,340
USCOMMERCE-Red River Trade Corridor	No	Grants-Pol Subdiv	59		40	40
NASDA	Yes	Intl Mkt Develop	41	59	50	50
<b>Agency Total</b>			<b>30,183</b>	<b>57,529</b>	<b>84,498</b>	<b>84,184</b>

Key:

SO - State Operations

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REGIONAL INITIATIVES	4,333	6,143	6,197	6,197	6,197	5,397	5,397	5,397
BUSINESS DEVELOPMENT & FINANCE	7,011	8,192	6,258	6,258	8,808	6,008	6,008	8,308
COMMUNITY DEVELOPMENT	34,420	66,587	85,750	85,750	92,694	85,704	85,704	88,204
SMALL BUSINESS ASSISTANCE	2,291	1,890	2,313	2,313	2,313	2,313	2,313	2,313
MINN JOB SKILLS PARTNERSHIP	2,371	2,312	2,216	2,216	8,004	2,220	2,220	8,008
DEPUTY COMMISSIONER	1,579	965	465	465	465	510	510	510
TOTAL EXPENDITURES BY ACTIVITY	52,005	86,089	103,199	103,199	118,481	102,152	102,152	112,740
GOV'S INITIATIVES:		FUND						
(B) MN JOB SKILLS PARTNERSHIP PROGRAM		GEN			3,788			3,788
(B) MN INVESTMENT FUND		GEN			2,000			2,000
(B) CONTAMINATION CLEANUP FUNDS		GEN			500			500
(B) DRINKING WATER REVOLVING FUNDS		GEN			4,444			
(B) ADVANTAGE MINNESOTA		GEN			300			300
(B) SOFTWARE TECHNOLOGY		GEN			250			
(B) PATHWAYS		GEN			2,000			2,000
(B) ST. PAUL ECONOMIC DEVELOPMENT		GEN			2,000			2,000
TOTAL GOV'S INITIATIVES					15,282			10,588
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	17,603	19,459	11,912	11,912	27,194	11,979	11,979	22,567
OPEN APPROPRIATIONS:								
GENERAL	26	74	74	74	74	74	74	74
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4,288	9,075	6,805	6,805	6,805	6,005	6,005	6,005
FEDERAL	30,083	57,470	84,408	84,408	84,408	84,094	84,094	84,094
GIFT	5	11						
TOTAL EXPENDITURES	52,005	86,089	103,199	103,199	118,481	102,152	102,152	112,740
FTE BY EMPLOYMENT TYPE:								
REGULAR	67.1	65.9	65.9	65.9	65.9	65.9	65.9	65.9
TOTAL FTE	67.1	65.9	65.9	65.9	65.9	65.9	65.9	65.9

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Business Development and Finance  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

The Business and Community Development Division facilitates business development through a variety of programs. These programs include financing of business retention and expansions; promoting and marketing Minnesota as an excellent business location; and providing information on laws and regulations governing business start-ups and expansions in the state of Minnesota.

The Office of Business Development and Finance is responsible for bringing together the state's resources to assist in business retention, expansion, and new or relocation opportunities. Stimulating capital investment and new employment opportunities throughout Minnesota is the result of these efforts.

The Office of Business Development and Finance administers grant and loan programs that assist in business start-ups, retention or expansions. Programs include the Minnesota Investment Fund, the Small Cities Development Set-aside Program, the Tourism Loan Program, the Capital Access Program, and the Agricultural and Economic Development Program.

**Minnesota Investment Fund (M.S. 116J.8731) and Small Cities Development Program (M.S. 116J.403) Economic Development Set-Aside**

The purpose of this program is to help local units of government improve and strengthen their business and economic base by providing, through the community, financing for business expansions and relocations.

**Agricultural and Economic Development Board (M.S. 41A.022)**

The Agricultural and Economic Development Board was created by the Rural and Economic Development Act of 1987. The board administers the Small Business Development Loan Program. This program makes direct loans to businesses utilizing tax-exempt revenue bonds issued by the board.

**Capital Access Program (M.S. 116J.876)**

The Capital Access Program provides assistance to businesses, particularly small and medium-sized businesses obtaining conventional financing for start-up or expansion costs. The program enables bank lenders to address situations where a fundamentally good loan does not meet all of a bank's underwriting standards.

**Tourism Loan Program (M.S. 116J.617)**

The Tourism Loan Program provides otherwise unavailable low-interest financing to existing tourism related businesses that provide overnight lodging. The program features a revolving fund whereby interest and principal payments by borrowers are made for additional tourism-related loans.

**BUDGET ISSUES:**

The Minnesota Investment Fund, using both General Fund appropriations and a set-aside from the Small Cities Development fund, allows communities to finance business expansions and to keep a portion of the loan repayments to establish locally administered revolving funds for future development projects.

In F.Y. 1996, the program awarded \$6,000,000 in state and federal economic development funds, funding a total of 21 projects throughout the state of Minnesota, helping to create approximately 1,231 jobs.

**ACTIVITY DESCRIPTION:**

**Office of Business Development and Finance (M.S. 116J.58)**

The Office of Business Development and Finance houses industry specialists in 4 targeted industries: Computer and Electrical Components; Forest Products; Health Care; Printing and Publishing. These specialists help foster the growth of jobs, revenues, and investment in their specific industry group. The targeted industries were identified based on 5 criteria: total employment in Minnesota, growth in Minnesota employment, location quotient, value-added manufacturing, and attractive wage levels.

The Office of Business Development and Finance also administers a pass-through grant, awarded by the legislature to *Advantage Minnesota* (M.S. 116J.693.)

**BUDGET ISSUES:**

*Advantage Minnesota's* current appropriation of \$200,000 per year leverages more than the required one-to-one match. The state appropriation, with private partners, funds a marketing program to enhance direct investment in Minnesota.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: BUSINESS DEVELOPMENT & FINANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	693	838	851	851	851	851	851	851
OPERATING EXPENSES	88	83	70	70	70	70	70	70
<b>SUBTOTAL STATE OPERATIONS</b>	<b>781</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>
LOCAL ASSISTANCE	5,143	6,306	4,222	4,222	6,772	4,222	4,222	6,522
OTHER EXPENSES	950	965	1,115	1,115	1,115	865	865	865
NON-CASH TRANSACTIONS	137							
<b>TOTAL EXPENDITURES</b>	<b>7,011</b>	<b>8,192</b>	<b>6,258</b>	<b>6,258</b>	<b>8,808</b>	<b>6,008</b>	<b>6,008</b>	<b>8,308</b>
<b>GOV'S INITIATIVES:</b>								
								<b>FUND</b>
(B) MN INVESTMENT FUND					2,000			2,000
(B) ADVANTAGE MINNESOTA					300			300
(B) SOFTWARE TECHNOLOGY					250			
<b>TOTAL GOV'S INITIATIVES</b>					<b>2,550</b>			<b>2,300</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	6,051	7,217	5,133	5,133	7,683	5,133	5,133	7,433
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	960	975	875	875	875	875	875	875
FEDERAL			250	250	250			
<b>TOTAL EXPENDITURES</b>	<b>7,011</b>	<b>8,192</b>	<b>6,258</b>	<b>6,258</b>	<b>8,808</b>	<b>6,008</b>	<b>6,008</b>	<b>8,308</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	712	549	536	536	536	525	525	525
FEDERAL			250	250	250			

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
 PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
 ACTIVITY: BUSINESS DEVELOPMENT & FINANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
NONDEDICATED:								
GENERAL	1,628	1,540	1,540	1,540	1,540	1,540	1,540	1,540
TOTAL REVENUES COLLECTED	2,340	2,089	2,326	2,326	2,326	2,065	2,065	2,065
FTE BY EMPLOYMENT TYPE:								
REGULAR	23.2	14.3	14.3	14.3	14.3	14.3	14.3	14.3
TOTAL FTE	23.2	14.3	14.3	14.3	14.3	14.3	14.3	14.3

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development  
**ACTIVITY:** Business Development and Finance

**ITEM TITLE:** Minnesota Investment Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$2,000	\$2,000	\$2,000	\$2,000
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

**Statutory Change?** Yes  No

**If yes, statutes(s) affected:**

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends increasing the biennial budget by \$4,000,000 to the Minnesota Investment Fund (MIF) bringing the total biennial appropriation to \$12,034,000.

**RATIONALE:**

As the primary incentive financing tool of the state of Minnesota, the Minnesota Investment Fund needs to be funded at a level to help companies stay, expand, and create quality jobs in Minnesota. Communities all over Minnesota require assistance on behalf of their businesses, and FY97 funding levels meet barely one-third of the demand from excellent companies paying wages in excess of legislatively - mandated guidelines.

**PROGRAM OUTCOMES:**

Based on experience with projects funded in F.Y. 1996, a state appropriation of \$12,034,000 would assist businesses in approximately 60 Minnesota communities, and facilitate the creation of nearly 3,000 direct new jobs.

**LONG-TERM IMPACT:**

The state would have a strong program of financing to complement its excellent information and technical assistance. Higher levels of support for the Minnesota Investment Fund improves the state's competitive position when faced with offers from other states.

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Advantage Minnesota, Inc.  
**ACTIVITY:** Business Development and Finance

**ITEM TITLE:** Increased Funding for Advantage Minnesota, Inc.

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$300	\$300	\$300	\$300
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an increased appropriation of \$600,000 for Advantage Minnesota, Inc. for biennium 1998-99 to bring the total amount from \$400,000 to \$1,000,000 for the biennium.

**RATIONALE:**

Advantage Minnesota was launched in 1992 as a "public-private" partnership on a 1:1 state dollar match. Advantage Minnesota's mission is to create and deliver marketing programs and services that promote Minnesota globally as an attractive environment for business development, expansion and job creation. Its business development programs utilize research, direct mail, telemarketing, trade shows, advertising, prospect visits, development proposals and customer service to encourage and facilitate business expansions to the state.

Additional state funding would match private investments. This increased funding would allow Advantage Minnesota to more aggressively market the state globally to a greater number of targeted companies and locations, attracting business development that will result in economic growth and the creation of quality, well-paying jobs.

**PROGRAM OUTCOMES:**

Comprehensive international marketing/business development programs will attract company expansions and new jobs to Minnesota. Increased state funding that matches private funding will enable the continuation of the corporation's aggressive marketing programs in Canada and Sweden, and facilitate program launch in Nordic locations to include Denmark, Norway, and Finland.

**LONG-TERM IMPACT:**

Full matching of private funds will contribute to a successful public/private partnership. A combined public/private \$1 million annual budget will increase Minnesota's visibility as an international location and attract foreign direct investment into the state, resulting in economic growth and the creation of quality, well paying jobs.

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development  
**ACTIVITY:** Business Development and Finance

**ITEM TITLE:** Software Technology Center

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$250	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$250,000 for the Software Technology Center (STC), through the Department of Trade and Economic Development (DTED). The funding will be used to operate STC's St. Paul facility and broaden industry-related educational services.

**RATIONALE:**

The nonprofit STC opened in early 1996 with the help of several major Information Technology (IT) corporations. The STC is set up to provide low-cost access to cutting-edge software and hardware, which will help keep Minnesota competitive in the industry. State support will be matched by private industry on a 1:1 basis.

**PROGRAM OUTCOMES:**

The STC will foster success and growth for early stage businesses in the Information Technology industry, and will provide low-cost access to cutting-edge software and hardware.

**LONG-TERM IMPACT:**

The STC will serve as a reference library/education and networking center for the state's 22,000 IT workers.

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Minnesota Job Skills Partnership Program  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

**Minnesota Job Skills Partnership Program (M.S. 116L)**

The Minnesota Job Skills Partnership Program is governed by an 11 member board including the Commissioners of DTED, DES, and the Chancellor of the MNSCU System. The agency has the three-fold purpose of stimulating economic development, contributing to economic opportunity for individuals, and serving as an educational catalyst between business and industry.

Its 3 functions are to facilitate the creation of businesses, jobs, and new educational programs by serving as a provider of information, technical assistance, and grant assistance regarding the development and provisions of education and training for businesses in Minnesota.

**BUDGET ISSUES:**

The Minnesota Job Skills Partnership program is driven by the needs of employers. Employers, in partnership with educators and communities, target specific training needs to aid in the business' relocation or expansion needs. The educational institutions benefit through added curricula and closer working relationships with businesses in their communities. Employees benefit by gaining training to meet emerging labor market demand where there are skill shortages. For 1997, the program is estimating training 3,316 new or existing employees in approximately 24 businesses.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: MINN JOB SKILLS PARTNERSHIP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	133	159	156	156	256	160	160	260
OPERATING EXPENSES	15	11	18	18	118	18	18	118
<b>SUBTOTAL STATE OPERATIONS</b>	<b>148</b>	<b>170</b>	<b>174</b>	<b>174</b>	<b>374</b>	<b>178</b>	<b>178</b>	<b>378</b>
LOCAL ASSISTANCE	2,197	2,122	2,022	2,022	7,610	2,022	2,022	7,610
NON-CASH TRANSACTIONS	26	20	20	20	20	20	20	20
<b>TOTAL EXPENDITURES</b>	<b>2,371</b>	<b>2,312</b>	<b>2,216</b>	<b>2,216</b>	<b>8,004</b>	<b>2,220</b>	<b>2,220</b>	<b>8,008</b>
<b>GOV'S INITIATIVES:</b>								
								<b>FUND</b>
(B) MN JOB SKILLS PARTNERSHIP PROGRAM					3,788			3,788
(B) PATHWAYS					2,000			2,000
<b>TOTAL GOV'S INITIATIVES</b>					<b>5,788</b>			<b>5,788</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,371	2,312	2,216	2,216	8,004	2,220	2,220	8,008
<b>TOTAL EXPENDITURES</b>	<b>2,371</b>	<b>2,312</b>	<b>2,216</b>	<b>2,216</b>	<b>8,004</b>	<b>2,220</b>	<b>2,220</b>	<b>8,008</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
<b>TOTAL FTE</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development  
**ACTIVITY:** Minnesota Job Skills Partnership

**ITEM TITLE:** Minnesota Job Skills Partnership (MJSP)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$3,788	\$3,788	\$3,788	\$3,788
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No  X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends increased funding of \$7,576,000 to the Minnesota Job Skills Partnership (MJSP) Program. This would bring the total biennium appropriation to \$12,000,000.

**RATIONALE:**

Training assistance is becoming a key feature of business expansion needs. Because of shortages of skilled labor, any economic development strategy must have a strong training component. Funds requested would: make Minnesota more competitive with other states; increase the rate and type of change in education; assist in transitioning new unskilled to skilled in wake of federal legislative changes for real existing jobs; and support economic growth and ease labor shortages.

**PROGRAM OUTCOMES:**

It is anticipated that the requested funding would result in 210 businesses being served during the biennium benefitting over 20,000 Minnesotans. The state investment would be leveraged on a 2:1 basis in cash and in-kind contributions from businesses and workers. The program would generate over 100 new education courses and 8 new certificate, diploma or degree programs.

**LONG-TERM IMPACT:**

The 5-year economic benefit of the program according to the REMI analysis shows that \$7 dollars of tax revenue would be returned for every \$1 of MJSP investment. Long-term the program effects the responsiveness of educational offerings and provides a dynamic model for dislocated workers in transition, school-to-work and welfare-to-work programs.

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development  
**ACTIVITY:** Job Skills Partnership

**ITEM TITLE:** PATHWAYS Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$2,000	\$2,000	\$2,000	\$2,000
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends establishment of a PATHWAY program to assist persons moving from welfare-to-work. The program purpose is to provide an educational "pathway" where persons on public assistance would be provided training and education that would be used directly by specific employers.

**RATIONALE:**

As a result of recent federal changes, significant numbers of Minnesotans currently receiving public assistance will be required to become gainfully employed. Additionally, persons needing public assistance in the future will have time-limited benefits. As a consequence of these changes, current programs must adjust and develop methods that directly lead to self sufficiency for persons on public assistance.

It is estimated that currently there are approximately 38,000 Minnesota families that could be affected by welfare reform. While it is anticipated that a significant number of new jobs will be created by the year 2000, what is currently often missing is the educational pathway by which persons on public assistance can find an avenue to be employed in private sector jobs.

An effective way to develop pathways is through projects that directly link the employer with the resources of existing service providers, educators, and economic development specialists. Since DTED serves as the state's primary economic development agency and has experience, through the Minnesota Job Skills Partnership (MJSP), in developing training programs which focus on industry needs, it is well positioned to administer this initiative. Utilizing the existing MJSP infrastructure, the implementation of the program can be expected to be faster than what might normally be anticipated.

Program features include participation limited to those on public assistance, active participation of the employer, preference for projects with jobs that indicate a career ladder and creation of educational pathways that are repeatable.

**PROGRAM OUTCOMES:**

Assuming a ceiling of \$200,000 of PATHWAYS funding per project it is estimated that an annual appropriation of \$2 million would result in approximately 14 projects per year. Since the program would be limited to persons on public assistance it is estimated that the project would result in approximately 1,500 persons formerly on public assistance per year being gainfully employed in the private sector. By encouraging private sector match requirements, the program would leverage an additional \$2 million per year. It is anticipated that there would be between 3-5 effective "pathways" created for every 10 projects funded that could be run continually to serve other persons on public assistance.

**LONG-TERM IMPACT:**

It is anticipated that the program would positively impact the current human service delivery system infrastructure by making it more market oriented. Further it would enable existing departments to better define roles and sharpen expertise in defined areas and enable change in educational delivery systems.

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Community Development  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

The Business and Community Development Division facilitates job creation by helping communities with needed infrastructure associated with economic development and redevelopment. These infrastructure needs range from housing, sewer, water, and wastewater treatment, to commercial rehabilitation.

**Small Cities Development Program (SCDP) (M.S. 116J.401)**

The SCDP assists Minnesota Communities by providing federal Community Development Block Grant (CDBG) funds to rehabilitate owner-occupied or rental housing, construct new or rehabilitate existing public infrastructure, and rehabilitate commercial structures. SCDP funds may also be used for acquisition and clearance of dilapidated buildings, and in support of new housing construction. Under federal guidelines, the program must primarily benefit low and moderate income people.

**Small Cities Development Program Flood Disaster Funds (M.S. 116J.401)**

Congress also appropriated a total of approximately \$23,700,000 million to the state of Minnesota in response to the flood of 1993. DTED has awarded the funds to local units of government to rehabilitate flood-damaged housing, acquire and demolish housing and commercial structures located in floodplains, and replace unsound municipal infrastructure that contributed to flood damage in homes and businesses.

**Contaminated Site Cleanup Grant Program (M.S. 116J.557)**

The Contaminated Site Cleanup Grant Program was created by the 1993 legislature to assist Minnesota communities and local development authorities by providing state general fund and bond monies to clean up contaminated sites where there will be private or public redevelopment. Sites that do not qualify for existing PCA cleanup funds are eligible for this program.

**Community Resource Program (M.S. 466A.01)**

The Community Resource Program provides grants to Minneapolis, St. Paul, and Duluth to address the objectives of 1) increasing community safety and reducing crime; 2) enhancing stability, including school readiness; 3) providing opportunities for residents to become self-supporting; and 4) building the capacity of neighborhood based organizations to create neighborhood stability.

**Special Appropriations**

This program provides administrative support to ensure proper management, contractual negotiation, and monitoring of all special appropriations assigned to the Business and Community Development Division by the legislature. Special Appropriations include the Border City Enterprise Zone Tax Credit Program, the Mortgage Credit Certificate Aid Program, and the Review of County Capital Improvement projects (no state dollars).

**Public Facilities Authority (M.S. 446A)**

The Public Facilities Authority provides low-interest loans and other financial assistance to local governments and sanitary districts for new or expanded wastewater treatment facilities that meet the requirements of the Clean Water Act. Beginning in 1997, the Authority expects to provide similar financial assistance for drinking water systems to local governments and other community water suppliers under the provisions of the Safe Drinking Water Act.

The Authority reviews and approves financing for the following programs:

- State Water Pollution Control Revolving Fund (SRF)
- Wastewater Infrastructure Funding Program (WIF)
- Once-Through Cooling Loan Program
- Drinking Water Revolving Fund

Pass-through Programs for Non-Point Source Pollution (M.S. 446A.07):

- Agriculture and Rural Best Management Practices Nonpoint Source Water Pollution Program
- Clean Water Partnerships Program
- Failed Septic System Program - Tourism Loan Program
- Failed Septic System Program - Small Cities Development Program

**BUDGET ISSUES:**

- State Water Pollution Control Revolving Fund: Since the establishment of the program, the SRF has leveraged state matching funds with grants from the EPA Capitalization Grant program. In addition, the Authority has issued 5 revenue bond sales for a total of \$238,000,000 to finance water quality projects. The Authority program has been rated AA+ by Standard and Poor which help the authority minimize the cost of borrowing to finance these expensive but critical facilities.

The Authority needs additional resources to match available federal funds and assist Minnesota communities.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,048	1,126	1,082	1,082	1,082	1,048	1,048	1,048
OPERATING EXPENSES	161	441	307	307	307	300	300	300
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,209</b>	<b>1,567</b>	<b>1,389</b>	<b>1,389</b>	<b>1,389</b>	<b>1,348</b>	<b>1,348</b>	<b>1,348</b>
LOCAL ASSISTANCE	33,010	60,589	26,418	26,418	33,362	26,418	26,418	28,918
OTHER EXPENSES		4,280	57,800	57,800	57,800	57,800	57,800	57,800
NON-CASH TRANSACTIONS	201	151	143	143	143	138	138	138
<b>TOTAL EXPENDITURES</b>	<b>34,420</b>	<b>66,587</b>	<b>85,750</b>	<b>85,750</b>	<b>92,694</b>	<b>85,704</b>	<b>85,704</b>	<b>88,204</b>
<b>GOV'S INITIATIVES:</b>								
								<b>FUND</b>
(B) CONTAMINATION CLEANUP FUNDS								GEN
(B) DRINKING WATER REVOLVING FUNDS								GEN
(B) ST. PAUL ECONOMIC DEVELOPMENT								GEN
<b>TOTAL GOV'S INITIATIVES</b>								
								500
								4,444
								2,000
								6,944
								2,500
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	5,725	6,996	2,158	2,158	9,102	2,176	2,176	4,676
<b>OPEN APPROPRIATIONS:</b>								
GENERAL	26	74	74	74	74	74	74	74
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE		3,030	800	800	800	800	800	800
FEDERAL	28,664	56,487	82,718	82,718	82,718	82,654	82,654	82,654
GIFT	5							
<b>TOTAL EXPENDITURES</b>	<b>34,420</b>	<b>66,587</b>	<b>85,750</b>	<b>85,750</b>	<b>92,694</b>	<b>85,704</b>	<b>85,704</b>	<b>88,204</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: COMMUNITY DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	789	800	800	800	800	800	800	800
FEDERAL	28,664	56,487	82,718	82,718	82,718	82,654	82,654	82,654
GIFT	5							
<b>NONDEDICATED:</b>								
GENERAL	413	515	515	515	515	515	515	515
<b>TOTAL REVENUES COLLECTED</b>	<b>29,871</b>	<b>57,802</b>	<b>84,033</b>	<b>84,033</b>	<b>84,033</b>	<b>83,969</b>	<b>83,969</b>	<b>83,969</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	19.8	19.8	19.8	19.8	19.8	19.8	19.8	19.8
<b>TOTAL FTE</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>	<b>19.8</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development'  
**ACTIVITY:** Community Development

**ITEM TITLE:** Contamination Cleanup Program

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$500	\$500	\$500	\$500
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

**Statutory Change?** Yes  No

**If yes, statutes(s) affected:**

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an appropriation of \$1.0 million for the biennium for contamination cleanup grants in Greater Minnesota administered pursuant to M.S. 116J.551 through 116J.558. It is anticipated that Metropolitan Council programs will have the capacity to meet Twin Cities needs in the next biennium.

**RATIONALE:**

Contaminated commercial and industrial sites contribute to the physical and economic decline of cities. The presence of contaminants eliminates redevelopment prospects for a site and can have a negative effect on the nearby properties. The presence of several contaminated sites sends a very clear message that a neighborhood is decaying.

The purpose of this program is to provide financial assistance to cities, townships and local development agencies for the cleanup of contaminated sites where there is serious private or public redevelopment potential. The program helps transform contaminated sites from a blighting influence to a marketable asset. Sites that contain superfund level contaminants, but are not scheduled for superfund financing, qualify for this program.

The contamination tax was originally intended to finance contamination cleanup grants. The tax however, does not generate sufficient revenue to capitalize the program. Because of constitutional constraints associated with the use of bond funds for private development projects, a bond financed program is not a viable option. General fund support for the program is necessary.

**LONG-TERM IMPACT:**

The transformation of contaminated sites into productive properties will have a significant impact on the core cities, inner ring suburbs and larger communities in greater Minnesota. New construction will occur, jobs will be created, and tax base will be improved in areas where revitalization is most needed.

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** MN Public Facilities Authority  
**ACTIVITY:** Community Development

**ITEM TITLE:** Drinking Water Revolving Loan Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
- Special Revenues/or Bonding	\$-0-	\$-0-	\$-0-	\$-0-
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$4,444	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

**Statutory Change?** Yes  No

**If yes, statutes(s) affected:**

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$4,444,000 to match federal F.Y. 1997 capitalization grants for the Drinking Water Revolving Fund. The Public Facility Authority (PFA) will use state funds to leverage federal funds on a \$5 federal to \$1 state basis.

**RATIONALE:**

This program will generate revenues for the State at a ratio of 5:1 in federal matching grants while reducing local taxes and/or fee increases, as well as provide safe drinking water. The 1996 Legislature appropriated \$4,000,000 as state match for either Drinking Water or Wastewater funding, which will be used to match a portion of the F.Y. 1997 appropriation for the Drinking Water fund. This leaves the State \$4,444,000 short this fiscal year.

**PROGRAM OUTCOMES:**

- Leverage \$5 of Federal funds for every \$1 of State match.
- Leverage State and Federal funding with issuance of Revenue Bonds.
- Target needy low income communities.
- Finance project to be in compliance with the Safe Drinking Water Act.
- Generate \$1 of Revenue for every State \$1 received by the PFA.

**LONG-TERM IMPACT:**

- Safe Drinking available statewide.
- Competitive public utility rates nationally for Minnesota.
- Offer of low-interest loans to targeted communities.
- Fund to be managed in perpetuity.

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Business and Community Development  
**ACTIVITY:** Community Development

**ITEM TITLE:** City of St. Paul Economic Development

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Grants	\$2,000	\$2,000	\$2,000	\$2,000
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a statutory appropriation of \$2,000,000 annually to DTED for grants to the City of St. Paul. This appropriation is to be continued for 10 years to support the necessary improvements to infrastructure and facilities necessary to attract and retain a professional sports franchise in the capital city.

**RATIONALE:**

The addition of a new professional sports team in downtown St. Paul will be a key factor in the continued economic rejuvenation of St. Paul. This economic opportunity will provide an anchor tenant for the renovated St. Paul Civic Center. The state investment will be returned by the additional corporate and personal income tax generated by the franchise, additional sales tax receipts derived from new spending in the entire Twin Cities area, and a new stability of the east metro property tax base brought about by this economic development initiative. This grant to St. Paul will be made only after DTED has determined that a franchise has made a legally binding, long-term commitment to the City of St. Paul, and that the direct annual tax revenues to Minnesota will exceed this investment.

**PROGRAM OUTCOMES:**

The City of St. Paul will realize economic returns on improvements already made, and to be made, to the St. Paul Civic Center and downtown infrastructure. Merchants and businesses in the east metro area will realize increased business opportunities resulting from investment and economic activity generated by the professional sports franchise.

**LONG-TERM IMPACT:**

A major league sports franchise making a long-term commitment to the capital city will provide both an economic return on investment and an improvement to the quality of life for Minnesota.

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Small Business Assistance Office  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

**Small Business Assistance Office (M.S. 1162.68)**

The Small Business Assistance Office seeks to facilitate the incubation and survival of new businesses, jobs, and wealth by serving as a point of first and continuing contact for information and assistance regarding the start-up, operation, or expansion of a small business in Minnesota (M.S. 116J.68). The Office works to reduce the cost of information to potential, new and existing small businesses in 3 ways:

- By providing free-of-charge, publications which address topics and issues with the potential to affect the success of small business operations. This program presently has 10 publications. The 2 most frequently requested are "A Guide to Starting a Business in Minnesota" and "An Employer's Guide to Employment Law Issues in Minnesota".
- By offering workshops and training programs on topics which cut across industry lines (e.g., capital formation) and topics specific to particular industries (e.g., products liability for medical device manufacturers).
- By offering one-on-one counseling to small businesses on business planning, financing, marketing, regulations and other areas of business management and operations.

The demand for increasingly sophisticated counsel and assistance increases. Changing business, legal, and economic factors create the need for on-going up-date of materials and services provided by the program.

**BUDGET ISSUES:**

The department provides information on doing business in Minnesota to start-up, small- and medium-sized businesses through the Small Business Assistance Office which, in addition to the services noted above, also operates a network of 23 Small Business Development Centers funded in part by the federal government.

For F.Y. 1998 and F.Y. 1999, approximately 35,000 hours of counseling to business clients will be provided through the department and the SBDCs. Counseling service is measured by improvements in the businesses operations due to the program. More information on the results of counseling service is provided in the department's annual performance report.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: SMALL BUSINESS ASSISTANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	443	407	526	526	526	526	526	526
OPERATING EXPENSES	1,312	237	233	233	233	233	233	233
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,755</b>	<b>644</b>	<b>759</b>	<b>759</b>	<b>759</b>	<b>759</b>	<b>759</b>	<b>759</b>
LOCAL ASSISTANCE	449	1,246	1,554	1,554	1,554	1,554	1,554	1,554
NON-CASH TRANSACTIONS	87							
<b>TOTAL EXPENDITURES</b>	<b>2,291</b>	<b>1,890</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	974	1,012	973	973	973	973	973	973
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	17							
FEDERAL	1,300	878	1,340	1,340	1,340	1,340	1,340	1,340
<b>TOTAL EXPENDITURES</b>	<b>2,291</b>	<b>1,890</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>	<b>2,313</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
FEDERAL	1,300	878	1,340	1,340	1,340	1,340	1,340	1,340
<b>TOTAL REVENUES COLLECTED</b>	<b>1,300</b>	<b>878</b>	<b>1,340</b>	<b>1,340</b>	<b>1,340</b>	<b>1,340</b>	<b>1,340</b>	<b>1,340</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
<b>TOTAL FTE</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Regional Initiatives  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development

**ACTIVITY DESCRIPTION:**

The Office of Regional Initiatives (ORI) helps make communities viable and accommodate business growth by enhancing their economic development capacity which fosters an environment in which job creation can occur. Office staff join "regional teams" from programs across DTED's divisions to create an appropriate departmental response for community and business job creation needs.

ORI also administers 2 loan programs designed to help finance job and business growth. The Rural Challenge Grant Program continues to provide opportunities for low-income individuals, encourage private investment, and promote economic development in rural areas of the state in partnership with the 6 Minnesota Initiative Funds. Loans are drawn from a \$6,000,000 appropriation from the Laws of 1993 (M.S. 116N) and matched by the same level of funding from the McKnight Foundation. Fifty-one projects were awarded a total of \$1,759,062 in F.Y. 1996.

The Urban Challenge Grant Program was created by the Minnesota Legislature in 1993 (M.S. 116M) to assist minority-owned and operated businesses and others that will create jobs in designated low income areas of the Twin Cities. The \$6,000,000 appropriation is matched with funds provided by 16 certified non-profit organizations to provide financial assistance to qualified businesses. Fifty-three loans were awarded a total of \$1,700,000 in F.Y. 1996, which resulted in the creation of over 200 jobs.

Direct training and planning assistance to communities is extended through the ORI in an effort to provide guidelines for building local economic development capacity, and to create and retain jobs. The Office regularly offers its expertise in business retention and expansion methods at the local level, assists in the formation of legal entities such as an "Economic Development Authority," and facilitates the resolution of specific local economic development conflicts.

The Office has established a system, *DTED Connections*, to distribute business prospect leads to qualified communities based on the business prospect's criteria. To assist in linking business prospects with Minnesota locations, a statewide database has been developed (DYLAN), which furnishes key economic and demographic data and building and site location information.

- The Office supports other initiatives on behalf of urban and rural job creation:
- The Office confers state certification to applicant Community Development Corporations (CDC) that meet legislative standards. Certified CDC's are annually eligible to apply for grant funds from an established \$50,000 pool for each of the years of the F.Y. 1996-97 biennium.
- Pass-through grants, awarded by the Legislature, also are administered by this Office to the Metropolitan Economic Development Association (MEDA) and WomenVenture (M.S. 116J.986.)

**BUDGET ISSUES:**

None

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: REGIONAL INITIATIVES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	464	556	556	556	556	556	556	556
OPERATING EXPENSES	410	307	201	201	201	201	201	201
<b>SUBTOTAL STATE OPERATIONS</b>	<b>874</b>	<b>863</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>	<b>757</b>
LOCAL ASSISTANCE	558	625	645	645	645	645	645	645
OTHER EXPENSES	2,809	4,640	4,780	4,780	4,780	3,980	3,980	3,980
NON-CASH TRANSACTIONS	92	15	15	15	15	15	15	15
<b>TOTAL EXPENDITURES</b>	<b>4,333</b>	<b>6,143</b>	<b>6,197</b>	<b>6,197</b>	<b>6,197</b>	<b>5,397</b>	<b>5,397</b>	<b>5,397</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	903	968	967	967	967	967	967	967
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	3,311	5,070	5,130	5,130	5,130	4,330	4,330	4,330
FEDERAL	119	105	100	100	100	100	100	100
<b>TOTAL EXPENDITURES</b>	<b>4,333</b>	<b>6,143</b>	<b>6,197</b>	<b>6,197</b>	<b>6,197</b>	<b>5,397</b>	<b>5,397</b>	<b>5,397</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	2,602	2,027	2,027	2,027	2,027	2,227	2,227	2,227
FEDERAL	104	100	100	100	100	100	100	100
GIFT	5							
<b>NONDEDICATED:</b>								
GENERAL	5	5	5	5	5	5	5	5
<b>TOTAL REVENUES COLLECTED</b>	<b>2,716</b>	<b>2,132</b>	<b>2,132</b>	<b>2,132</b>	<b>2,132</b>	<b>2,332</b>	<b>2,332</b>	<b>2,332</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: REGIONAL INITIATIVES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	3.5	11.2	11.2	11.2	11.2	11.2	11.2	11.2
TOTAL FTE	3.5	11.2	11.2	11.2	11.2	11.2	11.2	11.2

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Deputy Commissioner  
**PROGRAM:** Business and Community Development  
**AGENCY:** Trade and Economic Development

**ACTIVITY DESCRIPTION:**

Business and Community Development administration includes the BCD deputy commissioner's office.

Costs associated with this activity include the deputy commissioner and executive secretary, and administrative services and support staff.

**BUDGET ISSUES:**

None

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT  
ACTIVITY: DEPUTY COMMISSIONER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,174	228	262	262	262	307	307	307
OPERATING EXPENSES	173	737	203	203	203	203	203	203
OTHER EXPENSES	4							
NON-CASH TRANSACTIONS	228							
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,579</b>	<b>965</b>	<b>465</b>	<b>465</b>	<b>465</b>	<b>510</b>	<b>510</b>	<b>510</b>
<b>TOTAL EXPENDITURES</b>	<b>1,579</b>	<b>965</b>	<b>465</b>	<b>465</b>	<b>465</b>	<b>510</b>	<b>510</b>	<b>510</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	1,579	954	465	465	465	510	510	510
<b>STATUTORY APPROPRIATIONS:</b>								
GIFT		11						
<b>TOTAL EXPENDITURES</b>	<b>1,579</b>	<b>965</b>	<b>465</b>	<b>465</b>	<b>465</b>	<b>510</b>	<b>510</b>	<b>510</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<b>TOTAL FTE</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

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## 1998-99 Biennial Budget

**PROGRAM:** Minnesota Trade Office  
**AGENCY:** Trade and Economic Development, Department of (DTED)

### PROGRAM DESCRIPTION:

The mission of the Minnesota Trade Office (M.S. 116J.966) is to increase Minnesota employment through:

- expanded Minnesota exports; and
- increased foreign direct investment in the state.

### PROGRAM STATUS:

The state is committed to expanding and diversifying its economy and employment through increased international business and foreign direct investment.

Through the Minnesota Trade Office (MTO) and the Minnesota World Trade Center Corporation (MWTCC), the state works directly with Minnesota businesses assisting them with general international business and market specific education programs; a network of public/private supported foreign offices and individual representatives; foreign export counseling; export financing; international communications; trade shows and foreign trading delegations; market research; and selected reverse investment strategies.

The delivery of these services is optimized through partnerships and leveraging of public and private resources on behalf of Minnesota businesses. During the past biennium, the following changes have impacted the MTO program:

Federal funding for agricultural export programs has been reduced.

Federal export initiatives have been consolidated; adoption of one-stop shopping philosophy and matched funding for public-private trade projects have been pursued.

The Export-Import Bank began collaborating with the MTO in providing pre-export financing to Minnesota businesses through a formalized city/state partnership.

The MTO has improved its cost recovery for education, trade shows and trade-related materials from businesses to more cost-effectively deliver services and offset budget reductions.

Business demand for real-time international market information and intelligence has increased.

The MTO is also expanding its scope of services beyond trade "awareness and promotion" activities to international business "assessment" and "assistance" activities, in response to the changing demands of potential Minnesota exporters as envisioned under M.S. 116J.966.

Collaboration with the Small Business Administration's SCORE program in delivering workshops and counseling has been improved.

If the state is to provide its businesses with relevant, timely and effective export assistance, it will need to:

- target its services through better mailing lists;
- assess export readiness and assist with export business plans.
- deliver targeted real-time international market intelligence to businesses;
- enter into new public-private partnerships and leverage available federal resources which are needed to help Minnesota companies complete successful export transactions;
- provide its businesses with resources to become more competitive; and
- move beyond short-term debt management at the MWTCC and expand upon the international market access capabilities this organization offers to its business clients.

### PLANNED RESULTS:

The MTO increases exports and facilitates foreign direct investment through:

- Information Services
- Education/Training
- Export Finance
- Marketing/Export Counseling
- International Information Network

These functions deliver specific services to Minnesota businesses as outlined in the agency's performance report.

The MTO should meet target cost goals while maintaining customer satisfaction ratings. Export-related results attributed to MTO services should increase by 20% by the end of F.Y. 1999.

### BUDGET ISSUES:

The MTO will meet the challenge of 3% inflation in each of the 2 fiscal years (F.Y. 1998 and F.Y. 1999) by staggering publication production, increasing solicitation of additional federal grants for international trade show promotions, improving coordination of MTO and MWTCC service offerings, and increasing cost-recovery for MTO-sponsored trade shows, educational programs, and trade-related materials.

In the past 6 years, over 2 billion new consumers (approximately 40% of the world's population) actively participated in the global economy due to significant political and market economy changes in China, India and the former Soviet Union. China, in particular, as a result of the impending union with Hong Kong, represents a significant opportunity. The North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) have further opened international trade by reducing tariffs and non-tariff trade barriers. These new developments present a significant opportunity to increase Minnesota's value-added manufacturing, agriculture and service employment through international business.

In response to these major changes, the governor has identified an advisory group in the manufacturing and agricultural sectors to work with the MTO in reviewing and enhancing its service offerings. The MTO, in positioning the state and its businesses to take advantage of the opportunities presented by these events, will need to: a) enhance the state's collection of international business information; b) develop and offer quality trade leads, targeted market research and matchmaking assistance to Minnesota businesses; and c) seek opportunities to leverage expertise through increased collaboration and partnerships to increase productivity and cost value outputs. These actions will help Minnesota keep pace with the new opportunities and receive its fair share of related employment growth.

1998-99 Biennial Budget

**PROGRAM:** Minnesota Trade Office  
**AGENCY:** Trade and Economic Development, Department of (DTED)  
 (Continuation)

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**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an appropriation of \$350,000 for the establishment of a multifaceted, biennial plan to respond to opportunities in China.

**BUDGET AND REVENUE SUMMARY:**

Approximately 2 billion new workers and consumers (40% of the world's population) have been added to the global economy in the past 6 years. This has and will continue to result in new international business opportunities and increasing competition. China represents a significant opportunity and is viewed as the world's largest developing market. The union with Hong Kong (July, 1997) will further enhance that opportunity and makes a targeted China initiative a critical strategic consideration.

The MTO education/training effort can recover some variable costs. When seminars are provided throughout the state (75-100 per year), costs such as attendee meals, coffee breaks, meeting room expenses, and some materials and promotion expenses are recovered. Business students are charged these costs in registration fees. This allows the program to expand to meet the clients' needs.

The MTO trade show effort can recover some of its variable costs. When trade shows are conducted in international markets (13-19 per year), costs such as booth rental, promotion costs, transportation, and some freight and marketing costs are recovered. Business participants are charged registration/participation fees to recover these costs. This allows the program to expand to meet the clients' needs.

The MTO has been authorized to recover variable costs associated with its production of trade-related materials. It is anticipated that the costs recovered will pay for the cost of materials and information to produce certain directories, market research reports, agent/distributor lists and other international business information.

**Grants:**

Funds (grants) sourced from outside Minnesota (federal government, pass-through non-profit agencies). A significant share of these funds are passed through to other organizations:

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
NASDA	\$ 50,000	\$ 50,000	\$ 50,000
EDA	<u>\$ 55,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>
TOTAL	\$105,000	\$ 90,000	\$ 90,000

NASDA = National Association of State Development Agencies. F.Y. 1997: \$25,000 Indonesia (renewed from last year); and \$25,000 Central Europe. F.Y. 1998 and F.Y. 1999 to be determined, probably about \$50,000 each year.

EDA = Economic Development Agency. \$55,000 in F.Y. 1997 pass-through to Red River Trade Corridor. F.Y. 1998 and F.Y. 1999 to be determined, probably about \$40,000 each year.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: MINNESOTA TRADE OFFICE  
ACTIVITY: MINNESOTA TRADE OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,520	1,445	1,479	1,479	1,479	1,513	1,513	1,513
OPERATING EXPENSES	853	894	955	955	1,205	950	950	1,050
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SUBTOTAL STATE OPERATIONS	2,373	2,339	2,434	2,434	2,684	2,463	2,463	2,563
LOCAL ASSISTANCE	80	104	40	40	40	40	40	40
OTHER EXPENSES	5							
-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL EXPENDITURES	2,458	2,443	2,474	2,474	2,724	2,503	2,503	2,603
<b>GOV'S INITIATIVES:</b>								
(B) CHINA TRADE					250			100
-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL GOV'S INITIATIVES					250			100
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,184	2,188	2,202	2,202	2,452	2,236	2,236	2,336
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	174	189	182	182	182	177	177	177
FEDERAL	100	59	90	90	90	90	90	90
GIFT		7						
-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL EXPENDITURES	2,458	2,443	2,474	2,474	2,724	2,503	2,503	2,603
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	281	229	232	232	232	237	237	237
FEDERAL	100	59	90	90	90	90	90	90
GIFT		7						
<b>NONDEDICATED:</b>								

1998-1999 B I E N N I A L B U D G E T  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: MINNESOTA TRADE OFFICE  
ACTIVITY: MINNESOTA TRADE OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
CAMBRIDGE DEPOSIT FUND	7	5	5	5	5	5	5	5
TOTAL REVENUES COLLECTED	388	300	327	327	327	332	332	332
FTE BY EMPLOYMENT TYPE:								
REGULAR	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3
TOTAL FTE	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3

**F. Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Minnesota Trade Office  
**ACTIVITY:** Minnesota Trade Office

**ITEM TITLE:** China - International Strategic Trade Initiatives

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F. Y. 1998</u>	<u>F. Y. 1999</u>	<u>F. Y. 2000</u>	<u>F. Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$250	\$100	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends establishment of a multi-faceted, biennial plan to respond to opportunities developing in China. Development costs are \$350,000 for the biennium.

**RATIONALE:**

China is the world's largest developing market, yet it is "outside" most common Western knowledge. Touted as the fastest growing economy in the world, China's strategic position coupled with its one billion workers and consumers, requires new thinking and approaches. After union with Hong Kong (7-1-97), Minnesota's exports to China at \$314 million will make China Minnesota's 8th largest customer.

It will take a massive educational process to assure that all appropriate businesses have a China strategy. Minnesota will need to use and build upon the inherent advantage of its numerous connections with China.

**PROGRAM OUTCOMES:**

Specific information resources and training seminars on China would be developed by the Minnesota Trade Office (MTO). Examples include acquisition of technical, regulatory, and market research materials; development of a training program on practical business knowledge to succeed in China; and training focused on those in the agriculture, medical, and high tech industries. Expected result: Minnesota businesses would establish and pursue their China strategies which should result in larger exports.

Organized trips, where appropriate by the governor, lieutenant governor, or high official, with the objective of opening doors, initiating development ideas, familiarization, trade shows, etc.

**Matchmaking initiatives** with the objective of fostering more strategic alliances, distributors, and joint ventures.

**Existing relationships** would be leveraged and built upon to develop public-private partnerships through the United Nations Trade Points (MN-Beijing); World Trade Centers; Sister-City/State/Province relationships; educational institutions and advisory groups.

**LONG-TERM IMPACT:**

The foregoing program outcomes are intended to benefit Minnesota's economy with more exports.

Their immediate impact will be to assist Minnesota companies in taking advantage of opportunities presented by the China market.

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## 1998-99 Biennial Budget

**PROGRAM:** Tourism

**AGENCY:** Trade and Economic Development, Department of (DTED)

### PROGRAM DESCRIPTION:

The Minnesota Office of Tourism (MOT) markets Minnesota as a travel destination to consumers, tour operators, group tours and travel agents; promotes coverage of Minnesota in international and travel trade media; and initiates, develops, and coordinates activity with travel industry buyers and sellers in the U.S. and throughout the world. To support these activities, the Office is divided into 4 areas: **Destination Sales and Product Marketing; Consumer Marketing; Travelers Sales; and Stakeholder Relations.** The 35-person, statewide Tourism Advisory Committee, chaired by Lt. Governor, provides industry advice, program direction, and communication relative to program development. For many years, the programs of the Office of Tourism have been nationally recognized and have been extremely successful in generating travel to Minnesota. The state's travel and tourism industry and tourism related sales and tax revenues have also grown proportionately and above that at the national level. During the same time period the Office of Tourism's programs have expanded. With the advice of this committee, the MOT opened a store at the Mall of America in November in collaboration with other state agencies to provide one-stop shopping for Minnesota travel information, accommodations reservations, and Minnesota themed merchandise.

The **Destination Sales** program markets and "sells" Minnesota as a travel destination to tour operator, group tour and media clients; the program also initiates, develops, and coordinates sales activities with tourism industry buyers and consumers in target North American and international markets. The primary international markets are Japan, the United Kingdom and Germany. Tactics to generate travel by the Destination Sales programs include: trade show exhibits, trade missions, direct sales and marketing, trade advertising, consumer advertising, and familiarization trips.

The **Product Marketing** program is defined as the sales, marketing, and promotion of specific destinations, tourism-related businesses, attractions, festivals, and events. Product Marketing activities will primarily be focused in the 12-state Northcentral Region, which generate approximately 86% of Minnesota's domestic tourism. Adjacent Canadian provinces are also primary markets. Tactics for the Product Marketing program are: consumer advertising; co-op programs; vertical market programs; media relations; direct sales; and familiarization trips for media, travel agents, and tour operators.

The **Consumer Marketing** program is responsible for handling consumer inquiries and providing travel information, travel planning services, and marketing fulfillment services to prospective travelers. Consumer inquiries are handled via telephone, correspondence, fax, the Internet, and in response to consumer advertising programs. The Consumer Marketing program is also responsible for operating efficiencies, measurement and evaluation of MOT's programs.

The **Traveler Sales** program delivers person-to-person tourism information services to travelers who plan to, or are, traveling in Minnesota. The Traveler Sales program operates the network of statewide Travel Information Centers, supports interactive travel information computer kiosks, and markets Minnesota tourism opportunities at sport, travel, camping, and vacation shows throughout identified primary markets in the upper Midwest.

The **Stakeholder Relations** program is responsible for facilitating two-way communication between the Office of Tourism and the state's tourism industry, as well as for monitoring public policy issues

that may impact tourism in Minnesota. MOT stakeholders are defined as not-for-profit travel and tourism promotion organizations formed primarily to promote travel to their area; travel and tourism related businesses; tourism services that derive a significant portion of their revenue from travel-related sales; and elected government officials; state agencies; boards; and commissions.

### PROGRAM STATUS:

In Minnesota, as well as nationally, tourism is gaining recognition as an engine for continued economic development, job growth and prosperity. New and emerging United States and Minnesota destinations for international visitors emerge as travelers are made aware of the industry's potential.

#### Minnesota

- The 1994 economic impact of domestic tourism in Minnesota is \$6.88B.
- The Minnesota travel and tourism industry currently employs more than 150,000 people.
- Minnesota tourism industry generates \$3.1B annually in wages/salaries.
- Overseas travel to Minnesota is growing more than 2.5 times the national average.
- Group tour travel to Minnesota generates \$152M annually.

#### United States

- The United States tourism industry supports 6.3M direct jobs and 8M indirect jobs.
- Employment by the United States tourism industry is projected to double during the next decade.
- The tourism industry annually generates \$58B in local, state, and federal taxes.
- Tourism provides the United States a \$22B-a-year balance of trade (tourism) surplus.

### PLANNED RESULTS:

The budget plan will allow the reported performance measures to be accomplished or accelerated as follows:

- Generate additional incremental revenue from nonresident travel to Minnesota and retain travel dollars from Minnesotans within the state.
- Continue to develop partnerships that maximize resources with organizations and businesses to support statewide tourism objectives.
- Provide travelers with the highest quality information and service based on their needs and achieve competitive advantage in the marketplace.

### BUDGET ISSUES:

**Partnerships/Grants:** Partnerships are operated according to M.S. 116J.58, Subd. 3. The purpose is to maximize both state and local resources to attract visitors to Minnesota, generate nonresident travel expenditures to Minnesota, and retain travel dollars from Minnesotans within the state. Partnerships are based on measurable outcomes and the relationship of investment to outcome.

Partners/recipients include any nonprofit tourism organization which is formed for the primary purpose of promoting tourism or has tourism marketing as a major component of its programming. Access to the program is ongoing. Program resources include both cash and services. Criteria for determination of aid/partnerships are the measurable outcome of sales tax revenue to the state.

The Minnesota Film Board has been an important partner in raising awareness of Minnesota as a travel destination. This biennium, the department is working with the Film Board to offer an incentive to out-of-state production companies to purchase more Minnesota labor and services.

1998-99 Biennial Budget

**PROGRAM:** Tourism

**AGENCY:** Trade and Economic Development, Department of (DTED)

(Continuation)

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**Strategic Plan:** A new strategic plan has been developed to direct tourism marketing programs toward the markets with the greatest potential to generate travel into and throughout Minnesota. A fundamental change in marketing strategy will occur as new lead tourism products are aggressively marketed along with traditional Minnesota destinations.

**BUDGET AND REVENUE SUMMARY:**

With declining investment and increased competition, the state is losing sales tax revenue that can result from tourism marketing. The Minnesota Office of Tourism will continue to leverage state investment in tourism promotion via partnership with the private sector.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an appropriation of \$1,000,000 for the creation of the "Film Production Jobs Fund" for the Minnesota Film Board.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: OFFICE OF TOURISM  
ACTIVITY: TOURISM MARKETING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	3,425	3,094	3,165	3,165	3,165	3,245	3,245	3,245
OPERATING EXPENSES	4,570	5,449	4,242	4,242	4,242	4,242	4,242	4,242
<b>SUBTOTAL STATE OPERATIONS</b>	<b>7,995</b>	<b>8,543</b>	<b>7,407</b>	<b>7,407</b>	<b>7,407</b>	<b>7,487</b>	<b>7,487</b>	<b>7,487</b>
LOCAL ASSISTANCE	705	1,086	861	861	1,361	861	861	1,361
<b>TOTAL EXPENDITURES</b>	<b>8,700</b>	<b>9,629</b>	<b>8,268</b>	<b>8,268</b>	<b>8,768</b>	<b>8,348</b>	<b>8,348</b>	<b>8,848</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) MN FILM BOARD		GEN			500			500
<b>TOTAL GOV'S INITIATIVES</b>					<b>500</b>			<b>500</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	7,152	7,943	6,919	6,919	7,419	6,982	6,982	7,482
MINNESOTA RESOURCES	45							
TRUNK HIGHWAY	679	689	706	706	706	723	723	723
<b>STATUTORY APPROPRIATIONS:</b>								
GENERAL	4	74						
SPECIAL REVENUE	820	923	643	643	643	643	643	643
<b>TOTAL EXPENDITURES</b>	<b>8,700</b>	<b>9,629</b>	<b>8,268</b>	<b>8,268</b>	<b>8,768</b>	<b>8,348</b>	<b>8,348</b>	<b>8,848</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL	4	74						
SPECIAL REVENUE	895	665	665	665	665	665	665	665
<b>TOTAL REVENUES COLLECTED</b>	<b>899</b>	<b>739</b>	<b>665</b>	<b>665</b>	<b>665</b>	<b>665</b>	<b>665</b>	<b>665</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: OFFICE OF TOURISM  
ACTIVITY: TOURISM MARKETING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	76.9	76.9	76.9	76.9	76.9	76.9	76.9	76.9
TEMP/SEAS/PART_TIME	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Trade and Economic Development, Department of (DTED)  
**PROGRAM:** Office of Tourism  
**ACTIVITY:** Tourism Marketing

**ITEM TITLE:** Film Production Jobs Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$500	\$500	\$500	\$500
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends the creation of the "Film Production Jobs Fund" for the Minnesota Film Board.

**RATIONALE:**

The fund will give movie production companies an incentive to shoot in Minnesota versus a competing market (especially Canada which has a favorable exchange rate). The funds will be used to return between 2% to 5% of documented Minnesota production expenditures for wages.

**PROGRAM OUTCOMES:**

This initiative is expected to: create a competitive marketing program; encourage out of state production companies to purchase more Minnesota labor and services when shooting in-state; and create a catalyst to produce more Minnesota-based feature films by assisting in capital fundraising efforts.

**LONG-TERM IMPACT:**

The immediate target would be to increase state tax revenue by 50% (\$1,560,000/year) within the 2-year pilot period. Payments would cap at \$100,000 per project. This projection is based on previous performance by the Film Board. The Film Board has achieved a 7:1 economic development return on investment for the state of Minnesota since 1990. The past 7 years demonstrate tangible economic results that are the direct result of the Film Board's marketing and production service work. In 1995, 9 feature projects created more than \$23,226,000 in new in-state expenditures. In 1996, the recently released feature "Jingle All the Way" is expected to generate \$10,000,000 alone in new in-state expenditures.

**1998-99 Biennial Budget**

**PROGRAM:** Information and Analysis  
**AGENCY:** Trade and Economic Development

**PROGRAM DESCRIPTION:**

The Information and Analysis Division provides centralized communication, public relations, marketing, research, analytic program evaluation and governmental liaison services to support the department's operating divisions, *Advantage Minnesota* and the Competitiveness Task Force. The services are designed to:

- coordinate the department's communications efforts so programs have an integrated message,
- increase public awareness of the department's programs and activities by producing informative publications,
- communicate Minnesota's economic strengths and promote the state as an excellent business location to both national and international audiences,
- facilitate business location and expansion in the state by providing strategic information including data and analysis of business costs, markets and other factors to departmental staff,
- research, analyze and communicate economic and business trends to support design and management of department's services, projects and programs,
- generate and disseminate information, policy and economic analysis that can be used to improve the quality of the state's business environment,
- improve quality of departmental services and streamline project design and management through evaluation of departmental programs and client assessment services, and
- offer simplified liaison services for state and federal governmental officials.

**PROGRAM STATUS:**

The Information and Analysis Division was formed in F.Y. 1996 to provide centralized communication, research and legislative services to the department. The department accrued 4 key benefits from this new organization:

1. Gained operational efficiencies available through centralized information functions such as improving the presentation and timeliness of strategic business information and other products despite staff reductions,
2. Implemented a single department-wide communications plan integrating the communications functions from the 3 operating divisions: Business and Community Development, Trade Office and Tourism Office,
3. Maintained the independence and objectivity of the economic analysis and program evaluation functions, and

4. Streamlined department's legislative support efforts by centralizing state and federal government liaison services.

**PLANNED RESULTS:**

The Information and Analysis Division supports the departmental operating division's efforts to facilitate private sector investment in the creation of high quality jobs. Each fiscal year, clients served by the department's business specialists and the Information and Analysis Division will make \$250 - \$300 million in capital investment and create 3,000 - 4,000 jobs. Key information provided by this division will also support economic development and business policies at the state and local levels.

Budget constraints and reduced staff levels dictate that the Information and Analysis Division examine and improve the operations to ensure cost effective, timely and quality communication and analytic services. For example, the IAD is striving to reduce costs through careful analysis of the centralized communication budget including an evaluation of departmental publications of a "zero-based" budget basis to justify need and rationale and more detailed breakdown of both hard and soft product/service costs.

Other key outcomes are:

- Increase use of technology to reduce staff resources and improve response time and presentation of both strategic business and economic development information.
- Maximize access to departmental information and data through the department's home page on the Internet.
- Leverage resources through relationships with state agencies, private businesses and public economic development organizations.
- Improve quality and rigor of program assessment services including continued improvement of the department's agency performance report.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: INFORMATION & ANALYSIS  
ACTIVITY: INFORMATION & ANALYSIS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES		1,113	1,168	1,168	1,168	1,197	1,197	1,197
OPERATING EXPENSES		269	240	240	240	240	240	240
<b>SUBTOTAL STATE OPERATIONS</b>		<b>1,382</b>	<b>1,408</b>	<b>1,408</b>	<b>1,408</b>	<b>1,437</b>	<b>1,437</b>	<b>1,437</b>
<b>TOTAL EXPENDITURES</b>		<b>1,382</b>	<b>1,408</b>	<b>1,408</b>	<b>1,408</b>	<b>1,437</b>	<b>1,437</b>	<b>1,437</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL		1,382	1,408	1,408	1,408	1,437	1,437	1,437
<b>TOTAL EXPENDITURES</b>		<b>1,382</b>	<b>1,408</b>	<b>1,408</b>	<b>1,408</b>	<b>1,437</b>	<b>1,437</b>	<b>1,437</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
<b>TOTAL FTE</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>

**1998-99 Biennial Budget**

**PROGRAM:** Administrative Support  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**PROGRAM DESCRIPTION:**

DTED's administrative offices work to provide cost efficient and effective administrative, fiscal, human resource and information services (IS) and systems consistent with state and federal laws, policies, requirements and procedures. Administration develops and coordinates the implementation of organizational and operational polices, and provides staff support services in the designated areas.

This is a general support program for the entire agency.

**PROGRAM STATUS:**

Administration is continually searching for ways to provide efficient services within existing budget constraints, etc. Services are centralized to assure coordination, provide cost effective service, and ensure compliance with state and federal requiriements.

**PLANNED RESULTS:**

- Implementation of SSP
- Effective development and integration of information systems, consistent with statewide goals and objectives, through IRM
- Management of the budget to ensure proper allocation and expenditure of funds
- Operational efficiencies and consistency through refined processes and procedures
- Compliance with all rules, regulations and laws for human resource management and work force diversity

**BUDGET AND REVENUE SUMMARY:**

To date, this program has been meeting operational challenges within target spending levels through organization efficiencies and other initiatives. Inflation costs will continue to be absorbed through savings from these efficiencies. This program collects revenue through its indirect cost plan which supports a portion of the program.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: ADMINISTRATIVE SUPPORT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATION	1,957	2,344	2,318	2,318	2,318	2,375	2,375	2,375
INFO & COMPUTER SERVICES		957	778	778	778	778	778	778
TOTAL EXPENDITURES BY ACTIVITY	1,957	3,301	3,096	3,096	3,096	3,153	3,153	3,153
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,807	3,176	2,971	2,971	2,971	3,028	3,028	3,028
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	150	125	125	125	125	125	125	125
TOTAL EXPENDITURES	1,957	3,301	3,096	3,096	3,096	3,153	3,153	3,153
FTE BY EMPLOYMENT TYPE:								
REGULAR	32.8	32.8	32.8	32.8	32.8	32.8	32.8	32.8
TOTAL FTE	32.8	32.8	32.8	32.8	32.8	32.8	32.8	32.8

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Administration  
**PROGRAM:** Administrative Support  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

Administration provides and coordinates the department's management and support services.

The Commissioner is responsible for establishing overall department policy and management systems development to ensure that department resources are effectively and efficiently utilized.

The Fiscal Services Unit performs accounting, budgeting, financial reporting, and purchasing functions. This unit also provides general oversight to ensure compliance with state and federal laws, rules, policies and guidelines for sound fiscal management.

The Human Resources (HR) Office administers the department's personnel and labor relations programs, including recruitment, selection, classification and compensation, benefits administration, contract and plan administration, affirmative action, and other related HR activities. The office is also responsible for payroll functions, assisting managers in the legal administration of the state's personnel system, and agency employees in all aspects of their employment.

The Administrative Services Unit provides broad agency support including reception services, mail processing, property management, fixed asset inventory, telecommunications support, and other types of general administrative services.

**BUDGET ISSUES:**

Administration will continue to work to meet the ongoing challenge of absorbing inflationary costs within target level funding.

**REVENUE:**

This activity generates dedicated and non-dedicated revenue through the department's indirect cost plan. This revenue supports a portion of the services provided.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: ADMINISTRATIVE SUPPORT  
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,010	1,072	1,109	1,109	1,109	1,148	1,148	1,148
OPERATING EXPENSES	947	1,272	1,209	1,209	1,209	1,227	1,227	1,227
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,957</b>	<b>2,344</b>	<b>2,318</b>	<b>2,318</b>	<b>2,318</b>	<b>2,375</b>	<b>2,375</b>	<b>2,375</b>
<b>TOTAL EXPENDITURES</b>	<b>1,957</b>	<b>2,344</b>	<b>2,318</b>	<b>2,318</b>	<b>2,318</b>	<b>2,375</b>	<b>2,375</b>	<b>2,375</b>
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	1,807	2,219	2,193	2,193	2,193	2,250	2,250	2,250
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	150	125	125	125	125	125	125	125
<b>TOTAL EXPENDITURES</b>	<b>1,957</b>	<b>2,344</b>	<b>2,318</b>	<b>2,318</b>	<b>2,318</b>	<b>2,375</b>	<b>2,375</b>	<b>2,375</b>
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
SPECIAL REVENUE	96	125	125	125	125	125	125	125
<b>TOTAL REVENUES COLLECTED</b>	<b>96</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>125</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	32.8	18.5	18.5	18.5	18.5	18.5	18.5	18.5
<b>TOTAL FTE</b>	<b>32.8</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>	<b>18.5</b>

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Information & Computer Services  
**PROGRAM:** Administrative Support  
**AGENCY:** Trade and Economic Development, Department of (DTED)

**ACTIVITY DESCRIPTION:**

Through the department's Information Management Office (IMO), the department is supported by Information Resource Management (IRM) activities consistent with state policies, goals and guidelines. This centralized support includes planning, analysis and management functions in support of IRM (e.g. strategic information planning; technology project planning, evaluation and management; data management and other activities such as disaster recovery etc.) This office also manages departmental staff that provide information services (IS) support agency wide.

**BUDGET ISSUES:**

Information & Computer Services will continue to work to meet the ongoing challenge of inflationary costs within target funding. Staffing costs resulting from a recent memorandum of understanding (MOU) negotiated by the state for staff in technology related classifications will present immediate budget concerns.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT  
PROGRAM: ADMINISTRATIVE SUPPORT  
ACTIVITY: INFO & COMPUTER SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES		553	604	604	604	604	604	604
OPERATING EXPENSES		404	174	174	174	174	174	174
<b>SUBTOTAL STATE OPERATIONS</b>		<b>957</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>
<b>TOTAL EXPENDITURES</b>		<b>957</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL		957	778	778	778	778	778	778
<b>TOTAL EXPENDITURES</b>		<b>957</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>	<b>778</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR		14.3	14.3	14.3	14.3	14.3	14.3	14.3
<b>TOTAL FTE</b>		<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Minnesota Technology, Inc.

PROGRAM

PAGE

MINNESOTA TECHNOLOGY, INC.

Technology Services

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Pass Through Grantees

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**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Minnesota Technology, Inc.

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$7,587	\$7,587	\$15,174
<b><u>BASE ADJUSTMENT</u></b>			
One-time Appropriations	(125)	(125)	(250)
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$7,462</b>	<b>\$7,462</b>	<b>\$14,924</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
Eliminate High Tech Corridor Grants	(50)	(50)	(100)
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$7,412</b>	<b>\$7,412</b>	<b>\$14,824</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
Technology Partnership Fund	2,000	2,000	4,000
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$9,412</b>	<b>\$9,412</b>	<b>\$18,824</b>

**Brief Explanation of Agency Plan:**

- The plan eliminates the \$50,000 which had been allocated to the Minnesota Technology Corridor Corporation (MTCC). MTCC has decided to cease its state funded operations in F.Y. 1997.
- The budget accommodates all compensation increases and inflationary pressures over the next biennium without additional funding.

**Revenue Summary:**

- None.

**Affected Statutes:**

None.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan, with the following adjustment.

The Governor recommends an increase of \$4,000,000 to the agency plan for the Governor's Technology Partnership Fund initiative to stimulate strong working relationships between small companies and Minnesota's post secondary institutions.

## 1998-99 Biennial Budget

Agency: Minnesota Technology, Inc. (MTI)

### AGENCY DESCRIPTION:

Minnesota Technology, Inc., is a non-profit corporation established in state statute (M.S. 1160) to assist Minnesota companies in becoming more competitive through the application and development of technology. It is part of the state's strategy to strengthen its economy and preserve and "grow" high-skill, high-wage jobs.

Focusing on the manufacturing sector, MTI work's with companies to develop and implement technology that will increase their competitiveness. MTI also provides Minnesota industry with electronic access to business and technical information. In addition MTI is a catalyst for innovative public policy that strengthens the state's technology infrastructure for a broad spectrum of industries.

Through joint efforts with industry and the public sector - particularly the United States' Department of Commerce's NIST Manufacturing Extension Partnership - MTI seeks to create an environment which leads to **higher value jobs** in Minnesota.

### AGENCY ISSUES:

Despite a base of manufacturing and technology-oriented companies, the state's industrial economy faces challenges on many fronts:

- While Minnesota enjoys virtual full employment, many jobs provide little more than minimum wage and negligible benefits. But companies' compensation packages improve with the introduction of new technology: greater skill sets are required of employees and the company is better able to compete in its market. Companies, however, need assistance selecting and implementing whatever technology is needed, as well as arranging for worker training.
- In order to remain competitive - and keep their workers employed - Minnesota's companies must constantly strive to produce higher quality products faster and cheaper. Customers are demanding no less. While the day-to-day issues of running a business can completely absorb management, inattention to meeting these broader customer demands will be fatal to a company.
- In an economy where the time it takes to get information is as important as the information itself, Minnesota companies often lack the tools to quickly access answers to their technical and marketing problems. Companies which have the right information can quickly focus and succeed. Those which don't are more likely to "take shots in the dark."

### AGENCY STRATEGIES:

Minnesota Technology provides critical services to companies, helping them apply technology to make better products faster and cheaper. Services are industry-driven and provided on site to companies to help them identify barriers to competitiveness. Once those barriers are prioritized, MTI and companies develop strategies and locate appropriate public or private sector partners to address the issue or opportunity. By helping companies develop and implement new technologies, MTI enhances the job quality and therefore the compensation available to Minnesota workers.

In addition to this direct service to companies, Minnesota Technology is a catalyst for innovative public-private partnerships which strengthen the state's technology infrastructure for a broad spectrum

of industries. These efforts include initiatives to establish closer linkages between industry and academia, making videoconferencing available to small companies around the state and assisting in the establishment of a network of unique software technology centers which address the needs of software developers and industrial users.

In the last 5 years, Minnesota Technology has documented over \$254 million in economic impact directly resulting from services to companies.

Legislative Grants -- Minnesota Technology is the science and technology arm of the state. As a result, a number of legislative grants are transmitted through Minnesota Technology's appropriation. The following organizations currently receive funding:

*Minnesota Council for Quality (MCQ)* -- The MCQ promotes increased awareness of quality and productivity in the context of the state's global economic competitiveness. The council also conducts a quality award program based upon the national Malcolm Baldrige Award.

*Minnesota Inventors Congress (MIC)* -- The MIC dedicates itself to helping inventors find the information and resources necessary to assist them in the invention development process. Its year round assistance center known as the Inventors Resource Center (IRC) was formed with the grant money and directives appropriated by the state of Minnesota.

*Minnesota Project Innovation (MPI)* -- MPI is a private, non-profit organization that provides value-added services to Minnesota businesses, which enable them to increase the receipt of federal research and development funding through the Small Business Innovation Research program; improve sales by increasing federal and state procurement activity; and access low-cost strategic marketing assistance for improved competitiveness.

*Natural Resources Research Institute (NRR)* -- NRR was established by the Minnesota Legislature in 1983 to foster environmentally-sound development of the state's natural resources to in turn promote private sector job growth.

*Minnesota Cold Weather Resource Center (MCWRC)* -- The MCWRC's mission is to foster economic development by promoting and developing Minnesota as a cold weather test and research site.

*Minnesota Technology Corridor Corporation (MTCC)* -- The MTCC's mission is to: 1) enhance the expansion of Minnesota's technology-intensive sector; 2) create a complex of facilities and services adjacent to the University of Minnesota, Minneapolis Campus which will encourage the growth of technology-intensive businesses throughout the state; 3) promote the creation and incubation of technology-intensive businesses that will expand throughout the state; and 4) strengthen the linkages between the creative and energetic atmosphere of the University and the remainder of the state's technological infrastructure.

The MTCC intends to suspend operations in 1996 and invest its remaining assets in a for-profit technology transfer company, emphasizing thereby the third and fourth parts of its mission.

**1998-99 Biennial Budget**

Agency: Minnesota Technology, Inc. (MTI)  
(Continuation)

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**REVENUE SUMMARY:**

MTI anticipates receiving the following revenues in F.Y. 1998-99

For Operations of Minnesota Technology:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
State General Fund	\$6,105	\$6,105
Federal Government/Foundation	2,500	1,500
Revenues and Other Private Sector Contributions	920	920
Equity Fund Proceeds	<u>140</u>	<u>100</u>
Subtotal	\$9,665	\$8,625

*For Operations of Organizations for which Minnesota Technology is a Pass-Through:* (All from state General Fund)

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Minnesota Council for Quality	88	88
Minnesota Inventors Congress	75	75
Minnesota Project Innovation	494	494
Natural Resources Research Institute	575	575
Cold Weather Resource Center	<u>75</u>	<u>75</u>
Subtotal	<u>1,307</u>	<u>1,307</u>
<b>TOTAL</b>	<b>\$10,972</b>	<b>\$9,932</b>

**SUMMARY OF BUDGET REQUEST:**

The budget plan includes a request for:

- an elimination of \$50,000 from the Minnesota Technology Corridor Corporation - which MTCC no longer requests.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan, with the following adjustment:

The Governor recommends an increase of \$4,000,000 to the agency plan for the Governor's Technology Partnership Fund initiative to stimulate strong working relationships between small companies and Minnesota's post-secondary institutions.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MINNESOTA TECHNOLOGY INC

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MINNESOTA TECHNOLOGY	12,585	13,576	11,078	11,078	13,078	10,627	10,627	12,627
PASS THROUGH GRANTS	1,729	1,482	1,357	1,307	1,307	1,357	1,307	1,307
TOTAL EXPENDITURES BY PROGRAM	14,314	15,058	12,435	12,385	14,385	11,984	11,934	13,934
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,729	1,482	7,462	7,412	9,412	7,462	7,412	9,412
STATUTORY APPROPRIATIONS:								
MINNESOTA TECHNOLOGY INC	10,204	11,629	3,596	3,596	3,596	3,145	3,145	3,145
SPECIAL REVENUE	2,381	1,947	1,377	1,377	1,377	1,377	1,377	1,377
TOTAL EXPENDITURES	14,314	15,058	12,435	12,385	14,385	11,984	11,934	13,934
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Minnesota Technology (MTI)

**PROGRAM DESCRIPTION:**

MTI generates non-dedicated and federal revenue. The non-dedicated revenue comes from a variety of sources: advertising revenue from Minnesota Technology magazine, fees for event attendance, event sponsorships, foundations grants and investment repayments. The federal funds result from grant awards from the US Department of Commerce's National Institute of Standards and Technology (Manufacturing Extension Partnership and Technology Reinvestment Program).

**FEE STRUCTURE**

MTI collects no state mandated fees. In order to defray the costs of some services, MTI collects fees for attendance of technology seminars and advertising in its quarterly magazine.

**CHANGES TO PROGRAM FUNDING FOR GUIDELINES:**

The payout schedule of the multiyear federal funding agreements has brought federal revenues down by approximately \$700,000. This amount has been partially offset by private sector revenue.

**FORECAST BASIS:**

The pay schedule of the 6 year agreement with NIST calls for a reduction of federal revenues next fiscal year, which will be replaced by foundation and private sector funding.

**DECISION ITEMS:**

MTI expects to obtain additional federal, private sector and foundation funds to ensure a continued quality service to its customer base.

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
NIST-MEP	Yes	SO	1,829	2,464	2,000	500
NIST-TRP	Yes	SO	190	500	500	-0-
Agency Total						

Key:

SO - State Operations

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## 1998-99 Biennial Budget

**BUDGET ACTIVITY:** Technology Services  
**PROGRAM:** Minnesota Technology, Inc.  
**AGENCY:** Minnesota Technology, Inc. (MTI)

### ACTIVITY DESCRIPTION:

**Manufacturing Services** -- Minnesota Technology, Inc. (MTI) provides direct *technical* assistance to small and medium-sized manufacturers through its experienced staff of manufacturing specialists. These people have substantial expertise in private sector technology and manufacturing environments. Working on-site with companies, these manufacturing specialists provide a highly skilled and objective perspective to companies needing guidance on their production lines, facility layout, product development efforts, electronic commerce and the myriad other technological issues facing companies today.

The critical nature of these services is evident by a brief glance at the realities of staffing a small company. Often, roles which command the attention of entire departments in larger companies - product development, manufacturing engineering, marketing, sales, accounting, etc. - all fall to just a couple of people in smaller companies. Meeting short term goals consumes them, leaving little time to look strategically at their company and determine what improvements offer real opportunities.

Yet it is in these small and medium-sized companies where our economy's greatest growth occurs. Focused, technical assistance can help these manufacturers identify and overcome barriers to their competitiveness, all to the maximum benefit of the economy, and ultimately, Minnesota's workforce.

Our field staff provides an experienced but unbiased perspective on manufacturing that prompts our customers to focus on key issues and develop strategies for addressing them. And then, rather than directly resolve the problem themselves, the field staff leverage the services of existing private and public sector resources to resolve companies' issues. This way, we address a broader range of company needs and serve a much greater number of firms than otherwise would be possible.

These services involve the introduction of new technologies and processes that can effectively address the issues which a particular manufacturer is facing. In addition, the corporation also helps small and medium-sized companies utilize the wide array of technologies available for universities, national laboratories, and other external sources by offering information on what technologies exist and by helping firms access, and, if appropriate, integrate the technologies into their operations.

Finally, because technological change requires new skills and new knowledge, MTI helps companies develop education and training strategies that serve their overall competitiveness strategies. Important components of this service include developing tools to help firms inventory their current workplace skills and identify future needs and working with training providers to create cost-competitive classes and seminars that support training strategies.

**Technology Information Services** -- Every day the state's small manufacturers and technology-based companies must ask themselves how they are performing relative to their competitors. A barrage of questions can arise: is my company using the lowest-cost supplier available? How can my firm find an unbiased source of information or someone who has faced the same production bottleneck my firm needs to solve? Could my firm reduce production costs/R&D costs/time-to-market by using computerized technologies? The list goes on.

Minnesota Technology's Information Services provide Minnesota industry with electronic access to a wide range of business and technical information at 55 public sites throughout the state. This service, Minnesota Technology Project Outreach, is the product of the legislative merger of Minnesota Project Outreach Corporation into Minnesota Technology. As we enhance these services with an electronic bulletin board and expanded Internet Website, companies can secure and share information, conduct commerce and communicate with more people and organizations more efficiently and effectively. As we help strengthen the state's information technology infrastructure, we assist a broad spectrum of Minnesota companies in growing their businesses.

**Financial Investment Services** -- To encourage the growth of small companies and development of new products in the state, MTI established, with the approval of the legislature and governor, a \$7 million Equity Fund in 1992. After careful screening, the fund invests cash in companies it selects in return for an ownership interest. These investments, which concentrate on greater Minnesota companies, must be accompanied by equity investments from the private sector. Businesses eligible for investment include small technology-based companies, small manufacturing companies, and value-added processors of natural resources or agricultural products. All operating expenses of the fund are financed by fund proceeds.

**Technology Policy and Infrastructure** -- In addition to direct services to companies, Minnesota Technology is a catalyst for innovative public-private partnerships which strengthen the state's technology infrastructure for a broad spectrum of industries. Encompassing the Office of Science and Technology, which the legislature merged into Minnesota Technology in 1991, these efforts include initiatives to establish closer linkages between industry and academia, making videoconferencing available to small companies around the state and assisting in the establishment of 3 unique software technology centers which address the needs of software developers and users.

### BUDGET ISSUES:

The Technology Partnership Fund is a new initiative designed to stimulate the exchange of technology between Minnesota's smaller companies and post-secondary institutions within the state. Currently, while Minnesota's academic institutions are home to substantial technological expertise, little of it is tapped by companies to resolve their technology issues. By catalyzing and facilitating university-industry partnerships, Minnesota Technology hopes to help the state's companies take better advantage of university expertise and resources.

### GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$4,000,000 for the biennium be added to the agency plan for the Technology Partnership Fund.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MINNESOTA TECHNOLOGY INC  
PROGRAM: MINNESOTA TECHNOLOGY  
ACTIVITY: TECHNOLOGY SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	4,346	4,604	4,519	4,519	4,519	4,571	4,571	4,571
OPERATING EXPENSES	4,261	4,985	4,461	4,461	4,461	3,725	3,725	3,725
<b>SUBTOTAL STATE OPERATIONS</b>	<b>8,607</b>	<b>9,589</b>	<b>8,980</b>	<b>8,980</b>	<b>8,980</b>	<b>8,296</b>	<b>8,296</b>	<b>8,296</b>
LOCAL ASSISTANCE	3,978	3,987	2,098	2,098	2,098	2,331	2,331	2,331
OTHER EXPENSES					2,000			2,000
<b>TOTAL EXPENDITURES</b>	<b>12,585</b>	<b>13,576</b>	<b>11,078</b>	<b>11,078</b>	<b>13,078</b>	<b>10,627</b>	<b>10,627</b>	<b>12,627</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) TECHNOLOGY PARTNERSHIP FUND		GEN			2,000			2,000
<b>TOTAL GOV'S INITIATIVES</b>					<b>2,000</b>			<b>2,000</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
<b>GENERAL</b>								
			6,105	6,105	8,105	6,105	6,105	8,105
<b>STATUTORY APPROPRIATIONS:</b>								
MINNESOTA TECHNOLOGY INC	10,204	11,629	3,596	3,596	3,596	3,145	3,145	3,145
SPECIAL REVENUE	2,381	1,947	1,377	1,377	1,377	1,377	1,377	1,377
<b>TOTAL EXPENDITURES</b>	<b>12,585</b>	<b>13,576</b>	<b>11,078</b>	<b>11,078</b>	<b>13,078</b>	<b>10,627</b>	<b>10,627</b>	<b>12,627</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
MINNESOTA TECHNOLOGY INC	2,007	1,330	1,079	1,079	1,079	2,124	2,124	2,124
SPECIAL REVENUE	529	550	141	141	141	100	100	100
FEDERAL	2,129	2,964	2,500	2,500	2,500	500	500	500
<b>TOTAL REVENUES COLLECTED</b>	<b>4,665</b>	<b>4,844</b>	<b>3,720</b>	<b>3,720</b>	<b>3,720</b>	<b>2,724</b>	<b>2,724</b>	<b>2,724</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Minnesota Technology, Inc. (MTI)  
**PROGRAM:** Minnesota Technology, Inc.  
**ACTIVITY:** Technology Services

**ITEM TITLE:** Technology Partnership Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$2,000	\$2,000	\$2,000	\$2,000
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that \$4,000,000 for the biennium be added to the agency plan for the Technology Partnership Fund.

**RATIONALE:**

The Technology Partnership Fund is an effort to stimulate technology transfer and strong working relationships between small, technology-based companies and post-secondary institutions throughout the state of Minnesota. At present, a strong working relationship does not exist between the state's academic community and private industry, particularly small companies. This is a lost opportunity, both for industry, which could use the talents of faculty and students to develop and apply technology to grow their businesses, as well as for the academic community which would benefit from having their faculty and students involved in "real world" technology and business issues.

As an incentive to bring these parties together, the Technology Partnership Fund will make investments of \$20,000 to \$100,000 in businesses partnering with faculty members at Minnesota academic institutions to develop new products. The investments must be matched in cash by each company.

**PROGRAM OUTCOMES:**

The immediate outcome of this initiative would be the development of new products by Minnesota companies which would help these firms expand their markets and grow. The benefits to the state economy would be reflected not only in the revenues that these new products would generate but also in the contribution to Minnesota's pool of human capital - students would receive valuable "real world" education and would be more likely to remain in Minnesota if they've worked with local employers.

The companies which engage in this initiative are technology-oriented and are the firms in our economy that are most likely to create higher wage jobs. The development of new products by these companies and the subsequent growth of the companies will require higher skilled, higher paid employees to manufacture the product.

**LONG-TERM IMPACT:**

There are 3 long-term impacts resulting from the Technology Partnership Fund.

1. The most immediate, yet potentially long-term impact will be the development of new products, the strengthening and growth of companies, the upgrading of skills among existing employees and the creation of higher wage jobs.
2. Enhanced technology infrastructure in the state resulting from the development of a culture that encourages industry-academic partnerships and collaboration.
3. Creation and retention of a larger pool of talented, high-skilled individuals in Minnesota -- especially impacting greater Minnesota. Experience indicates that students who work as interns for companies are likely to be hired by these firms when they graduate. The pool of skilled workers outside the metro area would be enlarged by giving students, through the collaboration effort, the opportunity to work on projects with technology based firms in their communities.

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Pass Through Grantees  
**PROGRAM:** Minnesota Technology, Inc.  
**AGENCY:** Minnesota Technology, Inc.

**ACTIVITY DESCRIPTION:**

Minnesota Technology is the science and technology arm of the state. As a result, a number of legislative grants are transmitted through Minnesota Technology's appropriation. The following organizations currently receive funding:

**Minnesota Technology Corridor Corporation (MTCC):** MTCC suspended operations in 1996 and will invest its remaining assets in a to-be-formed for-profit technology transfer company under the aegis of the Norris Institute. The economic purpose of the new company is to assist in the commercializing of technology-based businesses, part of MTCC's original mission. MTCC, therefore, will not request pass through grant money from Minnesota Technology, Inc. for F.Y. 1998 and 1999.

**Minnesota Cold Weather Resource Center (MCWRC):** The MCWRC is a non-profit agency created to promote and further develop the cold weather testing industry in Minnesota. MCWRC's primary role is to gather and provide information to engineers and manufacturers that have a need to test products in real world conditions. MCWRC's main clients are in the automotive sector - OEM's and component suppliers. Last year, over 40 groups from around the world spent an estimated \$5.7 million dollars testing in 9 communities and hired 217 seasonal employees.

**Minnesota Project Innovation, Inc. (MPI):** MPI is a private, non-profit corporation founded in 1984 to assist small businesses win government grants and contracts that to date total \$133 million. State funds received through this grant are leveraged to obtain federal funds through the Small Business Administration and the Defense Logistics Agency in support of MPI's programs. Through the state's investment, by the end of F.Y. 1999, MPI will assist MN businesses to win \$29 million in government grants and \$46 million in government contracts. MPI's programs support the Governor's initiative for a prosperous economy and assistance of Minnesota high technology and manufacturing communities. They also complement MTI's efforts in economic development for increased efficiencies and competitiveness of Minnesota businesses with skilled, high-paying positions.

**Natural Resources Research Institute (NRRI):** NRRI has leveraged its state special monies overall by about 3 to 1. This funding is unique, however, in that it is directly used to a large extent on very applied research and development, technical service, or idea evaluation efforts, in partnership with industry or entrepreneurial collaborators. A track record of successful projects has been established in a variety of areas, for example, wood products, processes, and waste treatment technologies. Matching funds, primarily from industry (including in-kind) have grown to about a one-to-one match on average. Typically, about 15 to 20 applied research projects have been funded each year at the historical funds level of \$947,000/year and account for most of the MTI funding. New proposals are sent out for peer review. Smaller amounts are spent on idea evaluation grants to small companies or entrepreneurs on a matching basis (maximum of \$7,000 per project) and on technical service.

Funding has been relatively constant at about \$947,000/year, except in the F.Y. 1996-97 biennium.

**Minnesota Inventors Congress (MIC):** The MIC provides for the only Inventors Resource Center available in Minnesota. MIC assists inventors in finding the information and resources they need and helps them network with other inventors, economic development resources, manufacturers, intellectual

property professionals (including the US PTO and FTC), educators, etc. MIC's promotion of the invention development process translates into marketable products, jobs, and sales for the Minnesota economy. \$9,000 of the grant to MIC is crucial to the Minnesota Student Inventors Congress, contributing to the development of critical/creative/inventive thinking skills in grades K-12. MIC also supports the Minnesota Inventors Hall of Fame. MIC requests the 1998-99 appropriation of \$150,000.00 to be granted to MIC for the maintenance of these inventor services to the citizens of Minnesota.

**Minnesota Council for Quality (MCQ):** MCQ is a 501C3 educational organization founded in 1987 by the Minnesota Legislature to enhance Minnesota's competitive edge and create jobs. Our programs deliver training and recognition that builds capacity in our workforce to achieve organizational excellence in all sectors of enterprise. Our outreach includes government, schools, health care, and non-profit, as well as manufacturing and service. We leverage financial contributions made to us at a ratio of 3:1 by training and supporting hundreds of volunteers who help produce and deliver our products and programs. We sponsor the nationally emulated Customer Service Award and the international benchmark Minnesota Quality Award. We request funding to continue to help Minnesota organizations stay in business and provide jobs.

**GRANTS:**

	Dollars in Thousands				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
MTCC(through MTI)	\$50	\$50	\$50	\$-0-	\$-0-
MCWRC (through MTI)	\$75	\$75	\$200	\$75	\$75
MPI (through MTI)	\$494	\$494	\$494	\$494	\$494
NRRI (through MTI)	\$947	\$947	\$575	\$575	\$575
MIC (through MTI)	\$71	\$75	\$75	\$75	\$75
MCQ (through MTI)	\$88	\$88	\$88	\$88	\$88

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

**BUDGET ACTIVITY:** Pass Through Grantees  
**PROGRAM:** Minnesota Technology  
**AGENCY:** Minnesota Technology, Inc.

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MINNESOTA PROJECT INNOVATION	494	494	494	494	494	494	494	494
MINNESOTA INVENTORS CONGRESS	75	75	75	75	75	75	75	75
NATURAL RESOURCES RESEARCH INS	947	575	575	575	575	575	575	575
MINNESOTA COUNCIL FOR QUALITY	88	88	88	88	88	88	88	88
HIGH TECH CORRIDOR CORPORATION	50	50	50			50		
COLD WEATHER RESEARCH CENTER	75	200	75	75	75	75	75	75
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>1,729</b>	<b>1,482</b>	<b>1,357</b>	<b>1,307</b>	<b>1,307</b>	<b>1,357</b>	<b>1,307</b>	<b>1,307</b>
<b>AGENCY PLAN ITEMS:</b>		<b>FUND</b>						
ELIMINATE HIGH TECH CORRIDOR GRANTS		GEN	<50>			<50>		
<b>TOTAL AGENCY PLAN ITEMS</b>			<50>			<50>		
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	1,729	1,482	1,357	1,307	1,307	1,357	1,307	1,307
<b>TOTAL EXPENDITURES</b>	<b>1,729</b>	<b>1,482</b>	<b>1,357</b>	<b>1,307</b>	<b>1,307</b>	<b>1,357</b>	<b>1,307</b>	<b>1,307</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

**1998-99 Biennial Budget**

**AGENCY:** Minnesota World Trade Center Corporation (MWTCC)

**AGENCY DESCRIPTION:**

The Minnesota World Trade Center Corporation (MWTCC) is a facility-based public corporation established to promote international business partnerships, foster increased participation in world trade and encourage mutual assistance and cooperation among members.

The MWTCC is a member of the WTCA - a global network with over 160 locations throughout the world. This membership provides global networking for Minnesota businesses.

The MWTCC is managed by the Minnesota Trade Office (MTO) and works in collaboration and partnership with the MTO to deliver services which promote, facilitate and develop international business ties between Minnesota businesses and international markets.

**REVENUES:**

The agency generates revenue from conference center usage, membership dues and education programs. Staffing, rent, vendor costs and all related day-to day operating expenses are paid from these dedicated revenues. In the past, general appropriations have been received to support operating expenses and debt service, but due to their one-time nature, there was no General Fund current spending level for the 1996-97 biennium.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

MWTCC dedicated revenues support day-to-day operations and long-term debt retirement.

The MWTCC also has an unpaid debt with remaining payments totaling \$217,000. Revenue generated from operations is not sufficient to provide debt service.

**1997 Deficiencies:** The MWTCC has a scheduled \$78,000 payment on 6-30-97.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

Each year, the MWTCC must meet its debt service obligation for furniture, fixtures and equipment purchase totaling \$750,587 made under a lease agreement entered into in 1988. To preserve the existing assets and WTCA charter, terms of lease agreement must be met.

Current operating revenues are not sufficient to refurbish and replace due to normal wear and tear the World Trade Center fixtures, furnishings and equipment. Last session, the MWTCC received a \$100,000 transfer of funds from the MTO. This sum has been used to reduce the time of payment to vendors and to supplement day-to-day operating expenses. Continued funding is needed to further reduce the time of payment to vendors, upgrade/repair equipment and provide start-up funding for international business initiatives.

The goal of the World Trade Center Corporation is to improve Minnesota's economic position in the global marketplace. To satisfy that goal, the MWTCC hosts international delegations with no financial support except from the MWTCC operating revenues.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding not to exceed \$217,000 in the 1998-1999 biennium for debt service requirements of the Minnesota World Trade Center Corporation. Of this \$217,000, the first \$78,000 is to address the 1997 deficiency.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: WORLD TRADE CENTER BOARD  
PROGRAM: WORLD TRADE CENTER CORP  
ACTIVITY: WORLD TRADE CENTER CORP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	126	143	143	143	143	143	143	143
OPERATING EXPENSES	611	639	493	493	493	507	507	507
OTHER EXPENSES					217			
<b>SUBTOTAL STATE OPERATIONS</b>	<b>737</b>	<b>782</b>	<b>636</b>	<b>636</b>	<b>853</b>	<b>650</b>	<b>650</b>	<b>650</b>
<b>TOTAL EXPENDITURES</b>	<b>737</b>	<b>782</b>	<b>636</b>	<b>636</b>	<b>853</b>	<b>650</b>	<b>650</b>	<b>650</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) MN WORLD TRADE CENTER DEBT RETIREMENT		GEN			217			
<b>TOTAL GOV'S INITIATIVES</b>					<b>217</b>			
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL					217			
SPECIAL REVENUE	737	782	636	636	636	650	650	650
<b>TOTAL EXPENDITURES</b>	<b>737</b>	<b>782</b>	<b>636</b>	<b>636</b>	<b>853</b>	<b>650</b>	<b>650</b>	<b>650</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	605	656	645	645	645	645	645	645
<b>TOTAL REVENUES COLLECTED</b>	<b>605</b>	<b>656</b>	<b>645</b>	<b>645</b>	<b>645</b>	<b>645</b>	<b>645</b>	<b>645</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
<b>TOTAL FTE</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Minnesota World Trade Center Corporation (MWTCC)  
**PROGRAM:** Minnesota World Trade Center Corporation (MWTCC)  
**ACTIVITY:** Minnesota World Trade Center Corporation (MWTCC)

**ITEM TITLE:** Minnesota World Trade Center Debt Retirement (Pass Through)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$217	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an appropriation of \$217,000 for the final payment of the remaining 1988 debt of the Minnesota World Trade Center Corporation (MWTCC) which was incurred for conference center furniture, fixtures, and equipment. Of this \$217,000, the first \$78,000 is to address the 1997 deficiency.

**RATIONALE:**

In 1987, the MWTCC incurred a debt of \$750,587 for needed furniture, fixtures and equipment for completion of the conference center. Each year, the MWTCC makes two payments of \$78,000 each to service the debt. After the 12/31/96 payment of \$78,000 (appropriated by the 1996 Legislature), the remaining debt will be \$216,962.44. The next \$78,000 payment is due on 6-30-97. No appropriation was made for this payment. Current operating revenues are not sufficient to pay off this debt and also pay for the operating expenses of the MWTCC.

**PROGRAM OUTCOMES:**

Upon completion of this appropriation and payment, the debt of the MWTCC will be retired.

**LONG-TERM IMPACT:**

None

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**1998-99 BIENNIAL BUDGET**

**PROGRAM STRUCTURE**

**AGENCY:** Economic Security, Department of (DES)

**PROGRAM**

**PAGE**

**ANTI-POVERTY PROGRAMS (History Only)**

**E-86**

Energy Assistance  
Weatherization  
Head Start  
Community Action/Self-Sufficiency  
Food and Shelter/Self -Sufficiency

**WORKFORCE PREPARATION**

**E-88**

Employment Transition  
Youth Training  
Youth Violence Prevention  
Welfare-to-Work  
Dislocated Worker

**WORKFORCE EXCHANGE**

**E-108**

Workforce Employment Exchange  
Reemployment Insurance  
Disability Determination

**WORKFORCE REHABILITATION SERVICES**

**E-118**

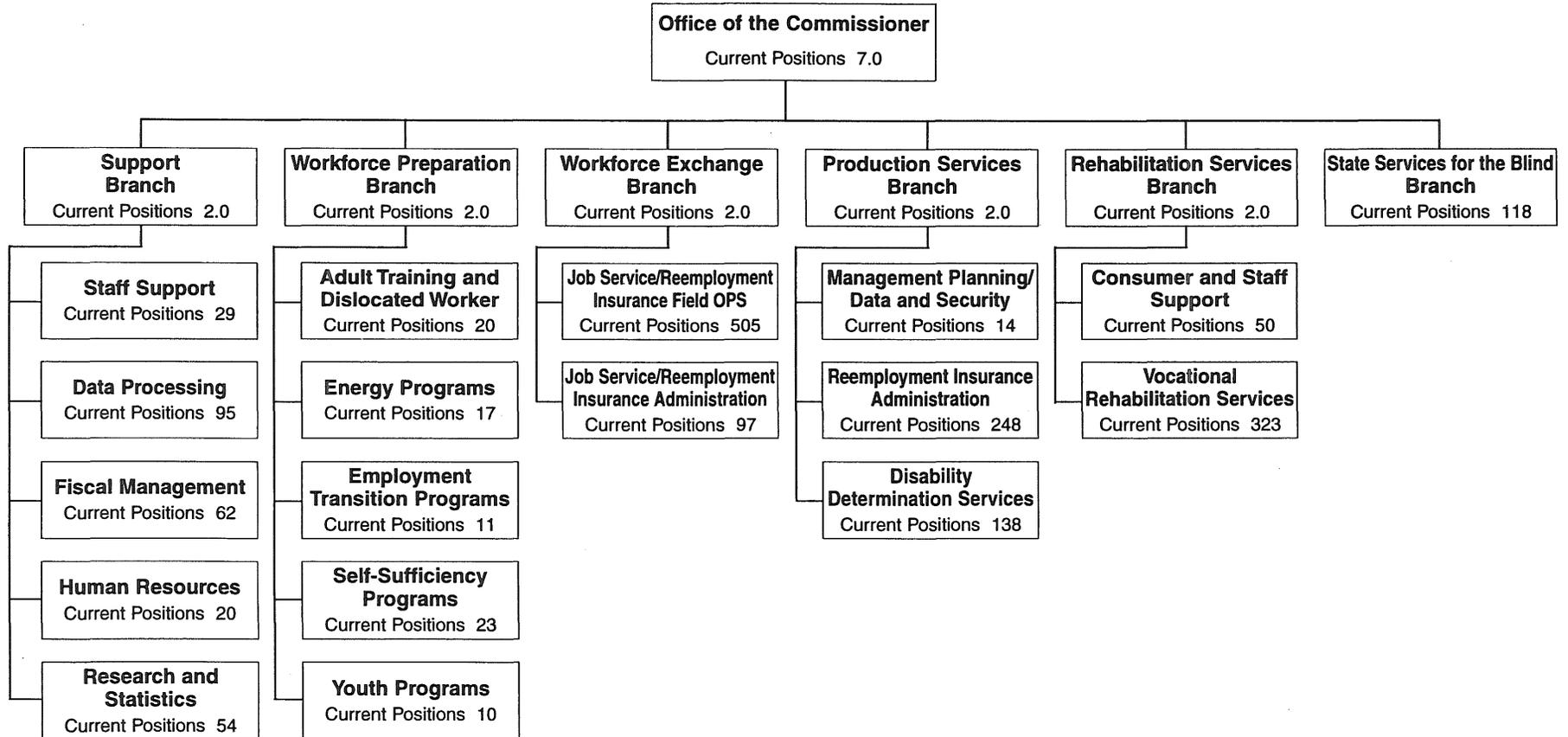
Vocational Rehabilitation  
Independent Living  
Extended Employment

**WORKFORCE SERVICES FOR THE BLIND**

**E-127**

Services for the Blind

**Department of Economic Security  
Organization Chart  
7-1-96**



**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Economic Security, Department of (DES)

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$58,127	\$58,127	\$116,254
<b><u>BASE ADJUSTMENT</u></b>			
One-time Appropriations	(9,255)	(9,255)	(18,510)
Biennial Appropriations	751	-0-	751
Transfers Between Agencies	(20,478)	(20,478)	(40,956)
Documented Rent/Lease Increase	13	30	43
Annualization of New Program	(25)	(25)	(50)
1998-99 Compensation Inflation	<u>83</u>	<u>165</u>	<u>248</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$29,216</b>	<b>\$28,564</b>	<b>\$57,780</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
Extended Employment Monitoring	140	140	280
Extended Employment Grants	<u>(140)</u>	<u>(140)</u>	<u>(280)</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$29,216</b>	<b>\$28,564</b>	<b>\$57,780</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
Workforce Center	<u>1,600</u>	<u>1,400</u>	<u>3,000</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$30,816</b>	<b>\$29,964</b>	<b>\$60,780</b>

**Brief Explanation of Agency Plan:**

- Plan includes the shift of \$140/yr from program costs to State Operations to cover statutory required monitoring/oversight of the Extended Employment program.
- Transfers to the Department of Children, Families and Learning of \$20,238 General Fund appropriations and \$58,678 in federal funds have been accommodated in the plan.
- Investments in Agency Infrastructure are prominent throughout the program budgets.
- One time appropriations of \$9,255,000 are identified in the Omnibus Appropriation Laws of 1995 and 1996 to be for only one year with no provision for continuation into the next biennium as a base appropriation. These include appropriations for Extended Employment Arbitration, Minnesota Workforce Centers, Transitional Housing, Youth Intervention Program, Minnesota Youthbuild, Minnesota Youth Program, Learn to Earn, Minnesota City Grants Program, and Home Energy Assistance Programs.

**Revenue Summary:**

None.

**Affected Statutes:**

None.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan except for the following adjustments:

The Governor recommends that \$3,000,000 for the biennium be added to the agency plan for the Minnesota Workforce Center initiative to better serve employers, dislocated workers, and other job seekers.

For the F.Y. 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing this transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs that benefit dislocated workers.

The Governor also recommends that up to \$8,000,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

1998-99 Biennial Budget

AGENCY: Economic Security, Department of (DES)

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**AGENCY DESCRIPTION:**

The mission of the Department of Economic Security (DES) is to help people help themselves achieve economic security, under M.S. 268, 268A and 248.

The customers of DES programs are: unemployed persons searching for jobs; employers looking for qualified employees; employed workers searching for new job opportunities; persons eligible for reemployment insurance; students exploring career options or searching for work; employers looking for critical labor market information; human resource managers needing to educate themselves on employment laws and regulations; public assistance clients looking to achieve self-sufficiency; dislocated workers in need of retraining; senior citizens in search of employment; displaced homemakers; disadvantaged youth in need of jobs and training; disabled persons needing job training or seeking to live independently; blind or visually impaired people who need training to live independently or who want non-visual entertainment, information, and/or assistive technology; households needing assistance to pay energy bills; and low-income families with children ages 3 to 5 wanting to enroll in Head Start. To enhance customer outcomes, DES is working with its customers to clearly define outcome measures to better determine the success of services and promote continuous improvement.

Direction for DES' operation is: 1) Minnesotans will be able to live independently and fully participate in their communities; 2) Minnesotans in temporary economic hardship will have their basic needs met and an opportunity for prompt return to suitable employment; 3) Minnesotans will have the training and skills to be successful in the workplace; and 4) Minnesota employers, educators, and individuals will have labor market information needed to compete in the world economy.

DES is organized into branches: Workforce Preparation, Workforce Exchange, Workforce Rehabilitation Services, Workforce Services for the Blind, Production, and Support. The branches provide: low-income weatherization and energy assistance, Head Start, emergency food and housing, economic opportunity programs (which will transfer to the Minnesota Department of Children, Families and Learning on 7-1-97), job training, dislocated workers' services, displaced homemakers' services, youth employment and training services, veterans' employment services, labor market information, reemployment insurance, employment, employment assistance, disability determination, employment and independent living assistance for people with disabilities, and agency support.

Most DES programs are provided directly from DES offices throughout the state (job service, reemployment insurance, rehabilitation services, and services for the blind). Other programs are contracted to community-based agencies which provide the services, e.g., extended employment, job training partnership act, dislocated workers, displaced homemakers, and the following programs which will transfer to the Minnesota Department of Children, Families and Learning: emergency food and housing, economic opportunity, Head Start, energy assistance, and weatherization. In these programs, DES serves as the administrator, which includes monitoring, training, and providing technical assistance.

DES is committed to, and in the process of, integrating and redesigning its employment and training services for employers and job seekers. Minnesota Workforce Centers (WFCs) are "one-stop" facilities that provide all DES employment and training-related services under one roof. Comprehensive job services are offered at these centers, including career counseling, skills assessment, training, reemployment insurance, placement, local labor market information, and other employment services.

The centers aim to be convenient, responsive, accessible, integrated, economical, and customer-friendly.

**AGENCY ISSUES:**

The following factors are shaping the policies and programs at DES:

**Workforce Centers.** The nation's workforce system has undergone significant change in the past decade and promises to look vastly different as the next century approaches. To meet the challenge of new workforce realities, DES must continuously improve and adapt its services. Minnesota was awarded a "one-stop" demonstration grant by the U.S. Department of Labor not only because it had an ambitious and timely plan, but because Minnesota has shown commitment to quality and investment in services that maximize results. Formerly, employers and job seekers had to go to as many as 5 different offices to get the services or information they required. Now, with Minnesota Workforce Centers, there is only one door to enter. This replaces confusing and expensive duplication of effort with efficient and convenient service delivery to customers. The new structure will allow for a much better match between available skilled workers and jobs.

**Labor Market Information.** The delivery of high-quality information to help all Minnesotans make good decisions about their work life is a critical element of workforce competitiveness. DES must help provide the tools for customers to make informed career training and employment choices through effective assessment and timely, pertinent career information. Further, DES must provide access to enhanced and increasingly localized labor market information for employers, job seekers, and planners.

**Technology Infrastructure.** As DES consolidates its services into Workforce Centers, there is a need to expand its computer network infrastructure and develop a software integration plan for the Workforce Center System. This infrastructure will provide a convenient, flexible way to utilize demographic and labor market information in summary and comparative ways. Making this information accessible to employers, educators, job seekers, and the general public is a key component to enhancing Minnesota's workforce system.

**A Skilled Workforce.** DES is concentrating on identifying employer needs and working with educators and employers to ensure that all needs are communicated and met. National reports highlight the growing mismatch between employers' need for a skilled workforce and the skills of American workers. A system is needed that helps people develop the goals and skills they need to make the transition from quality education to a high-skill, high-wage job. Both educators and employers must work cooperatively to strengthen the link between education and employment. This is one of the goals of the Governor's Workforce Development Council.

Paradoxically, the nation is facing workforce shortages at the same time that companies are downsizing, which has created a number of unemployed, college-educated, middle-aged professionals. As a result, DES continues to revamp its job training and placement efforts to make a closer fit with today's and tomorrow's unemployed Minnesotans. To further address the workforce shortages, DES continues to improve and expand its training services and placement of individuals with disabilities.

**Youth Concerns.** Substance abuse has had a profound impact on law enforcement and on both juvenile and criminal justice systems in the past decade. Schools increasingly are the site of violence and victimization, although the school is not the point of origin. Gangs seem to fill a desperate need on the part of many at-risk youth for stability, structure, and a sense of belonging. There is a major correlation between neighborhood poverty, social disorganization, and gang activity. There is a growing mismatch between students' classroom learning experiences and the knowledge and skills needed to begin and advance in their life's work. This means that school-to-work transitions are

## 1998-99 Biennial Budget

AGENCY: Economic Security, Department of (DES)  
(Continuation)

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becoming all the more important. If youth are to become successful in tomorrow's workforce, they must be better prepared.

**Welfare-To-Work.** Minnesota has worked closely with congress to shape the new welfare legislation and increase state flexibility in exchange for a fixed block grant. Minnesota's approach to the reform is to reduce child poverty and welfare dependency by moving families into the workforce through the Minnesota Workforce Centers and by supplementing employment with supports such as child care and health care. DES is working closely with the Minnesota Department of Human Services to develop the workforce component of Minnesota's welfare reform.

### AGENCY STRATEGIES:

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

- Improve services to customers by bringing programs together into Workforce Centers;
- Provide labor market information that supports business growth and provides a workforce needed to compete in the world economy;
- Effectively utilize technologies to improve program operations and service delivery systems;
- Provide employment and training services which link people to the world of work;
- Create and build coalitions to further choices and opportunities for Minnesotans with disabilities;
- Ensure that all people with severe disabilities have equitable access to opportunities for living and working in communities;
- Increase the number of blind persons and persons with disabilities who have gainful and fulfilling employment, manage their own homes or live independently, and gain access to the printed word through alternative reading materials; and
- Further link anti-poverty programs to Minnesota's Workforce Centers through partnerships with Community Action Agencies.

### SUMMARY OF BUDGET REQUEST:

The budget plan shifts \$140,000 per year from program costs to State Operations to cover statutory required monitoring oversight for the Extended Employment Program.

### GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$3,000,000 in the F.Y. 1998-99 biennium be added to the agency plan for the Minnesota Workforce Center initiative to better serve employers and job seekers.

For the F.Y. 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing the transfer in the F.Y.

1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs that benefit dislocated workers.

The Governor also recommends that up to \$8,000,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

1998-1999 B I E N N I A L B U D G E T  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ANTI POVERTY PRGMS (HISTORY)	80,789	84,654						
WORKFORCE PREPARATION	71,548	77,861	71,934	71,934	65,434	71,702	71,702	65,202
WORKFORCE EXCHANGE	77,526	80,132	80,707	80,707	82,307	78,307	78,307	79,707
WORKFORCE REHABILITATION SVCS	51,510	52,732	50,747	50,747	50,747	50,759	50,759	50,759
WORKFORCE SVCS FOR THE BLIND	13,467	13,193	12,995	12,995	12,995	13,091	13,091	13,091
TOTAL EXPENDITURES BY PROGRAM	294,840	308,572	216,383	216,383	211,483	213,859	213,859	208,759
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	52,560	56,741	29,216	29,216	30,816	28,564	28,564	29,964
STATUTORY APPROPRIATIONS:								
GENERAL	1,674	2,743	657	657	657	657	657	657
STATE GOVERNMENT SPECIAL REVENUE	28	12						
SPECIAL REVENUE	21,290	32,554	30,127	30,127	23,627	30,642	30,642	24,142
MDES FEDERAL	218,573	215,835	156,344	156,344	156,344	153,957	153,957	153,957
GIFT	715	687	39	39	39	39	39	39
TOTAL EXPENDITURES	294,840	308,572	216,383	216,383	211,483	213,859	213,859	208,759
FTE BY EMPLOYMENT TYPE:								
REGULAR	1,803.5	1,813.8	1,765.3	1,767.3	1,772.3	1,740.3	1,742.3	1,747.3
TEMP/SEAS/PART_TIME	37.0	36.4	36.4	36.4	36.4	36.4	36.4	36.4
OVERTIME	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8
TOTAL FTE	1,850.4	1,860.0	1,811.5	1,813.5	1,818.5	1,786.5	1,788.5	1,793.5

**1998-99 Biennial Budget  
Agency Level Revenue Summary**

Agency: Economic Security, Department of (DES)

**REVENUE SOURCES:**

DES generates dedicated revenue, interagency grants, and federal funds.

The dedicated revenue is generated from several sources. Services for the Blind (SSB) sells adaptive devices to its customers and operates vending stands in public buildings generating receipts of approximately \$977,000/year. SSB also receives gifts estimated at \$39,000/year. The Workforce Exchange Program collects \$2,400,000/year in penalties and interest on delinquent reemployment insurance taxes. Approximately \$26,000,000 in dedicated special revenue is also collected via a surtax on Unemployment Insurance taxes for Dislocated Worker activities.

Grants from the federal government represent about \$155,000,000/year from various agencies.

Inter-agency grants consist of \$657,000/year from the Minnesota Department of Human Services for a Welfare-to-Work Program for Aid to Families with Dependent Children (AFDC) recipients.

**FEE STRUCTURE:**

DES collects no fees.

**RECENT CHANGES:**

The transfer of programs to the Minnesota Department of Children, Families and Learning will result in a reduction of federal revenue of approximately \$59,000,000/year.

**FORECAST BASIS:**

DES is expecting remaining revenues to remain at a level similar to those of 1997.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>DEDICATED RECEIPTS:</b>								
<b>GRANTS:</b>								
GENERAL	1,485	1,431	657	657	657	657	657	657
MDES FEDERAL	219,475	214,675	156,344	156,344	156,344	153,957	153,957	153,957
<b>OTHER REVENUES:</b>								
SPECIAL REVENUE	4,200	3,824	3,377	3,377	3,377	3,492	3,492	3,492
GIFT	718	684	39	39	39	39	39	39
<b>TAXES:</b>								
SPECIAL REVENUE	28,596	26,050	26,650	26,650	26,650	27,150	27,150	27,150
<b>TOTAL DEDICATED RECEIPTS</b>	<b>254,474</b>	<b>246,664</b>	<b>187,067</b>	<b>187,067</b>	<b>187,067</b>	<b>185,295</b>	<b>185,295</b>	<b>185,295</b>
<b>AGENCY TOTAL REVENUES</b>	<b>254,474</b>	<b>246,664</b>	<b>187,067</b>	<b>187,067</b>	<b>187,067</b>	<b>185,295</b>	<b>185,295</b>	<b>185,295</b>

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Economic Security, Minnesota Department of (MDES)

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Department of Energy Programs (Low-income Energy Assistance and Weatherization)	Yes	GPS	51,350	52,364	-0-	-0-
Community Service Block Grant (HHS)	Yes	GPS	4,740	6,016	-0-	-0-
Other Community Food & Nutrition Related Programs (HUD, USDA, HHS)	Yes	GPS	3,033	3,093	-0-	-0-
Job Training Partnership Act Programs (Dept. of Labor) Adult, Youth and Dislocated Worker	Yes	GPS	43,361	35,659	37,670	37,670
Miscellaneous Youth and Welfare-to-Work Programs (Dept. of Justice, HHS)	Yes	GPS	1,923	2,674	2,668	2,674
Department of Labor Employment and Benefit Programs (Includes Job Service, Reemployment Ins., Veterans, Older Americans)	Yes	SO	59,208	59,236	59,902	57,502
Social Security Administration Disability Determination Services (HHS)	No	SO	13,303	14,168	15,551	15,551
Department of Education (Vocational Rehabilitation Services, State Services for the Blind, Independent Living)	Yes	SO, Payments, to Individuals & Local Grants	42,557	41,465	40,553	40,560
<b>Agency Total</b>			<b>219,475</b>	<b>214,675</b>	<b>156,344</b>	<b>153,957</b>

Kay:

SO - State Operations  
GPS - Grants - Political Subdivisions  
GI - Grants - Individuals

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**1998-99 Biennial Budget**

**PROGRAM:** Anti-Poverty Programs (History Only)  
**AGENCY:** Economic Security, Department of (DES)

**PROGRAM DESCRIPTION:**

The Energy Assistance and Weatherization Programs address the affordability of home energy for low-income households. The self-sufficiency programs include Head Start, the Community Services Block Grant, the Transitional Housing Program, the Emergency Food Assistance Program and a number of other food, shelter, and anti-poverty programs. Energy and Community Action Programs to will move to the Minnesota Department of Children, Families and Learning on 7-1-97. See that agency's budget for further information.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: ANTI POVERTY PRGMS (HISTORY)

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ENERGY ASSISTANCE	40,224	45,234						
WEATHERIZATION	12,506	9,623						
HEAD START	11,611	11,606						
COMMUNITY ACTION/SELF SUFFIC	11,635	12,916						
FOOD AND SHELTER/SELF SUFFIC	4,813	5,275						
TOTAL EXPENDITURES BY ACTIVITY	80,789	84,654						
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	20,236	21,688						
STATUTORY APPROPRIATIONS:								
GENERAL	611	613						
STATE GOVERNMENT SPECIAL REVENUE	28	12						
SPECIAL REVENUE	297	375						
MDES FEDERAL	59,123	61,473						
GIFT	494	493						
TOTAL EXPENDITURES	80,789	84,654						
FTE BY EMPLOYMENT TYPE:								
REGULAR	44.0	45.0						
TEMP/SEAS/PART_TIME	.7							
OVERTIME	.1							
TOTAL FTE	44.8	45.0						

## 1998-99 Biennial Budget

**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

### PROGRAM DESCRIPTION:

The Workforce Preparation Branch provides services to promote economic independence for Minnesotans in transition. Employment and training services are provided to youth, long-term unemployed adults, displaced homemakers, dislocated workers, older Americans, and public assistance recipients. Employment and Training Programs for economically disadvantaged youth provide academic enrichment strategies that integrate work and learning: work-based learning, classroom-based enrichment, and summer jobs. Participants provide valuable services in their communities while learning essential job skills.

Workforce Preparation, in cooperation with the Minnesota Department of Human Services, manages Success Through Reaching Individual Development and Employment (STRIDE), an employment and training program for AFDC recipients to become self-sufficient; and Food Stamp Employment and Training (FSET) Programs for non-public assistance recipients.

### PROGRAM STATUS:

The Workforce Center System is the distribution network of many Workforce Preparation services combined with services of other DES branches and other departments. Workforce Centers are a joint effort of local Workforce Councils, counties, cities, and DES. Reform in employment and training legislation during the 1990s requires employment and training services to focus more resources on the hard-to-serve populations. This heightened priority fits well with recent welfare reform legislation and Workforce Center development initiatives. The 1996 national welfare reform legislation is expected to have a substantial impact on the demand for services provided by DES. As welfare and food stamp participation is reduced, for example, demands on the employment and training services provided through DES will increase.

Program outcomes are affected by both the priorities chosen and the resources available. With the resources available, only a very small percentage of eligible Minnesotans can be served. In the area of jobs, congressional recognition that workers of today losing their jobs have an ever-increasing chance of not working in their trained profession and at reduced wages has increased federal funding to retrain greater numbers of dislocated workers. In addition, emphasis both nationally and within the state to better provide information to Minnesotans about the availability and choice of governmental services and eligibility are driving interagency collaboration and redefining the definition of service. Increased computer network capabilities and improved application software enhance the ability to both provide services in an ever-changing work environment and to better evaluate program effectiveness. As indicated above, program status is affected by many factors, some immediate such as funding changes and some at a slower rate such as electronic automation advances; however, the basic equation remains the same -- government must prioritize services in relation to available resources.

### Employment Transition Services

The federal Job Training Partnership Act (JTPA) Programs are governed by the Amendments of 1992 which mandate that individualized services be concentrated on the "hard-to-serve" groups, as defined in law. The U.S. Department of Labor will continue to emphasize to all of the states that JTPA must

be customer-driven so that trainees receive the services they need to become self-sufficient and that employers receive high-quality employees.

Funding for the JTPA Title IIA Adult Training Program was reduced by 25% in 1996. Funding for the JTPA Title IIB Summer Youth Program was reduced by 35% in 1996. Funding for the JTPA Title IIC Youth Training Program was reduced by 79% in 1995.

Funding levels for the Displaced Homemaker Program's 12 statewide programs to provide employment and training transition services have not kept pace with the costs of providing service. Subsequently, diminished numbers of displaced homemakers are being served, in spite of program efforts to secure match dollars. The number of displaced homemakers in Minnesota has increased by over 18% since 1980.

The Opportunities Industrialization Centers (OICs), local community-based employment and training centers, have had no state increase since 1989. In light of welfare reform and the increased need for employment for public assistance recipients, the numbers of potential eligible individuals that could benefit from this program with additional funds continues to increase.

The Minnesota Occupational Information Coordinating Committee (MOICC) works as an interagency partnership to promote access and development of occupational and career information which links the needs of employers with the skills of people making career decisions. Partners include: Minnesota State Colleges and Universities System, Minnesota Department of Trade and Economic Development, University of Minnesota, Higher Education Services Office, and DES.

### Youth Training

#### JTPA Title IIB Summer Program

The JTPA Title IIB Summer Youth Program is targeted to economically disadvantaged youth, ages 14 to 21. There is an emphasis on designing programs which integrate work and learning. Service providers can document gains in reading and math skills for participating youth. The funding level for the program in the summer of 1997 is expected to be \$8.27 million, serving approximately 5,250 youth. There were 7,000 disadvantaged youth on the waiting list for services in 1996. The increase in the minimum wage will impact the program in 1997.

#### Minnesota Youth Program

The state-funded Minnesota Youth Program has a component which operates year-round, complementing the JTPA Title IIB Program which operates in the summer months only. Minnesota Youth Program was restructured by DES to provide the Youth Service Corps which focuses on community service projects that address unmet human service, public safety, environmental, and educational needs. There is an emphasis on applied learning.

With supplemental funding from the Legislature, Minnesota Youth Program was able to serve 6,000 youth in 1996. There were 7,000 economically disadvantaged youth on the waiting list for Minnesota Youth Program services in 1996.

#### JTPA Title IIC Youth Training Program

Funding for the JTPA Title IIC Youth Training Program was reduced by 79% in 1995. Nearly 40,000 economically disadvantaged youth are eligible to participate in the Title IIC Youth Training Program. Only 753 economically disadvantaged youth will be served in 1997, compared to 4,184 in 1994. Minnesota's service providers have exceeded all national performance standards.

**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)  
(Continuation)

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Minnesota YouthBuild

The Minnesota YouthBuild Program expanded to 9 sites in 1995. The existence of the state program permitted Minnesota to leverage over \$1 million of National YouthBuild funds from the U.S. Department of Housing and Urban Development.

**Youth Programs/Violence Prevention**

Juvenile Justice Program

Over the next 2 years, the Juvenile Justice Program will be required to address the following issue: minority populations are over-represented in all aspects of the juvenile justice system, from arrest, detention and court appearances through probations and incarceration. Minority populations also have higher dropout rates and higher teen pregnancy rates. The Juvenile Justice Program will enhance services available to minority youth prior to formal involvement in the juvenile justice system by developing and strengthening programs which emphasize prevention, early intervention and workforce preparation.

Youth Intervention Program

The need for prevention and early intervention services for children and families who are at risk of child abuse, family violence, chemical abuse, delinquency, teen pregnancy, prostitution, truancy and running away from home is greater than the resources available. The shorter the time period between the offense and referral to the Youth Intervention Program, the more effective the program services.

Minnesota City Grants Program

The goal of this demonstration project is to develop community-based violence prevention initiatives that take truant and at-risk youth off the streets and provide them with prevention, intervention and pre-trial diversion services. Minneapolis, St. Paul, and Duluth were the sites for programs operating with state and federal funds appropriated for 1996. The cities formed collaboratives which leveraged federal funds, foundation aid and local resources as a result of the availability of state funds. Each site provided a broad range of prevention programs which impacted over 48,000 youth during the grant period.

Bonding Initiative - Truancy and Curfew Centers

A Request for Proposal (RFP) has been released announcing the availability of \$500,000 of capital improvement funds to construct 2 Truancy and Curfew Centers from funds appropriated for 1995: one in Hennepin County and one in Ramsey County.

**Dislocated Worker**

The unemployment rate in Minnesota is at a historically low level. However, there continues to be a number of reported plant closings and large layoffs affecting 50 or more workers. Between 7-1-95 and 6-30-96, there were 78 reported plant closings and large layoffs affecting 11,490 workers. While difficult to track, the number of workers affected by small layoffs also increased somewhat over previous years, exceeding 10,000 workers. The workers that are dislocated need various forms of the state services because their skills often do not match the skills requirement of available jobs.

**PLANNED RESULTS:**

**Employment Transition Services**

During the next 2 years, JTPA Title II Programs will continue to serve approximately 3 to 5% of eligible Minnesotans. It is planned that approximately 5,000 individuals will be served during each of the next 2 years statewide with a minimum of 65% "hard-to-serve" individuals. "Hard-to-serve" is defined as belonging to one or more of the following groups: individuals who are basic skills-deficient; individuals who are school dropouts; individuals who are recipients of cash welfare payments; individuals who are offenders; individuals with disabilities; individuals who are homeless; and individuals who are in a category recommended by local service delivery areas and approved by the governor.

The Minnesota Displaced Homemaker Program will serve over 1,700 participants per year in the next 2 years. Of this group, over 70% will experience positive outcomes such as entering employment, training, or activity with other related resources and achieving personal and economic self-sufficiency.

The OICs anticipate job training and placement service to over 4,000 participants per year for the next 2 years. They will be providing services to a difficult-to-serve group which includes 80% minorities and a large number of at-risk youth.

The MOICC is collaborating with various partners to bring occupational information to the classrooms of over 50,000 students during this coming year through a variety of new initiatives. MOICC is involved in coordinating a project to define a comprehensive data follow-up model for Minnesota.

**Youth Training**

JTPA Title IIB Summer Program

DES is expecting that federal funding for the summer of 1997 will be approximately \$8.27 million which will serve 5,250 disadvantaged youth. The demand for services is greater than the resources available.

Minnesota Youth Program

The Minnesota Youth Program was re-structured by DES and the local providers to provide the Youth Service Corps which focuses on community service projects that address unmet human service, public safety, environmental, and educational needs. Base-level funding will result in services for 2,000 youth in 1997.

JTPA Title IIC Youth Training Program

DES is expecting to serve only 753 economically disadvantaged youth in 1997, due to the 79% reduction in federal JTPA IIC funding that occurred in 1995. There are approximately 40,000 disadvantaged youth who are eligible for services statewide.

Minnesota YouthBuild

Funded at a level of \$500,000 for 1996 and \$300,000 for 1997, the 9 YouthBuild sites will serve approximately 315 economically disadvantaged youth each year. Each site is required to provide a dollar-for-dollar funding match from local resources.

1998-99 Biennial Budget

**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)  
(Continuation)

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**Youth Programs/Violence Prevention**

Juvenile Justice Program

In 1995, Minnesota's federal allocation totaled \$1.1 million; over 8,600 youth and families were served. Over 70% were in communities of color. In 1996, Minnesota's allocation was \$1,114,000. Minnesota received a \$339,000 allocation of Title V Community Delinquency Prevention Funds in 1995. This new funding was continued in 1996 and in addition Minnesota secured a \$163,000 State Challenge Grant. Minnesota is in compliance with the federal juvenile justice mandates of de-institutionalization of status offenders, sight and sound separation, and the juvenile jail removal mandate. In the next 2 years, federal funds will be used for prevention programs.

Youth Intervention Program

In 1996, Youth Intervention Programs provided early intervention and prevention services to youth (ages 8 to 17) and their families. Funded at a level of \$650,000 in 1996 and \$890,000 in 1997, the program addresses issues such as: shoplifting, vandalism, theft, prostitution, arson, family problems, child abuse, and chemical abuse. The program currently operates in 27 communities: 17 in the Twin Cities metropolitan area and 10 in Greater Minnesota.

Minnesota City Grants Program

Demonstration grants totaling \$1.1 million were awarded to the cities of Minneapolis, St. Paul, and Duluth in 1994. The program impacted over 48,000 youth between 7-1-94 and 6-30-95. The City Grants funds were used as matching funds to leverage federal Title V Prevention resources from the Department of Justice. In 1996, \$340,000 of new state funding was appropriated for truancy prevention, curfew enforcement, and pre-trial diversion services.

Bonding Initiative - Truancy and Curfew Centers

Two Truancy and Curfew Centers will be constructed with the \$500,000 of capital improvement funds. A portion (25%) of the funding will be used to provide employment and training services to youth in the construction of the new facilities.

**Dislocated Worker**

Approximately 13,000 individuals will be served by the federal and state Dislocated Worker programs in 1996. This is a reduction from 1995 when 14,781 individuals were served. It is estimated that 78% of the individuals completing participation in the program will be placed in jobs that pay an average wage of 85% of their pre-layoff wages. These placement rates and wages will continue to exceed the national averages for Dislocated Worker programs.

**BUDGET AND REVENUE SUMMARY:**

**Employment Transition Services**

During 1997, approximately \$6.2 million of federal JTPA Title IIA funds will be available statewide

to serve economically disadvantaged adults. This represents a 25% decrease in federal funding. In addition, approximately \$400,000 will be available to support programs which target economically disadvantaged older workers (ages 55 and over). Approximately \$1 million will be available to support programs which contain coordination mechanisms between JTPA and educational institutions. These coordinated programs benefit both adults and youth.

The Displaced Homemaker Program is funded at \$1,512,000 for 1997. This amount provides for service in 12 programs covering all 87 Minnesota counties at base level, with minimal service to outlying areas.

OICs receive \$350,000 annually to fund up to 25% of the total OIC program budgets, including administrative costs.

**Youth Training**

Federal funding for the 1997 JTPA Title IIB Summer Youth Program is estimated at \$8.27 million which will serve 5,250 disadvantaged youth. Federal funding for the JTPA Title IIC Youth Training Program is expected to remain at the 1996 level: \$981,492 per year serving 753 youth. The need for summer youth employment opportunities is greater than the resources available.

Base-level funding for the Minnesota Youth Program of \$3 million will serve 2,000 youth per year compared to the 6,000 per year served in 1995 and 1996 through the help of supplemental funding.

The Minnesota YouthBuild Program serves 315 economically disadvantaged youth per year with annual funding of \$300,000.

**Youth Programs/Violence Prevention**

Federal funding for the Juvenile Justice Program is expected to remain stable in the next biennium. State funding for the Youth Intervention Program (currently \$650,000 per year) supports 27 community-based programs: 17 in the Twin Cities metropolitan area and 10 in Greater Minnesota. State funding totaling \$340,000 supported community-based violence prevention programs (known as City Grants Program) in Minneapolis, St. Paul, and Duluth. Capital improvement funds in the amount of \$500,000 will be used to construct 2 Truancy and Curfew Centers.

**GOVERNOR'S RECOMMENDATION:**

For the 1996-97 biennium, the legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing this transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred from the Dislocated Worker Fund to the General Fund each year for important initiatives and programs, including those that benefit dislocated workers.

The Governor also recommends that up to \$8,000 each year from the Dislocated Worker Fund be used for paying claims and administrative expenses incurred by the Minnesota Comprehensive Health Association (MCHA), which covers the health care costs of dislocated and unemployed workers with chronic health care needs which makes them otherwise uninsurable.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EMPLOYMENT TRANSITION SERVICES	22,630	16,765	16,781	16,781	16,781	16,783	16,783	16,783
YOUTH TRAINING	18,740	15,732	12,807	12,807	12,807	12,060	12,060	12,060
YOUTH VIOLENCE PREVENTION	2,282	3,273	2,679	2,679	2,679	2,687	2,687	2,687
WELFARE TO WORK SERVICES	798	1,734	1,381	1,381	1,381	1,386	1,386	1,386
DISLOCATED WORKER	27,098	40,357	38,286	38,286	31,786	38,786	38,786	32,286
TOTAL EXPENDITURES BY ACTIVITY	71,548	77,861	71,934	71,934	65,434	71,702	71,702	65,202
GOV'S INITIATIVES:		FUND						
(B) TRANSFER TO GENERAL FUND		SR			<6,500>			<6,500>
TOTAL GOV'S INITIATIVES					<6,500>			<6,500>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	10,454	11,737	7,043	7,043	7,043	6,305	6,305	6,305
STATUTORY APPROPRIATIONS:								
GENERAL	929	1,815	657	657	657	657	657	657
SPECIAL REVENUE	17,673	28,720	26,650	26,650	20,150	27,150	27,150	20,650
MDES FEDERAL	42,492	35,589	37,584	37,584	37,584	37,590	37,590	37,590
TOTAL EXPENDITURES	71,548	77,861	71,934	71,934	65,434	71,702	71,702	65,202
FTE BY EMPLOYMENT TYPE:								
REGULAR	53.7	52.2	50.7	50.7	50.7	50.7	50.7	50.7
TEMP/SEAS/PART_TIME	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	60.8	59.3	57.8	57.8	57.8	57.8	57.8	57.8

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**BUDGET ACTIVITY:** Employment Transition  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

This activity includes special programs to address needs of those seeking assistance in obtaining meaningful employment, and/or needing intensive services or training to obtain employment, and economic and social self-sufficiency. A major purpose of this activity is to direct special services, training, and work experience to people experiencing barriers to employment.

These programs are targeted to specific populations who are deemed to be "hard-to-serve": economically disadvantaged adults, older workers, minorities, public assistance recipients, individuals with disabilities, individuals who are offenders, and individuals who are basic-skills deficient. The majority of funding comes from federal sources.

Following is additional information about each of the programs in this activity:

**JTPA Title II-A**

This Job Training Partnership Act (JTPA) basic grant provides various types of employment and training services to economically disadvantaged adults and youth, designed to make these individuals economically and socially self-sufficient. Additionally, certain population groups are targeted for service including: older workers, veterans, minorities, public assistance recipients, individuals with disabilities, offenders and ex-offenders, individuals who are basic-skills deficient, and women. At least 65% of the participants must be "hard-to-serve." In addition, there is an emphasis on individualized assessment and on training which meets the labor market needs of the local, regional, or state area. Service-provider performance incentive funds are included within this program.

**JTPA Education Coordination**

Allocations totaling 8% of the resources are directed to facilitate coordination and cooperation between education and employment and training agencies to develop and provide services to economically disadvantaged persons.

**JTPA Older Worker**

JTPA allocates 5% of the Title II-A basic grant to support employment and training services to economically disadvantaged persons 55 years of age and older. The goal of the program is to ensure that training and placement of eligible individuals occurs in employment opportunities with private business concerns.

**Title V Senior Community Service Employment Program (SCSEP)**

This program, authorized by Title V of the federal Older Americans Act, was established to foster and promote the creation of part-time jobs in community service activities for low-income individuals 55 years of age and older. The goal of the program is to annually place 20% of the participants in unsubsidized employment.

**Minnesota Displaced Homemaker Program**

Displaced homemakers are individuals who have spent a number of years at home caring for their homes and families and were dependent on the income of a spouse or partner. Due to separation, divorce, death, or disability of the partner, they must seek employment to become economically independent. Displaced Homemaker programs serve a group of Minnesotans often unreached and unserved by other programs. The programs help clients to identify and remove their barriers to employment, develop confidence, and learn the choices available to them in their transition to independence. Group and individual counseling; personal growth and vocational assessment; job-seeking skills and resume preparation; and referral to support services, training, and employment are among the pre-employment services provided to clients. Income guidelines and displacement determine eligibility. Services are free. Enrollment is for a maximum of one year. The 12 statewide programs offer limited client expense support as funds permit.

**Opportunities Industrialization Centers (OICs)**

OICs provide comprehensive job training and placement services to people who are economically disadvantaged, unemployed, or underemployed. The centers provide instruction in basic academic skills, vocational training, and other supportive services. There are 5 OICs in Minnesota: Ramsey County, Summit Academy in Minneapolis, American Indian, Anishinabe (Mille Lacs), and NW Indian. A special project at Lino Lakes provides remedial education and services to inmates prior to their release.

**BUDGET ISSUES:**

In 1992, JTPA was amended with provisions being effective on 7-1-93. The impact on JTPA was significant. Among the changes were: programming for youth ages 16 through 21 was separated from programming for adults; at least 65% of the participants had to belong to one or more of a "hard-to-serve" category; and assessment needed to be comprehensive and individualized.

JTPA Title IIA programs are 100% federally funded. MDES received a 25% reduction in funding for 1996. This program is planned to be a part of federal Workforce Development Block Grant legislation that Congress has been working on.

SCSEP is 100% federal-funded. MDES anticipates a small decline in resources in each of the next 3 years.

The Displaced Homemaker Program is 100% state-funded. Programs are encouraged to raise an additional 10% in match dollars per year. Increased costs of service result in the ability to serve fewer clients with the same resources.

State funds account for 25% of the money devoted to OIC.

**GRANTS:**

JTPA Title IIA, (Public Law 97-300 as amended): 77% of the Title II-A grant is allocated by formula to the JTPA service delivery areas (SDAs), including counties, cities, and non-profit organizations designated by the Governor.

JTPA Education Coordination, (Public Law 97-300 as amended): 20% is available to oversee coordination; 60% of the funds available is allocated by formula to the JTPA SDAs; 20% of the funds available is contracted with local service providers by the Request for Proposal (RFP) process.

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Employment Transition  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)  
(Continuation)

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JTPA Older Workers Program, (Public Law 97-300 as amended): This program is allocated by formula to the JTPA SDAs, including counties, cities, and non-profit organizations as designated by the Governor.

Title V SCSEP, (Public Law 95-478): This program was originally let on an RFP basis. Sixteen grantees have received continued funding since the original RFP selection. Current grantees include community action agencies, counties, the City of Duluth, Chippewa tribes, Minnesota Green Thumb, and JTPA SDAs.

Displaced Homemaker Program (M.S. 268.96): Program funds of \$1,512,000 are granted to 12 SDAs statewide to provide services to approximately 1,600 displaced homemakers.

OIC, (M.S. 268.60): 100% of the state funds is contracted with community-based Opportunities Industrialization Centers.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: EMPLOYMENT TRANSITION SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	710	495	548	548	548	550	550	550
OPERATING EXPENSES	205	284	284	284	284	284	284	284
<b>SUBTOTAL STATE OPERATIONS</b>	<b>915</b>	<b>779</b>	<b>832</b>	<b>832</b>	<b>832</b>	<b>834</b>	<b>834</b>	<b>834</b>
PAYMENTS TO INDIVIDUALS	2							
LOCAL ASSISTANCE	21,713	15,986	15,949	15,949	15,949	15,949	15,949	15,949
<b>TOTAL EXPENDITURES</b>	<b>22,630</b>	<b>16,765</b>	<b>16,781</b>	<b>16,781</b>	<b>16,781</b>	<b>16,783</b>	<b>16,783</b>	<b>16,783</b>
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	1,861	1,862	1,865	1,865	1,865	1,867	1,867	1,867
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	20,769	14,903	14,916	14,916	14,916	14,916	14,916	14,916
<b>TOTAL EXPENDITURES</b>	<b>22,630</b>	<b>16,765</b>	<b>16,781</b>	<b>16,781</b>	<b>16,781</b>	<b>16,783</b>	<b>16,783</b>	<b>16,783</b>
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
MDES FEDERAL	20,806	14,866	14,916	14,916	14,916	14,916	14,916	14,916
<b>TOTAL REVENUES COLLECTED</b>	<b>20,806</b>	<b>14,866</b>	<b>14,916</b>	<b>14,916</b>	<b>14,916</b>	<b>14,916</b>	<b>14,916</b>	<b>14,916</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	18.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
TEMP/SEAS/PART_TIME	.8	.8	.8	.8	.8	.8	.8	.8
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
<b>TOTAL FTE</b>	<b>19.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>	<b>13.0</b>

**BUDGET ACTIVITY:** Youth Training  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

**JTPA TITLE IIB Summer Program**

The Job Training Partnership Act (JTPA) Title IIB Summer Youth Program is targeted to economically disadvantaged youth between the ages of 14 and 21. The program operates through the Service Delivery Areas/Workforce Development Councils. Summer youth participants are enrolled in community service projects that address unmet human service, public safety, environmental, and educational needs. Programs are designed to integrate work and learning. Nearly 60% of the participants are ages 14 to 15, and therefore, could not be employed in the private sector.

**Minnesota Youth Program**

The Minnesota Youth Program provides services year-round, which complements the JTPA Title IIB program which operates in the summer months only. Young people must be between the ages of 14 and 21. The education, skill training, and support service needs of each youth are assessed and used as the basis for designing individualized service strategies. Participants are provided with academic enrichment which, at a minimum, counteracts the erosion of basic skills and, to the extent possible, increases the young person's reading and math skills.

**JTPA TITLE IIC Youth Training Program**

The JTPA Title IIC Program provides year-round employment and training services to youth who are basic-skills deficient, youth whose educational attainment is below grade level, pregnant or parenting youth, youth with disabilities, homeless or runaway youth, offenders, and school dropouts. Services include vocational counseling, academic and vocational training, work experience, private sector internships, and job placement assistance.

**Minnesota YouthBuild**

The Minnesota YouthBuild Program provides specialized training, work experience, leadership skills, and education for youth at risk of not completing their high school education. Youth must be between the ages of 16 and 24. A unique requirement of the program design is that work projects must result in the expansion or improvement of residential units for homeless persons and very low-income families; or social service, educational, or health facilities that primarily serve these populations. Target groups include youth who are at risk of involvement with the juvenile justice system, dropouts and potential dropouts, youth with disabilities, teen parents, and public assistance recipients.

**BUDGET ISSUES:**

**JTPA Title IIB Summer Program**

DES is expecting approximately \$8.27 million will be available for the summer of 1997. An estimated 5,250 disadvantaged youth will be served in the summer of 1997 with federal resources.

**Minnesota Youth Program**

Due to the supplemental funding from the Legislature, this program served approximately 6,000 youth each year in the last biennium. Without a supplemental appropriation in 1997, service levels will drop back to 2,000 per year.

**JTPA Title IIC Youth Training Program**

Nearly 40,000 economically disadvantaged youth are eligible to participate in the Title IIC Youth Training program. Minnesota's federal resources permit DES to serve only 753 youth per year. DES sustained a 79% reduction in federal Title IIC funding in 1995-96.

**Minnesota YouthBuild**

The Minnesota YouthBuild Program is currently funded at a level of \$300,000 per year. All programs are required to secure dollar-for-dollar match of state funds from local resources. This funding allows the 9 sites to serve approximately 315 disadvantaged youth each year.

**GRANTS:**

The JTPA Summer Youth Program is funded under Title IIB of the Job Training Partnership Act (PL99-496). The JTPA Youth Training Program is funded under Title IIC. The Minnesota Youth Program is authorized under M.S. 268.31 to 268.36. The JTPA Summer Youth Program, the Minnesota Youth Program, and the Title IIC Youth Training Program operate in all 87 counties through the Service Delivery Areas/Workforce Development Councils and their subcontractors.

The Minnesota YouthBuild Program is authorized under M.S. 268.361 to 268.367. The YouthBuild Program currently operates in 9 sites: The City, Inc. (Minneapolis), Bi-County CAP (Bemidji), the Carver-Scott-Education Cooperative (Chaska), Two or More, Inc. (Minneapolis), Rural Minnesota CEP (Detroit Lakes), City Academy (St. Paul), Arrowhead Economic Opportunity Agency (Virginia), Private Industry Council 5 (Willmar), and Guadalupe Area Project (St. Paul).

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: YOUTH TRAINING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	154	212	144	144	144	148	148	148
OPERATING EXPENSES	56	43	22	22	22	22	22	22
<b>SUBTOTAL STATE OPERATIONS</b>	<b>210</b>	<b>255</b>	<b>166</b>	<b>166</b>	<b>166</b>	<b>170</b>	<b>170</b>	<b>170</b>
LOCAL ASSISTANCE	18,530	15,477	12,641	12,641	12,641	11,890	11,890	11,890
<b>TOTAL EXPENDITURES</b>	<b>18,740</b>	<b>15,732</b>	<b>12,807</b>	<b>12,807</b>	<b>12,807</b>	<b>12,060</b>	<b>12,060</b>	<b>12,060</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	7,840	7,932	3,807	3,807	3,807	3,060	3,060	3,060
<b>STATUTORY APPROPRIATIONS:</b>								
GENERAL	500	800						
MDES FEDERAL	10,400	7,000	9,000	9,000	9,000	9,000	9,000	9,000
<b>TOTAL EXPENDITURES</b>	<b>18,740</b>	<b>15,732</b>	<b>12,807</b>	<b>12,807</b>	<b>12,807</b>	<b>12,060</b>	<b>12,060</b>	<b>12,060</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL	308	749						
MDES FEDERAL	10,400	7,000	9,000	9,000	9,000	9,000	9,000	9,000
<b>TOTAL REVENUES COLLECTED</b>	<b>10,708</b>	<b>7,749</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	2.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
TEMP/SEAS/PART_TIME	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
<b>TOTAL FTE</b>	<b>8.1</b>	<b>9.1</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>

**BUDGET ACTIVITY:** Youth Violence Prevention  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

**Juvenile Justice Program**

Minnesota's Juvenile Justice Program provides grants on a competitive basis to counties, cities, and community-based organizations for prevention and early intervention programs targeting youth at risk of involvement or re-involvement with the juvenile justice system. The Juvenile Justice Advisory Committee (appointed by the Governor) awards subgrants serving youth up to 18 years of age and their families, and provides training for youth-serving professionals. Depending upon the program, services may be available statewide, within one or more counties, in a city, or in a neighborhood. In 1996, Juvenile Justice grantees served over 8,600 youth and their families. At least 70% of the youth were young people of color.

**Youth Intervention Program**

The Youth Intervention Program consists of 27 non-residential, community-based programs which provide early intervention services to at-risk youth and families, addressing issues such as: shoplifting, vandalism, theft, prostitution, arson, family problems, child abuse, truancy, and chemical abuse. Programs deal with youth ages 8 to 17 in the context of family, school, and community. Seventeen programs operate in the Twin Cities metropolitan area and ten programs operate in Greater Minnesota. All programs must obtain a 2:1 funding match from their local municipalities and/or counties. In 1996, over 10,000 at-risk youth were served through 27 community-based programs.

**Minnesota City Grants Program**

The goal of the City Grants Program is to develop community-based violence prevention initiatives that take truant and at-risk youth off the streets and provide them with prevention and early intervention services. Minneapolis, St. Paul, and Duluth were selected as the sites for demonstration grants. Funds are used across a broad range of prevention strategies including: curfew counseling and referral services, truancy reduction services, and pre-trial diversion. The program impacted over 48,000 youth between 7-1-94 and 6-30-95.

**Bonding Initiative - Truancy and Curfew Centers**

Capital improvement funds (\$500,000) are available through the Request for Proposal (RFP) process to construct 2 Truancy and Curfew Centers: one in Hennepin County and one in Ramsey County. Establishing the centers will provide a safe, secure location for truants who are picked up by local law enforcement agencies. Each center will act as a central point for providing assessment, intervention, counseling, and other services. In the evening, the centers will provide services to young persons who are picked up for violating local curfew ordinances. A portion (25%) of the funding is earmarked for the YouthBuild Program (or other employment and training programs), providing at-risk youth with an opportunity to learn practical job skills during the construction of a new facility or renovation of an existing building.

**BUDGET ISSUES:**

**Juvenile Justice Program**

DES and the Juvenile Justice Advisory Committee are required to address a new federal mandate: over-representation of minorities in Minnesota's juvenile justice system.

**Youth Intervention Program**

The program is currently funded at \$650,000/year. A supplemental appropriation of \$240,000 in 1996 resulted in the addition of 6 new programs: 3 in the metro area and 3 in Greater Minnesota.

**Minnesota City Grants Program**

This community-based violence prevention initiative is currently funded through 6-30-97 with a total appropriation of \$340,000.

**Bonding Initiative - Truancy and Curfew Centers**

In 1994, the Legislature authorized \$500,000 in capital improvement funds for construction of 2 Truancy and Curfew Centers. The funds will be distributed through the RFP process.

**GRANTS:**

Funded under the Juvenile Justice and Delinquency Prevention Act (PL 93-415), the Juvenile Justice Advisory Committee (appointed by the Governor) awards grants on a competitive basis to counties, cities, and community-based organizations to support innovative strategies at the state and local level and to respond to emerging issues.

Funding for the Youth Intervention Program is authorized under Chapter 268.30. The Youth Intervention Program is delivered through 27 non-residential, community-based organizations which provide early intervention services to at-risk youth and their families. Youth remain with their families and out of correctional institutions, foster homes, and residential treatment and chemical abuse treatment facilities.

The Minnesota City Grants Program funds a wide range of activities designed to reduce the number of youth picked up for truancy and curfew violations and to prevent youth from becoming involved with the juvenile justice system. In 1996, funds were targeted to the cities of Minneapolis, St. Paul, and Duluth.

\$500,000 of capitol improvement funds was available to construct 2 Truancy and Curfew Centers. DES used the RFP process to award funds to units of general local government.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: YOUTH VIOLENCE PREVENTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	169	191	195	195	195	198	198	198
OPERATING EXPENSES	53	59	49	49	49	49	49	49
<b>SUBTOTAL STATE OPERATIONS</b>	<b>222</b>	<b>250</b>	<b>244</b>	<b>244</b>	<b>244</b>	<b>247</b>	<b>247</b>	<b>247</b>
LOCAL ASSISTANCE	2,060	3,023	2,435	2,435	2,435	2,440	2,440	2,440
<b>TOTAL EXPENDITURES</b>	<b>2,282</b>	<b>3,273</b>	<b>2,679</b>	<b>2,679</b>	<b>2,679</b>	<b>2,687</b>	<b>2,687</b>	<b>2,687</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	728	1,308	730	730	730	732	732	732
<b>STATUTORY APPROPRIATIONS:</b>								
MDES FEDERAL	1,554	1,965	1,949	1,949	1,949	1,955	1,955	1,955
<b>TOTAL EXPENDITURES</b>	<b>2,282</b>	<b>3,273</b>	<b>2,679</b>	<b>2,679</b>	<b>2,679</b>	<b>2,687</b>	<b>2,687</b>	<b>2,687</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
MDES FEDERAL	1,574	1,945	1,949	1,949	1,949	1,955	1,955	1,955
<b>TOTAL REVENUES COLLECTED</b>	<b>1,574</b>	<b>1,945</b>	<b>1,949</b>	<b>1,949</b>	<b>1,949</b>	<b>1,955</b>	<b>1,955</b>	<b>1,955</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	2.6	3.1	3.1	3.1	3.1	3.1	3.1	3.1
<b>TOTAL FTE</b>	<b>2.6</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>

**BUDGET ACTIVITY:** Welfare-to-Work  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

Currently, DES, in coordination with the Minnesota Department of Human Services (DHS), is responsible for managing the Success Through Reaching Individual Development and Employment (STRIDE) and the Food Stamp Employment and Training (FSET) programs.

The programs are operated by Local Service Units. DES will review and approve annual plans to guarantee that programs deliver promised services and also meet state and federal requirements. Staff will provide oversight and evaluation functions to ensure program goals and objectives are met and appropriate funds are used as intended. Technical assistance will be provided to improve effectiveness and efficiency.

DES is responsible for establishing and maintaining reporting systems; drafting rules and bulletins; developing monitoring guides; overseeing special projects; establishing certification standards; certifying and decertifying service providers; and providing technical assistance, training, and public information to promote awareness of services.

With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, DES looks forward to continuing its partnership with DHS to manage future welfare-to-work programs as designed by the Legislature. These programs include, but are not limited to, Temporary Assistance to Needy Families (TANF) and FSET for cash assistance and non-cash assistance recipients.

**BUDGET ISSUES:**

Although DES provides employment-related services to recipients through a cooperative agreement with DHS, DHS is responsible for the programs and will present material and information on funding in its biennial budget presentation. Coordination of funding is necessary in order for the programs to continue to develop and provide the services necessary for recipients to become self-sufficient.

**GRANTS:**

Grant awards for the state's "Special Projects to Reduce AFDC Dependency" program were created by the 1987 Legislature, M.S. 256.7365. The intent of the special projects is to support innovative programs and to test different approaches to solving the long-term welfare problem. Funding is awarded on a competitive basis through a review process managed by DES. Grants are awarded by DES, DHS, and MnSCU.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: WELFARE TO WORK SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	581	577	582	582	582	587	587	587
OPERATING EXPENSES	86	68	68	68	68	68	68	68
<b>SUBTOTAL STATE OPERATIONS</b>	<b>667</b>	<b>645</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>655</b>	<b>655</b>	<b>655</b>
LOCAL ASSISTANCE	131	1,089	731	731	731	731	731	731
<b>TOTAL EXPENDITURES</b>	<b>798</b>	<b>1,734</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>1,386</b>	<b>1,386</b>	<b>1,386</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL			5	5	5	10	10	10
<b>STATUTORY APPROPRIATIONS:</b>								
GENERAL	429	1,015	657	657	657	657	657	657
MDES FEDERAL	369	719	719	719	719	719	719	719
<b>TOTAL EXPENDITURES</b>	<b>798</b>	<b>1,734</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>1,386</b>	<b>1,386</b>	<b>1,386</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL	709	657	657	657	657	657	657	657
MDES FEDERAL	369	719	719	719	719	719	719	719
<b>TOTAL REVENUES COLLECTED</b>	<b>1,078</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6
<b>TOTAL FTE</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>	<b>12.6</b>

**BUDGET ACTIVITY:** Dislocated Worker  
**PROGRAM:** Workforce Preparation  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

The federal Job Training Partnership Act (JTPA), Title III - Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) and Minnesota's Dislocated Worker Program are funded by a surtax on the unemployment insurance tax. They provide employment and training services to persons unemployed as a result of plant closures, permanent mass layoffs, skill obsolescence, technological change, international trade, and other economic disruptions. Among the specific services are: "basic readjustment" which includes development of individual readjustment plans, job or career counseling, educational attainment and job skill testing and assessment, job search and placement assistance, job development, support services (e.g., daycare and commuting assistance), and relocation assistance; and those classified as "retraining" which includes classroom training, occupational skills training, on-the-job training, out-of-area job search, relocation, basic and remedial education, literacy and English as a second language, and entrepreneurial training.

In addition to the annual allocation of federal funds, Minnesota may receive awards of federal EDWAA discretionary grants to provide employment and training services in response to major plant closings and substantial layoffs.

The primary goals and objectives of EDWAA and the state program are to assist employers so that they have skilled applicants for available job openings and to assist workers to adjust to the dislocation, acquire new job or occupation skills, and find suitable new employment in demand occupations in stable and growing industries. The program is designed to intervene early in a worker's dislocation to assist in the transition to suitable new employment prior to the necessity for seeking and becoming dependent on public assistance.

The state program may, on a limited basis, provide skills training to workers at risk of losing their jobs and to provide dislocated workers with skills training targeted to specific employers and industries.

**BUDGET ISSUES:**

Federal JTPA funding for Dislocated Worker programs has decreased dramatically over the last two years. The total federal funds available for 1996 are 36% less than 1994. During this same time period, there has been a 7% increase in state funding. This represents a 6.5% combined federal/state decrease in funding for dislocated worker services. At the same time, there has been an increase in the cost of services for dislocated workers, due primarily to increases in tuition, books, and supplies. Overall, this has led to a 12% reduction in the number of dislocated workers served by these programs.

**GRANTS:**

As governed by federal law, allocation of the state's EDWAA formula allocated fund is 50% to 11 substate grantees by formula; 10% reserved for substate grantees to be disbursed on the basis of need; and the remaining 40% reserved by the governor for state administration, rapid response activities, and provision of employment and training assistance responsive to specific dislocation events.

State dislocated worker funds as directed in law are to be used for state administration (5% of available funds); allocation to substate grantees (40% of the remaining available funds); and allocation to eligible organizations with demonstrated performance on the basis of an RFP to address specific worker dislocation events, such as plant closings or mass layoffs, statewide activities, regional dislocations, and industry-wide projects (60% of the remaining available funds). Up to 5% of the state funds can be used to serve workers at risk of lay off and for skill training targeted to specific employers and industries.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: DISLOCATED WORKER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	2,304	2,469	2,521	2,521	2,521	2,573	2,573	2,573
OPERATING EXPENSES	469	488	488	488	488	488	488	488
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,773</b>	<b>2,957</b>	<b>3,009</b>	<b>3,009</b>	<b>3,009</b>	<b>3,061</b>	<b>3,061</b>	<b>3,061</b>
PAYMENTS TO INDIVIDUALS	916							
LOCAL ASSISTANCE	23,409	37,400	35,277	35,277	28,777	35,725	35,725	29,225
<b>TOTAL EXPENDITURES</b>	<b>27,098</b>	<b>40,357</b>	<b>38,286</b>	<b>38,286</b>	<b>31,786</b>	<b>38,786</b>	<b>38,786</b>	<b>32,286</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) TRANSFER TO GENERAL FUND		SR			<6,500>			<6,500>
<b>TOTAL GOV'S INITIATIVES</b>					<b>&lt;6,500&gt;</b>			<b>&lt;6,500&gt;</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	25	635	636	636	636	636	636	636
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	17,673	28,720	26,650	26,650	20,150	27,150	27,150	20,650
MDES FEDERAL	9,402	11,002	11,000	11,000	11,000	11,000	11,000	11,000
<b>TOTAL EXPENDITURES</b>	<b>27,098</b>	<b>40,357</b>	<b>38,286</b>	<b>38,286</b>	<b>31,786</b>	<b>38,786</b>	<b>38,786</b>	<b>32,286</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	28,596	26,050	26,650	26,650	26,650	27,150	27,150	27,150
MDES FEDERAL	9,402	11,000	11,000	11,000	11,000	11,000	11,000	11,000
<b>TOTAL REVENUES COLLECTED</b>	<b>37,998</b>	<b>37,050</b>	<b>37,650</b>	<b>37,650</b>	<b>37,650</b>	<b>38,150</b>	<b>38,150</b>	<b>38,150</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE PREPARATION  
ACTIVITY: DISLOCATED WORKER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	18.5	21.5	21.0	21.0	21.0	21.0	21.0	21.0
TOTAL FTE	18.5	21.5	21.0	21.0	21.0	21.0	21.0	21.0

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Economic Security, Department of (DES)  
**PROGRAM:** Workforce Preparation  
**ACTIVITY:** Dislocated Worker

**ITEM TITLE:** Transfer to General Fund

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
Special Revenue Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$(6,500)	\$(6,500)	\$(6,500)	\$(6,500)
<b>Transfer Between Funds:(\$000s)</b>				
General Fund	\$6,500	\$6,500	\$6,500	\$6,500
Special Revenue Fund	\$(6,500)	\$(6,500)	\$(6,500)	\$(6,500)

Statutory Change? Yes  No

If yes, statutes(s) affected: M.S. 268

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that funds be transferred from the Dislocated Worker Fund to the General Fund on a continuing basis at \$6,500,000 a year.

**RATIONALE:**

For the F.Y. 1996-97 biennium, the Legislature transferred \$3,000,000 each year from the Dislocated Worker Fund to the General Fund. The Governor recommends continuing this transfer in the F.Y. 1998-99 biennium. The Governor recommends an additional \$3,500,000 be transferred each year for important initiatives and programs that benefit dislocated workers

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Economic Security, Department of (DES)  
 PROGRAM: Workforce Preparation  
 ACTIVITY: Dislocated Worker

ITEM TITLE: Expand Use of Dislocated Worker Fund to MCHA Assistance

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$(8,000)	\$(8,000)	\$(8,000)	\$(8,000)
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No \_\_\_\_

If yes, statutes(s) affected: M.S. 268

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$8,000,000 each year be reserved in the Dislocated Worker Fund to pay a share of the health care costs of individuals covered by the Minnesota Comprehensive Health Association (MCHA). This provides health insurance coverage for persons with chronic health-problems who are unable to obtain private health insurance in Minnesota, including many dislocated workers.

**RATIONALE:**

The Dislocated Worker Fund was created in 1991 to assist large numbers of workers laid off by a single plant closing or significant downsizing in communities where the likelihood for rapid reemployment was highly improbable. In 1997, Minnesota's robust economy has improved substantially to the point that, for the first time in many years, no economic region or industry in Minnesota is experiencing severe hardship. The frequency and severity of plant closings has been somewhat mitigated, and the demand for truly emergency assistance has been reduced. During the same period, the financial needs for dislocated workers have evolved to include many issues, particularly continued health insurance.

MCHA is the state's high risk pool for persons who are uninsurable such as those people with chronic health conditions, which includes many dislocated workers. The program currently has expenses of \$90 million per year. 52% of the total funding is from premiums paid by those in the program with the remaining 48% made up from an assessment on the insured health plan market. State employers who chose to self insure avoid the MCHA assessment, even though employees and former employees of self insured companies are eligible for MCHA. Having MCHA enrollees that have left an employer that does not contribute to the assessment points to the need to make changes to the funding source.

The Dislocated Worker Fund equitably assesses a payroll tax on all employers including those self insured employers avoiding MCHA assessments. Using Dislocated Worker Funds to help finance MCHA coverage for employees and former employees of self insured employers is a method of more equitably distributing a portion of these MCHA costs.

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**PROGRAM:** Workforce Exchange  
**AGENCY:** Economic Security, Department of (DES)

**PROGRAM DESCRIPTION:**

The Workforce Exchange Program provides an array of special programs to address the needs of employers seeking qualified applicants and individuals seeking assistance in obtaining employment. The primary programs are the federally funded Job Service (JS), a nationwide labor exchange which matches job seekers with employers at no cost to either; and the Reemployment Insurance (RI) program which provides temporary economic relief through payment of benefits to assist persons in minimizing the economic and social impact of unemployment. Other programs include the federally funded Veterans Programs which provide placement service for veterans; the Labor Market Information System which supports state and local economic development strategies; employment and training program planning and vocational counseling; and Disability Determination Services which provides decisions regarding the award or denial of Social Security benefits.

**PROGRAM STATUS:**

Workforce Exchange operates a variety of programs intended to address the employment needs of Minnesota. Included is the JS, Veterans Employment Programs, training referrals, and other programs funded primarily through federal grants.

Recent improvements in economic conditions have improved employment outlooks for those employers and applicants with previous attachment to the labor market. Those same improving conditions have led to an increase in client groups who are dislocated due to technological changes in the workplace and industry downsizing to become more competitive. Those job seekers are more difficult to place and need more aggressive involvement with JS programs.

Employers also need access to workers with updated skills who are productive in a more technical work environment.

These resources, service providers, DES, partners, and customers have been brought together in the Workforce Center System, to be the action focus for all employers and job seekers in Minnesota.

RI has also responded to this change in focus, from a simple benefit system to an entry point for JS/RI service. While providing needed economic support, RI also serves as the gateway to the wide variety of services within the Employment and Training System. Claims load is expected to remain at current levels.

**PLANNED RESULTS:**

The agency budget plan will allow the reported performance measures from the 1996 Annual Report to be accomplished as follows:

The number of listed openings in target occupations and industries will be increased by 10%. This is to be accomplished by identifying those occupations and industries which can contribute to the increased economic strength of the state, efforts to more completely profile those needs, and the workplace resources to meet those needs. More intensive marketing of services, communication with employers and workforce components, technology, and tools for field staff to meet the needs of customers are needed. Proposals for additional federal funds have been made to further this goal.

Easier entry to agency services and a more intensive "case work" type approach to recipients of RI benefits will ensure progress on the goal of reducing the average length of unemployment. A longer-term result may also be a reduction of the frequency that recipients may need RI services.

The objective of reducing blocked claims will benefit employers with better communication and understanding of the system, input into the mechanics of the RI system, and benefit recipients by faster, more accurate benefit determination and payment.

**BUDGET AND REVENUE SUMMARY:**

Administrative funds for JS/RI are federal appropriations within the Wagner-Peyser Act, Title IV of the Social Security Act and various other federal sources. A one-shot General Fund appropriation for the Workforce Center infrastructure was included in 1996.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan, with the following adjustment:

The Governor recommends that \$3,000,000 for the biennium be added to the agency plan for the Minnesota Workforce Center initiative to better serve employers and job seekers.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE EXCHANGE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WORKFORCE EMPLOYMENT EXCHANGE	29,434	29,261	28,463	28,463	30,063	26,063	26,063	27,463
REEMPLOYMENT INSURANCE	34,789	36,703	36,693	36,693	36,693	36,693	36,693	36,693
DISABILITY DETERMINATION	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
TOTAL EXPENDITURES BY ACTIVITY	77,526	80,132	80,707	80,707	82,307	78,307	78,307	79,707
GOV'S INITIATIVES:		FUND						
(B) WORKFORCE CENTER SYSTEM		GEN			1,600			1,400
TOTAL GOV'S INITIATIVES					1,600			1,400
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL		500			1,600			1,400
STATUTORY APPROPRIATIONS:								
GENERAL	134	315						
SPECIAL REVENUE	2,539	2,509	2,500	2,500	2,500	2,500	2,500	2,500
MDES FEDERAL	74,853	76,808	78,207	78,207	78,207	75,807	75,807	75,807
TOTAL EXPENDITURES	77,526	80,132	80,707	80,707	82,307	78,307	78,307	79,707
FTE BY EMPLOYMENT TYPE:								
REGULAR	1,197.6	1,185.4	1,183.4	1,183.4	1,188.4	1,158.4	1,158.4	1,163.4
TEMP/SEAS/PART_TIME	23.1	23.2	23.2	23.2	23.2	23.2	23.2	23.2
OVERTIME	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
TOTAL FTE	1,228.3	1,216.2	1,214.2	1,214.2	1,219.2	1,189.2	1,189.2	1,194.2

**BUDGET ACTIVITY:** Workforce Employment Exchange  
**PROGRAM:** Workforce Exchange  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

The Workforce Exchange activity provides the public with a variety of federally funded job placement, counseling, and related employment services. The majority of these services are designed to assist qualified individuals to obtain unsubsidized employment. In addition, extensive services are provided to employers to meet their need for qualified workers. The placement of individuals in employment is central to the goal that people thrown into temporary economic hardship will regain their independence. Efforts are currently underway to streamline and simplify the training and job-seeking efforts of unemployed individuals. Concentrating the services available in a single location is a key factor in terms of cost-efficient, customer-friendly program administration.

**BUDGET ISSUES:**

Many individuals seeking employment assistance through Job Service (JS) have been permanently dislocated from their previous employment. While many individuals have marketable skills, some need retraining for different occupations or need skills enhancement. Regular JS funds are inadequate to support this type of intensive service to job seekers. Consequently, JS often refers individuals in need of such services to local, federal, and state-funded entities which have such funds available. JS has requested special funding from the U.S. Department of Labor to redesign the way it does business. This redesign would allow Minnesota to conform to the federal redesign of the employment and training system.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE EXCHANGE  
ACTIVITY: WORKFORCE EMPLOYMENT EXCHANGE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	17,611	16,431	16,352	16,352	16,652	15,352	15,352	15,652
OPERATING EXPENSES	10,461	11,127	10,563	10,563	11,863	9,193	9,193	10,293
SUBTOTAL STATE OPERATIONS	28,072	27,558	26,915	26,915	28,515	24,545	24,545	25,945
PAYMENTS TO INDIVIDUALS	1,362	1,548	1,548	1,548	1,548	1,518	1,518	1,518
LOCAL ASSISTANCE		155						
TOTAL EXPENDITURES	29,434	29,261	28,463	28,463	30,063	26,063	26,063	27,463
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) WORKFORCE CENTER SYSTEM					1,600			1,400
TOTAL GOV'S INITIATIVES					1,600			1,400
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL		500			1,600			1,400
<b>STATUTORY APPROPRIATIONS:</b>								
GENERAL	134	315						
SPECIAL REVENUE	2,539	2,509	2,500	2,500	2,500	2,500	2,500	2,500
MDES FEDERAL	26,761	25,937	25,963	25,963	25,963	23,563	23,563	23,563
TOTAL EXPENDITURES	29,434	29,261	28,463	28,463	30,063	26,063	26,063	27,463
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL	449							
SPECIAL REVENUE	2,946	2,500	2,400	2,400	2,400	2,500	2,500	2,500
MDES FEDERAL	26,978	25,720	25,963	25,963	25,963	23,563	23,563	23,563
TOTAL REVENUES COLLECTED	30,373	28,220	28,363	28,363	28,363	26,063	26,063	26,063

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE EXCHANGE  
ACTIVITY: WORKFORCE EMPLOYMENT EXCHANGE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	429.9	402.9	400.9	400.9	405.9	375.9	375.9	380.9
TEMP/SEAS/PART_TIME	10.5	10.6	10.6	10.6	10.6	10.6	10.6	10.6
OVERTIME	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
TOTAL FTE	441.5	414.6	412.6	412.6	417.6	387.6	387.6	392.6

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Economic Security, Department of (DES)  
 PROGRAM: Workforce Exchange  
 ACTIVITY: Workforce Employment Exchange

ITEM TITLE: Workforce Center System

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$1,600	\$1,400	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$3 million in F.Y. 1998-99 to supplement the federal "one-stop" initiative. This grant integrates local employment and training agencies into approximately 50 workforce centers. State support and commitment are integral components of the federal grant.

**RATIONALE:**

The Minnesota Workforce Center system (MWCs) is a partnership of entities and programs that include, minimally, the local delivery systems for all DES programs: Job Services, Reemployment Insurance, Jobs and Training Partnership Act (JPTA) programs, Rehabilitation Services, State Services for the Blind, anti-poverty programs, veteran programs and others. Also participating will be other community-based organizations: non-profit groups, the employer community, the Minnesota State Colleges and University System (including the community and technical colleges), plus state, county and local health, education and service providers.

MWCs are "one-stop" offices where the employment and training needs of employers and job seekers are met. The centers aim to be responsive, accessible, integrated and customer-friendly. The system is an integral part of the state's work-to-work, welfare-to-work and school-to-work initiatives. Proper workforce exchange is also essential for our state's continued economic development.

**PROGRAM OUTCOMES:**

The service, delivery and high quality products provided through the Workforce Center system will create a seamless system for those customers seeking employment and training services and for those looking for qualified, skilled employees. The centers are designed to be customer-focused and outcome-driven.

**LONG-TERM IMPACT:**

Expanded and enhanced new workforce exchange services will result in more efficient means of delivering employment, training, community, and Rehabilitation services throughout the state.

**BUDGET ACTIVITY:** Reemployment Insurance  
**PROGRAM:** Workforce Exchange  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

Reemployment Insurance (RI) provides economic relief through payment of benefits to minimize the personal, economic, and social impact of unemployment.

The RI Program encompasses the following activities:

- Determines the tax liability of over 100,000 employers for RI coverage, collects contributions of over \$250 million per year, audits accounts to ensure proper tax payments, and enforces the collecting of delinquent taxes.
- Administers state and federal laws relating to RI to ensure prompt, accurate payment of benefits to eligible claimants.
- Determines benefit entitlement and employer liabilities, and through a 2-level appellate process, provides impartial due-process hearings to persons appealing DES decisions.

These activities are to provide temporary relief until claimants return to work.

**BUDGET ISSUES:**

The RI Program has limited flexibility due to the terms of the federal grant which provides administrative funds for the program.

However, within the federally mandated terms of the grant, there is some flexibility. The grant requires the activity to meet a number of efficiency measures. When those are not met or exceeded, the activity may, within the dollar limits of the grant, accomplish additional enhancements. One area of federal encouragement is the development of an RI client profiling system. The intent of developing a unique profile for each client is to customize service in order to facilitate a return to quality employment.

Issues which have impact on the program include the uncertainty of federal funding at the congressional level, new federal initiatives which may or may not be funded, and the national and state economies.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE EXCHANGE  
ACTIVITY: REEMPLOYMENT INSURANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	27,460	26,289	26,289	26,289	26,289	26,289	26,289	26,289
OPERATING EXPENSES	7,271	10,414	10,404	10,404	10,404	10,404	10,404	10,404
CAPITAL OUTLAY	20							
<b>SUBTOTAL STATE OPERATIONS</b>	<b>34,751</b>	<b>36,703</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>
PAYMENTS TO INDIVIDUALS	1							
OTHER EXPENSES	37							
<b>TOTAL EXPENDITURES</b>	<b>34,789</b>	<b>36,703</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>
<b>EXPENDITURES BY FUND:</b>								
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	34,789	36,703	36,693	36,693	36,693	36,693	36,693	36,693
<b>TOTAL EXPENDITURES</b>	<b>34,789</b>	<b>36,703</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
MDES FEDERAL	34,799	36,693	36,693	36,693	36,693	36,693	36,693	36,693
<b>TOTAL REVENUES COLLECTED</b>	<b>34,799</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>	<b>36,693</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	633.4	633.4	633.4	633.4	633.4	633.4	633.4	633.4
TEMP/SEAS/PART_TIME	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
OVERTIME	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>TOTAL FTE</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>	<b>647.6</b>

**BUDGET ACTIVITY:** Disability Determination  
**PROGRAM:** Workforce Exchange  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

In accordance with Social Security Administration (SSA) regulations, the purpose of the Disability Determination Services (DDS) is to determine if Minnesotans who are claiming disability under Social Security Disability meet the disability criteria to qualify for benefits.

- Supplemental Security Income (SSI) disability payments were received by 50,926 Minnesota residents of limited income and resources in 1995. Monthly SSI payments of \$20.7 million were made to Minnesota households with children, or adults, with disabilities.
- In addition to the SSI disability payments, 58,160 workers received Social Security Disability Insurance (SSDI) payments in Minnesota in 1995. Payments to these workers and their dependents totaled \$40.7 million each month.
- Approximately 30% of the above-noted recipients draw benefits under both SSI and SSDI.
- DDS also refers those individuals who may benefit from services of other programs, such as to Vocational Rehabilitation and Services for the Blind. In 1995, DDS made 4,697 referrals to rehabilitation agencies.

**BUDGET ISSUES:**

The major issue in the next 2 years is to manage resources in an efficient, cost-effective manner during austere budgetary times and changing program priorities. Legislated program changes and welfare reform will create workloads beyond normal application rates, accelerating demands on staff and resources.

- In DDS' effort to stay productive and efficient, the plan is to continue an automation project that will not only allow DDS to have a personal computer on each employee's desk and to connect these computers through a local area network, but also allow DDS to automate every aspect of the disability process, give software tools to the staff, and give staff access to the federal SSA computer system.
- Medical costs for purchasing consultative examinations (CEs) for claimants and for purchasing medical evidence of record (MER) will continue to increase. Minnesota will try to contain these costs by keeping the number of CEs down by ordering exams on disability applicants more carefully and with supervisory and medical staff review and advice.
- In the next 2 years, DDS will face the challenge of re-adjudicating a large number of claims as the result of federal legislative reform involving claims in which drug addiction or alcoholism is involved. While the number of cases is not precise, the workload could involve up to 4,000 individuals over the next year. DDS will also need to re-adjudicate 3,444 children's cases as a result of welfare reform. DDS will monitor these workloads carefully and work with SSA on resulting costs. For special workloads, SSA will often give additional funding to DDS to accomplish those workloads which exceed expectations.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE EXCHANGE  
ACTIVITY: DISABILITY DETERMINATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	6,355	6,560	6,975	6,975	6,975	6,975	6,975	6,975
OPERATING EXPENSES	2,839	3,458	3,616	3,616	3,616	3,616	3,616	3,616
SUBTOTAL STATE OPERATIONS	9,194	10,018	10,591	10,591	10,591	10,591	10,591	10,591
PAYMENTS TO INDIVIDUALS	4,109	4,150	4,960	4,960	4,960	4,960	4,960	4,960
TOTAL EXPENDITURES	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
<b>EXPENDITURES BY FUND:</b>								
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
TOTAL EXPENDITURES	13,303	14,168	15,551	15,551	15,551	15,551	15,551	15,551
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
MDES FEDERAL	13,425	14,046	15,551	15,551	15,551	15,551	15,551	15,551
TOTAL REVENUES COLLECTED	13,425	14,046	15,551	15,551	15,551	15,551	15,551	15,551
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	134.3	149.1	149.1	149.1	149.1	149.1	149.1	149.1
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
OVERTIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL FTE	139.2	154.0	154.0	154.0	154.0	154.0	154.0	154.0

1998-99 Biennial Budget

**PROGRAM:** Workforce Rehabilitation Services  
**AGENCY:** Economic Security, Department of (DES)

**PROGRAM DESCRIPTION:**

Workforce Rehabilitation Services (RS) assists people with disabilities to secure and maintain employment in their communities and to live independently in their homes. Priority for services is given to people with severe disabilities. The issues associated with this program's activities are:

In 1994, the national unemployment rate for people with disabilities declined from 77% to 74% as a result of the Americans with Disabilities Act (ADA)[Source: Census Bureau Survey of Income Program and Participation, 1996]. RS has played a significant role in reducing this unemployment rate by: 1) providing employers with a highly qualified pool of applicants; and 2) assisting employers to understand employment-related disability issues and their responsibilities under the ADA. However, RS' ability to further impact on this unacceptably high unemployment rate has been impeded by RS' need to restrict services to people with serious limitations in at least one functional area. The Vocational Rehabilitation (VR) activity does not have sufficient resources to serve all people with disabilities.

The Independent Living (IL) activity empowers people with disabilities to live in their homes and communities with greater independence. IL services are available to a limited number of Minnesotans through the 8 centers for Independent Living. The VR activity also provides limited independent living services. Services are not available statewide due to budget restraints.

A statewide network of 28 public and private non-profit community rehabilitation programs, funded in part from the Extended Employment (EE) activity, provides employment opportunities for over 7,500 people with severe disabilities who need ongoing supports to participate in the Minnesota workforce. These employees fill gaps in the local labor markets and thus enhance the economic development of the state. Large numbers of persons with Serious and Persistent Mental Illness (SPMI) and Traumatic Brain Injury (TBI) who want to work do not have employment assistance or ongoing support. Strategies need to be developed that will make possible the full participation of Minnesotans with severe disabilities in the state's workforce.

**PROGRAM STATUS:**

A recent study conducted by VR indicates that 85% of the consumers were satisfied or very satisfied with the overall quality of the services received. To maintain and enhance quality services that are responsive to the needs of people with disabilities, a mechanism must be in place to allow consumer input into the management and future directions of the program. The State Rehabilitation Advisory Council (SRAC) for VR and the State Independent Living Council (SILC) for IL have been established to provide people with disabilities the opportunity to provide input into program policy-making and service delivery. The duties of the councils are prescribed in law, and the members are appointed by the governor.

RS is a full and active partner in the development of the Workforce Centers. To improve program access, VR is moving its field offices into the Workforce Centers. The VR activity has been reorganized to commit more resources to direct consumer services and to refocus those services toward individuals with severe disabilities in accordance with the Rehabilitation Act

Amendments of 1992. It has become necessary to restrict services to people with severe disabilities who have at least one serious functional limitation and to require consumer financial participation in the cost of some services to offset the effects of inflation.

The IL activity is developing a strategic planning process to address how to provide the maximum level of consumer services within the current budget. Issues include how to continue to meet the needs as the number of consumers increase, how to implement new federal mandates in a cost-effective manner, and how to develop a more efficient and streamlined management system.

A key EE objective is completing the programmatic and administrative reforms that address past administrative issues and improve system performance. The 1995 Legislature enacted a new EE statute and established a timetable for completion of past EE audits. The 1996 legislation funded a mediation settlement agreement that closed EE audit appeals from 1991-93 and simplified audits for 1994-95. EE is implementing the 1995 and 1996 legislation, streamlining current administrative procedures, and promulgating a new, simplified funding rule for 1998. In addition, EE is seeking administrative funds to fully implement a monitoring program.

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of related performance objectives, identified in the 1996 Annual Performance Report, as follows:

The VR activity will continue to focus on increasing the number of placements. The activity will achieve a 5% increase over the next biennium through continued focused efforts to provide quality counseling services and to work with employers. VR will also maintain its high level of consumer satisfaction (85% of active consumers are satisfied or very satisfied with services) by focusing on continual self improvement.

The IL activity will maintain the current level of productivity. Significant portions of the state will continue to remain unserved because funding is not adequate to provide a statewide network of Centers that serve all counties.

A new funding rule and administrative structure for the EE activity will be in place for 1998. Over the next biennium, this new program structure will increase opportunities available to EE workers to work in integrated community settings.

**BUDGET AND REVENUE SUMMARY:**

VR has maximized state match to earn federal dollars by committing all state VR funds, and those portions of the IL and EE state funds that meet federal requirements, as state match for federal VR dollars. If additional federal dollars are made available, MDES may be limited as to how much can be accessed.

Statewide services cannot be provided at current funding levels for the IL activity. Welfare reform and other federal changes threaten the level of funding being provided by the counties. Any significant decrease in county funding to a specific community rehabilitation program could adversely affect the program.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE REHABILITATION SVCS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
VOCATIONAL REHABILITATION	38,867	39,088	37,815	37,815	37,815	37,815	37,815	37,815
INDEPENDENT LIVING	2,009	2,085	2,092	2,092	2,092	2,099	2,099	2,099
EXTENDED EMPLOYMENT	10,634	11,559	10,840	10,840	10,840	10,845	10,845	10,845
TOTAL EXPENDITURES BY ACTIVITY	51,510	52,732	50,747	50,747	50,747	50,759	50,759	50,759
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	18,232	19,157	18,438	18,438	18,438	18,443	18,443	18,443
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	33,057	33,415	32,304	32,304	32,304	32,311	32,311	32,311
GIFT	221	160	5	5	5	5	5	5
TOTAL EXPENDITURES	51,510	52,732	50,747	50,747	50,747	50,759	50,759	50,759
FTE BY EMPLOYMENT TYPE:								
REGULAR	393.0	416.0	416.0	418.0	418.0	416.0	418.0	418.0
TEMP/SEAS/PART_TIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
OVERTIME	.7	.7	.7	.7	.7	.7	.7	.7
TOTAL FTE	396.7	419.7	419.7	421.7	421.7	419.7	421.7	421.7

## 1998-99 Biennial Budget

**BUDGET ACTIVITY:** Vocational Rehabilitation  
**PROGRAM:** Workforce Rehabilitation Services  
**AGENCY:** Economic Security, Department of (DES)

### ACTIVITY DESCRIPTION:

Vocational Rehabilitation (VR) provides services to people with disabilities to increase significantly their employment opportunities and to further their integration into society. Priority for services is given to people with severe disabilities who have serious limitations in at least one functional area. VR counseling is provided by 172.5 full-time equivalent rehabilitation counselors through a network of 46 field offices that are currently transitioning into the Workforce Center System. An active State Rehabilitation Advisory Council appointed by the governor provides substantial input and direction to the VR management team to ensure the provision of quality consumer-focused services.

VR counseling is a highly individualized process where the consumer and counselor work together to identify the consumer's vocational interests and aptitudes, determine an appropriate vocational goal, and then develop and implement an action plan to achieve that goal. Additional services typically include skill and/or academic training, rehabilitation technology, job development, job placement, and follow-up to ensure that the employment is appropriate.

### BUDGET ISSUES:

The VR activity has implemented the following redesign and restructuring activities in order to provide the maximum level of consumer services within the budget plan:

- Job placements have increased 12% in the past biennium as a result of redirecting staff resources to direct service. This compares to a 9% biennial increase in VR placements nationally. This growth occurred while VR was redirecting its resources to meet the needs of people with severe disabilities.
- In 1994, VR implemented a federal mandate restricting services to people with severe disabilities who have at least one serious limitation in the area of mobility, self-direction, self-care, interpersonal skills, communication, work tolerance, or work skills. VR wants to be able to serve all eligible consumers; however, the need for VR assistance substantially exceeds the resources. If VR is unable to match new federal dollars to offset the effects of inflation, it may be necessary to further restrict services to people with 2 or more serious limitations.
- The potential exists for VR to have a substantial waiting list. VR has taken several steps to avoid raising people's expectations when there are not enough resources to serve all eligible people. Outreach activities are targeted to programs serving primarily people with severe disabilities. To promote cross-referrals and collaboration, VR is working with its Workforce Center partners, schools, Social Security district office, and others to facilitate timely service provision. VR is analyzing counselor workloads to ensure that equitable access to services is available statewide.
- VR conducts ongoing assessments to ensure all disability groups are appropriately represented on the caseloads. Currently, VR is involved in interagency discussions to determine how to improve services to the underserved populations of youth with emotional/behavioral disorders, youth with specific learning disabilities, and young adults with traumatic brain injuries.

- VR has been actively involved in the development of the Workforce Centers. As a result, VR anticipates an increase in referrals. VR is providing training on disability awareness and program accessibility to Workforce Center partners to ensure that people with disabilities receive integrated quality services through the local Workforce Center.
  - VR has pursued public and private foundation grant funds in order to develop and implement innovative and culturally appropriate service models that meet the needs of people with multiple and severe disabilities. VR is currently unable to pursue new grant opportunities that require a state match because all state funds are needed to meet the basic program federal match requirement.
  - It has become necessary to reduce VR costs by asking consumers whose gross family income exceeds the state median income to participate in the cost of some services, based on their ability to pay, because VR has not had an increase in base funding in 14 years. Rule changes to expand consumer financial participation (CFP) requirements to all people whose gross family income is above the average of the state median income and 187.5% of federal poverty guidelines are currently being developed as inflation continues to erode the purchasing power of VR's base-level funding. CFP is not required for core services such as assessment to determine eligibility and VR needs, counseling and guidance, on-the-job training, job placement, and follow-up.
- \* Social Security Administration (SSA) provides partial reimbursement of the expenses incurred while rehabilitating SSA beneficiaries. Federal regulation prohibits the use of these funds as state match and requires that the revenue be dedicated to VR. It is anticipated that reimbursements will decline because SSA will have fewer funds available to support government programs.

### GRANTS:

VR funds several time-limited establishment grants to private non-profit partners to develop and demonstrate new and innovative strategies for serving specific underserved disability groups. The current targeted groups are people with serious and persistent mental illness (13 grants), people with traumatic brain injury (3 grants), and people who are deaf or hearing impaired (1 grant). The activity is also funding seven short-term grants to enhance coordination between VR and Independent Living services. Grants are awarded through a competitive RFP process.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE REHABILITATION SVCS  
ACTIVITY: VOCATIONAL REHABILITATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	18,266	19,078	19,658	19,658	19,658	20,149	20,149	20,149
OPERATING EXPENSES	4,861	4,552	4,252	4,252	4,252	4,152	4,152	4,152
CAPITAL OUTLAY	4							
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	23,131	23,630	23,910	23,910	23,910	24,301	24,301	24,301
PAYMENTS TO INDIVIDUALS	14,372	14,123	12,725	12,725	12,725	12,334	12,334	12,334
LOCAL ASSISTANCE	1,364	1,335	1,180	1,180	1,180	1,180	1,180	1,180
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	38,867	39,088	37,815	37,815	37,815	37,815	37,815	37,815
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520
<b>STATUTORY APPROPRIATIONS:</b>								
MDES FEDERAL	32,126	32,408	31,290	31,290	31,290	31,290	31,290	31,290
GIFT	221	160	5	5	5	5	5	5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	38,867	39,088	37,815	37,815	37,815	37,815	37,815	37,815
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
MDES FEDERAL	32,490	31,897	31,290	31,290	31,290	31,290	31,290	31,290
GIFT	234	160	5	5	5	5	5	5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	32,724	32,057	31,295	31,295	31,295	31,295	31,295	31,295
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	385.0	408.0	408.0	408.0	408.0	408.0	408.0	408.0
TEMP/SEAS/PART_TIME	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
OVERTIME	.7	.7	.7	.7	.7	.7	.7	.7
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	388.7	411.7	411.7	411.7	411.7	411.7	411.7	411.7

**BUDGET ACTIVITY:** Independent Living  
**PROGRAM:** Workforce Rehabilitation Services  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

The Independent Living (IL) activity provides comprehensive IL services to people with significant disabilities which enhance their abilities to live with greater independence in their homes and communities. There are 2 components to the IL activity.

The first component is a grant program that supports a network of eight community-based, cross-disability, non-residential, not-for-profit Centers for Independent Living (CILs), which are controlled and directed by people with significant disabilities. Each center's services vary because of varying funding levels. All centers provide the core services of individual and systems advocacy, IL skills training, peer counseling, and information and referral. Optional services include support groups, transition services, personal assistance services, housing referrals, transportation referrals, and the provision of options concerning education, recreation, health care, home and work area modifications, and pre-vocational/career planning. Consumers are referred to Vocational Rehabilitation (VR) for assistance with their vocational/employment goals.

The second component is an agency-based state IL services program, which is operated in collaboration with the VR activity. Services provided through the VR field offices include counseling, service coordination, and the purchase of home modifications and aides for daily living. The IL/VR counselors spend a limited portion of their time providing IL services and securing private sector funding to supplement public funds available to purchase goods and services. All IL/VR counselors function as liaisons to the CIL in their region, and refer consumers to centers for additional assistance with their IL plans.

A new program was initiated in 1996 to increase each participating center's ability to increase revenues through fees for services. Each participating CIL was awarded a grant of \$27,500 by the VR activity to plan, in conjunction with VR area managers and staff, the provision of specific IL services to VR consumers. Following the one-time 15-month grant awards, each CIL will be expected to continue the provision of services solely through fee-for-service arrangements with the VR field offices.

The Americans with Disabilities Act and the Minnesota Human Rights Act require full access to persons with disabilities to public and private accommodations and services. The IL activity provides training and technical assistance to consumers, government entities, business owners, and others who have rights or responsibilities under these laws to promote compliance.

A Statewide Independent Living Council (SILC) has been established pursuant to the Rehabilitation Act. The SILC, RS, and Workforce Services for the Blind jointly develop and submit a State Plan for Independent Living. The plan is also jointly monitored, reviewed, and evaluated by the SILC, RS, and Services for the Blind throughout the plan's implementation.

**BUDGET ISSUES:**

Lack of access to IL services on a statewide basis, rising service costs, increasing numbers of consumers requesting IL services, and federal mandates require significant revisions and extensive strategic planning for the IL activity. To provide the maximum level of consumer services within the budget plan, the following issues must be addressed:

- Increased monitoring of IL services to consumers, and program performance evaluation. An improved management information system has been provided to each CIL through a grant from the SILC, which will facilitate the analyses of IL goals achieved, service effectiveness, and cost-effectiveness of IL services provided.
- Increased outreach and services to culturally diverse individuals, the recruitment of culturally diverse individuals to serve on the SILC, the provision of in-services and training regarding cultural diversity to the SILC and CIL staff, as well as networking with Minnesota's Indian Affairs Council, the Asian Pacific Council, Council on Black Minnesotans, and the Spanish Speaking Affairs Council.
- Funding for transition services provided by the IL activity to school-age youth has been reduced with the completion of 2 federal grants. Fewer students will have access to transition services which assist youth in moving from school to independent living or to higher education. This program is currently administrated collaboratively by the IL and VR activities. Services are provided by Centers for Independent Living in conjunction with school districts and VR counselors.

**GRANTS:**

Funds are awarded to the 8 centers based on state-authorizing legislation and federal grant award requirements.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE REHABILITATION SVCS  
ACTIVITY: INDEPENDENT LIVING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	203	220	227	227	227	234	234	234
OPERATING EXPENSES	27	30	30	30	30	30	30	30
SUBTOTAL STATE OPERATIONS	230	250	257	257	257	264	264	264
PAYMENTS TO INDIVIDUALS	78	120	120	120	120	120	120	120
LOCAL ASSISTANCE	1,701	1,715	1,715	1,715	1,715	1,715	1,715	1,715
TOTAL EXPENDITURES	2,009	2,085	2,092	2,092	2,092	2,099	2,099	2,099
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
STATUTORY APPROPRIATIONS:								
MDES FEDERAL	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021
TOTAL EXPENDITURES	2,009	2,085	2,092	2,092	2,092	2,099	2,099	2,099
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
MDES FEDERAL	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021
TOTAL REVENUES COLLECTED	931	1,007	1,014	1,014	1,014	1,021	1,021	1,021
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL FTE	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Extended Employment  
**PROGRAM:** Workforce Rehabilitation Services  
**AGENCY:** Economic Security, Department of (DES)

**ACTIVITY DESCRIPTION:**

The Extended Employment (EE) activity provides ongoing employment support services to over 7,500 Minnesotans with severe disabilities who require ongoing support to keep working. This employment assistance is provided through a network of 28 public and private non-profit community rehabilitation programs, also known as rehabilitation facilities. Two distinct EE programs are funded.

The first and largest EE program is the performance-based funding system in M.S. 268A.15 that delivers employment support through contracts with community rehabilitation programs. Contracts with providers specify the number of hours of work and service EE workers receive in two subprograms, Supported Employment and Center-Based Employment. In Supported Employment, the ongoing support is provided in the larger community in a wide variety of job settings. In Center-Based Employment, the ongoing support is provided for persons who work in the manufacturing, service, and retail enterprises operated within community rehabilitation programs.

The second and smaller EE program provides employment support for persons with mental illness through a new reimbursement system under M.S. 268A.13 and M.S. 268A.14 funded by the 1995 and 1996 Legislatures. This ongoing employment support is specifically designed for persons with serious and persistent mental illness who have secured employment through DES' Coordinated Employability Projects. These grants provide funding for community rehabilitation programs to deliver ongoing employment support services to persons working in the community. This funding is part of a collaborative effort between Workforce Rehabilitation Services, the Department of Human Services' Mental Health Division, and county social service agencies.

The EE activity also provides a grant for the self-advocacy training provided by Advocating Change Together (ACT) to the staff and EE workers in Center-Based Employment.

During the past 2 bienniums, DES has focused on redesigning the program to address past administrative issues and improve program performance. A statewide stakeholder task force and customer focus groups have advised DES on program direction, performance, and administrative simplification. The 1995 Legislature enacted a new EE statute and established a timetable for completion of past program audit reconciliations for 1991-94. The 1996 legislation funded a mediation settlement agreement that closed appeals from 1991-93 audit reconciliation and provided that EE audits for 1994-95 be conducted by private audit firms using DES standards. DES is implementing the 1995 and 1996 legislation, streamlining current administrative procedures, initiating a monitoring program for 1997, and promulgating a simplified funding rule for 1998.

**BUDGET ISSUES:**

The following critical issues affect DES' management of EE activity:

- Limited administrative funding may not allow adequate monitoring efforts to document matching requirements for Vocational Rehabilitation dollars.

- Over the past 2 bienniums, significant fiscal and personnel resources have been devoted to EE program and administrative reforms. These efforts have included redesigning the EE information system and simplifying the performance-based payment system. It is now imperative that these program reforms are fully implemented. The administrative resources to implement these reforms may be inadequate.

The following issues affect the program's ability to provide ongoing employment support services for Minnesotans with severe disabilities:

- The EE system is at overcapacity for its funded service level, and any significant downturn in the state's economy would decrease the services that are available. Funding under M.S. 268A.15 covers about 18% of the cost of providing the EE services, and the system has relied on a private/public partnership in which provider business activities cover over half of the total cost of providing EE services. County funding may be affected by welfare reform and decreases in other federal funding. Any significant reduction in the county grants and other government sources could adversely affect the program.
- The demand for services to persons with serious persistent mental illness exceeds the available resources.
- The budget plan shifts \$140,000 per year from program costs to state operations to cover statutory required monitoring oversight for the Extended Employment Program.

**GRANTS:**

Funds received under M.S. 268A.15 are awarded to 28 community rehabilitation programs through contracts for hours of work and service provided in Supported Employment and Center-Based Employment. Funds received under M.S. 268A.13 and M.S. 268A.14 are awarded to community rehabilitation programs through grants; 2 grants were awarded in 1996 and 7 grants will be made in 1997.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE REHABILITATION SVCS  
ACTIVITY: EXTENDED EMPLOYMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	219	230	236	356	356	241	361	361
OPERATING EXPENSES	35	44	44	64	64	44	64	64
SUBTOTAL STATE OPERATIONS	254	274	280	420	420	285	425	425
LOCAL ASSISTANCE	10,380	11,285	10,560	10,420	10,420	10,560	10,420	10,420
TOTAL EXPENDITURES	10,634	11,559	10,840	10,840	10,840	10,845	10,845	10,845
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	10,634	11,559	10,840	10,840	10,840	10,845	10,845	10,845
TOTAL EXPENDITURES	10,634	11,559	10,840	10,840	10,840	10,845	10,845	10,845
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	4.0	4.0	4.0	6.0	6.0	4.0	6.0	6.0
TOTAL FTE	4.0	4.0	4.0	6.0	6.0	4.0	6.0	6.0

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## 1998-99 Biennial Budget

**PROGRAM:** Workforce Services for the Blind  
**AGENCY:** Economic Security, Department of (DES)

### PROGRAM DESCRIPTION:

The mission of State Services for the Blind (SSB) is to facilitate the achievement of vocational and personal independence by children and adults who are blind or visually impaired. The program is delivered through:

**Rehabilitation Services (RS):** Nine field offices statewide provide direct rehabilitation services to persons of all ages who are blind or visually impaired, including those who have additional physical and/or mental impairments, when the loss of vision causes an impediment to employment, education, or personal independence. Distinct service types include: Vocational Rehabilitation (VR), Child Rehabilitation (CR), Independent Living (IL), and Self-Care (SC) for the elderly. Services include counseling; instruction in alternative techniques including braille and cane travel, vocational training; job placement; and adaptive equipment.

**Business Enterprises (BE):** BE creates statewide small business franchise opportunities for persons who are blind. Blind vendors function as independent business operators under subcontracts in primarily public buildings, including post-secondary institutions and rest areas on interstate and state highways. The businesses include lunchrooms, snack bars, gift shops, vendeterias, and vending routes.

**Communications Center (CC):** Through paid staff and over 600 trained volunteers, the Communications Center provides lifelong information, library, and reading services statewide to Minnesotans who are unable to read normal newsprint because of a visual or physical impairment. Custom-recorded and/or braille textbooks and job and leisure materials assist persons who are blind in achieving their ultimate goals of personal and vocational independence. The Radio Talking Book, a radio reading service, broadcasts newspapers, current magazines and books 24 hours per day. Dial-In News, a newspaper reading service, enables consumers to access the daily newspaper at home by touchtone telephone 24 hours a day. Center programs give persons who are blind access to the same information as the general public.

**Client/Staff Support (CSS):** CSS supports other branch programs to assist clients in reaching their rehabilitation goals. Services include: certification of legal blindness for homestead and tax benefits; "The Store" (an outlet for client adaptive aids and devices); advisory council support; program development and evaluation; financial management of client and administrative budgets; purchasing; contract management; and administrative and technical support.

### PROGRAM STATUS:

Several relevant federal legislation, funding, and policy factors have impacted on current state policy and funding levels. With the reauthorization of the Rehabilitation Act, which governs several major program activities, the state is now required to determine eligibility for service within 60 days of receipt of an application. There is an increased emphasis on consumer participation, choice, and serving people with the most severe disabilities. The Rehabilitation Act mandated the establishment of a Rehabilitation Advisory Council for the Blind (RACB) to advise the Vocational Rehabilitation Program. It also mandated the establishment of a Statewide Independent Living Council (SILC) to jointly develop and sign, in conjunction with the Rehabilitation Services and State Services for the Blind Branches, the State Plan for IL Services. The SILC is also required to monitor, review and evaluate the implementation of the State Plan. There were also several changes in the financial

elements of the Act related to state-match requirements, required maintenance of effort, carryover provision, and set-aside funds for strategic planning activities.

Nationally, due to states' efforts to maximize use of federal funding, fewer federal funds are available to SSB from the year-end reallocation process. These federal funds had previously been efficiently used by SSB to make one-time purchases of necessary equipment and to purchase services for clients. As this funding source diminishes, there will be an additional strain on existing resources.

In addition, due to the changes in the Act, state agencies for the blind are now excluded from receiving Center for Independent Living (CIL) grants. This change resulted in a \$102,596 loss of revenue to SSB which has impacted on service delivery levels to blind persons with severe, multiple disabilities. An additional shift at the federal level restricted the use of Social Security reimbursement funds to support only the vocational rehabilitation, supported employment, and independent living programs. Although SSB continues to get a federal grant for services to older blind persons, this population continues to increase significantly. These funding shifts have put increased pressure on state funds used in the Independent Living, Self-Care, and Child Rehabilitation programs.

Inflationary increases for services and goods purchased on behalf of clients, particularly for purchase of assistive technology and adjustment to blindness training, have decreased the purchasing power of rehabilitation funds.

In addition, there has been a rapid increase in the demand for the Communications Center's lifelong information, library, and reading services. This increasing demand is spurred on by heightened consumer expectations, a strengthened Braille Law, and the Americans with Disabilities Act. It is further compounded by a diminishing volunteer base due to aging and the technical nature of the workload.

In the BE Program, many of the vending machines used in the vending operations do not meet the Americans with Disabilities Act accessibility requirements. Due to the age and obsolescence of the equipment, they cannot be retro-fitted.

### PLANNED RESULTS:

The agency budget plan will allow the reported performance measures from the 1996 Annual Report to be accomplished or accelerated as follows:

Despite the anticipated strain on dollars available for direct client services, it is projected that there will be a modest increase in persons employed and persons regaining their ability to manage their own home or live independently. This is primarily due to programmatic shifts such as increased focus on adjustment to blindness training and jobs, specialized rehabilitation counseling caseloads, simplified eligibility, continual quality improvements, and efforts to work more closely with employers and community resources. Minnesota's Workforce Center System, currently under development, holds promise for greater collaboration and more effective service delivery.

Although the number of persons being provided transcribed materials by the Communications Center is projected to increase slightly, it is anticipated that there will be more need/demand than the Center will be able to provide. This may have a negative impact on the ability of the Communications Center to meet the needs of all its customers in the future.

The performance outcomes reflected in the 1996 Annual Report may be impacted based on the anticipated decrease in federal reallocated funds.

**1998-99 Biennial Budget**

**PROGRAM:** Workforce Services for the Blind  
**AGENCY:** Economic Security, Department of (DES)  
 (Continuation)

**BUDGET AND REVENUE SUMMARY:**

(Statutory References: M.S. 248.07; Minn Rules Chap. 3321 and 3325; the Rehabilitation Act of 1973, as amended through 1992; the Americans with Disabilities Act; the Randolph-Sheppard Act, and P.L. 93-112 S102 87 Stat. 369.)

State Services for the Blind receives revenue from the following sources 1) State General Appropriation; 2) Special Revenue related to Business Enterprises, Communication Center and The Store; 3) Federal grants including Vocational Rehabilitation, Supported Employment, In-Service Training, Independent Living-B, Title I Library grant, and subgrant from Department of Education; and 4) Other - Social Security reimbursement funds, program income, Friends of the Communication Center and Memorandum of Understanding with the Minnesota Foundation SSB continues to receive federal grant funding, through a competitive process, to serve older blind persons (Chapter 2 of Title VII of the Rehabilitation Act).

Due to relatively flat state-level funding (only premises differential increase), a projected minimal increase in federal funding for the Vocational Rehabilitation Program, and fewer funds available from the year-end reallocation process, there is an increased possibility that Rehabilitation Services will have to implement an "Order of Selection." This would limit the federal portion of the program to serving only those blind individuals with the most severe disabilities.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Dedicated - Special	\$781	\$950	\$977	\$992
Dedicated - Federal	9,048	8,550	8,249	8,249
Gifts and Deposits	<u>-0-</u>	<u>34</u>	<u>34</u>	<u>34</u>
<b>TOTAL</b>	<b>\$9,829</b>	<b>\$9,534</b>	<b>\$9,260</b>	<b>\$9,275</b>

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE SVCS FOR THE BLIND  
ACTIVITY: SERVICES FOR THE BLIND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	5,573	5,662	5,819	5,819	5,819	5,978	5,978	5,978
OPERATING EXPENSES	3,620	3,553	3,433	3,433	3,433	3,355	3,355	3,355
<b>SUBTOTAL STATE OPERATIONS</b>	<b>9,193</b>	<b>9,215</b>	<b>9,252</b>	<b>9,252</b>	<b>9,252</b>	<b>9,333</b>	<b>9,333</b>	<b>9,333</b>
PAYMENTS TO INDIVIDUALS	4,258	3,942	3,707	3,707	3,707	3,722	3,722	3,722
LOCAL ASSISTANCE	16	36	36	36	36	36	36	36
<b>TOTAL EXPENDITURES</b>	<b>13,467</b>	<b>13,193</b>	<b>12,995</b>	<b>12,995</b>	<b>12,995</b>	<b>13,091</b>	<b>13,091</b>	<b>13,091</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	3,638	3,659	3,735	3,735	3,735	3,816	3,816	3,816
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	781	950	977	977	977	992	992	992
MDES FEDERAL	9,048	8,550	8,249	8,249	8,249	8,249	8,249	8,249
GIFT		34	34	34	34	34	34	34
<b>TOTAL EXPENDITURES</b>	<b>13,467</b>	<b>13,193</b>	<b>12,995</b>	<b>12,995</b>	<b>12,995</b>	<b>13,091</b>	<b>13,091</b>	<b>13,091</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	846	949	977	977	977	992	992	992
MDES FEDERAL	9,100	8,387	8,249	8,249	8,249	8,249	8,249	8,249
GIFT	30	34	34	34	34	34	34	34
<b>TOTAL REVENUES COLLECTED</b>	<b>9,976</b>	<b>9,370</b>	<b>9,260</b>	<b>9,260</b>	<b>9,260</b>	<b>9,275</b>	<b>9,275</b>	<b>9,275</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	115.2	115.2	115.2	115.2	115.2	115.2	115.2	115.2
TEMP/SEAS/PART_TIME	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ECONOMIC SECURITY DEPT  
PROGRAM: WORKFORCE SVCS FOR THE BLIND  
ACTIVITY: SERVICES FOR THE BLIND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OVERTIME	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
TOTAL FTE	119.8	119.8	119.8	119.8	119.8	119.8	119.8	119.8

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Commerce, Department of

PROGRAM

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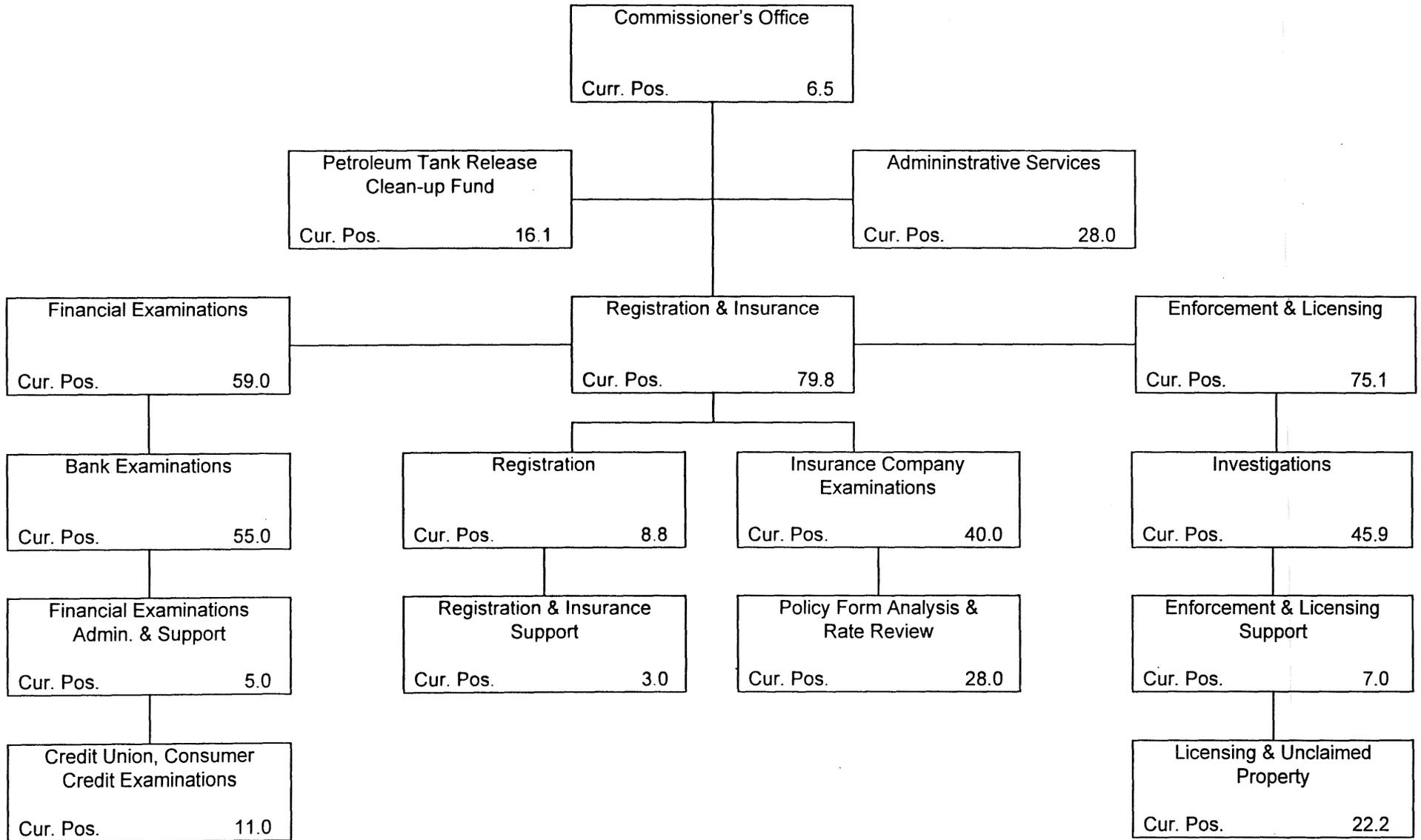
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**Department of Commerce  
Organization Chart 7/1/96**



**June 30, 1996 FTE Employees: 261.0**

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Commerce, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$13,979	\$13,979	\$27,958
<b><u>BASE ADJUSTMENT</u></b>			
1998-99 Compensation Inflation	290	589	879
Space Rent/Lease Increase/Decrease	<u>29</u>	<u>4</u>	<u>25</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	\$14,240	\$14,572	\$28,812
<b><u>AGENCY DECISION ITEMS</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	\$14,240	\$14,572	\$28,812
<b><u>GOVERNOR'S INITIATIVES</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	\$14,240	\$14,572	\$28,812

Brief Explanation of Agency Plan:

- The Agency Plan for F.Y. 1998 and 1999 provides for continuation of service levels and performance as provided for in current law.

Revenue Summary:

- The agency plan includes \$35.8 million for F.Y. 1998 and \$36.0 million for F.Y. 1999 of departmental earnings and \$10.8 million for F.Y. 1998 and \$10.3 million F.Y. 1999 in net unclaimed property (all funds). The fees are collected from regulated industries to recover the cost of agency operation.
- The agency plan provides for the creation of new fees in the self-insurance/workers' compensation area to provide for recovery of the cost of this operation through fees charged to the regulated industry. The fees will produce \$215,900 additional revenue for F.Y. 1998 and \$247,300 additional revenue for F.Y. 1999.
- Finally, the plan provides for standardization of fees charged to various licensees across industries. The net affect will be minimal. The calculated total will produce a net decrease in fees collected of approximately \$162,657 for F.Y. 1998 and \$142,055 for F.Y. 1999.

Affected Statutes:

M.S. Chapters 45, 60A, 60K, 65B, 72B, 79, 79A, 82, 82B, 155A, 326.86.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan. Further, the Governor recommends that the law be amended to change the legal status of the State Fund Mutual Insurance Company from a non-profit public entity, controlled by the state, to a fully private insurance company. This recommendation is contingent upon the full repayment of a loan from the general fund to State Fund Mutual. The current balance due on the state loan is \$5.6 million. Affected Statute: M.S. Chapter 176A.11.

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Commerce, Department of

Fund: Petroleum Tank Release Clean-up Fund

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$935	\$935	\$1,870
<b><u>BASE ADJUSTMENT</u></b>			
Program/Agency Sunsets	-0-	(150)	(150)
1998-99 Compensation Inflation	17	34	51
Space Rent/Lease Increase/Decrease	<u>5</u>	<u>39</u>	<u>34</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$957</b>	<b>\$780</b>	<b>\$1,737</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$957</b>	<b>\$780</b>	<b>\$1,737</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$957</b>	<b>\$780</b>	<b>\$1,737</b>

**Brief Explanation of Agency Plan:**

- The Agency Plan for F.Y. 1998 and 1999 provides for continuation of service levels and performance as provided for in current law. This includes the 1996 appropriation for the Attorney General's contract and the open appropriation for performance audits required by M.S. 115C.08, Subdivision 4 as amended in Laws of 1996, Chapter 397.
- The plan accounts for a reduction in base funding in F.Y. 1999 to recognize the program sunset. Federal law requires all tanks removed by 12-22-98. The entire program sunsets on 6-30-2000.

**Revenue Summary:**

- The program is funded by a \$.02 gallon fee charged on wholesale petroleum products. The fee is turned off and on depending on the fund balance. There is no change planned for the current fee.

**Affected Statutes:**

No statute changes are planned.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Commerce, Department of

Fund: Special Revenue

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$341	\$341	\$682
<b><u>BASE ADJUSTMENT</u></b>			
1998-99 Compensation Inflation	3	7	10
Space Rent/Lease Increase/Decrease	<u>1</u>	<u>2</u>	<u>3</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$345</b>	<b>\$350</b>	<b>\$695</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$345</b>	<b>\$350</b>	<b>\$695</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$345</b>	<b>\$350</b>	<b>\$695</b>

**Brief Explanation of Agency Plan:**

- The Agency Plan for F.Y. 1998 and 1999 provides for continuation of service levels and performance as provided for in current law.

**Revenue Summary:**

- The fund is supported by fees collected from real estate licensees to pay the cost of education and research in the field of real estate. No fee changes are anticipated.

**Affected Statutes:**

No statute changes are planned.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Commerce, Department of

Fund: Workers Compensation Special

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$-0-	\$-0-	\$-0-
<b><u>BASE ADJUSTMENT</u></b>			
Biennial Appropriations	450	450	900
1998-99 Compensation Inflation	8	17	25
Space Rent/Lease Increase/Decrease	<u>4</u>	<u>9</u>	<u>13</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$462</b>	<b>\$476</b>	<b>\$938</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$462</b>	<b>\$476</b>	<b>\$938</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$462</b>	<b>\$476</b>	<b>\$938</b>

**Brief Explanation of Agency Plan:**

- The agency plan reflects the development of a new regulatory program for workers' compensation self-insurance. Funds were appropriated in F.Y. 1996 to implement rate regulation for workers compensation and expand self-insurance regulation. The plan for F.Y. 1998 and 1999 provides continuation of service and performance of the regulatory program as provided for in current law.

**Affected Statutes:**

None.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

AGENCY: Commerce, Department of

**AGENCY DESCRIPTION:**

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

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

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

The clientele for these programs include Minnesota's financial services industries: banks, credit union and consumer credit companies, insurance, securities, franchise, real estate, currency exchange and debt collecting. As well, the residential contracting and remodeling industry, the cosmetology industry and notary publics are regulated by the department. A primary component of the programs clientele is Minnesota consumers doing business with a regulated industry. In addition, the programs regularly interact with other regulatory authorities at the local and federal level and from other states.

**AGENCY ISSUES:**

Federal changes in regulatory policy for the insurance and securities industry is an issue facing the agency at this time. Congress has passed insurance legislation that sets new requirements for health insurance that directly impacts the state regulatory efforts in this area. The most significant affect of this legislation is the requirement that insurers guarantee the availability of certain group and individual insurance products be renewable. Changes in state law have also affected the regulation of insurance with additional mandated benefit, changes relating to health care reform and changes to workers compensation and self insurance laws passed in 1995. These changes have required a re-focus of resources from policy form and rate filing activity to developing new requirements for self insurance and group self insurance, the financial review of the self insurers to guarantee solvency and significant work in health care policy development.

Change has also occurred at the federal level in the way investment offerings are reviewed. Congress has passed legislation that will change Minnesota's review process for mutual funds. States will no longer provide merit review of initial mutual fund offerings and have to rely on the review provided by the Securities Exchange Commission exclusively. The bill specifically preserves the state's rights to continue to collect fees.

Minnesota's banking industry has experienced its highest level of earnings from 1993 to 1996 and demonstrates a volume of high quality loan assets. Consolidation in the banking industry is the issue facing the agency today. Interstate banking law changes have significantly impacted consolidation and lending. In June, 1997 interstate banking will permit mergers and acquisitions across state lines. The number of institutions chartered/licensed has declined as a result of mergers and acquisitions. This activity should accelerate moderately after June. Interstate banking and branching will put forth new

demands for examination of solvency of banks because of the increase in asset size of the larger, merged companies. Interstate banking will also require development of interstate cooperative examination agreements between state regulators to assist in the examination of the merged institutions.

The Petroleum Tank Release Cleanup Fund program is facing the deadline for tank removal or replacement. The federal Environmental Protection Agency mandates that all tanks be removed and/or replaced by 12-22-98. The program will then have until 6-30-2000 to process the claims for reimbursement as the law that created the program is repealed on that date. Currently, it is difficult to predict the number of tanks that remain to be removed. It is anticipated that many tank owners have delayed the burden of the cost of removal until the deadline. Therefore, there could be significant claims volume and fund reimbursements in F.Y. 1999 if this occurs.

**AGENCY STRATEGIES:**

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

- To ensure consumer trust and confidence in banks, thrift institutions, insurance companies, credit unions and other financial institutions;
- To ensure the investor, borrowing consumer, policyholders and depositors safe and solvent financial institutions;
- To investigate complaints from the general public to determine whether the activities constitute violations of law and to take appropriate administrative disciplinary action;
- To assure the public that persons engaged in the sale of regulated industry services and products meet minimum standards of expertise and moral character;
- To constantly monitor rapidly changing market conditions and practices;
- To limit the sale of illegal business investments;
- To administer state laws affecting investment offerings and insurance products through the review of filings to ensure that they are not inadequate or unfairly discriminatory;
- To ensure that the rates charged for insurance products are not excessive;
- To assure that all securities products are in compliance with merit and disclosure standards as required by law; and
- To return abandoned and unclaimed property to the rightful owners or heirs; and
- To assure that the cost of clean up of leaking underground storage tanks are reimbursed pursuant to the Petroleum Tank Release Clean-Up Fund statutes and rules.

The strategies are focused to protect the solvency of the regulated industries, protect the best interest of the consumer and to provide a fair and equitable market for competition and regulation.

**SUMMARY OF BUDGET REQUEST:**

The agency budget plan includes the following:

- Base level funding plus salary inflation is included for all programs. Supply and expense inflation at 2.5% per year is funded within the base.
- The plan includes 2 proposals for revenue changes. The first is to propose the standardization of fees charged for licensing transactions. This would include license histories, license certifications, duplicate licenses, temporary licenses and name and/or address changes. The second fee proposal is to increase and add new fees for the registration of self insurance entities. The fees would increase self insurance authority fee from \$1000 to \$2,500, create a new fee of \$250 to add a member to a group, create a new annual report fee of \$200, change the initial license fee for third party administrators from \$100 to \$500, create a new renewal fee for third party administrators

**1998-99 Biennial Budget**

**AGENCY:** Commerce, Department of  
(Continuation)

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of \$500 for a 2-year license, create a new annual renewal fee for auto self insurance of \$100 for political subdivisions and \$250 for non-political subdivisions and create a new registration exemption fee of \$50 for employee leasing organizations.

The budget of the agency is supported by departmental earnings of approximately \$92.7 million (dedicated and non-dedicated) for the biennium. The agency budget proposal for the General Fund is \$28.8 million for the biennium. The agency contributes the surplus earnings to the General Fund for state government operations.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan. Further, the Governor recommends that the law be amended to change the legal status of the State Fund Mutual Insurance Company from a non-profit public entity, controlled by the state, to a fully private insurance company. This recommendation is contingent upon the full repayment of a loan from the general fund to State Fund Mutual. The current balance due on the state loan is \$5.6 million.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FINANCIAL EXAMINATIONS	3,558	3,727	3,802	3,802	3,802	3,883	3,883	3,883
REGISTRATION & INSURANCE	4,162	4,983	4,648	4,648	4,648	4,764	4,764	4,764
PETROLEUM TANK CLEANUP FUND	31,228	35,996	36,107	36,107	36,107	35,931	35,931	35,931
ADMINISTRATIVE SERVICES	2,562	3,145	2,821	2,821	2,821	2,894	2,894	2,894
ENFORCEMENT & LICENSING	4,139	4,541	4,574	4,574	4,574	4,731	4,731	4,731
TOTAL EXPENDITURES BY PROGRAM	45,649	52,392	51,952	51,952	51,952	52,203	52,203	52,203
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	13,070	14,638	14,240	14,240	14,240	14,572	14,572	14,572
PETROLEUM TANK RELEASE CLEANUP	833	847	957	957	957	780	780	780
HEALTH CARE ACCESS	3							
SPECIAL REVENUE	293	341	345	345	345	350	350	350
WORKERS COMPENSATION SPEC PMNT	273	777	462	462	462	476	476	476
OPEN APPROPRIATIONS:								
PETROLEUM TANK RELEASE CLEANUP	30,395	35,149	35,150	35,150	35,150	35,151	35,151	35,151
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	782	640	798	798	798	874	874	874
TOTAL EXPENDITURES	45,649	52,392	51,952	51,952	51,952	52,203	52,203	52,203
FTE BY EMPLOYMENT TYPE:								
REGULAR	250.0	247.7	247.7	247.7	247.7	247.7	247.7	247.7
TEMP/SEAS/PART_TIME	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	251.5	249.2	249.2	249.2	249.2	249.2	249.2	249.2

## 1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Commerce, Department of

### REVENUE SOURCES:

The agency generates non-dedicated revenue for the General Fund, the Cambridge Deposit Fund, and the Petroleum Tank Release Cleanup Fund. Dedicated revenue is generated for the Real Estate Education Research and Recovery Fund, the Building Contractors Recovery Fund and the Insurance Examination Revolving Fund. The Insurance Examination Revolving Fund cancels the balance less \$25,000 to the General Fund. The non-dedicated revenue is generated from fees and assessments charged to regulated business' for license transactions, cost assessment, registration fees, filing fees, and fines and penalties. Proceeds from abandoned/unclaimed property and interest earnings on Petro Fund investments are also included in the non-dedicated receipts. Funds collected and deposited in the General Fund are estimated to be \$14.3 million for F.Y. 1997 and funds deposited in the Cambridge Deposit Fund are estimated to be \$29.6 million for F.Y. 1997.

The dedicated revenue is collected from initial and renewal license fees, examination fees and fund assessments (if the fund balances fall below minimums defined in statute) and interest earnings on investments. The dedicated revenue funds receipt estimate for F.Y. 1997 equals \$3.5 million for F.Y. 1997. By fund, receipts equal \$945,800 for the Real Estate Education Research and Recovery Fund, \$911,600 for the Building Contractor Recovery Fund and \$1.7 million for the Insurance Examination Revolving Fund.

### FEE STRUCTURE:

There are a number of statutes that identify the fees charged to individuals and business' to enter any of the agency regulated fields. The department regulates business and individual activity in the areas of insurance, real estate, securities, franchises, appraisers, residential building contractors and remodelers, roofers, mobile home installers and manufacturers, cosmetology, currency exchanges, debt collecting, notaries public, campground memberships, banking and consumer finance. Specific fees or the method to calculate the fee are all defined in law.

The basic fee structure provides specific transaction fees for licensing, a method for billing examination costs for banks and insurance companies; an assessment method for recovering overhead cost of regulation of banks, credit unions and consumer credit companies; registration fees for investment offerings; filing and annual report fees for banks, insurance companies and investment offerings; and fines and penalties.

Abandoned/unclaimed property is remitted based on information provided from holder reports, that were not returned to the rightful owner or heir. The property holder reports and remits the property to the agency, the agency then attempts to notify the owner/heir of the property in an attempt to return the property to the rightful owner or heir.

### RECENT CHANGES:

The fee structure and method for collecting examination fees and assessments has remained constant through F.Y. 1997. No changes have occurred in the structure recently. In F.Y. 1994, receipts were increased because of the change in term of abandonment for unclaimed property from 5 years to 3

years. F.Y. 1995 saw a residual affect of the change in term but the majority of proceeds from this change in term appeared in F.Y. 1994. In F.Y. 1997, the collection timing changed. Previously, funds were reported in November, advertised in April and remitted in June. The change implemented in 1997 was to have holders remit receipts when they are reported in October and November. These receipts have stabilized and are anticipated at levels of approximately \$14.5 million per year.

The dedicated receipts have also remained constant. They are established by statute as fees for license transactions and the daily rate set by the National Association of Insurance Commissioners (NAIC) for insurance company examinations. There have been no recent changes in these fees in statute. The NAIC does periodically adjust the examination fee.

### FORECAST BASIS:

The agency plan anticipates a leveling trend in the transactions producing company form and rate filing fees, a slight growth in licensing transaction fees consistent with emerging trends and an assessment and examination hourly rate that recovers the 100% of examiners salary and 103% of overhead based on the financial examination program budget request for the biennium. No other significant changes in trends are anticipated.

### DECISION ITEMS:

The agency is proposing 2 changes to the current fee structure. First is to propose the standardization of fees charged for licensing transactions. The second fee proposal is to increase and add new fees for the registration and license of self insurance entities.

### GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. Further, the Governor recommends that the law be amended to change the legal status of the State Fund Mutual Insurance Company from a non-profit public entity, controlled by the state, to a fully private insurance company. This recommendation is contingent upon the full repayment of a loan from the general fund to State Fund Mutual. The current balance due on the state loan is \$5.6 million.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
GENERAL	14,567	14,250	14,675	14,675	14,675	14,520	14,520	14,520
CAMBRIDGE DEPOSIT FUND	30,015	29,592	28,392	28,445	28,445	28,487	28,592	28,592
<b>OTHER REVENUES:</b>								
GENERAL	103	29	14	14	5,614	13	13	13
PETROLEUM TANK RELEASE CLEANUP	1,614	1,650	1,810	1,810	1,810	1,610	1,610	1,610
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>46,299</b>	<b>45,521</b>	<b>44,891</b>	<b>44,944</b>	<b>50,544</b>	<b>44,630</b>	<b>44,735</b>	<b>44,735</b>
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
SPECIAL REVENUE	3,420	3,399	3,371	3,371	3,371	3,099	3,099	3,099
<b>OTHER REVENUES:</b>								
SPECIAL REVENUE	147	152	179	179	179	188	188	188
AGENCY	<3>	<8>						
<b>TOTAL DEDICATED RECEIPTS</b>	<b>3,564</b>	<b>3,543</b>	<b>3,550</b>	<b>3,550</b>	<b>3,550</b>	<b>3,287</b>	<b>3,287</b>	<b>3,287</b>
<b>AGENCY TOTAL REVENUES</b>	<b>49,863</b>	<b>49,064</b>	<b>48,441</b>	<b>48,494</b>	<b>54,094</b>	<b>47,917</b>	<b>48,022</b>	<b>48,022</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Commerce, Department of

**ITEM TITLE:** Privatize State Fund Mutual Insurance Company

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$5,600	\$-0-	\$-0-	\$-0-

**Statutory Change?** Yes X No \_\_\_\_\_

**If yes, statutes(s) affected:** M.S. 176A.11

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends that the law be amended to change the legal status of the State Fund Mutual Insurance Company from a non-profit public entity, controlled by the state, to a fully private insurance company. However, it is recommended that any change in the legal status of the company be conditioned upon repaying the state loan in full.

**RATIONALE:**

In 1983, the Legislature created the State Fund Mutual Insurance Company, a nonprofit independent public corporation, as part of the workers' compensation rate deregulation legislation. The purpose of the fund was to compete with private insurers, to gauge whether rates charged by private insurers were reasonable to cover losses, and to assure that workers' compensation insurance would be available.

The company secured a loan from the general fund at 8% annually and the principal repayments can be deferred at the discretion of the company. The current balance due on the state loan is about \$5.6 million.

The State Fund Mutual has served its public policy purpose of providing capacity and serving as a check on the workers' compensation market in Minnesota. At the time of its formation, the competitiveness of the market was much different than it is today. With today's vigorously competitive market and the fact that State Fund Mutual runs its organization like a private insurer, there is no longer a rationale for having the state funds tied up in what is a traditional private enterprise.

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**PROGRAM:** Financial Examinations  
**AGENCY:** Commerce, Department of

**PROGRAM DESCRIPTION:**

The financial examinations program exists to perform periodic examinations of banks, trust companies, credit unions, thrift companies, and consumer credit services companies in order to monitor the financial solvency and assure compliance with applicable statutes, rules and regulations. The program also attempts to assure safe, sound operating principles exist in financial institutions to provide for consumer protection. The program approves applications for entrance into the financial services industry in Minnesota.

**PROGRAM STATUS:**

From 1993 to 1996, financial institutions have experienced a high level of earnings and a high (and growing) volume of high quality loan assets. This has produced higher than average returns and accumulated reserves for loan losses at satisfactory levels. The early experience of losses from derivatives has diminished because of improvements in management practices. Banks, thrift companies and credit unions are experiencing the highest level of CAMEL (Capital adequacy, Asset quality, Management capability, Earnings performance and Liquidity) ratings since the rating system was established in 1979.

Massive consolidation has occurred throughout the industry. Statute changes in 1995 and 1996 for domestic/interstate banking have significantly impacted consolidation and consumer lending areas. Larger regions and money centers throughout the United States have seen massive reorganizations as larger institutions acquire smaller ones. Minnesota was historically one of 5 states with a large number of individual banks and credit unions. The consolidation movement has significantly decreased the number of individual banks and credit unions as a result of mergers and acquisitions. When interstate banking permits mergers across state lines in June of 1997, it is anticipated that mergers and acquisitions will accelerate moderately. It is expected that Minnesota will continue to maintain a large number of locally owned community banks and branches.

Credit union members have also declined as a result of conversions to federal charters. The decline in numbers has not significantly changed the examination volume as an improved economy has meant that the complexity of business done by credit unions has increased. In addition, the broader scale of services provided to customers results in an increase of time required for examination of the financial institution. Consumer lending companies (regulated lenders and industrial loan companies) are functioning under a completely revised statute, the Minnesota Consumer Credit Uniform Code. This new statute provides a reliable and competitively priced source of credit. A high level of compliance is indicated by examination results. The consumer credit industry has also become a more regional and national based industry.

The program has focused significant resources on automation. Electronic transmission of data and automated programs for examination and reporting compliance are in the development stage. This will produce increased efficiencies in the examination process.

The program continues to maintain its Conference of State Bank Supervisors (CSBS) accreditation. In addition, participation continues in the divided examination program with the Federal Deposit Insurance Corporation (FDIC).

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Agency's Performance Report as follows:

- Achieve and maintain a high level of safety and soundness performance in terms of CAMEL ratings I and II. Remedial efforts will be focused on improving those with III, IV or V ratings.
- Discover violations or practices requiring correction and prevention in the consumer credit industry. Provide prompt investigation of complaints. Overall industry performance maintain a Consumer Rating System (CRS) rating of 1.
- By thorough review and timely processing of applications for charters, licenses and other powers, assure the high standards of financial services providers.
- Facilitate interstate banking and branching. Provide a system for examination and monitoring of out-of-state branches and consumer credit providers through cooperative agreements.

**BUDGET AND REVENUE SUMMARY:**

- The agency plan provides for same level of funding including salary inflation added to the base and covering supply and expense inflation within the base. Resources "saved" as a result of industry consolidation and mergers have been refocused to automation.
- The program continues to be fully supported by fees and assessments paid by regulated industries. Examination fees are charged at hourly rates to recover all examiner salary and benefits. Assessments are billed to recover the cost of program administration and agency indirect costs at 103%. (Prior year anticipated deficit or surplus is included to assure total cost recovery). The examination fees are billed on an hour-for-hour basis and the assessment costs are allocated and billed to the industries based on each one's asset size. Application and license fees are charged for each transaction as established in statute.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: FINANCIAL EXAMINATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
BANK EXAMINATIONS	2,625	2,747	2,802	2,810	2,810	2,860	2,868	2,868
FINANCIAL EXAMINATIONS SUPPORT	345	292	299	295	295	306	302	302
CREDIT UNION, CONSUMER CREDIT	588	688	701	697	697	717	713	713
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>3,558</b>	<b>3,727</b>	<b>3,802</b>	<b>3,802</b>	<b>3,802</b>	<b>3,883</b>	<b>3,883</b>	<b>3,883</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	3,500	3,727	3,802	3,802	3,802	3,883	3,883	3,883
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	58							
<b>TOTAL EXPENDITURES</b>	<b>3,558</b>	<b>3,727</b>	<b>3,802</b>	<b>3,802</b>	<b>3,802</b>	<b>3,883</b>	<b>3,883</b>	<b>3,883</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	60.6	60.6	60.6	60.6	60.6	60.6	60.6	60.6
<b>TOTAL FTE</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>	<b>60.6</b>

**BUDGET ACTIVITY:** Bank Examinations  
**PROGRAM:** Financial Examinations  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

The bank examination activity performs on-site examinations of banks, trust companies, certificate investment companies and thrift companies on a 12 to 18 month cycle in cooperation with the FDIC and the Federal Reserve Bank (FRB). The activity functions by review of financial information located at the institution, review of examination reports, review of quarterly and annual financial data, application and license review and investigates and resolves complaints. The performance of these functions assures that consumers of Minnesota doing business with state chartered banks can have confidence in the institutions' safety and soundness.

The activity relies on a divided examination agreement with the FDIC that provides for shared, coordinated examination responsibility. On well-rated banks, the program alternates examination years with the FDIC (state examining one year and FDIC the next) and shares examination reports, findings and results. This saves the regulators in the area of staffing as it is not necessary for each regulator to have sufficient staff to examine every institution on cycle. As well, the regulated industry experiences a savings in their cost of doing business as they do not have to pay both regulators for examinations.

**BUDGET ISSUES:**

- The activity will continue to assist and support the design, development and implementation of an automated examination program. The system is intended to divide the examination process into computer assigned modules for examiners to incorporate into the examination report which will reduce the amount of on-site examination time. The upgraded field staff computer access will also assist in reducing examination time. They are better able to compile the necessary data for examination reports.
- The considerably improved financial condition of Minnesota banks has allowed the activity to refocus efforts on a more proactive approach to solvency regulation rather than reacting to the problems that continually developed in the 1980s.
- The activity will direct and coordinate consolidated examinations of banking organizations as a whole including affiliated banks and their holding companies in cooperation with FRB and FDIC. This will concentrate the financial organizations' information and follow-up needs and eliminate costly duplication experienced where the related banks would be examined at different times.

**REVENUE:**

The revenue generated by this activity is from examination fees, assessments and charter and license fees charged to bank and trust companies. Examination fees are charged based on costs divided by billable hours. Assessments receipts are generated by a formula that calculates 103% of direct, agency indirect and attorney general cost of the operations and assess to the industry based on asset size. The assessment calculation accounts for surplus/deficits to guarantee regulatory cost recovery.

Finally, application and license fees are charged on a per transaction fee basis. The application and license fees are established by statute.

The revenue for this activity is non-dedicated and deposited to the Cambridge Deposit fund. F.Y. 1998 receipt estimates equal \$3.8 million and F.Y. 1999 equals \$3.9 million.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: FINANCIAL EXAMINATIONS  
ACTIVITY: BANK EXAMINATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	2,286	2,243	2,300	2,300	2,300	2,358	2,358	2,358
OPERATING EXPENSES	339	504	502	510	510	502	510	510
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,625</b>	<b>2,747</b>	<b>2,802</b>	<b>2,810</b>	<b>2,810</b>	<b>2,860</b>	<b>2,868</b>	<b>2,868</b>
<b>TOTAL EXPENDITURES</b>	<b>2,625</b>	<b>2,747</b>	<b>2,802</b>	<b>2,810</b>	<b>2,810</b>	<b>2,860</b>	<b>2,868</b>	<b>2,868</b>
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
<b>TECHNICAL REALLOCATIONS</b>								
		<b>GEN</b>		<b>8</b>			<b>8</b>	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>8</b>			<b>8</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,625	2,747	2,802	2,810	2,810	2,860	2,868	2,868
<b>TOTAL EXPENDITURES</b>	<b>2,625</b>	<b>2,747</b>	<b>2,802</b>	<b>2,810</b>	<b>2,810</b>	<b>2,860</b>	<b>2,868</b>	<b>2,868</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	3,634	3,323	3,844	3,844	3,844	3,927	3,927	3,927
<b>TOTAL REVENUES COLLECTED</b>	<b>3,634</b>	<b>3,323</b>	<b>3,844</b>	<b>3,844</b>	<b>3,844</b>	<b>3,927</b>	<b>3,927</b>	<b>3,927</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	45.6	45.6	45.6	45.6	45.6	45.6	45.6	45.6
<b>TOTAL FTE</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>	<b>45.6</b>

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Financial Examinations Support  
**PROGRAM:** Financial Examinations  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

This activity provides day-to-day management and implementation of administrative policy. The activity acts on the examination and investigation report findings, recommendations and data received from examiners. Contacts are established and maintained with all financial institutions and consumer finance licensees. The primary focus of this activity is results. By implementing remedial action plans, the goal of early intervention to avoid and reverse conditions of weaker financial institutions can be achieved. Applications for charters, licenses and other powers are reviewed and recommendations made to the commissioner. The activity clientele is both the regulated industry and those doing business with the regulated industries.

**BUDGET ISSUES:**

- The primary budget issue for this activity is management. The day-to-day management of fiscal and human resources to assure goals are achieved. Development and implementation of administrative policy and procedure and to provide the necessary tools for accomplishment of outcomes.
- Development of the details to implement interstate banking cooperative agreements between and among states with the FRB and FDIC is another issue facing this activity. These agreements will assure that when nationwide interstate branching becomes effective in June 1997, banks will have a sound basis on which to choose efficiencies between the national bank and state bank systems. The intended agreements will be to preserve the asset base of state institutions and control the cost associated with interstate supervision.
- Develop recommendations for a single depository institution charter and single consumer credit delivery system. Together with the continued development of the Minnesota Consumer Credit Uniform Code increased efficiencies in chartering, licensing, and supervision will be created that will complement the action Congress may take related to the elimination of federal savings associations.

**REVENUE:**

This activity does not generate dedicated or non-dedicated revenue. The costs are recovered through assessments paid by the regulated industries, but the revenue appears in other activities within this program.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: FINANCIAL EXAMINATIONS  
ACTIVITY: FINANCIAL EXAMINATIONS SUPPORT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	269	274	281	281	281	288	288	288
OPERATING EXPENSES	21	18	18	14	14	18	14	14
OTHER EXPENSES	55							
SUBTOTAL STATE OPERATIONS	345	292	299	295	295	306	302	302
TOTAL EXPENDITURES	345	292	299	295	295	306	302	302
AGENCY PLAN ITEMS:								
TECHNICAL REALLOCATIONS								
TOTAL AGENCY PLAN ITEMS				<4>			<4>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	287	292	299	295	295	306	302	302
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	58							
TOTAL EXPENDITURES	345	292	299	295	295	306	302	302
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL	1							
TOTAL REVENUES COLLECTED	1							

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: FINANCIAL EXAMINATIONS  
ACTIVITY: FINANCIAL EXAMINATIONS SUPPORT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL FTE	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Credit Union, Consumer Credit Examinations  
**PROGRAM:** Financial Examinations  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

This activity conducts the actual on-site examinations and investigations (including consumer complaints) of all credit unions and consumer credit licensees on an annual basis. Examinations can be performed more often if necessary. Credit union examinations are performed by the state and accepted by the National Credit Union Administration (NCUA). The activity receives examination reports, regularly submitted financial reports, regularly submitted data, complaints and compiles results on which decisions are made by the agency to initiate formal or informal actions.

**BUDGET ISSUES:**

The agency budget plan will respond to the following issues:

- The activity will implement an automated examination program following the same model used for bank examinations or that of the NCUA (AIRES). The program will automate modules of the examination report to implement efficiencies in processing examinations. The value of such program is to be able to retrieve and manage clientele data in addition to regulator's existing information systems.
- Another issue is to continue to pursue development of an alternative examination program with the NCUA on the same basis as the FDIC and FRB. This represents examination cost savings and promotes a common awareness of conditions in credit unions and policy developments and focus between agencies in more coherent and understandable manner.

**REVENUE:**

The revenue generated by this activity is from examination fees, assessments and charter and license fees charged to credit unions and consumer finance companies. Examination fees are charged based on costs divided by billable hours. Assessment receipts are generated by a formula that calculates 103% of direct, agency indirect and attorney general costs of the operation and the assessment to the industry is based on asset size. The assessment calculation accounts for surplus/deficits to guarantee regulatory cost recovery.

Finally, application and license fees are charged on a per transaction fee basis. The application and license fees are established by statute.

The revenue for this activity is non-dedicated and deposited to the Cambridge Deposit fund. F.Y. 1998 receipt estimates equal \$656,000 and F.Y. 1999 equals \$670,000.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: FINANCIAL EXAMINATIONS  
ACTIVITY: CREDIT UNION, CONSUMER CREDIT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	544	618	632	632	632	648	648	648
OPERATING EXPENSES	44	70	69	65	65	69	65	65
<b>SUBTOTAL STATE OPERATIONS</b>	<b>588</b>	<b>688</b>	<b>701</b>	<b>697</b>	<b>697</b>	<b>717</b>	<b>713</b>	<b>713</b>
<b>TOTAL EXPENDITURES</b>	<b>588</b>	<b>688</b>	<b>701</b>	<b>697</b>	<b>697</b>	<b>717</b>	<b>713</b>	<b>713</b>
<b>AGENCY PLAN ITEMS:</b>								
FUND								
TECHNICAL REALLOCATIONS GEN								
<4>								
<b>TOTAL AGENCY PLAN ITEMS</b>								
<4>								
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	588	688	701	697	697	717	713	713
<b>TOTAL EXPENDITURES</b>	<b>588</b>	<b>688</b>	<b>701</b>	<b>697</b>	<b>697</b>	<b>717</b>	<b>713</b>	<b>713</b>
<b>REVENUE COLLECTED:</b>								
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	687	585	656	656	656	670	670	670
<b>TOTAL REVENUES COLLECTED</b>	<b>687</b>	<b>585</b>	<b>656</b>	<b>656</b>	<b>656</b>	<b>670</b>	<b>670</b>	<b>670</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR								
REGULAR	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>TOTAL FTE</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

**PROGRAM:** Registration and Insurance  
**AGENCY:** Commerce, Department of

**PROGRAM DESCRIPTION:**

The program exists to assure that insurance companies (foreign, domestic, self-insurance) doing business in Minnesota are in good financial condition. Ascertain that the investment and insurance products sold in Minnesota meet minimum requirements of fairness, disclosure and clarity pursuant to statutes and rules enacted to govern these products. To license securities broker-dealers, agents, investment advisors and insurance companies. Finally, the program is responsible for workers compensation rate regulation and self-insurance regulation.

**PROGRAM STATUS:**

The program's budget provides for continuation of services in the primary areas of insurance company solvency, investment offering registration, insurance regulatory policy development and reform and insurance policy form and rate review. Anticipated in this plan is increased involvement in the changing market for health insurance. With many significant changes expected in the health insurance marketplace directly related to recent federal and state legislation, the department anticipates significant changes in the activity in this area. Changes in mandated benefits and federal and state reform addressing health care availability significantly affect program outcome.

Traditionally, states have had almost exclusive authority for regulation of the health insurance industry. Under current federal regulation, it is conceivable that if a state fails to enforce a provision of the new law, the Secretary of Health and Human Services will enforce compliance with the provision. The Secretary has been given the authority to assess civil penalties for each day of noncompliance. Program staff are actively reviewing and researching the new laws compared to Minnesota's laws and regulatory practices for insurance regulation to guarantee compliance.

Economic considerations and the ability of employers to control risks associated with its own employees control the self-insurance activity. Employers are finding it increasingly attractive and more economical to self-insure because of their ability to control risks. Self-insurance may be financially advantageous in situations where the employer has a large number of employees. Therefore, employers are finding significant economic advantages exist to pursue the authority and comply with the requirements of the self-insurance program for mandated coverages in the workers compensation and automobile insurance lines.

The residual markets (assigned risk pools) must be available for those who are not able to obtain these mandated coverages in the voluntary market. The size of the assigned risk pool is a direct indicator of the level of competition and success of the voluntary market. We have seen decreased premium volume (indicator of participation) in the workers compensation assigned risk plan which indicates competition exists, rates are reasonable and broader availability of coverage in the voluntary market. Changes in Minnesota's workers compensation law is one of the areas that assisted in production of this market improvement.

The Securities Amendment Act of 1996 exempts mutual funds from state registration and review leaving sole regulatory jurisdiction over these funds with the Securities Exchange Commission (SEC). However, language was added to the bill to specifically preserve the states' authority to require notice filings and to continue to collect fees from mutual funds.

**PLANNED RESULTS:**

The department budget plan will allow the reported performance measure from the 1996 agency's report to be accomplished as follows:

- Maintenance of the program accreditation from the National Association of Insurance Commissioners (NAIC). The ultimate goal of solvency regulation is to minimize policyholder losses and promote the safe and sound operation of the insurance industry. However, this aspect is virtually unmeasurable. The most appropriate surrogate for measuring the quality of solvency regulation is the attainment of NAIC accreditation.
- Assure fairness, full disclosure, readability and reasonableness/nondiscriminatory rates for investments and insurance products sold in Minnesota. The performance intent is to catalogue the number of filings that are initially found deficient upon review and corrected or withdrawn as a result of the program. This appears to be the best way to measure the results of the program review process to determine success in getting the products into compliance.
- To reduce the number of applications found deficient when initially processed. The plan would be to work to reduce confusion, provide sufficient material prior to application, and the technical assistance necessary for applicants to complete the appropriate application to receive licenses in the securities and self-insurance areas.

**BUDGET AND REVENUE SUMMARY:**

Summary of the agency plan for this program is as follows:

- The agency plan provides for the same level of funding including salary inflation added to the base and covering supply and expense inflation within the base.
- The plan provides for the establishment of new license and renewal fees for the self-insurance industry. These fees would contribute an additional \$463,200 to the Cambridge Deposit Fund for the 1998-99 biennium.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REGISTRATION	412	435	423	420	420	433	430	430
REGISTRATION & INSURANCE SUPPO	199	225	219	219	219	224	224	224
POLICY FORM ANALYSIS & RATE RE	1,355	1,841	1,521	1,521	1,521	1,561	1,561	1,561
INSURANCE COMPANY EXAMINATIONS	2,196	2,482	2,485	2,488	2,488	2,546	2,549	2,549
TOTAL EXPENDITURES BY ACTIVITY	4,162	4,983	4,648	4,648	4,648	4,764	4,764	4,764
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,751	4,041	4,017	4,017	4,017	4,114	4,114	4,114
HEALTH CARE ACCESS	3							
WORKERS COMPENSATION SPEC PMNT	273	777	462	462	462	476	476	476
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	135	165	169	169	169	174	174	174
TOTAL EXPENDITURES	4,162	4,983	4,648	4,648	4,648	4,764	4,764	4,764
FTE BY EMPLOYMENT TYPE:								
REGULAR	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	73.8	73.8	73.8	73.8	73.8	73.8	73.8	73.8

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Registration  
**PROGRAM:** Registration and Insurance  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

The registration activity works to ensure the investment products sold in Minnesota meet fairness and disclosure standards. The activity does not attempt to guarantee a rate of return or the soundness of the investment, however, it attempts to protect the unsuspecting, unsophisticated citizen. An investment can be risky, however, the corresponding rate of return should be fair and the risks fully disclosed.

The activity applies merit standards to all common and preferred stock, limited partnerships, mutual fund and debt applications for registration. Franchise agreements sold in Minnesota are reviewed to determine that all material information is disclosed. Subdivided land and camping club offerings are reviewed to determine that there is full and fair disclosure. Applications for licenses of securities broker-dealers, agents and investment advisors seeking to do business in Minnesota are reviewed to assure they meet the minimum standards for testing, experience and financial requirements.

**BUDGET ISSUES:**

- The need for comprehensive review of the items offered for sale in Minnesota is as critical as ever and directly affected by the economy. Minnesotans invest millions of dollars in their future and the only way to continue to assure that investment offerings sold remain in compliance is to maintain the level of past performance. It is anticipated that the improved economic conditions we have experienced in Minnesota will increase market activity.
- The Securities Amendment Act of 1996 affects the way this activity does business. The legislation basically affects the department by pre-empting the state's review of mutual fund offerings. In Minnesota, we review approximately 473 filings of this type each year. The value of the registrations available for sale in Minnesota exceeds \$28 billion annually. If this pre-emption is enacted, the State would receive filings and the registration fee of approximately \$14 million per year but have no authority for merit review.

The new law places more emphasis on the Securities Exchange Commission (SEC) to be the regulator and at the same time, reduces the amount of funding available for SEC operation. Currently, the SEC is not able to do merit review on every filing. The standard for review depends on the type of filing. Some reviews are limited in scope. To rely solely on an SEC review completely changes the current regulatory scheme.

These changes affect the state's individual ability to regulate the securities industry.

- In 1995, Minnesota accepted the Uniform Franchise Offering Circular (UFOC) as the standard for filing franchise material. This simplifies the processing for franchisers in that they can use a standard form for filing offerings throughout the country. Franchise activity has remained consistent and stable which would indicate a productive business climate. It is anticipated that there will be an increase in activity as more and more people enter the franchise business. Minnesota's fees to register a franchise business continue to be on the low end of the national scale which helps to promote the entry into franchising.

**REVENUE:**

The revenue generated by this activity is for filings relating to investment offerings, annual reports, amendments and exemptions. In addition, revenue is generated by this activity for licensing transactions for agents, broker dealers and investment advisors that want to do business in Minnesota. The revenue generated for the General Fund is from the registration fee for mutual funds. All other receipts are deposited in the Cambridge Deposit Fund.

The revenue is deposited into the General Fund and the Cambridge Deposit Fund. Estimates by fund for F.Y. 1998 are \$14.5 million for the General Fund and \$4.3 million for the Cambridge Fund. For F.Y. 1999 the receipts are estimated at \$14.3 million to the General Fund and \$4.1 million for the Cambridge Fund.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE  
ACTIVITY: REGISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	390	388	398	398	398	408	408	408
OPERATING EXPENSES	22	47	25	22	22	25	22	22
<b>SUBTOTAL STATE OPERATIONS</b>	<b>412</b>	<b>435</b>	<b>423</b>	<b>420</b>	<b>420</b>	<b>433</b>	<b>430</b>	<b>430</b>
<b>TOTAL EXPENDITURES</b>	<b>412</b>	<b>435</b>	<b>423</b>	<b>420</b>	<b>420</b>	<b>433</b>	<b>430</b>	<b>430</b>
<b>AGENCY PLAN ITEMS:</b>								
FUND								
TECHNICAL REALLOCATIONS								
GEN								
<3>								
<b>TOTAL AGENCY PLAN ITEMS</b>								
<3>								
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	412	435	423	420	420	433	430	430
<b>TOTAL EXPENDITURES</b>	<b>412</b>	<b>435</b>	<b>423</b>	<b>420</b>	<b>420</b>	<b>433</b>	<b>430</b>	<b>430</b>
<b>REVENUE COLLECTED:</b>								
NONDEDICATED:								
GENERAL	14,345	14,000	14,450	14,450	14,450	14,300	14,300	14,300
CAMBRIDGE DEPOSIT FUND	4,508	4,471	4,293	4,293	4,293	4,076	4,076	4,076
<b>TOTAL REVENUES COLLECTED</b>	<b>18,853</b>	<b>18,471</b>	<b>18,743</b>	<b>18,743</b>	<b>18,743</b>	<b>18,376</b>	<b>18,376</b>	<b>18,376</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
TEMP/SEAS/PART TIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>	<b>8.8</b>

**BUDGET ACTIVITY:** Registration and Insurance Support  
**PROGRAM:** Registration and Insurance  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

This activity provides day-to-day management and the development and implementation of the administrative regulatory policy. The activity acts on the findings of filing reviews and examination reports, recommendations and data received from analysts and examiners and develops contacts with the insurance, securities and investment industries. The activity evaluates changes and national trends to provide leadership and direction in the insurance and investment areas. The activity determines the direction and approach for implementing policy changes, determines the need for change to comply with market demands and directs the fair and uniform changes to provide Minnesotan's the reliable leadership they have come to expect in regulation of insurance and investment areas of the agency. The primary focus of this activity is results.

**BUDGET ISSUES:**

The budget issue for this activity is management and direction, the day-to-day management of fiscal and human resources to assure that the goals are achieved. Development and implementation of administrative policy and procedure and to provide the necessary tools for accomplishment of outcomes. The activity is required to keep abreast of changes at a state and national level for industries regulated. The focus includes maintaining working relationships with industries and policy makers to implement and direct consumer protection responsibilities and provide client/customer service. The deputy commissioner is directly involved in national and state policy for health care reform, insurance regulation and the regulation of investment offerings. Constant interaction is required with regulated industries, their representatives and national regulatory organizations to assure Minnesota remains in the forefront of consumer protection and fair and equitable regulation.

**REVENUE:**

This activity does not generate dedicated or non-dedicated revenue. The costs are recovered through fees paid by the regulated industries, but the revenue appears in other activities within this program.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE  
ACTIVITY: REGISTRATION & INSURANCE SUPPO

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	189	200	205	205	205	210	210	210
OPERATING EXPENSES	10	25	14	14	14	14	14	14
<b>SUBTOTAL STATE OPERATIONS</b>	<b>199</b>	<b>225</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>224</b>	<b>224</b>	<b>224</b>
<b>TOTAL EXPENDITURES</b>	<b>199</b>	<b>225</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>224</b>	<b>224</b>	<b>224</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	199	225	219	219	219	224	224	224
<b>TOTAL EXPENDITURES</b>	<b>199</b>	<b>225</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>224</b>	<b>224</b>	<b>224</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>TOTAL FTE</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Policy Form Analysis and Rate Review  
**PROGRAM:** Registration and Insurance  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:** This activity protects the insurance consumers investment and assures that the product sold contains the actual benefits described. The goals are accomplished through review of policy forms and rates to assure they are reasonable, non-discriminatory and fair. The activity performs a detailed review of each filing for compliance with related statutes and rules for most lines of insurance including: workers' compensation, homeowners, auto, fire, life and health.

Applications for initial and renewal authority of individual self insurance and group self insurance for workers compensation and auto coverage are reviewed. The activity reviews new and renewal applications for individual and group self-insurance for workers compensation and auto coverages. Applications are reviewed to assure compliance with statutes and rule and to assure they meet minimum financial solvency standards. The activity also issues licenses for third party administrators and provide registrations or exemptions, as appropriate, to corporations which provide employee leasing services to other business pursuant to lease agreements.

The activity also regulates functions of various assigned risk plans and pools established to make available the insurance coverage needed by citizens as required by law. These plans include: the FAIR Plan, the Auto Assigned Claims Plan, the Comprehensive Health Association, the Workers' Compensation Assigned Risk Plan, the Minnesota Self-Insurers Security Trust Fund, the Commercial Self-Insurers Security Trust Fund, the Self-Insurers Advisory Committee and the Joint Underwriters Association. Also, the activity is responsible for certain non-insurance functions such as auto warranty contracts and preferred provider organizations. Finally, this activity responds to consumer and other regulatory authority inquiries regarding insurance coverage and rates.

**BUDGET ISSUES:**

- The aging of Minnesota's population will have an impact on the challenges of this activity to review new and innovative products that are developed to attract the senior marketplace. As life expectancy continues to increase, so does the number of people reaching age 65 and older. This produces the need for additional insurance products designed to meet the needs of this older population and still provide compliance with state and federal regulations. Medicare supplement, long term care, annuity products and the effects of an aging population on auto and homeowners insurance will directly influence the activity goals and objectives.
- Health insurance reform is ongoing and has a significant impact on the outcome of this activity. The enactment of federal health insurance reform legislation (Kennedy-Kassebaum Bill) has a significant impact on the insurance regulatory aspects nationwide. The legislation requires, in part, that insurers guarantee the availability of certain group and individual insurance products and that certain group and individual products are guaranteed renewable. In addition, the federal legislation requires that states either implement the objectives set forth in the legislation or develop an alternative that will maintain the legislation goals. Additionally, benefits mandated by state legislation continue to have a significant impact on the activity responsibility. During the 1996 Legislative Session, action was taken to mandate coverage for maternity post partum care, prostate cancer screening and diagnosis of lymes disease. Insurers must file amendments to bring their policies into compliance. These types of requirements have mandated a shift in resources from traditional policy form and rate review to policy development, implementation and planning.

- Several activities within the industry have changed the way the department processes traditional form and rate filings. In January, 1995 the department discontinued its requirements for filing certain commercial insurance products because this review did not have significant impact on products, consumer protection or the clientele for which the service was designed. In addition, changes have been made to the process for handling mergers, acquisitions or company name changes. Rather than submit individual filings for each product sold, companies are allowed to submit a single filing including all current products with the new company name as certified by a company officer. This was done to achieve economic efficiencies for the industry.
- More and more employers and businesses are discovering the economic advantages of self-insuring their liability for automobile and workers' compensation insurance. As this occurs the activities relating to this area experience an increase in license and approval activity. This area of regulatory responsibility has not been fully supported by the fees charged to licensees. Current law provides only for an initial license fee for workers compensation and automobile self-insurance authority. The department is required to annually monitor their financial solvency, review statutory compliance issues, review actuarial certifications and continually adjust security deposits relating to these licensees. However, no additional fees have been required under current law to support this additional compliance review. The fee charged is not sufficient to support the ongoing operation. The industry has supported the change in fee structure currently proposed by the department over the past 3 legislative sessions.
- In 1995, the Legislature passed sweeping reform to Minnesota's workers compensation and self-insurance laws. The affect on the activity was to add several new responsibilities in the area of workers compensation self insurance regulation. The new statutory requirements allow smaller pools to band together for the purpose of forming group self insurance pools to share the cost and liability for their workers compensation exposure. Additionally, the law requires prior approval for rates charged for workers compensation and establishes a process for rate hearings.
- The changes in law as a result of the 1995 legislation created a reduction in Minnesota's workers compensation rates paid by employers. The net result has provided an increase in competition in the voluntary market. This has served to decrease (depopulate) the Minnesota Workers Compensation Assigned Risk Plan, which historically had been growing. Therefore, we are able to achieve compliance with the purpose and intent of the plan, to be a residual market rather than a primary market.

**REVENUE:**

Revenue generated by this activity is from 3 basic sources: filing fees for insurance policy form and rate filings, self-insurance license fees, and the workers' compensation assigned risk plan assessment. The assessment is deposited to the General Fund and all the other receipts are deposited to the Cambridge Deposit Fund. Estimates for receipts for F.Y. 1998 are \$225,000 for the General Fund and \$706,000 for the Cambridge Deposit Fund. F.Y. 1998 estimates are \$220,000 for the General Fund and \$752,000 for the Cambridge Deposit Fund.

The agency plan includes the proposal for increased fees for the self-insurance industry discussed in the budget issues section of this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE  
ACTIVITY: POLICY FORM ANALYSIS & RATE RE

ACTIVITY SUMMARY	Est.		FY 1998			FY 1999		
	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,119	1,670	1,366	1,366	1,366	1,403	1,403	1,403
OPERATING EXPENSES	236	171	155	155	155	158	158	158
SUBTOTAL STATE OPERATIONS	1,355	1,841	1,521	1,521	1,521	1,561	1,561	1,561
TOTAL EXPENDITURES	1,355	1,841	1,521	1,521	1,521	1,561	1,561	1,561
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	1,079	1,064	1,059	1,059	1,059	1,085	1,085	1,085
HEALTH CARE ACCESS	3							
WORKERS COMPENSATION SPEC PMNT	273	777	462	462	462	476	476	476
TOTAL EXPENDITURES	1,355	1,841	1,521	1,521	1,521	1,561	1,561	1,561
<b>REVENUE COLLECTED:</b>								
NONDEDICATED:								
GENERAL	222	250	225	225	225	220	220	220
CAMBRIDGE DEPOSIT FUND	537	486	490	706	706	505	752	752
TOTAL REVENUES COLLECTED	759	736	715	931	931	725	972	972
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8
TOTAL FTE	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Commerce, Department of  
**PROGRAM:** Registration and Insurance  
**ACTIVITY:** Policy Form Analysis and Rate Review

**ITEM TITLE:** Self Insurance Fees

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
Cambridge Deposit Fund	\$216	\$247	\$245	\$274

Statutory Change? Yes X No \_\_\_

If yes, statutes(s) affected: M.S. 60A.23, 65B.45, 79.255, 176.181

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan for cost recovery for the regulation of self insurance.

**RATIONALE:**

The plan is to increase the fee for third party administrator licenses from \$100 for 2 years to \$500 for 2 years and increase the individual and group self insurance application fee from \$1,000 to \$2,500. New fees planned are employee leasing organization registration fee of \$50 and employee leasing exemption fee of \$50. Political subdivision auto self insurers renewal fee of \$100 and all other auto self insurers renewal fee of \$250. Create a new third party administrators renewal fee of \$500, a new group member for self insurance groups fee of \$250 and a self insurance annual report fee of \$200.

The plan is to use this revenue collection as a method to offset the General Fund cost of regulation of the industry. The industry has supported the change in fee structure currently proposed by the department over the past 3 legislative session.

**PROGRAM OUTCOMES:**

The plan has no direct affect on program outcomes. It provides a means for cost recovery for the regulation of self insurance.

**LONG-TERM IMPACT:**

The long term impact is to add revenue to the General Fund to offset the cost of regulation.

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## 1998-99 Biennial Budget

**BUDGET ACTIVITY:** Insurance Company Examination  
**PROGRAM:** Registration and Insurance  
**AGENCY:** Commerce, Department of

### ACTIVITY DESCRIPTION:

This activity is responsible for the regulation of the solvency of insurance companies. Three basic components make up the functions of this activity. The first component is the field examination of insurance companies. Field examination activity consists of the on-site examination of the books and records of an insurance company. The examinations cover compliance with Minnesota statutes, financial reporting and company solvency. Comprehensive examinations are performed once every 3 to 5 years and targeted examinations are done on an as needed basis. A comprehensive examination is the opportunity for the activity to perform a detailed financial audit of the books, records and operations of the insurance company. The targeted examination focuses on specific issues and concerns. These issues are usually targeted as a result of the desk audit portion of this activity.

The second component is the desk audit team. It is responsible for quarterly and annual reviews of the financial condition of all Minnesota domestic companies and those foreign licensed companies that are of concern. They review quarterly reports and annual statements and produce detailed financial reports on the condition of the insurance company. This portion of the company examination function is also responsible for working with troubled companies to recommend action (along with the leadership of the actuarial and support activity) and to follow up on any necessary orders for action to bring a company into a better financial outlook.

The third component primarily supports the field examination and desk audit functions. This component includes the assistant commissioner, actuarial and licensing functions. Actuaries provide support in determining the adequacy of insurance liabilities for both field examinations and desk audits. The valuation actuary also makes a determination of the adequacy of a life insurance company's projected cash flow to meet insurance payment requirements. In addition, licenses, merger applications, changes in by-laws and holding company filing are processed within the authority of this activity. Coordination is provided between field examination and desk audit activities and the National Association of Insurance Commissioners (NAIC). This component sets the priorities for insurance company examinations and implements regulatory recommendations.

### BUDGET ISSUES:

- The ability to act and react to the financial condition of an insurance company is the major issue of this activity. It is essential to have sufficient staff and training to perform the required reviews and to monitor the solvency of the companies doing business in Minnesota. This budget plan provides for the continued level of support that has been effective in solvency regulation for the past 2 years.
- This area is the primary focus of continuation of accreditation for solvency regulation by the NAIC. The NAIC continues to monitor the policy and procedure, statutes and rules, examination practices and techniques, staffing and training of this area to assure that Minnesota's performance meets the high standards established by the NAIC accreditation process. Accreditation is a signal that the activity performance meets the criteria set forth for solvency protection by the NAIC. An annual review is performed and a comprehensive review will occur every 5 years. If the annual questionnaire triggers concerns, the NAIC will place accreditation in a conditional status and do a full review sooner.

- Regulation of the solvency of an insurance company is a very volatile area. Changes in the economic condition can change the value of real estate or a change in the long term bond market interest rate. Companies invest in holdings that should support future risk and liability. However, when those assets experience a change in value, it can trigger a solvency concern. A large portion of the budget plan is committed to focus on prevention and proactive reaction to potential solvency concerns. This is the best methodology to protect policyholders in this state and the investments they make in various types of insurance products.
- The application and filing review process continues to increase in demand as the insurance industry grows and expands.

### REVENUE:

Non-dedicated revenue generated by this activity is from the filing and license fees for insurance companies. Receipts are deposited to the Cambridge Deposit Fund. Estimates for F.Y. 1998 and F.Y. 1999 equal approximately \$1.5 million each year.

The dedicated revenue generated by this activity is deposited to a special revenue account in the state treasury. Fees are charged for the examination of insurance companies and the desk audit review. The expenses paid out of this account consists of travel related items for the onsite examination of insurance companies and fees and expenses of special examiners. At the end of a fiscal year, \$25,000 is carried forward to the next year for cash flow purposes. The remaining balance, (expenditures rarely exceed \$100,000) cancels to the state's General Fund. Even though this is a special revenue fund with dedicated receipts, the proceeds are a general revenue item.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE  
ACTIVITY: INSURANCE COMPANY EXAMINATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,947	2,134	2,189	2,189	2,189	2,245	2,245	2,245
OPERATING EXPENSES	249	348	296	299	299	301	304	304
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,196</b>	<b>2,482</b>	<b>2,485</b>	<b>2,488</b>	<b>2,488</b>	<b>2,546</b>	<b>2,549</b>	<b>2,549</b>
<b>TOTAL EXPENDITURES</b>	<b>2,196</b>	<b>2,482</b>	<b>2,485</b>	<b>2,488</b>	<b>2,488</b>	<b>2,546</b>	<b>2,549</b>	<b>2,549</b>
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
<b>TECHNICAL REALLOCATIONS</b>								
		<b>GEN</b>		<b>3</b>			<b>3</b>	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>3</b>			<b>3</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,061	2,317	2,316	2,319	2,319	2,372	2,375	2,375
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	135	165	169	169	169	174	174	174
<b>TOTAL EXPENDITURES</b>	<b>2,196</b>	<b>2,482</b>	<b>2,485</b>	<b>2,488</b>	<b>2,488</b>	<b>2,546</b>	<b>2,549</b>	<b>2,549</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	1,837	1,691	1,506	1,506	1,506	1,525	1,525	1,525
<b>NONDEDICATED:</b>								
GENERAL	42	1	1	1	1	1	1	1
CAMBRIDGE DEPOSIT FUND	1,511	1,469	1,488	1,488	1,488	1,490	1,490	1,490
<b>TOTAL REVENUES COLLECTED</b>	<b>3,390</b>	<b>3,161</b>	<b>2,995</b>	<b>2,995</b>	<b>2,995</b>	<b>3,016</b>	<b>3,016</b>	<b>3,016</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: REGISTRATION & INSURANCE  
ACTIVITY: INSURANCE COMPANY EXAMINATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
TOTAL FTE	36.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2

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**PROGRAM:** Petroleum Tank Release Clean-up Fund  
**AGENCY:** Commerce, Department of

**PROGRAM DESCRIPTION:**

The program provides reimbursement to tank owners and operators for the cost of investigating and cleaning up petroleum releases. The reimbursement program provides an incentive for the timely reporting of petroleum releases which may be hazardous to the public health and environment if left unreported. The program also assists tank owners who wish to cooperate in cleaning up a release but who otherwise may not have adequate financial resources to do so.

The financing for the Petroleum Tank Release Clean-up Fund (the Fund) is from a \$.02 per gallon fee on wholesale petroleum. The fund was established in 1987 and has been growing ever since. Tank owners must first meet the requirements for clean-up established by the Minnesota Pollution Control Agency (MPCA) and then may apply to the Fund for reimbursement of costs. Reimbursement can be provided at various stages of the project and the program is responsible to review applications for reimbursement and approve and issue payments.

The program is responsible to assure adherence to statutes and rules establishing reimbursement requirements. The program performs audits of claims for reimbursement. These audits can be initiated at random or as the result of a complaint. If fraudulent activity is detected, the program will execute measures to recover fund payments and pursue necessary disciplinary action. The program is also responsible for contracts issued to conduct performance audits.

**PROGRAM STATUS:**

The program is responsible for processing \$35 million per year in reimbursements to responsible parties for the costs associated with clean up of petroleum leaks. The actions of the Federal Environmental Protection Agency (EPA) and the MPCA have an impact on the status of this program. Every reimbursement claim must have been generated by site action of the MPCA. The guidelines enforced for cleanup standards come from the EPA and MPCA. The EPA has a requirement in place that all underground petroleum storage tanks will have to be closed, upgraded or replaced by 12-22-1998. The current law establishing the fund, defining its ability to pay claims and authorizing the collection of the fee is repealed on 6-30-2000. The department then has until 6-30-2000 to process all final claims for reimbursement.

The changes that have occurred in law to increase the fee to \$.02 per gallon has provided a stable funding mechanism for claims. The fee was recently turned back on after being "off" for more than 7 months. Sufficient fund balances existed to maintain appropriations and pay claims allowing for the fee to go off. Collections of the fee went back on in April and collections were realized in June. It is expected that the fee will only be on approximately 6 months during F. Y. 1997.

**PLANNED RESULTS:**

The program budget plan will allow the reported performance measures in the 1996 agency's report to be accomplished as follows:

- to comply with statutory requirements for processing claims;
- to detect fraudulent claim payments and save the fund from improper reimbursements using investigative and cost control measures.

**BUDGET AND REVENUE SUMMARY:**

Summary of the program plan is as follows:

- The agency plan provides for the same level of funding including salary inflation added to the base and covering supply and expense inflation within the base.
- The fund is supported by a \$.02 per gallon fee on wholesale petroleum products, which is collected by the Revenue Department. Interest earned on fund investments is deposited as non-dedicated revenue in the Petroleum Tank Release Clean-up Program.
- The most significant budget issue for the program is the EPA mandate for tank replacement by 12-22-1998. There is speculation that a significant number of tank owners have postponed or delayed tank extraction. The result of this delay could actually increase the claims volume as the deadline approaches.
- The program budget plan begins to address the fund repealer in the year 2000. It is excepted that in F. Y. 1999, reductions in cost will occur as no new claims will be filed after 12-22-1998.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: PETROLEUM TANK CLEANUP FUND  
ACTIVITY: PETROLEUM TANK ANALYSIS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	677	693	708	708	708	586	586	586
OPERATING EXPENSES	30,551	35,303	35,306	35,306	35,306	35,252	35,252	35,252
TRANSFERS			93	93	93	93	93	93
SUBTOTAL STATE OPERATIONS	31,228	35,996	36,107	36,107	36,107	35,931	35,931	35,931
TOTAL EXPENDITURES	31,228	35,996	36,107	36,107	36,107	35,931	35,931	35,931
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
PETROLEUM TANK RELEASE CLEANUP	833	847	957	957	957	780	780	780
OPEN APPROPRIATIONS:								
PETROLEUM TANK RELEASE CLEANUP	30,395	35,149	35,150	35,150	35,150	35,151	35,151	35,151
TOTAL EXPENDITURES	31,228	35,996	36,107	36,107	36,107	35,931	35,931	35,931
REVENUE COLLECTED:								
NONDEDICATED:								
PETROLEUM TANK RELEASE CLEANUP	1,614	1,650	1,810	1,810	1,810	1,610	1,610	1,610
TOTAL REVENUES COLLECTED	1,614	1,650	1,810	1,810	1,810	1,610	1,610	1,610
FTE BY EMPLOYMENT TYPE:								
REGULAR								
REGULAR	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2
TEMP/SEAS/PART_TIME								
TEMP/SEAS/PART_TIME	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7

**PROGRAM:** Administrative Services  
**AGENCY:** Commerce, Department of

**PROGRAM DESCRIPTION:**

The program is integral to the department's overall objectives. This program assures that all department programs are administered and implemented in an efficient and cost effective manner. The program is responsible for setting priorities for the overall department to assure management consistency. The program is responsible for providing management, leadership and direction to the agency operations. Implementation of executive policy is initiated from the Commissioner's Office. The program coordinates administrative support functions including development and implementation of fiscal, human resources, management and systems policy.

The program provides day-to-day administrative support in order that all of the department's statutory responsibilities are carried out. The basic activities of this program are carried out in the areas of fiscal management, human resource management, administrative management, information systems, and the commissioner's office. The program is also responsible for maintaining working relationships with all agency clientele representing regulated industries and citizens of the state. The leadership and direction provided by this program must be coordinated with national regulators and state policy makers to assure effective regulatory policy. The policies set forth by the executive and legislative branches are interpreted and implemented by the commissioner and administrative staff.

**PROGRAM STATUS:**

The program is responsible for assuring that the department fulfills the intended mission, goals and objectives as stated on the agency page of this budget document. The status of activity for this division encompasses the status of all programs combined.

**PLANNED RESULTS:**

The results for this program are measured in all operating programs of the department. Additionally, the program results can be measured in compliance with statewide policy and procedures and objectives. The program results are directly affected by statewide policy and administrative direction from the executive and legislative branches of government.

**BUDGET AND REVENUE SUMMARY:**

Summary of the program plan is as follows:

- The agency plan provides for the same level of funding including salary inflation added to the base and covering supply and expense inflation within the base.
- The program does not generate revenue. Program costs are recovered through fees and assessments paid by the regulated industries, but the revenue appears in other activities.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ADMINISTRATIVE SERVICES  
ACTIVITY: FINANCE & ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,300	1,521	1,562	1,562	1,562	1,602	1,602	1,602
OPERATING EXPENSES	1,262	1,624	1,259	1,259	1,259	1,292	1,292	1,292
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,562</b>	<b>3,145</b>	<b>2,821</b>	<b>2,821</b>	<b>2,821</b>	<b>2,894</b>	<b>2,894</b>	<b>2,894</b>
<b>TOTAL EXPENDITURES</b>	<b>2,562</b>	<b>3,145</b>	<b>2,821</b>	<b>2,821</b>	<b>2,821</b>	<b>2,894</b>	<b>2,894</b>	<b>2,894</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,562	3,145	2,821	2,821	2,821	2,894	2,894	2,894
<b>TOTAL EXPENDITURES</b>	<b>2,562</b>	<b>3,145</b>	<b>2,821</b>	<b>2,821</b>	<b>2,821</b>	<b>2,894</b>	<b>2,894</b>	<b>2,894</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
GENERAL	2							
<b>TOTAL REVENUES COLLECTED</b>	<b>2</b>							
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	27.8	27.8	27.8	27.8	27.8	27.8	27.8	27.8
TEMP/SEAS/PART_TIME	.4	.4	.4	.4	.4	.4	.4	.4
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
<b>TOTAL FTE</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>	<b>28.4</b>

## 1998-99 Biennial Budget

**PROGRAM:** Enforcement and Licensing  
**AGENCY:** Commerce, Department of

### PROGRAM DESCRIPTION:

This program exists to ensure policyholder, investor and consumer protection, increase policyholder and investor understanding and to maintain investor and public confidence in the areas of capital formation, insurance, securities, franchising, real estate, residential contracting and remodeling, currency exchange, debt collection, consumer finance, cosmetology and notary publics.

The program establishes and maintains systems designated to ensure that approximately 200,000 individuals and companies practicing within the regulated industries and professions meet basic competency standards. This is to ensure that Minnesota consumers transacting business within the regulated industries will be treated fairly and consistently. The program is responsible for the investigation of complaints filed against members of the regulated industries. If the investigation process identifies a violation of statute or rule, the program will implement disciplinary sanctions against the license of the individual or entity responsible for the action. Finally, the program is responsible to locate the owners of abandoned or unclaimed property and return it to the rightful owners or heirs.

### PROGRAM STATUS:

This program works to enforce state laws and safeguard consumer rights and investments, resolving conflicts between consumers and industries and enhance the stability and strength of the regulated industries. Recently the program efforts have focused on participation in national class action cases relating to the insurance and securities. These cases produced significant return of investment capital to Minnesota citizens. The program status has a direct relationship to activities of other programs within the department. As new policies and products are developed, this program has responsibility to understand the complexities of those products to be able to effectively enforce statutes, rules and marketing practices. Changes in national or state regulatory policy directly affects the activities of this program.

The program has placed increased emphasis in the area of on-site review of regulated industry transactions. Market conduct examinations are conducted in insurance companies to assure compliance with statutes and rules governing marketing practices. Cosmetology inspections have placed greater emphasis on compliance with health and safety standards. Also, additional effort is focused on building contractor complaints, providing for site evaluation of complaints to assist resolution of issues between the new home builders (licensee) and the new home buyer.

The program is required to maintain working relationships with other regulators throughout the country and with state and national organizations representing regulated industries and consumers. Active participation in these organizations allows for current knowledge of industry changes, trends, and events that could require enforcement responses to protect Minnesota consumers.

### PLANNED RESULTS:

The department's budget plan will allow the reported performance measures in the 1996 agency's report to be accomplished by 1999 as follows:

- 30% of telephone complaints will be resolved informally.

- 70% of investigation files and 90% of inquiry files will be closed in the specified time frames.
- Maintain or exceed an 80% satisfaction rating among complainants.
- Publish at least 2 new consumer brochures.
- 80% of license application and timely renewals processed within 30 days.

### BUDGET AND REVENUE SUMMARY:

- The agency plan provides for the same level of funding including salary inflation added to the base and covering supply and expense inflation within the base.
- The agency plan also provides for the standardization of fees charged for licensing transactions. Currently, different industries pay different fees for the same transactions. In some cases, one industry may have a transaction fee and another does not. The plan is to standardize the transaction fees for the licensing activities to provide uniformity and consistency among the different regulatory areas.

### GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ENFORCEMENT & LICENSING

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
INVESTIGATIONS	2,111	2,251	2,302	2,296	2,296	2,356	2,353	2,353
ENFORCEMENT & LICENSING SUPPOR	327	593	402	401	401	412	408	408
LICENSING & UNCLAIMED PROPERTY	1,701	1,697	1,870	1,877	1,877	1,963	1,970	1,970
TOTAL EXPENDITURES BY ACTIVITY	4,139	4,541	4,574	4,574	4,574	4,731	4,731	4,731
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,257	3,725	3,600	3,600	3,600	3,681	3,681	3,681
SPECIAL REVENUE	293	341	345	345	345	350	350	350
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	589	475	629	629	629	700	700	700
TOTAL EXPENDITURES	4,139	4,541	4,574	4,574	4,574	4,731	4,731	4,731
FTE BY EMPLOYMENT TYPE:								
REGULAR	71.7	69.4	69.4	69.4	69.4	69.4	69.4	69.4
TEMP/SEAS/PART_TIME	.3	.3	.3	.3	.3	.3	.3	.3
TOTAL FTE	72.0	69.7	69.7	69.7	69.7	69.7	69.7	69.7

**BUDGET ACTIVITY:** Investigations  
**PROGRAM:** Enforcement and Licensing  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

This activity is responsible for enforcement of all statutes, rules and regulations pertaining to the operation of industries regulated by the department. The activity is responsible to investigate issues relating to consumer transactions involving the business and industries of insurance, real estate, securities, franchises, appraisers, residential building and remodeling contractors, roofers, mobile home installers and manufacturers, cosmetology, currency exchanges, debt collectors, notaries public, banking and consumer finance. Complaints filed by Minnesota consumers are investigated by the activity to determine if a violation of Minnesota statutes, rules or regulations has occurred. In the event of a violation, the activity is responsible to pursue the necessary civil or criminal penalty associated with the violation. This can range from administrative action relating to a license to criminal prosecution.

In the event a complaint does not result in a violation of law, the activity also provides assistance to consumers to mediate their complaints with the licensee. The activity responds to questions of consumers relating to their business transactions with regulated industries and provides a forum for airing differences.

Another aspect of this activity is consumer education and awareness. The activity promotes awareness of consumers by providing information regarding business activities to consumers to assist them in making informed decisions to attempt to avoid problems in the future. This awareness program involves continuous contact with Minnesota consumers. Many of these individuals and businesses have or are about to invest funds with licensees to conduct business transactions. Therefore, the level of consumer knowledge and awareness is essential to protect the best interest of the investing consumer.

**BUDGET ISSUES:**

- Continued emphasis will be placed on consumer response and satisfaction. The budget plan allows for the continuation of the effectiveness of the consumer response team. The team is comprised of investigators who attempt to resolve conflicts with consumers and industry by telephone. This has been a very effective tool in complaint management.
- Complaint volume is cyclical with the economy. Changing trends in state and national economy significantly impact the enforcement activity of this area. When the economy is improved, you will see consumers have disposable income available to invest. People are generally investing wiser. They inquire more of the department and make informed decisions before problems develop. We are discovering that the investigations that are currently underway are utilizing more human resources than in the past. Cases are generally more complex and require coordination and cooperation with nationwide efforts. Generally, in times of improved economic condition, the financial condition of the industries is more stable and less emphasis is placed on advising consumers of the affects of financial insolvencies.

When the economy is failing, you will see more schemes offered to get rich quick. That leaves the unsuspecting investor open to many more investment opportunities that may not pay the advertised returns. That increases complaint volume and increases the demand for investigation

time. In this economic time, you will also see companies that do not have the same cash flow and solvency condition. Resources are spent focusing on consumer questions relating to rehabilitation or liquidation. This economic condition produces an increase in the activity's awareness efforts as well as the need to actively enforce market conduct standards.

- The activity has spent a great deal of time working with state regulators across the country on major cases that have taken a significant amount of time to address. These cases are generally class action cases that return millions of dollars to Minnesota consumers that have been affected by the transactions. In addition, these cases have produced some of the largest civil penalties in history. This activity requires significant agency resources and resources of other state regulators to return the funds to all affected consumers. The coordination of this effort is the responsibility of the staff of this activity. The resolution of these multi-jurisdiction, multi-state cases take a significant amount of time and resources of this activity. The return to Minnesota citizens and the consumer protection provided to avoid future loss is consistent with the goals and objectives of the program and agency.

**REVENUE:**

Revenue generated by this activity is deposited to the General Fund and the Cambridge Deposit Fund. General Fund receipts are from investigation cost recovery and Cambridge Deposit Fund receipts are fines and penalties charged for violations of law. F.Y. 1998 and F.Y. 1999 receipts for the General Fund are estimated at \$10,000 per year. Receipts for the Cambridge Deposit Fund are estimated at \$521,000 for F.Y. 1998 and \$549,000 for F.Y. 1999.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ENFORCEMENT & LICENSING  
ACTIVITY: INVESTIGATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,927	2,061	2,113	2,113	2,113	2,167	2,167	2,167
OPERATING EXPENSES	184	190	189	183	183	189	186	186
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,111</b>	<b>2,251</b>	<b>2,302</b>	<b>2,296</b>	<b>2,296</b>	<b>2,356</b>	<b>2,353</b>	<b>2,353</b>
<b>TOTAL EXPENDITURES</b>	<b>2,111</b>	<b>2,251</b>	<b>2,302</b>	<b>2,296</b>	<b>2,296</b>	<b>2,356</b>	<b>2,353</b>	<b>2,353</b>
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
<b>TECHNICAL REALLOCATIONS</b>								
				<6>			<3>	
<b>TOTAL AGENCY PLAN ITEMS</b>				<6>			<3>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,111	2,251	2,302	2,296	2,296	2,356	2,353	2,353
<b>TOTAL EXPENDITURES</b>	<b>2,111</b>	<b>2,251</b>	<b>2,302</b>	<b>2,296</b>	<b>2,296</b>	<b>2,356</b>	<b>2,353</b>	<b>2,353</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
GENERAL	57	25	10	10	10	10	10	10
CAMBRIDGE DEPOSIT FUND	810	1,190	521	521	521	549	549	549
<b>TOTAL REVENUES COLLECTED</b>	<b>867</b>	<b>1,215</b>	<b>531</b>	<b>531</b>	<b>531</b>	<b>559</b>	<b>559</b>	<b>559</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	45.6	43.3	43.3	43.3	43.3	43.3	43.3	43.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>45.7</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>

**BUDGET ACTIVITY:** Enforcement and Licensing Support  
**PROGRAM:** Enforcement and Licensing  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

This activity provides day-to-day management and implementation of administrative policy. The activity acts on the findings of investigations, recommendations for administrative action and data received and develops contacts with regulated industries. The activity evaluates changes in state and national trends to provide leadership and direction to enforcement and licensing program staff. The activity determines the direction and approach for implementing statute, rule and policy change to assure Minnesotans' the consumer protection they expect when dealing with agency regulated industries.

The activity maintains relationships with local, state and national regulatory authorities, as well as, industry groups and representatives to provide for effective regulation and application of law.

**BUDGET ISSUES:**

The primary budget issue for this activity is management of financial and human resources to assure goals are achieved. Development and implementation of administrative policy and procedures and to provide the necessary tools for accomplishment of outcomes. The activity is required to keep abreast of changes at a state and national level for industries regulated. The focus includes maintaining working relationships with industries and policy makers to implement and direct consumer protection responsibilities and provide customer service. Constant interaction occurs with regulated industries and their representatives to assure effective consumer protection. The deputy commissioner is also directly involved in regulatory policy development.

**REVENUE:**

This activity does not generate dedicated or non-dedicated revenue. The costs are recovered through fees paid by the regulated industries, but the revenue appears in other activities within this program.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ENFORCEMENT & LICENSING  
ACTIVITY: ENFORCEMENT & LICENSING SUPPOR

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	303	370	379	379	379	389	389	389
OPERATING EXPENSES	24	223	23	22	22	23	19	19
<b>SUBTOTAL STATE OPERATIONS</b>	<b>327</b>	<b>593</b>	<b>402</b>	<b>401</b>	<b>401</b>	<b>412</b>	<b>408</b>	<b>408</b>
<b>TOTAL EXPENDITURES</b>	<b>327</b>	<b>593</b>	<b>402</b>	<b>401</b>	<b>401</b>	<b>412</b>	<b>408</b>	<b>408</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
TECHNICAL REALLOCATIONS		GEN		<1>			<4>	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>&lt;1&gt;</b>			<b>&lt;4&gt;</b>	
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	327	593	402	401	401	412	408	408
<b>TOTAL EXPENDITURES</b>	<b>327</b>	<b>593</b>	<b>402</b>	<b>401</b>	<b>401</b>	<b>412</b>	<b>408</b>	<b>408</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Licensing and Unclaimed Property  
**PROGRAM:** Enforcement and Licensing  
**AGENCY:** Commerce, Department of

**ACTIVITY DESCRIPTION:**

The primary purpose of this activity is to insure that licensees practicing within the regulated industries have demonstrated an adequate level of competence necessary to ensure continued consumer protection and public confidence. Additionally, the activity is responsible for the collection and disposition of abandoned and/or unclaimed property.

The industries licensed by this activity are; real estate brokers, real estate salespersons, real estate appraisers, real estate abstractors, real estate closing agents, residential building contractors, residential remodelers, mobile home installers, roofers, subdivided land agents, campground membership agents, insurance agents, insurance adjusters, insurance agencies, reinsurance intermediaries, utilization review organizations, notaries public, cosmetologists, cosmetology salons, cosmetology schools, collection agencies, collection agents and currency exchanges.

**BUDGET ISSUES:**

- A major issue that continuously faces this activity is transaction volume. Hundreds of thousands of transactions are processed by the staff each year relating to the status of an individual's license. The challenge is to be able to execute the transactions in a time frame that does not impact the individual's rights to enter into business or continue their business and still provide the consumer protection required by the program objectives. Many efficiencies have been implemented in automated processing of license transactions to deal with this issue. However, it is impossible to control the volume. Goals are established for processing times for the variety of transactions in order to provide the most effective customer service.
- The activity is highly motivated by client/customer service. It is important to provide quality, timely service to the clientele of this activity because it generally affects the client's ability to work and provide themselves with a living. In addition to timely transaction processing, it is essential that clients receive information relating to license requirements, license status, transactions processing and/or education requirements. To accomplish the need to provide information, many changes are underway relating to technology. Work is on-going relating to interactive technology to provide license information to clients at the touch of a finger. Through automation of telephone systems and licensing data, we are on the verge of being able to provide licensees 24 hour access to their database information that will allow them to receive the information they are looking for, even if staff is not available to answer a question. The implementation of such response oriented technology will provide our customers with access to data and information they need in their time frame.
- The activity budget request includes a plan to change some of the fees currently charged for some of the licensing transactions (license history, name change and education fees). The plan calls for the standardization of fees across license types so that all industries will pay the same amount for the same post license transaction. The concept is proposed because the work related to the transactions is uniform across industry lines, therefore, it is appropriate for the transaction fee to be consistent.

- The activity has placed a renewed emphasis on the identification of holders who are required to report unclaimed property. Efforts are underway to provide information to business on the requirements they have to report abandoned property. This effort will assure that we receive the maximum voluntary compliance with Minnesota law relating to abandoned/unclaimed property. The intent is to maximize reporting and the return of the property to the rightful owners and heirs.

**REVENUE:**

This activity generates dedicated and non-dedicated revenue. The non-dedicated revenue is deposited to the General Fund and the Cambridge Deposit fund. The dedicated revenue is for the Real Estate Education Research and Recovery Fund and the Building Contractor Recovery Fund. Receipt estimates for the General Fund are \$3,000 for F.Y. 1998 and \$2,000 for F.Y. 1999. Estimated receipts for the Cambridge Deposit Fund are \$17 million for F.Y. 1998 and \$17.2 million for 1999. These receipts are generated by license fees and unclaimed property remittances.

The plan includes the standardization of fees charged for licensing transactions. Currently, different industries pay different fees for the same transactions. In some cases, one industry may have a transaction fee and another does not. The plan is to standardize the transaction fees for the licensing activities to provide uniformity and consistency amount the different regulatory areas.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ENFORCEMENT & LICENSING  
ACTIVITY: LICENSING & UNCLAIMED PROPERTY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	691	778	815	815	815	836	837	837
OPERATING EXPENSES	978	794	930	937	937	1,002	1,008	1,008
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,669	1,572	1,745	1,752	1,752	1,838	1,845	1,845
LOCAL ASSISTANCE	32	125	125	125	125	125	125	125
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,701	1,697	1,870	1,877	1,877	1,963	1,970	1,970
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
<b>TECHNICAL REALLOCATIONS</b>								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY PLAN ITEMS				7			7	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	819	881	896	903	903	913	920	920
SPECIAL REVENUE	293	341	345	345	345	350	350	350
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	589	475	629	629	629	700	700	700
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,701	1,697	1,870	1,877	1,877	1,963	1,970	1,970
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	1,730	1,860	2,044	2,044	2,044	1,762	1,762	1,762
AGENCY	<3>	<8>						
<b>NONDEDICATED:</b>								
GENERAL	1	3	3	3	3	2	2	2
CAMBRIDGE DEPOSIT FUND	18,328	18,035	17,065	16,902	16,902	17,235	17,093	17,093

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE DEPT  
PROGRAM: ENFORCEMENT & LICENSING  
ACTIVITY: LICENSING & UNCLAIMED PROPERTY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL REVENUES COLLECTED	20,056	19,890	19,112	18,949	18,949	18,999	18,857	18,857
FTE BY EMPLOYMENT TYPE:								
REGULAR	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Commerce, Department of  
**PROGRAM:** Enforcement and Licensing  
**ACTIVITY:** Licensing and Unclaimed Property

**ITEM TITLE:** Standardize Licensing Fees

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
Cambridge Deposit Fund	\$(163)	\$(142)	\$(168)	\$(167)

Statutory Change? Yes X No \_\_\_\_\_

If yes, statutes(s) affected: M.S. Chapters 45, 60A, 60K, 79, 82, 82B, 155A, 326.86

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan to standardize certain fees charged to the regulated industries.

**RATIONALE:**

The rationale is to standardize fees charged to the various agency regulated industries for same type licensing transactions. The intent is to provide operating efficiencies for staff interacting with the various regulated industries for similar transactions.

**PROGRAM OUTCOMES:**

The intended outcome is to provide a more efficient fee structure that can be used for all industries submitting similar, post license, transactions. It will provide the staff one rate structure to work with for these transactions that will improve customer service.

**LONG-TERM IMPACT:**

The long-term impact will be the continued loss of general fund revenue as a result of this change in transaction fees.

**AGENCY:** Accountancy, Board of

**AGENCY DESCRIPTION:**

The Minnesota State Board of Accountancy is mandated by M.S. 326.165 to 326.229 to govern and regulate the practice of public accountancy within the state of Minnesota. The board is responsible for protecting and assuring Minnesota citizens that persons engaged in public accounting meet the qualifications and standards necessary to competently practice the public accounting profession. The board's program for administering the law is comprised of 3 parts: examining, licensing and enforcement.

- **Examining:** The board reviewed and processed 3,233 applications to sit for the Uniform Certified Public Accountant's (CPA) Examination in F.Y. 1995 and F.Y. 1996. The exam is administered twice a year, in May and November, at the same time throughout the United States. The exam consists of 4 parts and takes 2 days to complete.

All candidates who pass the uniform CPA examination are required to pass an open-book Ethics Examination based upon the Minnesota "Code of Professional Conduct" as contained in board rules 1100.4000-1100.6100. Candidates who pass the CPA exam are mailed the Ethics Exam with their grades. A candidate must complete the exam at their location and return it to the board office before a certificate can be issued.

Once a candidate has passed the ethics exam, he/she is granted a CPA certificate. This is not a license to practice.

- **Licensing:** Holders of CPA certificates must complete a public accounting experience requirement prior to application for licensure. (This is referred to as a 2-tier system of licensing - passing an exam and meeting an experience requirement.) The experience requirement is based upon the educational requirement for sitting for the exam. As an example, a person who has a B.S. degree in accounting is qualified to sit for the exam, and needs 2 years of public accounting experience to qualify for licensure.

1,182 certificates and 1,201 new licenses were granted to Minnesota residents in F.Y. 1995 and F.Y. 1996. This compares with 1,462 certificates in F.Y. 1993 and F.Y. 1994 and 859 new licenses.

Licensed Public Accountants (LPA) are licensed pursuant to M.S. 326.191 and abide by Minnesota State Board of Accountancy Rules and Laws. Even though they have not taken the CPA exam, they are treated exactly like CPAs in all respects. The board currently has 416 active, 153 inactive and 360 "other" LPA license records for a cumulative total of 929.

All individual licensees (CPAs and LPAs) are required to renew their licenses annually. A licensee may file as active or inactive (exempt). Active licensees may practice public accounting and are required to report 120 hours of continuing professional education (CPE) every 3 years. A licensee in an inactive (exempt) status may not practice public accounting and is not required to report CPE until they reenter public practice.

The board processed and renewed approximately 20,000 individual licenses for F.Y. 1995 and F.Y. 1996.

The board also evaluates and processes all licensing applications for CPA and LPA firms requiring licensure as partnerships, corporations, Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP). Corporations must comply with M.S. 319, the Professional Corporations Act. The board processed approximately 1,200 firm licenses in F.Y. 1995 and F.Y. 1996.

- **Enforcement:** An Ethics Committee (Enforcement) made up of 3 board members review all claims received by the staff investigator. This committee makes recommendations to the full board. The complaints received are against both individuals and firms. Resolution is accomplished within the internal jurisdiction of the board and with the cooperation of the Attorney General's office.

There were 109 ethics files opened in F.Y. 1995 and 62 files opened in F.Y. 1996. The board closed 78 cases in F.Y. 1995 and 37 cases in F.Y. 1996. The enforcement section monitors each licensed individual to assure compliance with CPE requirements. Currently there are 120 hours required each 3 years with a minimum of 20 hours completed annually. These are reported to the board office on or before June 30.

**REVENUES:**

Revenue for the board is generated from fees charged for license transactions, examination fees and fines and penalties.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The base includes an increase of 2.5% each year for inflation. The base also includes funding to continue the upgrade of 2 parts of the 6 part computer system and software each year which is needed to stay abreast of the ever-changing business environment and to maintain efficiency. The board anticipates its current workload will remain approximately the same in the next biennium with the exception of an anticipated increase in enforcement activity. No additional funding is requested for this activity.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the board's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ACCOUNTANCY BOARD  
PROGRAM: ACCOUNTANCY  
ACTIVITY: ACCOUNTANCY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	205	228	233	233	233	239	239	239
OPERATING EXPENSES	275	401	339	339	339	348	348	348
<b>SUBTOTAL STATE OPERATIONS</b>	<b>480</b>	<b>629</b>	<b>572</b>	<b>572</b>	<b>572</b>	<b>587</b>	<b>587</b>	<b>587</b>
<b>TOTAL EXPENDITURES</b>	<b>480</b>	<b>629</b>	<b>572</b>	<b>572</b>	<b>572</b>	<b>587</b>	<b>587</b>	<b>587</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	480	629	572	572	572	587	587	587
<b>TOTAL EXPENDITURES</b>	<b>480</b>	<b>629</b>	<b>572</b>	<b>572</b>	<b>572</b>	<b>587</b>	<b>587</b>	<b>587</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	646	644	627	627	627	617	617	617
<b>TOTAL REVENUES COLLECTED</b>	<b>646</b>	<b>644</b>	<b>627</b>	<b>627</b>	<b>627</b>	<b>617</b>	<b>617</b>	<b>617</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

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

AGENCY: ACCOUNTANCY BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	558	558	558	558				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	9	9	9	9				
1998-99 COMPENSATION INFLATIO	5	10	5	10				
DOC SPACE RENT/LEASE INCR/DEC	<8>	<6>	<8>	<6>				
SMALL AGENCY S & E INFLATION	8	16	8	16				
SUBTOTAL BASE ADJ.	14	29	14	29				
BASE LEVEL	572	587	572	587				

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**1998-99 Biennial Budget**

**AGENCY:** Architects, Engineers, Land Surveyors, Landscape Architects, Geologist and Interior Designers, Board of

**AGENCY DESCRIPTION:**

The board has been established to safeguard the public, life, health and property and promote the public welfare.

M.S. 326.02 to 326.15 mandates that the board examine, certify, license and regulate individuals practicing architecture, engineering, land surveying and landscape architecture, geoscience and those who use the title certified interior designer. The board strives to achieve its mission by examination, certification, licensure and enforcement:

- **Examinations:** The board reviews and processes applications and identifies applicants who meet the educational and experience requirements for admission to the professional examinations. Ten examinations a year are administered to approximately 3,000 candidates. Procedures have been developed for the administration of the national Council of Interior Design Qualifications Examination and the computerized architectural examinations. During the biennium the board will begin giving examinations for geologist and soil scientists. This will represent an additional 4 examinations per year and an additional 180 candidates per year.
- **Certification:** During the 1996-97 biennium the board issued 40 Certified Interior Designer certificates to those who met the requirements set forth in statute and rule.
- **Licensure:** The board evaluates, processes and issues approximately 1,500 new licenses annually. During late F.Y. 1997 or early F.Y. 1998 the board expects to begin licensing individuals as geoscientists. Initially, such licensure will be confined to geologist and soil scientists. It is estimated that during the first year, 300 soil scientists and 600 geologists will receive licensure. After that it is estimated that 30 soil scientists and 60 geologists will be licensed each year.
- **Enforcement:** During the 1996-97 biennium, the board, in conjunction with the Office of the Attorney General, processed 330 complaints alleging violation of board rules and laws.

**REVENUES:**

The board generates revenue by fees charged for examination and licensing of individuals and corporations. All of the board's direct and indirect costs are recovered through fees. The revenue fluctuates from year to year as a result of the biennial license renewal period.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

Beginning in F.Y. 1998, the examination for architects (ARE) will be totally computerized. A contract has been written between the national testing organization (NCARB) and a testing agency (Chauncey). Applicants will no longer pay the board to take the exam, but rather will pay Chauncey direct. This will cause an equal decrease in both the board's base budget and its revenue. The board, however, will retain responsibility for reviewing and approving all applications for the ARE. The inclusion of continuing education and the random audit of credits submitted can be handled in the time formerly spent scheduling and administering the architectural examination.

The board has assumed a more pro-active position on regulation, enforcement and compliance and believes with on-going clarification and revision of rules and statutes and the continued education of licensees and certificate holders compliance with the law will increase. The addition of a full time investigator enhances the complaint process by making the entire process more efficient and proactive. By providing the board with more complete and timely data on complaints, the complaint resolution will be more effective with the final actions more reflective of the actual violation.

**GOALS AND OBJECTIVES:**

- Treat discipline as more educational and less punitive. In the past, violations of board rules or statutes were handled through a combination of reprimands, suspensions, and fines. While these actions do protect the public, the public interest may be better served if the violations were followed by concepts which heighten the education of the licensee. Concepts such as required course work, peer review and written apologies to the offended party would do more to educate the individual and the profession at large than would more punitive actions.
- Develop a program of records retention which relies less on paper records and more on microfiche or electronic media.
- Review and update the office computer hardware and software capabilities and increase them where needed to take advantage of the electronic data exchanges offered by the national testing organizations and other state boards which will expedite the application, comity and complaint process.
- Develop a discipline history for the purpose of reviewing board laws and rules and to educate licensees as to areas needing more attention.
- Implement a continuing education system for licensees and certificate holders. Develop a method to authenticate the completion of the continuing education requirements of a small percentage of randomly selected individuals.

**WORKLOAD/EFFICIENCY MEASUREMENTS:**

	<u>F.Y. 1996-97</u>	<u>F.Y. 1998-99</u>	<u>F.Y. 2000-01</u>
Examination Candidates	2,800	3,002	3,122
New Licensure	1,000	2,201	2,839
New Certificate	40	43	46
Renewals	14,000	14,580	15,781
Complaints filed	330	500	500
Complaints closed	700	350	350

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The plan includes an increase of 2.5 % inflation per year and a reduction in both revenue and expenses of \$35,000 in F.Y. 1998 and \$36,000 in F.Y. 1999 for the architects examination.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ARCHITECTURE, ENGINEERING BD  
PROGRAM: AELSLA  
ACTIVITY: AELSLA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	277	415	431	431	431	441	441	441
OPERATING EXPENSES	246	349	288	288	288	295	295	295
<b>SUBTOTAL STATE OPERATIONS</b>	<b>523</b>	<b>764</b>	<b>719</b>	<b>719</b>	<b>719</b>	<b>736</b>	<b>736</b>	<b>736</b>
<b>TOTAL EXPENDITURES</b>	<b>523</b>	<b>764</b>	<b>719</b>	<b>719</b>	<b>719</b>	<b>736</b>	<b>736</b>	<b>736</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
ARCHITECTS EXAMINATION		GEN		<35>			<36>	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>&lt;35&gt;</b>			<b>&lt;36&gt;</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	523	764	719	719	719	736	736	736
<b>TOTAL EXPENDITURES</b>	<b>523</b>	<b>764</b>	<b>719</b>	<b>719</b>	<b>719</b>	<b>736</b>	<b>736</b>	<b>736</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	1,013	600	1,013	1,013	1,013	633	633	633
<b>TOTAL REVENUES COLLECTED</b>	<b>1,013</b>	<b>600</b>	<b>1,013</b>	<b>1,013</b>	<b>1,013</b>	<b>633</b>	<b>633</b>	<b>633</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>

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

AGENCY: ARCHITECTURE, ENGINEERING BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	705	705	705	705				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	8	8	8	8				
1998-99 COMPENSATION INFLATIO	9	17	9	17				
DOC SPACE RENT/LEASE INCR/DEC	<8>	<7>	<8>	<7>				
SMALL AGENCY S & E INFLATION	5	13	5	13				
SUBTOTAL BASE ADJ.	14	31	14	31				
BASE LEVEL	719	736	719	736				

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**1998-99 Biennial Budget**

**AGENCY:** Barbers, Board of

**AGENCY DESCRIPTION:**

The mission of the Board of Barber Examiners is to examine applicants, inspect schools and shops and enforce sanitation rules and statutes to ensure that the public has a safe and healthy environment in shops and schools where services are performed.

**REVENUES:**

The board collects examination fees and licensing fees for apprentices, registered barbers, instructors, shops and schools. Revenues are expected to remain constant through the 1998-99 biennium.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

In recent years, new diseases have appeared and previous ones are still in existence. As a result the board must continue to develop policies, update school curriculums and conduct inspections to ensure the public that the barbers are properly trained and that all sanitary statutes and rules are complied with, eliminating the possibility of a patron contracting any of these diseases.

**GOALS AND OBJECTIVES:**

To provide a clean, sanitary environment for the public.

**WORKLOAD/EFFICIENCY MEASUREMENTS:**

Effectiveness Measures

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Shops/Schools Inspected	100%	100%	100%	100%
Sanitary Compliance	99%	100%	98%	99%
Violations Corrected	99%	100%	100%	100%
Complaints resolved	99%	99%	99%	100%
Suspensions/license Revocations	3%	2%	1%	1%

Activity Statistics

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Student Permits	99	94	94	94
Number of Licenses Issued	4,159	4,205	4,205	4,205
Number of Inspections	1,425	1,450	1,440	1,460
Number of Violations	660	600	575	525
Number of Complaints	14	15	12	10
Number of Examinations	121	116	120	115
Number of Shops	1,216	1,220	1,215	1,221
Number of Schools	5	5	5	5

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The agency's plan includes a 2.5% inflationary-increase each year. The board has determined that it can continue to provide the same level of service to the public by reallocating within its base.

All of the board's direct and indirect costs are recovered through fees charged for examinations and licenses.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: BARBERS BOARD  
PROGRAM: BARBERS  
ACTIVITY: BARBERS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	79	85	89	89	89	91	91	91
OPERATING EXPENSES	43	44	47	47	47	49	49	49
<b>SUBTOTAL STATE OPERATIONS</b>	<b>122</b>	<b>129</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>TOTAL EXPENDITURES</b>	<b>122</b>	<b>129</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	122	129	136	136	136	140	140	140
<b>TOTAL EXPENDITURES</b>	<b>122</b>	<b>129</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	131	132	132	132	132	132	132	132
<b>TOTAL REVENUES COLLECTED</b>	<b>131</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>132</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>TOTAL FTE</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

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

AGENCY: BARBERS BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	129	129	129	129				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	4	4	4	4				
1998-99 COMPENSATION INFLATIO	2	4	2	4				
SMALL AGENCY S & E INFLATION	1	3	1	3				
SUBTOTAL BASE ADJ.	7	11	7	11				
BASE LEVEL	136	140	136	140				

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**GOVERNOR'S RECOMMENDATION:**

**AGENCY:** Boxing, Board of

The Governor concurs with the agency's plan.

**AGENCY DESCRIPTION:**

The Board of Boxing provides uniformity in the regulation of boxing through the preparation, amendment and adoption of rules and regulations governing the conduct of boxing in Minnesota.

The board is comprised of 7 members that enforce regulations governing boxing and assist at all professional bouts. Board members participate in weigh-ins and in dressing room surveillance to assure compliance with Minnesota rules and regulations.

The board also licenses all participants in the Minnesota professional boxing and full contact karate arena. Safety is the number one issue in Minnesota's boxing and full contact karate regulation for both the professional and amateur levels.

**REVENUES:**

The revenue generated by this board is for licensing amateur and professional boxers, kick boxers and full contact karate participants, referees, managers and professional franchises.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

The board supports the World Boxing Association's regulations and continues to assure that Minnesota participants in the boxing and full contact karate events are of a certified health in order to not endanger the lives of Minnesota participants.

The board also encourages the organization of amateur boxing programs throughout the state. There are approximately 800 amateur boxers active in Minnesota. They range in age from 10 to 36. While the amateur sport is not licensed or regulated, they are civic and community functions that encourage individuals to focus their energies to a productive activity.

The full contact karate profession in Minnesota has little activity as a result of health and safety requirements of Minnesota's board. It is the board's opinion that it is better to require the health and safety standards than to have an active profession where people are seriously injured.

**GOALS AND OBJECTIVES:**

The board's primary objectives are to:

- promote the health and safety of participants in the profession; and
- to actively promote the amateur sport as an effective means of helping inner city kids have a way to direct their efforts in a productive manner.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The board will continue to monitor compliance with statutes and rules, license clients and attempt to effect compliance with Minnesota safety standards for all professions. The budget includes 2.5% inflation for each fiscal year.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: BOXING BOARD  
PROGRAM: NON HEALTH BOARDS  
ACTIVITY: BOXING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	54	60	62	62	62	64	64	64
OPERATING EXPENSES	12	28	17	17	17	18	18	18
<b>SUBTOTAL STATE OPERATIONS</b>	<b>66</b>	<b>88</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>82</b>	<b>82</b>	<b>82</b>
<b>TOTAL EXPENDITURES</b>	<b>66</b>	<b>88</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>82</b>	<b>82</b>	<b>82</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	66	88	79	79	79	82	82	82
<b>TOTAL EXPENDITURES</b>	<b>66</b>	<b>88</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>82</b>	<b>82</b>	<b>82</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	3	3	3	3	3	3	3	3
<b>TOTAL REVENUES COLLECTED</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>TOTAL FTE</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>

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

AGENCY: BOXING BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	75	75	75	75				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	3	3	3	3				
1998-99 COMPENSATION INFLATIO	1	3	1	3				
DOC SPACE RENT/LEASE INCR/DEC	<1>	<1>	<1>	<1>				
SMALL AGENCY S & E INFLATION	1	2	1	2				
SUBTOTAL BASE ADJ.	4	7	4	7				
BASE LEVEL	79	82	79	82				

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**AGENCY:** Electricity, Board of

**AGENCY DESCRIPTION:**

The board is responsible for administering the laws and rules regulating licensing of electricians and inspection of electrical installations.

The purpose of the board is to protect life and property from the hazards arising from the use of electricity by ensuring the qualifications of electricians through the electrical licensing requirements of M.S. 326.242 and the inspection of electrical wiring and equipment for compliance with the electrical safety standards set forth in M.S. 326.243, as required by M.S. 326.244

With limited exception, all new electrical work is required by law to be inspected. This inspection is performed either by one of the board's 66 contract electrical inspectors or by an electrical inspector of a municipal electrical inspection authority. Forty cities, the University of Minnesota and the Minnesota Agricultural Society have adopted ordinances in accordance with M.S. 326.244, Subd. 4 establishing electrical inspection authority. The board provides inspection services for about 63% of the state based on population and a much larger percentage based on land area.

Companies licensed to perform electrical work for others are required to provide a bond in the amount of \$5,000 and maintain a certificate of insurance that indemnifies clients against faulty work. The board has the authority to take disciplinary action against licensees who do not comply with the law, to revoke or not renew licenses because of non payment of child support or taxes and to take action to prevent electrical work being performed by unlicensed persons.

**REVENUES:**

The revenue collected is for electrician examination and licensing, inspection charges, handling charges, fines and miscellaneous charges. Electrical inspection charges are paid to the board at or before the time the electrical work is started and paid to contract electrical inspectors after the final inspections are made. Approximately 85% of the inspection fee is held in escrow to pay for inspections made by contract electrical inspectors and 15% is retained for administrative costs. The 1998-99 revenue estimates are based on current levels of construction.

**ISSUES AFFECTING AGENCIES OPERATIONS:**

Past studies have shown that using electrical contract inspection services as opposed to having employees perform the same inspections is very cost effective. In this manner the board is able to provide a high degree of service at a very reasonable cost to the consumer. The board's inspection fees are significantly lower than inspection fees charged by municipal inspection authorities.

The current inspection fee schedule has been in effect since 1988. In recent years portions of this fee schedule have become inadequate and do not address current trends and installation practices along with not providing reasonable compensation based on workload. This has created situations in some inspection areas where contract inspectors have voluntarily terminated their contracts and taken other positions within the electrical industry and the board has had difficulty in contracting with other providers. The board is considering a number of options to address this problem including increasing the number of inspectors, reducing the percentage of the inspection fee retained for administrative costs while increasing the percentage paid to the inspector, and increasing the inspection fee.

The board has implemented a requirement for continuing education as a condition for renewal of personal licenses as well as continuing its education programs to ensure that the expertise of the persons it licenses keeps up with the advancement of technology and code requirements.

The board continues to improve its record keeping systems and is working towards making all public data available through the most modern communication systems. The board is currently implementing a document imaging system that will be used to maintain an electronic record of all licensing and inspection records. The board currently has approximately 1 million inspection records between its current and archived records and maintains approximately 35,000 sets of licensing files. The imaging system will allow these records to be immediately accessible while minimizing the use of physical storage space.

**WORKLOAD/EFFICIENCY MEASUREMENTS:**

The board licenses about 2,000 electrical contractors, 500 alarm and communication contractors and 15,000 individuals in 10 different classifications (Class A and B masters, Class A and B journeyman, elevator and master elevator constructors, maintenance electricians, lineman and Class A or B installers). The board's contract inspectors completed about 133,000 electrical inspections in F.Y. 1996.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The agency plan includes \$25,000 per year to enhance the licensing and inspection system which will increase productivity in processing complaints and improve compliance with the laws and rules. In the second year of the biennium, a continuing education component will be developed to ensure that licensees stay abreast of changes in technology, safety standards, and legal requirements related to their licenses. This plan has been approved by the Information Policy Office of the Department of Administration.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ELECTRICITY BOARD  
PROGRAM: BOARD OF ELECTRICITY  
ACTIVITY: BOARD OF ELECTRICITY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,057	1,094	1,161	1,161	1,161	1,190	1,190	1,190
OPERATING EXPENSES	4,368	4,302	4,407	4,407	4,407	4,518	4,518	4,518
<b>SUBTOTAL STATE OPERATIONS</b>	<b>5,425</b>	<b>5,396</b>	<b>5,568</b>	<b>5,568</b>	<b>5,568</b>	<b>5,708</b>	<b>5,708</b>	<b>5,708</b>
<b>TOTAL EXPENDITURES</b>	<b>5,425</b>	<b>5,396</b>	<b>5,568</b>	<b>5,568</b>	<b>5,568</b>	<b>5,708</b>	<b>5,708</b>	<b>5,708</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	5,425	5,396	5,568	5,568	5,568	5,708	5,708	5,708
<b>TOTAL EXPENDITURES</b>	<b>5,425</b>	<b>5,396</b>	<b>5,568</b>	<b>5,568</b>	<b>5,568</b>	<b>5,708</b>	<b>5,708</b>	<b>5,708</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	5,624	5,997	6,284	6,284	6,284	6,669	6,669	6,669
<b>NONDEDICATED:</b>								
GENERAL	1							
<b>TOTAL REVENUES COLLECTED</b>	<b>5,625</b>	<b>5,997</b>	<b>6,284</b>	<b>6,284</b>	<b>6,284</b>	<b>6,669</b>	<b>6,669</b>	<b>6,669</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	22.8	22.5	23.0	23.0	23.0	23.0	23.0	23.0
<b>TOTAL FTE</b>	<b>22.8</b>	<b>22.5</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Labor and Industry, Department of

PROGRAM

PAGE

WORKERS' COMPENSATION DIVISION

E-215

- W. C. Administration
- W. C. Information Processing Center
- W. C. Customer Assistance
- W. C. Compliance Services
- W. C. Judicial Services
- W. C. Vocational Rehabilitation
- W. C. Special Compensation Fund
- W. C. Duluth Operations

WORKPLACE SERVICES DIVISION

E-240

- Workplace Services Administration
- Apprenticeship Programs
- Code Administration and Inspection Services
- Labor Standards
- Occupational Safety and Health Administration

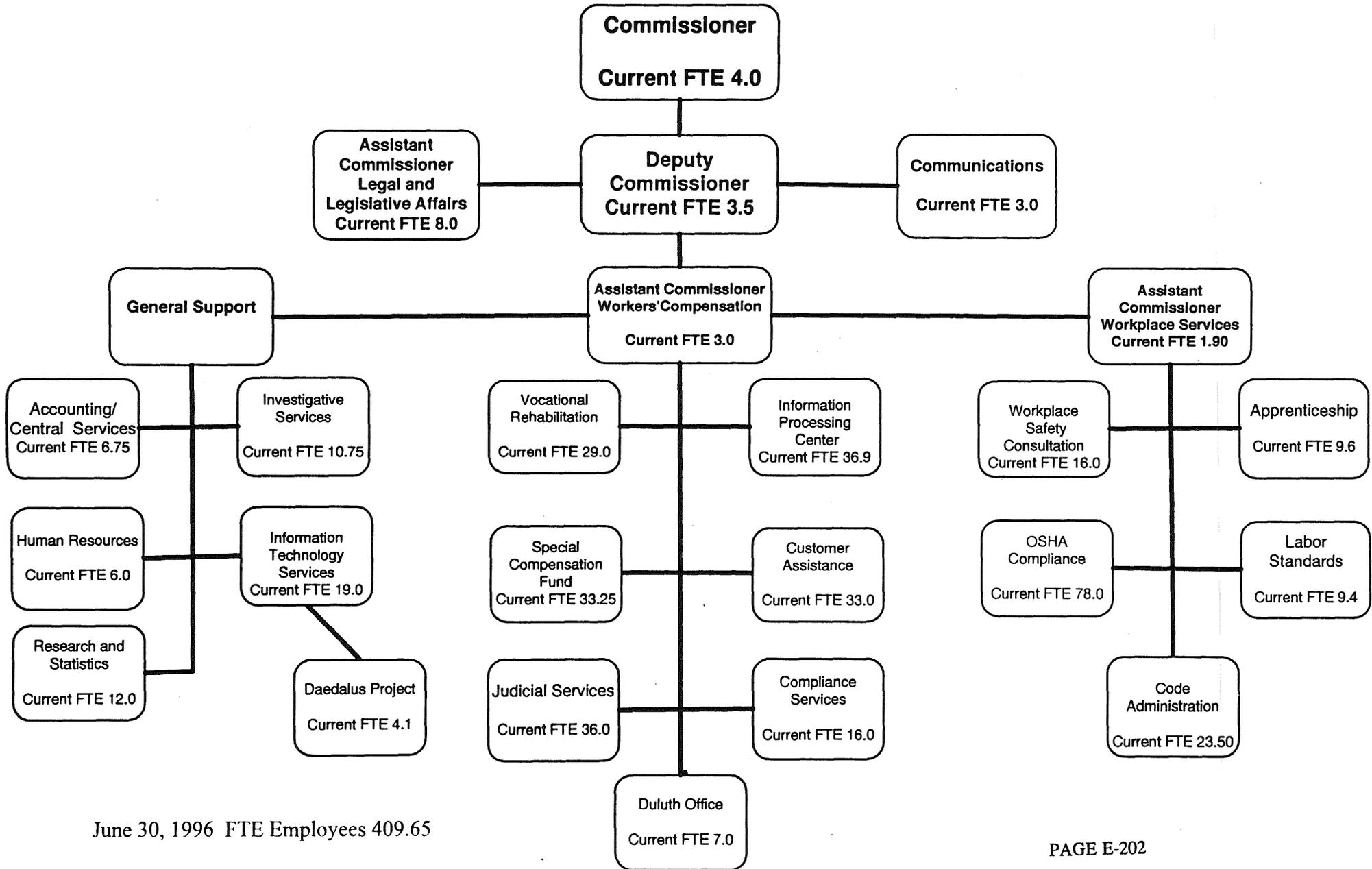
GENERAL SUPPORT DIVISION

E-256

- Agency Administration

# Minnesota Department of Labor and Industry

July 1, 1996



June 30, 1996 FTE Employees 409.65

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Labor and Industry, Department of

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$3,883	\$3,883	\$7,766
<b><u>BASE ADJUSTMENT</u></b>			
1998-99 compensation inflation	66	133	199
Doc space rent/lease incr/decreases	<u>30</u>	<u>38</u>	<u>68</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$3,979</b>	<b>\$4,054</b>	<b>\$8,033</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
High pressure piping inspections	<u>62</u>	<u>58</u>	<u>120</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$4,041</b>	<b>\$4,112</b>	<b>\$8,153</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
Information Technology Investment	<u>71</u>	<u>59</u>	<u>130</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$4,112</b>	<b>\$4,171</b>	<b>\$8,283</b>

**Brief Explanation of Agency Plan:**

The plan calls for additional funding of \$62,000 in F.Y. 1998 and \$58,000 in F.Y. 1999 to provide additional inspections of complex ammonia and high pressure systems as they are being installed.

**Revenue Summary:**

The agency plan anticipates no effect on revenues.

**Affected Statutes:**

None.

**GOVERNOR'S RECOMMENDATION**

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1 FTE position from the General Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this project.

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Labor and Industry, Department of (DLI) Fund: Workers' Compensation Special

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$19,597	\$19,597	\$39,194
<b><u>BASE ADJUSTMENT</u></b>			
One-time appropriations	(2,865)	(2,865)	(5,730)
Biennial appropriations	307	273	580
Attorney General funding changes	600	600	1,200
1997 salary supplement transfers	688	688	1,376
1998-99 compensation inflation	347	704	1,051
Doc space rent/lease incr/decreases	<u>69</u>	<u>85</u>	<u>154</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$18,743</b>	<b>\$19,082</b>	<b>\$37,825</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
W.C. Special Claims Administration	50	50	100
OSHA federal matching funds	332	536	868
W.C. Customer Assistance	151	126	277
Access to W.C. Claim Records	<u>375</u>	<u>180</u>	<u>555</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$19,651</b>	<b>\$19,974</b>	<b>\$39,625</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
Information Technology Investments	<u>1,062</u>	<u>738</u>	<u>1,800</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$20,713</b>	<b>\$20,712</b>	<b>\$41,425</b>

**Brief Explanation of Agency Plan:**

The agency plan calls for additional funding of \$908,000 in F.Y. 1998 and \$892,000 in F.Y. 1999 as follows:

- \$50,000 in F.Y. 1998 and \$50,000 in F.Y. 1999 for purchase, installation, and support of claims processing software for the Special Compensation Fund's administration of workers' compensation claims in a timely and accurate manner.
- \$332,000 and 5.0 positions in F.Y. 1998 and \$536,000 and 7.0 positions in F.Y. 1999 to provide additional state matching funds for ongoing federal Occupational Safety and Health grants which are expected to increase in the next biennium at a rate exceeding inflation.

- \$151,000 in F.Y. 1998 and \$126,000 in F.Y. 1999 and 2.0 positions to increase the number of workers' compensation disputes which are resolved through early intervention before they require a more formal litigation process.
- \$375,000 and 10.0 position in F.Y. 1998 and \$180,000 and 6.0 positions in F.Y. 1999 for additional staffing to maintain both the new electronically imaged files as well as the old paper files while maintaining a high level of customer service.

**Revenue Summary:**

The agency plan anticipates a small increase in revenues from an increase in fees charged for certifying managed care organizations for workers' compensation purposes.

**Affected Statutes:**

- Amend M.S. 79.253 to allow dedicated receipts in the assigned risk safety account in the special compensation fund to be used by the commissioner to target workplace safety consultation and inspections through the formal labor-management safety committee structure at the Bureau of Mediation Services and to target occupations which are at high risk for workplace violence.
- Amend Laws 1996, chapter 452, section 8, to continue the availability of the appropriation for the Daedalus imaging system project until 6-30-98.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$1,800,000 and 3 FTE positions from the Workers Compensation Special Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this request.

## 1998-99 Biennial Budget

AGENCY: Labor and Industry, Department of (DLI)

### AGENCY DESCRIPTION:

The Department of Labor and Industry (DLI) strives to foster a safe, efficient and productive working environment for Minnesota's workplaces.

To achieve this mission, DLI establishes and enforces workplace safety standards, inspects workplaces to ensure compliance with workplace safety standards, conducts labor standards investigations to ensure compliance with state labor laws, provides education and training for employers and employees; collects, analyzes and reports workers' compensation costs; monitors and enforces insurers' compliance with the workers' compensation law; assists customers of the workers' compensation system with their inquiries or requests for assistance; resolves disputes between injured workers and their employers/insurers; provides vocational rehabilitation assistance to injured workers; works to improve workers' compensation system efficiency and responsiveness; establishes and monitors effectiveness of employment training programs; and advises the Governor and the Legislature on a variety of workforce issues.

DLI is predominantly a regulatory agency with many stakeholders. The primary customers of the agency are employees and employers in Minnesota. Additional stakeholders are medical providers, attorneys, insurance companies, government agencies, and local units of government.

The department is divided into three program areas: Workers' Compensation, Workplace Services, and General Support. The department's over-reaching strategies are to: support and enhance a "customer first" tradition; regulate through consistent, well-defined policies; educate stakeholders and agency employees; continually analyze and review agency business processes; and use technology to enhance agency effectiveness.

The department continues to support Minnesota Milestone goals regarding advanced education and training, employment in fields in which training was provided; standard of living for citizens; respect for people in all cultures; and cost-efficient and responsive government services.

### AGENCY ISSUES:

The following factors influence and help shape the development of policies and programs at DLI:

**Workers' Compensation Law Reforms.** The legislature enacted significant reforms to Minnesota's Workers' Compensation Statutes in 1992 and in 1995. DLI is implementing several measures designed to reduce workers' compensation costs, improve workers' compensation system efficiency, increase access to the department's customer assistance staff, streamline the dispute resolution process and minimize pointless litigation costs, and expedite return to employment of injured workers. The department must build on existing reforms to help create a workers' compensation system that strives for further efficiency and cost reduction. The department's ultimate goal is to create a system that provides the quality health care necessary for an expedient return to work at a cost level that does not impede job growth and development.

**Technological Investments.** Computer technology is essential for the department to fulfill its regulatory and service role and to achieve its mission. The legislature invested \$10.3 million over the past 2 bienniums to significantly upgrade the department's technology and work processes that service the customers of the workers' compensation system. Workers' compensation documents for

claims initiated since March 1, 1995 are now computerized images. This investment allows customer assistance personnel to provide timely answers to customers' inquiries and more expeditiously resolve potential disputes. It allows the department to conduct more timely auditing of workers' compensation claims while redeploying audit personnel to work with insurance companies and employers to improve their compliance. The challenge for the department is to keep staff and technology current and ensure pay back on its technology investments. The department must continue making effective use of technology to improve customer service.

**Customer-Focused Public Service / Reinventing Government.** DLI is making significant strides toward reinventing itself as a customer-focused agency. Minnesota OSHA has several initiatives designed to foster employer collaboration to achieve compliance with occupational safety and health laws. Workers' compensation refocused its regulatory, dispute resolution, and administrative functions around providing customers service that is prompt and effective. The department must continue its efforts at developing and enhancing its "customer first" tradition.

**Workforce Diversity.** The number of women, people of color, and persons with disabilities entering the workforce demands that our modern day workplace be responsive to the individual. DLI has and will continue to respond to this challenge by developing education and training programs that will enable the non-traditional employee to obtain skills necessary for productive employment and citizenship.

**Technology and New Workplace Challenges.** Technology advancements will continue to change the way DLI approaches workplace safety issues. New careers created by advancing technology require flexibility and future-oriented planning. The department's workplace safety consultation and compliance activities must provide foresight and sensitivity to these challenges in order to establish new safety standards and ensure safe working conditions for all Minnesotans.

**OSHA Reengineering.** The federal Occupational Safety and Health Administration is examining the methods it uses to ensure workers' safety and health on the job. One outcome of this examination is a renewed emphasis on collaborating with employers to eliminate workplace hazards. DLI has several initiatives designed to encourage and achieve safer workplaces through cooperation with employers, including Minnesota SHARP, Minnesota FIRST, and other traditional consulting and compliance activities.

### AGENCY STRATEGIES:

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

- to enable employers to create a trained and diverse workforce through apprenticeship programs by expanding apprenticeship opportunities, increasing diversity of apprentices, and maintaining the relevance and quality of apprenticeship programs;
- to assure the safe operation of boilers, hobby boilers, boats-for-hire, and pressure vessels and that high pressure piping systems are installed according to the state's code;
- to assure employer compliance with Minnesota's wage, hour, and child labor laws;
- to certify accurate, timely prevailing wage determinations for public construction projects;
- to assure that employment and entertainment agencies operate pursuant to state law;
- to provide interested people with information on Minnesota's employment laws;

1998-99 Biennial Budget

AGENCY: Labor and Industry, Department of (DLI)  
(Continuation)

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- to assist employers and employees in eliminating hazards that contribute to workplace injuries and illnesses.
- to efficiently manage workers' compensation records in order that accurate, timely information is available to customers;
- to provide accurate information and dispute prevention and resolution services;
- to obtain prompt and full compliance with reporting and monetary benefit provisions of Minnesota's workers' compensation law;
- to hear and resolve workers' compensation disputes efficiently, fairly, and in accordance with the law;
- to ensure unresolved workers' compensation disputes are ready for hearing upon certification to the Office of Administrative Hearings;
- to efficiently and equitably administer the statutorily guaranteed benefits to injured workers;
- to ensure workers' compensation insurance coverage of employees in Minnesota;
- to ensure the effective delivery of workers' compensation rehabilitation services at a reasonable cost; and
- to ensure that injured workers receive reasonable and necessary medical care for the cure and relief of their work injuries at a reasonable cost to employers.

**SUMMARY OF BUDGET REQUEST:**

The agency budget plan includes a request for:

- a fee-supported General Fund biennial increase of \$120,000 to assure inspection and certification of high pressure piping systems as required under state law;
- a biennial increase of \$555,000 from the Workers' Compensation Special Compensation Fund during the transition from managing workers' compensation records in a paper-records system to one based on computerized images to support a dual records system.
- a biennial increase of \$277,000 from the Workers' Compensation Special Compensation Fund to achieve the agency's customer assistance objectives with dispute prevention services;
- a biennial increase of \$868,000 from the Workers' Compensation Special Compensation Fund to match federal Occupational Safety and Health grants for consultation services (10% state funded/90% federal grant) and compliance services (50% state funded/50% federal grant) to support employer and worker efforts to maintain safe workplaces in Minnesota;
- a one-time biennial increase of \$100,000 from the Workers' Compensation Special Compensation

Fund to purchase and modify a claims management system that provides for better decision-making and tracking of claims handled by the Special Compensation Fund;

- approval to carry forward funds for completion of the workers' compensation computer imaging project which was approved by the legislature in previous sessions.
- authority to use \$320,000 in dedicated receipts from the Assigned Risk Safety Account in the Workers' Compensation Special Compensation Fund to develop effective strategies and approaches to reducing the incidence and severity of violence that occurs in the workplace; and to continue the successful joint effort with the Bureau of Mediation Services that helps employers fulfill their statutory obligation to establish labor-management safety committees.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1.0 position from the General Fund and \$1,800,000 and 3.0 positions from the Workers' Compensation Special Compensation Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration has reviewed and recommended approval of this request.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WORKERS' COMPENSATION DIVISION	94,706	126,101	102,880	103,456	103,456	100,586	100,942	100,942
WORKPLACE SERVICES DIVISION	9,383	10,340	10,089	10,483	10,483	10,467	11,061	11,061
GENERAL SUPPORT DIVISION	6,543	6,902	6,798	6,798	7,931	6,948	6,948	7,745
TOTAL EXPENDITURES BY PROGRAM	110,632	143,343	119,767	120,737	121,870	118,001	118,951	119,748
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,686	4,063	3,979	4,041	4,112	4,054	4,112	4,171
WORKERS COMPENSATION SPEC PMNT	18,588	22,798	18,743	19,651	20,713	19,082	19,974	20,712
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	82,320	111,169	91,028	91,028	91,028	88,504	88,504	88,504
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	287	448	504	504	504	546	546	546
FEDERAL	3,419	3,649	3,964	3,964	3,964	4,261	4,261	4,261
WORKERS COMPENSATION SPEC PMNT	2,321	1,196	1,537	1,537	1,537	1,542	1,542	1,542
AGENCY	11	20	12	12	12	12	12	12
TOTAL EXPENDITURES	110,632	143,343	119,767	120,737	121,870	118,001	118,951	119,748
FTE BY EMPLOYMENT TYPE:								
REGULAR	414.3	410.8	402.8	420.8	424.8	402.8	418.8	422.8
TEMP/SEAS/PART_TIME	17.7	19.1	6.8	6.8	6.8	6.8	6.8	6.8
TOTAL FTE	432.0	429.9	409.6	427.6	431.6	409.6	425.6	429.6

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## 1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Labor and Industry, Department of (DLI)

### REVENUE SOURCES:

The Workers' Compensation Special Compensation Fund (SCF) is the primary revenue source which supports this agency and the overall funding mechanism for the entire workers' compensation system. This revenue is derived from assessments, penalties, investment income, recoveries, and OSHA penalties. The largest SCF revenue is collected as an assessment on insurers and self-insured employers' indemnity benefit payments for the previous year. Recoveries from uninsured employers, assets of bankrupt self-insured employers and payments from employers in lieu of dependency benefits in cases of work-related deaths of workers who have no dependents contribute smaller revenues to the SCF. The SCF provides funding for the agency's workers' compensation and safety and health programs.

Federal grants from the federal Occupational Safety and Health Administration provide matching funds for Minnesota's safety and health programs. Funding for the OSHA enforcement program is on a 50/50 basis (50% federal funds and 50% state funds) while funding for the workplace safety consultation program is 90/10 (90% federal funds and 10% state funds).

Smaller federal grants from the United States Department of Labor and the Veterans' Administration provide information to the Bureau of Labor Statistics on workplace injuries and apprenticeship opportunities for veterans.

Departmental Earnings of the DLI consist of the following sources:

- The Code Administration and Inspection Services unit collects fees for: 1) inspection of boilers, high pressure and ammonia piping systems, and boats-for-hire; 2) testing and licensing those who inspect these operations; 3) issuing installation permits and licensing contractors and pipefitters for high pressure and ammonia piping systems; and exemption certificates for boilers that are inspected by the insurance industry. The fees collected (approximately \$1.9 million annually) are sufficient to cover the costs of this unit, a fee-supported activity.
- The Labor Standards unit generates revenue by charging a fee for issuing licenses to fee employment agencies and registering agency managers and counselors. These fees (\$59,000 per year), along with small amounts collected for child labor fines and wage and hour records fines (\$2,000 annually), represent approximately 10% of the funding for this unit which is supported by the General Fund.
- Fees collected in the Special Compensation Fund unit from its rehabilitation regulation function for licensing of qualified rehabilitation consultants (QRCs), their firms and vendors (approximately \$80,000 annually) are sufficient to cover this responsibility. This unit also collects fees from the certification of managed care organizations. In the past, these fees were not adequate to cover the costs of providing the certifications and enforcement of the managed care organizations. The agency will be pursuing a fee increase in the 1998-99 biennium enabling the rehabilitation and medical affairs section to recover 30% of the service cost (approximately \$20,000 per year).

- The Vocational Rehabilitation unit collects fees for the services of the Qualified Rehabilitation Consultants (QRCs) who assist injured workers in their return to appropriate work. Many of the QRCs' clients are injured workers whose employer or insurer has denied the liability for workers' compensation benefits. Therefore, the fees which are collected for QRC services have historically been a small percentage of the total cost. With more aggressive collection negotiations and a greater marketing strategy to provide service to qualified employees (injured workers for whom the insurers and employers have accepted liability), the collected revenue for QRC services is expected to increase from \$226,000 to \$300,000 annually.
- Penalties collected as a result of workplace safety and health violations total approximately \$2,100,000 annually. Following an OSHA inspection where violations were observed, the employer receives a citation and notification of proposed penalty which lists all violations found during the inspection. Penalties are calculated following established criteria taking into consideration the severity of the violation and allowing credit for good faith, size and history of the employer. Maximum penalties are established by statute. The amount of recovered penalties is expected to remain stable in the next biennium.
- Employers are assessed penalties for failure to acquire and maintain mandatory workers' compensation insurance, late filing of required reports and improper payment to injured workers or the agency. Penalties collected are deposited in the Assigned Risk Safety Account which funds a grant and loan program for workplace safety. Annual revenue of approximately \$600,000 is sufficient to sustain this program.
- Assessments collected from wood mills create the Loggers' Targeted Industry Fund. This fund ensures that Minnesota loggers are provided safety training that is relevant to this high hazard industry. The current revenue of approximately \$900,000 per year is sufficient to meet the needs of workers in this industry.

### FEE STRUCTURE:

Many statutes require the DLI to collect fees for the examining, licensing, and regulation of individuals and businesses. In most cases, the fees are established to recover the costs of providing these services.

### RECENT CHANGES:

Revenue streams have, in most areas, remained constant during the 1996-97 biennium. Federal grant revenues have increased slightly. However, the largest source of revenue for the Workers' Compensation Special Compensation Fund has begun to decrease somewhat significantly. This decrease is the result of a smaller indemnity base to which the current 28% assessment rate for insurers and self-insured employers applies. The shrinking base is a result of the workers' compensation reform legislation in 1992 and 1995.

### FORECAST BASIS:

The agency anticipates an increase in federal revenues for the Occupational Safety and Health Administration grants. Minnesota is considered an "underfunded" state which results in grant increases in excess of inflation. Because of the declining assessment revenue in the Workers'

**Agency Level Revenue Summary**

**1998-99 Biennial Budget**

Agency: Labor and Industry, Department of (DLI)  
(Continuation)

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Compensation Special Compensation Fund, the rate of revenue collection from assessments will be closely monitored and, if necessary, the rate will be increased to provide sufficient funding for the operations of the DLI, Office of Administrative Hearings, and the Workers' Compensation Court of Appeals as well as the benefits which are supported by this revenue.

**DECISION ITEMS:**

The agency is pursuing an increase in the fees charged for certifying managed care organizations as specified in statute. However, the increase which is being proposed will not cover the cost of providing services. To entirely cover these costs would require exorbitant fees. The goal of this activity is to reduce workers' compensation costs, and that is the benefit against which the cost should be measured.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
CAMBRIDGE DEPOSIT FUND	1,914	1,994	1,993	1,993	1,993	1,992	1,992	1,992
WORKERS COMPENSATION SPEC PMNT	2,451	2,486	2,486	2,486	2,486	2,486	2,486	2,486
<b>OTHER REVENUES:</b>								
GENERAL	1	1	1	1	1	1	1	1
WORKERS COMPENSATION SPEC PMNT	121,295	103,900	94,953	94,953	94,953	89,353	89,353	89,353
<b>TAXES:</b>								
GENERAL	9							
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>125,670</b>	<b>108,381</b>	<b>99,433</b>	<b>99,433</b>	<b>99,433</b>	<b>93,832</b>	<b>93,832</b>	<b>93,832</b>
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
WORKERS COMPENSATION SPEC PMNT	1,542	1,530	1,532	1,532	1,532	1,533	1,533	1,533
<b>GRANTS:</b>								
FEDERAL	3,329	3,657	3,964	3,964	3,964	4,261	4,261	4,261
<b>OTHER REVENUES:</b>								
SPECIAL REVENUE	409	448	504	504	504	546	546	546
AGENCY	12	12	12	12	12	12	12	12
<b>TOTAL DEDICATED RECEIPTS</b>	<b>5,292</b>	<b>5,647</b>	<b>6,012</b>	<b>6,012</b>	<b>6,012</b>	<b>6,352</b>	<b>6,352</b>	<b>6,352</b>
<b>AGENCY TOTAL REVENUES</b>	<b>130,962</b>	<b>114,028</b>	<b>105,445</b>	<b>105,445</b>	<b>105,445</b>	<b>100,184</b>	<b>100,184</b>	<b>100,184</b>

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Labor and Industry, Department of (DLI)

The Department of Labor and Industry (DLI) receives grant funds from 5 federal programs. These grant funds are essential to the activities they support. The 5 grant programs are:

- OSHA Compliance - 23(g)
- Workplace Services Consultation - 7(c)(1)
- Bureau of Labor Statistics - BLS
- OSHA Survey
- Veterans Administration-Apprenticeship - VA

The combined, federal-grant funds are also significant to the department as a whole. They make up approximately 14.3% of the department's total operating budget.

The OSHA Compliance grant program has operated on the basis of 50% federal/50% state funds since 1973. The Workplace Services Consultation grant program, an on-site, consultation, training, and education effort, has operated since 1981 on 90% federal/10% state funds. These grant programs are essential to Minnesota in continuing the downward trend in occupational fatalities, injuries and illnesses, and thereby reducing workers' compensation costs and suffering for workers and families.

Funding for the Bureau of Labor Statistics grant program is 50% federal/50% state. The OSHA Survey and Veterans Administration-Apprenticeship grant programs are 100% federally funded.

Recent changes in federal funding have been significant. Contrary to cuts occurring in other areas of federal spending, Congress gave significant increases to the OSHA Compliance and Workplace Services Consultation grant programs in the appropriations bill signed 9-30-96. OSHA Compliance received a 21.6% increase (\$536,300) to restore past cuts, cover costs of living increases, generally expand the program, and make Minnesota's funding more consistent with other state programs. Workplace Services Consultation is also assured a 6.4% increase for federal F.Y. 1997, and this percentage is expected to increase further for cost of living adjustments and a funding formula which acknowledges underfunding for Minnesota.

The Bureau of Labor Statistics, OSHA Survey, and Veterans Administration-Apprenticeship grant programs have had no significant recent changes in funding. The fact that no revenues are shown on the accompanying Federal Funds Summary table for the Veteran Administration grant for state F.Y. 1996 does not reflect inactivity or inavailability of federal funds during that period, but simply the delay of expense reimbursement until state F.Y. 1997.

Future changes in federal funding are difficult to predict. Recent levels of federal funding for OSHA programs have reflected compromise between the executive legislative branches of the federal government. Since the balance between these branches will remain the same for the next 2 to 4 years, it is assumed that the funding for future years will represent current-year levels plus cost of living adjustments and supplemental monies made available. Supplemental monies are often available near the end of each federal fiscal year due to the return of unspent monies by over-funded states. These are the factors used to estimate our federal revenues for the OSHA Compliance and Workplace

Services Consultation grant programs in future years.

Future revenues for the Bureau of Labor Statistics, OSHA Survey and Veterans Administration-VA grant programs are expected to remain at current levels or increase slightly to reflect cost of living changes.

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Labor and Industry, Department of (DLI)

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
50F60053 - OSHA Compliance 23(g)	Yes	SO	2,700,000	2,882,000	3,174,000	3,414,000
W9F60953 - Workplace Services Consultation 7(c)(1)	Yes	SO	476,000	568,000	596,000	650,000
W9J68R4271 - Bureau of Labor Statistics BLS	Yes	SO	118,000	106,000	110,000	110,000
W9F5375300 - OSHA Survey Survey	No	SO	35,000	61,000	53,000	55,000
V-101(223B)P3692 - VA Apprenticeship	No	SO	-0-	39,000	31,000	32,000
<b>Agency Total</b>			<b>3,329,000</b>	<b>3,656,000</b>	<b>3,964,000</b>	<b>4,261,000</b>

Key:

SO - Operations

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1998-99 Biennial Budget

**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**PROGRAM DESCRIPTION:**

The Workers' Compensation Division exists to provide a fast, responsive and easy-to-use workers' compensation system that minimizes waste and which reduces and resolves disputes with fair and predictable results. Activities of this program are: administration, information processing center, customer assistance, compliance services, judicial services, vocational rehabilitation, special compensation fund, and Duluth operations.

**PROGRAM STATUS:**

Over the last 3 years, the Workers' Compensation Division has undergone a business process re-engineering and the installation of a new imaging technology project to handle the injured workers' claims. Three new work units have been organized in the last 2 years as part of the large imaging project. These units are:

- **The Information Processing Center** which creates and maintains the old paper file records; provides timely and accurate information to internal and external customers; and through the new imaging technology, converts the million pages of mail received by the division each year into the images for the remaining work to be done on the file.
- **Customer Assistance** which is responsible for providing fair, accurate, and neutral assistance about workers' compensation law and rules to employees, employers, and other external customers. Information is dispensed through a workers' compensation hotline as well as walk-in assistance. In addition, this unit provides early intervention and alternative dispute resolution services in the form of mediations, administrative conferences, and non-conference decisions. As mandated by a 1995 legislative change, customer assistance attempts to resolve workers' compensation disputes early in the process, and if the matter is not resolvable, the unit "certifies" that despite the intervention effort, a dispute exists. This formal "dispute certification" is necessary for legal fees to be eligible for payment.
- **Compliance Services** which is responsible to ensure that required reports are received in the time periods established by statute and that benefits are paid to injured workers accurately and in a timely manner. As part of the imaging project reorganization, education of employers and insurers is being emphasized as a compliance strategy. Division resources are being dedicated to monitor and target non-conforming companies, and education as well as warnings/penalties are tools being used to bring them into compliance.

The 3 remaining units within the program are:

- **Judicial Services** which provides another level of alternative dispute resolution services with compensation judges to bring efficient and final resolution to disputes. Strategies used are a negotiated mutually agreeable solution between the parties or an order of the judge following an informal administrative conference. Disputes which cannot be resolved at this final stage of the department's efforts are forwarded to the Office of Administrative Hearings for formal hearing. Through the imaging project, many efficiencies are expected through computer scheduling and immediate access to accurate and complete case file information through the imaging technology.

- **Vocational Rehabilitation** which provides services to injured workers whose employer or insurer, in most cases, has denied the liability for workers' compensation benefits. Qualified rehabilitation consultants (QRCs) assist the injured individuals to return to appropriate employment as soon as possible. To assist workers throughout the state, QRC offices are located in the Twin Cities area as well as 7 outstate communities.
- **Special Compensation Fund** which is the funding mechanism for the state's workers' compensation system. In addition, the unit is responsible for verification of workers' compensation insurance coverage; enforcement of statutory mandatory coverage; reimbursement of second injury and supplementary benefits to insurers and self-insurers; administration of workers' compensation claims for injured workers of uninsured employers, some bankrupt self-insurers, and asbestosis claims; provision of the Loggers Safety Educational Program; and medical and rehabilitation affairs.

Funding for all workers' compensation activities is provided through the Special Compensation Fund which is revenue collected from workers' compensation insurers and companies that self insure for this coverage.

**PLANNED RESULTS:**

The agency budget plan will allow the reported performance measures from the 1996 Agency Performance Report to be accomplished as follows:

- By F.Y. 1998, 90% of the workers' compensation case file documents received by the division will be available for customer use on the imaging system within 48 hours with an accuracy rate of 98%. The timeliness and accuracy of providing information to participants in the system (injured workers, employers, insurers, attorneys, medical and rehabilitation providers) is important for resolving disputes, insurer/employer compliance, and good customer service.
- By F.Y. 1999, the Special Compensation Fund claims administration will pay 90% of the reimbursement claims within 60 days of receipt from insurers and self-insurers. The Second Injury and Supplementary Benefit programs have both been repealed, but claims will need to be processed until 2025.
- Through education, monitoring, penalties, and other compliance strategies, the agency will strive to have 96% of total indemnity benefits paid to an injured worker on time by F.Y. 1999. State law requires the first payment of workers' compensation indemnity benefits to be made within 14 days from the first day of lost time at work or the notice to the employer, whichever occurs later. This statutory time limit ensures that claims are accepted and paid promptly to the injured worker.
- By F.Y. 1999, the Customer Assistance unit will respond to all telephone and walk-in inquiries within 2 days of the original contact. The department receives over 6,000 inquiries every month, and a timely and accurate response to the customer is paramount to the organization's goal of enhanced customer service.
- To annually reduce by 10% the number of requests for assistance that are filed with the department. The department emphasizes dispute prevention, early intervention, and resolution as strategies to lower the cost and the contentiousness of the workers' compensation system. A decrease in formal requests for assistance is an indicator of the agency's efforts to prevent disputes.

**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)  
(Continuation)

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- By F.Y. 1999, annually provide a rehabilitation consultation to 10% of injured workers whose workers' compensation claims were denied by their employer or insurer. Workers, whose claim for workers' compensation benefits has been denied by an employer or insurer as not being work-related, may still need vocational assistance while awaiting a court decision about liability. The department provides early intervention and services to this group of people to return them to appropriate work as soon as possible.

**BUDGET AND REVENUE SUMMARY:**

Summary of the Agency Plan as it relates to the Workers' Compensation Division program is as follows:

- \$375,000 in F.Y. 1998 and \$180,000 in F.Y. 1999 from the Special Compensation Fund for permanent and temporary staff to manage the transition of the workers' compensation paper-based records system to a computerized image-based system. As more of the records are scanned into the computer system and older, inactive paper files surpass the records retention schedule, the temporary staff to maintain the paper system will no longer be needed.
- A one-time appropriation of \$151,000 in F.Y. 1998 and \$126,000 in F.Y. 1999 from the Special Compensation Fund to assist the agency's customer assistance objectives in the prompt and accurate response to customers' questions and in the resolution of disputes through alternative resolution services.
- \$50,000 in F.Y. 1998 and \$50,000 in F.Y. 1999 to acquire, install and support a computer claims management system for the Special Compensation Fund claims administration function. This claims processing software, currently being used by the Department of Employee Relations, will increase the efficiency of payment of injured workers' claims.
- The completion of the Division's imaging project with the remaining unspent funds previously appropriated to the agency for this special undertaking. The agency is requesting that the unexpended funds be carried forward to assist in the final phase of the project.
- An anticipated small increase in the fees charged by the Rehabilitation and Medical Affairs in the Special Compensation Fund unit for the certification of managed care organizations. The proposed fee structure will recover approximately 30% of the costs of providing the certification and monitoring services.
- A gradual downward trend of the assessment revenue which is the major source of revenue for the Special Compensation Fund. The commissioner semi-annually designates a percentage assessment rate which is applied to the total indemnity benefits paid by workers' compensation insurers and self-insured employers in the previous 6 months. The total amount of paid indemnity benefits has been decreasing for the past 5 years. If the percentage assessment rate is not increased, this, in turn, leads to less revenue being collected to fund the workers' compensation system. The projected size of indemnity base, reimbursement benefits, general expenses, fund balance, and changes in the assessment rate are all being examined by a new advisory committee for the purpose of recommending to the commissioner a 5 year plan for the Special Compensation Fund.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION

ACTIVITY RESOURCE ALLOCATION:	Est.		FY 1998			FY 1999		
	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WC ADMINISTRATION	2,837	3,490	261	261	261	263	263	263
WC INFORMATION PROCESSING CTR	1,526	1,958	1,887	2,262	2,262	1,923	2,103	2,103
WC CUSTOMER ASSISTANCE	1,788	1,921	1,854	2,005	2,005	1,896	2,022	2,022
WC COMPLIANCE SERVICES	809	1,017	885	885	885	907	907	907
WC JUDICIAL SERVICES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
WC VOCATIONAL REHABILITATION	1,636	1,805	1,748	1,748	1,748	1,781	1,781	1,781
WC SPECIAL COMPENSATION FUND	83,888	113,310	93,773	93,823	93,823	91,288	91,338	91,338
WC DULUTH OPERATIONS	384	431	440	440	440	448	448	448
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>94,706</b>	<b>126,101</b>	<b>102,880</b>	<b>103,456</b>	<b>103,456</b>	<b>100,586</b>	<b>100,942</b>	<b>100,942</b>
AGENCY PLAN ITEMS:		FUND						
	WORKERS COMP SPECIAL CLAIMS ADMIN	WCS		50			50	
	WORKERS COMP CUSTOMER ASSISTANCE	WCS		151			126	
	ACCESS TO WORKERS COMP CLAIMS RECORDS	WCS		375			180	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>576</b>			<b>356</b>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	100	100	100	100	100	100	100	100
WORKERS COMPENSATION SPEC PMNT	12,288	14,553	11,251	11,827	11,827	11,479	11,835	11,835
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	81,448	110,556	90,615	90,615	90,615	88,091	88,091	88,091
STATUTORY APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	870	892	914	914	914	916	916	916
<b>TOTAL EXPENDITURES</b>	<b>94,706</b>	<b>126,101</b>	<b>102,880</b>	<b>103,456</b>	<b>103,456</b>	<b>100,586</b>	<b>100,942</b>	<b>100,942</b>
FTE BY EMPLOYMENT TYPE:								
REGULAR	197.3	197.3	191.2	203.2	203.2	191.2	199.2	199.2
TEMP/SEAS/PART_TIME	15.9	15.9	3.6	3.6	3.6	3.6	3.6	3.6
<b>TOTAL FTE</b>	<b>213.2</b>	<b>213.2</b>	<b>194.8</b>	<b>206.8</b>	<b>206.8</b>	<b>194.8</b>	<b>202.8</b>	<b>202.8</b>

**BUDGET ACTIVITY:** W. C. Administration  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Workers' Compensation Administration provides administrative support to the Workers' Compensation Division and its 6 units, as well as providing liaison services to the various customer groups including the injured worker, employers, organized labor, insurance industry, self-insured employers, health care and rehabilitation providers, and attorneys. Administration supports the activities of the Workers' Compensation Advisory Council, a statutory body composed of employee and employer representatives which must review and approve all proposed changes to the current workers' compensation statutes. In addition, administration, in cooperation with information technology services, is responsible for implementing a business process redesign and new imaging technology project, to manage the division's workers' compensation claim files.

**BUDGET ISSUES:**

As a final implementation phase of the imaging project, all 6 units of the Workers' Compensation Division, Office of Administrative Hearings, and the Workers' Compensation Court of Appeals will be imaged-enabled through the new technology. The changes in the business work flow processes, forms, data bases, collected information, and performance measurements are a result of the imaging project. The department's intent was to improve the efficiency and effectiveness of the workers' compensation system. The activities associated with the final phase of funding will be completed in F.Y. 1998. The department's workers' compensation units will be using the new technology and new business processes. No additional funds are being requested. However, the agency is requesting authority to carry forward the unexpended portion of the funds previously appropriated for the imaging project.

**REVENUE:**

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	755	693	127	127	127	129	129	129
OPERATING EXPENSES	2,082	2,797	134	134	134	134	134	134
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,837</b>	<b>3,490</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>263</b>	<b>263</b>	<b>263</b>
<b>TOTAL EXPENDITURES</b>	<b>2,837</b>	<b>3,490</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>263</b>	<b>263</b>	<b>263</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	2,837	3,490	261	261	261	263	263	263
<b>TOTAL EXPENDITURES</b>	<b>2,837</b>	<b>3,490</b>	<b>261</b>	<b>261</b>	<b>261</b>	<b>263</b>	<b>263</b>	<b>263</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	6.1	6.1	2.0	2.0	2.0	2.0	2.0	2.0
TEMP/SEAS/PART_TIME	13.1	13.1	.9	.9	.9	.9	.9	.9
<b>TOTAL FTE</b>	<b>19.2</b>	<b>19.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>

REVENUE:

**BUDGET ACTIVITY:** W. C. Information Processing Center  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

No revenue is generated by this activity.

ACTIVITY DESCRIPTION:

The workers' compensation program's purpose is to minimize the impact of work-related injuries and illnesses on employees and employers. One of the foundations of an efficient and effective system is information being provided to the participants in a timely and accurate manner. This is the mission of the Information Processing Center (IPC). IPC receives all of the workers' compensation claim information mail; prepares, codes, and scans the documents into the computer to create imaged files; enters workers' compensation data into the department data base; handles all requests for employment posters; mails employee rights booklets to injured workers; creates and manages all of the paper division claim files, maintaining them for 18 years after file activity ceases; and provides copies of claim files to authorized clientele in accordance with the data privacy laws.

BUDGET ISSUES:

Funding for this activity as well as all of the workers' compensation operating budget is from the Special Compensation Fund.

The agency budget plan includes a biennial increase of \$555,000 from the Workers Compensation Fund for the final phase of the imaging project - the transition from a paper-based file system to an imaged, personal computer based system to give easier and faster access to claim file information to multiple users simultaneously. The budget plan requests 6 clerical positions which replace the temporary employees that are currently maintaining the 1.3 million paper workers' compensation claim files (689,000 stored off-site; 310,000 stored on-site; 340,000 on microfilm). These additional positions are being added for 2 reasons. The first reason is to handle the "tail" of the paper-based claims system. The older paper files have a file retention period of 18 years after closure, and employees need to maintain those old paper files including retrieving, re-opening, and adding paper documents as they are received. However, as the paper files age, less maintenance of the files will be necessary, and fewer employees will be needed to handle the paper. Currently, 10 temporary employees are maintaining the paper files. Six clerical positions are needed to replace the temporary employees. At the end of the biennium, only 2 positions will remain due to the fewer paper files that will be active.

The second reason for the request to add positions is the new imaging system and the steps that need to be taken to prepare the documents for scanning and entry into the system. Four additional clerical positions are needed to handle all of the document preparation, form identification, coding, and other activities associated with creating an imaged claim file. Over the last 3 years, with the creation of the new IPC and the implementation of imaging technology, the total number of employees in this area has increased by 7 clerical employees. This is due to the conversion from a paper-based file system to an imaged-based one. All the permanent employees who supported the paper-based system have been shifted "to the front end" where document preparation, scanning, and form identification processing are completed. Once a document is in the image system, there is no longer the need to have employees file papers, check files in and out, or transport files between floors, between buildings or between cities. All this is now accomplished electronically which provides for much quicker access to the information and better customer service.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC INFORMATION PROCESSING CTR

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,142	1,316	1,349	1,649	1,649	1,382	1,562	1,562
OPERATING EXPENSES	384	642	538	613	613	541	541	541
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,526</b>	<b>1,958</b>	<b>1,887</b>	<b>2,262</b>	<b>2,262</b>	<b>1,923</b>	<b>2,103</b>	<b>2,103</b>
<b>TOTAL EXPENDITURES</b>	<b>1,526</b>	<b>1,958</b>	<b>1,887</b>	<b>2,262</b>	<b>2,262</b>	<b>1,923</b>	<b>2,103</b>	<b>2,103</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
ACCESS TO WORKERS COMP CLAIMS RECORDS		<b>WCS</b>		375			180	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>375</b>			<b>180</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	1,526	1,958	1,887	2,262	2,262	1,923	2,103	2,103
<b>TOTAL EXPENDITURES</b>	<b>1,526</b>	<b>1,958</b>	<b>1,887</b>	<b>2,262</b>	<b>2,262</b>	<b>1,923</b>	<b>2,103</b>	<b>2,103</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	36.9	36.9	36.9	46.9	46.9	36.9	42.9	42.9
TEMP/SEAS/PART_TIME	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>TOTAL FTE</b>	<b>37.9</b>	<b>37.9</b>	<b>37.9</b>	<b>47.9</b>	<b>47.9</b>	<b>37.9</b>	<b>43.9</b>	<b>43.9</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Labor and Industry, Department of (DLI)  
**PROGRAM:** Workers' Compensation Division  
**ACTIVITY:** Information Processing Center

**ITEM TITLE:** Access to Workers' Compensation Claim Records

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
W.C. Special	\$375	\$180	\$180	\$180
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

**Statutory Change?** Yes \_\_\_ No X

**If yes, statutes(s) affected:**

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$555,000 and 10.0 positions in F.Y. 1998 and 6.0 positions in F.Y. 1999 to maintain both the new electronically imaged files as well as the old paper files.

**RATIONALE:**

An imaging system (Daedalus Project) was implemented in the Department of Labor and Industry (DLI) in March, 1995. At that time, all new workers' compensation claim records with dates of injury of 3-1-95, and forward were scanned and made into a digital image. The purpose of the project is to create a paperless records system using imaging and computer technology. To date, there are approximately 90,000 imaged claim files on the system, and the number increases by 250 new claim files per day. The Information Processing Center (IPC) is currently imaging approximately 50% of all incoming workers' compensation mail. As the number of imaged files increases, the quantity of mail that must be scanned into the imaging system also increases. The current staffing level handles this 50% capacity and provides access to the imaged documents in a timely manner. However, as the percentage of the incoming mail requiring scanning increases over time, additional staff to support the imaging system is needed.

While the department implements the imaging system to handle new workers' compensation claim files, it also must continue to manage the 1.3 million paper claim files (689,000 stored off-site, 310,000 stored on site, and 340,000 microfilmed) that are not on the imaging system. Closed claim files have a retention period of 18 years after closure, and employees are needed to maintain these files. Paper file activity includes retrieval upon request, reopening if there is new file activity, and filing new documents as they are received. All of the permanent staff in the IPC activity have been reassigned to work on the new imaging system. The department is currently supporting 2 complete records systems until all employees are given the equipment and training to work from the imaging system. The amount of active paper files and the maintenance associated with them will decrease over time.

**PROGRAM OUTCOMES:**

The department has 2 objectives, one for each of the records systems. For the new imaging system, the objective is to make 90% of the imaged documents available to the workers' compensation division employees within 48 hours of receipt of the paper in the mailroom. For the paper claim files, the objective is to provide access to requested files within 24 hours of the request 90% of the time. Delays in providing access to accurate imaged and paper files can negatively impact the department's service to its internal and external customers.

**LONG-TERM IMPACT:**

The immediate and simultaneous access to workers' compensation claim information through the new imaging technology greatly improves the department's ability to provide good customer service to injured employees, employers, and other participants in the system. Insufficient staffing resources in IPC would create delays in providing this information to the workers' compensation personnel. Staff is needed to enter the documents into the system in an accurate and timely manner to support the planned customer service goal of the imaging project.

In addition, the department staff must provide timely access to paper files for years to come. A very large special appropriation would be needed to convert the old 1.3 million paper files into images. The staff required to maintain paper files will decrease over time because the amount of active paper files will decrease. New paper files will no longer be made; existing paper files will grow older than the required retention period; and the paper-based records system will eventually disappear.

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**BUDGET ACTIVITY:** W. C. Customer Assistance  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The intent of the Workers' Compensation Division's Customer Assistance (CA) unit is to provide fast, fair and easy access to information about the workers' compensation law and to prevent costly and slow decisions about injured workers' benefits through early intervention. The CA unit responds to parties who have inquiries about workers' compensation laws, rules and regulations. In addition, the unit helps people who have disputes arising out of workers' compensation claims regarding medical and rehabilitation benefits and wage loss benefits. Workers' compensation specialists use various strategies to resolve problems quickly and fairly before they require costly litigation. The alternative dispute resolution services they provide include walk-in assistance, telephone intervention, mediations, non-conference decisions, and administrative conferences for medical disputes under \$1,500 and all rehabilitation disputes. If parties are not satisfied with the results of customer assistance dispute resolution services, they can appeal to Judicial Services or the Office of Administrative Hearings for review. Effective 6-1-96, per M.S. 176.081, subd.1(c), all disputes must be certified by the CA unit before going to Judicial Services or the Office of Administrative Hearings. "Certified" means that the CA unit has determined that a dispute does indeed exist and that there has been an attempt by the CA unit to resolve it.

**BUDGET ISSUES:**

The CA unit was formed in September, 1995, as a result of business process reengineering prompted by the electronic imaging project. Prior to this date, the unit's work was provided by 2 different units within the Workers' Compensation Division. The CA unit consists of 4 teams, each responsible for one-fourth of the unit's case work as determined by customers' social security numbers. Computer imaged case documents are used in the performance of tasks for all cases having dates of injury after 3-1-95. Paper documents continue to be used for work related to cases prior to that date.

Due to the increasing demands of dispute certification and professional training for additional skills used in mediations, non-conference decisions, and administrative conferences, additional contact with injured workers, employers, insurers, attorneys, and health care providers is required. Increased telephone time, additional mailings and computer entries must be made to document all of the conversations, actions, and decisions. Current staffing is able to handle dispute certifications, but is limited in the amount of time that can be spent on intervention that could result in more resolutions. The agency request to add 2 professional employees to the CA unit would allow quicker and more accurate assistance for customer inquiries, telephone intervention and alternative dispute resolution to reduce litigation and speed resolution of disputes.

**REVENUE:**

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC CUSTOMER ASSISTANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,575	1,553	1,592	1,714	1,714	1,634	1,756	1,756
OPERATING EXPENSES	213	368	262	291	291	262	266	266
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,788</b>	<b>1,921</b>	<b>1,854</b>	<b>2,005</b>	<b>2,005</b>	<b>1,896</b>	<b>2,022</b>	<b>2,022</b>
<b>TOTAL EXPENDITURES</b>	<b>1,788</b>	<b>1,921</b>	<b>1,854</b>	<b>2,005</b>	<b>2,005</b>	<b>1,896</b>	<b>2,022</b>	<b>2,022</b>
<b>AGENCY PLAN ITEMS:</b>								
WORKERS COMP CUSTOMER ASSISTANCE				151			126	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>151</b>			<b>126</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	1,788	1,921	1,854	2,005	2,005	1,896	2,022	2,022
<b>TOTAL EXPENDITURES</b>	<b>1,788</b>	<b>1,921</b>	<b>1,854</b>	<b>2,005</b>	<b>2,005</b>	<b>1,896</b>	<b>2,022</b>	<b>2,022</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	33.0	33.0	33.0	35.0	35.0	33.0	35.0	35.0
<b>TOTAL FTE</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>	<b>35.0</b>	<b>35.0</b>	<b>33.0</b>	<b>35.0</b>	<b>35.0</b>

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Labor and Industry, Department of (DLI)  
PROGRAM: Workers' Compensation Division  
ACTIVITY: Customer Assistance

ITEM TITLE: Workers' Compensation Customer Assistance

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	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
W.C. Special	\$151	\$126	\$126	\$126
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

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**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$277,000 and 2.0 positions from the Workers' Compensation Special Fund to help resolve workers' compensation disputes through early intervention before they require formal litigation.

**RATIONALE:**

This initiative provides staff resources to emphasize dispute prevention through early intervention on workers' compensation claims, rather than merely trying to resolve disputes once they've been created. Staff time would be spent on working with injured workers and insurance carriers to resolve issues before the need for more formal mediation or conference sessions. Additional staff resources would also help reduce "hold time" for customers calling on the telephone. This initiative is consistent with the unit's strategies to achieve overall goals and objectives relating to improved customer services.

**PROGRAM OUTCOMES:**

The primary objective of this initiative is to increase the number of disputes resolved before they become more formal litigation. As the number of resolutions increase, the number of filings of Requests for Assistance (RFAs) should decrease. Another objective would be to reduce or eliminate 'hold time' and 'dropped calls' (people who hang up because the wait is too long). Current 'hold time' averages 3-5 minutes. The goal is to reduce this time to less than one minute. Also, the unit receives an average of 30 to 50 dropped calls per day during regular phone hours. The goal is to eliminate dropped calls.

**LONG-TERM IMPACT:**

The long-term impact would be fewer issues/problems entering the litigation track, and ultimately, greater satisfaction of injured workers and their workers' compensation insurance carriers through the prompt handling of claims and telephone requests for information and assistance.

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** W. C. Compliance Services  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Workers' Compensation Compliance Services (CS) seeks compliance from employers and insurers for all reporting and monetary benefit provisions of the workers' compensation statutes. Prompt reports and timely and accurate benefit payments to injured workers is a very important part of the system because it directly affects the lives of the state's working population. This unit's activity monitors all work injury files to identify those that are not reported promptly and those cases in which the provision of monetary or other benefits is delayed or paid inaccurately. Warnings or penalties are assessed in these situations as prescribed by statute and rules to emphasize the importance of compliance in the efficient, effective, and accurate reporting of injuries and processing of claims. Additionally, the activity monitors employers and insurers for repeated problems in their company's compliance levels. In accordance with the division's 1995 reorganization and the 1996 performance measure planning, compliance services is using education as a primary strategy in its attempts to improve the performance of employers and insurers with reporting and monetary benefit provisions under the law. Compliance statistics, broken down by employer and insurer, will assist the unit in evaluating the success of its programming of claims, using educational strategies wherever possible to assist them in improving their company's compliance levels.

**BUDGET ISSUES:**

During the 1998-99 biennium, the CS staff will continue with its historic compliance strategies of auditing and penalizing. However, new emphasis will be placed on education of the customer to improvement performance and compliance with the law. The existing staff will absorb the tasks associated with the development of a formal educational program. There are no budget issues related to this activity.

**REVENUE:**

This activity generates revenue through its authority to assess penalties on employers and insurers for failure to initiate timely payment of benefits to claimants and to submit timely "First Reports of Injury" to the agency. However, the receipts (approximately \$620,000 each year) appear in the OSHA Budget Activity in the Workplace Services Program where the expenditures from the Assigned Risk Safety Account appear. Prior to 7-1-92, penalties assessed were non-dedicated revenue to the W.C. Special Compensation Fund. Penalties assessed after that date are dedicated revenue to the Assigned Risk Safety Fund within the Special Compensation Fund.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC COMPLIANCE SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	690	773	742	742	742	763	763	763
OPERATING EXPENSES	119	244	143	143	143	144	144	144
<b>SUBTOTAL STATE OPERATIONS</b>	<b>809</b>	<b>1,017</b>	<b>885</b>	<b>885</b>	<b>885</b>	<b>907</b>	<b>907</b>	<b>907</b>
<b>TOTAL EXPENDITURES</b>	<b>809</b>	<b>1,017</b>	<b>885</b>	<b>885</b>	<b>885</b>	<b>907</b>	<b>907</b>	<b>907</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	809	1,017	885	885	885	907	907	907
<b>TOTAL EXPENDITURES</b>	<b>809</b>	<b>1,017</b>	<b>885</b>	<b>885</b>	<b>885</b>	<b>907</b>	<b>907</b>	<b>907</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	16.0	16.0	15.0	15.0	15.0	15.0	15.0	15.0
<b>TOTAL FTE</b>	<b>16.0</b>	<b>16.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** W. C. Judicial Services  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The Judicial Services unit of the Workers' Compensation Division provides alternative dispute resolution services that result in efficient and final resolution of workers' compensation disputes within the statutory time lines. Resolution of the dispute occurs through a mutually agreeable solution or by an order of the judge after an informal administrative conference. The unit approves or disapproves workers' compensation settlement agreements and attorney fee requests. Prehearing disputes related to the claim are resolved by order to facilitate final resolution of the claim. Those disputes which cannot be resolved are referred to the Office of Administrative Hearings for formal hearings. The adjudication process preserves the economic status of injured workers who are entitled to workers' compensation benefits.

**BUDGET ISSUES:**

In F.Y. 1998, the unit will be entering its first full year with redesigned work processes and imaging technology to better serve its customers. This includes immediate access to workers' compensation case files through imaging technology, a complete case tracking system, and more efficient use of clerical support staff time due to revised forms and collection of data. Most of these improvements will be made possible by carrying forward the unspent F.Y. 1997 imaging project funds as requested by the agency. There are no other budget issues for this activity.

**REVENUE:**

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC JUDICIAL SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,576	1,780	1,788	1,788	1,788	1,832	1,832	1,832
OPERATING EXPENSES	262	389	244	244	244	248	248	248
SUBTOTAL STATE OPERATIONS	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
TOTAL EXPENDITURES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
TOTAL EXPENDITURES	1,838	2,169	2,032	2,032	2,032	2,080	2,080	2,080
FTE BY EMPLOYMENT TYPE:								
REGULAR	36.0	36.0	35.0	35.0	35.0	35.0	35.0	35.0
TEMP/SEAS/PART_TIME	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
TOTAL FTE	37.3	37.3	36.2	36.2	36.2	36.2	36.2	36.2

**BUDGET ACTIVITY:** W.C. Vocational Rehabilitation  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Vocational Rehabilitation provides services to injured workers that assist in their return to work while minimizing the economic impact to all parties involved. State law stipulates that all injured workers have the right to select the qualified rehabilitation consultant (QRC) of their choice to obtain appropriate rehabilitation services. The program is designed to facilitate the return to work of employees when the employer/insurer denies responsibility for the injury. This activity serves 4 distinct groups of injured workers, including:

- primary liability denials, who are injured workers whose liability has been denied by an insurer and are referred to rehabilitation in accordance to statute;
- qualified employees, who are injured workers qualified to receive rehabilitation services paid by insurers;
- injured workers who have been suspended from rehabilitation services or are awaiting a determination concerning their eligibility for rehabilitation services.
- individuals who have had some aspect of their workers compensation claim denied and may require early intervention to assist with return to work issue resolution which results in return to work and minimization of cost to the individual, employer, and insurer.

The vocational rehabilitation unit QRCs provide a rehabilitation consultation per statutory requirement. Eligible persons participate in rehabilitation plan development with input from all parties. Plan services may include the following; job and worksite analysis, labor market analysis, employability analysis, vocational counseling, vocational testing, job development, job placement, on-the-job training, job-seeking skills training, analysis of transferable skills, referral to other agencies for related assistance and monitoring/coordination of medical and training services. Services are available statewide through permanent offices in Roseville, St. Cloud, Rochester, Duluth, Mankato, Fergus Falls, Bemidji, and Hibbing, and itinerate satellite locations.

In addition, the unit provides early intervention contact to persons denied benefits. All receive a letter and many a telephone contact, to resolve return to work issues before they expand to problem situations.

**BUDGET ISSUES:**

The agency plan will result in the following redesign and restructuring of the workers' compensation vocational rehabilitation activity. The activity will have its work processes evaluated and redesigned in order to effectively use the agency's computerized imaging technology. The imaging project will perform this work and facilitate the implementation of the redesigned work processes. Carrying forward the unspent F.Y. 1997 imaging project funds requested by the agency will make these improvements possible. Another budget issue involves a minor statutory change which the agency will be requesting regarding use of recovered QRC fees. Currently, the unit recovers approximately \$225,000 which is non-dedicated revenue; the funds are placed into the Special Compensation Fund to support the entire state workers' compensation system. The agency will be requesting a change

in law which will allow the vocational rehabilitation unit to dedicate these funds for return-to-work items. Examples of uses for these funds include placement activities, bus passes for the injured worker or even steel toed shoes for a new job. These services will facilitate the employee's employability which reduces the costs associated with workers' compensation.

**REVENUE:**

This activity generates non-dedicated revenue. Historically, the amount of fees collected for QRC services has been a small percentage of the total cost of the service. This is due to the fact that the agency's QRCs provide return-to-work assistance for injured people whose employer or insurer has denied liability for workers' compensation benefits. After much time and litigation, the claim is closed with a negotiated settlement for expenses associated with the file including the services provided by the QRC. Through increased marketing for qualified employees (those that are covered by a workers' compensation insurer or employer) and more aggressive negotiation strategies, the amount of revenue is expected to slightly increase in the next biennium. .

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC VOCATIONAL REHABILITATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,208	1,299	1,331	1,331	1,331	1,364	1,364	1,364
OPERATING EXPENSES	234	306	217	217	217	217	217	217
SUBTOTAL STATE OPERATIONS	1,442	1,605	1,548	1,548	1,548	1,581	1,581	1,581
PAYMENTS TO INDIVIDUALS	94	100	100	100	100	100	100	100
LOCAL ASSISTANCE	100	100	100	100	100	100	100	100
TOTAL EXPENDITURES	1,636	1,805	1,748	1,748	1,748	1,781	1,781	1,781
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	100	100	100	100	100	100	100	100
WORKERS COMPENSATION SPEC PMNT	1,536	1,705	1,648	1,648	1,648	1,681	1,681	1,681
TOTAL EXPENDITURES	1,636	1,805	1,748	1,748	1,748	1,781	1,781	1,781
<b>REVENUE COLLECTED:</b>								
NONDEDICATED:								
WORKERS COMPENSATION SPEC PMNT	227	300	300	300	300	300	300	300
TOTAL REVENUES COLLECTED	227	300	300	300	300	300	300	300
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
TOTAL FTE	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** W. C. Special Compensation Fund  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The Special Compensation Fund activity administers several agency workers' compensation responsibilities. The focus of this activity's work is:

- verification that employers have workers' compensation liability insurance and enforcement of compliance with the mandatory coverage requirements specified in statute;
- administration of workers' compensation claims for uninsured employers, bankrupt self-insured employers, asbestosis claims and recoveries of monies from uninsured employers and other sources;
- timely and accurate reimbursement of Supplementary and Second Injury Fund benefits to insurers; and
- provision of the Loggers Safety Educational Program (M.S. 176.130) through an intra-agency contract with Workplace Services Division's OSHA Consultation, ensures that all Minnesota loggers have the opportunity to obtain safety training. Through an assessment collected from the wood mills, funds are redistributed to logger employers upon their employees' completion of safety training.

Rehabilitation and Medical Affairs is a part of the Special Compensation Fund. This area:

- administers and certifies managed care organizations and rehabilitation providers;
- educates the public, providers, and users of these services on current issues within the field;
- performs professional conduct and accountability investigations for registered health care and rehabilitation providers; and
- provides the administration of the 2 statutory boards of the Rehabilitation Review Panel and the Medical Services Review Board. Both of these advisory groups provide expert policy advice, education, and an avenue to bring opinions about policy, rules or statute changes to the commissioner, vendors, the public, and groups with a special interest.

In addition, this activity assesses insurers and self-insured employers based on indemnity claim costs to support the administration of the workers' compensation program, to pay claims associated with uninsured employers, and to reimburse insurers for Supplementary and Second Injury claims.

**BUDGET ISSUES:**

The agency plan will result in the following improvements to the workers' compensation Special Compensation Fund activity:

- The acquisition, installation, and support of the computer claims management system currently used by the Department of Employee Relations (DOER). The DOER system will allow the

claims activity to operate more efficiently and provide better claims management decision making. This system was recommended in an independent external claims review report and is expected to cost \$100,000 for the biennium.

- Working with the new technology and improved business processes as a result of the final phase of the large imaging and reengineering project within the workers' compensation division. The Special Compensation Fund is one of the last units to be touched by the project, and improvements in the work flow, data, and information collection will be a positive results. The agency has requested that the unspent F.Y. 1997 imaging project funds be carried forward for completion of the work in the coming biennium.

**REVENUE:**

This activity generates non-dedicated revenue through assessments on insurers and self-insured employers, recoveries from uninsured employers and the assets of bankrupt self-insured employers, and payments from employers in lieu of dependency benefits in cases of work-related deaths of workers with no dependents, fees for the certification of Qualified Rehabilitation Consultants, and fees for the certification and monitoring of managed care organizations. The agency plans to slightly increase the fees associated with the certification of managed care organization to reflect a greater recovery of the costs of providing the service. The total amount of non-dedicated revenue is projected to decline in the next biennium due to the gradual drop in the amount of paid workers' compensation indemnity benefits. The agency collects a percentage of the indemnity base, and as the indemnity base decreases in size, the amount of revenue declines without an increase in the assessment rate. The non-dedicated revenue is projected with no change in the assessment rate.

This activity generates dedicated revenue which supports the Loggers Safety Educational Program.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC SPECIAL COMPENSATION FUND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,354	1,496	1,535	1,535	1,535	1,574	1,574	1,574
OPERATING EXPENSES	82,534	111,814	92,238	92,288	92,288	89,714	89,764	89,764
<b>SUBTOTAL STATE OPERATIONS</b>	<b>83,888</b>	<b>113,310</b>	<b>93,773</b>	<b>93,823</b>	<b>93,823</b>	<b>91,288</b>	<b>91,338</b>	<b>91,338</b>
<b>TOTAL EXPENDITURES</b>	<b>83,888</b>	<b>113,310</b>	<b>93,773</b>	<b>93,823</b>	<b>93,823</b>	<b>91,288</b>	<b>91,338</b>	<b>91,338</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
WORKERS COMP SPECIAL CLAIMS ADMIN		<b>WCS</b>		50			50	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>50</b>			<b>50</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	1,570	1,862	2,244	2,294	2,294	2,281	2,331	2,331
<b>OPEN APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	81,448	110,556	90,615	90,615	90,615	88,091	88,091	88,091
<b>STATUTORY APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	870	892	914	914	914	916	916	916
<b>TOTAL EXPENDITURES</b>	<b>83,888</b>	<b>113,310</b>	<b>93,773</b>	<b>93,823</b>	<b>93,823</b>	<b>91,288</b>	<b>91,338</b>	<b>91,338</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
WORKERS COMPENSATION SPEC PMNT	1,538	1,520	912	912	912	913	913	913
<b>NONDEDICATED:</b>								
WORKERS COMPENSATION SPEC PMNT	121,376	103,984	95,037	95,037	95,037	89,437	89,437	89,437
<b>TOTAL REVENUES COLLECTED</b>	<b>122,914</b>	<b>105,504</b>	<b>95,949</b>	<b>95,949</b>	<b>95,949</b>	<b>90,350</b>	<b>90,350</b>	<b>90,350</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC SPECIAL COMPENSATION FUND

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
TEMP/SEAS/PART_TIME	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	33.8	33.8	33.8	33.8	33.8	33.8	33.8	33.8

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Labor and Industry, Department of (DLI)  
**PROGRAM:** Workers' Compensation Division  
**ACTIVITY:** Special Compensation Fund

**ITEM TITLE:** Workers' Compensation Special Claims Administration

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
W.C. Special	\$50	\$50	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$100,000 from the Workers' Compensation Fund to purchase and modify a claims management system that provides for better claims management decision making and tracking of Special Compensation Fund claims.

**RATIONALE:**

The Workers' Compensation Reinsurance Association (WCRA) performed a comprehensive claims operation review in early 1996. WCRA is the sole workers' compensation reinsurance entity in Minnesota and provides independent best practice advice to many insurers.

The claims review report found; "The Fund's (Special Compensation Fund) computer system...is an extremely critical issue because, in its current form, it fails to efficiently and effectively support the claim-processing function, is not complete and does not maintain a centralized, easily accessible, and user friendly claims data base. Adoption of the DOER GenCom system seems to be the most viable of several options."

Currently, the Fund uses a system of runs created on a non-relational database created in 1981. The GenCom system currently utilized by another state claims unit operates efficiently and effectively for claims processing.

**PROGRAM OUTCOMES:**

By the end of the biennium, the Special Claims Unit will pay benefits in a timely and accurate manner in 98% of the cases it receives. The unit will also be able to decrease costs of the program from \$6.9 million (F.Y. 1996 unaudited) to \$5 million by F.Y. 1999.

**LONG-TERM IMPACT:**

The recommendation will result in an enhanced claims management system which will ensure efficient and equitable delivery of appropriate benefits to employees of uninsured employers.

Additional impacts will be made on recoveries of monies from uninsured employers.

Future system enhancements may increase the efficiency of reimbursement claims to insurance companies.

**BUDGET ACTIVITY:** W.C. Duluth Operations  
**PROGRAM:** Workers' Compensation Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The Workers' Compensation Division-Duluth office's goal is to provide the northeastern area of the state with all of the services found in the St. Paul office. The services are directed at preventing and resolving disputes in an effort to minimize the effects of an injury sustained by the worker, and decrease the overall costs of the workers' compensation system. The office is multi-functional with employees representing the following department units: Workers' Compensation Customer Assistance, Special Compensation Fund, Judicial Services, and Vocational Rehabilitation; and the Investigative Services Unit for fraud investigation. These units provide fast, fair and easy access to information about the workers' compensation law; neutral help in resolving disputes arising out of claims regarding medical, rehabilitation, and indemnity benefits; investigation and management of claims arising from uninsured employers, rehabilitation services through qualified rehabilitation consultants (QRC), and mandatory coverage. This office represents each of these units in a manner that is consistent with the practices of the St. Paul office.

**BUDGET ISSUES:**

The technology improvements and business process reengineering that was a result of the imaging project will be fully operational in the Duluth office by the beginning of F.Y. 1998. These improvements provide faster access to information regarding a workers' compensation case file, more accurate and timely information, and more reliable statistics. All of these improvements to the system are expected to result in better customer service which will minimize the costs of the workers' compensation system and the negative impacts of work-related injuries on employees and employers.

**REVENUE:**

The revenue which is generated by the Special Compensation Fund, Vocational Rehabilitation, and Investigative Services units is reflected in the narratives for those specific sections.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKERS' COMPENSATION DIVISION  
ACTIVITY: WC DULUTH OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	303	341	350	350	350	358	358	358
OPERATING EXPENSES	81	90	90	90	90	90	90	90
<b>SUBTOTAL STATE OPERATIONS</b>	<b>384</b>	<b>431</b>	<b>440</b>	<b>440</b>	<b>440</b>	<b>448</b>	<b>448</b>	<b>448</b>
<b>TOTAL EXPENDITURES</b>	<b>384</b>	<b>431</b>	<b>440</b>	<b>440</b>	<b>440</b>	<b>448</b>	<b>448</b>	<b>448</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	384	431	440	440	440	448	448	448
<b>TOTAL EXPENDITURES</b>	<b>384</b>	<b>431</b>	<b>440</b>	<b>440</b>	<b>440</b>	<b>448</b>	<b>448</b>	<b>448</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<b>TOTAL FTE</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>

**1998-99 Biennial Budget**

**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**PROGRAM DESCRIPTION:**

The Workplace Services Division works to prevent workplace injuries and illnesses, promote fair wages and working conditions, and assure a highly skilled and educated workforce. Activities of this program include: Apprenticeship; Labor Standards; Code Services; and Occupational Safety and Health Act (OSHA) Compliance/Consultation.

- Workplace Services works to prevent workplace injuries and illnesses through
  - OSHA enforcement and outreach
  - OSHA Consultation
  - Code enforcement of high pressure piping, boilers and pressure vessels, and inland boats for hire
- Workplace Services works to promote fair wages and working conditions through the office of Labor Standards enforcement of Minnesota Fair Labor Standards Act, Child labor laws, minimum and prevailing wages, lie detector law, fee employment and entertainment agencies laws.
- Workplace Services works to provide a highly skilled and educated workforce by establishing and registering apprenticeship training programs with Minnesota employers.

Issues: The agency enforces the laws and standards established to prevent workplace injuries and illnesses. The goal is to work toward voluntary compliance by providing more education and outreach which reduces the need for enforcement citations. This shifting emphasis will, over time, result in improved compliance.

**PROGRAM STATUS:**

The Workplace Services Division is focused on creating safe and productive workplaces. Two new programs introduced in F.Y. 1997 are designed to improve safety and health in the workplace through partnership with employers. They focus on employers who have a high rate of workplace injuries and illnesses. "Minnesota First" (MN First) targets larger employers through compliance inspections, while the Minnesota Safety and Health Achievement Recognition Program (MN SHARP) targets small employers through on-site consultation visits. Also, an emphasis is being placed on continuing to expand apprenticeship opportunities in non-traditional occupations, opening additional opportunities for women and minorities.

**PLANNED RESULTS:**

The agency budget plan will allow our performance measures to be achieved as follows:

- By putting greater emphasis on outreach and education, OSHA will effect a reduction in the lost workday incidence rate.
- Improved management of resources will result in 100% of boilers being inspected and 100% of high pressure piping and ammonia systems approved on final inspections.

- Women and people of color participating in apprenticeship programs will steadily increase.
- The division has made a variety of adjustments in its management structures including the use of new technology. This will continue to better serve current needs, and improve customer service and satisfaction.
- Minnesota OSHA will implement an effective outreach program on prevention of violence in the workplace.
- Labor Standards will implement new outreach initiatives while maintaining excellent customer phone service.

**BUDGET AND REVENUE SUMMARY:**

Summary of the agency plan is as follows:

- Increased funding for OSHA compliance and consultation from the W.C. Special Fund as follows:
  - a) An additional \$332,000 in F.Y. 1998 and \$536,000 in F.Y. 1999 in state matching funds will maximize the federal dollars available to Minnesota which require a state match and will provide for expansion of outreach, training and education programs and consultation to the public.
- Increased funding of \$62,000 in F.Y. 1998 and \$58,000 in F.Y. 1999 will allow the fee-supported code services unit to continue efforts to inspect more high-pressure piping systems each year.
- Funding from dedicated receipts from the Assigned Risk Safety Account will:
  - a) Continue funding for the labor-management program with the Bureau of Mediation Services at a reduced level of \$77,000 in F.Y. 1998 and \$73,000 in F.Y. 1999.
  - b) Provide funding to MN OSHA of \$95,000 in F.Y. 1998 and \$75,000 in F.Y. 1999 for an expanded outreach initiative in the area of workplace violence prevention.
- No change has occurred in the allocation of General Fund dollars to support the apprenticeship and labor standards units. This activity will continue efforts to improve the quality of services within the available funding level.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION

ACTIVITY RESOURCE ALLOCATION:	Est.		FY 1998			FY 1999		
	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
WORKPLACE SERVICES ADMIN	92	142	144	144	144	145	145	145
APPRENTICESHIP PROGRAMS	671	826	794	794	794	811	811	811
CODE ADMIN & INSPECTION SVS	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
LABOR STANDARDS	530	599	562	562	562	576	576	576
OCCUPATIONAL SAFETY & HEALTH	6,702	7,266	7,093	7,425	7,425	7,409	7,945	7,945
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>9,383</b>	<b>10,340</b>	<b>10,089</b>	<b>10,483</b>	<b>10,483</b>	<b>10,467</b>	<b>11,061</b>	<b>11,061</b>
AGENCY PLAN ITEMS:		FUND						
HIGH PRESSURE PIPING INSPECTION		GEN		62			58	
OSHA FEDERAL MATCHING FUNDS		WCS		332			536	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>394</b>			<b>594</b>	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,563	2,888	2,813	2,875	2,875	2,873	2,931	2,931
WORKERS COMPENSATION SPEC PMNT	2,388	3,678	3,126	3,458	3,458	3,186	3,722	3,722
OPEN APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT		200						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	92	142	144	144	144	145	145	145
FEDERAL	2,878	3,108	3,371	3,371	3,371	3,625	3,625	3,625
WORKERS COMPENSATION SPEC PMNT	1,451	304	623	623	623	626	626	626
AGENCY	11	20	12	12	12	12	12	12
<b>TOTAL EXPENDITURES</b>	<b>9,383</b>	<b>10,340</b>	<b>10,089</b>	<b>10,483</b>	<b>10,483</b>	<b>10,467</b>	<b>11,061</b>	<b>11,061</b>
FTE BY EMPLOYMENT TYPE:								
REGULAR	139.4	138.0	139.1	145.1	145.1	139.1	147.1	147.1
TEMP/SEAS/PART_TIME	1.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>TOTAL FTE</b>	<b>140.5</b>	<b>140.5</b>	<b>141.6</b>	<b>147.6</b>	<b>147.6</b>	<b>141.6</b>	<b>149.6</b>	<b>149.6</b>

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Workplace Services Administration  
**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Workplace Services administration guides and supports the programs offered by the 5 units within the division. This assures that the following programs meet the needs of employers and workers: occupational safety and health compliance and consultation; apprenticeship; inspection of boilers and high pressure piping systems and licensing those who inspect them; and labor standards rights and obligations for both parties in the employment setting. Administration leads this division in achieving new and innovative ways to regulate through penalties and education; in seeking higher levels of customer satisfaction; and in applying technology to more efficiently operate within the resources available. Three advisory councils provide formal links between the agency and the public, particularly labor and the industries the agency regulates.

**BUDGET ISSUES:**

The agency budget plan will result in minimal changes to this activity. The occupational safety and health programs rely on matching grants between the state and federal governments. Some division work processes will be reengineered to optimize use of the agency's technology investments. Anticipated results include better services to customers and improved data collection to manage and to report on program effectiveness. No additional funds are being requested for the biennium.

**REVENUE:**

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: WORKPLACE SERVICES ADMIN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	77	96	40	40	40	41	41	41
OPERATING EXPENSES	15	46	104	104	104	104	104	104
<b>SUBTOTAL STATE OPERATIONS</b>	<b>92</b>	<b>142</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>TOTAL EXPENDITURES</b>	<b>92</b>	<b>142</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	92	142	144	144	144	145	145	145
<b>TOTAL EXPENDITURES</b>	<b>92</b>	<b>142</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	.9	.9	1.0	1.0	1.0	1.0	1.0	1.0
TEMP/SEAS/PART_TIME	.2	.2	.2	.2	.2	.2	.2	.2
<b>TOTAL FTE</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

**BUDGET ACTIVITY:** Apprenticeship Programs  
**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The apprenticeship unit provides opportunities for individuals age 16 and older to be a part of an education/on-the-job training process in state approved, registered apprenticeship programs in a variety of high skill/high wage career areas. Through informational materials and presentations, this unit seeks out and registers business and industry sponsors for these apprenticeship programs. These individual sponsors are committed to national and state skill and education standards which have been developed for and by business and industry interests.

Over the past few years an emphasis has been placed on recruiting more women and people of color to participate in registered apprenticeship programs. This is done through brochures, handouts and a video. In addition, presentations to non-traditional audiences, utilizing tradeswomen who have attained the level of journey worker in their chosen occupation, have been equally successful. Marketing efforts to recruit employers as sponsors of apprenticeship programs are supported by current apprenticeship sponsors who are willing to share their stories about how and why they became involved in apprenticeship training.

The Labor Education Advancement Program (LEAP) became a part of the unit's responsibility in F.Y. 1996. This program provides grants to community based organizations (CBO's) to assist them in recruiting women and people of color for participation in registered apprenticeship programs.

**BUDGET ISSUES:**

The LEAP program assists grant recipients in recruiting women and people of color to access apprenticeship opportunities.

**REVENUE:**

No revenue is generated by this activity.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: APPRENTICESHIP PROGRAMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	421	474	486	486	486	498	498	498
OPERATING EXPENSES	46	148	104	104	104	109	109	109
<b>SUBTOTAL STATE OPERATIONS</b>	<b>467</b>	<b>622</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>607</b>	<b>607</b>	<b>607</b>
LOCAL ASSISTANCE	204	204	204	204	204	204	204	204
<b>TOTAL EXPENDITURES</b>	<b>671</b>	<b>826</b>	<b>794</b>	<b>794</b>	<b>794</b>	<b>811</b>	<b>811</b>	<b>811</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	656	802	767	767	767	783	783	783
<b>STATUTORY APPROPRIATIONS:</b>								
FEDERAL	15	24	27	27	27	28	28	28
<b>TOTAL EXPENDITURES</b>	<b>671</b>	<b>826</b>	<b>794</b>	<b>794</b>	<b>794</b>	<b>811</b>	<b>811</b>	<b>811</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	10.7	10.2	10.2	10.2	10.2	10.2	10.2	10.2
TEMP/SEAS/PART_TIME		.5	.5	.5	.5	.5	.5	.5
<b>TOTAL FTE</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Code Administration and Inspection Services  
**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Code Administration and Inspection Services functions are carried out by 2 functional areas — Boiler Inspection Services and High Pressure Piping Inspection Services. This unit examines and licenses boiler operators, boat pilots, pipefitters and pipefitting contractors. The unit also inspects boilers and the manufacturing and repair of boilers, boats for hire and high pressure piping systems. An exemption fee is charged when boilers are inspected by insurers. Permits are issued for the installation and construction of high pressure piping systems. Fees collected for the services provided are used to offset the cost for delivery of services.

**BUDGET ISSUES:**

The purpose of the unit's regulation activities is to promote public safety. The agency budget plan reflects a change in funding. The increase in funding is needed to employ 1 additional high pressure piping inspector. Revenue projections for services provided by this fee-supported unit are sufficient to cover the requested funding level increase.

**REVENUE:**

Fees collected for services provided are sufficient to cover cost for delivery of services. The unit's outreach and educational efforts have helped clientele understand the economic value of services provided. This awareness has contributed to an increase in request for construction and installation permits and the number of inspections that the unit must conduct. About 75% of the unit's revenue is collected by invoicing clientele for services provided.

This activity generates non-dedicated revenue from inspections, licensing of individuals working with boilers and high-pressure piping systems, and by issuing exemption certificates for boilers inspected by the insurance industry.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: CODE ADMIN & INSPECTION SVS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,061	1,156	1,185	1,232	1,232	1,215	1,262	1,262
OPERATING EXPENSES	327	351	311	326	326	311	322	322
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,388</b>	<b>1,507</b>	<b>1,496</b>	<b>1,558</b>	<b>1,558</b>	<b>1,526</b>	<b>1,584</b>	<b>1,584</b>
<b>TOTAL EXPENDITURES</b>	<b>1,388</b>	<b>1,507</b>	<b>1,496</b>	<b>1,558</b>	<b>1,558</b>	<b>1,526</b>	<b>1,584</b>	<b>1,584</b>
<b>AGENCY PLAN ITEMS:</b>								
								<b>FUND</b>
HIGH PRESSURE PIPING INSPECTION				62			58	GEN
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>62</b>			<b>58</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	1,388	1,507	1,496	1,558	1,558	1,526	1,584	1,584
<b>TOTAL EXPENDITURES</b>	<b>1,388</b>	<b>1,507</b>	<b>1,496</b>	<b>1,558</b>	<b>1,558</b>	<b>1,526</b>	<b>1,584</b>	<b>1,584</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	1,853	1,933	1,933	1,933	1,933	1,933	1,933	1,933
<b>TOTAL REVENUES COLLECTED</b>	<b>1,853</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	24.0	23.5	23.5	24.5	24.5	23.5	24.5	24.5
TEMP/SEAS/PART_TIME		.5	.5	.5	.5	.5	.5	.5
<b>TOTAL FTE</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>	<b>25.0</b>	<b>25.0</b>	<b>24.0</b>	<b>25.0</b>	<b>25.0</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Labor and Industry, Department of (DLI)  
**PROGRAM:** Workplace Services Division  
**ACTIVITY:** Code Administration and Inspection Services

**ITEM TITLE:** High Pressure Piping Inspection and Certification

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$62	\$58	\$58	\$58
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$120,000 and 1.0 position from the General Fund for inspection and certification of high pressure piping systems.

**RATIONALE:**

This budget activity is responsible for inspecting and approving the installation of ammonia and high pressure piping systems. Inspections for piping systems occur throughout their installation. They start with a consultation inspection with the contractor prior to the start of a project. Inspections for compliance with the state high pressure piping code continue throughout the installation process. The final inspection occurs at the end of the project to certify piping system for operation. The more complex piping systems are inspected more frequently during their installation. Less complex piping systems will typically have fewer inspections.

The demand for inspections increased over the past few years. One factor, causing this increase, was the legislative expansion in inspection responsibilities to include ammonia piping systems - which are increasingly being installed as part of refrigeration systems. Another factor was the effectiveness of the activity's education and outreach efforts at encouraging contractor compliance with the law - which assures piping systems are installed according to the state's Piping Code. A final factor was, and is, the building of several ethanol / alcohol production plants, 2 major co-generation power plants, and a major expansion at the Potlatch plant in Cloquet.

Contractors of expensive, complex high pressure piping systems expect frequent inspections during the installation phase of their projects. Their objective is to assure the state will certify the piping system for operation when they complete the project. They believe this expectation is reasonable considering the amount of the permit fee, which may range from \$5,000 to \$15,000, filed with the department.

This initiative seeks the addition of one high pressure piping inspector. Current inspectors each conduct an average of 400 inspections annually. One additional inspector would allow the department to conduct that many more inspections during the installation phase of the more complex ammonia and high pressure piping systems.

**PROGRAM OUTCOMES:**

The primary outcome of this initiative is more inspections of complex ammonia and high pressure piping systems as they are being installed. This initiative directly helps the department achieve its goal of assuring that high pressure piping and ammonia piping systems are installed according to the state's installation code. It will increase the average number of inspections conducted per ammonia and high pressure piping permits issued by the department.

**LONG-TERM IMPACT:**

The department will be able to more effectively assure that ammonia and high pressure piping systems are being installed and modified in accordance with the state's high pressure piping system code. The net result will be safe places for workers and the public to be and visit.

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**BUDGET ACTIVITY:** Labor Standards  
**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

The Labor Standards unit is responsible for outreach/education and enforcement of employment law in Minnesota. These statutes include: the Minnesota Fair Labor Standards Act, the Minnesota Child Labor Standards Act, the Prevailing Wage law, the Fee Employment Agency law, the Parental Leave law and other related employment laws. This unit also licenses fee employment agencies, search firms and entertainment agencies.

**BUDGET ISSUES:**

The Labor Standards unit plans to spend more time on outreach and education, as well as continues to be weighted down by responding to more than 70,000 phone calls/E-mails received annually. Restructuring data gathering and response formats will help to provide quality services despite limited resources.

**REVENUE:**

This activity generates non-dedicated revenue mainly from the licensing of fee employment agencies and search firms and the licensing and examining of fee employment agency counselors and managers. Approximately \$2,000 annually is generated from child labor and records fines.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: LABOR STANDARDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	459	448	460	460	460	470	470	470
OPERATING EXPENSES	71	151	102	102	102	106	106	106
<b>SUBTOTAL STATE OPERATIONS</b>	<b>530</b>	<b>599</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>576</b>	<b>576</b>	<b>576</b>
<b>TOTAL EXPENDITURES</b>	<b>530</b>	<b>599</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>576</b>	<b>576</b>	<b>576</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	519	579	550	550	550	564	564	564
<b>STATUTORY APPROPRIATIONS:</b>								
AGENCY	11	20	12	12	12	12	12	12
<b>TOTAL EXPENDITURES</b>	<b>530</b>	<b>599</b>	<b>562</b>	<b>562</b>	<b>562</b>	<b>576</b>	<b>576</b>	<b>576</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
AGENCY	12	12	12	12	12	12	12	12
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	61	61	60	60	60	59	59	59
<b>TOTAL REVENUES COLLECTED</b>	<b>73</b>	<b>73</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>71</b>	<b>71</b>	<b>71</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	9.4	9.4	10.4	10.4	10.4	10.4	10.4	10.4
TEMP/SEAS/PART_TIME	.8	.8	.8	.8	.8	.8	.8	.8
<b>TOTAL FTE</b>	<b>10.2</b>	<b>10.2</b>	<b>11.2</b>	<b>11.2</b>	<b>11.2</b>	<b>11.2</b>	<b>11.2</b>	<b>11.2</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Occupational Safety and Health Administration  
**PROGRAM:** Workplace Services Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**ACTIVITY DESCRIPTION:**

Minnesota's Occupational Safety and Health (OSHA) activity is made up of 2 distinct program efforts: OSHA Compliance and OSHA Consultation.

OSHA Compliance promotes and ensures safe and healthful working conditions for all Minnesota workers. It performs this activity by conducting inspections which identify hazard conditions, setting abatement dates to eliminate or control hazards, issuing citations and penalties to promote voluntary compliance, and investigating workplace fatalities and serious accidents to prevent their recurrence. Inspections are based on federal and state standards. Voluntary compliance with Minnesota Occupational Safety and Health standards is encouraged through staff outreach initiatives, providing information and technical assistance, and conducting seminars.

OSHA Consultation provides safety and health services at no cost to small employers who request assistance in understanding and voluntarily complying with the Minnesota Occupational Safety and Health Act. This activity assists employers and employees in implementing effective safety and health programs to prevent the occurrence of injuries and illnesses which may result from exposure to hazardous workplace conditions and hazardous work practices. The scope of services includes: 1) identifying safety and health hazards in workplaces; 2) successfully controlling or eliminating these hazards; 3) establishing or improving a workplace safety and health program; and 4) understanding all requirements of applicable federal (or state) law and implementing regulations. Technical assistance is also provided in standards interpretation. Other significant services include the following: Loggers Safety Education, Labor-Management Safety Committee, Safety Hazard Abatement Grants, and Workplace Violence Prevention.

■ **Loggers Safety Education**

OSHA Consultation administers the educational program for the loggers statute (M.S. 176.130) to ensure that all Minnesota loggers have the opportunity to obtain safety training. Through assessments collected from the wood mills, funds are redistributed to logger employers upon completion by their employees of safety training.

■ **Labor Management Safety Committee**

This program targets workplace safety consultation and inspections through the formal labor-management safety committee structure at the Bureau of Mediation Services (BMS). The BMS administers Minnesota's labor-management safety committee grant program. Continuation of this program will reinforce the importance of labor-management cooperation in workplace safety issues and will serve to help prevent workplace injuries for a number of high risk employers.

■ **Safety Hazard Abatement Grant Program**

The Assigned Risk Safety Fund was established to allow businesses to receive grant and loan monies to cover the cost of: 1) purchasing and installing recommended safety equipment; 2) operating/maintaining equipment; or 3) purchasing/renting real property, if necessary, to meet criteria established by on-site safety inspections.

■ **Workplace Violence Prevention**

Violence in the workplace is an emerging workplace safety issue. This special emphasis program is intended to help employers and employees deal with the increasing incidence of violence in the workplace. Minnesota must address this problem by developing common sense preventive measures and informing employers and employees on how to prevent violence and what to do when confronted with a potentially violent situation.

**BUDGET ISSUES:**

- OSHA Compliance receives up to 50% of its funding from the federal government. OSHA Consultation receives up to 90% of its funding from the federal government. Federal funds must be matched by state funds. The agency plan includes additional funding of \$332,000 for F.Y. 1998 and \$536,000 for F.Y. 1999 to match additional federal funding and will allow Minnesota to maximize use of available federal funds.
- The agency plan seeks authority to use dedicated receipts in the Assigned Risk Safety Account in the Special Compensation Fund to:
  - a. Continue funding for the labor-management program with the Bureau of Mediation Services at a reduced level of \$77,000 in F.Y. 1998 and \$73,000 in F.Y. 1999.
  - b. Provide funding to MN OSHA of \$95,000 in F.Y. 1988 and \$75,000 in F.Y. 1999 for an expanded outreach initiative in the area of workplace violence prevention.

**REVENUE:**

This activity generates non-dedicated revenue through penalties assessed on employers who are found to be out of compliance with OSHA standards. The dedicated receipts are deposited in the Assigned Risk Safety Account and are from penalties on employers and insurers for failure to initiate timely payments of benefits to claimants and to submit timely "First Reports of Injury" to the agency.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: OCCUPATIONAL SAFETY & HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	3,976	4,807	5,089	5,369	5,369	5,403	5,883	5,883
OPERATING EXPENSES	1,418	2,343	1,572	1,624	1,624	1,574	1,630	1,630
<b>SUBTOTAL STATE OPERATIONS</b>	<b>5,394</b>	<b>7,150</b>	<b>6,661</b>	<b>6,993</b>	<b>6,993</b>	<b>6,977</b>	<b>7,513</b>	<b>7,513</b>
LOCAL ASSISTANCE	1,308	116	432	432	432	432	432	432
<b>TOTAL EXPENDITURES</b>	<b>6,702</b>	<b>7,266</b>	<b>7,093</b>	<b>7,425</b>	<b>7,425</b>	<b>7,409</b>	<b>7,945</b>	<b>7,945</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
OSHA FEDERAL MATCHING FUNDS		WCS		332			536	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>332</b>			<b>536</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	2,388	3,678	3,126	3,458	3,458	3,186	3,722	3,722
<b>OPEN APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT		200						
<b>STATUTORY APPROPRIATIONS:</b>								
FEDERAL	2,863	3,084	3,344	3,344	3,344	3,597	3,597	3,597
WORKERS COMPENSATION SPEC PMNT	1,451	304	623	623	623	626	626	626
<b>TOTAL EXPENDITURES</b>	<b>6,702</b>	<b>7,266</b>	<b>7,093</b>	<b>7,425</b>	<b>7,425</b>	<b>7,409</b>	<b>7,945</b>	<b>7,945</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
WORKERS COMPENSATION SPEC PMNT	4	10	620	620	620	620	620	620
<b>NONDEDICATED:</b>								
WORKERS COMPENSATION SPEC PMNT	2,142	2,100	2,100	2,100	2,100	2,100	2,100	2,100
<b>TOTAL REVENUES COLLECTED</b>	<b>2,146</b>	<b>2,110</b>	<b>2,720</b>	<b>2,720</b>	<b>2,720</b>	<b>2,720</b>	<b>2,720</b>	<b>2,720</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: WORKPLACE SERVICES DIVISION  
ACTIVITY: OCCUPATIONAL SAFETY & HEALTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	94.4	94.0	94.0	99.0	99.0	94.0	101.0	101.0
TEMP/SEAS/PART_TIME	.1	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	94.5	94.5	94.5	99.5	99.5	94.5	101.5	101.5

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Labor and Industry, Department of (DLI)  
**PROGRAM:** Workplace Services Division  
**ACTIVITY:** Occupational Safety and Health Administration

**ITEM TITLE:** Occupational Safety and Health Federal Matching Funds

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
W.C. Special	\$332	\$536	\$536	\$536
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$868,000 and 5.0 positions in F.Y. 1998 and 7.0 positions in F.Y. 1999 from the Workers' Compensation Special Fund to match federal OSHA grants.

**RATIONALE:**

The 1997 federal budget for OSHA consultation and compliance program has been approved. It acknowledges that Minnesota has been under funded in comparison to other states. The matching grant programs blend state and federal monies. Consultation is 10% state funds matched by 90% federal funds. The compliance activity is matched with 50% from each source.

These matching fund grants, which support the agency's long-term move towards compliance through education, exceed original estimates for funding support from the federal level. This initiative will provide employers who request it, assistance in understanding and voluntarily complying with Minnesota Occupational Safety and Health standards. Consultation activities help small, high-hazard employers to prevent or reduce the occurrence of injuries and illnesses which may result from workplace conditions or practices. Technical assistance is also provided in standard compliance inspections.

Compliance programs exist to assure safe and healthful working conditions for all Minnesota workers. Program staff conduct inspections, issue citations and penalties, and investigate workplace fatalities and accidents based on federal and state standards. Technical assistance and education are provided to assist employers in achieving the economies of a safe workplace.

**PROGRAM OUTCOMES:**

While OSHA compliance and consultation have the same goal, each activity uses different means to reach the desired outcomes. High-hazard industry employers are a priority for inspection in compliance. Inspections are scheduled for employers which have had four or more lost work time injury claims for workers' compensation with the past 12 months or for employers who are in a high hazard standard industrial classification based on Bureau of Labor Statistics injury and illness statistics. Citing violations and penalizing employers are tools used to meet the goal of sustained safety in the working environment. Consultation services provide non-enforcement safety and health consultation services at no cost to requesting employers and provide training and education for employers. Small employers in high-hazard industries, who might not otherwise have assistance in their efforts to reduce human and financial costs of job-related injuries and illnesses, are specifically given the highest priority.

Overall, the goal is to increase the number of inspections and consultation visits with voluntary compliance as the measure of success. Outreach efforts and effective education — in both compliance and consultation — are geared to reduce the number of workplace injuries, illnesses and deaths.

**LONG-TERM IMPACT:**

A successful effort will result in a steady decline of workplace injury, illness and death. Employers and workers who are better educated and knowledgeable about the elements of safety will contribute to making this happen. The agency must deliver training that responds to changes in Federal OSHA standards as the state must equal or exceed the effectiveness of the federal program. Technological advancements in the workplace require future-oriented planning. Advancements in machines and equipment can also create new hazards — mechanical parts that need to be guarded or covered to prevent accidental employee contact; switches that must be accessible to employees but guarded from unintentional activation; and computer workstations that place the employee in the same position for long periods of time. These and others must be addressed as issues of health and safety in Minnesota workplaces. If employers and workers are fully aware of the hazards and know how to mitigate them, we will see the human and financial costs of operations decrease.

**PROGRAM:** General Support Division  
**AGENCY:** Labor and Industry, Department of (DLI)

**PROGRAM DESCRIPTION:**

The General Support Division provides agency-wide human resources and accounting support; research on workers' compensation, workplace safety, and other employment issues, legal services to internal agency customers; information technology services and support, communication services; investigation of workers' compensation fraud; and agency administration. The functions of this activity allow other agency programs and activities to achieve their stated goals and objectives in a timely, efficient manner.

**PROGRAM STATUS:**

As a result of the imaging project for workers' compensation, the department's direction for information technology is set for the future. The Chief Information Officer is leading an activity focused on developing, managing, and supporting the agency's information resources and technology. The information technology services activity is developing expertise around the imaging system and client server technology.

As a result of the consolidation of investigative functions into the department's investigative services activity, the quantity and quality of investigations into alleged employers uninsured for workers' compensation rose significantly. Penalty income from uninsured employers also rose considerably from previous years because of a more formal, efficient investigative process. The agency publicly announces referrals of alleged workers' compensation fraud for prosecution in an effort to discourage fraud and to encourage people to report suspected workers' compensation fraud. Some investigations of initial uninsured workers' compensation claims are being conducted by investigative personnel as part of a pilot experiment with the Special Compensation Fund.

The agency consolidated research and analysis functions into a single unit and transferred primary workers' compensation education to the workers' compensation division. The analytical functions of the research and education activity were combined with the Bureau of Labor Statistics function into the new research and statistics activity. As a result of funding provided in the 1995 workers' compensation reform law, analysis of Minnesota's workers' compensation system improved. The agency's annual safety report was expanded to cover more safety and workers' compensation information. A request from the University of Minnesota for a research database on carpal tunnel syndrome and on employer safety programs was fulfilled. The agency now produces an annual report on Minnesota's workers' compensation system. Analyses of several aspects of Minnesota's workers' compensation system were started, including a study of workers' compensation settlement agreements and defense attorney fees.

**PLANNED RESULTS:**

The agency budget plan will allow the reported performance measures from the 1996 Agency Performance Report to be accomplished or accelerated as follows:

- By F.Y. 2000, the investigative services activity will increase the referral rate of workers' compensation fraud cases to 25%. Fraud cases developed by the unit are referred to county attorneys for prosecution. In F.Y. 1996, the department referred approximately 11% of workers' compensation fraud cases to the county attorneys throughout the state.

- Actual outcome measures for many agency activities will be presented in the 1998 Agency Performance Report because the information technology and reporting necessary to make this reporting possible will be installed and operational.

**BUDGET AND REVENUE SUMMARY:**

This program has a base level of funding budget. The base includes a 2.5% inflationary adjustment each year for salary compensation.

The agency needs to build on the success of its imaging project which has transformed Labor and Industry's information technology. The agency must end its dependence on a 15-year old mainframe computer system, make its systems year 2000 compliant, and assure it will be able to respond to technological changes into the future. An investment in technology would significantly improve the computing environment for the agency's apprenticeship, code administration and inspection services, labor standards, and occupational safety and health administration activities. These units would be provided with the tools to fulfill their goals and objectives more effectively because they would have the necessary information to make better decisions.

The dedicated revenue generated by this activity comes from indirect cost earned on federal grants.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels as requested in the agency's plan and further recommends a biennial increase of \$130,000 and 1.0 position from the General Fund and \$1,800,000 and 3.0 positions from the Workers' Compensation Special Compensation Fund to complete the agency's migration from the mainframe computer to new client server technology and to assure compliance with the year 2000 event. The Information Policy Office in the Department of Administration reviewed and recommended approval of this project.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: GENERAL SUPPORT DIVISION  
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	3,344	3,640	3,692	3,692	3,923	3,789	3,789	4,020
OPERATING EXPENSES	3,199	3,262	3,106	3,106	4,008	3,159	3,159	3,725
<b>SUBTOTAL STATE OPERATIONS</b>	<b>6,543</b>	<b>6,902</b>	<b>6,798</b>	<b>6,798</b>	<b>7,931</b>	<b>6,948</b>	<b>6,948</b>	<b>7,745</b>
<b>TOTAL EXPENDITURES</b>	<b>6,543</b>	<b>6,902</b>	<b>6,798</b>	<b>6,798</b>	<b>7,931</b>	<b>6,948</b>	<b>6,948</b>	<b>7,745</b>
<b>GOV'S INITIATIVES:</b>								
(B) TECHNOLOGY INITIATIVE					71			59
(B) TECHNOLOGY INITIATIVE					1,062			738
<b>TOTAL GOV'S INITIATIVES</b>					<b>1,133</b>			<b>797</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	1,023	1,075	1,066	1,066	1,137	1,081	1,081	1,140
WORKERS COMPENSATION SPEC PMNT	3,912	4,567	4,366	4,366	5,428	4,417	4,417	5,155
<b>OPEN APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	872	413	413	413	413	413	413	413
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	195	306	360	360	360	401	401	401
FEDERAL	541	541	593	593	593	636	636	636
<b>TOTAL EXPENDITURES</b>	<b>6,543</b>	<b>6,902</b>	<b>6,798</b>	<b>6,798</b>	<b>7,931</b>	<b>6,948</b>	<b>6,948</b>	<b>7,745</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	409	448	504	504	504	546	546	546
FEDERAL	3,329	3,657	3,964	3,964	3,964	4,261	4,261	4,261
<b>NONDEDICATED:</b>								

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR AND INDUSTRY DEPT  
PROGRAM: GENERAL SUPPORT DIVISION  
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
GENERAL	10	1	1	1	1	1	1	1
WORKERS COMPENSATION SPEC PMNT	1	2	2	2	2	2	2	2
TOTAL REVENUES COLLECTED	3,749	4,108	4,471	4,471	4,471	4,810	4,810	4,810
FTE BY EMPLOYMENT TYPE:								
REGULAR	77.6	75.5	72.5	72.5	76.5	72.5	72.5	76.5
TEMP/SEAS/PART_TIME	.7	.7	.7	.7	.7	.7	.7	.7
TOTAL FTE	78.3	76.2	73.2	73.2	77.2	73.2	73.2	77.2

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Labor and Industry, Department of (DLI)  
**PROGRAM:** General Support Division  
**ACTIVITY:** Information Technology Services

**ITEM TITLE:** Information Technology Investments

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund	\$71	\$59	\$-0-	\$-0-
W.C. Special	\$1,062	\$738	\$188	\$188
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial appropriation of \$130,000 and 1.0 position from the General Fund and \$1,800,000 and 3.0 positions from the Workers' Compensation Special Fund to complete the agency's migration from the mainframe computer to new client server technology and to comply with the year 2000 event. The Information Policy Office of the Department of Administration has reviewed and recommended approval of this technology project.

**RATIONALE:**

Building on the success of the department's imaging project, this initiative continues the transformation of Labor and Industry's information technology. It ends the department's dependence on a 15-year old mainframe computer system, makes the department's systems year 2000 compliant, and assures the agency can respond to technological changes into the future. Among the specific elements of this initiative are:

- additional permanent personnel (3) necessary to provide the department's programs essential services as technology changes and programs' information needs change - including the provision of technical training to current and new employees, maintenance of hardware and software investments, and modifying and writing management reports and computer applications to help programs achieve their goals and objectives;
- the completion of the migration from MAPPER (mainframe computer) to Informix data base and a client server computer architecture which includes the one-time expenditure for software and development tools, additional hardware, training for staff, and consultant assistance and a methodology; and
- temporary programmer analyst to complete projects within Code Administration and Inspection Services to improve data collection, create new databases, and develop programs to support management decision-making.

This initiative significantly improves the computer environment for the department's apprenticeship, code administration and inspection services, labor standards, and occupational safety and health administration activities. It will enable them to fulfill their goals and objectives more effectively because the necessary information will be available for decisions to be made.

**PROGRAM OUTCOMES:**

Every agency activity and their customers benefits from this initiative. Necessary management information will be available to managers and agency personnel to manage their programs. Performance measures for some workers' compensation activities and most Workplace Services Program activities are dependent on this investment in technology.

**LONG-TERM IMPACT:**

This initiative will complete the realignment of DLI's computing environment to meet Information Policy Office standards, comply with the Year 2000 event, and enable this agency to share data and information more easily with other agencies and organizations.

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**1998-99 BIENNIAL BUDGET**

**PROGRAM STRUCTURE**

**AGENCY: Mediation Services, Bureau of (BMS)**

**PROGRAM**

**PAGE**

**MEDIATION SERVICES**

**E-267**

Representation/Mediation  
Co-op Labor Management Non-Grants  
BMS Workshops/Seminars

**CO-OP LABOR MANAGEMENT PROGRAMS**

**E-272**

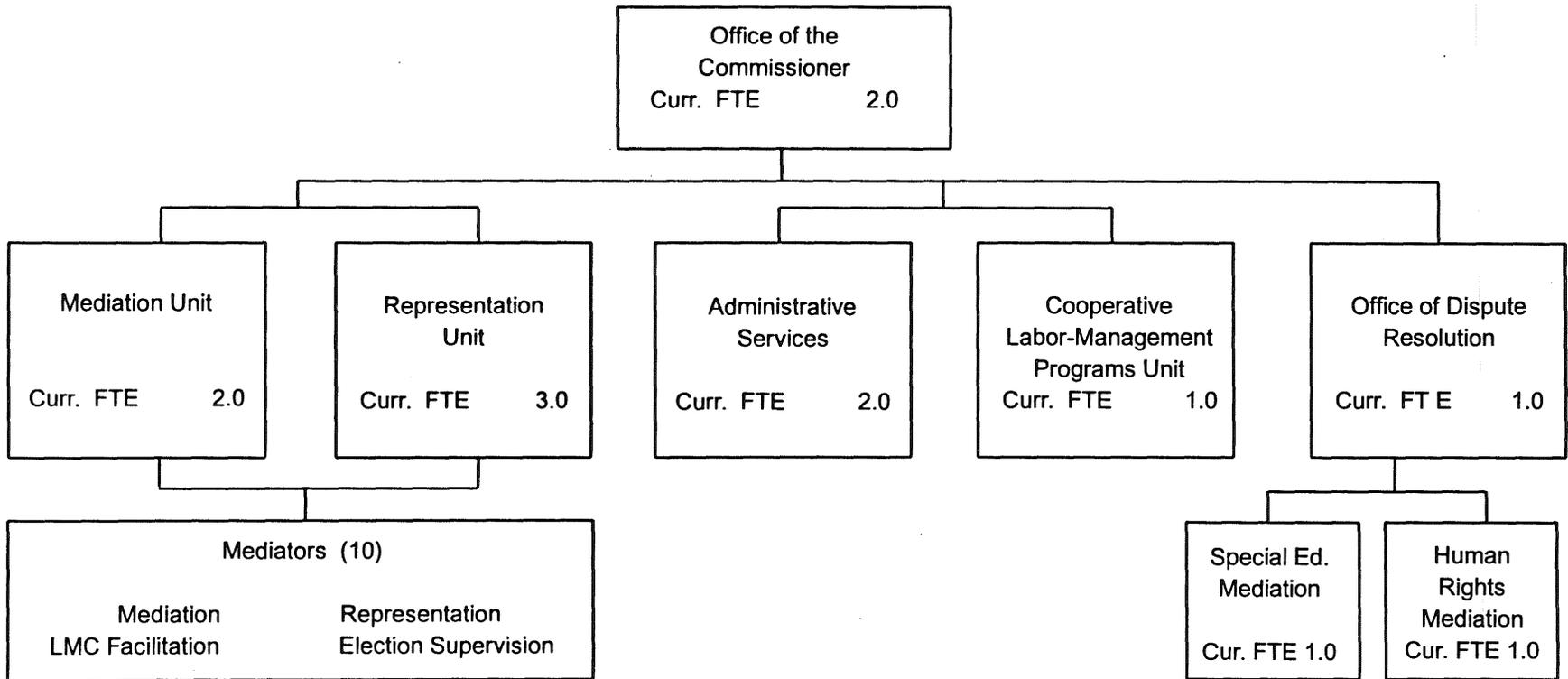
Co-op Labor Management Grants

**OFFICE OF DISPUTE RESOLUTION**

**E-276**

Office of Dispute Resolution

**BUREAU OF MEDIATION SERVICES**  
**Organizational Chart 7/1/96**



Total FTE Employees: 23

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Mediation Services, Bureau of (BMS)

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$1,823	\$1,823	\$3,646
<b><u>BASE ADJUSTMENT</u></b>			
Documented Rent/Lease Inc	3	3	6
F.Y. 1997 Salary Supplement	56	56	112
1998-99 Salary Inflation	<u>34</u>	<u>67</u>	<u>101</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$1,916</b>	<b>\$1,949</b>	<b>\$3,865</b>
<b><u>Governor's Initiatives</u></b>			
Information Management Systems	\$40	\$20	\$60
Area LMC Grants	80	80	160
Dispute Resolution Staffing	<u>25</u>	<u>25</u>	<u>50</u>
<b><u>GOVERNOR'S RECOMMENDATION</u></b>	<b>\$2,061</b>	<b>\$2,074</b>	<b>\$4,135</b>

**Brief Explanation of Agency Plan:**

The agency will maintain current service levels and, to the extent possible, provide increased technical assistance in training, interest-based collective bargaining facilitation, labor-management cooperation programs and alternative dispute resolution.

Demands for our services continue to grow, becoming more diverse and labor-intensive. For example, clients are seeking more technical assistance in training programs and other activities related to joint labor-management cooperative programs. Increased use of interest-based collective bargaining procedures also illustrate the type of change that is occurring in labor relations.

To respond to these constructive developments we must further prioritize services; improve the Bureau's management information system; train parties to become more skilled in preventing/resolving labor disputes; and retaining experienced, competent BMS staff.

**Affected Statutes:**

None.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan. In addition, the Governor recommends 3 relatively small expenditure increases that will yield significant benefits to client organizations and the state as a whole: 1) improved data systems; 2) increased support for Area Labor-Management Committees; and 3) administrative support for the Office of Dispute Resolution.

**AGENCY:** Mediation Services, Bureau of (BMS)

**AGENCY DESCRIPTION:**

The mission of the Bureau of Mediation Services (BMS) is to improve the quality and character of Minnesota's labor-management relationships so that labor disputes are kept to a minimum and constructive relationships contribute to economic development of Minnesota. The statutory responsibilities of the BMS are established in M.S. 179, and 179A.

The BMS achieves its mission by:

- Assisting labor and management in resolving collective bargaining and contract grievance disputes.
- Resolving issues of union representation and bargaining structure.
- Maintaining rosters of qualified arbitrators.
- Supporting, facilitating, and training area and worksite Labor-Management Cooperation committees.
- Providing technical training and information to labor relations practitioners, arbitrators, professional associations, and other employer/employee representatives.
- Through the Office of Dispute Resolution, assisting public agencies to resolve non-labor related disputes without litigation via mediation, group facilitation, and training.

The agency's 3 program areas are: Representation/Mediation, Labor-Management Cooperative Programs, and Office of Dispute Resolution (ODR).

The primary clientele of the BMS include trade unions and labor organizations, employers (public, non-profit, and private), public officials, arbitrators, and related professional organizations.

**AGENCY ISSUES:**

Labor relations in Minnesota is experiencing significant change. Employers and unions are:

- Increasingly turning toward interest-based collective bargaining procedures (a new, less adversarial model for collective bargaining);
- Seeking new ways to increase employee participation in decisions affecting the workplace;
- Expanding the use of worksite-based joint labor/management committees;
- Increasing the usage of mediation in grievance disputes; and
- Addressing difficult, emerging issues at the bargaining table, such as drug testing and compliance with new anti-discrimination laws.

These developments, along with statutory changes and mandates of Minnesota labor laws and continued consolidation/reorganization of governmental agencies and jurisdictions, have a significant impact on the Bureau of Mediation Services.

**AGENCY STRATEGIES:**

The agency budget plan proposes to accomplish the following:

- Timely, competent mediation services for contract negotiation disputes.
- Encouraged usage of mediation of grievance disputes. This will complement other labor-management cooperation efforts and also assist the parties in developing skills to prevent disputes or to settle a greater proportion of them without third party intervention.
- Timely, competent union representation and unit determination decisions.
- Management of the increased demand for technical assistance in labor-management cooperation programs.
- Initiation of pro-active skill building and informational training programs for employers and labor unions.
- Maintenance of a roster of qualified neutral arbitrators for referral to employers and unions in response to interest and grievance disputes.
- Encouraged use of and assistance with alternative dispute resolution opportunities by public agencies/jurisdictions to avoid unnecessary and costly litigation.

**REVENUE SUMMARY:**

BMS generated revenue is approximately \$2,600 (less than 2% of a fiscal year budget). Specific sources of revenue and their amounts are as follows:

1. Arbitrator renewal applications: \$2,500
2. Fair share challenge fee: \$ 100

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan. In addition, the Governor recommends 3 General Fund initiatives for the 1998-99 biennium:

- \$60,000 to improve information management systems,
- \$160,000 to expand the Cooperative Labor-Management Grants program,
- \$50,000 for administrative support of the Dispute Resolution program.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MEDIATION SERVICES	1,445	1,692	1,611	1,611	1,651	1,644	1,644	1,664
CO-OP LABOR MANAGEMENT GRANTS	222	222	222	222	302	222	222	302
OFF OF DISPUTE RESOLUTION	250	314	294	294	319	294	294	319
TOTAL EXPENDITURES BY PROGRAM	1,917	2,228	2,127	2,127	2,272	2,160	2,160	2,285
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,748	1,982	1,916	1,916	2,061	1,949	1,949	2,074
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	168	244	211	211	211	211	211	211
GIFT	1	2						
TOTAL EXPENDITURES	1,917	2,228	2,127	2,127	2,272	2,160	2,160	2,285
FTE BY EMPLOYMENT TYPE:								
REGULAR	21.9	21.7	21.8	21.8	22.8	21.8	21.8	22.8
TOTAL FTE	21.9	21.7	21.8	21.8	22.8	21.8	21.8	22.8

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
CAMBRIDGE DEPOSIT FUND	3	3	3	3	3	3	3	3
<b>OTHER SOURCES:</b>								
GENERAL	5							
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>DEDICATED RECEIPTS:</b>								
<b>GRANTS:</b>								
SPECIAL REVENUE	81	151	151	151	151	151	151	151
<b>OTHER REVENUES:</b>								
SPECIAL REVENUE	56	60	60	60	60	60	60	60
<b>TOTAL DEDICATED RECEIPTS</b>	<b>137</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>
<b>AGENCY TOTAL REVENUES</b>	<b>145</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>	<b>214</b>

**1998-99 Biennial Budget**

**PROGRAM:** Representation/Mediation  
**AGENCY:** Mediation Services, Bureau of (BMS)

**PROGRAM DESCRIPTION:**

The Representation/Mediation Program has the agency's basic functions of regulating the formal relationships between private and public employers and employee organizations and assisting them through mediation to resolve contract and grievance disputes. The program has the following activities:

- **Mediation:** Providing mediation service to labor and management to assist in resolving contract and grievance disputes
- **Representation:** This activity is charged with resolving all issues concerning union representation, questions of bargaining unit structure, independent review, and fair share fee challenges. This is accomplished through investigations, settlement conferences, and hearings.
- **Elections:** Supervise and conduct union representation, contract ratification, and union democracy elections.
- **Arbitration:** Maintain rosters of qualified arbitrators and distribute panels of arbitrators to employers and employee organizations.
- **Labor Management Cooperation:** Promoting, training and facilitating cooperative worksite labor-management committees and councils.

**PROGRAM STATUS:**

The Bureau expects that petitions for mediation of collective bargaining disputes and grievances will increase as the forces of the economy and funding decisions by all levels of government put greater economic pressures on public sector management and unions. In an effort to mitigate the effects of conflict inherent in the collective bargaining process parties are increasingly seeking less adversarial methods to resolve their disputes. Collaborative approaches, such as interest-based collective bargaining are very labor intensive. The Bureau's challenge will be to encourage the use of such techniques and to deliver the necessary mediation and training services at current funding and staffing levels.

Representation activities are affected by levels of union activity, changes in statute, and governmental reorganization. Union activity, particularly intra-union challenges, have increased during the last biennium. Recent amendments to the PELRA have resulted in increased numbers of petitions for clarification of appropriate units, as well as increases in unit severance petitions. In addition, when the Public Employment Relations Board was abolished in 1992, the Bureau assumed responsibility for handling "Independent Review," which under the PELRA, provides that public employees who have no right to neutral review of grievances may present such disputes to the BMS. Governmental reorganization, school district consolidations, and the creation of the new Minnesota State Colleges and University System resulted in about 1/3 more petitions in F.Y. 1995-96.

Absent significant changes in statute, the demand for arbitration list referrals is expected to remain relatively stable. Recent legislation requires more detailed, easier to access record-keeping concerning performance of arbitrators on the Bureau roster.

Worksite Labor-Management Committees, which are trained and facilitated by the agency, will continue to grow as the clients recognize the need for more constructive relationships, which are more cost effective and result in enhanced services to the public.

**OUTCOMES: WORKLOAD INDICATORS**

	F.Y. <u>1990</u>	F.Y. <u>1991</u>	F.Y. <u>1992</u>	F.Y. <u>1993</u>	F.Y. <u>1994</u>	F.Y. <u>1995</u>	F.Y. <u>1996</u>
<b>MEDIATION</b>							
Petitions Received:							
PUBLIC	627	406	789	434	696	399	602
PRIVATE	200	232	282	203	261	305	230
Meetings Held:	1253	1104	1727	1171	1412	1187	1360
<b>Intent to Strike Notices</b>							
Filed (Public):	31	8	20	18	13	26	15
<b>Number of Strikes:</b>							
Public	4	3	3	3	1	0	1
*Private	1	1	1	0	0	0	0
<b>*BMS jurisdiction</b>							
<b>REPRESENTATION</b>							
Petitions Received:	414	392	469	445	423	435	616
Hearings held:	96	77	82	123	83	75	84
Elections Conducted:	50	68	70	75	93	65	67
<b>ARBITRATION LISTS</b>							
<b>REFERRED</b>							
BMS Grievance:	382	382	612	650	628	667	680
BMS Interest:			55	61	57	75	50
Teacher Discharge:			13	10	12	9	10
<b>LABOR-MANAGEMENT</b>							
<b>Worksite Committees</b>							
Assigned to BMS							
Mediator:	19	34	38	46	52	61	80
LMC Meetings Held:	111	228	442	515	553	540	458
<b>SUMMARY OF STATISTICS</b>							
*Total Meetings Held:	1,460	1,409	2,251	1,809	2,048	1,802	1,902
Average No. Of Mediation Staff (FTE):	8	9.5	11	10	10	7.5	9.5
Average No. Of Meetings Per Mediator:	183	148	205	181	205	240	200

\*Includes mediation, representation, LMC

**PROGRAM:** Representation/Mediation

**AGENCY:** Mediation Services, Bureau of (BMS)

(Continuation)

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**PLANNED RESULTS:**

The agency will extend its labor management dispute resolution services in the areas of Interest-Based Collective Bargaining, Training, LMC and Grievance Mediation within current budget. This will be accomplished through increased skill building of professional staff and the use of modern communications and database technology to improve the efficiency of resource allocation.

In order to address these increased demands for services in representation at current funding levels the agency has undertaken greater efforts at settling issues without hearings, increased use of technology, and prioritization of cases.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES DEPT  
PROGRAM: MEDIATION SERVICES

ACTIVITY RESOURCE ALLOCATION:	Est.		FY 1998			FY 1999		
	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
CO-OP LABOR-MGMT NON-GRANTS	76	93	98	98	98	99	99	99
REPRESENTATION MEDIATION	1,367	1,583	1,508	1,508	1,548	1,540	1,540	1,560
BMS WORKSHOPS/SEMINARS	2	16	5	5	5	5	5	5
TOTAL EXPENDITURES BY ACTIVITY	1,445	1,692	1,611	1,611	1,651	1,644	1,644	1,664
GOV'S INITIATIVES:		FUND						
(B) INFORMATION MANAGEMENT SYSTEMS		GEN			40			20
TOTAL GOV'S INITIATIVES					40			20
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,443	1,676	1,606	1,606	1,646	1,639	1,639	1,659
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2	16	5	5	5	5	5	5
TOTAL EXPENDITURES	1,445	1,692	1,611	1,611	1,651	1,644	1,644	1,664
FTE BY EMPLOYMENT TYPE:								
REGULAR	19.7	19.7	19.8	19.8	19.8	19.8	19.8	19.8
TOTAL FTE	19.7	19.7	19.8	19.8	19.8	19.8	19.8	19.8

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Mediation Services, Bureau of (BMS)  
**PROGRAM:** Representation/Mediation  
**ACTIVITY:**

**ITEM TITLE:** Information Management Systems

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$40	\$20	\$15	\$15
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a \$60,000 biennial appropriation to the Commissioner of Mediation Services to cover costs of modernizing the Bureau's information management systems.

**RATIONALE:**

Building a modern information management system and tapping the power of on-line information distribution is one way the Bureau plans to meet statutory and client demands for increased service with limited budget resources. The database structure has remained unchanged since the late 1980s. During this period the agency has added the Labor-Management Cooperation program, Interest Based Collective Bargaining, and increased and formalized its training function. The current database is not designed to track these programs. In addition, much of the information the Bureau now distributes by US mail and facsimile could be made available more easily at less cost through the Internet. Information about modern labor-management techniques such as Worksite Labor-Management committee's, Conflict Resolution Training, and Interest Based Collective Bargaining can be made more widely available and enhanced using this method. The current agency computer system is not configured for this job. Rapidly changing technology requires constant oversight and updating. Currently the Bureau has neither the financial nor the human resources to support this task. Accordingly, this request includes funds to address system analysis and implementation as well as ongoing maintenance and updating.

**PROGRAM OUTCOMES:**

Integration of a more automated case scheduling system should result in more efficient use of mediation staff, thereby increasing our capacity to meet the growing demand for grievance mediation services and technical labor-relations training.

Updated information systems will enhance staff research and analysis of precedential BMS decisions. This will enhance consistency of BMS orders and decrease the time required for representation orders to be issued.

Automation of routine information requests will facilitate dissemination of information and free staff time for other activities regarding hearings, mediations and training.

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**1998-99 Biennial Budget**

**PROGRAM:** Labor-Management Cooperative Grant Program  
**AGENCY:** Mediation Services, Bureau of (BMS)

**PROGRAM DESCRIPTION:**

It is the goal of the agency through the Minnesota Area Labor-Management Grant Program to provide matching funds to Area or Industry Labor-Management Councils (ALMC). The ALMC's objective is to assist labor and management in reducing the incidence of conflict in the collective bargaining process and to foster the establishment of a labor-management collaborative partnership. Activities of this program are:

- Grants: provide matching fund grants for the establishment, training, and support of ALMC.
- Resources: assisting ALMC in providing member unions and employers with training and aiding in the establishment of work-site Labor-Management Cooperation (LMC) committees.
- Training: supporting ALMC in conducting geographic area or industry specific training programs.
- Economic Development: supporting ALMC in their overall activities which help provide a Labor-Management environment conducive to the expansion of business in Minnesota.

This program activity is affected by the following factors:

- Labor and management's innovative means and techniques to solve collective bargaining issues on a long-term basis.
- use of ALMC as a means of addressing and solving issues relating to issues of the economy, health care, and worker productivity.

**PROGRAM STATUS:**

Since 1988, the agency has been involved in the establishment and support of 11 ALMC's. These ALMC's, in turn, assisted in the development of worksite committees, conducted educational programs, and supported other projects which emphasize labor-management cooperation on a geographic or industry level.

Following is a historical summary of Area Labor-Management Grant awards:

	<u>Grant Amount</u>	<u>No. of Grants</u>		<u>Grant Amount</u>	<u>No. of Grants</u>
1986	\$ 50,000	2	1992	\$234,000	7
1987	\$ 50,000	2	1993	\$234,000	8
1988	\$162,500	5	1994	\$222,000	8
1989	\$187,500	6	1995	\$222,000	9
1990	\$191,813	6	1996	\$222,000	10
1991	\$204,000	6			

**PLANNED RESULTS:**

The agency budget plan will meet the following performance outcome indicators:

- Continued support of the expanding programs and services of the current ALMC's through the Minnesota Area Labor-Management Grant Program.
- Establish a campaign to encourage additional ALMC's in geographic areas of the state where the councils do not exist or where the LMC process is underutilized.
- Work with the ALMC's to expand the number and scope of worksite activities and educational/training programs.
- Establish uniform training programs for ALMC's in conjunction with overall BMS training.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES DEPT  
PROGRAM: CO-OP LABOR MANAGEMENT GRANTS  
ACTIVITY: CO-OP LABOR MANAGEMENT GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	222	222	222	222	302	222	222	302
TOTAL EXPENDITURES	222	222	222	222	302	222	222	302
GOV'S INITIATIVES:								
								FUND
(B) AREA LMC GRANTS INCREASE					80			GEN
TOTAL GOV'S INITIATIVES					80			80
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	222	222	222	222	302	222	222	302
TOTAL EXPENDITURES	222	222	222	222	302	222	222	302
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL		5						
TOTAL REVENUES COLLECTED		5						
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Mediation Services, Bureau of (BMS)  
**PROGRAM:** Labor-Management Cooperative Grants  
**ACTIVITY:**

**ITEM TITLE:** Area LMC Grants

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$80	\$80	\$80	\$80
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$160,000 for the biennium from the General Fund to expand the Labor Management Cooperative Grants program.

**RATIONALE:**

Since the inception of the labor-management cooperative grant program, the number of recipients has continued to grow. Since 1993 the increase has been from 7 to 10 in number. Funding, however, has decreased 6% from a high of \$238,000 per year to \$222,000 per year. In spite of the decrease, services have expanded in the areas with the training and facilitation of worksite labor-management committees, educational programs, research projects, conferences, and economic development. The "seed" money is matched almost 2:1 by local labor and management organizations. In 1995, the state's \$222,000 leveraged a \$618,000 investment on their parts. Clearly, these grants serve as an effective spur to additional revenue generation. The councils continue to provide unique service, with a number of them being one-of-a-kind councils throughout the country. These include the Twin Cities Hospital Labor-Management Council, the Retail Foods Industry Labor-Management Council (LMC), and the Labor-Users-Contractors Council.

One of the key objectives of this initiative is to establish labor-management councils in areas of the state which are currently not represented. While the Twin Cities area, Duluth/Superior, the Iron Range, and central and southeastern Minnesota have these councils, southwestern and northwestern sections of the state do not. Additional funds would provide the seed to establish LMC's in these locations.

The administration of these grants and proposals could also contain performance or incentive provisions which could assure full compliance with proposals and provide an impetus for completion of specific projects.

Enhancements to the grant program under consideration are as follows:

- Provide a specific set aside amount for start-up funds.
- Better, more timely and pertinent training.
- Develop a School/Unemployment to Work program - a committee whose purpose is to help track and focus those entering the labor market and those in need of change into new ways of training/education (such as mentorship) and into new employment areas.
- Establish an Economic Development Council - a consortium of labor-management organizations to support and promote a statewide labor/management economic development strategy. This would be an attempt to merge all elements, including labor in the economic development area.

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**1998-99 Biennial Budget**

**PROGRAM:** Office of Dispute Resolution  
**AGENCY:** Mediation Services, Bureau of (BMS)

**PROGRAM DESCRIPTION:**

This program provides neutral third-party services to public agencies to resolve non-labor disputes in a timely, cost-efficient manner without resorting to litigation. Activities are:

- Mediation: mediating disputes involving one or more public agencies.
- Facilitation: facilitating large group and public meetings of an informational, fact-finding, policy development, or regulatory nature.
- Training: sponsoring training projects to improve the conflict management skills of public employees, administrators, and elected officials.
- Dispute Resolution system design: designing dispute resolution procedures for specific agencies to assist them in managing recurring disputes.

The issues associated with these activities are:

- Competing demands for greater efficiency and greater public participation require public agencies to deal with controversial issues in a more timely, forth-right, and collaborative manner.
- There is growing support for programs that improve employee skills and sensitivity in dealing with conflict in schools and the workplace as a means of reducing frustration and violence.
- Mediation has grown in popularity as a preferred manner of resolving many types of disputes and state and federal laws frequently specify its use and/or the use of the services of this Office.
- The implementation of laws protecting the rights of the elderly, the disabled, or the disadvantaged result in increased numbers of conflict situations suitable for settlement through mediation.

**PROGRAM STATUS:**

The Office of Dispute Resolution (ODR) was created in 1985 and became a division of the Bureau of Mediation Services in 1993. This division deals with a broad range of disputes not related to collective bargaining and provides services to public agencies, at all levels, throughout Minnesota. Services are provided on request, by referral or under contract. Through an interagency agreement with the Minnesota Department of Children, Families and Learning, the Office manages a statewide program to assist parents and school districts in resolving disputes involving children with special education needs. This program includes disputes under Parts B and H of the Individuals with Disabilities Education Act (IDEA) and under Section 504 of the Rehabilitation Act of 1973. Interagency agreements are also in effect with the Department of Human Rights to mediate disputes involving charges of discrimination and with the STAR program and the Department of Employee Relations to mediate cases between state agencies and their employees involving accommodations under the Americans with Disabilities Act. The Office is currently working with the Departments of Human Services and Economic Security to develop a program to mediate disputes related to the formation and operation of "collaboratives" of school districts, county human services and social services agencies and local public health boards.

The general revenue budget supports the director and a portion of the administrative expenses of the office at approximately the 1991 level. Other programs are funded entirely with state or federal funds through interagency agreements. Registration fees offset the cost of training programs. The Office is served by the Bureau's personnel and fiscal staff, but has no clerical support at its Centennial Building location.

**OUTCOMES: WORKLOAD INDICATORS:**

This program measures its outcomes by the use of the following data:

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
<b>Training</b>					
Training Seminars Held	5	5	6	5	9
<b>Mediation</b>					
Public Policy Cases	5	6	12	5	6
Special Education Cases	-0-	19	11	16	42
Human Rights Cases	-0-	-0-	-0-	-0-	47
ADA Cases	-0-	-0-	-0-	-0-	2
Facilitation Cases	9	9	9	9	12
<b>Other Projects</b>					
Work	2	13	6	16	20
Shops/Presentations	1	2	2	-0-	-0-
Conferences Sponsored	50	80	100	125	200
Requests for Information	1	1	1	2	3
Interagency Agreements					

**PLANNED RESULTS:**

The agency budget plan will meet the following performance outcome indicators:

- Continuing F.Y. 1996-97 levels of service for general fund activities.
- Providing interest-based negotiation training to public employees and elected officials.
- Increasing the number of special education mediations.
- Continuing the human rights and ADA pilot mediation programs at current levels.

**BUDGET AND REVENUE SUMMARY:**

This program is affected by increasing demands for service. A slight increase in contractual funding is expected to support the growing special education mediation program. It is unclear if continued funding will be available to support the human rights and ADA mediation programs. The direct cost of training seminars are funded from participant registration fees.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES DEPT  
PROGRAM: OFF OF DISPUTE RESOLUTION  
ACTIVITY: OFF OF DISPUTE RESOLUTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	149	165	172	172	197	172	172	197
OPERATING EXPENSES	101	149	122	122	122	122	122	122
<b>SUBTOTAL STATE OPERATIONS</b>	<b>250</b>	<b>314</b>	<b>294</b>	<b>294</b>	<b>319</b>	<b>294</b>	<b>294</b>	<b>319</b>
<b>TOTAL EXPENDITURES</b>	<b>250</b>	<b>314</b>	<b>294</b>	<b>294</b>	<b>319</b>	<b>294</b>	<b>294</b>	<b>319</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) ADMINISTRATIVE SUPPORT POSITION		GEN			25			25
<b>TOTAL GOV'S INITIATIVES</b>					<b>25</b>			<b>25</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	83	84	88	88	113	88	88	113
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	166	228	206	206	206	206	206	206
GIFT	1	2						
<b>TOTAL EXPENDITURES</b>	<b>250</b>	<b>314</b>	<b>294</b>	<b>294</b>	<b>319</b>	<b>294</b>	<b>294</b>	<b>319</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	137	206	206	206	206	206	206	206
<b>TOTAL REVENUES COLLECTED</b>	<b>137</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>206</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	2.2	2.0	2.0	2.0	3.0	2.0	2.0	3.0
<b>TOTAL FTE</b>	<b>2.2</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Mediation Services, Bureau of (BMS)  
**PROGRAM:** Office of Dispute Resolution  
**ACTIVITY:**

**ITEM TITLE:** Staffing

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$25	\$25	\$25	\$25
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_\_ No \_\_\_\_

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$50,000 for the biennium from the General Fund to support on 1.0 full-time clerical position to enhance administration of the Office of Dispute Resolution.

**RATIONALE:**

Growing public agency interest in timely and less costly alternatives to litigation has increased the demand for neutral third-party services provided by the Office of Dispute Resolution. Management of the special education, human rights, and ADA mediation programs has increased the professional office staff from 1 to 3. Currently, these staff perform all of their own word processing, mailing, ordering of supplies, scheduling, etc. due to the lack of budget for clerical support. This initiative requests funds to support one clerical position to improve the efficiency of the Office.

**PROGRAM OUTCOMES:**

- More efficient response to requests for service. The office receives hundreds of requests for brochures and other information from individuals and public agencies interested in using our services. Often, the response to these requests is delayed due to the need to perform other responsibilities within time lines set by law.
- Less professional staff time devoted to ordering clerical duties. Currently, a minimum of 15% of the professionals' staff time is spent copying material, preparing, and mailing case-specific materials to participants in mediation, developing forms and descriptive brochures, preparing presentation materials, determining mediator availability, registering participants in training sessions, ordering supplies, entering evaluation information into a database, and other activities that could be done by clerical personnel.

- Increased ability to further expand services without adding professional staff. By reducing the time spent on clerical duties, the existing professional staff will be able to handle the growing number of requests for service in the existing public policy, special education, human rights, and ADA mediation programs along with planned new initiatives such as the mediation of disputes involving Family Services Collaboratives and Community-Based Collaboratives.

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AGENCY: Workers' Compensation Court of Appeals

**AGENCY DESCRIPTION:**

The Workers' Compensation Court of Appeals has been established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided by M.S. Ch. 175.A and 176.

The court consists of 5 judges appointed by the Governor and confirmed by the state Senate. The Governor designates a chief judge from among the judges, who has responsibility for the administration of the court. The court performs an appellate function reviewing decisions of the Worker's Compensation Divisions of the Department of Labor and Industry and of the Office of Administrative Hearings. The principal objective is to deliver services as expeditiously as possible while maintaining the integrity and expertise of the judicial decision-making function. The judges review the evidentiary record created by the initial decision-making body; preside over oral arguments; conduct necessary legal research; decide the issues; and issue appropriate written orders, decisions and memoranda. Decisions are written to inform the court's clientele of the basis of the decisions and to create a body of law pertaining to workers' compensation issues. Decisions of this court are appealable directly to the Minnesota Supreme Court.

Clients served by the court include injured workers, employers, insurance companies, attorneys, medical and rehabilitation providers, the Minnesota Supreme Court, Department of Labor and Industry, and the Office of Administrative Hearings.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

The primary factors influencing program policy and service delivery continue to be the number of work-related injuries sustained by Minnesota employees and the extent of litigation in such matters. Related factors include safety at the workplace, new legislative and administrative enactments, insurance and rising medical costs, economic conditions, etc.

**GOALS AND OBJECTIVES:**

The court's primary goal is to produce quality decisions on a timely basis in order to: provide for the quick and efficient delivery of indemnity and medical benefits to injured workers at a reasonable cost to employers; provide economic stability for injured workers and their families in financial crises due to work-related illnesses and injuries; provide for timely cure and treatment of work-related illnesses and injuries; help provide a competitive business climate for Minnesota employers; and, provide direction and motivation for employers to have safe and healthy work environments for employees.

It is the court's objective to continue its current high level of productivity and maintain the quality of its services during the coming biennium.

**REVENUES:**

None.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The court is committed to achieving the goals and objectives stated above with its base level of funding adjusted for inflation at 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999. In order to meet all

estimated obligations, it will be necessary to achieve salary savings which can be realized through attrition (no layoffs are anticipated) and/or to reduce discretionary spending in the areas of education and training, computer system development, and capital equipment.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: WORKERS COMP COURT OF APPEALS  
PROGRAM: WORKERS COMP CT OF APPEALS  
ACTIVITY: WORKERS COMP CT OF APPEALS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,124	1,157	1,235	1,235	1,235	1,266	1,266	1,266
OPERATING EXPENSES	215	347	229	229	229	232	232	232
<b>SUBTOTAL STATE OPERATIONS</b>	<b>1,339</b>	<b>1,504</b>	<b>1,464</b>	<b>1,464</b>	<b>1,464</b>	<b>1,498</b>	<b>1,498</b>	<b>1,498</b>
<b>TOTAL EXPENDITURES</b>	<b>1,339</b>	<b>1,504</b>	<b>1,464</b>	<b>1,464</b>	<b>1,464</b>	<b>1,498</b>	<b>1,498</b>	<b>1,498</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
WORKERS COMPENSATION SPEC PMNT	1,339	1,504	1,464	1,464	1,464	1,498	1,498	1,498
<b>TOTAL EXPENDITURES</b>	<b>1,339</b>	<b>1,504</b>	<b>1,464</b>	<b>1,464</b>	<b>1,464</b>	<b>1,498</b>	<b>1,498</b>	<b>1,498</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	20.7	20.7	22.2	22.2	22.2	22.2	22.2	22.2
<b>TOTAL FTE</b>	<b>20.7</b>	<b>20.7</b>	<b>22.2</b>	<b>22.2</b>	<b>22.2</b>	<b>22.2</b>	<b>22.2</b>	<b>22.2</b>

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

AGENCY: WORKERS COMP COURT OF APPEALS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	1,382	1,382			1,382	1,382		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	60	60			60	60		
1998-99 COMPENSATION INFLATIO	30	61			30	61		
DOC SPACE RENT/LEASE INCR/DEC	<10>	<9>			<10>	<9>		
SMALL AGENCY S & E INFLATION	2	4			2	4		
SUBTOTAL BASE ADJ.	82	116			82	116		
BASE LEVEL	1,464	1,498			1,464	1,498		

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AGENCY: Labor Interpretive Center (LIC)

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

**AGENCY DESCRIPTION:**

The Labor Interpretive Center (LIC), a public corporation of the state (M S Ch 138A 01-138A 06), created in 1985 and governed by a board of directors, celebrates, interprets and illuminates for the public at large the contributions of all workers in Minnesota to the ongoing Minnesota story. Through changing exhibits, theatrical plays, seminars, forums, conferences, art shows, lectures and all-media presentations, the Center will carry its program statewide. It will be based in a thoroughly rehabilitated East Building of the old Science Museum in St. Paul's Cultural Corridor. Scheduled for construction in 1999, the LIC, through its multifaceted program will portray Minnesota workers in their varied roles in the building of the state and examine contemporary issues facing the contemporary and ever-changing world of work.

**REVENUES:**

None.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

1. Enabling the permanent staff of 2 to be involved in the design and program of the LIC as it moves from pre-construction to construction phases and from a temporary to permanent home.
2. Complete the building design so construction can begin in 1999.
3. Oversee and monitor the construction of the Center in 1999.
4. Plan, design and oversee the construction of the initial exhibits.
5. Continue the development of a statewide program to make the purpose and program of the LIC better known to the people of Minnesota and to visitors to the state.
6. Advance the teaching of the much neglected subject of workers and the world of work in the history of Minnesota.

With adequate funding from bonding funds already approved by the Governor and Legislature now available to complete the building design and select an architect through a national competition, this budget is needed to successfully carry forward the LIC's program during this pre-construction period and into the construction phase.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

This budget requests funds necessary to support a full-time staff of 2 to plan, guide and oversee the design and construction of the LIC's building and carry on its existing program. It supports the full-time of 2, Executive Director and Office Manager, to provide the governing board and staff with the necessary expertise to complete this pre-construction phase, funds to lease and operate a temporary facility, design the initial exhibits for the Center and oversee their construction and make the purpose and program of the LIC known to the people of the state and visitors to Minnesota.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: LABOR INTERPRETIVE CENTER  
PROGRAM: LABOR INTRPRIVE CTR  
ACTIVITY: LABOR INTRPRIVE CTR

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	41	78	113	113	113	116	116	116
OPERATING EXPENSES	61	127	94	94	94	98	98	98
<b>SUBTOTAL STATE OPERATIONS</b>	<b>102</b>	<b>205</b>	<b>207</b>	<b>207</b>	<b>207</b>	<b>214</b>	<b>214</b>	<b>214</b>
<b>TOTAL EXPENDITURES</b>	<b>102</b>	<b>205</b>	<b>207</b>	<b>207</b>	<b>207</b>	<b>214</b>	<b>214</b>	<b>214</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	101	205	207	207	207	214	214	214
<b>STATUTORY APPROPRIATIONS:</b>								
GIFT	1							
<b>TOTAL EXPENDITURES</b>	<b>102</b>	<b>205</b>	<b>207</b>	<b>207</b>	<b>207</b>	<b>214</b>	<b>214</b>	<b>214</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GIFT	2	3	3	3	3	3	3	3
<b>TOTAL REVENUES COLLECTED</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	1.0	1.5	2.0	2.0	2.0	2.0	2.0	2.0
<b>TOTAL FTE</b>	<b>1.0</b>	<b>1.5</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

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

AGENCY: LABOR INTERPRETIVE CENTER

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	203	203	200	200	3	3		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	2	2	2	2				
1998-99 COMPENSATION INFLATIO	1	4	1	4				
SMALL AGENCY S & E INFLATION	4	8	4	8				
SUBTOTAL BASE ADJ.	7	14	7	14				
BASE LEVEL	210	217	207	214	3	3		

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AGENCY: Public Utilities Commission

**AGENCY DESCRIPTION:**

The mission of the Minnesota Public Utilities Commission (Commission) is to create and maintain a regulatory environment that ensures safe, efficient and reliable utility services at fair and reasonable rates for citizens of Minnesota under M.S. 216A, 261B, and 237.

To achieve this end, the Commission, in its role as a legislative and quasi-judicial body, conducts investigations, holds hearings, prescribes rules and issues orders regarding the provision of electric, gas, and telephone services in Minnesota. The Commission seeks to ensure that utility and telephone services properly promote the security and convenience of the public, that rates are just and reasonable, that proper accounts are maintained, and that the provision of these vital services promote the public interest.

The clientele for this program includes all investor-owned electric and gas utilities, one electric cooperative association, investor-owned telephone companies, and all ratepayers for these entities. The Commission has limited authority over municipal utilities, cooperative associations generally, and independent telephone companies.

**REVENUES:**

This activity generates non-dedicated revenue. Nearly all of the Commission's costs are recovered through fees assessed against utility companies for statutorily defined regulatory services provided to them by the Commission. Direct costs result from work activity created by a specific company or specified group of companies; indirect costs are general in nature. Direct costs are assessed to only the company requesting the service; indirect costs are allocated to all companies in the industry on the basis of gross operating revenues (GOR). Direct costs are subject to a cap of 2/5th of 1% of gross operating revenues; indirect costs vary: for energy companies, 1/6th of 1% of GOR; for telephone companies, 1/8th of 1% of GOR.

This activity also generates dedicated revenue:

1. The Telephone Assistance Plan (TAP) is funded by a monthly surcharge of \$0.06 per access line collected by local exchange telephone companies from Minnesota's telephone subscribers. The funds are used to provide a telephone service credit of \$3.50 per month to low-income Minnesotans who are senior or disabled.
2. Utilities are billed for the Commission's cost of balloting telephone exchanges that have petitioned for Extended Area Service (EAS).
3. Utilities are billed for administrative hearing costs for contested cases before the Commission.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

The Governor's Office and the Legislative Commission on Employee Relations, acting under authority provided in M.S. 15A.081, approved an annual salary increase from \$54,288 to \$60,000 for the 5 commissioners of the Commission effective 7-1-96. The total increase in cost to the agency resulting from this adjustment is \$35,000.

Although these salary increases were warranted, they came at a cost; viz., forbearing from additional staff resources authorized as part of the agency's previous biennial budget for new Commission responsibilities under the *Federal Telecommunications Act of 1996* and the *Minnesota Telecommunications Act of 1995*.

**WORKLOAD/EFFICIENCY MEASUREMENTS:**

Minnesota has one of the lowest cost regulatory structures of all the states. In 1994-95, the last period for which comparison data is available, the Minnesota Commission ranked 6th in terms of number of companies subject to its jurisdiction, but 44th in terms of total budget; approximately \$11 million less than the average for all state commissions and nearly \$8.5 million less than the average for states with comparable population sizes. In addition, the average staff size of commissions in comparably sized states is nearly 4 times that of the Commission. Also during the 1994-95 period, the Commission ranked lowest in terms of expenditures per capita. Even if these expenditure figures for the commission were doubled, Minnesota's ranking for overall expenditures would still be among the lowest in the nation.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The base includes a 2.5% increase each year for salary compensation. The agency plan includes an increase of \$35,000 each year for salary increases approved for the 5 commissioners in F.Y. 1997.

Three special revenue fund activities (Administrative Hearings, Extended Area Service, and the Telephone Assistance Program) are expected to remain relatively constant or increase slightly over the biennium.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC UTILITIES COMM  
PROGRAM: PUBLIC UTILITIES COMM  
ACTIVITY: PUBLIC UTILITIES COMM

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,555	2,820	2,765	2,800	2,800	2,833	2,868	2,868
OPERATING EXPENSES	781	1,628	972	972	972	978	978	978
SUBTOTAL STATE OPERATIONS	3,336	4,448	3,737	3,772	3,772	3,811	3,846	3,846
LOCAL ASSISTANCE	2,137	2,161	2,212	2,212	2,212	2,254	2,254	2,254
TOTAL EXPENDITURES	5,473	6,609	5,949	5,984	5,984	6,065	6,100	6,100
AGENCY PLAN ITEMS:								
AGENCY HEAD SALARY INCREASE FUNDING								
				35			35	
TOTAL AGENCY PLAN ITEMS				35			35	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,171	3,997	3,291	3,326	3,326	3,365	3,400	3,400
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2,302	2,612	2,658	2,658	2,658	2,700	2,700	2,700
TOTAL EXPENDITURES	5,473	6,609	5,949	5,984	5,984	6,065	6,100	6,100
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	2,126	2,316	2,392	2,392	2,392	2,471	2,471	2,471
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	3,773	3,937	4,079	4,114	4,114	3,642	3,677	3,677
TOTAL REVENUES COLLECTED	5,899	6,253	6,471	6,506	6,506	6,113	6,148	6,148

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC UTILITIES COMM  
PROGRAM: PUBLIC UTILITIES COMM  
ACTIVITY: PUBLIC UTILITIES COMM

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	48.1	49.6	47.9	47.9	47.9	47.9	47.9	47.9
TEMP/SEAS/PART_TIME	2.2	2.1	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL FTE	50.3	51.7	49.4	49.4	49.4	49.4	49.4	49.4

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

AGENCY: PUBLIC UTILITIES COMM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	5,877	5,919	3,219	3,219	2,658	2,700		
BASE ADJUSTMENTS								
1998-99 COMPENSATION INFLATIO	67	135	67	135				
DOC SPACE RENT/LEASE INCR/DEC	5	11	5	11				
SUBTOTAL BASE ADJ.	72	146	72	146				
BASE LEVEL	5,949	6,065	3,291	3,365	2,658	2,700		

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Public Service, Department of (DPS)

PROGRAM

TELECOMMUNICATIONS

PAGE

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WEIGHTS AND MEASURES

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INFORMATION AND OPERATIONS MANAGEMENT

E-310

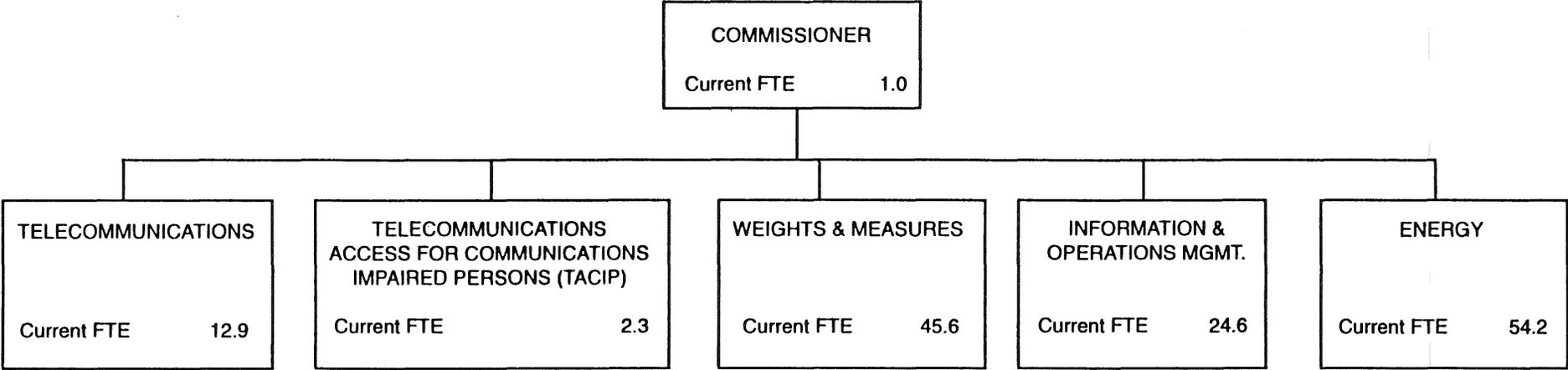
ENERGY

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TELECOMMUNICATIONS ACCESS FOR COMMUNICATIONS IMPAIRED PERSONS (TACIP)

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# Department of Public Service Organization Chart as of 7/1/96



June 30, 1996 FTE Employees: 131.5

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Public Service, Department of

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$8,763	\$8,763	\$17,526
<b><u>BASE ADJUSTMENT</u></b>			
1998-99 Compensation Inflation	151	308	459
Doc. Space Rent/Lease	<u>34</u>	<u>45</u>	<u>79</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	\$8,948	\$9,116	\$18,064
<b><u>AGENCY DECISION ITEMS</u></b>			
W&M Petroleum Calibration	<u>60</u>	<u>-0-</u>	<u>60</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	\$9,008	\$9,116	\$18,124
<b><u>GOVERNOR'S INITIATIVES</u></b>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	\$9,008	\$9,116	\$18,124

**Brief Explanation of Agency Plan:**

The plan calls for a \$60,000 increase in the Weights and Measures Program for F.Y. 1998. The request is to purchase two volumetric standards, a platform to support the standards, a water purification system to prevent discharge of petroleum products into the sewer system, and a water testing system. The reason for this purchase is safety and pollution prevention.

**Revenue Summary:**

The proposed \$60,000 for Weights and Measures equipment will not increase fees. The cost of this purchase will be recovered by the Petroleum Inspection Fee. The fee currently recovers costs.

**Affected Statutes:**

None

**Governor's Recommendation:**

The Governor concurs with the agency's plan.

AGENCY: Public Service, Department of (DPS)

**AGENCY DESCRIPTION:**

The mission of the Minnesota Department of Public Service (DPS) is to provide public regulatory leadership for Minnesota consistent with the goals of enhancing the environment and quality of life. As a consumer protection agency, we accomplish this goal through developing, advocating and implementing equitable and economically efficient policies regarding energy, telecommunications and standards for weights and measures, and providing education, information and programs to the public.

The department is organized into 5 programmatic areas: 1) Telecommunications; 2) Weights and Measures; 3) Energy; 4) Information and Operations Management; and 5) Telecommunications Access for Communication Impaired Persons (TACIP).

The department is chiefly responsible for enforcing and administering state policies regarding the evaluation of public utilities rates and services, the conservation of energy, the standardization of weights and measures, and providing telecommunications access for communications impaired persons. While Minnesota Statutes assign to the Public Utilities Commission (PUC) legislative and quasi-judicial functions related to utilities regulations, they charge the department with enforcing relevant statutes and commission orders providing for the regulation of electric, natural gas, and telephone companies. Among other things, the department reviews the effects of changing utility rates; advocates for the public interest in rate, merger and service hearings before the PUC; administers equipment distribution programs and telephone relay service programs to make the Minnesota telephone network fully accessible to deaf, hard of hearing and communications impaired persons; collects and analyzes energy statistics; establishes standards for energy efficiency in homes and other buildings and promotes energy conservation and planning to the general public. The department also represents the interests of Minnesotans by intervening before bodies and agencies outside the state that make, interpret or implement national or international energy policy.

In addition, the department has supervision and control over all weights, weighing and measuring devices in the state. M.S. 239.01. The weights and measures program inspects and tests weights and measures against state and national standards in order to ensure accuracy and prevent unfair or deceptive dealings. Statutes also direct the department to inspect and test petroleum products sold in the state and to encourage, by means of posted notices, the recycling of used motor oil and lead acid batteries. M.S. 239.011, subd.1 sections 239.75-239.80.

By assuming the roles identified above, the agency is placed in a rather unique position. On one hand, it must serve the consumer by engaging in advocacy, education and protection activities. On the other, to ensure adequate telecommunications and energy supplies to the consumer, it must also ensure providers of these services have the resources to maintain and improve their infrastructure. To carry out this mission of protecting the public interest, the department:

- investigates, analyzes and advocates in all telephone, natural gas and electric utility rate, service, and merger or acquisition proceedings, Integrated Resource Plans (IRP), competitive-bidding proceedings, and certificate-of-need proceedings;
- enforces all Minnesota PUC orders;
- investigates, analyzes and advocates in all gas and electric Conservation Improvement Plan (CIP) filings;

- provides assistance to resolve complaints between utilities and customers;
- intervenes and advocates in telephone and electric utility service-territory disputes;
- provides forums for telephone and energy policy discussions;
- administers the Minnesota Telecommunications Relay Service and Equipment Distributions program for communication impaired persons;
- conducts research and evaluation on demand-side energy management efforts and potential;
- operates, maintains, updates and enforces the state's energy code;
- operates and manages the Energy Information Center;
- exhibits energy information at the State Fair and Home Shows;
- operates and manages loan and grant programs to further conservation and the use of alternative energy sources;
- collects data and provides analysis of state and national energy use, inventories and trends;
- provides the state with technical expertise in conservation and alternative energy resources;
- analyzes and advocates implementation of renewable energy sources;
- conducts the state Petroleum Quality Assurance testing program;
- investigates the accuracy of all commercial weighing and measuring equipment, such as grocery store scales, grain elevator scales, gasoline pumps, etc.;
- operates the Metrology Laboratory which provides Minnesota business and industry access to ISO 9002 standards required in international markets.

**AGENCY ISSUES:**

The department expects the following issues to influence Energy, Telecommunications and Weights and Measures policy decisions in the next biennium.

**Energy**

- Increased competition, diversification, and structural changes in regulated gas and electric industries will create new challenges for regulators. While regulation must adapt to competitive pressures, close scrutiny is required to ensure that customers of regulated monopolies are not subsidizing competitive services. Among the primary challenges are bringing the benefit of competition directly to consumers, assessing whether utility mergers are in the public interest, and helping to shape and direct a more regional regulatory approach.
- New technologies in lighting, heating, cooling, and electric motor operations offer great energy saving potential. Since the department has authority over utility-sponsored conservation programs, we have the opportunity to implement these technologies through the regulatory process, as well as through education and incentive programs.

## 1998-99 Biennial Budget

**AGENCY:** Public Service, Department of (DPS)  
(Continuation)

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- Environmental consequences of using energy, particularly fossil fuels, will continue to drive energy decisions for Minnesota and the world. Energy and regulatory policy must continue to respond to and account for environmental issues in decision-making, in accordance with the Minnesota PUC's decisions on environmental costs.
- Northern States Power Company's (NSP) license for its Monticello nuclear facility will expire in 2011. NSP may request to recertify the Monticello facility. If so, Minnesota will be the first state to develop and implement a relicensing procedure for nuclear power facilities. We will be the first state with a plant going through the federal re-licensing process. Our challenge is to ensure a sufficient state role in the decision-making process, if and when recertification is requested.
- The delays of the federal government to meet its responsibility by 1998 to establish a permanent repository for nuclear waste poses a major challenge for Minnesota, given that 30% of Minnesota's electricity consumption is generated from nuclear plants. DPS has been in the forefront of the national effort to ensure the federal government meets its legal obligation to provide waste storage.
- The petroleum industry nationwide is moving toward "just-in-time" inventories which increases consumer vulnerability to price and distribution disruptions. This calls for constant monitoring of the state's petroleum refining, distribution and storage infrastructure to ensure advance warning of and quick response to any petroleum problems.

### Telecommunications

- With the introduction of competition into some areas of telecommunication services, regulatory changes have occurred. An increase in the number of companies, each requiring different levels of regulatory oversight, has increased the demand on department resources.
- Since telephone companies are allowed greater flexibility in adjusted rates, the department must carefully monitor regulated telephone monopolies to make sure they do not use their established market position to thwart development of effective competition or to disadvantage customers through rate design or terms and conditions of service.
- Rapid technological changes in the telecommunications industry have a great impact on Minnesota's ability to compete in an increasingly global economy. The effective implementation of technology required can only be accomplished in tandem with appropriate regulatory policies.
- Increased diversification by telephone companies requires careful monitoring to ensure that regulated monopoly customers are not subsidizing unregulated services and that costs between state and federal jurisdiction have been properly determined.
- Technological advances producing declining telecommunications costs challenge regulators to capture a portion of the cost savings for customers without affecting incentives to implement cost-saving measures.

### Weights and Measures

- Minnesota Statutes require the division to recover its costs by charging user fees. Through F.Y. 1996, the division had over-collected for petroleum services, and under-collected for weights and measures services. During F.Y. 1995 and F.Y. 1996, by implementing managed improvements in productivity, the division significantly increased revenue from weights and measures services. To fully recover revenue for weights and measures services, the division implemented a fee increase in mid F.Y. 1997. Through a combination of continuing productivity improvements and the recently implemented fee increase, the division will recover current costs, and recover the accumulated deficit for weights and measures services.

Increasingly sophisticated weighing systems have not proved to be more accurate or reliable than older equipment. Consequently, there is a continuing need for enforcement services, staff training, client information, and new test equipment to ensure accurate commercial transactions for Minnesota's citizens.

During the last several years, there has been a dramatic increase in the number of gasoline pumps in commercial use in Minnesota. In 1992, there were approximately 21,000 commercial pumps. In 1996, there are approximately 40,000. The number of pumps will continue to increase as gasoline retailers continue to rebuild their facilities as they work toward complying with federal requirements to replace underground storage tanks. The division has implemented productivity management techniques to continue to ensure the accuracy of these pumps, and all other commercial weighing and measuring equipment under the division's authority, without an increase in staff.

The statutory requirement for year-around gasoline oxygenation in the St. Paul-Minneapolis metropolitan area has increased the need for careful monitoring (required by law) of gasoline quality, the sales practices of gasoline retailers, and the storage, handling and sale of oxygenated gasoline. The division continuously samples products to monitor quality, and works with the petroleum industry to ensure compliance.

### AGENCY STRATEGIES:

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

#### Telephone Program

- to ensure the proper balance between telecommunications infrastructure, customer services and telecommunications costs to customers,
- to ensure at least 95% of Minnesota households have at least one working telephone,
- to ensure that the average price increase for local telephone service will not exceed the rate of increase in Consumer Price Index,
- to advocate, with a 90% or better acceptance by the PUC, responsible telecommunications policies before the PUC within the time frames established by Commission rules,
- to produce and distribute two telephone consumer information brochures annually,
- to advocate responsible regulatory action that will assist regulated companies in maintaining credit ratings that will result in access to reasonably priced capital,
- to evaluate and process at least 80% of all authority applications from coin telephone companies, telecommunications carriers and competitive access providers within 60 days;

AGENCY: Public Service, Department of (DPS)  
(Continuation)

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**Weights and Measures Program**

- to provide physical measurement services to businesses, at the highest levels of precision available in the United States, so that businesses can verify the accuracy and quality of manufacturing processes and manufactured products, and to enable businesses to export to European Economic Community nations,
- to protect Minnesota consumers and businesses from financial losses due to inaccurate measurement,
- to protect Minnesota businesses and consumers by employing a wide range of techniques to ensure the quality of motor, heating and industrial fuels distributed in Minnesota,
- to promote air quality improvement by ensuring that motor fuels meet state and federal standards,
- increase revenue by continuing to increase productivity and implementing fee increases when necessary to recover costs;

**Information and Operations Management Program**

- to annually review, edit and update when necessary over 90 DPS publications,
- to reach each adult Minnesotan approximately six times per year with information regarding energy, weights and measures, and telecommunications;

**Energy Program**

- to hold rate increases from their 1996 levels to no more than the average increase for utility rates in Wisconsin, Iowa, North Dakota and South Dakota,
- to improve the efficiency of our energy use, measured in Btus per real dollar of gross state product, by at least 30% by 2020, while lowering the total energy cost per real dollar of gross state product,
- to ensure that investor owned utilities meet statutorily required CIP spending levels,
- to promote and increase the amount of actual energy savings and energy efficiency measures implemented through CIP,
- to reduce energy use and energy costs of local government buildings and services by providing low-cost financing for energy efficiency projects,
- to maintain the utilities' ability to attract capital at a reasonable cost,
- to advocate effectively before the PUC regarding utility service rates and rates of return on utility investment. Possible measures of the effectiveness of the DPS are the scope of the department

recommendations and the degree to which the department's recommendations are adopted by the PUC.

**Telecommunications Access for Communication Impaired Persons Program**

- to provide people with communication impairments access to telecommunications services that are functionally equivalent to services provided to the hearing community.

See the Agency's Performance Report, dated September 1996, for agency results and outcomes.

**SUMMARY OF BUDGET REQUEST:**

The base level budget includes an inflation increase of 2.5% each year for salary compensation. The agency plan includes a request for:

- \$60,000 for the Weights and Measures Program in F.Y. 1998 to purchase 2 volumetric standards, a platform to support the standards, a water purification system to prevent discharge of petroleum products into the sewer system, and a water testing system. The reasons for this purchase are safety and pollution prevention.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TELECOMMUNICATIONS	769	925	935	935	935	953	953	953
WEIGHTS & MEASURES	2,730	3,131	3,016	3,076	3,076	3,070	3,070	3,070
INFORMATION & OPERATION MGT	1,531	1,611	1,606	1,606	1,606	1,639	1,639	1,639
ENERGY	5,010	5,553	5,410	5,410	5,410	6,209	6,209	6,209
TACIP	4,717	6,680	6,564	6,564	6,564	6,801	6,801	6,801
TOTAL EXPENDITURES BY PROGRAM	14,757	17,900	17,531	17,591	17,591	18,672	18,672	18,672
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	7,733	8,638	8,948	9,008	9,008	9,116	9,116	9,116
OPEN APPROPRIATIONS:								
GENERAL			497	497	497	1,316	1,316	1,316
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	6,277	7,693	7,247	7,247	7,247	7,450	7,450	7,450
FEDERAL	747	1,569	839	839	839	790	790	790
TOTAL EXPENDITURES	14,757	17,900	17,531	17,591	17,591	18,672	18,672	18,672
FTE BY EMPLOYMENT TYPE:								
REGULAR	131.5	138.4	135.6	135.6	135.6	135.6	135.6	135.6
TEMP/SEAS/PART_TIME	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	133.6	140.6	137.8	137.8	137.8	137.8	137.8	137.8

## 1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Public Service, Department of (DPS)

### REVENUE SOURCES:

The department generates dedicated and non-dedicated revenue.

The Energy program generates non-dedicated revenue by assessing the costs of gas regulation, electric regulation and alternative energy activities back to regulated utility companies

The Telecommunications regulation program generates dedicated revenue by assessing the cost of telephone regulation back to regulated telephone companies. Telecommunication receipts are deposited as dedicated receipts for the purpose of establishing a working balance in the Telephone Investigation Revolving account. At the end of the fiscal year these receipts and the receipts from billing the revolving fund expenditures, less a \$25,000 carry-forward, transfer to the General Fund. The receipts for telecommunication regulation recover 100% of the cost of telephone regulation.

The Weights and Measures program generates non-dedicated receipts through Weights and Measures inspection fees and petroleum inspection fees. The petroleum inspection fees are collected by the State Revenue Department. The Weights and Measurers program is 100% fee recoverable.

The Telecommunications Access for Communication Impaired Persons (TACIP) program generates Special Revenue dedicated receipts. The TACIP program is 100% fee funded.

### FEE STRUCTURE:

The gas regulation, electric regulation, telecommunication regulation and alternative energy activities of the Energy program are fee recoverable. These fees are deposited as non-dedicated revenue. These direct and indirect costs of utility regulation are assessed back to the regulated utility companies. The direct costs are billed to regulated utility companies semi-annually. The indirect costs are estimated and billed 30 days in advance of each quarter. The indirect costs are prorated to regulated utility companies based on their gross Minnesota jurisdictional revenues. The estimated indirect billings are reconciled and adjusted to actual costs after the close of the fiscal year. The receipts include the recovery of DPS administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

The Weights and Measurers program has 2 fees. The Weights and Measures devices testing fee applies to all inspections and device calibrations involving measures of mass, length and volume except inspections related to petroleum products. The petroleum inspection fee covers the cost of petroleum inspections and is a fixed fee of \$0.85 per thousand gallons collected from approximately 18 terminals based in Minnesota. This fee is collected by the State Revenue Department and is not reflected in Weights and Measures program non-dedicated receipts. The receipts include the recovery of DPS administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

The TACIP programs are funded through a surcharge which is assessed on all wire and non-wire access telephone lines in Minnesota. The access line surcharge is the main source of revenue for the programs. M.S. Ch. 237.52, Subd.2 establishes a surcharge as the funding mechanism and establishes a maximum of \$0.20 per access line. The Public Utilities Commission (PUC) is responsible for

approving the TACIP annual budget and setting the surcharge at a level which will generate sufficient funding for the programs and program administration. The current surcharge of \$0.17 will produce an estimated \$5,941,183 in F.Y. 1996. Access line growth is projected to be 2% per year.

The Information and Operations Management program does not generate revenue. However, the DPS General Fund administrative costs are allocated to other DPS programs and recovered through fees and assessments paid by the regulated industries. The following chart details the amount of DPS General Fund administrative costs that are allocated to other programs and recovered through fees and assessments.

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Allocated Costs	<u>\$1,235</u>	<u>\$1,313</u>	<u>\$1,306</u>	<u>\$1,333</u>
TOTAL	\$1,235	\$1,313	\$1,306	\$1,333

### RECENT CHANGES:

Effective 12-17-96 the Weights and Measures Device Testing fees were increased to fully recover costs and to make up the deficit created by the time lag for implementing the fee change.

### FORECAST BASIS:

It is projected that the department will continue to recover 95% of its General Fund appropriations from assessments and fees. DPS anticipates that federal energy funding will decrease at approximately the same rate as other federal programs are reduced, mostly through the elimination of smaller "speciality" grant programs. While DPS anticipates federal fund decreases, it appears that states will have more discretion in targeting federal funds within their state.

The dedicated revenue funding by the TACIP program along with the balance forward funding in the account will be sufficient to fund the program for the F.Y. 1998-99 biennium without raising the current fee of \$0.17 per month per access line.

### DECISION ITEMS:

The proposed F.Y. 1998-99 biennial budget plan does not include any new fee increases.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
CAMBRIDGE DEPOSIT FUND	4,787	4,969	5,061	5,061	5,061	5,124	5,124	5,124
<b>OTHER REVENUES:</b>								
GENERAL	10	5	5	5	5	5	5	5
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>4,797</b>	<b>4,974</b>	<b>5,066</b>	<b>5,066</b>	<b>5,066</b>	<b>5,129</b>	<b>5,129</b>	<b>5,129</b>
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
SPECIAL REVENUE	7,532	7,943	7,890	7,890	7,890	8,001	8,001	8,001
<b>GRANTS:</b>								
FEDERAL	738	1,568	839	839	839	790	790	790
<b>OTHER REVENUES:</b>								
GENERAL	2							
SPECIAL REVENUE	162	143	85	85	85	77	77	77
<b>OTHER SOURCES:</b>								
SPECIAL REVENUE	104	214	214	214	214	193	193	193
<b>TOTAL DEDICATED RECEIPTS</b>	<b>8,538</b>	<b>9,868</b>	<b>9,028</b>	<b>9,028</b>	<b>9,028</b>	<b>9,061</b>	<b>9,061</b>	<b>9,061</b>
<b>AGENCY TOTAL REVENUES</b>	<b>13,335</b>	<b>14,842</b>	<b>14,094</b>	<b>14,094</b>	<b>14,094</b>	<b>14,190</b>	<b>14,190</b>	<b>14,190</b>

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Public Service, Department of

**DESCRIPTION:**

In 1997, federal funds make up 8.8% of the Department's total budget, and 28.3% of the Department's Energy Division Budget. While the totals may appear small, these federal funds provide the majority of the money within the Department to do "discretionary" activities related to energy conservation and renewable energy sources. Most of the department's state energy funds are fee reimbursed and related to specific legislated or regulatory functions. The primary focus of federal energy funds at DPS is consumer information, renewable energy development, state energy code implementation, and alternative fuel vehicle promotion.

DPS anticipates that federal energy funding will decrease at approximately the same rate as other federal programs are reduced, mostly through the elimination of smaller "specialty" grant programs. While DPS anticipates federal fund decreases, it appears that state will have more discretion in targeting federal funds within their state. DPS also anticipates that state match requirement may be raised in the future.

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Institutional Conservation Program	Yes	SO	37	-0-	-0-	-0-
State Energy Program	Yes	SO GI GPS	384	1,083	750	750
Wind-Solar Study	Yes	SO	19	3	-0-	-0-
Energy Code Assistance	Yes	SO	60	201	49	-0-
E85 Fueling Development	No	GI	-0-	64	-0-	-0-
National Industrial Competitiveness	Yes (OEA)	GI	161	107	-0-	-0-
Wind Shear Study	Yes	SO	41	10	-0-	-0-
Wind Mapping	Yes	SO	-0-	50	-0-	-0-
Council of Great Lakes Governor's Biomass	Yes	GPS GI	45	51	40	40
<b>Agency Total</b>			<b>747</b>	<b>1,569</b>	<b>839</b>	<b>790</b>

Key: SO - State Operations      GI - Grants - Individuals      GPS - Grant - Political Subdivisions

1998-99 Biennial Budget

**PROGRAM:** Telecommunications  
**AGENCY:** Public Service, Department of (DPS)

**PROGRAM DESCRIPTION:**

The purpose of this program is to represent and protect Minnesota consumers in all aspects of the regulation of intrastate monopoly telecommunications services and to facilitate its transition from a monopoly environment to a competitive marketplace. The department achieves this goal through its intervention on behalf of the general public in all telecommunications matters taken up by the Minnesota Public Utilities Commission (PUC) and, where applicable, the Federal Communication Commission (FCC). Regulated telecommunications services are those defined in M.S. Ch.237 and in decisions rendered by the PUC, FCC or the Courts.

The department's Telecommunications Program performs a broad range of functions including: rate and service regulation of telecommunication service providers and management of the transition to a more competitive telecommunication environment. This includes the analysis of new service offerings, market entrants, quality of service considerations, maintenance of service area boundaries, determination of competitive entry criteria, alternative regulatory structures and enforcement of policies that are consistent with Minnesota Statutes and federal mandates. The telecommunications program is also involved in the resolution of customer complaints and inquiries, coin operated phone applications, determination of service costs, demand forecasting, mergers and acquisitions, extension and withdrawal of service, infrastructure modernization, maintenance of service quality standards, and the enforcement of FCC and PUC Orders and Rules.

In 1995, Minnesota's citizens spent more than \$1.5 billion on the purchase of telephone services from companies regulated by the Minnesota PUC. Further, providers of competitive services, such as long-distance companies, subject to fewer regulatory requirements, will collect hundreds of millions of dollars for the provision of intrastate services. Federal regulations and state laws result in the reduction of government regulation in markets that demonstrate competitive tendencies. Services provided by monopoly service providers continue to require formal regulatory scrutiny and the progression toward a more competitive environment must be managed. The Federal Telecommunications Act of 1996 has as its objective the introduction of competition into virtually every telecommunication market throughout the state.

The telephone regulation function involves a quasi-judicial process involving both public hearings and evidentiary hearings. The DPS, the PUC, the FCC and the Office of Administrative Hearings (OAH) have a major role in this regulatory process.

The OAH serves 2 functions in this process. First of all, representatives of this office schedule and conduct both public and evidentiary hearings pertaining to each contested case. Public hearings provide an opportunity for utility ratepayers to express their views on the case, while evidentiary hearings are the forum in which statistical, financial, economic, technical and other information is presented by the company, the DPS and other formal intervening parties and participants. At the conclusion of the hearings, the hearing examiner submits a report which contains a summation of the evidence and recommendations.

The department is an advocacy and enforcement agency. The department performs its advocacy role by presenting information and recommendations which represent the interest of the state as a whole -- the broad general public, consisting of all classes of regulatory utility customers, and the utilities themselves. The DPS is statutorily required to take into consideration the financial condition of the

company providing service (M.S.216B.01). The department provides recommendations without respect to specific special interests. Individual user classes very often also intervene in rate case proceedings to present information and recommendations that reflect the special interests of that class.

The Commission makes its decision and establishes policies based on information and recommendations entered into the formal record of the proceeding. The PUC is a quasi-judicial, decision-making and policy setting body. Once the record on a particular case is completed and closed, the PUC issues a written order which the DPS enforces.

Throughout all of the formal quasi-judicial proceedings and in any potential court case resulting from these proceedings, both the department and the Commission are represented by the Attorney General's staff.

**PROGRAM STATUS:**

The DPS reviews all proposals made by the telecommunications industry to the PUC. This approximates some 900 filings annually, associated with the rates, terms, conditions or quality of service provided by the 96 local exchange carriers, 16 competitive local exchange carriers, 190 interexchange carriers, 609 coin-operated telephone companies and 20 alternative operator service providers. In order to ensure compliance with M.S. Ch.237, the department also investigates telephone companies or telecommunication carriers, at its own direction, or in response to a request by the PUC.

The following chart summarizes the work load by type of filing.

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Telephone Work Load					
Projections:					
Alternative Regulation	0	139	105	105	115
Citizen Petition	0	21	20	20	20
Coin Telephone	97	67	90	95	100
Complaint	16	20	40	50	60
Depreciation	60	51	30	50	45
DPS Investigation	59	18	20	22	24
Elected Misc	149	195	215	220	220
Election of Modified Regulation	10	17	20	10	5
Emergency System (911)	8	13	20	20	25
General Rate Case	0	0	1	0	0
Misc Changes	218	223	250	255	260
New Authority	64	103	110	120	130
Property Acquisition	28	34	42	40	40
PUC Investigation	4	6	8	8	8
Rule Making	1	1	1	1	0
Service Area	3	0	5	3	3
Telecomm Carrier	175	220	250	300	350
<b>TOTAL</b>	<b>892</b>	<b>1,128</b>	<b>1,227</b>	<b>1,319</b>	<b>1,405</b>

- With the introduction of competition into some areas of telecommunications services, regulatory changes have occurred. An increase in the number of companies, each requiring different levels of regulatory oversight, has increased the demand of department resources. The FCC has

**PROGRAM:** Telecommunications  
**AGENCY:** Public Service, Department of (DPS)  
(Continuation)

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adopted rules that entail department enforcement of compliance activities involving incumbent local exchange carriers and new entrants.

- Since telephone companies are allowed greater flexibility in adjusting rates, the department must monitor regulated telephone monopolies to make sure they do not use their established market position to thwart development of effective competition or to disadvantage customers through rate design or terms and conditions of service.
- Rapid technological changes in the telecommunications industry have a great impact on Minnesota's ability to compete in an increasingly global economy. The effective introduction of newer technology can only be accomplished with appropriate regulatory policies.
- Increased diversification by telephone companies requires monitoring to ensure that regulated monopoly customers are not subsidizing unregulated services and that costs between service categories and state and federal jurisdictions have been properly determined.
- Technological advances producing declining telecommunications costs challenge regulators to capture a portion of the cost savings for customers without removing incentives to implement cost-saving changes.

As technological advancements in telecommunications create opportunities for alternative providers to offer new services to Minnesota citizens, the department has focused less on traditional rate evaluation issues than it has in the past. Rather, efforts have been directed toward competitive entry issues, including service standards, competitive safeguards and the provision of universal service.

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Agency's Performance Report as follows:

- The Agency Plan does not request any funding for new program initiatives and thus does not impact the expected performance as projected in the 1996 Agency's Performance Report.

**BUDGET AND REVENUE SUMMARY:**

This program has a base that includes a 2.5% inflation increase each year for salary compensation.

All program costs are recovered through assessments charged to telephone companies operating in Minnesota. These assessments are first deposited into a revolving fund and are subsequently transferred to the General Fund where they become non-dedicated revenue.

The direct and indirect costs of utility regulation are assessed back to the regulated utility companies. The direct costs are billed to regulated utility companies semi-annually. The indirect costs are estimated and billed 30 days in advance of each quarter. The indirect costs are prorated to regulated utility companies based on their gross Minnesota jurisdictional revenues. The estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. The receipts

include the recovery of DPS administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: TELECOMMUNICATIONS  
ACTIVITY: TELECOMMUNICATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	676	720	685	685	685	702	702	702
OPERATING EXPENSES	93	205	250	250	250	251	251	251
<b>SUBTOTAL STATE OPERATIONS</b>	<b>769</b>	<b>925</b>	<b>935</b>	<b>935</b>	<b>935</b>	<b>953</b>	<b>953</b>	<b>953</b>
<b>TOTAL EXPENDITURES</b>	<b>769</b>	<b>925</b>	<b>935</b>	<b>935</b>	<b>935</b>	<b>953</b>	<b>953</b>	<b>953</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	752	775	785	785	785	803	803	803
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	17	150	150	150	150	150	150	150
<b>TOTAL EXPENDITURES</b>	<b>769</b>	<b>925</b>	<b>935</b>	<b>935</b>	<b>935</b>	<b>953</b>	<b>953</b>	<b>953</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	1,192	1,465	1,473	1,473	1,473	1,499	1,499	1,499
<b>TOTAL REVENUES COLLECTED</b>	<b>1,192</b>	<b>1,465</b>	<b>1,473</b>	<b>1,473</b>	<b>1,473</b>	<b>1,499</b>	<b>1,499</b>	<b>1,499</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	12.9	12.9	11.9	11.9	11.9	11.9	11.9	11.9
<b>TOTAL FTE</b>	<b>12.9</b>	<b>12.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>	<b>11.9</b>

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1998-99 Biennial Budget

**PROGRAM:** Weights and Measures  
**AGENCY:** Public Service, Department of (DPS)

**PROGRAM DESCRIPTION:**

The mission of the Department of Public Service Weights and Measures Division is to protect consumers and businesses in Minnesota's free enterprise markets by providing inspection and calibration services which promote and ensure equity and accuracy in weighing and measurement, ensure petroleum product quality, and provide precision physical measurement services to industry. The division must recover the full cost of these activities through inspection fees. This program:

- Offers the highest level of mass measurement accuracy in the nation, beyond the National Institute of Standards and Technology (NIST). The Division's measurement laboratory provides precision services in mass, volume, length, temperature, density, and magnetic susceptibility. The laboratory has been accredited by NIST/NVLAP (National Voluntary Laboratory Accreditation Program) as meeting the criteria of ISO/IEC Guide 25 and the applicable requirements of ISO 9002.
- Ensures uniform and accurate commercial weighing and measurement by inspecting and testing all of the state's gasoline pumps, grocery scales, grain elevator scales, railroad scales, and a wide range of other equipment, and by issuing repair orders for noncomplying equipment or, in cases of serious violation, tagging and removing equipment from service until it can be repaired.
- Certifies accuracy of repairs of weighing and measuring equipment by offering a voluntary program for service technicians. Participants in this "placing-in-service" program have their repair work monitored and are allowed to place new and repaired equipment into service. Registration and equipment calibration are renewed annually.
- Provides quality assurance for motor and heating fuel through a statewide sampling and testing program. Samples from major terminals and refineries are tested weekly. Retail outlets are tested on a random sampling basis.
- Provides uniform highway load enforcement by testing permanent and portable law enforcement scales for state, county and local police agencies.
- Ensures through regular inspections that commodities packaged by weight or measure carry accurate statements of weight or measure. Emphasis is on prepackaged food and agricultural commodities.
- Investigates consumer complaints of inaccurate price scanning in retail establishments. In response to complaints, the Division inspects a limited number of retail stores according to methods and standards recommended by NIST. The Division resolves accuracy problems directly with retailers. In cases where voluntary compliance does not work, the Division works with local prosecutors to resolve problems.

**PROGRAM STATUS:**

The Weights and Measures Division's workload has grown steadily over the last seven years. The workload had grown to the extent that annual inspection became impossible five years ago. Through F.Y. 1992, the division had provided annual inspection services for all commercial weighing and measuring equipment in most parts of the state. Between F.Y. 1992 and F.Y. 1995, the division's inspection staff increased by five positions to handle additional responsibilities and workload in petroleum inspection and metrology. However, even though these staff increases have improved production in petroleum inspection and metrology services, the rapid increase in weights and measures commercial weighing and measuring equipment inspection workload has out-paced the Division's inspection staff resources. In response to the increasing inspection workload, the Division has implemented productivity improvements to continue to provide effective inspection services for commercial weighing and measuring equipment. Additionally, computers issued to the field staff reduce the time required to produce reports, and allow improved assignment methods that will, in turn, further improve productivity and effectiveness. By using computers to ensure that all weighing and measuring devices are inspected at uniform intervals, the overall accuracy of commercial weighing and measuring equipment will decline only slightly as shown in the table labeled Commercial Weighing and Measuring Equipment Inspection.

**Commercial Weighing and Measuring Equipment Inspection**

	Actual F.Y. 1995	Actual F.Y. 1996	Est. F.Y. 1997	Objectives F.Y. 1998	F.Y. 1999
Gasoline Pumps in Use	37,000	40,000	42,000	46,000	48,000
Percent Inspected	93%	93%	92%	89%	87%
Number Inspected	34,405	37,394	38,500	41,000	42,000
Compliance	92%	92%	92%	93%	93%
Retail Scales in Use	13,000	13,500	13,500	13,700	13,800
Percent Inspected	90%	84%	89%	91%	92%
Number Inspected	11,775	11,313	12,000	12,500	12,700
Compliance	94%	93%	92%	93%	94%
LPG Meters in Use	1,400	1,500	1,500	1,500	1,500
Percent Inspected	86%	87%	90%	90%	90%
Number Inspected	1,198	1,311	1,350	1,350	1,350
Compliance	70%	20%*	20%	25%	25%
Heavy Capacity Scales	3,600	3,600	3,800	3,800	3,900
Percent Inspected	99%	99%	97%	97%	97%
Number Inspected	3,567	3,558	3,700	3,700	3,783
Compliance	87%	87%	87%	87%	87%

\* Cut allowable tolerance by 43% in F.Y. 1996. Inspectors now adjust LPG meters at a smaller tolerance level assuring greater accuracy for all.

1998-99 Biennial Budget

**PROGRAM:** Weights and Measures  
**AGENCY:** Public Service, Department of (DPS)  
 (Continuation)

**Petroleum Quality Inspection and Compliance**

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Gasoline Tests	7,504	12,000	7,600	7,600	7,600
Diesel/Heating Tests	1,875	2,094	1,800	1,800	1,800
Compliance	98.5%	98.5%	98.5%	98.5%	98.5%
Oxy Gas Sold (gals.)	862,000,000	1,265,000,000	1,407,000,000	2,195,400,000	2,194,500,000
Compliance	98.5%	98.5%	98.5%	98.5%	98.5%
Lab Octane Tests	2,000	3,048	1,500	1,500	1,500
On-site Octane Tests	0	400	1,500	1,500	1,500
Compliance	99%	94%	95%	95%	95%
Gas Tank Inspections	10,047	10,321	10,600	11,000	11,000
Compliance	95%	96%	97%	97%	97%

**Metrology Laboratory Revenue Growth**

	<u>Dollars in Thousands</u>				
	Actual	Actual	Est.	Objectives	
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Calibration Services	\$119	\$133	\$177	\$221	\$235
Certification Program	24	26	33	40	40
Equipment Tests	17	19	35	35	35
TOTAL	\$160	\$178	\$245	\$296	\$310

The DPS Metrology laboratory has been accredited by the National Institute of Standards and Technology/National Voluntary Laboratory Accreditation Program (NIST/NVLAP) as meeting the criteria of ISO/IEC Guide 25 and the applicable requirements of ISO 9002. High quality, precision calibration services and ISO accreditation have driven steady increases in laboratory workload and in the number of customers served by the laboratory.

**BUDGET AND REVENUE SUMMARY:**

The base includes an inflation increase of 2.5% each year for salary compensation. The agency plan includes an increase of \$60,000 in F.Y. 1998 to purchase two volumetric standards, a platform to support the standards, a water purification system to prevent discharge of petroleum products into the sewer system, and a water testing system. The reasons for this purchase are safety and pollution prevention. However, the proposed purchase also meets biennial Performance Report Program

Objective #1: Support business by offering the highest level of precision measurement services in the nation. The proposed expenditure will not increase fees. The cost of this purchase will be recovered by the Petroleum Inspection Fee (M.S. Ch. 239.101). The fee currently over recovers costs.

The Weights and Measures program has 2 fees and is 100% fee recoverable. The Weights and Measures devices testing fee applies to all inspections and device calibrations involving measures of mass, length and volume except inspections related to petroleum products. The petroleum inspection fee covers the cost of petroleum inspections and is a fixed fee of \$0.85 per thousand gallons collected from approximately 18 terminals based in Minnesota by the State Department of Revenue. The purpose of the fee is to recover the cost of the Weights and Measures petroleum Inspection Program and the cost of the Oil Burner Retrofit Program administered by the Department of Economic Security. This revenue is not reflected in Weights and Measures program non-dedicated receipts. The non-dedicated receipts include the recovery of DPS administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

This program is supported by the following revenue:

Type of Revenue:	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Non-Dedicated:				
Cambridge Deposit Fund	\$1,180	\$1,350	\$1,525	\$1,525
Petroleum Inspection Fees*	<u>2,779</u>	<u>2,780</u>	<u>2,780</u>	<u>2,780</u>
TOTAL	\$3,959	\$4,130	\$4,305	\$4,305

\* Fees collected by the Department of Revenue.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: WEIGHTS & MEASURES  
ACTIVITY: WEIGHTS & MEASURES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	1,996	2,298	2,176	2,176	2,176	2,230	2,230	2,230
OPERATING EXPENSES	734	833	840	900	900	840	840	840
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,730</b>	<b>3,131</b>	<b>3,016</b>	<b>3,076</b>	<b>3,076</b>	<b>3,070</b>	<b>3,070</b>	<b>3,070</b>
<b>TOTAL EXPENDITURES</b>	<b>2,730</b>	<b>3,131</b>	<b>3,016</b>	<b>3,076</b>	<b>3,076</b>	<b>3,070</b>	<b>3,070</b>	<b>3,070</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
W&M PETROLEUM CALIBRATION EQUIPMENT		GEN		60				
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>60</b>				
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,730	3,131	3,016	3,076	3,076	3,070	3,070	3,070
<b>TOTAL EXPENDITURES</b>	<b>2,730</b>	<b>3,131</b>	<b>3,016</b>	<b>3,076</b>	<b>3,076</b>	<b>3,070</b>	<b>3,070</b>	<b>3,070</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	1,180	1,350	1,525	1,525	1,525	1,525	1,525	1,525
<b>TOTAL REVENUES COLLECTED</b>	<b>1,180</b>	<b>1,350</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	42.5	45.5	44.5	44.5	44.5	44.5	44.5	44.5
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
<b>TOTAL FTE</b>	<b>42.6</b>	<b>45.6</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>

**PROGRAM:** Information and Operations Management  
**AGENCY:** Public Service, Department of (DPS)

**PROGRAM DESCRIPTION:**

The purpose of the Information and Operations Management Division is to provide for the efficient operation of the department, facilitate the smooth flow of information among divisions and to the public, and coordinate department activities with other governmental agencies and the private sector.

This program is responsible for the overall policy development, coordination and development of annual and long-range objectives, overall resource allocation and program evaluation. Management works with the Governor's Office, legislators and other government entities to produce and advance legislative initiatives regarding energy conservation, energy and telecommunications regulation, and such Weights and Measures issues as petroleum testing, scale inspections, etc. The measure of the management function is the degree to which the performance objectives of the 5 program divisions are accomplished.

This program also delivers general support services to the entire department by providing management, accounting, personnel, word processing, document imaging, docket control, central files, library and computer support services. In general, centralized support services improve efficiency by providing department-wide services that would require duplication of effort if performed by each division.

**PROGRAM STATUS:**

*Information Unit*

**Publications:** the unit reviews, edits, updates and produces over 90 publications on an annual basis. These publications have had an average distribution of over 155,000 annually for the past 3 years.

**Earned Media:** the DPS Information Unit educates the public about energy, weights and measures, and telecommunications issues through media (newspaper, television, radio, magazines, specialized newsletters, etc.) exposure. The goal of this unit is to achieve media contact with adult Minnesotans an average of 6 times per year.

*Operation Management (General Support):* the administrative support activity exists to serve the other divisions of the department. These centralized services are more efficient, because duplication of effort would result if these services were performed individually by each division. These services include management, accounting, personnel, word processing, computer support and central filing services. These services are provided for 137 employees.

**Management:** this service includes overall policy development, coordination and development of annual and long-range objectives, testifying before the state legislature and congress, overall resource allocation and program evaluation.

**Accounting:** the accounting services include payroll, procurement, inventory, contracts, leases, assessments for the billing of costs to gas, electric and telephone utilities, and the preparation of annual operating budgets and biennial budget requests. The accounting unit successfully paid over 98% of invoices within 30 days and recovered approximately 95% of the General Fund costs incurred by the department. These costs are recovered through the assessment of regulated gas, electric and telephone utilities, and through Weights and Measures fees and petroleum inspection fees.

**Personnel:** personnel handles the department's personnel and labor relations functions. Personnel services include recruiting, scoring decentralized tests, providing certification lists, representing the Department in union grievance procedures and supplemental contract negotiations, supervising contract administration and the employee performance appraisal program, dissemination of information through employee meetings, supervising the department's training program and providing support for the affirmative action program.

**Word Processing:** word processing provides a centralized document-processing center to assure accuracy, format compliance and uniformity in the preparation of documents and testimony filed with the Public Utilities Commission (PUC). Through its expanded desktop publishing capacity, Word Processing prepares many of the public information and other documents internally.

**Computer Support:** computer support services maintain the department's computer network and Internet website, program the specialized data bases used by the department, and train department personnel to efficiently use the department's computerized capabilities. The overall goals of this activity are to use electronic processing to improve staff efficiency, shorten work completion time, enhance communication within the department and between government agencies and the public, and reduce system maintenance costs.

**Docket Control/Central Files:** this unit is responsible for maintaining a central filing facility for all documents filed with the Minnesota PUC and the department. These files are used by the department, the public and businesses to examine regulatory precedents, as well as policies and procedures defined by the legislature and the PUC. This facility is the primary source for processing petitions filed by regulated companies, and for maintaining control of these petitions to assure that statutory deadlines and filing requirements are met. Docket cases are indexed and optically scanned for filing and retrieval purposes. They are entered into the docket control data base to track their movement through the regulatory process. Upon completion of a case, this unit archives the files to meet record retention requirements. This unit also provides central receptionist services for the department and jointly staffs a library in conjunction with the Department of Trade and Economic Development.

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Agency's Performance Report as follows:

- The Agency Plan does not request any funding for new program initiatives and thus does not impact the expected performance as projected in the 1996 Agency's Performance Report.

**BUDGET AND REVENUE SUMMARY:**

This program has a base that includes a 2.5% inflation increase each year for salary compensation.

This program generates dedicated revenue from federal grants for indirect costs.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: INFORMATION & OPERATION MGT  
ACTIVITY: INFORMATION & OPERATION MGT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,093	1,175	1,204	1,204	1,204	1,233	1,233	1,233
OPERATING EXPENSES	438	436	402	402	402	406	406	406
SUBTOTAL STATE OPERATIONS	1,531	1,611	1,606	1,606	1,606	1,639	1,639	1,639
TOTAL EXPENDITURES	1,531	1,611	1,606	1,606	1,606	1,639	1,639	1,639
<b>EXPENDITURES BY FUND:</b>								
DIRECT APPROPRIATIONS:								
GENERAL	1,423	1,509	1,501	1,501	1,501	1,532	1,532	1,532
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	108	102	105	105	105	107	107	107
TOTAL EXPENDITURES	1,531	1,611	1,606	1,606	1,606	1,639	1,639	1,639
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
SPECIAL REVENUE	77	99	60	60	60	60	60	60
TOTAL REVENUES COLLECTED	77	99	60	60	60	60	60	60
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	25.7	25.5	25.5	25.5	25.5	25.5	25.5	25.5
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	25.8	25.6	25.6	25.6	25.6	25.6	25.6	25.6

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1998-99 Biennial Budget

**PROGRAM:** Energy  
**AGENCY:** Public Service, Department of (DPS)

**PROGRAM DESCRIPTION:**

The program's purpose is to ensure reliable, reasonably priced, efficient, and economically sound energy services to Minnesotans now and into the future through environmentally responsible resource use.

This program is chiefly responsible for enforcing state statutes and policies regarding the evaluation of public utilities and the conservation of energy. While Minnesota Statutes assign to the Public Utilities Commission (PUC) legislative and quasi-judicial functions related to utilities regulation, they charge the department with the duty to advocate for the public interest before the PUC and to enforce relevant statutes and commission orders providing for the regulation of electric and natural gas companies. The program also is responsible for consumer advocacy in all energy related matters in the state and is the conduit for federal energy program dollars.

The Energy program has many functions including: 1) gas and electric utility regulation which involves the evaluation of utility: acquisition and merger proposals, rate proposals, service proposals, depreciation rates, capital structures, affiliated interests, stray voltage issues, service area disputes, integrated resource plans, competitive bidding programs, conservation improvement programs, certificate of need applications for new facilities, nuclear waste disposal plans, nuclear decommissioning cost proposals, incentive regulation plans, forecasts of future energy availability and consumption, environmental costs associated with electric generating facilities; 2) conservation loans and grants; 3) petroleum supply monitoring and emergency allocation authority; 4) development and enforcement of energy conservation codes and standards; 5) research, development, and implementation of renewable energy resources; 6) maintenance of statewide energy data base.

The department strives to achieve this mission by:

- protecting consumers from unreasonable or unfair utility rates and practices through intervention and advocacy before the Minnesota PUC;
- ensuring that gas and electric utility companies provide adequate and reliable services to their customers;
- providing fair and non-discriminatory treatment of residential, commercial and industrial utility customers;
- avoiding unnecessary power plant construction (with their high cost and adverse environmental effects) by thoroughly analyzing electric utility resource plans, focusing on such topics as the achievable amounts of conservation and load management, the implementation of renewable resources, the accuracy of forecasted customer demand; the consideration of environmental costs and resource risks, the reliability and cost-effectiveness of proposed supply-side resources such as new power plants and life-extension of existing plants, and contingency plans;
- ensuring that utility bidding programs for new generation resources are designed to yield the most reliable and low-cost services possible;
- enforcing required utility investment in Conservation Improvement Programs (C.P.).

- ensuring the state's ability to cope with supply and price issues by activity monitoring and maintaining statewide data on energy supplies, prices, trends and technologies;
- enabling consumers to use energy economically by providing unbiased, accurate information on energy use and by providing guidance and technical assistance to local governments, community organizations, utilities and others in designing conservation and other energy programs;
- ensuring that Minnesota consumers receive the benefits of new technologies improving the efficient use of energy, including renewable sources;
- emphasizing the expansion of the research and development of promising renewable energy industries such as ethanol and other biomass fuels, wind and solar, encouraging use of alternative fueled vehicles and building the needed infrastructure to service the vehicles;
- ensuring that Minnesotans benefit from efficient and safe building construction by training the professionals who implement these technologies and by designing and enforcing energy codes, lighting standards, and insulation product standards;
- providing financial assistance through state and federal programs to encourage schools, hospitals, cities, counties and businesses to become more energy-efficient;
- intervening on the state's behalf in energy matters at the federal level before Congress and agencies such as the U.S. Department of Energy, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission. This advocacy role is carried out in coordination with the PUC, the Minnesota Attorney General's Office, the Environmental Quality Board (EQB), and other state agencies both within and outside Minnesota;
- providing a healthy economic environment for utility companies so that they may obtain financing at reasonable rates of interest for needed equipment and plant improvements to provide adequate and reliable service.

**PROGRAM STATUS:**

While all of the tasks previously described are being performed, several functions have been designed for greater emphasis due to legislative mandates, as well as the changing face of utility regulation. The Energy program clearly does a professional job representing the public's interests in the rate making process, in planning for new energy resources, in its oversight and promotion of the Conservation Improvement Program, in its monitoring of statewide energy supplies, in its development and dissemination of energy information to the public, and in its effort to reduce cost and energy use for local government buildings and services through the administration of low-cost loans and grants.

However, certain areas within the program's purview will require increased attention and resources, in particular the following areas:

- In addition to traditional rate of return regulation, there is significantly increasing emphasis on utility mergers, federal deregulation actions, and performance based regulation. These developments require early and more active involvement by regulators in areas such as the reform of electric industry regulation, often times referred to as "customer choice," competitive bidding, environmental-cost issues and the continuing movement toward competition in the natural gas industry. Traditional regulation theories and practice will be significantly changed over the next 2-5 years, requiring new vision and skill sets.

1998-99 Biennial Budget

**PROGRAM:** Energy  
**AGENCY:** Public Service, Department of (DPS)  
 (Continuation)

- As a direct result of the Prairie Island legislation in 1994, the department has and will continue to spend a significant amount of its energy program resources on nuclear issues. Since the federal government is behind schedule in meeting its 1998 obligation to begin removing waste from reactor sites, the department will continue to fulfill its fiduciary responsibility to protect the \$247 million collected from Minnesota ratepayers and deposited into the Nuclear Waste Disposal Fund.
- The National Energy Policy Act of 1992 created mandates requiring State fleets to purchase significant numbers of Alternative Fuel Vehicles (AFV). It also directed states to examine and create policies to encourage the use of AFVs. The Department has taken many steps toward expanding AFV use in Minnesota. These include fleet demonstrations, writing a state AFV policy report, making motor fuel taxes equitable for AFVs, creation of the Clean Fuels Minnesota organization, working with State motor fleets, and establishing E-85 fueling sites statewide. DPS currently uses limited federal funds for this purpose, but would need additional state funds to expand its efforts.

In addition to the increased complexity of gas and electric regulation issues described above, the following chart shows the current and the projected regulatory workload.

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Gas and Electric Work Load Projections:				
Affiliated Interest	6	10	10	10
Auto Fuel Adjustment	208	208	208	208
Certificate of Need	3	2	2	2
CIP (Conservation Improvement Program)	56	59	62	65
CIP Complaint	0	1	0	1
Cogeneration	0	1	0	1
Complaints	2	3	4	5
Depreciation	10	10	10	10
DPS Investigations	2	2	2	2
Federal Docket	6	6	6	7
General Rate Case	3	3	3	3
Merger Review	4	3	3	2
Misc Rate Changes	84	84	100	105
Periodic Reports	3	3	3	3
Property Acquisition	2	2	2	2
PUC Investigation	1	3	3	3
Integrated Resource Planning (IRP)	6	4	4	4
Rule Making	2	2	2	2
Securities	7	8	9	9
Service Area Disputes	<u>30</u>	<u>32</u>	<u>35</u>	<u>38</u>
TOTAL	435	446	468	482

**PLANNED RESULTS:**

The agency budget will facilitate the accomplishment of related performance objectives as identified in the 1996 Agency's Performance Report as follows:

- The Agency Plan does not request any funding for new program initiatives and thus does not impact the expected performance as projected in the Agency's 1996 Annual Performance Report.

**BUDGET AND REVENUE SUMMARY:**

This program has a base that includes a 2.5% inflation increase each year for salary compensation.

Two new incentive programs were authorized by the legislature that will go into effect in F.Y. 1998. A production incentive payment will be made to owners or operators of qualified hydro power facilities or qualified wind energy conversion facilities that produce and sell electricity. These programs are funded from an open appropriation from the General Fund.

This program generates both dedicated and non-dedicated revenue. The gas regulation, electric regulation and alternative energy activities of the Energy Program are fee recoverable. These fees are deposited as non-dedicated revenue. These direct and indirect costs of utility regulation are assessed back to the regulated utility companies. The direct costs are billed to regulated utility companies semi-annually. The indirect costs are estimated and billed 30 days in advance of each quarter. The indirect costs are prorated to regulated utility companies based on their gross Minnesota jurisdictional revenues. The estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: ENERGY  
ACTIVITY: ENERGY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	2,525	2,739	2,663	2,663	2,663	2,731	2,731	2,731
OPERATING EXPENSES	827	1,572	1,045	1,045	1,045	995	995	995
<b>SUBTOTAL STATE OPERATIONS</b>	<b>3,352</b>	<b>4,311</b>	<b>3,708</b>	<b>3,708</b>	<b>3,708</b>	<b>3,726</b>	<b>3,726</b>	<b>3,726</b>
PAYMENTS TO INDIVIDUALS	700							
LOCAL ASSISTANCE	394	866	813	813	813	1,617	1,617	1,617
OTHER EXPENSES	564	376	301	301	301	278	278	278
TRANSFERS			588	588	588	588	588	588
<b>TOTAL EXPENDITURES</b>	<b>5,010</b>	<b>5,553</b>	<b>5,410</b>	<b>5,410</b>	<b>5,410</b>	<b>6,209</b>	<b>6,209</b>	<b>6,209</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,828	3,223	3,646	3,646	3,646	3,711	3,711	3,711
<b>OPEN APPROPRIATIONS:</b>								
GENERAL			497	497	497	1,316	1,316	1,316
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	1,435	761	428	428	428	392	392	392
FEDERAL	747	1,569	839	839	839	790	790	790
<b>TOTAL EXPENDITURES</b>	<b>5,010</b>	<b>5,553</b>	<b>5,410</b>	<b>5,410</b>	<b>5,410</b>	<b>6,209</b>	<b>6,209</b>	<b>6,209</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL	2							
SPECIAL REVENUE	189	258	239	239	239	210	210	210
FEDERAL	738	1,568	839	839	839	790	790	790
<b>NONDEDICATED:</b>								
GENERAL	10	5	5	5	5	5	5	5
CAMBRIDGE DEPOSIT FUND	3,607	3,619	3,536	3,536	3,536	3,599	3,599	3,599

1998-1999 B I E N N I A L B U D G E T  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: ENERGY  
ACTIVITY: ENERGY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOTAL REVENUES COLLECTED	4,546	5,450	4,619	4,619	4,619	4,604	4,604	4,604
FTE BY EMPLOYMENT TYPE:								
REGULAR	48.3	52.2	51.4	51.4	51.4	51.4	51.4	51.4
TEMP/SEAS/PART_TIME	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL FTE	50.2	54.2	53.4	53.4	53.4	53.4	53.4	53.4

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1998-99 Biennial Budget

**PROGRAM:** Telecommunications Access for Communication Impaired Persons (TACIP)  
**AGENCY:** Public Service, Department of (DPS)

**PROGRAM DESCRIPTION:**

The Telecommunications Access for Communication Impaired Persons (TACIP) Board was abolished effective July 1, 1995. The Board's responsibilities were transferred to the Department of Public Service.

The goal of the TACIP program is to provide people with communication impairments access to telecommunications services that are functionally equivalent to services provided to the hearing community. This goal is accomplished through two programs: The TACIP Unit of the Department of Public Service administers state contracts for the provision of the Telecommunication Relay Service and provides funding from the TACIP surcharge account to the Department of Human Services for the Equipment Distribution Program.

The Equipment Distribution Program provides specialized telecommunications equipment to eligible hearing, speech and mobility impaired persons enabling them to access the telephone network. The Minnesota Relay Service is a telecommunications relay service that links users of telephone equipment designed for deaf, hard-of-hearing, and speech impaired people with persons using standard telephone customer premise equipment.

**PROGRAM STATUS:**

The Department has recently established new contracts for the provision of the Telecommunications Relay Service. Under the new contracts, several new features will be offered including faster operator answer time, caller identification, and call branding. These features and many other new features will be available in January of 1997 upon completion of the vendors' new state-of-the-art telecommunications relay service center in Moorhead, Minnesota. Under the new 3 year service contract, Sprint Telephone Company is providing the local and long distance telephone service and the relay operator service is being provided by the Communication Service for the Deaf organization.

The number of incoming calls to the Minnesota Relay Service has remained constant for the past couple of years. However, an increase in call volume is expected with the additional services provided.

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Annual Performance Report as follows:

- To provide people with communication impairments access to telecommunication services that are functionally equivalent to services provided to the hearing community.

**BUDGET AND REVENUE SUMMARY:**

The TACIP program is funded through a surcharge which is assessed on all wire and non-wire access telephone lines in Minnesota. The access line surcharge is the main source of revenue for the programs. M.S. Ch. 237.52, Subd.2 establishes a surcharge as the funding mechanism. The surcharge

amount is currently \$0.17 per month per access line. The surcharge cap is set in statute at \$0.20 per month per access line. The Public Utilities Commission (PUC) is responsible for approving the TACIP annual budget and setting the surcharge at a level which will generate sufficient funding for the programs and program administration. Access line growth is projected to be 2% per year.

The TACIP surcharge is used to fund staff and equipment for the Equipment Distribution Program, the facility, equipment and operations of the Minnesota Telecommunications Relay Service and administrative costs of the Department of Public Service, TACIP Unit. Any long distance charges incurred by the users of the Minnesota Relay Service are paid for by the user at the carrier's rate.

Under the new Minnesota Relay Service contract, the contract vendor provides the long distance billing service instead of the State of Minnesota. Long distance service revenues are reflected accordingly in the budget.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE DEPT  
PROGRAM: TACIP  
ACTIVITY: TACIP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	108	118	120	120	120	123	123	123
OPERATING EXPENSES	4,609	6,562	6,444	6,444	6,444	6,678	6,678	6,678
<b>SUBTOTAL STATE OPERATIONS</b>	<b>4,717</b>	<b>6,680</b>	<b>6,564</b>	<b>6,564</b>	<b>6,564</b>	<b>6,801</b>	<b>6,801</b>	<b>6,801</b>
<b>TOTAL EXPENDITURES</b>	<b>4,717</b>	<b>6,680</b>	<b>6,564</b>	<b>6,564</b>	<b>6,564</b>	<b>6,801</b>	<b>6,801</b>	<b>6,801</b>
<b>EXPENDITURES BY FUND:</b>								
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	4,717	6,680	6,564	6,564	6,564	6,801	6,801	6,801
<b>TOTAL EXPENDITURES</b>	<b>4,717</b>	<b>6,680</b>	<b>6,564</b>	<b>6,564</b>	<b>6,564</b>	<b>6,801</b>	<b>6,801</b>	<b>6,801</b>
<b>REVENUE COLLECTED:</b>								
DEDICATED:								
SPECIAL REVENUE	6,340	6,478	6,417	6,417	6,417	6,502	6,502	6,502
<b>TOTAL REVENUES COLLECTED</b>	<b>6,340</b>	<b>6,478</b>	<b>6,417</b>	<b>6,417</b>	<b>6,417</b>	<b>6,502</b>	<b>6,502</b>	<b>6,502</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	2.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<b>TOTAL FTE</b>	<b>2.1</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Minnesota Historical Society

PROGRAM

PAGE

EDUCATION AND OUTREACH

E-329

Historic Places and Outreach  
History Center Building/Debt

PRESERVATION AND ACCESS

E-340

Collection Services  
History Center Building/Debt

INFORMATION AND PROGRAM DELIVERY

E-349

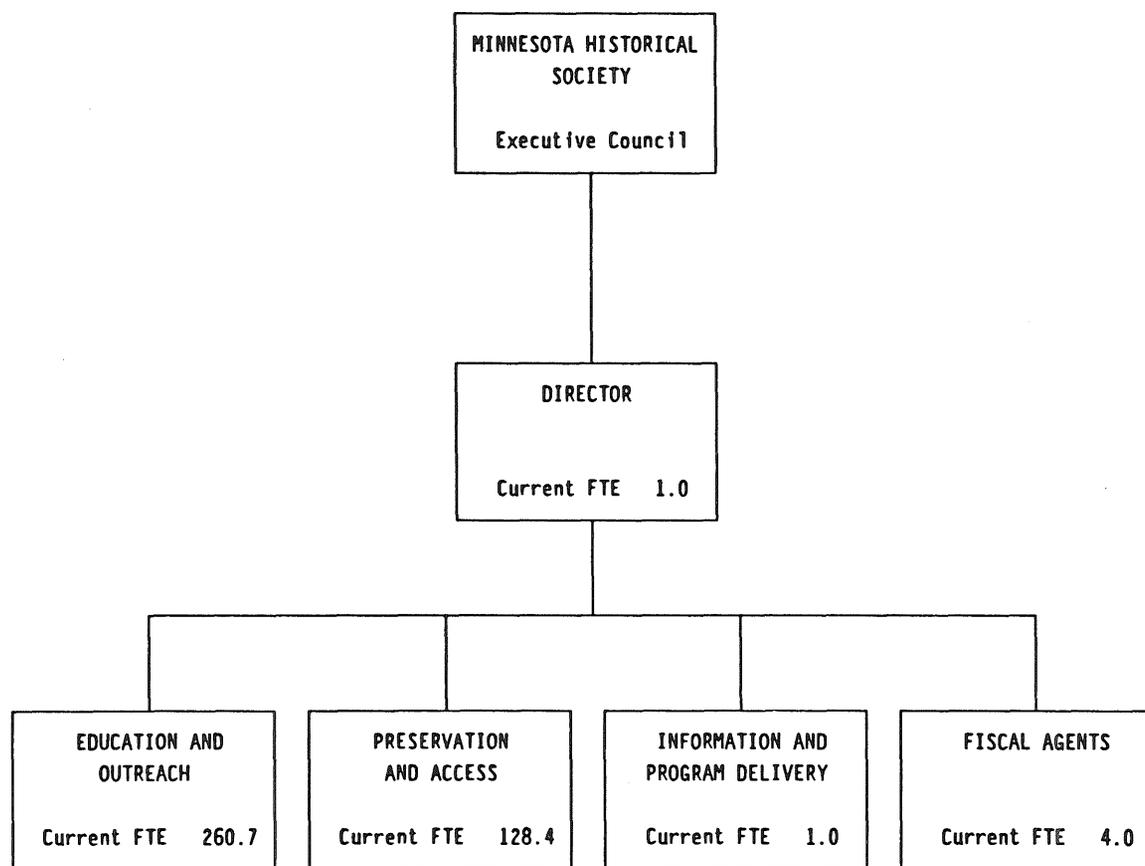
Technology Initiative

FISCAL AGENTS

E-355

Sibley House Association  
Minnesota International Center  
Minnesota Air National Guard Museum  
Project 120  
Minnesota Military Museum  
Farmamerica  
Kee Theatre  
Federal National Guard Museum

# Minnesota Historical Society Organization Chart



June 30, 1996 FTE Employees 395.1

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Minnesota Historical Society

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$19,679	\$19,679	\$39,358
<b><u>BASE ADJUSTMENT</u></b>			
Biennial Appropriation	48	-0-	48
Documented Space Rent/Lease Increase	94	186	280
1998-99 Compensation Inflation	290	587	877
Annualization of New Programs	<u>109</u>	<u>204</u>	<u>313</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$20,220</b>	<b>\$20,656</b>	<b>\$40,876</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$20,220</b>	<b>\$20,656</b>	<b>\$40,876</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
Information and Program Delivery/ Technology Initiative	2,000	2,000	4,000
Minnesota Territorial Sesquicentennial/ Millennium Celebration	150	150	300
Facility Repair and Maintenance	300	300	600
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$22,670</b>	<b>\$23,106</b>	<b>\$45,776</b>

**Brief Explanation of Agency Plan:**

- This budget plan maintains a flat level of spending, with the exception of an adjustment for compensation increases, rent and program annualization. The result of this budget plan will be a maintenance of current levels of service to the public at the History Center, at historic sites and in the other activities of the society.
- The compensation adjustment, however, will cover only a portion of the expected increases in salary, health care, and other personnel costs. Lack of funding to fully implement the Commissioner's Plan will result in a reduction of service to the public.
- The agency fiscal pages include LCMR Funds 03 and 13 project recommendations totaling \$1,460,000.

**Revenue Summary:**

- No changes

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels in the agency budget plan and the addition of: a biennial increase of \$4 million for Information and Program Delivery Technology to make the society's vast amount of information more accessible to the public, a biennial increase of \$600,000 for Facility Repair and Maintenance to protect the state's investment in historic facilities, and a one-time biennial appropriation of \$300,000 for Minnesota's Territorial Sesquicentennial and Millennium Celebration to help celebrate our state's history.

## 1998-99 Biennial Budget

AGENCY: Minnesota Historical Society

### AGENCY DESCRIPTION:

The Minnesota Historical Society is the oldest educational institution in the state, having been chartered by the First Legislature of the Minnesota Territory in 1849.

The mission of the Minnesota Historical Society is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past and find purpose for the future.

The Society carries out this mission by:

- providing opportunities for people of all ages to learn about the history of Minnesota;
- collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and
- encouraging and doing research in Minnesota history.

Through its mission the Society brings significant educational and economic benefits to the state. It contributes to the quality of life in Minnesota by developing within the citizenry a sense of pride in who they are, of the place where they live, and of their role in the unfolding of human history.

**Governance.** According to the legislative charter of the Minnesota Historical Society of 1849 as amended in 1856, the Minnesota Historical Society is governed by an executive council of 30 members and its officers. The executive council holds in trust for the public the assets of the Minnesota Historical Society including its collections, funds, historic sites, buildings, and all of its property. As the fiduciary for the public, the council oversees the operation of the institution and ensures that it is well managed and true to its mission. The council is responsible for establishing major policies and for monitoring the quality of the Society's programs and services. The state's constitutional officers are *ex-officio* members of the executive council. The executive council also performs duties mandated by the legislature under M.S. Chapter 138 and appropriate session laws.

**Programs.** The Historical Society will have 3 primary programs in 1998-99 and a fourth for legislatively mandated fiscal agent programs:

- Education and Outreach,
- Preservation and Access,
- Information and Program Delivery, and
- Fiscal Agents.

These programs, along with their related activities, fulfill the mission of the organization and encompass the totality of what the Historical Society is and its service to the people of the state.

- Through the **Education and Outreach** program, the institution serves citizens and tourists who visit the Society's 22 operating historic sites, the History Center including its library and museum galleries, or participate in the Society's educational programs and school group tours. The organization's impact is also realized through the publication of books and the quarterly *Minnesota History* journal, and by its involvement with hundreds of county and local historical organizations and local governmental entities that are engaged in the preservation of historic resources. Overall, the Historical Society is a destination and resource voluntarily utilized by over 1.25 million patrons and scores of related organizations each year.

- The **Preservation and Access** program addresses the Society's responsibility to collect, organize, care for, and make available those items that reflect the cultural heritage of the state. One of this program's primary concerns is the physical condition of the Society's collections, many of which are in excess of 100 years of age. The Society must also address the ongoing repair and restoration needs of its exhibitions and the historic buildings charged to its care. The Governor's support for asset preservation will enable the Society to address the maintenance needs of its historically significant assets. The State Archives is included in this program and reflects the need for interagency cooperation in collecting, organizing and making available in contemporary formats the records of governmental entities within the state.
- **Information and Program Delivery** reflects the Society's need to plan for, acquire, and develop new information technology to accomplish its mission. The Society is woefully far behind in its use of contemporary technology to serve the needs of the public and other governmental entities who expect the Society to have technological capabilities that are commonplace as we approach the next millennium.

The Minnesota Historical Society is considered by many in the museum/cultural arts field to be the pre-eminent institution of its type in the nation. Its sister institutions look to it for guidance and direction in the evolving fields of collections management, exhibits, preservation, and conservation.

### AGENCY ISSUES:

- **Salary Issues.** The Society is a highly labor intensive institution, providing direct services to the public through historic sites interpretation, public programs, and research assistance. In fact, the majority of the Society's operating budget goes to salaries and benefits.

The salary supplement provided by the 1996 Legislature and approved by the governor for F.Y. 1996-97 was deeply appreciated. However, the amount appropriated was insufficient to fully fund the Commissioner's Plan. Further, the Society has been unable to provide salary increases comparable to the level of the Commissioner's Plan for the last 4 biennia. As a result, Society employees are far behind their counterparts employed in state service; as much as 28% for professional staff. Not only does this have an impact on current compensation, but on retirement benefits as well.

- **Public Demand.** The public is demanding more services from the Society in some areas than the organization is able to provide. The programs in highest demand are those that provide educational services to the schools. During F.Y. 1996, 120,500 children registered for History Center programs and 145,700 for historic sites school programs; 17,500 junior and senior high students participated in History Day. To meet this demand the Society must increase its capacity to serve this important audience. The use of technology with the capability to interact with students in their classroom would open new ways for the Society to serve the state's student population. The labor intensive nature of serving patrons in the Research Center would also be aided by innovative uses of technology. PALS, the state's automated catalog system has recently gone onto the Internet, but much work needs to be done to achieve greater efficiencies to serve users. However, in all uses of technology the Society finds itself in a "walk before running" mode and needs to build a technology infrastructure prior to providing services using the new information tools.
- **Information Technology.** The Society is one of the state's largest and most significant repositories of historic and governmental information, yet the organization has not kept pace with the advances of contemporary information technology in the areas of collection, preservation and dissemination of information. The Society needs to begin planning, design and implementation of an infrastructure and contemporary methods of service and program delivery.

AGENCY: Minnesota Historical Society  
(Continuation)

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- **Care of Facilities and Collections.** The Society is charged with maintaining in good condition an inventory of over 100 buildings and thousands of artifacts, most of which exceed 100 years of age. The age and fragility of these items require that they receive care and attention above and beyond what would be considered normal. The Society needs to address ongoing repair and maintenance needs and make substantial progress in addressing the needs of the "capital iceberg."
- **Sustainability of Historic Sites Network.** The Historic Sites Network recently passed the 30-year mark. While the Society has not expanded the sites network in recent years, it has felt intense pressures from tightly constrained budgets, and constantly increasing costs.
- **Heritage Tourism and Economic Development.** National and regional studies have shown that historic sites are consistently near the top of the list of destinations for tourists. Recent statistics from the Minnesota Office of Tourism indicate that tourism has a \$6.8 billion impact on Minnesota's economy and that visiting historic places and museums ranked third among tourist activities. National studies have shown that nearly half of all travelers include historic sites in their plans. The Society has aggressively promoted the History Center and the Historic Sites Network in order to take advantage of this trend and to assist with economic development across Minnesota.
- **Funding.** In order to continue to provide a unique and high quality educational service to Minnesotans and visitors, the Society needs to have an adequate funding base. State funding for historic sites and the History Center, while significant, has not kept up with the inflationary impacts on salaries, and operations.

**AGENCY STRATEGIES:**

The Minnesota Historical Society will continue to meet the high levels of public demand for its services in a number of ways. First, through a continuation of base level funding, including base adjustments for salaries, the Society will collect and preserve objects that document Minnesota's past and will bring its educational programs to the public. Second, through capital budget appropriations in 1994 and 1996, as well as future requests, the Society will continue to "melt the capital iceberg" of deferred maintenance needs, particularly for the high need Historic Sites Network. Finally, the Society is currently in the midst of a long-range strategic planning effort. Work to date has guided the development of this budget and a concurrent technology request. The next stages of this planning effort will integrate key issues and goals into institution-wide planning.

**REVENUE SUMMARY:**

The Society is able to augment state resources for historic programs through such revenue generating activities as: parking, restaurant, events and gift shops at the History Center; sites admissions and sites shops sales; memberships, publications and copy center revenues, program fees, fee-for-service contracts, and other non-state fund raising opportunities. These non-state revenues amounted to \$6,887,000 in F.Y. 1996, and are projected to be \$7,251,000 in F.Y. 1997, and \$6,603,000 in both F.Y. 1998 and F.Y. 1999. These funds are used to support the direct costs of public programming such as historic site interpretation, publications and research, conservation, museum operations, and exhibit design and creation; they also cover all costs of operating the parking, restaurant, events and shops in the History Center and at sites.

**SUMMARY OF BUDGET REQUEST:**

This budget plan includes:

- Funding for base level operation of the Society's major programs including programs and activities in the History Center, the Historic Sites Network, field services and outreach programs, and Repair and Maintenance. This funding level would allow the Society to continue to serve over 1.25 million people per year, but unable to meet increasing demand for educational and technological services.
- A base adjustment of 2.5% each year for employee compensation. This is likely to provide only partial funding for the Commissioner's Plan.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels in the agency budget plan and the addition of: a biennial increase of \$4 million for Information and Program Delivery Technology Initiative to make the society's vast amount of information more accessible to the public, a biennial increase of \$600,000 for Facility Repair and Maintenance to protect the state's investment in historic facilities, and a one-time biennial appropriation of \$300,000 for Minnesota's Territorial Sesquicentennial and Millennium Celebration to help celebrate our state's history.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EDUCATION AND OUTREACH	16,330	17,019	17,022	17,022	17,172	17,343	17,343	17,493
PRESERVATION AND ACCESS	9,207	9,478	9,643	9,643	9,943	9,810	9,810	10,110
INFORMATION/PROGRAM DELIVERY	347	741	95	95	2,095	97	97	2,097
FISCAL AGENTS	468	743	326	1,786	1,786	278	278	278
TOTAL EXPENDITURES BY PROGRAM	26,352	27,981	27,086	28,546	30,996	27,528	27,528	29,978
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				1,025	1,025			
GENERAL	19,076	19,679	20,220	20,220	22,670	20,656	20,656	23,106
MINNESOTA RESOURCES	149	797		435	435			
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	536	536	536	536	536	536	536	536
FEDERAL	240	254	263	263	263	269	269	269
GIFT	6,351	6,715	6,067	6,067	6,067	6,067	6,067	6,067
TOTAL EXPENDITURES	26,352	27,981	27,086	28,546	30,996	27,528	27,528	29,978
FTE BY EMPLOYMENT TYPE:								
REGULAR	231.0	229.8	231.2	231.2	231.2	232.2	232.2	232.2
TEMP/SEAS/PART_TIME	164.1	168.4	161.5	161.5	161.5	161.4	161.4	161.4
TOTAL FTE	395.1	398.2	392.7	392.7	392.7	393.6	393.6	393.6

**1998-99 Biennial Budget  
Agency Level Revenue Summary**

Agency: Minnesota Historical Society

**REVENUE SOURCES:**

The Minnesota Historical Society is able to augment state resources for historic programs provided for the public through a variety of activities including parking, restaurant, events and gift shops at the History Center; historic sites admissions and shops sales; publications and copy center revenues; memberships; program fees and other fund-raising opportunities such as gifts from individuals. These non-state revenue sources are estimated to be \$6,603,000 for each year of the F.Y. 1998-99 biennium. Note: Dedicated receipts shown on the accompanying budget sheet reflect only funds from state-owned historic sites that, by statute, are deposited with the state treasurer.

These funds are expected to remain constant for the upcoming biennium, and will continue to support the direct costs of public programming such as historic site interpretation, publications and research, conservation, museum operations, and exhibit design and creation, as well as covering all costs of operating the parking, restaurant, events and shops in the History Center and the sites.

**FEE STRUCTURE:**

Fee structures at the Minnesota Historical Society are set by the Executive Council and management and are of two types. One is fees that help to augment state appropriations that provide programs at historic sites and at the History Center. These fees are established at levels that help to cover costs but do not discourage program participation. The other type involves fees, rates and prices for auxiliary services that reflect costs and market variables and help to supplement program activities.

**RECENT CHANGES:**

Revenue levels generated by the Society's program have remained stable in recent years. Small increases in visitation at sites have helped to absorb increasing costs of operating sites without increasing fees for visitors. Admission fees have not increased since 1994.

**FORECAST BASIS:**

The History Center and historic sites are expected to experience relatively similar levels of visitation in the upcoming biennium, resulting in flat levels of fee revenues. Federal revenues for historic preservation activities have experienced small cuts, and their future remains uncertain.

**DECISION ITEMS:**

None.

1998-1999 B I E N N I A L B U D G E T  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>OTHER REVENUES:</b>								
GENERAL	58	15	15	15	15	15	15	15
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>58</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
SPECIAL REVENUE	539	533	536	536	536	536	536	536
<b>OTHER REVENUES:</b>								
GIFT	18							
<b>TOTAL DEDICATED RECEIPTS</b>	<b>557</b>	<b>533</b>	<b>536</b>	<b>536</b>	<b>536</b>	<b>536</b>	<b>536</b>	<b>536</b>
<b>AGENCY TOTAL REVENUES</b>	<b>615</b>	<b>548</b>	<b>551</b>	<b>551</b>	<b>551</b>	<b>551</b>	<b>551</b>	<b>551</b>

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1998-99 Biennial Budget

**PROGRAM:** Education and Outreach  
**AGENCY:** Minnesota Historical Society

**PROGRAM DESCRIPTION:**

The Minnesota Historical Society is Minnesota's oldest educational institution. Virtually everything the Society does is geared toward expanding the knowledge base of those who use its services and resources. The Society educates through exhibits, living history programs and interactive/participatory programs. The Research Center, the museum, the Historic Sites Network and the MHS Press each in its own unique way, illuminates the story of the people of Minnesota. The State Historic Preservation Office provides expertise and limited funding through matching grants-in-aid to organizations conducting county and local history programs. Through matching requirements, state dollars are leveraged to accomplish many projects of statewide significance with minimal state investment. The Education and Outreach program contains 2 activities: Historic Places and Outreach, and History Center Building and Debt Services.

**PROGRAM STATUS:**

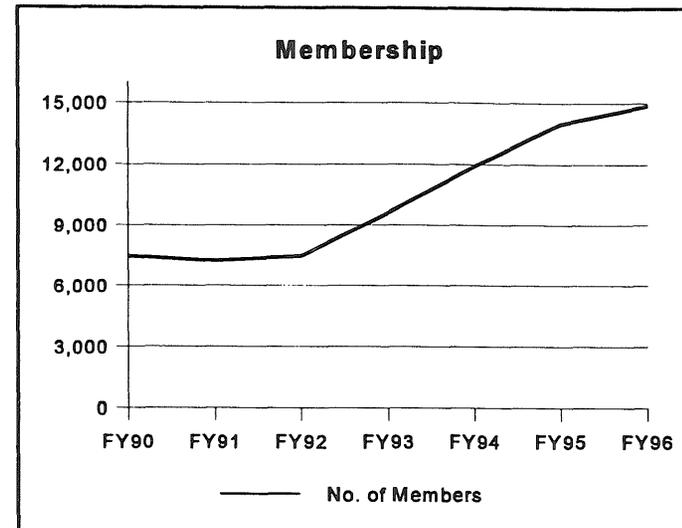
Demand for services in the Education and Outreach program continues to be strong. The Society has met the demand for history through the History Center, the state's Historic Sites Network and a variety of public programs for people of all ages.

Minnesota mirrors national trends of strong demand for heritage tourism resources and programs; these trends are reflected in the growth of visitation at the History Center and at historic sites across the state. During F.Y. 1996 the Society served:

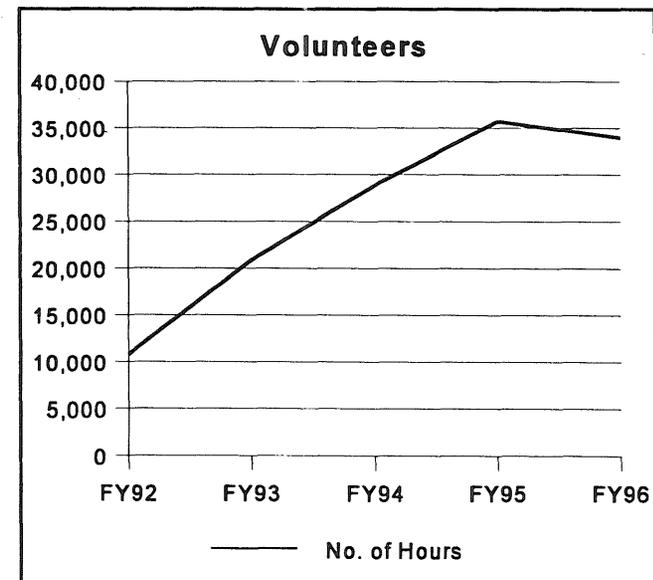
- 420,900 visitors to the History Center
- 120,500 participants in structured educational programs at the History Center
- 645,400 visitors to historic sites statewide including 145,700 school children
- 17,500 student/participants in History Day statewide
- 14,800 members of the Society, each receiving *Member News* and the quarterly scholarly journal *Minnesota History*.

The Society will continue to develop new ways to deliver services to the public. For example, the Society's World Wide Web site debuted in 1996 and has been extremely popular. With very little publicity 72,000 "hits" have been made on the Society's Web site between July and October of 1996. New teaching materials have been developed to support the increased participation in History Day.

One measure of interest in Minnesota history is the level of membership of the Minnesota Historical Society. Since the opening of the Minnesota History Center in 1992, membership has more than doubled.



Another indication of the strong public interest in history in Minnesota is the number of volunteers who are essential in supporting the Society's work. Over 1,300 volunteers contributed over 34,000 hours of service to the Society last year. While volunteers are crucial and add a tremendous quality to Society programs, properly recruiting and supervising volunteers require a great deal of staff time.



**PROGRAM:** Education and Outreach  
**AGENCY:** Minnesota Historical Society  
(Continuation)

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**PLANNED RESULTS:**

Continued base level funding will allow the Society to address the programmatic needs created by strong visitation to the History Center and the historic sites network. This growth in interest in the Society's activities is expected to continue, both for school age Minnesotans and those who wish to pursue life long learning activities. The key issues identified in the Society's strategic plan provide a response to these external drivers, and address the educational and research elements of the Society's mission.

The population of Minnesota is expected to grow significantly in the next 10 to 20 years according to projections of the Minnesota Demographer. The Society will respond as baby boomers reach an age in their lives where they have time, as well as a growing interest in exploring their past, to pursue activities such as visiting exhibitions, and using the resources of the Research Center for activities such as genealogy. The Society will meet these demands by continuing to deliver successful programs for school groups, family and individual visitors, as well as finding new ways to deliver programs through advances in technology.

**BUDGET AND REVENUE SUMMARY:**

The state operating appropriation for the Education and Outreach Program was \$10,620,000 in F.Y. 1996, and will be \$11,112,000 in F.Y. 1997. The requested base amount is \$11,438,000 in F.Y. 1998 and \$11,753,000 in F.Y. 1999. These funds support the bulk of the Society's public presence, programming and educational initiatives within the History Center and throughout the state. Well over 1 million citizens and visitors are well served by the Society with these funds. High demand services and programs including hours of Library operation, museum hours, educational and family programming, and advice to local and regional historical organizations could be significantly reduced or even discontinued if state funding were to decline. As it is, programming hours and the length of the overall season at the Sites have already been curtailed because of inflationary pressures and the lack of salary funds over the past years. As the costs of compensation and program materials continue to increase, levels of service to the public will suffer if program budgets do not keep pace.

Revenue from parking, restaurant, events and shops in the History Center, sites admissions and sites shop sales, memberships, publications and copy center revenues, program fees, fee-for-service contracts and other non-state fund-raising activities produced \$5,321,000 in F.Y. 1996 to augment the Education and Outreach Program; projected revenue for F.Y. 1997-98-99 amounts to \$5,321,000 for each of those 3 fiscal years. These funds are used to support the direct costs of providing public programming such as historic site interpretation, publications and research, museum operations, and exhibit design and creation, as well as covering all costs of operating parking, the restaurant, special events and the shops in the History Center and at the sites.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels as requested in the agency's budget plan and an additional one-time biennial appropriation of \$300,000 for Minnesota's Territorial Sesquicentennial and Millennium Celebration to help celebrate our state's history.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: EDUCATION AND OUTREACH

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HISTORIC PLACES AND OUTREACH	13,209	13,898	13,848	14,673	14,823	14,118	14,118	14,268
HIST CTR BLDG/DEBT	3,121	3,121	3,174	3,174	3,174	3,225	3,225	3,225
TOTAL EXPENDITURES BY ACTIVITY	16,330	17,019	17,022	17,847	17,997	17,343	17,343	17,493
AGENCY PLAN ITEMS:			FUND					
LCMR NEW ALLOCATIONS			EVT					
			825					
TOTAL AGENCY PLAN ITEMS			825					
GOV'S INITIATIVES:			FUND					
(B) SESQUICENTENNIAL MILLENNIUM PROGRAM			GEN					
			150			150		
TOTAL GOV'S INITIATIVES			150			150		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE								
GENERAL								
	10,620	11,112	11,438	825	825	11,753	11,753	11,903
MINNESOTA RESOURCES								
	149	332						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE								
	536	536	536	536	536	536	536	536
FEDERAL								
	240	254	263	263	263	269	269	269
GIFT								
	4,785	4,785	4,785	4,785	4,785	4,785	4,785	4,785
TOTAL EXPENDITURES	16,330	17,019	17,022	17,847	17,997	17,343	17,343	17,493
FTE BY EMPLOYMENT TYPE:								
REGULAR								
	126.4	126.3	127.7	127.7	127.7	128.7	128.7	128.7
TEMP/SEAS/PART_TIME								
	135.3	132.8	132.6	132.6	132.6	132.5	132.5	132.5
TOTAL FTE	261.7	259.1	260.3	260.3	260.3	261.2	261.2	261.2

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1998-99 Biennial Budget

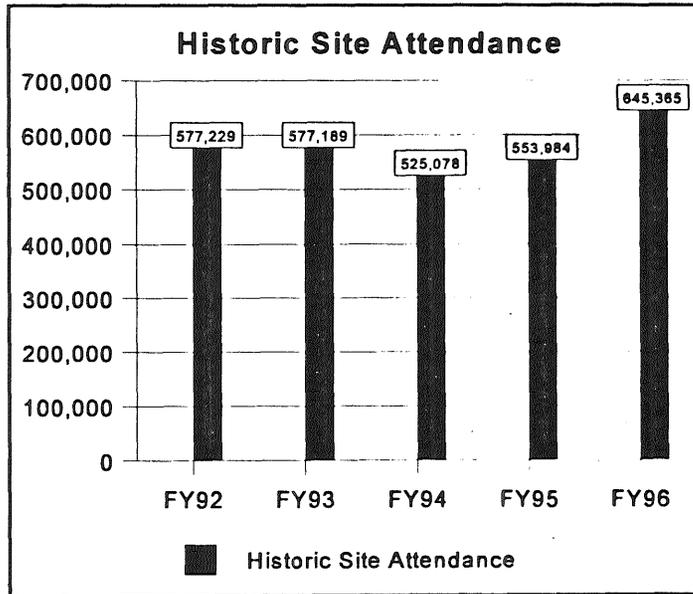
**BUDGET ACTIVITY:** Historic Places and Outreach  
**PROGRAM:** Education and Outreach  
**AGENCY:** Minnesota Historical Society

**ACTIVITY DESCRIPTION:**

The Education and Outreach Program includes several functions performed by the Minnesota Historical Society which are central to the state's focus on education and to the institution's mission of "providing opportunities for people of all ages to learn about the history of Minnesota." Each of these functions enjoys broad-based statewide popularity, resulting in demands on staff to deliver adequate levels of service.

**Historic Sites Network**

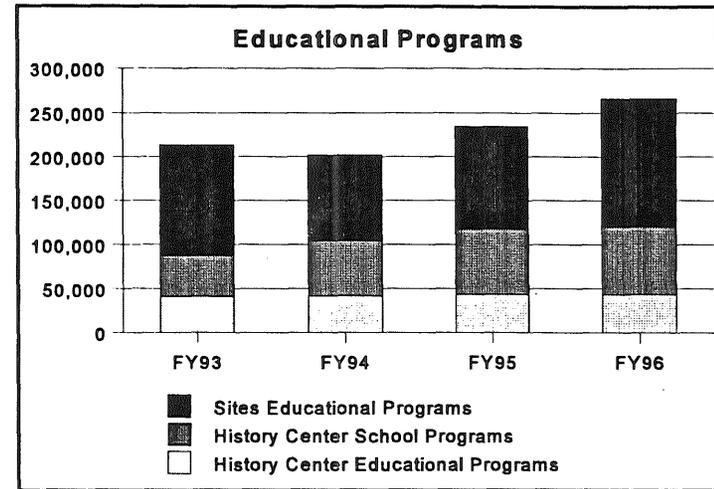
Mandated by Minnesota statutes (M.S. 138.661-669), the Historic Sites Network recently celebrated its 30th anniversary. By providing visitors with the unique experience of learning about history where it happened, the sites network has added richness to the educational and recreational life of Minnesotans and out-of-state visitors. In addition, historic sites stimulate heritage tourism, thereby providing major benefit to the economy of all areas of Minnesota.



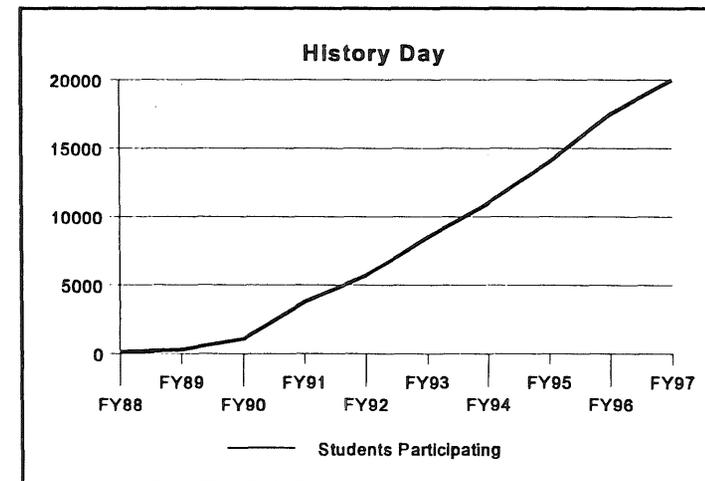
**Education Department**

As a central part of the Society's mission, the Education Department provides public programs for learners of all ages. These programs include lectures, concerts and special events, programs geared to students in the classroom, those who visit the History Center and use exhibits as a learning tool,

and those who visit historic sites on field trips. Many of these school visits are related to the students' study of *Northern Lights*, the Minnesota history curriculum developed by the Society and widely used in the state's schools.



A rapidly growing educational program is History Day. From small beginnings with just over 100 participants less than 10 years ago, today, over 20,000 students participate in History Day in Minnesota. Through this popular program students undertake original research projects, developing researching, critical thinking, writing and other communications skills. The Society coordinates this program which has become a major activity for many of Minnesota's junior high and high school students.



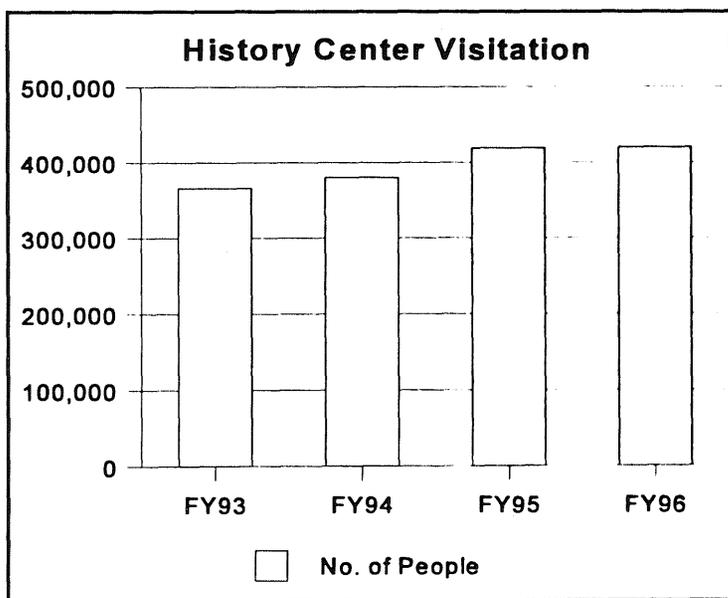
**BUDGET ACTIVITY:** Historic Places and Outreach  
**PROGRAM:** Education and Outreach  
**AGENCY:** Minnesota Historical Society  
 (Continuation)

**MHS Press and Research Department**

The Minnesota Historical Society Press, the oldest publisher in the state, helps to fulfill the Society's mission by providing materials for readers interested in Minnesota's past. Through popular best selling titles such as *Lost Twin Cities*, *John Dillinger Slept Here*; the *Midwest Reflections* series, featuring memoirs and personal histories of people of the Upper Midwest, and scholarly titles, including *Gentle Warriors: Clara Ueland and the Minnesota Struggle for Woman's Suffrage*, and the *Architecture of Edwin Lundie*, the MHS Press not only encourages research, a central part of the Society's mission, but also helps to provide opportunities for a wider audience to learn about Minnesota history. The number of units shipped by the Publications Division (books, tapes, CD's, posters) rose 26% from F.Y. 1995 TO F.Y. 1996.

**Exhibits**

Through exhibitions at the History Center and at historic sites, families, individuals, tourists and school groups can learn about Minnesota's past in new ways. Visitors to History Center exhibitions are likely to encounter a costumed guide who will help bring the Minnesota story to life, much as guides perform this function at the Society's historic sites. Exhibitions including interactive and multi-media experiences help to make the Minnesota story more meaningful and memorable.



**Historic Preservation and Field Services**

The Society, as directed by state and federal law, serves as Minnesota's State Historic Preservation Office. This office maintains the *National Register of Historic Places* for properties in Minnesota, provides reviews for compliance with applicable federal laws, and educates the public about the values and benefits of maintaining the historic environment. In addition, this office conducts reviews of applications for the various competitive, matching grant programs administered by the Society, and helps to coordinate the Society's contact with each of the state's 450 county and local historical organizations.

**BUDGET ISSUES:**

Since the 1960's the Society and the state have invested over \$60,000,000 in the development of the Historic Sites Network; it is, by all standards, considered to be one of the best of its type in the country. Demand for the services provided by this Activity are clearly demonstrated by the strong and consistent attendance at sites and the dramatically increased participation by Minnesota's junior and senior high school students in History Day. Additionally, the Society's historic preservation staff is able to optimize and leverage the interest in history and preservation by providing expert advice and assistance when called upon by local and regional historical organizations and individuals considering investing in the rehabilitation of a historic structure. Any reduction in the state's commitment to funding these popular activities, would result in the Society's inability to fulfill its mission by meeting the public's strong demand for these services. As it is, programming hours and the length of the overall season at the sites have already been curtailed because of inflationary pressures and the lack of salary funds in recent years.

**REVENUE:**

The state operating appropriation for the Historic Places and Outreach Activity was \$7,499,000 in F.Y. 1996 and \$7,991,000 in F.Y. 1997; the Society is requesting \$8,264,000 in F.Y. 1998 and \$8,528,000 in F.Y. 1999. Revenue from parking, restaurant, events and shops in the History Center, sites admissions and sites shop sales, memberships, publications and copy center revenues, program fees, fee-for-service contracts and other non-state fund-raising activities generated \$5,321,000 in F.Y. 1996 to augment the Education and Outreach Program; projected revenue for F.Y. 1997-98-99 amounts to \$5,321,000 for each of those 3 fiscal years. These funds are used to support the direct costs of providing public programming such as historic site interpretation, publications and research, museum operations, and exhibit design and creation, as well as covering all costs of operating parking, the restaurant, special events and the shops in the History Center and the sites.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: EDUCATION AND OUTREACH  
ACTIVITY: HISTORIC PLACES AND OUTREACH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	8,155	8,705	9,108	9,108	9,108	9,380	9,380	9,380
OPERATING EXPENSES	4,687	4,576	4,388	5,023	5,173	4,386	4,386	4,536
CAPITAL OUTLAY	108	271	13	203	203	13	13	13
<b>SUBTOTAL STATE OPERATIONS</b>	<b>12,950</b>	<b>13,552</b>	<b>13,509</b>	<b>14,334</b>	<b>14,484</b>	<b>13,779</b>	<b>13,779</b>	<b>13,929</b>
LOCAL ASSISTANCE	259	346	339	339	339	339	339	339
<b>TOTAL EXPENDITURES</b>	<b>13,209</b>	<b>13,898</b>	<b>13,848</b>	<b>14,673</b>	<b>14,823</b>	<b>14,118</b>	<b>14,118</b>	<b>14,268</b>
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
LCMR NEW ALLOCATIONS		EVT		825				
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>825</b>				
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
(B) SESQUICENTENNIAL MILLENNIUM PROGRAM		GEN			150			150
<b>TOTAL GOV'S INITIATIVES</b>					<b>150</b>			<b>150</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
<b>ENVIRONMENT &amp; NATURAL RESOURCE</b>								
GENERAL	7,499	7,991	8,264	8,264	8,414	8,528	8,528	8,678
MINNESOTA RESOURCES	149	332						
<b>STATUTORY APPROPRIATIONS:</b>								
SPECIAL REVENUE	536	536	536	536	536	536	536	536
FEDERAL	240	254	263	263	263	269	269	269
GIFT	4,785	4,785	4,785	4,785	4,785	4,785	4,785	4,785
<b>TOTAL EXPENDITURES</b>	<b>13,209</b>	<b>13,898</b>	<b>13,848</b>	<b>14,673</b>	<b>14,823</b>	<b>14,118</b>	<b>14,118</b>	<b>14,268</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: EDUCATION AND OUTREACH  
ACTIVITY: HISTORIC PLACES AND OUTREACH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GIFT		18						
TOTAL REVENUES COLLECTED		18						
FTE BY EMPLOYMENT TYPE:								
REGULAR	126.4	126.3	127.7	127.7	127.7	128.7	128.7	128.7
TEMP/SEAS/PART_TIME	135.3	132.8	132.6	132.6	132.6	132.5	132.5	132.5
TOTAL FTE	261.7	259.1	260.3	260.3	260.3	261.2	261.2	261.2

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Minnesota Historical Society  
**PROGRAM:** Education and Outreach  
**ACTIVITY:** Historic Places and Outreach

**ITEM TITLE:** Sesquicentennial/Millennium Programming

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$150	\$150	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes  No

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

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a one-time biennial General Fund appropriation of \$300,000 to help fund the Sesquicentennial and Millennium Celebrations. These milestones deserve to be celebrated and can help build a sense of pride in our state and the people that make it great.

**RATIONALE:**

1999-2000 will mark the 150th anniversary of the formation of the Minnesota territory, and the beginning of a new millennium. The Historical Society is the logical and most appropriate organization to conceptualize, organize and sponsor a statewide celebration of this nature. The Society also has the ability to leverage the state's financial commitment to this initiative with non-state/private funding.

**PROGRAM OUTCOMES:**

In conjunction with other public and private entities, the Society will assume a leadership role in planning and developing exhibits, grants programs and education and outreach programs that celebrate this important milestone in the history of the nation and the state. These programs will emphasize the role of Minnesota's people in the development of our state's culture resulting in a greater appreciation and understanding of our collective heritage.

**LONG-TERM IMPACT:**

Community building, broad-based education about the state's history, and a statewide sense of pride of being part of a culture that is a national leader on many fronts.

1998-99 Biennial Budget

**BUDGET ACTIVITY:** History Center Building/Debt  
**PROGRAM:** Education and Outreach  
**AGENCY:** Minnesota Historical Society

**ACTIVITY DESCRIPTION:**

The History Center has been open to the public since October, 1992. Since the gala grand opening, the building has exceeded all expectations as to its functionality, practicality and acceptance by the people of the state. The History Center is a source of pride for all who worked to achieve this magnificent place to celebrate Minnesota, and for the way people who have used the History Center since its opening. As one visitor put it, "This place makes me proud to be a Minnesotan." The History Center functions today not only as the headquarters of the Minnesota Historical Society but also as a gathering place for Minnesota's people who wish to use it as the setting for receptions, family reunions, memorial services and a variety of other meetings.

This activity exists to provide climate controls, groundskeeping, custodial, maintenance/repair, security services for the History Center as well as to service the debt on the state funded portion of the original construction cost. The systems and standards for the History Center are substantively different than for other buildings in the Capitol area complex. Unlike other state buildings, the History Center is open to the public 16 hours per day, 362 days per year and was designed to provide a safe and comfortable environment for visitors. The care and preservation of the collections require that temperature and humidity be controlled within very narrow ranges and that the air in certain parts of the building be purified of all gases and particulates. Sophisticated systems were engineered into the building to protect and conserve the irreplaceable cultural resources and heritage of Minnesota - rare books and manuscripts, original maps of the area, artwork, period furniture and clothing, Native American materials, corporate and governmental records in the State Archives, and other permanently valuable historical collections that require specialized conditions for their ongoing preservation.

This activity is divided between the Education and Outreach, and Preservation and Access programs on the basis of the square feet each program occupies in the History Center.

**BUDGET ISSUES:**

The Department of Administration provides maintenance, custodial and systems support services for the History Center; debt service for the state-funded part of the History Center is also included in this Activity. Administration calculates the costs of these services which becomes part of the Society budget request. The Society then pays the Department of Administration for the services provided.

**REVENUE:**

None.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: EDUCATION AND OUTREACH  
ACTIVITY: HIST CTR BLDG/DEBT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
-----								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	3,118	3,121	3,174	3,174	3,174	3,225	3,225	3,225
CAPITAL OUTLAY	3							
=====								
SUBTOTAL STATE OPERATIONS	3,121	3,121	3,174	3,174	3,174	3,225	3,225	3,225
=====								
TOTAL EXPENDITURES	3,121	3,121	3,174	3,174	3,174	3,225	3,225	3,225
-----								
EXPENDITURES BY FUND:								
-----								
DIRECT APPROPRIATIONS:								
GENERAL	3,121	3,121	3,174	3,174	3,174	3,225	3,225	3,225
=====								
TOTAL EXPENDITURES	3,121	3,121	3,174	3,174	3,174	3,225	3,225	3,225
-----								
FTE BY EMPLOYMENT TYPE:								
-----								
=====								
TOTAL FTE								

## 1998-99 Biennial Budget

**PROGRAM:** Preservation and Access  
**AGENCY:** Minnesota Historical Society

### PROGRAM DESCRIPTION:

A significant part of the Society's mission relates to the collection, conservation and preservation of the State's cultural heritage and governmental records. The Society acquires nearly all of these materials by donation from Minnesota's people and the state's governmental entities. This activity requires highly specialized knowledge, a sense of the significance of current events and cultural relevance, and the ability to acquire, process and appropriately care for these important items and records. The Society employs staff who are recognized as experts in the following disciplines: acquisitions, collections cataloging, reference, curatorial, oral history, records retention, conservation, archaeology, exhibition construction and repair, editing, teaching and interpretation and historic preservation.

The State Archives, mandated by M. S. 138.161-138.25, exists to collect, preserve, describe, arrange, and prepare for public use records of state and local agencies consistent with data access procedures; it also determines which records should be retained, promotes appropriate records management practices and the efficient use of space and resources. The State Archives staff works closely with the Information Policy Office, the Department of Administration, the Attorney General's Office and the Legislative Auditor's Office to approve all records schedules and dispositions.

### PROGRAM STATUS:

This program faces increasing demands on 2 fronts; first, greater volumes of materials need preservation as each day passes, including government records, newspapers and 3-dimensional objects from across the state. Second, as more Minnesotans become interested in exploring the past, whether doing house history, genealogy, History Day projects, or scholarly research, the Research Center will continue to face heavier demands from the public. In addition, as improved technological research methods give greater access to the collections, there will be greater interest in the collections resulting in new visitors who will require increased services.

The Society currently holds for the people of Minnesota:

- 550,000 books and pamphlets
- 38,600 cubic feet of manuscripts
- 50,000 cubic feet of government records
- 37,000 maps and atlases
- 500,000 photographs
- 5,500 works of art
- near 1 million archaeological artifacts
- 4 million issues of 4,500 newspapers, largely on microfilm
- approximately 165,000 historical objects

The Society serves the following number of customers in the Preservation and Access Program:

- 41,000 in-person inquiries at the History Center's Research Center
- 31,000 inquiries by telephone
- 3,000 inquiries by mail
- 5,800 inter-library loan requests

- 10,200 rolls of microfilm produced by microfilm labs
- 16,100 photographic prints, negatives and transparencies produced by the photo labs

### PLANNED RESULTS:

A continuation of base level funding for the Preservation and Access Program will allow the Society to build upon past successes in the delivery of services to the public. Collections themselves will, by definition, continue to grow as significant records of Minnesota's past are included in the Society's collections.

Requests for information as well as interest in how to use the collections and how to access information have each grown since the opening of the History Center. The Society will face and meet new challenges in how to handle information in an increasingly electronic age.

### BUDGET AND REVENUE SUMMARY:

The state operating appropriation for the Preservation and Access Program for F.Y. 1996 was \$7,925,000 and \$8,196,000 for F.Y. 1997. The Society is requesting \$8,361,000 for F.Y. 1998 and \$8,528,000 for F.Y. 1999. Collecting, processing, conserving and disseminating the information and records of the state for the citizenry is the essence of the Society. Funding for this program serves to fulfill the preservation component of the Society's mission. It enables the Society to preserve for current use and for posterity hundreds of thousands of government documents in the legislatively-mandated State Archives, in addition to books, manuscripts, maps, photographs and newspapers that document the Minnesota story. Any reduction in the budget associated with this program will curtail the Society's ability to document this part of the Minnesota's history; gaps would develop in the Society's chronological record and, as a result, thousands of researchers and genealogists would be without historical resources. Additionally, state agencies and local governments would not be able to accomplish their tasks.

Revenue from parking, restaurant, events and shops in the History Center, sites admissions and sites shop sales, memberships, publications and copy center revenues, program fees, fee-for-service contracts and other non-state fund-raising activities produced revenue in F.Y. 1996 in the amount of \$1,282,000 to augment the Preservation and Access Program; projected revenue for F.Y. 1997-98-99 amounts to \$1,282,000 for each of those 3 fiscal years. These funds are used to support the direct costs of providing preservation, processing, conservation and access services to thousands of researchers, as well as covering all costs of operating parking, the restaurant, special events and the shops in the History Center and the sites.

### GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels as requested in the agency's budget plan and an additional biennial increase of \$600,000 for Facility Repair and Maintenance to protect the state's investment in historic facilities.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: PRESERVATION AND ACCESS

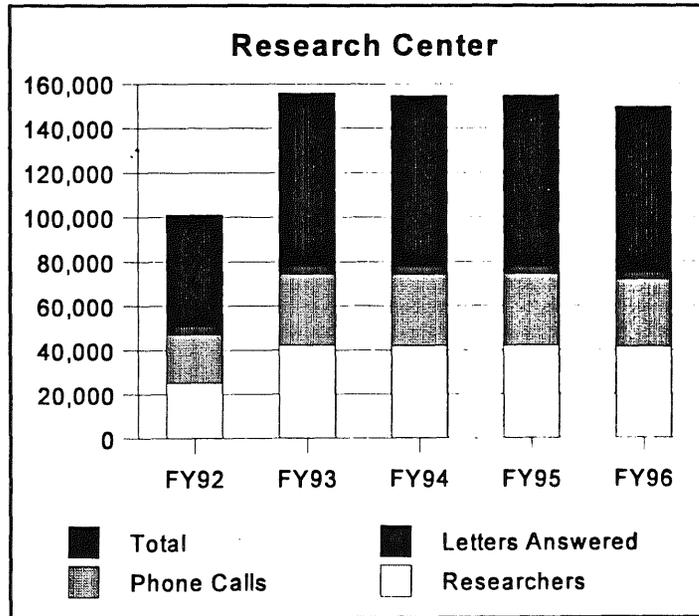
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
COLLECTION SERVICES	6,760	7,031	7,155	7,155	7,455	7,281	7,281	7,581
HIST CTR BLDG/DEBT	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	9,207	9,478	9,643	9,643	9,943	9,810	9,810	10,110
GOV'S INITIATIVES:		FUND						
=====	=====	=====	=====	=====	=====	=====	=====	=====
(B) FACILITY REPAIR & MAINTENANCE		GEN			300			300
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL GOV'S INITIATIVES					300			300
EXPENDITURES BY FUND:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
DIRECT APPROPRIATIONS:								
GENERAL	7,925	8,196	8,361	8,361	8,661	8,528	8,528	8,828
STATUTORY APPROPRIATIONS:								
GIFT	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	9,207	9,478	9,643	9,643	9,943	9,810	9,810	10,110
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	102.6	102.5	102.5	102.5	102.5	102.5	102.5	102.5
TEMP/SEAS/PART_TIME	25.8	25.4	25.4	25.4	25.4	25.4	25.4	25.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	128.4	127.9	127.9	127.9	127.9	127.9	127.9	127.9

**BUDGET ACTIVITY:** Collection Services  
**PROGRAM:** Preservation and Access  
**AGENCY:** Minnesota Historical Society

**ACTIVITY DESCRIPTION:**

This activity helps to fulfill the Society's mission of "collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond." Through a variety of public programs, the Society preserves both the paper and 3-dimensional objects which document Minnesota history.

- **Library/Research Center.** This division makes accessible the written, visual, and oral materials relating to Minnesota's past. The Research Center at the History Center serves over 40,000 patrons each year with research projects, scholarly endeavors, genealogy, house histories, and students seeking resources for History Day projects.



- **State Archives.** This department carries out the Society's responsibility, under state law, for evaluating the historical importance of all Minnesota's governmental records and arranging for their permanent preservation or disposal. Current laws mandate a constant input of public records into state archives. Such records are increasingly more complex and various in their form. This activity has constant growth, and is continuing to examine how best to handle records in an electronic format.

- **Oral History.** This activity collects and preserves the recollections of Minnesotans on audio and video tape, on film and in transcripts of interviews.
- **Processing and Conservation.** Materials selected for inclusion in the Society's collections are sorted and treated to ensure their long-term stability and usability.
- **Repair and Replacement.** The buildings of the historic sites network make up an important part of the Society's collections. With many of the buildings being more than 100 years old, the care of these structures presents unique, and sometimes costly, challenges. The Society's Repair and Replacement funding has remained constant for the most recent 3 biennia, but ordinary repair needs have risen. This function of the Collections Services Activity provides ordinary repairs for structures at the historic sites as well as the History Center. The Governor's support of \$300,000 per year for repair and maintenance of facilities will enable the Society to make substantial progress in addressing the needs of the "capital iceberg" of unmet capital needs.
- **Archaeology.** As an important part of historical inquiry, the Society's Archaeology Department provides help to the public and other departments of the Society. Recent activities have included assistance with historic sites capital projects such as the Sibley historic site, and an exploratory project at St. Anthony Falls in Minneapolis.

**BUDGET ISSUES:**

Collecting, processing, conserving and disseminating the information and records of the state is the essence of the Society. Funding for this activity serves to fulfill the preservation component of the Society's mission. It enables the Society to preserve for current use and for posterity hundreds of thousands of government documents and records, books, manuscripts, maps, photographs, artifacts and other objects and newspapers that document the Minnesota story. Any reduction in the budget associated with this program will curtail the Society's ability to maintain this part of Minnesota's history; gaps would develop in the Society's chronological record and thousands of researchers and genealogists, plus state agencies and local governments would not be able to accomplish their tasks.

The State Archives must keep pace with the technologically driven changing formats of official government information mandated to its care and preservation. Failure to fund this essential aspect of the Society's mission would preclude the Society from fulfilling its statutory mandate from the state.

**REVENUE:**

The state operating appropriation for the Collection Services Activity was \$5,478,000 in F.Y. 1996 and \$5,749,000 in F.Y. 1997. The Society is requesting \$5,873,000 for F.Y. 1998 and \$5,999,000 for F.Y. 1999.

Revenue from parking, restaurant, events and shops in the History Center, sites admissions and sites shop sales, memberships, publications and copy center revenues, program fees, fee-for-service contracts and other non-state fund-raising activities produced revenue in F.Y. 1996 in the amount of \$1,282,000 to augment the Collections Services Activity; projected revenue for F.Y. 1997-98-99 amounts to \$1,282,000 for each of those 3 fiscal years. These funds are used to support the direct costs of providing preservation, processing, conservation and access services to thousands of researchers, as well as covering all costs of operating parking, the restaurant, special events and the shops in the History Center and the sites.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: PRESERVATION AND ACCESS  
ACTIVITY: COLLECTION SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	5,058	5,405	5,617	5,617	5,617	5,756	5,756	5,756
OPERATING EXPENSES	1,647	1,611	1,523	1,523	1,823	1,510	1,510	1,810
CAPITAL OUTLAY	52	12	12	12	12	12	12	12
<b>SUBTOTAL STATE OPERATIONS</b>	<b>6,757</b>	<b>7,028</b>	<b>7,152</b>	<b>7,152</b>	<b>7,452</b>	<b>7,278</b>	<b>7,278</b>	<b>7,578</b>
LOCAL ASSISTANCE	3	3	3	3	3	3	3	3
<b>TOTAL EXPENDITURES</b>	<b>6,760</b>	<b>7,031</b>	<b>7,155</b>	<b>7,155</b>	<b>7,455</b>	<b>7,281</b>	<b>7,281</b>	<b>7,581</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
<b>(B) FACILITY REPAIR &amp; MAINTENANCE</b>								
<b>GEN</b>								
					300	300		
<b>TOTAL GOV'S INITIATIVES</b>					<b>300</b>	<b>300</b>		
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	5,478	5,749	5,873	5,873	6,173	5,999	5,999	6,299
<b>STATUTORY APPROPRIATIONS:</b>								
GIFT	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
<b>TOTAL EXPENDITURES</b>	<b>6,760</b>	<b>7,031</b>	<b>7,155</b>	<b>7,155</b>	<b>7,455</b>	<b>7,281</b>	<b>7,281</b>	<b>7,581</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	102.6	102.5	102.5	102.5	102.5	102.5	102.5	102.5
TEMP/SEAS/PART_TIME	25.8	25.4	25.4	25.4	25.4	25.4	25.4	25.4
<b>TOTAL FTE</b>	<b>128.4</b>	<b>127.9</b>	<b>127.9</b>	<b>127.9</b>	<b>127.9</b>	<b>127.9</b>	<b>127.9</b>	<b>127.9</b>

**F.Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Minnesota Historical Society  
**PROGRAM:** Preservation and Access  
**ACTIVITY:** Collection Services

**ITEM TITLE:** Facility Repair and Maintenance

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$300	\$300	\$300	\$300
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_ No X

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

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an increase of \$600,000 for the biennium for repair and maintenance of Minnesota Historical Society Facilities. This is part of a multi-agency initiative to reduce statewide deferred maintenance needs and protect the public investment in these facilities.

**RATIONALE:**

The buildings of the historic sites network make up an important part of the Society's collections. With many of the buildings being more than 100 years old, the care of these structures present unique, and sometimes costly, challenges. The Society's Repair and Maintenance funding has remained constant for the most recent 3 biennia, but ordinary repair needs have risen. Expenditures in this category would be for roof repair, window replacement and foundation stabilization.

**PROGRAM OUTCOMES:**

The Society will be able to address the most immediate deferred maintenance needs of its portion of the capital iceberg. Fragile and deteriorating structures will be given the care and attention they need. Public access to the state's cultural heritage will be increased.

**LONG-TERM IMPACT:**

Irreplaceable components of the state's heritage will not be lost to the effects of time but will, instead, be preserved and maintained for the study and enjoyment of future generations.

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** History Center Building/Debt  
**PROGRAM:** Preservation and Access  
**AGENCY:** Minnesota Historical Society

**ACTIVITY DESCRIPTION:**

The History Center has been open to the public since October, 1992. Since the gala grand opening, the building has exceeded all expectations as to its functionality, practicality and acceptance by the people of the state, the legislature and those private citizens who worked together to make the History Center a reality. All those involved should be justifiably proud of the building and how it is used to serve its many constituencies. The History Center functions today not only as the headquarters of the Minnesota Historical Society but also as a gathering place for Minnesota's people who wish to use it as the setting for receptions, family reunions, memorial services and a variety of other meetings.

This activity exists to provide climate controls, groundskeeping, custodial, maintenance/repair, security services for the History Center as well as to service the debt on the state funded portion of the original construction cost. The systems and standards for the History Center are substantively different than for other buildings in the Capitol area complex. Unlike other state buildings, the History Center is open to the public 16 hours per day, 362 days per year. The care and preservation of the collections require that temperature and humidity be controlled within very narrow ranges and that the air in certain parts of the building be purified of all gases and particulates. Sophisticated systems were engineered into the building to protect and conserve the irreplaceable cultural resources and heritage of Minnesota - rare books and manuscripts, original maps of the area, artwork, period furniture and clothing, Native American materials, corporate and governmental records and other permanently valuable historical collections that require specialized conditions for their ongoing preservation.

This activity is divided between the Education and Outreach, and Preservation and Access programs on the basis of the square feet each program occupies in the History Center.

**BUDGET ISSUES:**

The Department of Administration provides maintenance, custodial and systems support services for the History Center; debt service for the state-funded part of the History Center is also included in this Activity. Administration calculates the costs of these services which becomes part of the Society budget request. The Society then pays the Department of Administration for the services provided.

**REVENUE:**

None.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: PRESERVATION AND ACCESS  
ACTIVITY: HIST CTR BLDG/DEBT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
SUBTOTAL STATE OPERATIONS	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
TOTAL EXPENDITURES	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
TOTAL EXPENDITURES	2,447	2,447	2,488	2,488	2,488	2,529	2,529	2,529
<b>FTE BY EMPLOYMENT TYPE:</b>								
TOTAL FTE								

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1998-99 Biennial Budget

PROGRAM: Information and Program Delivery  
 AGENCY: Minnesota Historical Society

**PROGRAM DESCRIPTION:**

The Minnesota Historical Society is one of the state's largest and most significant repositories of historic and governmental information. Information collection, documentation and retrieval have been, and will continue to be an integral function of the Society. The Society holds an immense amount of information and has created a wide variety of research and finding aids. Technological advances are changing drastically the way in which information is stored and made accessible. Technology is also making available new experiences not previously imagined. The "virtual tour" of historic sites or exhibits, on-line access to the Society's vast collections, school classroom interactive demonstrations and workshops, and access to information on historic preservation grants could all be achieved with sufficient levels of funding.

Currently, however, the Society is far behind its potential for delivering information and programs to the public. Society staff have limited connectivity to the Internet; internal networking within the History Center is in its infancy, and connections to statewide historic sites is nonexistent. Most importantly, until recently, none of the state's citizens could access the Society's vast resources.

One indication of the power and value of technology to the Society and its constituents is the rapid growth in usage of the Society's first World Wide Web home page. Between July and October 1996, the Web page has received 72,000 "hits," a 450% increase in usage compared to the previous equivalent period.

If the Society does not adopt contemporary standards of communication and information storage and retrieval, it will not be a viable resource for the people, agencies and governmental entities it is charged to serve. The Society clearly recognizes that technology is not an end unto itself, but rather a tool that will assist the institution to serve the thousands of patrons requesting services and information.

This budget plan contains requests to both maintain the small amount of base level funding that the Society receives from state funds, as well as a larger technology initiative that has been submitted to the Information Policy Office within the Department of Administration. This initiative would allow the Society to move closer to its full potential for providing improved educational and preservation services to the public.

**PROGRAM STATUS:**

Like many organizations, the Society has gradually changed its approach to information resources. In the early years of electronic information technology, systems were developed to meet the purposes and needs of a specific department or program. As a consequence, the Society has a variety of independent automated systems in place which were designed to complement or replace paper based records. In addition to these discrete projects, office automation technology was adopted to take advantage of the benefits of word processing, list management, accounting, finance, and other common software tools.

The Society has not kept pace with many of our sister educational/cultural institutions, nor with other branches of state government as indicated by the following comparisons:

	Tech Staff	FTE	Tech Staff as % of Total Staff
MHS	1	394	< 1
Attorney General	4	500	1
Commerce	9	250	4
House of Representatives	9	300	3
Housing Finance	11	165	7
Revenue	80	1,200	7

Several years ago, the management and governing board of the Society recognized that institution-wide planning and comprehensive management of information were needed. An information resource manager was hired in 1995 to develop an information resources department, a local area network for the History Center, and provide remote access for the rest of the Society's locations, including the Historic Sites Network. Society staff have also been active for many years in planning for information resources development.

Through an extensive institution-level long range planning process, strategic directions for the Society have been identified. The results of the long-range and information technology planning processes have helped to focus and clarify the information resources challenges facing the Society. It is clear that technology and information resources will play a prominent part in the Society's future. Making the transition from paper based information acquisition, processing, storage and retrieval to electronic systems is absolutely essential. Technology will have significant effects on all aspects of the Society's operations.

In F. Y. 1997, the current amount of state funding--\$93,000--will provide for 1 staff member who is the information resources manager and funding for limited network development and training. Continued base level funding does *not* allow for upgrades of equipment, training, and planning for the technological changes necessary to meet the demands of the public.

**PLANNED RESULTS:**

The Minnesota Historical Society is requesting that the Governor and Legislature provide levels of funding significantly beyond the current base appropriated for technology. Maintaining the current level would result in the use of increasingly outdated technology and an inability to serve the public at the levels expected.

The Society's technology initiative has been submitted to the Information Policy Office (IPO), the Department of Finance and the Governor's Office. This initiative contains 3 projects:

**Building Core Capacity** This category will build the infrastructure to enhance capacity of the Information Resources Department through the installation of up-to-date hardware and software, and additional staff to support information resource activities. This project also includes components that will enhance the collections management system and study emerging technologies of electronic public records.

**Improving Service** One of the key issues to emerge from the Society's long range planning effort (in addition to improving technology) was to determine and serve the needs of the Society's diverse statewide audiences. These technology improvements will help to coordinate databases of the Society's constituents, re-engineer the federally mandated historic preservation review process, and create a unified visitor reservation system for the History Center and historic sites.

**Program Delivery** In order to improve services to the Society's audiences, technology will assist in the delivery of a number of the Society's highly acclaimed programs. These items include the areas

1998-99 Biennial Budget

**PROGRAM:** Information and Program Delivery  
**AGENCY:** Minnesota Historical Society  
(Continuation)

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of collections delivery, historic preservation assistance and tutorials, digital tours of historic sites, interactive curricula, and electronic publishing delivery.

**Information Resources Benefits and Results**

Sufficient funding for this initiative would result in the following benefits and results:

- *Better public access* to Society programs and services to serve Minnesota's 830,000 school-age children, 1,100,000 tourists and annual visitors to the Society's sites and facilities, 42,000 visitors to the History Center's Research Center and thousands of history-minded members of the public.
- *A planned approach* for all information processing, communications systems and operations, hardware and software acquisition, secure data storage and retrieval for staff/patrons, acquisition of services.
- *Adoption of information policies, standards and guidelines* related to the Society and the public
- *Continued development of an information technology infrastructure*, including computer operations, data communication networks, databases, computer program development, hardware and software.
- *Assured integrity and security for networks*.
- *Updating desktop equipment and software* to provide communication, sharing and productivity capability.
- *Greater productivity and quality*

These results would only happen if significant resources are provided to continue the recent progress and momentum resulting from the Society's Information Resources planning processes.

**BUDGET AND REVENUE SUMMARY:**

The Society has not kept up with the demands created by emerging technological advances. Only 1 full-time technology staff member is paid from state funds and only \$63,000 in state operating appropriations were dedicated to technology in F.Y. 1996; \$93,000 has been appropriated for F.Y. 1997. The base level technology requests for F.Y. 1998-99 will be \$95,000 and \$97,000. During F.Y. 1996-97 the Society's Board of Directors approved the expenditure of \$284,000 and \$648,000, respectively, from non-state resources as bridge/temporary funding to begin the Society's technology initiative; that non-state funding will not be available in subsequent years.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends funding levels as requested in the agency's budget plan and an additional biennial increase of \$4 million for Information and Program Delivery Technology to help make the Society's vast amount of information more available to the public.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: INFORMATION/PROGRAM DELIVERY

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TECHNOLOGY INITIATIVE	347	741	95	95	2,095	97	97	2,097
TOTAL EXPENDITURES BY ACTIVITY	347	741	95	95	2,095	97	97	2,097
GOV'S INITIATIVES:		FUND						
(B) TECHNOLOGY INITIATIVE		GEN			2,000			2,000
TOTAL GOV'S INITIATIVES					2,000			2,000
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	63	93	95	95	2,095	97	97	2,097
STATUTORY APPROPRIATIONS:								
GIFT	284	648						
TOTAL EXPENDITURES	347	741	95	95	2,095	97	97	2,097
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TEMP/SEAS/PART_TIME		6.7						
TOTAL FTE	1.0	7.7	1.0	1.0	1.0	1.0	1.0	1.0

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Technology Initiative  
**PROGRAM:** Information and Program Delivery  
**AGENCY:** Minnesota Historical Society

**ACTIVITY DESCRIPTION:**

The Minnesota Historical Society is an institution whose activities are based on collection, storage, retrieval and dissemination of information. In recent years, the Society has not kept pace with current advances in using technology to improve service to the public. This budget plan contains requests to maintain the small amount of base level funding that the Society currently receives from the state.

**BUDGET ISSUES:**

Currently, the Minnesota Historical Society receives a small amount of state funding for its information technology function; this \$93,000 for F.Y. 1997 supports 1 full-time staff person and funding for limited network development and training. This base level of funding would only allow the Society to maintain its limited level of service to the public, and the quality of technology service would continue to fall behind.

**REVENUE:**

None.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: INFORMATION/PROGRAM DELIVERY  
ACTIVITY: TECHNOLOGY INITIATIVE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	61	315	70	70	70	72	72	72
OPERATING EXPENSES	286	426	25	25	2,025	25	25	2,025
<b>SUBTOTAL STATE OPERATIONS</b>	<b>347</b>	<b>741</b>	<b>95</b>	<b>95</b>	<b>2,095</b>	<b>97</b>	<b>97</b>	<b>2,097</b>
<b>TOTAL EXPENDITURES</b>	<b>347</b>	<b>741</b>	<b>95</b>	<b>95</b>	<b>2,095</b>	<b>97</b>	<b>97</b>	<b>2,097</b>
<b>GOV'S INITIATIVES:</b>								
<b>FUND</b>								
<b>(B) TECHNOLOGY INITIATIVE</b>								
<b>GEN</b>								
					2,000	2,000		
<b>TOTAL GOV'S INITIATIVES</b>					<b>2,000</b>	<b>2,000</b>		
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	63	93	95	95	2,095	97	97	2,097
<b>STATUTORY APPROPRIATIONS:</b>								
GIFT	284	648						
<b>TOTAL EXPENDITURES</b>	<b>347</b>	<b>741</b>	<b>95</b>	<b>95</b>	<b>2,095</b>	<b>97</b>	<b>97</b>	<b>2,097</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TEMP/SEAS/PART_TIME		6.7						
<b>TOTAL FTE</b>	<b>1.0</b>	<b>7.7</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

**F. Y. 1998-99 BUDGET INITIATIVE**

**AGENCY:** Minnesota Historical Society  
**PROGRAM:** Information/Program Delivery  
**ACTIVITY:** Technology Initiative

**ITEM TITLE:** Technology Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$2,000	\$2,000	\$2,000	\$2,000
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_ No X

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

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial increase of \$4 million to build core capacity and to improve services and program delivery. This initiative will help make the Society's vast amount of information more readily available on a statewide basis.

**RATIONALE:**

The Minnesota Historical Society is one of the state's largest and most significant repositories of historic and governmental information. Information collection, documentation and retrieval have been, and will continue to be an integral function of the Society. The Society holds an immense amount of information and has created a wide variety of research and finding aids. Technological advances are drastically changing the way in which information is stored and made accessible. Technology is also making available new experiences not previously imagined. The "virtual tour" of historic sites or exhibits, on-line access to the Society's vast collections, school classroom interactive demonstrations and workshops, and access to information on historic preservation grants could all be achieved with sufficient levels of funding.

Currently, however, the Society is far behind its potential for delivering information and programs to the public. Society staff have limited connectivity to the Internet; internal networking within the History Center is in its infancy, and network connections to statewide historic sites is nonexistent. Until recently none of the state's citizens could electronically access the Society's vast resources. Finally, the Society has not kept pace in this area with many of our sister educational/cultural institutions.

Through an extensive long-range planning process, strategic directions for the Society were identified. The results of the planning processes have helped to focus and clarify the information

resources challenges facing the Society. It is clear that technology and information resources will play a prominent part in the Society's future. Making the transition from paper based information acquisition, processing, storage and retrieval to electronic systems is absolutely essential. Technology will have significant effects on all aspects of the Society's operations.

In F. Y. 1997 state funding of \$93,000 will provide for 1 staff member and funding for limited network development and training. This funding does *not* allow for upgrades of equipment, training, and planning for the technological changes necessary to meet the demands of the public.

**PROGRAM OUTCOMES:**

The Society's technology initiative has been submitted to the Information Policy Office (IPO), the Department of Finance and the Governor's Office. This initiative contains 3 projects:

**Building Core Capacity** This category will build the infrastructure to enhance capacity through the installation of up-to-date hardware and software, and additional staff to support information resource activities. This project also includes components that will enhance the collections management system and study emerging technologies of electronic public records.

**Improving Service** One of the key issues to emerge from the Society's long range planning effort (in addition to improving technology) was to determine and serve the needs of the Society's diverse statewide audiences. These technology improvements will help to coordinate databases of the Society's constituents, re-engineer the federally mandated historic preservation review process, and create a unified visitor reservation system for the History Center and historic sites.

**Program Delivery** In order to improve services to the Society's audiences, technology will assist in the delivery of a number of the Society's highly acclaimed programs. These items include the areas of collections delivery, historic preservation assistance and tutorials, digital tours of historic sites, interactive curricula, and electronic publishing delivery.

**LONG-TERM IMPACT:**

Sufficient funding for this initiative would result in the following benefits and results:

- **Better public access** to Society programs and services to serve Minnesota's 830,000 school-age children, 1,100,000 tourists and annual visitors to the Society's sites and facilities, 42,000 annual visitors to the History Center's Research Center and thousands of history-minded members of the public.
- **A planned approach** for all information processing, communications systems and operations, hardware and software acquisition, secure data storage and retrieval for staff/patrons, acquisition of services.
- **Adoption of information policies, standards and guidelines.**
- **Continued development of an information technology infrastructure**, including computer operations, data communication networks, databases, computer program development, hardware and software.
- **Assured integrity and security for networks and greater productivity and quality.**
- **Updating desktop equipment and software** to provide communication, sharing and productivity.

1998-99 Biennial Budget

PROGRAM: Fiscal Agents  
AGENCY: Minnesota Historical Society

**PROGRAM DESCRIPTION:**

The Minnesota Historical Society serves as fiscal agent for certain organizations and activities as determined by the Minnesota Legislature. In general these are historical related types of activities. This program presently involves fiscal agent appropriations to the following institutions or activities:

1. State Archaeologist
2. Sibley House Association
3. Minnesota International Center
4. Minnesota Air National Guard Museum
5. Project 120
6. Minnesota Military Museum
7. Farmamerica
8. Kee Theater
9. Federal National Guard Museum
10. LCMR Projects

**PROGRAM STATUS:**

1. **State Archaeologist:** The State Archaeologist was transferred to the Department of Administration on 7-1-96 and will be part of that department's budget request for future years.
2. **Sibley House:** The Sibley House Association (SHA) preserves and interprets the Sibley Historic Site with a variety of programs, notably guided walking tours of the site, exhibits and special event programming. The program focuses on the intersection of Euro-American and Dakota cultures in the fur trade of the upper Mississippi, transformation of the Mississippi/Minnesota river area under white settlement, and the creation of the territory and state of Minnesota. The Sibley House, one of the state's oldest private residences and the home of first state governor Henry Hastings Sibley, has been open to the public since 1910 and has been supported by the state since 1911.

The State of Minnesota has title to the site and operates it under the administration of the Minnesota Historical Society (MHS). \$500,000 of state bond funds is underwriting the stabilization and repair of the site's structures and an archaeological study of the property. The state grant funds supports 3.5 FTE, in addition to most operating and programming expenses.

3. **Minnesota International Center:** The Minnesota International Center (MIC) is a non-profit community organization promoting international exchange and understanding between Minnesotans and the world. MIC programs are designed to improve Minnesota's ability to participate successfully in the world community.

Each year MIC collaborates with the United States Information Agency to bring international mid-career professionals to Minnesota to meet with their counterparts in business, agriculture, education, government and human services. This program gives Minnesotans the opportunity for face-to-face dialogues on critical issues in their fields. Within the past year, more than 700 visitors representing over 100 countries came to Minnesota through the auspices of MIC. More than 110 visitors spent a portion of their stay in Greater Minnesota communities.

MIC brings together international presenters with teachers and schools committed to international/intercultural learning. The program works in selected inner city, suburban and Greater

Minnesota schools to bring international speakers to the same classroom for multiple visits, allowing for the development of deeper relationships and more in-depth learning. In the past year MIC coordinated 388 presentations reaching 6,855 students from 45 different schools.

MIC helps Minnesotans interpret world events by sponsoring public forums on topics ranging from international trade to emerging democracies. In the past year, MIC coordinated a total of 12 forums on a variety of global issues, reaching an audience of over 1,873.

Total revenue for the Minnesota International Center in F.Y. 1995-96 was \$607,317. The state legislative appropriation for MIC in FY 1995 was \$50,000, which represented approximately 9% of total revenue. MIC has a strong partnership with the community and plans to build upon the support for future expansion of programs. The approved budget for F.Y. 1996-97 totals \$622,848. Continuation of state funding is critical to the stability of the organization and represents the state's partnership with the community to strengthen Minnesota's leadership role in an increasingly international arena.

4. **Minnesota Air National Guard Museum:** The Minnesota Air National Guard's history is collected, preserved, interpreted and displayed at this museum. Included is a static display of the Minnesota Air National Guard planes restored and marked as they were flown; educational displays of photographs, film and video, documents and artifacts of the history of the Minnesota Air Guard; repository for individual and unit histories; and development of materials relating to the role and missions of the Air Guard. The museum has a full-time administrator, a part-time coordinator, and about 200 volunteers, including the chairman and the restoration director.

Gross revenues to date are running about 5% below last biennium, with some costs increasing. In addition, the museum lost its largest revenue source when it was unable to display at the State Fair. To offset this shortfall, admission is charged to large events and all restoration and display programs have been curtailed in order to provide funding for the core administrative expenses of the museum. Programs for the schools and public are maintained by the volunteers. Efforts at fund-raising are being undertaken to assure continued quality operations. The legislative grant provides 25% of museum revenue and covers about half of the administrative expenses. The balance comes from membership, visitors, tours and gift shop sales.

5. **Project 120-Students Experiencing Government:** The primary mission of Project 120 is to help students develop an in-depth understanding of the basic structure of government and the political process and to motivate them to be active and informed citizens throughout their lives. The secondary mission is to bring students together from diverse geographic, cultural and economic backgrounds and assist them in getting to know, understand and respect each other. It provides students an intensive 5-day seminar for high school students at the Minnesota State Capitol and related sites during the legislative session. The activities are designed to provide an informative and interactive experience. This includes observing the house and senate in session, sitting in on committee hearings, meeting with the constitutional officers, participating in workshops with lobbyists and members of the Capitol Press Corps and meeting one-on-one with each student's own senator and representative. In the community students take an active role in the discussion of current issues by participating in workshops and tours.

The Project 120 programs are open to all secondary students (grades 9-12) in Minnesota. There is a maximum of 35 participants each week due to the limited space in various offices and meetings rooms. Approximately 12 weekly programs are conducted during the longer legislative session and 8 weeks during the shorter session. In 1996 all of the program weeks were filled and a waiting list maintained. Students and teachers from 89 Minnesota communities participated. To date over 4,000 Minnesota high school students have participated.

By keeping program expenses to a minimum, the request for the 1998-1999 biennial budget is at the same level as the previous biennium. Whenever possible in-kind corporate gifts, volunteer

1998-99 Biennial Budget

**PROGRAM:** Fiscal Agents  
**AGENCY:** Minnesota Historical Society  
(Continuation)

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speakers and non-profit rates are sought. In spite of this program expenses have increased: we no longer have rent-free office space and the non-profit rate we receive for meals and lodging has increased.

Project 120 has 2 full-time staff members. Four part-time program instructors are hired to work only during the session. Last year over 60 volunteers donated their time and talents to Project 120 program.

For the first time in 6 years student fees were increased by \$10 bring it to \$235, covering approximately 35% of the cost. Scholarships are available and no student is prevented from participating on the basis of financial need. In 1996, 58% of the participants received some assistance. Private funding is sought to support the program and scholarship fund.

6. **Minnesota Military Museum:** Located at Camp Ripley the museum is operated by the Military Historical Society of Minnesota. It exists to document, preserve, and depict the stories and contributions of Minnesotans who have served in all branches of military service from Minnesota's early years to the present. Museum exhibits are designed to foster awareness and understanding of how armed conflicts and military institutions have shaped our state and national experience. The museum also functions as the prime repository in Minnesota for historical military artifacts and records.

Although located on a military installation, the general public comprises over 85 percent of all museum visitors. An increasing proportion of visitors come as tour groups, which included children from 20 central Minnesota schools in 1995.

Run entirely by part-time staff and volunteer help the museum needs a full-time professional to accommodate growing public expectations and the rising curatorial standards characteristic of good museums. In addition, the museum badly needs more exhibit and storage space, and the heating/air conditioning system that serves its main exhibit area should be completely replaced.

The museum is in a financial quandary: government agencies have not provided enough support but private fundraising is hampered because the public perceives it as an activity of the military. Although Camp Ripley provides space for the museum it makes no financial contributions. Although recognized as an official part of the U. S. Army museum system it is not eligible for federal funding. Because it is perceived as a "Camp Ripley military activity," it is extremely difficult to tap into the usual corporate and foundation support that most non-profit organizations rely upon.

Efforts by the board of directors to increase income from non-government sources have met with success but there are problems. A vigorous, ongoing membership campaign was launched a few years ago but the expense of mass mailings has limited the gains. One Minnesota family has provided support earmarked for a building but it will be a long time before the fund is large enough to address facility needs that are already acute. American Legion and VFW post donations to the museum have declined significantly because charitable gambling is no longer as profitable as it once was. A casino has stepped forward with important financial help but we think it is unwise to count on it for more than 1 year at a time. Revenues from the museum gift shop are high for a museum of our size, but we expect this revenue source to remain stable.

7. **Farmamerica:** Farmamerica is Minnesota's Agricultural Interpretive Center and its mission is to tell the agricultural story - past, present, and future on its 360 acre site near Waseca, Minnesota. Activities include Settlement Farm, Prairie-Pond-Marsh, 1920-1930's Farmstead, and Modern Farm Exhibit. Visitors may also see a country church, blacksmith shop, and country schoolhouse. During the warm season, visitors can join in soap-making, butter-making, bee keeping, and ice cream making, corn shucking, black smithing and wheat grinding.

School tours are conducted for 2 weeks in the spring and the fall. Four festivals are held in June, July, August and September. Approximately 250 volunteers from the area conduct the programs.

Farmamerica is requesting \$50,000 for F.Y. 1998 and \$50,000 for F.Y. 1999, based on the governor's guidelines of staying within base level targets. With additional resources Farmamerica could truly serve as Minnesota's agricultural interpretive center and communicate the agriculture story to the general public.

8. **Kee Theater:** One-time grant of \$25,000 in F.Y. 1996 to the city of Kiester, Minnesota for restoration of the Kee Theatre.
9. **Federal National Guard Museum:** One-time grant of \$25,000 in F.Y. 1996 to the Federal national Guard Museum.
10. **LCMR Projects:**

**F.Y. 1998 - Public Access to Archaeological Knowledge.** \$200,000 has been budgeted for a subgrant to the Institute for Minnesota Archaeological to enhance and provide public electronic access to previously funded regional archaeological data.

**F.Y. 1998 - Mill Ruins Park Archaeological Investigation and Feasibility Study.** \$75,000 has been budgeted for a subgrant to the Minneapolis Park and Recreation Board for archaeological investigations of the 19th-century mills along the Central Riverfront to assess the feasibility of developing an interpretive park. This appropriation must be matched by at least \$75,000 of nonstate money.

**F.Y. 1998 - Historical and Cultural Museum on Vermillion Lake Indian Reservation.** \$100,000 has been budgeted for a subgrant to the Bois Forte Reservation for design and construction of a historical museum for cultural interpretation adjacent to an historic gold mine and fur trade post on Lake Vermillion. As an additional condition of acceptance of this appropriation, this facility may not be used for any form of gambling or the promotion of gambling in perpetuity. This appropriation must be matched by at least \$100,000 of nonstate money.

**F.Y. 1998 - Native American Perspective of the Historic North Shore.** \$60,000 has been budgeted for a subgrant to the Sugarloaf Interpretive Center Association for an interpretive study of Native Americans on the North Shore of Lake Superior. This appropriation must be matched by at least \$30,000 of nonstate money.

**F.Y. 1998 - Wendeline and Julianna Grimm Farm Restoration.** \$200,000 has been budgeted for a subgrant to Hennepin Parks for stabilization and restoration work of the Grimm Farm. This appropriation must be matched by at least \$200,000 of nonstate money.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY  
PROGRAM: FISCAL AGENTS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
STATE ARCHAEOLOGIST	117							
SIBLEY HOUSE ASSOCIATION	88	88	88	88	88	88	88	88
MINNESOTA INTERNATIONAL CENTER	50	50	50	50	50	50	50	50
MN AIR NATL GUARD MUSEUM	19		19	19	19			
PROJECT 120	90	90	90	90	90	90	90	90
MINNESOTA MILITARY MUSEUM	29		29	29	29			
FARMAMERICA	25	50	50	50	50	50	50	50
KEE THEATRE	25							
FEDERAL NAT'L GUARD MUSM	25							
LCMR PROJECTS - FISCAL AGTS		465		635	635			
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>468</b>	<b>743</b>	<b>326</b>	<b>961</b>	<b>961</b>	<b>278</b>	<b>278</b>	<b>278</b>
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		EVT		200				
LCMR NEW ALLOCATIONS		MNR		435				
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>635</b>				
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE				200	200			
GENERAL	468	278	326	326	326	278	278	278
MINNESOTA RESOURCES		465		435	435			
<b>TOTAL EXPENDITURES</b>	<b>468</b>	<b>743</b>	<b>326</b>	<b>961</b>	<b>961</b>	<b>278</b>	<b>278</b>	<b>278</b>
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0							
TEMP/SEAS/PART_TIME	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>TOTAL FTE</b>	<b>4.0</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>

AGENCY: Minnesota Municipal Board

**AGENCY DESCRIPTION:**

The Minnesota Municipal Board was created to provide a statewide system of municipal boundary adjustment to facilitate the efficient and economical delivery of municipal services. The board acts through public hearings, contested case hearings, rulemaking hearings and issues orders for the creation or dissolution of municipalities, or alteration of municipal boundaries through consolidation, merger, annexation or detachment of land. The board determines 9 statutory boundary adjustments and its clientele includes cities, townships and individual property owners.

The board provides a process for people to work together at the local level. It assists local government, property owners, planning authorities, governmental agencies and state associations with data, sample documents and staff consultations regarding issues and procedures as they relate to boundary adjustment. The board is an effective catalyst in bringing local governments together to resolve contested issues through cooperative agreements thereby reducing governmental jurisdictions at cost savings to the state and its taxpayers.

Recent examples: The board played a significant role working with all parties from contested cases for the eventual development of local agreements merging the Town of St. Cloud with the Cities of St. Cloud and Waite Park and merging the Town of Frankfort with the Cities of Albertville, Otsego and St. Michael; the Town of Winona was annexed to the Cities of Winona and Goodview; the Town of Grant was incorporated into the City of Grant; other consolidation studies are pending.

**REVENUES:**

The Municipal Board generates non-dedicated revenue to the General Fund. Any petition for a boundary adjustment filed with the board must be accompanied by a fee based on the type of petition and acreage. The fee schedule reflects the board's mission in that fees for local agreements for orderly annexation, consolidation and merger are lower than those assessed for incorporation or other annexations of unincorporated land. Most fees are paid by individual property owners. The board has discretion to waive or transfer a fee due to hardship.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

With the exception of salaries and rent, the board's budget is customer-driven and unpredictable. The board cannot control how many petitions will be filed, from what area of the state, and how many will be contested.

There has been an increase in the complexity of work and continuing law changes which have reduced the time for hearings and decisions, increased demand for client education and assistance, and necessitated restructuring of internal procedures.

The board has not added staff in over 20 years and budget constraints have prevented the board from obtaining computer technical support when the system needs recovery, repair or upgrade, training for increased technology demands, or part-time intermittent clerical staff during heavy demand times.

Chapter 414 has at least 8 legislative mandates that require board expenditures for per diem, travel, court reporting costs, communications, supplies and expenses such as:

- statutory time limitations for hearing and decision
- hearings conducted in the affected areas
- deliberations and decision for each proceeding in addition monthly meetings
- order transcripts
- meet physically upon request of a party
- respond to demands for rehearing or reconsideration
- issuance and publication of hearing notices
- file orders with parties and certain agencies

**WORKLOAD/EFFICIENCY MEASUREMENTS:**

In F.Y. 1996 the board has initiated procedures and responded to customer-driven requests for a total of:

- 234 petitions/requests for boundary adjustments/consolidation of cities
- 132 annexation and ordinances
- 98 Municipal Board decisions/order as follows:
  - 3 annexations (city expansion)
  - 83 orderly annexations (city expansion)
  - 5 detachments (township expansion)
  - 6 concurrent detachment/annexations (between cities)
  - 1 incorporation (creation of a new city)

The board conducted 16 hearings and 49 meetings. The board has worked efficiently and productively:

- Decisions were made timely and achieved within the Municipal Board rules and statutory limitations.
- The agency has assisted communities to create, at the local level, cooperative agreements between cities and townships which plan for future boundaries, delivery of services, and related matters of mutual concern.
- No board decisions were overturned on appeal.

Board decisions assist to protect the environment, aid new construction and jobs aid agricultural preservation and protect public health, safety and welfare.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The agency plan includes an inflationary increase of 2.5% in F.Y. 1998 and 5.06% in F.Y. 1999.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

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

AGENCY: MUNICIPAL BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	287	287	287	287				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	11	11	11	11				
1998-99 COMPENSATION INFLATIO	6	11	6	11				
DOC SPACE RENT/LEASE INCR/DEC	1	2	1	2				
SMALL AGENCY S & E INFLATION	2	4	2	4				
SUBTOTAL BASE ADJ.	20	28	20	28				
BASE LEVEL	307	315	307	315				

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: MUNICIPAL BOARD  
PROGRAM: MUNICIPAL BOARD  
ACTIVITY: MUNICIPAL BOARD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	218	237	242	242	242	247	247	247
OPERATING EXPENSES	53	95	65	65	65	68	68	68
<b>SUBTOTAL STATE OPERATIONS</b>	<b>271</b>	<b>332</b>	<b>307</b>	<b>307</b>	<b>307</b>	<b>315</b>	<b>315</b>	<b>315</b>
<b>TOTAL EXPENDITURES</b>	<b>271</b>	<b>332</b>	<b>307</b>	<b>307</b>	<b>307</b>	<b>315</b>	<b>315</b>	<b>315</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	271	332	307	307	307	315	315	315
<b>TOTAL EXPENDITURES</b>	<b>271</b>	<b>332</b>	<b>307</b>	<b>307</b>	<b>307</b>	<b>315</b>	<b>315</b>	<b>315</b>
<b>REVENUE COLLECTED:</b>								
<b>NONDEDICATED:</b>								
CAMBRIDGE DEPOSIT FUND	35	50	45	45	45	45	45	45
<b>TOTAL REVENUES COLLECTED</b>	<b>35</b>	<b>50</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>TOTAL FTE</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

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**1998-99 Biennial Budget**

**AGENCY:** Black Minnesotans, Council on (CBM)

**AGENCY DESCRIPTION:**

The Council on Black Minnesotans addresses the need for people of African descent in Minnesota to participate fully and effectively in political, social and economic life.

To achieve this mission, the council works as a catalyst bringing organizations together to identify problems, implement initiatives and advise the governor and legislature on matters relating to Black Minnesotans.

Established by the legislature in 1980, the council is composed of voting members appointed by the governor and nonvoting members appointed by legislative committees. An executive director appointed by the council carries out its daily operations and delegated functions.

**REVENUES:** None.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

With a 78% increase between 1980 and 1990, the state's African and African-American population is growing very rapidly. Substantially all of the increase is occurring in the Twin Cities metro area, and most of it in the central cities of Minneapolis and Saint Paul.

Demographic, income, educational, and housing factors combine to make the Black populations of Minneapolis and Saint Paul among the most segregated in the nation. The concentration of social problems in the inner cities is accelerating, and the inner cities themselves are spreading.

While Black-owned businesses are rapidly increasing in Minnesota, there remains a distinct trend toward the dispersal of employment opportunities to suburban and exurban areas that are out of reach for many inner-city residents in need of meaningful work.

The arrival of newcomers from continental Africa has broadened and enriched Minnesota's population and Black leadership resources, but also presents a range of unfamiliar challenges which must be addressed in the next biennium.

While violent crime and homicide have declined in most of the nation, the murder rate in Minnesota continues to climb, with persons of African descent disproportionately represented among the victims.

**GOALS AND OBJECTIVES:**

- To stimulate the productivity and contributions of Black Minnesotans toward improving the quality of life in our state.
- To mobilize the energy and talent of community groups that represent Minnesotans of African descent.
- To serve as a link between community problem-solving initiatives and public policy processes.
- To give the governor and the legislature specific advice on issues of special concern to Black Minnesotans.

- To work with national and regional organizations that address issues of interest to Americans of African descent.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The main program priorities for the council in the next biennium concern crime prevention, education, and economic development. The council is under specific statutory mandates to review data and present recommendations annually on the out-of-home placement of children of African descent in Minnesota, as well as to review and comment upon state applications for funds under certain federal programs. The latter responsibility is likely to increase significantly in the current climate of federal devolution.

**Crime Prevention.** The council has been active in the planning and design of the Martin Luther King Nonviolent Institutional Child Development Pilot Program, a youth violence prevention and intervention initiative created by the 1996 Legislature. Over 80 private and governmental agencies to date have expressed interest in participating. Continued funding of the pilot program beyond F.Y. 1997 will be essential to developing, mobilizing, and coordinating effective violence prevention and intervention services in Minnesota's core cities.

**Education.** Improved access to educational resources will increase in importance for Minnesotans of African descent as we approach the next century. Special emphases will include expanding opportunities in higher education, youth mentorship programs, improving central city school performance for children of color, and ensuring that students of African descent are thoroughly grounded in the high-tech information systems that will characterize economic opportunity in the 21st Century.

**Economic Development.** The council will be active in promoting the creation of entrepreneurial and living-wage employment opportunities in the central cities, thereby helping to reverse the current trend toward economic stagnation in areas of high unemployment. Accessible jobs will play a crucial role in preventing the spread of urban decay and balancing the increasing suburbanization of work patterns, particularly in the Twin Cities, where most Minnesotans of African descent reside.

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a biennial appropriation of \$497,000 for the agency's plan, which includes \$7,500 each year for expenses associated with the Dr. Martin Luther King Day activities.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: BLACK MINNESOTANS COUNCIL  
PROGRAM: COUNCIL ON BLACK MINN  
ACTIVITY: COUNCIL ON BLACK MINN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	169	250	189	189	189	194	194	194
OPERATING EXPENSES	60	150	57	57	57	57	57	57
<b>SUBTOTAL STATE OPERATIONS</b>	<b>229</b>	<b>400</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>251</b>	<b>251</b>	<b>251</b>
PAYMENTS TO INDIVIDUALS		11						
LOCAL ASSISTANCE		59						
<b>TOTAL EXPENDITURES</b>	<b>229</b>	<b>470</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>251</b>	<b>251</b>	<b>251</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	223	450	246	246	246	251	251	251
<b>STATUTORY APPROPRIATIONS:</b>								
FEDERAL		9						
GIFT	6	11						
<b>TOTAL EXPENDITURES</b>	<b>229</b>	<b>470</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>251</b>	<b>251</b>	<b>251</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
GENERAL		200						
FEDERAL	2	6						
GIFT	14							
<b>TOTAL REVENUES COLLECTED</b>	<b>16</b>	<b>206</b>						
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	3.0	5.9	4.0	4.0	4.0	4.0	4.0	4.0
<b>TOTAL FTE</b>	<b>3.0</b>	<b>5.9</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

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

AGENCY: BLACK MINNESOTANS COUNCIL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	232	232	232	232				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	8	8	8	8				
1998-99 COMPENSATION INFLATIO	5	9	5	9				
SMALL AGENCY S & E INFLATION	1	2	1	2				
SUBTOTAL BASE ADJ.	14	19	14	19				
BASE LEVEL	246	251	246	251				

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AGENCY: Chicano Latino Affairs Council (CLAC)

**AGENCY DESCRIPTION:**

The Chicano Latino Affairs Council (CLAC) was created by the Legislature in 1978. The mission of the council is mandated in M.S. 3.9223. The primary duties of the council are to:

- advise the governor and the legislature, on the nature of the issues confronting Chicano/Latino people in this state, including the unique problems encountered by Chicano/Latino migrant agricultural workers;
- advise the governor and the legislature, on statutes or rules necessary to ensure Chicano/Latino people access to benefits and services provided to people in this state;
- recommend to the governor and the legislature, legislation to improve the economic and social condition of Chicano/Latino people in this state;
- serve as a conduit to state government for organizations of Chicano/Latino people in this state;
- serve as a referral agency to assist Chicano/Latino people to secure access to state agencies and programs;
- serve as a liaison with the federal government, local government units, and private organizations on matters relating to the Chicano/Latino people of this state;
- perform or contract for the performance of studies designed to suggest solutions to problems of Chicano/Latino people in the areas of education, employment, human rights, health, housing, social welfare, and other related programs;
- implement programs designed to solve problems of Chicano/Latino people when authorized by other statute, rule, or order; and
- publicize the accomplishments of Chicano/Latino people and their contributions to this state.

**GOALS AND OBJECTIVES:**

- Promote the health, safety, and welfare of members of the Chicano/Latino community, the council will:
  - research, analyze, and monitor the effect of welfare reform efforts and/or other legislative initiatives on the Chicano/Latino community, especially migrant farm workers;
  - collaborate with housing officials at the federal, state, and local levels to promote affordable housing alternatives in the state, including greater Minnesota;
  - seek to expand employment opportunities by researching and analyzing employment and recruitment practices and promoting participation in education programs such as English as a Second Language (ESL) and Workforce Literacy;
  - continue to develop positive and productive working relationships with state agency officials to stay on top of important issues of concern to the community; and
  - continue to follow-up on allegations of discrimination or refer the allegations to the appropriate authorities.
- Encourage members of the Chicano/Latino community to become active participants in the political process, the council will:
  - conduct voter registration drives;
  - produce educational brochures on citizenships, visas, voting, and other relevant issues;
  - provide forums to educate and discuss issues of concern to the community; and
  - provide relevant and timely information to the community through our monthly newsletter, *Al Dia*.

- Promote leadership skills for Chicano/Latino youths across the state of Minnesota, the council will conduct a Youth Leadership Conference; and
- Improve relations and foster understanding between the Chicano/Latino community and the public at-large, the council will publicize the accomplishments and contributions of Chicanos/Latinos in Minnesota through public speaking engagements, educational brochures, and our newsletter.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The CLAC foresees a comprehensive agenda for the upcoming biennium. With the membership on the board expanded from 7 to 11 representatives, the council is now in a better position to serve the needs of the Chicano/Latino community statewide. Additionally, the board and staff have mapped out a vision for the council and seek to implement that strategy, fulfill its mission, and improve the lives of Chicano/Latino in Minnesota.

The staff will continue to meet with community leaders and residents to explore and address the needs of the Chicano/Latino community, including greater Minnesota. The council will keep the community, the governor, and legislators informed of pertinent issues through our monthly news letter – *Al Dia*, educational brochures, meetings, and public speaking engagements. We will continue to work closely with state agency officials to provide public forums for members of the community to apprise them of existing state programs and services. We also will work closely with the governor, legislators, and state agency officials to ensure that the needs of the Chicano/Latino community are known, explored, and addressed as effectively and efficiently as possible.

In addition to our existing operations, we plan to convene a Chicano/Latino youth leadership conference in the fall of 1997. On hold for a couple of years, the council will bring together youth from across the state to explore the goals and aspirations of the Chicano/Latino youth of our state, as well as the obstacles which may stand in their way. The youth will be exposed to the positive contributions of Chicanos/Latinos in Minnesota, existing resources in the state, and how young people can make a difference in Minnesota and their communities.

Representing persons from across the United States and Latin America, as well as long-time Minnesota residents, recently-arrived migrants and immigrants, and seasonal migrant farm workers, the needs and concerns of the Chicano/Latino community in Minnesota are as diverse as its population. In spite of the diversity, members of the Chicano/Latino community, like all residents of Minnesota, strive to contribute to our state's economy, to participate in the state's political process, and to be afforded the same opportunities as others in the state.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: CHICANO LATINO AFFAIRS COUNCIL  
PROGRAM: CHICANO LATINO AFFAIRS COUNCIL  
ACTIVITY: CHICANO LATINO AFFAIRS COUNCIL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	130	166	172	172	172	176	176	176
OPERATING EXPENSES	62	200	123	123	123	124	124	124
<b>SUBTOTAL STATE OPERATIONS</b>	<b>192</b>	<b>366</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>300</b>	<b>300</b>	<b>300</b>
<b>TOTAL EXPENDITURES</b>	<b>192</b>	<b>366</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>300</b>	<b>300</b>	<b>300</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	189	313	265	265	265	270	270	270
<b>STATUTORY APPROPRIATIONS:</b>								
FEDERAL	2	7						
GIFT	1	46	30	30	30	30	30	30
<b>TOTAL EXPENDITURES</b>	<b>192</b>	<b>366</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>300</b>	<b>300</b>	<b>300</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
FEDERAL	2	7						
GIFT	2	25	30	30	30	30	30	30
<b>TOTAL REVENUES COLLECTED</b>	<b>4</b>	<b>32</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<b>TOTAL FTE</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

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

AGENCY: CHICANO LATINO AFFAIRS COUNCIL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	278	278	248	248	30	30		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	5	5	5	5				
1998-99 COMPENSATION INFLATIO	4	8	4	8				
DOC SPACE RENT/LEASE INCR/DEC	6	6	6	6				
SMALL AGENCY S & E INFLATION	2	3	2	3				
SUBTOTAL BASE ADJ.	17	22	17	22				
BASE LEVEL	295	300	265	270	30	30		

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## 1998-99 Biennial Budget

**AGENCY:** Asian-Pacific Minnesotans, Council on

### AGENCY DESCRIPTION:

The state Council on Asian-Pacific Minnesotans was created by the 1985 Minnesota Legislature. The mission of the council is to ensure that the Asian-Pacific people in Minnesota are more fully incorporated into the governmental and policy-making process; that they have better access to state government services; that the talents and resources of the Asian-Pacific Community be used and promoted where appropriate, and to assist others in their contact with the Asian-Pacific population.

The state council consists of 23 members. Nineteen members are appointed by the governor who are broadly representative of the Asian-Pacific community. In addition, 2 members of the House of Representatives appointed under the rules of the House and 2 members of the Senate appointed under the rules of the Senate serve as non-voting members of the council.

The governor's appointees to the council are representatives from the following communities: Afghani, Asian-Indian, Bangladeshan, Cambodian, Chinese, Filipino, Hmong, Indonesian, Japanese, Korean, Laotian, Malaysian, Myanmaran, Pakistani, Sri Lankan, Thai, and Vietnamese.

**Demographics and Diversity:** According to the 1990 Census, the Asian-Pacific population in the United States increased 107.8%, and 193.5% in Minnesota with a total population of 77,886, making the Asian-Pacific community the second largest minority group in the state. It is estimated that approximately 25,000 from special populations - adopted children, unaccompanied minor, Amerasians, and non-English speaking ethnic group are under-counted.

The U.S. Department of Commerce, Bureau of the Census recently estimated that there are now 113,000 Asian-Pacific Islanders in the state of Minnesota. This is 2.4% of the total population of Minnesota. From 1990 to 1995 the Asian-Pacific population increased 43.0%, making it the fastest growing and largest minority group in Minnesota.

The council serves of 42 Asian-Pacific ethnic communities, namely: Afghanistan, Asian-Russia, Australia, Bangladesh, Belau, Bhutan, Brunei, Cambodia, China, Gilbert Islands, Guam, Hmong, Hong Kong, India, Indonesia, Japan, Korea, Laos, Malaysia, Maldive Islands, Maori, Marianas, Melanesia, Marshall Islands, Mongolia, Myanmar, Nepal, New Guinea, New Zealand, Okinawa, Pakistan, Phillipines, Polynesia, Samoa, Singapore, Sri Lanka, Taiwan, Thailand, Tibet, Tonga, Vanuatu, Vietnam (partial list).

### GOALS AND OBJECTIVES:

- Advise the governor and the legislature on issues confronting the Asian-Pacific people in this state, including the unique problems of non-English-speaking immigrants and refugees.
- Advise the governor and the legislature of administrative and legislative changes necessary to ensure Asian-Pacific people access to benefits and services provided to the people in this state.
- Recommend to the governor and the legislature any revisions in the state's Affirmative Action Program and other steps necessary to eliminate the under-utilization of Asian-Pacific people in the state's work force.
- Recommend to the governor and the legislature legislation designed to improve the economic and social conditions of the Asian-Pacific people in this state.
- Serve as a conduit to state government for organizations of Asian-Pacific people in this state.
- Serve as a referral agency to assist Asian-Pacific people in securing access to state agencies and programs.

- Serve as a liaison with the federal government, the local government units and private organizations on matters relating to the Asian-Pacific people of this state.
- Perform or contract for the performance of studies designed to suggest solutions to the problems of Asian-Pacific people in the areas of education, employment, human rights, health, housing, social welfare, and other related areas.
- Implement programs designed to solve the problems of Asian-Pacific people when authorized by other law.
- Publicize the accomplishments of Asian-Pacific people and their contributions to this state.
- Work with other state and federal agencies and organizations to develop small business opportunities and promote economic development for Asian-Pacific Minnesotans.
- Supervise the development of an Asian-Pacific trade primer, outlining Asian and Pacific customs, cultural traditions, and business practices, including language usage for the use of Minnesota's export community.
- Cooperate with other state and federal agencies and organizations to develop improved state trade relations with Asian and Pacific countries.
- Assist recent immigrants in adaptation into the culture and promote the study of English as a second language.

### EXPLANATION OF AGENCY'S BUDGET PLAN:

The council plans to address the following issue areas:

- Asian-Pacific Community Cultural Center
- Welfare Reform - Develop legislative proposals to address needs resulted from Welfare Reform
- Economic Development - Create a Community Development Corporation, develop apprenticeship and job training programs for immigrants and refugees
- Education - English as a Second Language program funding, desegregation policy discussions and others
- Housing - Develop housing that meets the needs of the Asian-Pacific community
- Human Rights Study - Conduct a statewide report, conduct educational workshops addressing issue
- Citizenship Promotion
- Conduct a thorough need assessment of Asian-Pacific community in the state of Minnesota
- Human Services - Focus on working with Amerasians, foster care system, and other programs impacting children and families
- Community capacity building project

The agency plan includes \$8,000 in F.Y. 1998 to upgrade computer equipment and \$3,000 each year for expanded space and increased lease costs.

### GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ASIAN-PACIFIC COUNCIL  
PROGRAM: CNCL ASIAN PACIFIC  
ACTIVITY: CNCL ASIAN PACIFIC

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	106	191	165	165	165	169	169	169
OPERATING EXPENSES	44	176	86	97	97	73	76	76
<b>SUBTOTAL STATE OPERATIONS</b>	<b>150</b>	<b>367</b>	<b>251</b>	<b>262</b>	<b>262</b>	<b>242</b>	<b>245</b>	<b>245</b>
PAYMENTS TO INDIVIDUALS		3	50	50	50	50	50	50
<b>TOTAL EXPENDITURES</b>	<b>150</b>	<b>370</b>	<b>301</b>	<b>312</b>	<b>312</b>	<b>292</b>	<b>295</b>	<b>295</b>
<b>AGENCY PLAN ITEMS:</b>								
<b>FUND</b>								
<b>AGENCY COST INCREASES</b>								
		GEN		11			3	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>11</b>			<b>3</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	150	254	211	222	222	216	219	219
<b>STATUTORY APPROPRIATIONS:</b>								
FEDERAL		96	50	50	50	50	50	50
GIFT		20	40	40	40	26	26	26
<b>TOTAL EXPENDITURES</b>	<b>150</b>	<b>370</b>	<b>301</b>	<b>312</b>	<b>312</b>	<b>292</b>	<b>295</b>	<b>295</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
FEDERAL	2	65	50	50	50	50	50	50
GIFT		1	1	1	1	1	1	1
<b>TOTAL REVENUES COLLECTED</b>	<b>2</b>	<b>66</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ASIAN-PACIFIC COUNCIL  
PROGRAM: CNCL ASIAN PACIFIC  
ACTIVITY: CNCL ASIAN PACIFIC

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	2.3	3.7	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL FTE	2.3	3.7	4.0	4.0	4.0	4.0	4.0	4.0

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

AGENCY: ASIAN-PACIFIC COUNCIL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	290	276	200	200	40	26	50	50
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	4	4	4	4				
1998-99 COMPENSATION INFLATIO	4	8	4	8				
DOC SPACE RENT/LEASE INCR/DEC	2	2	2	2				
SMALL AGENCY S & E INFLATION	1	2	1	2				
SUBTOTAL BASE ADJ.	11	16	11	16				
BASE LEVEL	301	292	211	216	40	26	50	50

**AGENCY:** Minnesota Indian Affairs Council (MIAC)

**AGENCY DESCRIPTION:**

Created by the legislature in 1963, the mission of the council as mandated in M.S. 3.922 is broad in scope but focused in its support of tribal government operations and the continued identification of issues and concerns that impact the American Indian population throughout the state including health, education, welfare and other available resource areas of support, housing, economic development, protection of the environment and protection of tribal and sovereign rights.

The Minnesota Indian Affairs Council (MIAC) is:

- the official liaison between the state and tribal governments, clarifying the nature of tribal governments and the relationship of tribal governments to the Indian people in Minnesota;
- the continuing liaison for all governmental bodies and duly elected tribal governments and officials;
- advisor to the state on urban Indian issues and concerns;
- responsible for investigation, authentication and protection of Indian burial sites;
- in cooperation with the state Archaeologist's office, is responsible for the protection and reburial of Indian remains;
- makes recommendations on legislation that will benefit the statewide Indian population; and
- often called upon to act as liaison between state, local, and national units of government in the delivery of services to the Indian population of Minnesota.

The agency's direct responsibilities include Indian Business Loans; Indian burial/cemeteries authentication; and the Reburial of Indian remains. The council has an Interagency Agreement with the Department of Economic Development to provide information, technical assistance, and administrative support to Indian reservations, to strengthen their statewide community action programs. MIAC also enters into inter-agency agreements with other state agencies to develop projects that will benefit the Indian community in areas not now being addressed.

The members of the council consist of the elected tribal chair of the 11 reservations throughout the state and 2 at large members elected by federally-recognized tribal members not from the state of Minnesota. The ex-officio members of the council include the governor or a member of the governor's official staff, the Commissioners of Education, Human Services, Natural Resources, Human Rights, Trade and Economic Development, Corrections, Minnesota Housing Finance, Iron Range Resources and Rehabilitation, and Health, 3 members from the House of Representatives appointed by the speaker and 3 members from the Senate appointed by its subcommittee on committees. The council also has an Urban Indian Advisory committee; the advisory committee consists of 2 representatives from Minneapolis, 2 representatives from Saint Paul, and 1 representative from Duluth.

**REVENUES:**

The on-going federal subgrant for the Economic Development program on the Reservations has been \$57,000 per year but will be increased to \$60,000 beginning next year. The dedicated special revenues for Indian Business Loans (M.S. 116J.64) is based on 8 cents per acre tax of separate mineral interests (M.S. 273.165), which generates approximately \$90,000 per year for the Indian Business Loans; the interest and repayment of loans amounts to approximately another \$54,000 per year to this account.

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

The development of state policy with regards to Minnesota Indians provides a unique relationship in areas which are dominated by federal regulations. The "trust" responsibility between the United States government and Indian tribes was created through treaties and agreements in which land was surrendered in exchange for the permanent protection of remaining lands (reservations) and its tribal members.

Congress has unlimited authority to regulate Indian affairs and in so doing has passed thousands of laws which provide Indians with distinct and preferential treatment. This preferential treatment is based on the unique political status of Indians as provided for in the Constitution under the Commerce and Treaty clauses. Only Congress has the authority to formulate the federal government's Indian policies and programs to various federal agencies and the protection of laws/rights of Indian people is a primary objective of the Minnesota Indian Affairs Council.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The council's budget includes funding for research, policy and resource development, technical assistance, introduction of legislative initiatives, and direct program and fiscal management for the agency. During the current biennium, this agency has special federally-funded projects dealing with coordination of chemical dependency treatment programs for American Indians and a study of the state criminal justice system.

Before the Minnesota Indian Reburial project was undertaken in 1990, 157 individual remains had been reburied during the years 1978 through 1989. In the 5 years the project has been in force, 1,040 individual Indian remains have been identified and have been or are ready for reburial. Nearly 30 new cases of human remains representing nearly 50 individuals are investigated each year through funding provided by the council's budget.

This agency's biennial budget request is base level with only the 2.5% allowed increase for F.Y. 1998 and for F.Y. 1999. This request is 62% for salaries for 8 full-time employees, 23% for reburial/site investigation and 15% for rent, travel, communications, supplies, etc.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: INDIAN AFFAIRS COUNCIL  
PROGRAM: INDIAN AFFAIRS COUNCIL

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
INDIAN_AFFAIRS_COUNCIL-OPERATI	338	413	391	391	391	403	403	403
INDIAN_BUSINESS_LOANS-SPECIAL	102	144	144	144	144	144	144	144
REBURIAL_OF_INDIAN_REMAINS&SIT	78	164	97	97	97	97	97	97
CHEMICAL HEALTH SERVICE	3	5						
MN INDIAN ECONOMIC-FED	55	62	62	62	62	62	62	62
GIFTS-INDIAN AFFAIRS	1	1	1	1	1	1	1	1
CRIMINAL JUSTICE		16						
AOD PREVENTION COUNCIL-FED.		73						
TOTAL EXPENDITURES BY ACTIVITY	577	878	695	695	695	707	707	707
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	416	577	488	488	488	500	500	500
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	102	144	144	144	144	144	144	144
FEDERAL	58	156	62	62	62	62	62	62
GIFT	1	1	1	1	1	1	1	1
TOTAL EXPENDITURES	577	878	695	695	695	707	707	707
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.3	7.8	8.0	8.0	8.0	8.0	8.0	8.0
TOTAL FTE	7.3	7.8	8.0	8.0	8.0	8.0	8.0	8.0

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

AGENCY: INDIAN AFFAIRS COUNCIL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	670	670	463	463	145	145	62	62
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	14	14	14	14				
1998-99 COMPENSATION INFLATIO	7	15	7	15				
SMALL AGENCY S & E INFLATION	4	8	4	8				
SUBTOTAL BASE ADJ.	25	37	25	37				
BASE LEVEL	695	707	488	500	145	145	62	62

1998-99 BIENNIAL BUDGET

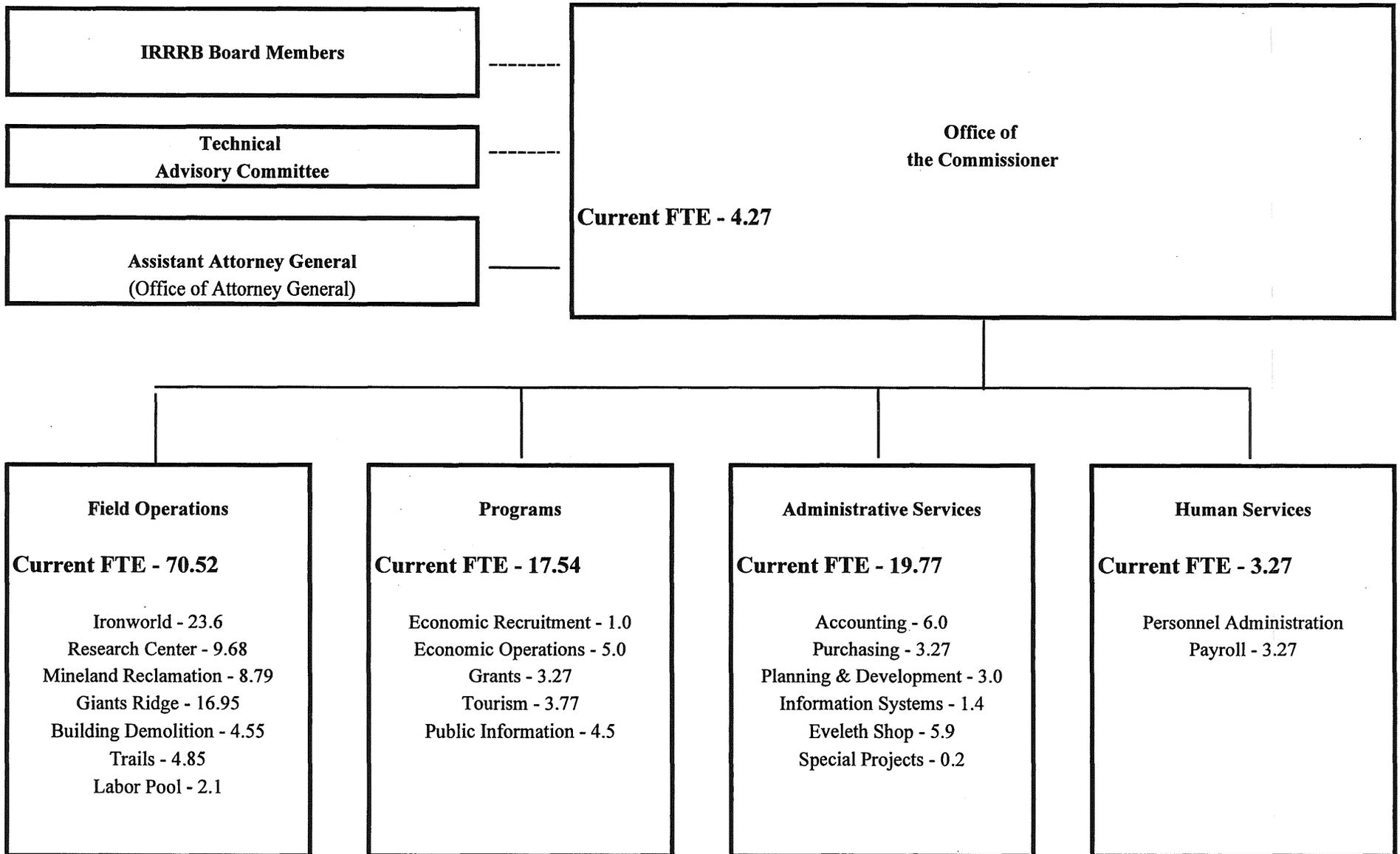
PROGRAM STRUCTURE

AGENCY: Iron Range Resources and Rehabilitation, Board of (IRRRB)

<u>PROGRAM</u>	<u>PAGE</u>
AGENCY ADMINISTRATION Agency Administration	E-384
TOURISM DEVELOPMENT Tourism Activities Tourism Facility Construction	E-386
COMMUNITY DEVELOPMENT Resource Rehabilitation Environmental Development Grants Local Economic Development Projects Mineland Reclamation	E-394
BUSINESS DEVELOPMENT Business Development Taconite Industry Enhancement Corpus Drawdown	E-404

**Department of Iron Range Resource and Rehabilitation Board  
Organization Chart 11/1/96**

11/01/96



**June 30, 1996 FTE - 115.37**

## 1998-99 Biennial Budget

**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

### AGENCY DESCRIPTION:

The Iron Range Resources and Rehabilitation Board is a regionally based state agency charged with the development of the remaining resources of northeastern Minnesota. Operating under authority granted and governed by M.S. 298.22, .223, .227 and .29, Laws of Minnesota 1996 and associated statutes, the mission of the agency includes the:

- promotion of economic development and tourism.
- reclamation, restoration and enhancement of those areas that are adversely affected by environmentally damaging operations involved in mining taconite and iron ore and those that are not otherwise provided for by state law.
- economic rehabilitation and diversification of industrial enterprises adversely affected by a decline in the mining industry, including the vocational training and rehabilitation of residents dislocated or unemployed as a result of such decline.

With the exception of programs which this agency administers for Carlton and Koochiching counties in accordance with M.S. 298.17, agency expenditures are restricted to those within or for the benefit of a tax relief area defined in M.S. 273.134, including all or part of Cook, Lake, St. Louis, Itasca, Crow Wing and Aitkin counties.

The board is organized into 4 programmatic areas: Agency Administration, Tourism Development, Community Development and Business Development.

The clientele for these programs includes current and potential businesses, other public agencies and private sector organizations that participate in tourism and economic development activities, and the general public within the Taconite Tax Relief Area.

### AGENCY ISSUES:

The following factors are shaping the development of policies and programs:

- **Financial Assistance for the Taconite Industry:** Most IRRRB revenues are derived from taconite production taxes levied on the mining companies in lieu of local property taxes. These revenues decrease with downturns in taconite production, which correspondingly diminishes the IRRRB's ability to fund projects and programs. Also, monies available for projects are reduced by any amounts returned to the taconite companies for taconite plant improvements. The anticipated decline in demand for taconite pellets over the next decade may be countered by the replacement of taconite pellets with direct reduced iron (DRI) or other value-added iron products, should a cost effective means be found to produce such products from northeastern Minnesota ores. The rebate of taconite production taxes through the Taconite Economic Development Fund provides an incentive to the taconite companies to make capital improvements to their plants and facilities. A total of approximately \$24.7 million was rebated to the taconite producers from the taxes paid during 1993 through 1996. The Legislature has extended the rebate to 1997 and 1998 production. The interest in recent years about DRI worldwide has caused some taconite producers and other entrepreneurs to explore the possibility of building such a plant in Minnesota.

Recognizing this trend, the Legislature has taken measures to encourage a DRI plant in Minnesota.

The legislative changes are included in the Corpus Drawdown activity within the Business Development Program.

- **Community Development Needs for Maintenance of Infrastructure, Public Buildings, Building Demolition and Mineland Reclamation:** The Community Development program budget for the biennium is approximately \$15 million. Given the agency's past emphasis on "quality of life" project funding as a form of community development, the agency will continue to reshape the grant program into one which emphasizes projects that contribute most directly to economic diversification and job creation.
- **Reduced Ability to Fund Major Economic Development Projects:** Major projects developed during the past biennium generally depleted any "surplus" monies in the agency's operational accounts. Alternative funding sources must be identified if new, major economic development opportunities arise during the biennium.
- **Cost Effectiveness and Efficiency of Agency Tourism Facilities:** Reduction of the operating subsidy for agency operated facilities must include a reduction in operating costs and an increase in operational revenues. An 18 hole golf course at Giants Ridge is scheduled to open in the spring of 1997. Integrated chalet-club house operations will facilitate a cost-effective, year round operation of the recreational facility.

### AGENCY STRATEGIES:

The agency's budget plan focuses on economic diversification and job creation, including the promotion of tourism.

- Community grant funding is requested at essentially base level funding. However, grant funding priorities will emphasize economic development and diversification, especially those projects that leverage other sources of funding.
- Business development project funding for the biennium is reduced by \$3.5 million. It will be very difficult for the IRRRB to respond to major economic development opportunities because fund balances have been reduced.
- Other projects and programs are projected with base level funding for the biennium.

The IRRRB prepares an annual operating budget, rather than a biennial budget; specific strategies for defining the F.Y. 1998 and F.Y. 1999 budget will be determined during that preparation process.

### REVENUE SUMMARY:

For each year of the budget plan, taconite production taxes contribute 70% of the revenue (\$29 million per year), interest earned on invested cash 14% of the revenue (\$5.5 million per year), departmental and other earnings 11% of the revenue (\$4.4 million per year), and payback on loans 5% of the revenue (\$1.8 million per year).

Operation of the golf course to be located at the Giants Ridge Recreational Facility in Biwabik, contributes \$2,034,000 in departmental earnings for the biennium. See the Tourism Development Program pages for further information on the golf course.

1998-99 Biennial Budget

AGENCY: Iron Range Resources and Rehabilitation, Board of (IRRRB)  
(Continuation)

**SUMMARY OF BUDGET REQUEST:**

- The plan includes funding for existing programs and projects essentially at their current (base-level) funding.
- The plan provides for taconite producer grants and loans and grants for DRI or non-ferrous minerals development financed by withdrawals from the corpus of the Northeast Minnesota Economic Protection Fund (2002 Fund). However, it appears unlikely that DRI or non-ferrous minerals processing facilities will be developed before the legislation sunsets in 1998.
- The projected fund balances for the biennium have been reduced to a level only marginally sufficient to sustain agency operation. If major economic development project opportunities arise, it will be necessary to locate alternative funding sources, or obtain legislative authorization for funding through the 2002 Fund.
- The plan allocates available dollars to business development projects while maintaining a minimal fund balance level for carryforward to the following year. Business development project funding is reduced during the biennium by approximately \$3.5 million.
- The plan provides a projection of current costs and revenues for purposes of the preparation of the biennial budget. The actual budget for each year of the biennium will be prepared by the agency at a later date. These annual budgets will be based on revenue forecasts provided after the end of the respective taconite production year and will consider specific economic development project opportunities then in existence.

The IRRRB prepares an annual budget. As in past bienniums, funding allocations for community development grants may be adjusted if necessary to provide additional monies for business development projects.

Explanation of base year adjustments to achieve the F.Y. 1998-99 budget plan:

Fund: Total Agency

	<u>Dollars in Thousands</u>	
	<u>FY 1998</u>	<u>FY 1999</u>
Base Year (F.Y. 1997)		
Annual budget (General Fund)	\$422	\$422
Annual budget (IRRRB Funds)	68,150	68,150
One time project funding (General Fund)	<u>890</u>	<u>890</u>
Total Base Year (F.Y. 1997)	\$69,462	\$69,462
<b>Base Adjustment</b>		
Approp for Carlton & Koochiching counties (Gen Fund)	\$228	\$228
One time approp for econ development (Gen Fund)	(890)	(890)
Prior year project funding	(13,714)	(13,712)
One-time funding allocations	(12,350)	(12,350)
1998-99 Salary inflation	<u>130</u>	<u>250</u>
<b>Base Level for 1998 and 1999</b>	<b>\$42,866</b>	<b>\$42,988</b>

Dollars in Thousands

	<u>FY 1998</u>	<u>FY 1999</u>
<b>Agency Decision Items</b>		
Taconite Economic Development	\$21	(\$232)
Community Development grants	(65)	(65)
Business Development projects	(768)	(2,768)
Taconite Assistance for plant improvements	13,000	0
Giants Ridge golf course real estate development	(750)	(750)
Golf course debt service	210	210
Golf course operation	<u>42</u>	<u>84</u>
<b>Agency Plan</b>	<b>\$54,556</b>	<b>\$39,467</b>

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY ADMINISTRATION	2,239	2,716	2,673	2,673	2,673	2,710	2,710	2,710
TOURISM DEVELOPMENT	10,401	12,175	8,283	8,283	8,283	8,383	8,383	8,383
COMMUNITY DEVELOPMENT	17,260	7,508	7,368	7,368	7,368	7,386	7,386	7,386
BUSINESS DEVELOPMENT	20,996	47,063	36,232	36,232	36,232	20,988	20,988	20,988
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	50,896	69,462	54,556	54,556	54,556	39,467	39,467	39,467
EXPENDITURES BY FUND:								
-----								
DIRECT APPROPRIATIONS:								
GENERAL		890						
OPEN APPROPRIATIONS:								
GENERAL	402	422	650	650	650	650	650	650
STATUTORY APPROPRIATIONS:								
IRON RANGE RESOURCES & REHAB	43,253	33,116	34,347	34,347	34,347	32,749	32,749	32,749
NE MN ECONOMIC PROTECTION	7,158	35,034	19,559	19,559	19,559	6,068	6,068	6,068
GIFT	83							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	50,896	69,462	54,556	54,556	54,556	39,467	39,467	39,467
FTE BY EMPLOYMENT TYPE:								
-----								
REGULAR	124.2	115.4	115.4	115.4	115.4	115.4	115.4	115.4
TEMP/SEAS/PART_TIME	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7
OVERTIME	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	131.2	122.3	122.3	122.3	122.3	122.3	122.3	122.3

**1998-99 Biennial Budget  
Agency Level Revenue Summary**

Agency: Iron Range Resources and Rehabilitation Board (IRRRB)

**REVENUE SOURCES:**

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Taconite Production Taxes	\$28,493	\$32,145	\$29,236	\$29,973
Interest on Short Term	7,169	5,000	5,500	5,500
Investments				
Loan Repayments and Interest	1,895	1,839	1,840	1,840
Departmental Earnings and Other Miscellaneous	<u>2,203</u>	<u>6,847</u>	<u>3,858</u>	<u>3,951</u>
TOTAL	\$39,760	\$45,831	\$40,434	\$41,264

**FEE STRUCTURE:**

Departmental earnings for Giants Ridge Recreational Area (ski and golf) and the Ironworld Discovery Center are set according to prevailing market rates.

**RECENT CHANGES:**

The Giants Ridge golf course will open to the public in the spring of 1997.

**FORECAST BASIS:**

Taconite production tax estimates were provided by the Department of Revenue. Ironworld and Giants Ridge ski area are mature operations, with same level revenues forecast for the biennium. Golf course revenues are based on a market analysis study.

**DECISION ITEMS:**

Not applicable. Except for taconite tax receipts, agency revenues are set by prevailing market conditions.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>NON-DEDICATED REVENUE:</b>								
<b>TAXES:</b>								
GENERAL	83							
<b>TOTAL NON-DEDICATED RECEIPTS</b>	<b>83</b>							
<b>DEDICATED RECEIPTS:</b>								
<b>DEPARTMENTAL EARNINGS:</b>								
IRON RANGE RESOURCES & REHAB	1,959	3,024	3,710	3,710	3,710	3,803	3,803	3,803
NE MN ECONOMIC PROTECTION	167	146	146	146	146	146	146	146
<b>OTHER REVENUES:</b>								
IRON RANGE RESOURCES & REHAB	2,031	1,917	1,917	1,917	1,917	1,917	1,917	1,917
NE MN ECONOMIC PROTECTION	5,541	3,576	4,076	4,076	4,076	4,076	4,076	4,076
GIFT	73							
<b>OTHER SOURCES:</b>								
IRON RANGE RESOURCES & REHAB	139	3,819	144	144	144	144	144	144
NE MN ECONOMIC PROTECTION	1,357	1,204	1,205	1,205	1,205	1,205	1,205	1,205
<b>TAXES:</b>								
IRON RANGE RESOURCES & REHAB	23,795	26,515	25,056	25,056	25,056	25,423	25,423	25,423
NE MN ECONOMIC PROTECTION	4,698	5,630	4,180	4,180	4,180	4,550	4,550	4,550
<b>TOTAL DEDICATED RECEIPTS</b>	<b>39,760</b>	<b>45,831</b>	<b>40,434</b>	<b>40,434</b>	<b>40,434</b>	<b>41,264</b>	<b>41,264</b>	<b>41,264</b>
<b>AGENCY TOTAL REVENUES</b>	<b>39,843</b>	<b>45,831</b>	<b>40,434</b>	<b>40,434</b>	<b>40,434</b>	<b>41,264</b>	<b>41,264</b>	<b>41,264</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Agency Administration  
**PROGRAM:** Agency Administration  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

General Support includes the office of the commissioner, Personnel, Accounting, Purchasing, state indirect costs (including the costs of a Special Assistant Attorney General assigned to the agency), and building and grounds expenses associated with the agency administrative complex located in Eveleth. This activity provides for the management of all other agency programs and projects. However, the largest portion of the total costs are incurred for salaries and expenses which provide basic support service to the rest of the agency.

One such basic support category is the Shop, which maintains and repairs agency vehicles and equipment. The Shop also supervises and assists with building and grounds tasks related to the Eveleth administrative complex.

Public Information is another support category, performing an information dissemination function for the agency, as well as coordinating press releases and media relations for the office of the commissioner, and the production of the agency biennial reports to the Legislature, the production of the **Resource**, an employee newsletter published quarterly, and **RangeView**, an award-winning tabloid featuring the people, resources and opportunities of northeastern Minnesota (published 3 times annually).

Planning and Development provides funding for engineering or architectural studies, economic research and professional services that support agency decision-making and planning. Information Systems provides technical support and equipment for the agency's computer operations. IRRRB facilities are connected through a network that allows shared access among facilities and other state of Minnesota systems.

**PLANNED RESULTS:**

Cost efficiency and effectiveness will receive priority attention during the biennium, especially so for agency operated tourism facilities. A managerial plan has been developed for each agency facility to achieve increased revenues and decreased operational costs. The 18 hole golf course now under construction will open for operation in the spring of 1997.

The agency budget plan emphasizes economic development in all of the programs. During the biennium, the agency administration will direct agency resources toward various forms of economic development, including tourism, to achieve maximum possible job creation and economic diversification.

**BUDGET AND REVENUE SUMMARY:**

Summary of the agency plan is as follows:

- The budget request for this program is the same-level funding as the base year.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

- Agency operational funds, exclusive of departmental revenues, are credited to this program. These funds are primarily taconite production taxes, for which the Department of Revenue provides revenue forecasts.

Dedicated receipts credited to this activity include taconite production taxes, proceeds from bonding, interest reimbursement, loan repayments and miscellaneous revenue, which includes rent from the Department of Public Safety. In F.Y. 1997, the IRRRB issued revenue bonds for construction of the Giants Ridge golf course. The net F.Y. 1997 bonding proceeds are expected to be \$3,675,000. Taconite production taxes for the Board account and the Taconite Area Environmental Protection Fund are credited to this activity.

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Taconite Production Taxes	\$17,150	\$15,670	\$16,290
Bonding Proceeds	3,675	-0-	-0-
Interest Reimbursements	1,917	1,917	1,917
Loan Repayments	144	144	144
Miscellaneous Revenue	<u>147</u>	<u>147</u>	<u>147</u>
<b>TOTAL</b>	<b>\$23,033</b>	<b>\$17,878</b>	<b>\$18,498</b>

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: AGENCY ADMINISTRATION  
ACTIVITY: AGENCY ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	1,321	1,407	1,445	1,445	1,445	1,482	1,482	1,482
OPERATING EXPENSES	916	1,159	1,078	1,078	1,078	1,078	1,078	1,078
<b>SUBTOTAL STATE OPERATIONS</b>	<b>2,237</b>	<b>2,566</b>	<b>2,523</b>	<b>2,523</b>	<b>2,523</b>	<b>2,560</b>	<b>2,560</b>	<b>2,560</b>
LOCAL ASSISTANCE		150	150	150	150	150	150	150
OTHER EXPENSES	2							
<b>TOTAL EXPENDITURES</b>	<b>2,239</b>	<b>2,716</b>	<b>2,673</b>	<b>2,673</b>	<b>2,673</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	1,987	2,526	2,483	2,483	2,483	2,520	2,520	2,520
NE MN ECONOMIC PROTECTION	252	190	190	190	190	190	190	190
<b>TOTAL EXPENDITURES</b>	<b>2,239</b>	<b>2,716</b>	<b>2,673</b>	<b>2,673</b>	<b>2,673</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
IRON RANGE RESOURCES & REHAB	19,273	23,033	17,878	17,878	17,878	18,498	18,498	18,498
<b>TOTAL REVENUES COLLECTED</b>	<b>19,273</b>	<b>23,033</b>	<b>17,878</b>	<b>17,878</b>	<b>17,878</b>	<b>18,498</b>	<b>18,498</b>	<b>18,498</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	31.0	31.8	31.8	31.8	31.8	31.8	31.8	31.8
OVERTIME	.3	.3	.3	.3	.3	.3	.3	.3
<b>TOTAL FTE</b>	<b>31.3</b>	<b>32.1</b>	<b>32.1</b>	<b>32.1</b>	<b>32.1</b>	<b>32.1</b>	<b>32.1</b>	<b>32.1</b>

1998-99 Biennial Budget

**PROGRAM:** Tourism Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**PROGRAM DESCRIPTION:**

The primary activities of this program are the development and promotion of tourism opportunities that will enhance the economic diversification of the Taconite Tax Relief Area.

The issues associated with this program are:

- increased public attendance and more efficient and cost-effective management at the agency's 2 major tourism facilities (Ironworld Discovery Center and Giants Ridge Recreational Facility).
- operation and promotion of the 18 hole golf course to be located at Giants Ridge Recreational Facility so that the course most effectively contributes to the area's economy while achieving a net operational profit.
- identification of grant funding needs which are most directly related to the attraction and retention of out-of-the-area visitors, which will leverage IRRRB dollars; and which will contribute to the long range economic growth of the Taconite Tax Relief Area.

**PROGRAM STATUS:**

- **Tourism Facility Operations:** The IRRRB operates the Ironworld Discovery Center in Chisholm, an entertainment and history complex which includes the Iron Range Research Center and the education program, "Beyond School Walls." The Giants Ridge Recreational Area in Biwabik includes a winter ski area and an 18 hole golf course. Operational challenges include maintaining quality services and profitability during periods of adverse weather conditions.
- **Tourism Development Grant and Program Funding:** Coordination of grant funding involves the Northern Lights Tourism Alliance (NLTA), which was formed by the IRRRB to identify and implement tourism development plans. The NLTA is a volunteer committee of tourism advisors whose efforts are divided into 3 major activities: marketing, natural resource enhancement and infrastructure.

**PLANNED RESULTS:**

- The tourism development staff will continue efforts to identify opportunities that will increase visitor attendance at area attractions, lodging facilities, and visitation to the area's recreational opportunities. Grant funding and programmatic assistance will be provided according to the anticipated impact of the proposed projects.
- Cost-effective management will receive a high priority for the Ironworld Discovery Center and the Giants Ridge Recreational Facility.
- The 18 hole golf course will open in the spring of 1997.

**BUDGET AND REVENUE SUMMARY:**

Summary of the agency plan is as follows:

- Except for golf course operation, the plan provides same-level funding for operation of all tourism projects and programs.
- The F.Y. 1998-99 budget includes projected costs and revenues for the golf course (operational revenues for the biennium of \$2 million and operational expenses of \$1.3 million). Expenses for the golf course are projected to increase 3.7% annually, and revenues are projected to increase 5.8% annually.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: TOURISM DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TOURISM	6,214	7,322	7,061	7,061	7,061	7,159	7,159	7,159
TOURISM FACILITY CONSTRUCTN	4,187	4,853	1,222	1,222	1,222	1,224	1,224	1,224
TOTAL EXPENDITURES BY ACTIVITY	10,401	12,175	8,283	8,283	8,283	8,383	8,383	8,383
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
IRON RANGE RESOURCES & REHAB	10,163	12,162	8,283	8,283	8,283	8,383	8,383	8,383
NE MN ECONOMIC PROTECTION	155	13						
GIFT	83							
TOTAL EXPENDITURES	10,401	12,175	8,283	8,283	8,283	8,383	8,383	8,383
FTE BY EMPLOYMENT TYPE:								
REGULAR	69.5	60.9	60.9	60.9	60.9	60.9	60.9	60.9
TEMP/SEAS/PART_TIME	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
OVERTIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL FTE	75.1	66.5	66.5	66.5	66.5	66.5	66.5	66.5

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**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Tourism Activities  
**PROGRAM:** Tourism Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

The IRRRB owns and operates 3 facilities that have a major impact on regional tourism efforts including:

Giants Ridge is a quality alpine and nordic skiing facility located near Biwabik. Giants Ridge is also a Midwest regional training center for the U.S. Ski Association-Nordic Division. An 18 hole golf course under construction at the Giants Ridge Recreational Facility is scheduled to open in the spring of 1997.

The Ironworld Discovery Center, located in Chisholm, is a historical theme park dedicated to the history and culture of the people from the many different ethnic groups that settled and built the Iron Range.

The Iron Range Research Center/Library, also is located in Chisholm, and is an integral part of the Ironworld complex. The Research Center/Library was established to collect and preserve the history and culture of the Iron Range.

Giants Ridge and the Ironworld Discovery Center are staffed in part by "pooled" employees. Labor Pool is a support category in which parts of full-time employees not utilized by other activities are captured to perform tasks which support broader agency objectives. This activity also budgets money for unemployment compensation, workman's compensation and insurance payments associated with early retirements.

The IRRRB also operates Trails and Tourism programs that promote regional tourism:

The Trails program provides financial assistance, technical assistance and equipment for trail development and maintenance in the Taconite Tax Relief Area. This program focuses on winter trails, with a special emphasis on the grooming of area snowmobile trails and the promotion of winter special events. The budget plan includes \$148,000 for the biennium in grooming reimbursements from local ski organizations. The Trails program also will participate with Department of Natural Resources (DNR) in the development of an off-highway vehicle recreational area.

The Tourism activity also has a Tourism Planning and Development category which provides funding to local governments and organizations for the promotion of regional tourism. With the support of the IRRRB, a new regional tourism organization, the Northern Lights Tourism Alliance (NLTA), has been established. In cooperation with this grassroots organization, the IRRRB has established a marketing program that provides funding for joint-venture and region-wide promotion as well as certain special events; and a resource development program that provides funding for fishery management and catch-and-release efforts. These activities will enhance DNR efforts to sustain the fish population in area lakes and streams.

**BUDGET ISSUES:**

The IRRRB budget plan provides base-level funding for the Giants Ridge, Ironworld Discovery Center and Iron Range Research Center/Library facilities in F.Y. 1998-99. This reflects the IRRRB

commitment to control subsidy levels at these facilities. However, the agency is committed to reducing the subsidy levels at these facilities.

Except for the addition of the golf course operation which begins in F.Y. 1997, this activity is funded at base level for the biennium. Before adjusting for salary inflation, the golf course operation revenues are projected to increase 5.8% annually, and expenses are projected to increase 3.7% annually.

**REVENUE:**

Departmental earnings generate dedicated revenue for this activity.

**Facility Operations (Ironworld , Giants Ridge and Trails)**

	Dollars in Thousands				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Special - Dedicated	\$1,576	\$1,596	\$2,877	\$3,563	\$3,656
TOTAL	\$1,576	\$1,596	\$2,877	\$3,563	\$3,656

**Ironworld Complex Revenues and Expenditures**

	Dollars in Thousands				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Ironworld Entertainment	\$496	\$391	\$490	\$490	\$490
Research Center	3	11	15	15	15
Education Programs	<u>-0-</u>	18	24	24	24
TOTAL	\$499	\$420	\$529	\$529	\$529
EXPENDITURES	\$2,396	\$2,122	\$2,173	\$2,197	\$2,224

**Giants Ridge Ski Revenues and Expenditures**

	Dollars in Thousands				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Golf Operations	\$-0-	\$-0-	\$335	\$988	\$1,046
Ski and Golf	102	-0-	584	618	653
Concessions					
Alpine Ski Operations	826	1,031	1,192	1,192	1,192
Nordic Ski Operations	49	53	48	48	48
Facility Leases	<u>42</u>	<u>39</u>	<u>111</u>	<u>111</u>	<u>111</u>
TOTAL	\$1,019	\$1,123	\$2,271	\$2,957	\$3,050
EXPENDITURES	\$1,253	\$1,819	\$3,049	\$2,941	\$3,005

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Tourism Activities  
**PROGRAM:** Tourism Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)  
(Continuation)

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**GRANTS:**

Grants are awarded to local governments and organizations for tourism promotional efforts in accordance with the following criteria.

The primary goals are to:

1. Generate increased travel into the Taconite Tax Relief Area.
2. Encourage multi-community projects which enhance local initiatives in developing tourism marketing plans and strategies.
3. Support goals of the Heritage Tourism program (an NLTA initiative), including diversification of local economies by broadening the tourism market to include historic and cultural travelers.
4. Advance the development of septic systems that will help the tourism industry of northeastern Minnesota meet new local, state and federal standards for septic systems.

Special priority is given to projects that demonstrate the greatest regional impact. Higher consideration is given to applicants that provide annual customer service training which will support sustained tourism growth. Collaborative efforts are openly encouraged, with highest priority given to eligible projects with maximum participation.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: TOURISM DEVELOPMENT  
ACTIVITY: TOURISM

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
STATE OPERATIONS:								
PERSONAL SERVICES	2,630	2,540	2,599	2,599	2,599	2,654	2,654	2,654
OPERATING EXPENSES	2,728	4,135	3,999	3,999	3,999	4,042	4,042	4,042
CAPITAL OUTLAY	1	2	2	2	2	2	2	2
<b>SUBTOTAL STATE OPERATIONS</b>	<b>5,359</b>	<b>6,677</b>	<b>6,600</b>	<b>6,600</b>	<b>6,600</b>	<b>6,698</b>	<b>6,698</b>	<b>6,698</b>
LOCAL ASSISTANCE	855	645	461	461	461	461	461	461
<b>TOTAL EXPENDITURES</b>	<b>6,214</b>	<b>7,322</b>	<b>7,061</b>	<b>7,061</b>	<b>7,061</b>	<b>7,159</b>	<b>7,159</b>	<b>7,159</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	6,131	7,322	7,061	7,061	7,061	7,159	7,159	7,159
GIFT	83							
<b>TOTAL EXPENDITURES</b>	<b>6,214</b>	<b>7,322</b>	<b>7,061</b>	<b>7,061</b>	<b>7,061</b>	<b>7,159</b>	<b>7,159</b>	<b>7,159</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
IRON RANGE RESOURCES & REHAB	1,596	2,877	3,563	3,563	3,563	3,656	3,656	3,656
GIFT	73							
<b>TOTAL REVENUES COLLECTED</b>	<b>1,669</b>	<b>2,877</b>	<b>3,563</b>	<b>3,563</b>	<b>3,563</b>	<b>3,656</b>	<b>3,656</b>	<b>3,656</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	69.5	59.9	59.9	59.9	59.9	59.9	59.9	59.9
TEMP/SEAS/PART_TIME	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
OVERTIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<b>TOTAL FTE</b>	<b>75.1</b>	<b>65.5</b>	<b>65.5</b>	<b>65.5</b>	<b>65.5</b>	<b>65.5</b>	<b>65.5</b>	<b>65.5</b>

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Tourism Facility Construction  
**PROGRAM:** Tourism Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

**Bonding Debt Retirement**

During F.Y. 1997, the IRRRB issued \$4,250,000 gross revenue bonds for a portion of Giants Ridge golf course construction cost. After deduction of bond issuance costs and fees, the net bonding proceeds are expected to be \$3,675,000. No principal payment is made during F.Y. 1997. Bond debt service payments will be approximately \$470,000 per year during the biennium. Golf course revenues are expected to cover bond debt service payments in the fourth year of operations.

**Real Estate Development**

The IRRRB is working with local regulatory agencies to develop a hotel, condominiums and single-family and residential units around the golf course and at the base of the ski mountain. \$1.5 million for preliminary work was budgeted in F.Y. 1997. This preliminary work includes technical assistance, base site improvements, utility improvements and road development. An additional \$1.5 million is included in the biennial budget for development of additional real estate adjoining the base sites, and for infrastructure extensions to these adjoining sites. It is anticipated that all expenditures for development will be recovered through sale of real estate, with the sales commencing late in 1999.

**BUDGET ISSUES:**

The F.Y. 1997 budget provided minimal funding for capital improvements (\$250,000 for the Ironworld Discovery Center, and \$100,000 for the Giants Ridge Recreational Area). No funding is included in the budget for this biennium. The agency is considering establishment of a capital improvement reserve account to ensure that funding would be available for emergency repairs or planned improvements. However, because of reduced fund balances, other budgetary adjustments would be required to provide funding for a capital improvement reserve account.

**REVENUE:**

This activity does not generate revenue.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: TOURISM DEVELOPMENT  
ACTIVITY: TOURISM FACILITY CONSTRUCTN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES		63	65	65	65	67	67	67
OPERATING EXPENSES	1,281	1,932	186	186	186	186	186	186
CAPITAL OUTLAY	2,906	2,598	501	501	501	501	501	501
OTHER EXPENSES		260	470	470	470	470	470	470
<b>SUBTOTAL STATE OPERATIONS</b>	<b>4,187</b>	<b>4,853</b>	<b>1,222</b>	<b>1,222</b>	<b>1,222</b>	<b>1,224</b>	<b>1,224</b>	<b>1,224</b>
<b>TOTAL EXPENDITURES</b>	<b>4,187</b>	<b>4,853</b>	<b>1,222</b>	<b>1,222</b>	<b>1,222</b>	<b>1,224</b>	<b>1,224</b>	<b>1,224</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	4,032	4,840	1,222	1,222	1,222	1,224	1,224	1,224
NE MN ECONOMIC PROTECTION	155	13						
<b>TOTAL EXPENDITURES</b>	<b>4,187</b>	<b>4,853</b>	<b>1,222</b>	<b>1,222</b>	<b>1,222</b>	<b>1,224</b>	<b>1,224</b>	<b>1,224</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR		1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>TOTAL FTE</b>		<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

1998-99 Biennial Budget

**PROGRAM:** Community Development

**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**PROGRAM DESCRIPTION:**

Resource rehabilitation, environmental development grants, local economic development projects and mineland reclamation are the activities of this program.

The issues associated with these activities are:

- Communities request funding for a variety of purposes, including improvements to public buildings, construction of or improvements to recreational areas, airport improvements, housing developments and public works. Because of limited funding available for grants, projects selected must contribute to the overall economy of the area and must be used as leverage for local, state, federal and private funds.
- The Building Demolition activity removes dilapidated or unsafe buildings at no cost to the public except for tipping fees for disposal of the refuse. If waste and hazardous material disposal becomes more costly during the biennium, some portion of any additional costs must be passed on to the property owner.
- The Mineland Reclamation program will use advanced technology to cap abandoned mine shafts with foam. This process is less costly and may result in an increase in the demand for capping in remote areas. Prioritizing projects may be necessary to remain within available funding for the mineland activity.
- Wetland issues may create delays in project development and increase project related costs.

**PROGRAM STATUS:**

The IRRRB is increasingly joining with other agencies and organizations to coordinate community development efforts. As an example, a project may involve water and sewer to an industrial area to attract new business or service an expansion of existing business. Various forms of community development projects are closely related to tourism promotion, and may require input from community development, economic development, and tourism development groups or organizations.

Mineland reclamation activities have included cooperative projects with DNR, the Minnesota Tree Cooperative, the National Arbor Day Foundation, and the Minnesota Geological Survey, MN DOT, St. Louis County, Itasca County, Crow Wing County, and local units of government. While environmental and safety concerns are major factors in determining funding priorities, high priority projects include those which involve economic development improvements such as construction of industrial parks and creation of tourism attractions.

**PLANNED RESULTS:**

The agency budget plan will facilitate the accomplishment of the following objectives:

- The basis for awarding community development grants includes consideration of the leverage of other funds, and the potential to contribute new or expanded business opportunities.

- The Building Demolition program will continue to provide demolition services for communities within the Taconite Tax Relief Area.
- Safety, tourism and reclamation of land for community use will be significant factors in the selection of projects for funding by the Mineland Reclamation activity.

**BUDGET AND REVENUE SUMMARY:**

No revenues are generated within this program.

Summary of the agency plan is as follows:

- Grant and project funding is requested at the same level.
- Funding allocations may change during the preparation of the annual budget, releasing a portion of the community development allocation for use in the business development grant or loan program.
- The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: COMMUNITY DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
RESOURCE REHAB	3,831	2,006	1,811	1,811	1,811	1,819	1,819	1,819
ENVRNMNTL DVLP GRNTS	402	422	650	650	650	650	650	650
LOCAL ENV DEV PROJ	11,624	4,000	4,000	4,000	4,000	4,000	4,000	4,000
MINELAND RECLAMATION	1,403	1,080	907	907	907	917	917	917
TOTAL EXPENDITURES BY ACTIVITY	17,260	7,508	7,368	7,368	7,368	7,386	7,386	7,386
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
GENERAL	402	422	650	650	650	650	650	650
STATUTORY APPROPRIATIONS:								
IRON RANGE RESOURCES & REHAB	16,858	7,086	6,718	6,718	6,718	6,736	6,736	6,736
TOTAL EXPENDITURES	17,260	7,508	7,368	7,368	7,368	7,386	7,386	7,386
FTE BY EMPLOYMENT TYPE:								
REGULAR	17.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
TEMP/SEAS/PART_TIME	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL FTE	18.8	17.7	17.7	17.7	17.7	17.7	17.7	17.7

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Resources Rehabilitation  
**PROGRAM:** Community Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

Resources Rehabilitation is an activity through which various forms of assistance to local governments and organizations are administered, in the form of grants and programs such as Building Demolition.

The Community Development category directly administers the agency grant program to local governments and organizations. Included are salaries, supplies and expenses required to do so.

Through its Community Development grants category, in accordance with M.S. 298.22, the IRRRB provides partial funding for a variety of community development uses, including fire protection, recreation and public building improvements. The funding criteria for these grants is the same as that used for the Local Economic Development category, which is explained later in this section.

The Research & Planning category provides discretionary funding for architectural, engineering, or feasibility studies required by the agency to support its internal operations or to assist businesses seeking to expand in or relocate to northeastern Minnesota. The agency contingency portion of this appropriation is reserved for unplanned departmental expenses of any kind, or grants to meet emergency needs of the communities.

The Building Demolition program provides for the razing and disposal of unmarketable, dilapidated structures located throughout the Iron Range area. Removal of these structures makes the vacated property available for alternate uses, and new residential or commercial development often follows. Property owners usually submit their demolition request through their local governmental units. The demolition crew periodically moves from one location to another, razing buildings in a single location before moving on to a new location. Generally, the crew is able to return to each location every 1 or 2 years.

**BUDGET ISSUES:**

The budget plan projects grant funding at essentially the same level for F.Y. 1998 and 1999 except for \$65,000 which the IRRR Board added to the F.Y. 1997 budget to provide for a specific project. As with other budget activities, funding may be reallocated from community development grants to business development projects if the need arises during the biennium.

**REVENUE:**

This activity does not generate revenue.

**GRANTS:**

Please refer to the Local Economic Development activity within the Community Development program, as presented later in this section.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: COMMUNITY DEVELOPMENT  
ACTIVITY: RESOURCE REHAB

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	363	338	347	347	347	355	355	355
OPERATING EXPENSES	187	125	114	114	114	114	114	114
<b>SUBTOTAL STATE OPERATIONS</b>	<b>550</b>	<b>463</b>	<b>461</b>	<b>461</b>	<b>461</b>	<b>469</b>	<b>469</b>	<b>469</b>
LOCAL ASSISTANCE	3,151	1,543	1,350	1,350	1,350	1,350	1,350	1,350
OTHER EXPENSES	130							
<b>TOTAL EXPENDITURES</b>	<b>3,831</b>	<b>2,006</b>	<b>1,811</b>	<b>1,811</b>	<b>1,811</b>	<b>1,819</b>	<b>1,819</b>	<b>1,819</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	3,831	2,006	1,811	1,811	1,811	1,819	1,819	1,819
<b>TOTAL EXPENDITURES</b>	<b>3,831</b>	<b>2,006</b>	<b>1,811</b>	<b>1,811</b>	<b>1,811</b>	<b>1,819</b>	<b>1,819</b>	<b>1,819</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	9.0	7.9	7.9	7.9	7.9	7.9	7.9	7.9
<b>TOTAL FTE</b>	<b>9.0</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Environmental Development Grants  
**PROGRAM:** Community Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

Note: This activity is funded by an appropriation from the General Fund, and the appropriation is administered by the IRRRB.

Occupation taxes (supplemental taxes) are allocated for Carlton and Koochiching counties in equal amounts as provided by M.S. 298.17 to provide environmental development grants to local governments or economic development grants or loans to businesses located within each county; provided that the county board or an advisory group appointed by the county board makes recommendations concerning each project.

Each year, Carlton and Koochiching counties have received an allocation from the General Fund (from Occupation Tax dollars that flow to the General Fund) equivalent to the amount that would have been generated by a 1 cent tax imposed on each taxable ton of taconite during the preceding production year. The 1996 Legislature increased this allocation to 1.5 cents per taxable ton for production year 1996, which will increase the amount available for use in F.Y. 1998 to an estimated \$650,000, compared to \$407,760 in F.Y. 1997. The General Fund appropriation is paid to the IRRRB each May, and is reserved by the IRRRB for distribution to the counties during the next fiscal year. These monies are split equally between the counties; however, of the amount allocated to Koochiching County, one-third must be paid to the small business development center/economic development office currently located at the Rainy River Community College to fund its operations. Since these dollars come from the General Fund, this change has no impact on the IRRRB budget.

This funding is provided annually to each county, contingent upon the county providing a report to the IRRRB concerning the status of past investments made from the appropriation, especially those made during the preceding fiscal year.

**BUDGET ISSUES:**

Since, by law, the supplement tax money can only be used in Carlton and Koochiching counties, IRRRB spending in other activities does not directly impact the availability of funding for this program.

The IRRRB budget plan projects funding for this activity in F.Y. 1998-99 according to the taconite production levels projected by the Department of Revenue.

**REVENUE:**

This activity does not generate revenue.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: COMMUNITY DEVELOPMENT  
ACTIVITY: ENVRNMNTL DVLP GRNTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	14	14	14	14	14	14	14	14
SUBTOTAL STATE OPERATIONS	14	14	14	14	14	14	14	14
LOCAL ASSISTANCE	388	408	636	636	636	616	616	616
TRANSFERS						20	20	20
TOTAL EXPENDITURES	402	422	650	650	650	650	650	650
<b>EXPENDITURES BY FUND:</b>								
<b>OPEN APPROPRIATIONS:</b>								
GENERAL	402	422	650	650	650	650	650	650
TOTAL EXPENDITURES	402	422	650	650	650	650	650	650
<b>FTE BY EMPLOYMENT TYPE:</b>								
TOTAL FTE								

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Local Economic Development  
**PROGRAM:** Community Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

M.S. 298.223 authorizes local economic development projects including construction of water and sewer systems and other public works located within a tax relief area defined in section 273.134. Pursuant to this statute, the IRRRB provides partial funding to local units of government -- cities, towns, counties and Indian tribal governments located within the Taconite Tax Relief Area -- for infrastructure improvements, housing and industrial parks, city halls & maintenance facilities, senior centers, town halls, fire halls, airports and recreational improvements. Included within this activity is funding for grants to local governments to make infrastructural improvements required to support specific business projects.

**BUDGET ISSUES:**

As noted in the program level narrative, the IRRRB budget plan continues to consider grants for local economic development projects a high priority. Maintaining funding for local economic development projects in F.Y. 1998-99 at base levels reflects this commitment.

When revenues have faltered or a critical new need for expenditures has been identified, the agency historically has adjusted the amount of money made available to local governments accordingly. This will remain a policy/fiscal option in the future.

**GRANTS:**

Grants funded out of this activity are made in accordance with M.S. 298.223. The Community Development grants explained in the Resources Rehabilitation section of the Community Development program are made in accordance with M.S. 298.22. Both statutes authorize the expenditure of IRRRB money for economic development projects, and grants from either activity are selected in accordance with the following agency criteria which have been in effect since 1988:

- Job retention or creation.
- Leverage of proposed IRRRB project funding compared to total project costs.
- Relative need of the applicant.
- Impact of the project on the area's economy.
- Project viability, including the cost-effectiveness, financial/economic feasibility and technological feasibility of the project.

**REVENUE:**

This activity does not generate revenue.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: COMMUNITY DEVELOPMENT  
ACTIVITY: LOCAL ENV DEV PROJ

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
LOCAL ASSISTANCE	11,574	4,000	4,000	4,000	4,000	4,000	4,000	4,000
OTHER EXPENSES	50							
<b>TOTAL EXPENDITURES</b>	<b>11,624</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	11,624	4,000	4,000	4,000	4,000	4,000	4,000	4,000
<b>TOTAL EXPENDITURES</b>	<b>11,624</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Mineland Reclamation  
**PROGRAM:** Community Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

Pursuant to M.S. 298.223, this activity funds projects designed to reclaim minelands on the Mesabi, Vermilion and Cuyuna iron ranges of northeastern Minnesota. Efforts are directed toward 6 priority areas: safety, alternate use, erosion, dust control, revegetation and aesthetics.

The subsequent uses of the reclaimed lands vary from tourism, recreation and economic development to wildlife and timber production. Tourism projects include fish stocking, campgrounds and mine overlooks. Economic development projects include site preparation on abandoned minelands, and use of mine pit water for industrial or commercial projects.

Mineland reclamation projects are done in cooperation with local units of government, state and federal agencies and the mining industry.

The Mineland Reclamation activity also includes project management. The project management category funds agency salaries, supplies and expenses required to design and oversee mineland reclamation projects. The revegetation category funds salaries, supplies and expenses required for the growing and planting of trees and shrubs used in mineland reclamation efforts. Included in this amount is the cost of operating the reclamation activity's growth chamber located at the Ironworld complex in Chisholm. Through this program, the IRRRB annually plants nearly 300,000 containerized seedlings at sites throughout the Taconite Tax Relief Area.

**BUDGET ISSUES:**

The IRRRB budget plan shows same level funding for this activity for F.Y. 1998-99. However, the F.Y. 1997 budget for this activity was reduced to provide funding for economic development projects. The demand for foam capping of mine shafts is expected to increase because of the ease in applying foam and the ability to reach remote sites without access roads. Wetland issues may delay projects, increase costs, or require re-engineering. Achieving the project goals of this activity with the planned budget level will be challenging.

**REVENUE:**

No revenues are generated by this activity.

**GRANTS:**

At the discretion of mineland reclamation staff, projects may be done "in-house" or through the grant process. Recipients of grants are communities and non-profit organizations. Criteria eligibility is the same as for projects done "in-house" by staff.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: COMMUNITY DEVELOPMENT  
ACTIVITY: MINELAND RECLAMATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	402	421	433	433	433	443	443	443
OPERATING EXPENSES	213	175	177	177	177	177	177	177
CAPITAL OUTLAY	84	35	15	15	15	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	699	631	625	625	625	635	635	635
LOCAL ASSISTANCE	704	449	282	282	282	282	282	282
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,403	1,080	907	907	907	917	917	917
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	1,403	1,080	907	907	907	917	917	917
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,403	1,080	907	907	907	917	917	917
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	8.7	8.8	8.8	8.8	8.8	8.8	8.8	8.8
TEMP/SEAS/PART_TIME	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8

## 1998-99 Biennial Budget

**PROGRAM:** Business Development

**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

### PROGRAM DESCRIPTION:

The Business Development program has 2 specific goals:

- To strengthen and diversify the regional economy by assisting in the retention and creation of permanent full-time job opportunities.
- To protect the more than 6,000 quality jobs that are now provided by the taconite industry.

The Business Development activity provides marketing and referral services, and funding options for businesses located within the Taconite Tax Relief Area. Funding is provided in the form of grants, direct or bank participation loans, and through the development of customized financial packages for larger projects.

The agency's taconite assistance programs provide incentives to the taconite industry for plant expansions, process improvements or new technologies.

### PROGRAM STATUS:

Business Development also partners with the activities described in the Tourism and Community Development sections of the budget. By working together, the staff of these 3 programs strive for increased leverage of other sources of funding.

The taconite enhancement activities encourage the development of new technology that requires major investments by the industry. The budget for the biennium includes \$13 million in 1998.

### PLANNED RESULTS:

Through its marketing assistance, information, and referral services, the IRRRB will continue to seek out opportunities for business expansion within the Taconite Tax Relief Area. The Iron Range Economic Alliance will help consolidate economic development efforts across the Taconite Tax Relief Area.

The agency will continue its commitment to assisting the local taconite producing plants in their efforts to reduce production costs and stay competitive. However, because the IRRRB has made major financial commitments to several large economic projects, any significant funding during the biennium for additional taconite enhancement purposes would be available primarily from the corpus of the Northeast Minnesota Economic Protection Trust Fund

### BUDGET AND REVENUE SUMMARY:

The budget plan projects funding for the Business Development activities for F.Y. 1998 and F.Y. 1999 at approximately \$14 million and \$12 million (compared to \$14 million in F.Y. 1997). However, the IRRRB has historically adjusted its spending in accordance with revenue fluctuations to insure that resources remain available for business development projects. During the annual budgeting process, the agency will review and adjust planned expenditures in all agency programs, in order to achieve its primary mission of retaining existing jobs and creating new jobs in northeastern Minnesota.

The 1996 Legislature allowed the taconite production tax escalator to increase, increased the taconite production tax rebates to the taconite companies, and provided authority for loan and grant withdrawals from the corpus of the Northeast Minnesota Economic Protection Trust Fund for value-added iron products plant improvements, non-ferrous mines or processing facilities and improvements to existing taconite plants. Reinvestment in the taconite plants is funded only after the taconite companies and their unions agree how to spend the monies.

The agency plan includes a 2.5% per year base adjustment for salary inflation within the program.

### GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: BUSINESS DEVELOPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
CORPUS DRAWDOWN		10,000	13,000	13,000	13,000			
BUSINESS DEVELOPMENT	8,172	20,588	13,846	13,846	13,846	11,855	11,855	11,855
TACONITE INDUSTRY ENHANCEMENT	12,824	16,475	9,386	9,386	9,386	9,133	9,133	9,133
TOTAL EXPENDITURES BY ACTIVITY	20,996	47,063	36,232	36,232	36,232	20,988	20,988	20,988
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL		890						
STATUTORY APPROPRIATIONS:								
IRON RANGE RESOURCES & REHAB	14,245	11,342	16,863	16,863	16,863	15,110	15,110	15,110
NE MN ECONOMIC PROTECTION	6,751	34,831	19,369	19,369	19,369	5,878	5,878	5,878
TOTAL EXPENDITURES	20,996	47,063	36,232	36,232	36,232	20,988	20,988	20,988
FTE BY EMPLOYMENT TYPE:								
REGULAR	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL FTE	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

**1998-99 Biennial Budget**

**BUDGET ACTIVITY:** Business Development  
**PROGRAM:** Business Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

This activity is funded by interest earned on invested fund cash (including cash in the corpus or "2002 Fund") and by payments of principal and interest on outstanding economic development loans.

**ACTIVITY DESCRIPTION:**

The Business Development activity administers the agency programs that provide assistance to regional businesses. Funding is provided in this activity for the staff salaries, supplies and expenses required to deliver and sustain these programs, and grants or loans to regional businesses.

Assistance focuses on the following industrial sectors: manufacturing and assembly, minerals, wood products, tourism and technologically innovative businesses.

Programs include a bank participation loan program through which the agency can provide up to 50% of a loan to a private enterprise at a reduced interest rate, and a marketing program through which area businesses may receive limited marketing advice.

In addition, the business development staff designs custom financial packages for larger projects. An example of custom financial packages is financing provided for the Northwest Airlines reservations center located in Chisholm.

In 1996, authority for the IRRRB to require an equity interest in any project to which it contributes was added to the basic IRRRB enabling statute. This allows the IRRRB to acquire an equity interest in any economic development project funded with IRRRB monies.

**BUDGET ISSUES:**

Several major projects were funded in F.Y. 1996 and F.Y. 1997, resulting in a significant decrease in the monies available for the biennium. The budget plan provides \$3.5 million less funding for economic development for the biennium when compared to the F.Y. 1997 funding level. However, carry forward balances have been reduced to only a marginally sufficient level to meet basic operation and minimal grant and loan funding.

The agency's business development efforts remain very market driven; business deals happen when they happen. Should more funding be required, the agency would consider adjusting funding in other agency program areas or seek a withdrawal from the NEPF corpus.

**REVENUE:**

This activity generates dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Type of Revenue:					
Non-dedicated - Gen'l	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	5,850	6,898	4,780	\$5,281	5,281
Dedicated - Federal	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$5,850	\$6,898	\$4,780	\$5,281	\$5,281

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Interest on Invested Cash	\$3,100	\$3,600	\$3,600
Loan Repayments (principal and interest)	<u>1,680</u>	<u>1,681</u>	<u>1,681</u>
TOTAL	\$4,780	\$5,281	\$5,281

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: BUSINESS DEVELOPMENT  
ACTIVITY: BUSINESS DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	313	352	362	362	362	371	371	371
OPERATING EXPENSES	493	642	389	389	389	389	389	389
CAPITAL OUTLAY	19							
<b>SUBTOTAL STATE OPERATIONS</b>	<b>825</b>	<b>994</b>	<b>751</b>	<b>751</b>	<b>751</b>	<b>760</b>	<b>760</b>	<b>760</b>
LOCAL ASSISTANCE	5,360	8,501	7,661	7,661	7,661	6,161	6,161	6,161
OTHER EXPENSES	1,987	11,093	5,434	5,434	5,434	4,934	4,934	4,934
<b>TOTAL EXPENDITURES</b>	<b>8,172</b>	<b>20,588</b>	<b>13,846</b>	<b>13,846</b>	<b>13,846</b>	<b>11,855</b>	<b>11,855</b>	<b>11,855</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL		890						
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	3,721	1,977	7,477	7,477	7,477	5,977	5,977	5,977
NE MN ECONOMIC PROTECTION	4,451	17,721	6,369	6,369	6,369	5,878	5,878	5,878
<b>TOTAL EXPENDITURES</b>	<b>8,172</b>	<b>20,588</b>	<b>13,846</b>	<b>13,846</b>	<b>13,846</b>	<b>11,855</b>	<b>11,855</b>	<b>11,855</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
NE MN ECONOMIC PROTECTION	6,898	4,780	5,281	5,281	5,281	5,281	5,281	5,281
<b>TOTAL REVENUES COLLECTED</b>	<b>6,898</b>	<b>4,780</b>	<b>5,281</b>	<b>5,281</b>	<b>5,281</b>	<b>5,281</b>	<b>5,281</b>	<b>5,281</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<b>TOTAL FTE</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

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1998-99 Biennial Budget

**BUDGET ACTIVITY:** Taconite Industry Enhancement  
**PROGRAM:** Business Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

While the IRRRB continues to make progress towards the diversification of the northeastern Minnesota economy, the regional taconite industry remains a major economic player. More than 20,000 jobs rely on the industry, with about a third of these workers actually employed at a mine or processing plant. The industry contributes more than \$1 billion annually to the state's economy and purchases goods and services from companies in nearly 200 communities throughout Minnesota.

Recently, changes in the world economy and domestic steel industry have combined to put new pressures on the Minnesota taconite industry. The Legislature and the IRRRB have responded with 2 new programs of assistance to taconite producers.

The 1992 Legislature enacted the Taconite Economic Development Fund (TEDF) Act, which froze the taconite production tax at \$2.054 per taxable ton for the 1992 through 1995 production years. Each of the 7 active taconite producers is rebated 15.4 cents per ton of taxes to reimburse them for investments in new equipment, facility improvements or research which directly benefits their Minnesota operations.

The 1996 Legislature did not freeze the escalator as it has in recent years; however, it capped the rate at \$2.094 for production year 1996. (The rate will increase in accordance with the implicit price deflator of the gross national product to a maximum of 4 cents over the 1995 rate of \$2.054.) F.Y. 1998 and F.Y. 1999 revenues are projected to decrease because of other changes in taconite tax laws.

**Investment Tax Credit (ITC):**

The ITC will increase from 15.4 cents per taxable ton to 20.4 cents per ton for 1996, 1997 and 1998 production, which will be distributed in February of 1997, 1998 and 1999. This increase effectively expends most of the additional taconite tax revenue that is generated by increased production tonnage and the escalator that would otherwise flow to the IRRRB accounts.

**Bonding Authority for Taconite Area Schools:**

Authority to issue up to \$31.9 million in bonds for 80% of the cost of improvements for K-12 schools was added in 1996. The money required to pay for school bond credits and payments reduces the amounts that otherwise would flow to the IRRRB accounts, but it's difficult to quantify the impact at this time, as the size of the bond issues must be finalized, local voters must approve the 20% local share of the cost of the improvements and interest rates will fluctuate depending on the date of bond issuance. (The law provides for 80% taconite funding and 20% local levy for all bond issues except Cook County's, which is 70% taconite funding and 30% local levy.) However, a number of existing taconite school bonds are maturing during the next several years, and this will mitigate the reduction to the IRRRB income stream that would otherwise occur.

**BUDGET ISSUES:**

Funding for this activity is provided in part by the IRRRB budget; however, the agency does not have sufficient fund balances to finance the major plant development and improvements which are necessary for the plants to remain economically viable.

The 1996 Legislature designated \$2 million from IRRRB interest earnings to be used to construct a DRI plant or a non-ferrous minerals mine or plant. Refer to the corpus withdrawal activity for further information on these grants.

The budget for the biennium utilizes funding from 2 different sources, in addition to IRRRB budgetary funding provided in F.Y. 1997 for National Steel Pellet Company.

	Dollars in Thousands		
	F.Y. 1997	F.Y. 1998	F.Y. 1999
TEDF Taxes	\$9,365	\$9,386	\$9,133
IRRRB Budget Funding (interest earnings on Corpus monies)	2,000	-0-	-0-
National Steel Pellet Company loan	<u>3,000</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL</b>	<b>\$24,365</b>	<b>\$22,386</b>	<b>\$9,133</b>

Budgeting for taconite industry enhancement is a complex process involving changes in mining technology, production levels within the mining industry, and legislative initiatives intended to stimulate major reinvestment in Iron Range mines. Existing tax laws are very complex, and an increase in taconite production does not necessarily result in increased funding for the IRRRB or more specifically, for taconite industry enhancement. Also, the IRRRB Business Development program is funded largely by the interest on invested monies in the corpus of the Northeast Minnesota Economic Protection Fund. Withdrawals from the corpus reduce the IRRRB funding available for business development, including taconite industry enhancement. The financial incentives available through this program would comprise only a small portion of the funding necessary for a new value-added iron products plant (DRI) or a new mine or minerals processing plant for non-ferrous minerals. Discussions are underway by local legislators considering the repeal of the DRI law. It presently is unclear whether these dollars will be utilized for DRI or non-ferrous facilities, regardless of whether the law is repealed.

The commissioner of the IRRRB chairs the Governor's Task Force on Mining and Minerals, which is comprised of state agencies, education and research institutions, mining companies, mining suppliers, the United Steelworkers of America, local governments and environmental advocates. The task force will issue its fourth report in as many years to the governor and Legislature this coming January. Recommendations for 1996 are focused in 4 main areas: iron ore and taconite; copper, nickel, gold and other minerals; sand, gravel and other aggregate resources; and environmental and land-use considerations.

**REVENUE:**

This activity generates dedicated revenue (TEDF taxes).

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Type of Revenue:					
Non-dedicated - Gen'l	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	6,860	7,055	9,365	9,386	9,133
Dedicated - Federal	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>	<b>\$6,860</b>	<b>\$7,055</b>	<b>\$9,365</b>	<b>\$9,386</b>	<b>\$9,133</b>

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Taconite Industry Enhancement  
**PROGRAM:** Business Development  
**AGENCY:** Iron Range Resources and Rehabilitation, Board of (IRRRB)  
(Continuation)

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This activity is funded by taconite production taxes specifically designated for rebate to the taconite producers (through the TEDF) and by direct appropriations from the corpus of the "2002 Fund."

Funding for taconite plant improvements is provided by withdrawals from the corpus fund balance. Refer to the corpus withdrawal activity for information on withdrawals during the current and coming biennium.

**GRANTS:**

**Taconite Economic Development Fund (20.4 cents):**

Funds are to be released pursuant to M.S. 298.227 for the acquisition of equipment or facilities, or for research and development in Minnesota on new mining, or taconite, iron or steel production technology. Provided that total Minnesota taconite production does not fall below 30 million tons, these funds are available to each of the 7 producers on a pro rata basis commensurate with their individual production tonnages. Funds shall only be released for projects upon the written authorization of a joint committee comprised of an equal number of representatives of the salaried employees and the non salaried production and maintenance employees of the producer.

**Taconite Assistance Program:**

Assistance has been available through the IRRRB Taconite Assistance Program as a local economic development project authorized by M.S. 298.223. No funding is budgeted for this program for the biennium because IRRRB fund balances are reduced.

**Temporary 2002 Fund Loan and Grant Authority for DRI or Non-ferrous Facilities:**

Refer to the corpus withdrawal activity for a description of grant and loan authorizations.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: BUSINESS DEVELOPMENT  
ACTIVITY: TACONITE INDUSTRY ENHANCEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
LOCAL ASSISTANCE	12,824	16,475	9,386	9,386	9,386	9,133	9,133	9,133
<b>TOTAL EXPENDITURES</b>	<b>12,824</b>	<b>16,475</b>	<b>9,386</b>	<b>9,386</b>	<b>9,386</b>	<b>9,133</b>	<b>9,133</b>	<b>9,133</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
IRON RANGE RESOURCES & REHAB	10,524	9,365	9,386	9,386	9,386	9,133	9,133	9,133
NE MN ECONOMIC PROTECTION	2,300	7,110						
<b>TOTAL EXPENDITURES</b>	<b>12,824</b>	<b>16,475</b>	<b>9,386</b>	<b>9,386</b>	<b>9,386</b>	<b>9,133</b>	<b>9,133</b>	<b>9,133</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
IRON RANGE RESOURCES & REHAB	7,055	9,365	9,386	9,386	9,386	9,133	9,133	9,133
<b>TOTAL REVENUES COLLECTED</b>	<b>7,055</b>	<b>9,365</b>	<b>9,386</b>	<b>9,386</b>	<b>9,386</b>	<b>9,133</b>	<b>9,133</b>	<b>9,133</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Corpus Drawdown  
**PROGRAM:** Business Development  
**AGENCY:** Iron Range Resource and Rehabilitation, Board of (IRRRB)

**ACTIVITY DESCRIPTION:**

The 1995 Legislature provided that up to \$10 million could be withdrawn from the corpus of the Northeast Minnesota Economic Protection Fund (2002 Fund) to make *loans* of up to \$5 million for construction and equipping:

1. a value-added iron products plant (DRI), or
2. a new mine or minerals processing plant for non-ferrous minerals. This authority to make loans terminates 06/30/98.

The 1996 Legislature provided that an additional \$3 million could be withdrawn from the corpus of the 2002 Fund for *grants* for these purposes with an additional \$2 million reserved for such grants from the first earnings of the corpus after 06/30/96. The authority to make these supplemental grants terminates on 06/30/98.

In addition, the 1996 Legislature appropriated \$10 million from the corpus of the 2002 Fund for grants or loans to taconite producers. No sunset date was specified for this appropriation. Grants and loans may be made to the taconite producers for:

- environmentally unique reclamation projects, or
- pit or plant expansions or modernizations for *other than* a value-added iron products plant that extend the life of the plant.

A total of \$25 million is authorized by the combined 1995 and 1996 legislation: \$23 million from the 2002 Fund corpus and \$2 million from the interest off the corpus. Of the total \$25 million, \$12 million is budgeted in F.Y. 1997 and \$13 million is budgeted in F.Y. 1998.

**BUDGET ISSUES:**

Legislative approval is required for any withdrawals from the corpus. The IRRRB operational fund receives interest earned on the corpus funds. Any withdrawals from the corpus reduce the interest that will be received by the IRRRB.

**REVENUE:**

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands				
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Type of Revenue:					
Non-dedicated - Gen'l	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	\$3,971	4,865	5,776	4,326	4,696
Dedicated - Federal	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$3,971	\$4,865	\$5,776	\$4,326	\$4,696

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESOURCES & REHAB  
PROGRAM: BUSINESS DEVELOPMENT  
ACTIVITY: CORPUS DRAWDOWN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
LOCAL ASSISTANCE		10,000	3,000	3,000	3,000			
OTHER EXPENSES			10,000	10,000	10,000			
<b>TOTAL EXPENDITURES</b>		<b>10,000</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>			
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
NE MN ECONOMIC PROTECTION		10,000	13,000	13,000	13,000			
<b>TOTAL EXPENDITURES</b>		<b>10,000</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>			
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
NE MN ECONOMIC PROTECTION	4,865	5,776	4,326	4,326	4,326	4,696	4,696	4,696
<b>TOTAL REVENUES COLLECTED</b>	<b>4,865</b>	<b>5,776</b>	<b>4,326</b>	<b>4,326</b>	<b>4,326</b>	<b>4,696</b>	<b>4,696</b>	<b>4,696</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

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**AGENCY:** Minnesota Humanities Commission (MHC)

**AGENCY DESCRIPTION:**

The Minnesota Humanities Commission (MHC) was created by U.S. PL89-209 and authorized in M.S.S. 138.91.

The goal of MHC is to improve the quality of life in Minnesota communities by conducting programs that promote fundamental excellence in reading, learning, cultural programming, and civics education. In cooperation with the State of Minnesota and the National Endowment for the Humanities, MHC assists families, schools, community organizations, and senior citizen educational networks in planning cultural programs that contribute to healthy schools and communities. Through its 4 programs -- MOTHEREAD/FATHEREAD, the Teacher Institute, Grants and Community Programs, and Senior Humanities -- MHC promotes family-centered reading programs, professional development programs for K-12 teachers, support for community cultural programs, and life-long learning in the humanities.

In addition to funding from the Minnesota Legislature, MHC is funded by the National Endowment for the Humanities and the private sector, including foundations, corporations, and individuals.

The responsibilities of MHC have grown during the past 2 years as Minnesota has more clearly defined standards for students in reading, writing, and subject areas. MHC has developed programs that address fundamental needs in improving schools, including connecting schools more closely with community educational and cultural resources.

**PROGRAM DESCRIPTIONS:**

**MOTHEREAD/FATHEREAD:** This nationally recognized program improves the literacy of children and families. The program emphasizes the reading and discussion of outstanding multi-cultural children's books. MHC trains facilitators in the MOTHEREAD/FATHEREAD curriculum and provides training for persons from more than 340 different Minnesota sites, more than half of these outside the metro area. The program serves children, mothers-to-be, and parents in schools, day-care centers, neighborhood outreach centers, Head Start, and Early Childhood Family Education programs, prisons, and school-related programs.

**Teacher Institute:** The Minnesota legislature authorized creation of the Teachers Institute in 1992 as a humanities-based professional development, public-private partnership program for K-12 teachers. The Teacher Institute conducts residential seminars for K-12 teachers from all grade levels, disciplines, and school settings. Seminars are interdisciplinary, multi-cultural investigations that introduce teachers to community resources, collaborative teaching, humanities content and methods, as well as to their colleagues from among Minnesota's college and university faculty. In addition to the seminars, the Teacher Institute supports and promotes and promotes excellence in the teaching of each of the humanities disciplines.

**Grants and Community Programs:** In cooperation with the National Endowment for the Humanities, MHC awards approximately 150 grants each year in support of projects that meet the cultural needs of diverse communities, especially those from Greater Minnesota. MHC makes grants that leverage on the average \$3 in matching funds for every grant dollar awarded. MHC sponsors a Speakers Bureau, focusing on a different theme each year, that brings faculty from Minnesota colleges and universities to communities throughout the state. MHC also coordinates the circulation of traveling exhibits from the Smithsonian Institution and the Library of Congress.

**AGENCY ISSUES:**

Because the well-being of communities is so closely connected with its schools and educational planning, MHC is increasingly involved in improving humanities teachings and learning in language arts, foreign languages, and social studies as well as the skills of reading, writing, and research. The state of Minnesota positioned MHC to provide additional support and resources to K-12 schools by approving, in the bonding bill of 1994, funding for the building of the MHC Humanities Education Center. MHC will be addressing four issues in the coming biennium: 1) promoting family reading and excellence in reading-readiness for pre-school children; 2) improving the teaching of basic subjects and skills in K-12 education; 3) increasing access of communities to excellent exhibits and cultural resources; and 4) increasing the number of senior citizen humanities organizations and their involvement in the cultural and educational life of their communities.

**AGENCY STRATEGIES:**

The agency budget is constructed to achieve the following outcomes:

- increase the number of MOTHEREAD/FATHEREAD at sites serving infrequent readers;
- improve school performance in the standard areas of reading, writing, and inquiry;
- increase teacher participation in Teacher Institute multi-disciplinary seminars and workshops;
- support efforts of community cultural organizations to improve the cultural life of their communities;
- increase the number of senior citizen humanities learning organizations in Minnesota.

These strategies are shaped by ongoing functions of needs assessment, research, cooperative implementation, and evaluation:

- **Needs Assessment:** MHC has conducted needs assessment related to the work of family literacy, humanities teaching and learning, community cultural organizations, and senior citizen learning. The basic needs of family literacy providers are for quality curriculum and literature-based programs, basic training, and ongoing follow-up. Community organizations are in need of ongoing special project funding that will allow them to both share their resources and to bring outside resources to the community. The core needs of teachers are depth of content knowledge; strong foundations in the pedagogy of particular disciplines; dissemination of practices rooted in the best research; intellectual engagement with ideas and resources; time, support and resources to master new content and pedagogy and to integrate these into practice; involvement of teachers in professional development design; and new approaches to teaching and learning. The needs of senior citizen learning organizations are for support of programming and learning opportunities that will attract year-round interest of active seniors.
- **Research:** MHC programs are the result of research into best practices around the nation. MOTHEREAD/FATHEREAD and the Teacher Institute program have national reputations and have been the model for similar programs in New Jersey, Florida, and New York.
- **Cooperative Implementation:** MHC achieves economies of scale and budget by working in cooperation with organizations throughout Minnesota. MHC involves cultural organizations, many of which have a history of cooperation with MHC through the MHC grant program, in working with teachers. MOTHEREAD works in cooperation with already existing school and community programs. MHC involves private funders in all of its work, ensuring that stakeholders from the public and private sectors are committed to excellence in humanities education.

1998-99 Biennial Budget

AGENCY: Minnesota Humanities Commission (MHC)  
(Continuation)

- Evaluation: MHC conducts ongoing evaluation of its teaching and learning programs, with special attention to satisfaction, quality of content, and depth of content. The information from evaluation is used in the development of new programs to meet the needs of particular communities.

MHC's priority is to support the cultural foundations of Minnesota communities. Teaching and learning in the humanities are an important part of all schools and communities. In establishing the Humanities Education Center, the legislature has entrusted to MHC the responsibility for seeing that excellence in life-long humanities education -- including English, history, government and civics, geography, foreign languages, and writing, reading, and inquiry in all of these subject areas -- is the concern of every school and community in the state.

**FUNDING SOURCES:**

MHC receives an appropriation of \$518,000 yearly from the National Endowment for the Humanities. This appropriation is the source of the grant funds awarded in free and open competition by MHC in support of public humanities projects. MHC aggressively seeks grants from private foundations and corporations. Private funding of MHC totaled 14% of the MHC budget in 1996 and 20% in 1997.

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
State Appropriations-Operations	\$586	\$586	\$586	\$586
State Appropriations-New building				
Related Costs	300	-0-	-0-	-0-
Federal	518	518	518	518
Private	<u>180</u>	<u>276</u>	<u>276</u>	<u>276</u>
TOTAL	\$1,584	\$1,380	\$1,380	\$1,380

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

MHC plans call for continuation of current level of funding in F.Y. 1998 and 1999 to continue MOTHEREAD programming; seminars and workshops for standards-related teacher professional development; grants for public humanities projects, and support of senior citizen learning networks.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HUMANITIES COMMISSION  
PROGRAM: HUMANITIES COMMISSION  
ACTIVITY: HUMANITIES COMMISSION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
LOCAL ASSISTANCE	886	586	586	586	586	586	586	586
<b>TOTAL EXPENDITURES</b>	<b>886</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL	886	586	586	586	586	586	586	586
<b>TOTAL EXPENDITURES</b>	<b>886</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

AGENCY: Arts, Board of

**AGENCY DESCRIPTION:**

The Minnesota State Arts Board is governed by an 11 member board appointed by the governor. The agency exists to administer grants and services to a statewide arts community. The primary beneficiaries of the agency are the citizens of Minnesota. Direct funding and services are provided to individual artists, schools, arts organizations, colleges and universities, and sponsoring groups which present arts activities to serve the people of Minnesota.

The Arts Board also serves as the fiscal agent for 11 Regional Arts Councils (RACs) that comprise a statewide decentralized regranting system. Established by the legislature to provide state appropriated funding through local programs, the Regional Arts Councils provide grants and support services to sustain and encourage a diverse range of locally initiated arts activities. More than 11 million people attended arts events in 1996 through legislative funding provided by both the Minnesota State Arts Board and the Regional Arts Councils.

The Mission Statement of the Minnesota State Arts Board is to *promote the quality of life in Minnesota by making the arts accessible to all citizens, nurturing creative activities, encouraging the development of innovative forms of artistic expression, and preserving the diverse artistic heritage of the people.* The Arts Board has established 8 goals to accomplish this mission statement.

- Increase funding for the arts in Minnesota.
- Build a public awareness about the importance of the arts to the community.
- Increase arts education and audience development opportunities.
- Increase access to arts opportunities in non-metro areas of the state.
- Improve financial and technical support for artists.
- Support arts opportunities for underserved cultural communities.
- Continue to exercise prudent stewardship of the public interest.
- Maintain a productive, efficient organization while fostering a rewarding work environment for the staff.

**REVENUES:**

None

**ISSUES AFFECTING AGENCY'S OPERATIONS:**

**Operations and Services**

The Arts Board continues to use new information technology to streamline its administrative work load. The results are a staff that works smarter and faster, enhanced communication within the agency and with our applicants, and greater and easier access to information for our constituents.

As part of a unique partnership between the Arts Board, the Office of Tourism, the Minnesota Historical Society, and the Department of Natural Resources, this "Explore Minnesota" store established at the Mall of America will reach over 40 million annual visitors and provide them with additional information about the cultural, natural, and historic resources of the state.

**Grants and Subsidies**

Several important points illustrate the current situation of the arts in our state. Continued support through the Arts Board is expected to result in resolving some of these pressing problems.

There is a growth in the number of arts organizations serving the needs of specific communities across the state. These neighborhood and culturally based organizations need support to continue to provide the needed services for Minnesotans.

The support for the arts by large private funders (who are emphasizing pressing social problems) is unstable. Public and private funding for the arts must be maintained at a high enough level to ensure a healthy environment for the arts and access to arts events for Minnesota citizens.

The National Endowment for the Arts, a federal agency that provides a significant level of support to the arts, has been changed in a number of ways that impact the level of funding Minnesota arts organizations are able to obtain. In past years before the current changes, Minnesota received the third highest level of support from the National Endowment for the Arts among all the states in the union. The loss of \$2-\$3 million federal dollars to Minnesota will have a negative impact on the arts activities in our state.

A recent study of the current 66 Arts Board Operating Support Grantees shows that 31 of them completed the last fiscal year with a deficit. To avoid a loss to our cultural heritage, additional support would stabilize these organizations so that they can serve our citizens in the future.

Arts education opportunities for children in grades K-12 are often inadequate or underfunded. The arts have a significant impact on the lives and education of young people and need to be included as part of their educational experience. Arts in Education programs and arts organizations are increasingly called upon to assist and even replace K-12 arts educational programs.

Minnesota is blessed by having artists reside in every county of the state. However, there is a concern that if support is lessened they would be forced to move from their home communities to larger metropolitan areas outside of the state. It is important that artists continue to live in communities throughout the state as they comprise the musicians in our community bands, the actors in local theater productions, and the art teachers in our community centers. Technical assistance and funding support through the Arts Board enables artists to work and thrive throughout Minnesota.

These pressing issues impact the access Minnesota citizens have to the arts. With increased funding, valuable arts programs offered to Minnesotans of all ages and all economic backgrounds will be preserved and enhanced for future generations.

**Regional Arts Councils**

Needs assessments performed by the Regional Arts Councils demonstrate that the number of grant applicants will increase in the coming biennium. The RACs will continue their strong tradition of distributing legislative funds effectively throughout the state. However, grants to those arts organizations will be smaller and fewer due to the increased demand of the field.

There is a need for arts facility restoration funds throughout Minnesota. Needs assessments performed by the RACs demonstrate that many of the facilities used by arts organizations are in need of repair and renovations that will aid in making them more accessible to people with disabilities. Several RACs have a plan to implement a program to assist with facility renovation throughout Minnesota but have not had the funds to begin.

1998-99 Biennial Budget

AGENCY: Arts, Board of  
(Continuation)

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Smaller arts organizations across the state are in need of general operating support and more significant project support. For many established organizations in Minnesota, such funds offer the only support for expansion, growth, and increased access opportunities. Currently only a few RACs give general operating support grants due to lack of sufficient state funding.

In 1996, the RACs provided over 100 technical assistance workshops, conferences, and on-site assistance calls throughout the state. Workshops continue to have strong attendance and often result in increased requests for additional services. Because community based arts organizations throughout Minnesota are predominately managed by volunteers there is a great need for professional marketing, technical assistance, and training that is not readily available in rural Minnesota.

Needs assessments performed by the RACs demonstrate that opportunities for individual artists in Greater Minnesota are vanishing. The result of this trend is that individual artists are migrating to the Twin Cities, other states, and other major population centers to look for employment and a chance to perform and show their work. It is in the best interest of the state, Greater Minnesota in particular, to retain this important resource. The most effective way is by encouraging professional development and artistic growth through individual artist grants, opportunity grants, scholarships and regional art expos.

During the last 19 years the RACs, through many grants and programs, have been a stabilizing force in the promotion of both existing and emerging activities at the community level and have ensured access to the arts for all Minnesota citizens. In order to further the development of local arts activities in Minnesota through the next decade, the RACs will need a significant increase to support programs in each of the above areas of need.

**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The agency has 3 program areas: Operations and Services, Grants and Subsidies, and Regional Arts Councils.

**Operations and Services:** The agency will continue to manage its operations with a staff of 17 individuals. Agency cost containment measures will continue to be a priority for the management of the agency. The Arts Board is now located in an accessible office space with up-to-date electrical and climate controls. The agency continues to build its information technology systems which help to provide greater access to information for its constituents while keeping administrative costs to a minimum.

**Grants and Subsidies:** The agency administers 7 distinct programs that make the arts accessible to the citizens of Minnesota. These programs are supported by a mix of state, private, and federal funding. They include Operating Support, Formula Funds, Presenter Assistance, Arts in Education, Artist Assistance, Folk Arts, and Cultural Pluralism.

These grant programs ensure both economic and geographic access to the arts throughout the state. The arts community will remain stable, ticket prices will continue to be affordable, and artists can live and work throughout the state. Importantly, schools will be able to draw upon the valuable resources of artists for their classrooms, the traditional and cultural arts heritage of our state is preserved, and the diversity of the culture of the state is celebrated.

**Operating Support and Formula Funds Grants:** These programs support mid-size and large arts organizations that provide performing, exhibition, and artist services throughout the state.

**Operating Support Grants:** This program provides unrestricted operating support funds to nonprofit, tax-exempt arts organizations that produce or exhibit works of art, or offer a broad range of services to artists. This highly competitive grant program involves extensive reviews of each arts group based on artistic quality, fiscal management, and accessibility to Minnesotans. In F.Y. 1996, the Arts Board received requests for \$2,910,700 in funding and was able to grant \$1,956,000 to 66 Minnesota arts organizations.

**Formula Funds Grants:** This streamlined grant program provides needed stabilization dollars to Minnesota's arts industry. In F.Y. 1996, \$1,989,710 in funding was awarded to 77 Minnesota arts organizations. Applicants must already have competed for and received another state funded arts grant in the last year to be eligible for Formula Funds. All grantees receive a grant based on the same percentage of their 3 year average operation expenses. In F.Y. 1996 the common percentage was 1.8%.

**Presenter Assistance:** This program provides valuable support to the many presenters across the state who bring to the community the very best artists and performing companies from across the state, country, and the world. In F.Y. 1996, requests for support totaled \$173,300. The Arts Board was able to fund 14 presenting organizations at a total of \$99,000.

**Arts in Education:** This program supports arts activities directed at the children in grades K-12 in our state.

**Arts in Education School Support Grants:** In F.Y. 1996 the Arts Board awarded 61 grants totaling \$162,100 to schools across the state to allow artists to work in residency with children.

**Arts in Education Organizational Grants:** In F.Y. 1996, 15 arts organizations received \$131,000 to place artists affiliated with their institutions in residency activities in 263 schools.

**Roster Artist Program:** This juried roster of high quality artists working in the visual, literary, and performing arts with expertise to work in classroom settings is used by schools and community groups to select artists for residency activities. Currently 74 artists from across the state are included in this publication.

**Artist Assistance:** According to census figures, there are 31,000 working artists in Minnesota. This program supports the creation of artwork by artists across the state.

**Artist Assistance Fellowship Grants:** In F.Y. 1996 this program received requests from 547 artists for support totaling \$3,282,000 and was able to provide assistance to 42 artists totaling \$252,000.

**Career Opportunity Grants:** This unique program provides support to artists to help build their professional careers in the visual, performing, and literary arts. Using a streamlined in-house review the program supported 34 artists with a total of \$28,000 in grant funds in F.Y. 1996.

**Folk Arts:** The folk arts program helps to preserve and perpetuate Minnesota's living folk arts traditions.

**Folk Arts Sponsorship Grants:** This program supports the presentation and interpretation of the folk arts. In F.Y. 1996, 15 grants totaling \$37,937 were made to organizations in communities throughout the state.

**AGENCY: Arts, Board of**  
(Continuation)

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**Folk Arts Apprenticeship:** This program matches masters and apprentices so that the traditional arts may be passed on from one artist to another. Fourteen grants totaling \$32,800 were made in F.Y. 1996 which supported artists working in a wide variety of traditions that exist in our state.

**Minnesota Folk Festival:** This partnership between the Minnesota State Arts Board, the Minnesota Humanities Commission, and the Minnesota Historical Society culminates in an annual one day celebration of the folk arts on the grounds of the Minnesota History Center. Last August over 5,000 individuals attended this event that showcases Minnesota's best folk and traditional artists.

**Folk Artists Directory:** This juried directory of Minnesota folk artists is used by community groups, schools, and others seeking folk artists to perform or exhibit their work.

**Cultural Pluralism:** The Arts Board's Cultural Pluralism programs celebrate the cultural and ethnic diversity of our state through the arts. These programs encourage cross cultural projects that allow communities to work together in partnership.

**Cultural Roundtable:** The Arts Board sponsors a one-day gathering of artists and arts administrators of color to discuss current issues facing the arts community. This highly successful program was the first in the state to bring together such a wide and diverse constituency focused on the arts.

**Cultural Collaboration Grants:** This program, now used as a model across the country, pairs artists of color with arts organizations and nonprofit community groups to create new works together. In F.Y. 1996, 14 artists received funding totaling \$65,200 for projects in communities throughout Minnesota.

**Regional Arts Councils:** In an effort to serve artists and smaller arts organizations throughout Minnesota the Regional Arts Councils (RACs) have developed programs that assist the arts communities in making activities accessible to the public. These programs, which are developed in response to local needs assessments include Sponsorship, Programming, Arts in Education, and Community Access grants that provide vital support to community and volunteer-based arts organizations which do not have access to other funding sources.

**Sponsorship grants** serve to support local presenters as they bring to their community Minnesota and national arts activities for their citizens. In many cases, these sponsored arts activities are the only opportunity for local residents to see high quality professional artists perform or exhibit in their communities.

**Programming grants** provide vital project support to community and volunteer-based arts groups in the creation of musical, theatrical, and literary arts activities. In many cases these organizations do not have access to other funding sources. Last year, the RACs received 13,000 grant applications and were able to fund 850 of them. However, only 650 grants were funded at the requested funding level. The average grant was only \$1,800.

**Arts in Education, Artist in Residence, and Artist/Mentor grants** provide opportunities for artists to work in the schools to strengthen and enhance the educational experiences of youth in Minnesota. In F.Y. 1996, RACs funded 75 arts in education school residencies reaching a total of 54,091 children.

These activities provided opportunities for arts in the schools that would not otherwise exist due to the lack of school budget funding.

**Community Access grants and Arts Access grants** enable traditionally underserved individuals the opportunity to participate in community arts activities. These grants also foster partnerships between arts organizations and their respective communities and regions.

Through these programs, the RACs serve many organizations and individuals throughout the state reaching a total of 2,145,424 people. Approximately 357,000 youth benefited from participation both as artists and audience members in the activities funded through grant awards and services. In 1996, RACs awarded \$1,500,000 in grants from legislative funds to artists and organizations. In addition, those legislative funds provided 33,000 artists with opportunities and allowed RACs to produce 78 publications that have a circulation of over 14,600 people. These publications and other services have made the arts stronger in communities throughout the state.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan and recommends the addition of \$12,000,000 for the biennium.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OPERATIONS & SERVICES	1,033	1,146	1,055	1,055	1,235	1,073	1,073	1,253
GRANT PROGRAMS	5,448	5,347	4,923	4,437	8,658	4,923	4,437	8,658
REGION ARTS FISC AGENT	1,426	1,427	1,427	1,913	3,512	1,427	1,913	3,512
TOTAL EXPENDITURES BY PROGRAM	7,907	7,920	7,405	7,405	13,405	7,423	7,423	13,423
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	6,874	6,963	7,018	7,018	13,018	7,036	7,036	13,036
STATUTORY APPROPRIATIONS:								
GENERAL	194	218						
FEDERAL	830	596	387	387	387	387	387	387
GIFT	9	143						
TOTAL EXPENDITURES	7,907	7,920	7,405	7,405	13,405	7,423	7,423	13,423
FTE BY EMPLOYMENT TYPE:								
REGULAR	16.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0
TEMP/SEAS/PART_TIME	.1							
TOTAL FTE	16.6	17.0	17.0	17.0	17.0	17.0	17.0	17.0

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

AGENCY: ARTS BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	7,290	7,290	6,903	6,903			387	387
BASE ADJUSTMENTS								
TRANSFERS BETWEEN AGENCIES	63	63	63	63				
1997 SALARY SUPPLEMENT TRANSF	33	33	33	33				
1998-99 COMPENSATION INFLATIO	16	31	16	31				
SMALL AGENCY S & E INFLATION	3	6	3	6				
SUBTOTAL BASE ADJ.	115	133	115	133				
BASE LEVEL	7,405	7,423	7,018	7,036			387	387

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Arts, Board of  
 PROGRAM:  
 ACTIVITY:  
 ITEM TITLE: Arts Initiative

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
<b>Expenditures: (\$000s)</b>				
General Fund				
- State Operations	\$180	\$180	\$180	\$180
- Grants	\$5,820	\$5,820	\$5,820	\$5,820
<b>Revenues: (\$000s)</b>				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes \_\_\_ No X

If yes, statutes(s) affected:

**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$6,000,000 in additional funding each year. Of this amount, \$180,000 each year is recommended for Arts Board operations, \$4,221,000 each year for grant programs and \$1,599,000 each year for Regional Arts Councils.

**EXECUTIVE SUMMARY:**

The Arts Initiative is a two part program that will ensure stability and growth for the Minnesota arts community as we approach the twenty-first century. The components of this initiative are Arts Across Minnesota Celebrations and Legacy.

The Arts Across Minnesota Celebrations component will support 12 major arts celebrations in communities across the state. Six of these celebrations will be large-scale, community-based family arts festivals that will showcase the best artistic talent our state has to offer. Children's activities and exhibitions of community artists will be a part of each of these 6 family arts festivals.

In addition, 6 other communities will have the opportunity to enjoy first hand performances by Minnesota's premier performing arts organizations, and participate in school residencies and master classes for community members, held by visiting professionals. In many cases, this will be the first time citizens from some communities will see the work of these state treasures.

These 12 celebrations held throughout Greater Minnesota will be coordinated by the Minnesota State Arts Board in cooperation with local community arts councils, current festival associations, and the 11 Regional Arts Councils to develop and manage the celebrations in each of their communities.

A lasting Legacy for the Minnesota arts community is the thrust of the second component of the Arts Initiative. These new dollars will be used throughout the current program areas of the Minnesota State Arts Board to ensure that the arts in Minnesota are prepared and supported to move into the future.

There is a need for an aggressive program for support for the future of the arts in Minnesota. There is a growth of small arts organizations in Minnesota, specifically in the rural areas of the state where state dollars make a significant impact. There has been a reduction of available federal funds from the National Endowment for the Arts for Minnesota arts organizations who in the past have received significant support from this source. The Arts Initiative will help the arts community to leverage available federal dollars at their maximum levels. Finally, the Minnesota State Arts Board needs to assist with the effort to address the loss of school arts programs and the valuable resources artists and arts teachers provide to communities throughout the state.

**ARTS ACROSS MINNESOTA MANAGEMENT:** The 12 Arts Across Minnesota Celebrations will be managed by the Arts Board. This management would include the training of local arts councils in the presentation of major arts events, publicity and marketing, and serving as a liaison with the major arts organizations involved and the local community contact people. Central coordination of the Arts Across Minnesota Celebrations component will ensure that each local celebration of the arts is a success.

**INFORMATION TECHNOLOGY:** The agency has developed a plan to maintain and enhance a standard level of technology and expand its access to our constituents through the Internet. This change into more accessible information technology comes at a time when more citizens across the state are using computers to access information.

**OPERATING SUPPORT AND FORMULA FUNDS** combine to form a continuing base of support for Minnesota's 77 largest arts organizations. Support from the Arts Initiative will ensure that these state treasures are healthy into the next century.

**HOW NEW FUNDING WILL HELP:** Ticket prices will remain affordable and available to children and families across the state. Major arts groups will receive state support at a level which is comparable to the levels that arts organizations receive in other major states. The Arts Initiative will provide a lasting legacy which will lead the way towards recovery of financial support in Minnesota's private support sector, which frequently follows the lead of the Minnesota State Arts Board.

**ARTS ACROSS MINNESOTA CELEBRATIONS:** An important component of the F.Y. 1998-99 Initiative are 12 celebrations to be held throughout the State of Minnesota. At least one festival will be held in each of the regions of the state on an annual basis. Half of the festivals will celebrate the arts in 6 Minnesota cities. The other six festivals will be venues for performances by one of Minnesota's largest nationally recognized performing arts organizations. In most cases, this will be the first time these organizations have had an opportunity to perform in these communities.

**PRESENTER AND TOURING ASSISTANCE:** This program provides support to the small and large arts presenting organizations located throughout the state.

**HOW NEW FUNDING WILL HELP:** A ten year goal of the Arts Board would be achieved, to assist with 20% of the annual series expenses of Minnesota's core presenters. Minnesota presenters would be able to compete in the national arts market in bringing the highest quality performing arts events to our state. The program could accommodate the expected 25% increase in applications, most of whom are from rural Minnesota.

F.Y. 1998-99 BUDGET INITIATIVE

**AGENCY:** Arts, Board of  
**PROGRAM:**  
**ACTIVITY:**

**ITEM TITLE:** Arts Initiative  
(Continuation)

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**ARTS IN EDUCATION:** This program supports arts activities directed at the children of our state. Professional artists go into classrooms and work in partnership with teachers to offer a high quality arts experience in the visual, literary, and performing arts through 2 programs: **School Support** and **Arts in Education Organizational Support**.

**HOW NEW FUNDING WILL HELP:** More Minnesota children will have the opportunity to work directly with a professional artist in their schools. It has been proven that the writing quality of elementary students will consistently and significantly improve by using drawing and drama techniques as part of their classroom activities. In a 1995 study, SAT scores for students who studied the arts more than four years were 59 points higher on the verbal and 44 points higher on the math portion than the students with no course work or experience in the arts. The arts are cited as important for certain "foundation" skills which include thinking creatively, problem solving, exercising individual responsibility, sociability, and self-esteem. These basic skills used in everyday life would be enhanced. Individuals working as "Artists in the Schools" will continue to be productive, employed, tax paying citizens. The new Minnesota Graduation Standards include the arts as part of a basic education. The Arts Board, with additional support in its programs, will be poised to assist schools in preparing their students to achieve the new standards.

**ARTIST ASSISTANCE:** The foundation of a healthy arts community and a high quality of life in cities across our state can be directly attributed to the continued work of the individual artist. The agency supports artists through the **Fellowship** and **Career Opportunity** grants programs.

**HOW NEW FUNDING WILL HELP:** Minnesota's artists, who requested \$3,412,000 in grants from the Arts Board in F.Y. 1996, received only \$279,500 in available funds. More grants would have a dramatic effect not only on the economic conditions of artists but would help in retaining their services as Minnesota citizens. Twenty-five percent of applicants fully meet our criteria to receive support, while only 11% may be funded. More grants will stimulate the careers of Minnesota's best artists, who will continue to be taxpayers purchasing goods and services in the future years. Part-time employment opportunities for artists working on sponsored projects would increase.

**FOLK ARTS:** The Folk Arts program focuses on preserving and perpetuating Minnesota's living folk arts traditions. The **Sponsorship program** brings high quality folk artists to communities across the state. The **Apprenticeship program** allows promising folk artists to study with master folk artists.

The annual open air festival **Minnesota Folk**, produced in collaboration with the Minnesota Historical Society and the Minnesota Humanities Commission has exposed over 5,000 individuals each year to the work of Minnesota's folk arts masters.

**HOW NEW FUNDING WILL HELP:** The traditions of Minnesota's master folk artists would not be lost to future generations. More grants to sponsor folk arts events would more than double attendance annually. Public education about and appreciation for the folk arts would be enhanced. The large-scale showcase **Minnesota Folk** would be assured.

**CULTURAL PLURALISM:** Minnesota is a state made up of many diverse communities. The Arts Board's cultural pluralism program celebrates our ethnic diversity and encourages cross cultural projects that allow communities to work together in partnerships through the arts. **Cultural Collaborations grants** enable artists of color to work with arts and community organizations to create new work.

**HOW NEW FUNDING WILL HELP:** Important matching dollars for federal programs would assure the continuation of opportunities for artists of color across the state. This program helps communities share the diverse talents and resources of their citizens through multi-cultural arts experiences.

**REGIONAL ARTS COUNCILS:** The Regional Arts Councils (RACs) have an effective method to distribute funds for the arts through a nationally unique decentralized system which maintains a strong level of local responsiveness. An increase in funding would be divided between regions using the current funding formula. Existing programs and services combined with new initiatives would provide a strong base for the production and appreciation of the arts in Minnesota. **Stabilizing arts organizations, retaining artists, and arts in education**, are the primary programs of the Regional Arts Councils.

**Stabilizing Arts Organizations:** Arts organizations are growing at a significant rate throughout rural Minnesota.

**HOW NEW FUNDING WILL HELP:** Organizations will be better prepared for the future through programs that develop volunteers and board members. Programs could achieve a broader audience which would include additional programming for seniors, students, and people from diverse cultures. Additional funding would expand partnerships with different types of social and service groups that exist in communities across the state. New funding would increase access to additional dollars in the area of project support, operating support, and capital development of facilities.

**Retaining Artists:** Without additional support artists cannot develop into citizens who make their living in rural communities.

**HOW NEW FUNDING WILL HELP:** New funding would provide additional dollars for artist projects. The information available to artists on funding and project opportunities would increase. Projects that stimulate professional growth through workshops for both artistic training and marketing would be available.

**Arts in Education:** These valuable programs need to grow to provide the resources in the classrooms so needed by our teachers and children across the state.

**HOW NEW FUNDING WILL HELP:** The number of children served through Arts in Education programs would increase. More schools would have access to professional artists working side by side with their teachers. Increased training to ensure that artists are fully prepared to develop curriculum with educators and work within our school systems.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD  
PROGRAM: OPERATIONS & SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OPERATIONS & SERVICES	1,010	991	1,055	1,055	1,235	1,073	1,073	1,253
DEVELOPMENTAL PROGRAMS	23	155						
TOTAL EXPENDITURES BY ACTIVITY	1,033	1,146	1,055	1,055	1,235	1,073	1,073	1,253
GOV'S INITIATIVES:		FUND						
(B) OPERATIONS & SERVICES		GEN			180			180
TOTAL GOV'S INITIATIVES					180			180
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	684	753	808	808	988	826	826	1,006
STATUTORY APPROPRIATIONS:								
GENERAL		3						
FEDERAL	340	247	247	247	247	247	247	247
GIFT	9	143						
TOTAL EXPENDITURES	1,033	1,146	1,055	1,055	1,235	1,073	1,073	1,253
FTE BY EMPLOYMENT TYPE:								
REGULAR	16.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0
TEMP/SEAS/PART_TIME	.1							
TOTAL FTE	16.6	17.0	17.0	17.0	17.0	17.0	17.0	17.0

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD  
PROGRAM: GRANT PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OPERATING SUPPORT ONE	1,165	1,218	1,128	1,128	1,128	1,128	1,128	1,128
OPERATING SUPPORT TWO	442	429	429	429	429	429	429	429
OPERATING SUPPORT COMMUNITY	349	329	329	329	329	329	329	329
PRESENTER ASSISTANCE	187	123	123	123	123	123	123	123
ARTISTS IN EDUCATION	224	206	127	127	127	127	127	127
INDIVIDUAL ARTISTS	318	306	306	306	306	306	306	306
FOLK ARTS GRANTS	31							
FORMULA FUND GRANTS	2,483	2,481	2,481	1,995	1,995	2,481	1,995	1,995
CULTURAL PLURALISM	55	40						
GRANT PROGRAMS					4,221			4,221
AIE-FISCAL AGENTS	194	215						
<b>TOTAL EXPENDITURES BY ACTIVITY</b>	<b>5,448</b>	<b>5,347</b>	<b>4,923</b>	<b>4,437</b>	<b>8,658</b>	<b>4,923</b>	<b>4,437</b>	<b>8,658</b>
AGENCY PLAN ITEMS:			FUND					
ARTS COUNCIL GRANTS			GEN			<486>		
<b>TOTAL AGENCY PLAN ITEMS</b>						<486>		
GOV'S INITIATIVES:			FUND					
(B) GRANT PROGRAMS			GEN			4,221		
<b>TOTAL GOV'S INITIATIVES</b>						<b>4,221</b>		
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,764	4,783	4,783	4,297	8,518	4,783	4,297	8,518
STATUTORY APPROPRIATIONS:								
GENERAL	194	215						
FEDERAL	490	349	140	140	140	140	140	140
<b>TOTAL EXPENDITURES</b>	<b>5,448</b>	<b>5,347</b>	<b>4,923</b>	<b>4,437</b>	<b>8,658</b>	<b>4,923</b>	<b>4,437</b>	<b>8,658</b>

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD  
PROGRAM: REGION ARTS FISC AGENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGION GRNTS-PROG-SERV	1,426	1,427	1,427	1,913	3,512	1,427	1,913	3,512
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,426	1,427	1,427	1,913	3,512	1,427	1,913	3,512
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
REGIONAL ARTS COUNCIL GRANTS		GEN		486			486	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				486			486	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) REGIONAL ARTS COUNCIL GRANTS		GEN			1,599			1,599
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					1,599			1,599
=====								
EXPENDITURES BY FUND:								
-----								
DIRECT APPROPRIATIONS:								
GENERAL	1,426	1,427	1,427	1,913	3,512	1,427	1,913	3,512
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,426	1,427	1,427	1,913	3,512	1,427	1,913	3,512
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								
-----								
TOTAL FTE								

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Minnesota Housing Finance Agency

PROGRAM

PAGE

APPROPRIATED PROGRAMS

E-442

Meeting Basic Housing Needs  
Strengthening Communities

NON-APPROPRIATED PROGRAMS

E-452

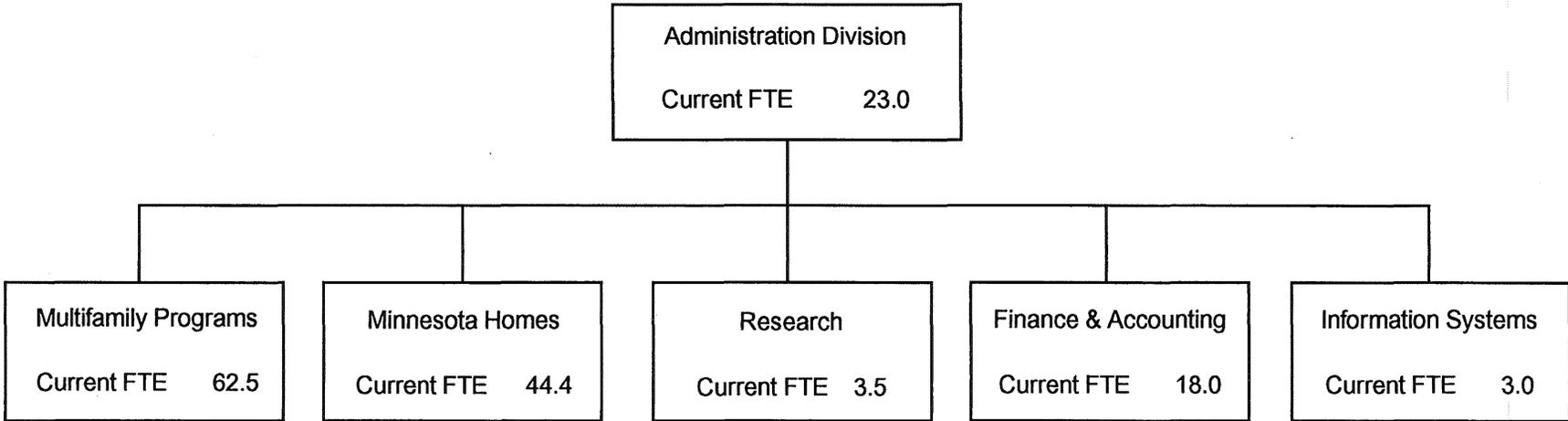
Meeting Basic Housing Needs  
Strengthening Communities

ADMINISTRATIVE COST CEILING

E-462

Administrative Cost Ceiling

HOUSING FINANCE AGENCY  
Organizational Chart 7/1/96



Total FTE Employees: 154.4

**1998-99 Biennial Budget  
Agency Budget Brief  
(\$ in thousands)**

Agency: Minnesota Housing Finance Agency

Fund: General

**Summary of Agency Actions:**

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<b><u>BASE-YEAR (F.Y. 1997)</u></b>			
Appropriations (F.Y. 1997)	\$17,882	\$17,882	\$35,764
<b><u>BASE ADJUSTMENT</u></b>			
Biennial Appropriations	<u>6,125</u>	<u>6,125</u>	<u>12,250</u>
<b><u>BASE LEVEL (for 1998 and 1999)</u></b>	<b>\$24,007</b>	<b>\$24,007</b>	<b>\$48,014</b>
<b><u>AGENCY DECISION ITEMS</u></b>			
Home Equity Conversion Counseling	(25)	(25)	(50)
Foreclosure Prevention & Rental Assistance	25	25	50
Foreclosure Prevention & Rental Assistance	50	50	100
Transitional Housing	(550)	(550)	(1,100)
Contract for Deed Guarantee	(50)	(50)	(100)
Housing Trust Fund	550	550	1,100
Community Rehab Fund	(250)	(250)	(500)
Affordable Rental Investment Fund	<u>250</u>	<u>250</u>	<u>500</u>
<b><u>AGENCY PLAN (for 1998 and 1999)</u></b>	<b>\$24,007</b>	<b>\$24,007</b>	<b>\$48,014</b>
<b><u>GOVERNOR'S INITIATIVES</u></b>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>GOVERNOR'S RECOMMENDATIONS</b>	<b>\$24,007</b>	<b>\$24,007</b>	<b>\$48,014</b>

**Brief Explanation of Agency Plan:**

The budget plan seeks to streamline the delivery of services by consolidating programs with overlapping objectives, by eliminating duplicative programs, and by reallocating funds to more appropriately reflect activities within a program.

The 1995 legislature appropriated \$47,614,000 to MHFA for the 1996-97 biennium. The Governor vetoed \$700,000 from that bill. The 1996 legislature appropriated an additional \$550,000 annually for 2 new programs. An additional \$550,000 was added to provide funding for both years of the 1998-99 biennium, making the allowable base for the 1998-99 biennium \$48,014,000. The MHFA has chosen to budget 50% of the allowable appropriation in each year of the new biennium.

The budget plan includes consolidation of the \$1,100,000 Transitional Housing program into the Housing Trust Fund. The Transitional Housing program helps meet basic housing needs by providing loans or grants for the construction, acquisition, or rehabilitation of housing for low income individuals and families having an immediate need for temporary or transitional housing. Transitional housing is one of several activities funded by the Housing Trust Fund to help meet the basic housing needs of Minnesota's residents. The Housing Trust Fund is frequently the source of the 50% match required under the Transitional Housing program. The proposed consolidation will simplify the application process for funding for transitional housing.

The budget plan includes the elimination of the \$100,000 demonstration Contract for Deed Guarantee program and a reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program (FPRAP). The Contract for Deed Guarantee program is a demonstration program to strengthen communities by assisting home ownership opportunities through the provision of funds to enable low and moderate income home buyers to refinance existing contracts for deed with long term, traditional mortgage loans. The Foreclosure Prevention and Rental Assistance program (FPRAP) assists households facing foreclosure or eviction due to a temporary financial crisis by providing case management services, and if appropriate, mortgage payment, rental or other financial assistance on an emergency basis. The amount appropriated for FPRAP for F.Y. 1996-97 was \$566,000.

The budget plan includes the elimination of the Home Equity Conversion Counseling Program and a reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Rental Assistance program (FPRAP). The Home Equity Conversion Counseling Program provides a grant to an organization, the current grantee is the Senior Federation, to provide counseling to senior citizens interested in obtaining a home equity loan. Home equity conversion counseling can be funded by private resources. FPRAP has had an 85% success rate; foreclosure prevention has proven to be very cost effective. More than 25 additional homeowners could be helped to prevent foreclosure if this appropriation were redirected.

**Agency Budget Brief**

**Agency:** Minnesota Housing Finance Agency  
(Continuation)

**1998-99 Biennial Budget**

**Fund:** General

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The budget plan redirects \$500,000 from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for grants to reconfigure, acquire, demolish, remove or rehabilitate multifamily rental property to reduce concentrations of substandard multifamily rental housing. The Community Rehabilitation Fund strengthens communities by rehabilitating the housing stock with grants to cities for the construction, acquisition, rehabilitation, demolition of single family homes pursuant to a community plan. The Affordable Rental Investment Fund assists low income renters to meet basic needs by providing 0% interest deferred loans to help cover the costs of providing permanent affordable rental housing. The plan would continue to use the money for the same activity for which the funds were appropriated originally, but applicants would access the funds from a different program. The proposed reallocation of these funds will simplify the application process for developers and communities.

The agency plan changes the eligible activities under the Foreclosure Prevention and Rental Assistance Program to concentrate on foreclosure prevention assistance and eliminate rental assistance.

The agency plan changes the subsidy amount for security deposits for families in the metropolitan area under the Rental Assistance for Family Stabilization (RAFS) program to be consistent with statutory changes made in 1995. RAFS was a 1991 Governor's initiative to provide rental assistance payments to families on public assistance who are enrolled in self-sufficiency programs to become economically self-supportive. \$3 million was appropriated for F.Y. 1996-97.

**Revenues Summary:**

There is no impact on revenue generation as a result of the agency plan.

**Affected Statutes:**

M.S. 462A.05, Subd.20; M.S. 462A.205, Subd. 4a; M.S. 462A.207.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

## 1998-99 Biennial Budget

**AGENCY:** Minnesota Housing Finance Agency (MHFA)

### AGENCY DESCRIPTION:

The mission of the Minnesota Housing Finance Agency is to address housing needs in Minnesota by providing financial and related customer assistance opportunities so that Minnesotans have decent, safe, affordable housing and stronger communities.

The agency has 2 broad policy objectives for all of its programs: 1) meeting Minnesotan's basic housing needs; and 2) strengthening communities. To achieve these policy objectives, the agency directly and through lenders, community action programs, and local housing and redevelopment authorities provides financial assistance in the form of loans, deferred loans, and grants; provides technical and financial assistance to build housing capacity and to preserve affordable housing financed by the agency; and administers substantial federal monies in the form of Section 8 and Section 236 housing assistance payments.

### AGENCY ISSUES:

The following factors are shaping development of policies and programs at the MHFA.

**Low Wages and High Housing Costs.** The costs of developing new rental housing continues to far outstrip wage levels in lower paying and medium paying jobs. The gap between what it costs to develop a modest rental development and the rent a worker in a low paying industry can afford to pay is \$30,000 per unit.

Home ownership opportunities are limited for wage earners in the majority of the newly created jobs because their earnings are insufficient to save money for a down payment and other entry costs.

**Value Gap.** A value gap exists in many parts of Greater Minnesota and the older neighborhoods in the metro area between what it cost to build a single family and its market value upon completion.

**Property Tax Rates.** High rental property tax rates negatively impact the maintenance and efficient use of existing affordable rental housing and the development of new housing.

**Welfare Redesign.** Changes in the welfare system both at the national and state level have the potential for adversely impacting existing subsidized housing programs and for increasing the number of homeless families and the length of time families are homeless.

**Increased Homelessness.** Between 1984 and 1994, the number of children experiencing homelessness increased by 518% in the Twin Cities and 318% in Greater Minnesota. 45% of all people using temporary shelter, according to the May 1996 DES quarterly shelter survey, were children. The 1995 Wilder Research Center report on persons without permanent shelter found that 25% of persons in shelter had income from wages. There was a 111% increase in the turn away rate from shelters between May, 1995 and May, 1996.

**Discrimination and Not in My Backyard (NIMBY).** Discrimination has been identified in the Analysis of Impediments to Fair Housing Choice as a major barrier in obtaining or developing affordable housing. Groups most commonly discriminated against includes people of color, persons with mental illness, poor family; and Section 8 program certificate holders. NIMBY community or neighborhood resistance to affordable housing projects of various kinds is growing in intensity throughout the state.

**Changing federal commitment to housing.** Rental assistance subsidies through the federal government have historically been the major means of providing affordable housing to the very lowest income households. In the last 2 years, the number of Section 8 certificates and vouchers has been frozen. Operating subsidies for public housing have decreased, thereby impairing the public housing authorities' abilities to properly maintain existing affordable housing. Funding for homelessness programs, including programs designed to prevent homelessness, has decreased. As the budget for the U.S. Department of Housing and Urban Development (HUD) declines and the devolution of responsibility continues, increased responsibility for housing shifts to the states.

**Local capacity to deliver housing programs.** Local units of government, financial institutions, and non-profit and for-profits developers have all experienced an erosion in their traditional level of support which affects their ability to deliver housing programs. Housing development has grown in complexity and is increasingly dependent on an ability to marshal funding from a variety of sources.

**Coordination with other funders.** MHFA is committed to coordinating its resources with other players in the affordable housing arena, including other state agencies, local units of government, and the private sector in an effort to increase the total investment in housing. MHFA is working with regional advisory groups throughout the state to develop regional investment guidelines, to assist MHFA in allocating funds. The agency is also coordinating its resources with the Greater Minnesota Housing Fund. The Greater Minnesota Housing Fund was recently capitalized by the McKnight and Blandin Foundations to fund housing developments in Greater Minnesota that support economic development. In the metropolitan area, the agency is working with the Metropolitan Council, the local HUD office, private foundations and nonprofit technical assistance providers to implement the Livable Communities Act and to coordinate resources and develop and apply joint selection criteria for funding housing projects in the metropolitan area.

### AGENCY STRATEGIES:

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

- to serve extremely low income and low income renters;
- to assist in the rehabilitation of owner-occupied housing of low and moderate income owners;
- to serve homeless persons;
- to serve those with special needs;
- to strengthen a community's housing stock;
- to assist in affordable home ownership opportunities for low and moderate first-time home buyers;
- to assist in increasing local organizations' capacity to provide technical assistance, project support, and capacity building to meet community housing needs; and
- to maintain and preserve the existing stock of affordable rental housing.

### REVENUE SUMMARY:

MHFA's largest source of financing is the sale of tax-exempt and taxable revenue bonds, approximately 59% of the agency's budget. Proceeds from these bonds provide mortgage loans to first-time home buyers and home improvement loans to homeowners. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities. Repayments made to loan programs are recycled into new loans for the same activities.

Federal funds constitute the second major source of MHFA financing. Federally appropriated funds provided \$66.2 million under the section 8 Housing Assistance Payments program for F.F.Y. 1997. Under the federal Home Investment Partnership Program (HOME) for F.F.Y. 1996, the agency was allotted \$7.6 million to be made available in communities not receiving a direct allocation of HOME funds.

1998-99 Biennial Budget

AGENCY: Minnesota Housing Finance Agency (MHFA)  
(Continuation)

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Repayments made to the revolving loan program for home improvements, multi-family housing development, and home ownership down payments assistance are made available for the same activities.

The Housing Trust Fund receives interest earnings on real estate escrow accounts and interest accruing on revenue bond application fees; forfeited fees; and fees which are not returned.

**SUMMARY OF BUDGET REQUEST:**

The budget plan includes a request for:

- a consolidation of the Transitional Housing program into the Housing Trust Fund program;
- a reallocation of the funds for the Contract for Deed Guarantee Account demonstration program to the Foreclosure Prevention and Rental Assistance Program;
- elimination of the Home Equity Conversion Counseling program and reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program;
- a redirection of funding to demolish substandard rental housing from the Community Rehabilitation Fund to the Affordable Rental Investment Fund;
- elimination of rental assistance under the Foreclosure Prevention and Rental Assistance Program;
- an increase in the amount of subsidy available for security deposits in the metropolitan area under the Rental Assistance for Family Stabilization Fund (RAFS).

**GOVERNOR'S RECOMMENDATION:**

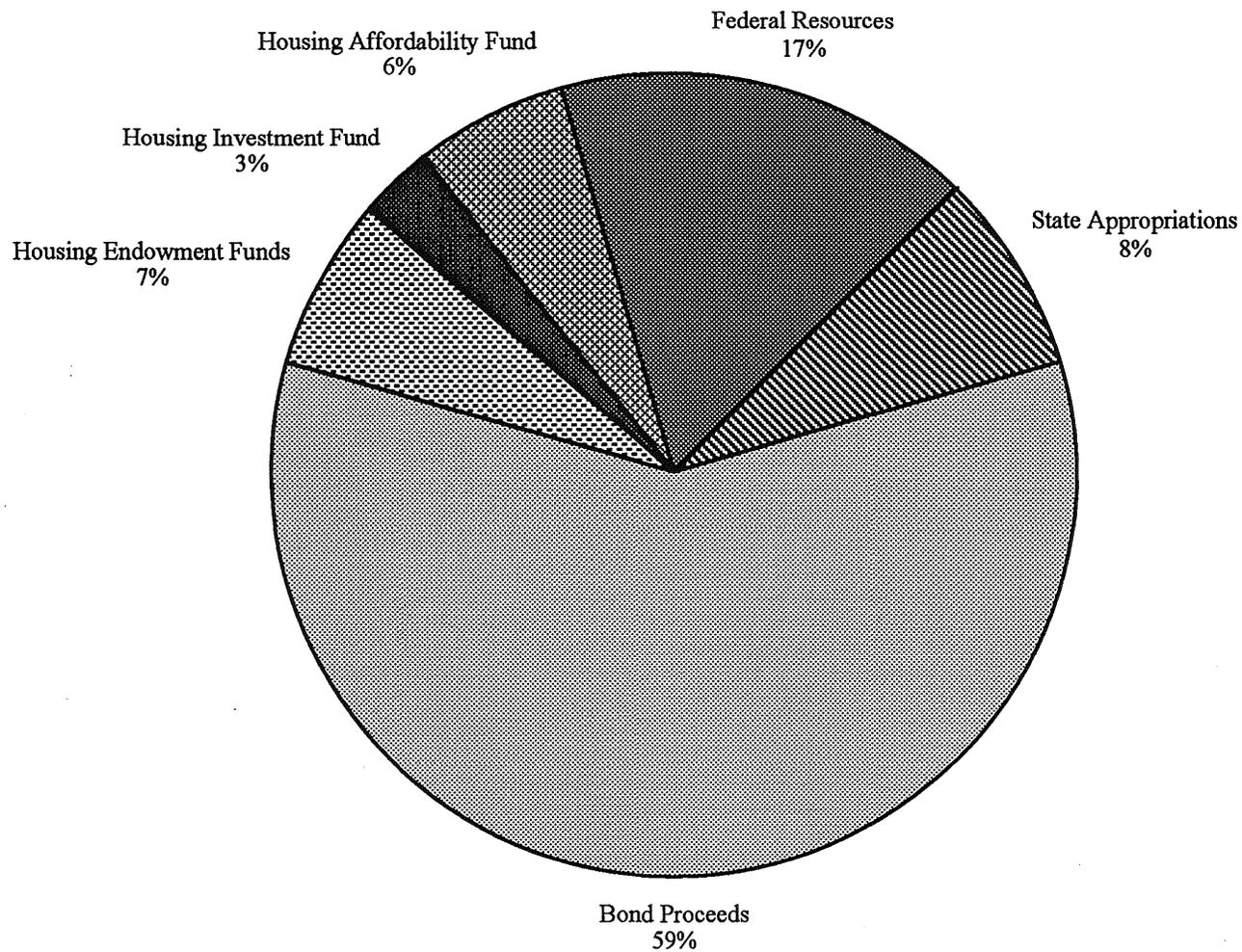
The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
APPROPRIATED PROGRAMS	24,599	40,247	37,634	37,634	37,634	36,815	36,815	36,815
NON-APPROPRIATED PROGRAMS	78,040	83,207	87,519	87,519	87,519	87,379	87,379	87,379
ADMINISTRATION	9,697	9,911	9,911	11,017	11,017	9,911	11,678	11,678
TOTAL EXPENDITURES BY PROGRAM	112,336	133,365	135,064	136,170	136,170	134,105	135,872	135,872
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			24,007	24,007	24,007	24,007	24,007	24,007
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	112,336	133,365	111,057	112,163	112,163	110,098	111,865	111,865
TOTAL EXPENDITURES	112,336	133,365	135,064	136,170	136,170	134,105	135,872	135,872
FTE BY EMPLOYMENT TYPE:								
REGULAR	151.9	170.5	170.5	184.5	184.5	170.5	184.5	184.5
TEMP/SEAS/PART_TIME	2.5							
OVERTIME	.2							
TOTAL FTE	154.6	170.5	170.5	184.5	184.5	170.5	184.5	184.5

PERCENTAGE DISTRIBUTION OF FUNDING SOURCES  
AFFORDABLE HOUSING PLAN  
10/1/95 THROUGH 9/30/97



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**1998-99 Biennial Budget  
Agency Level Revenue Summary**

Agency: Minnesota Housing Finance Agency

**REVENUE SOURCES:**

MHFA's largest source of financing is the sale of tax-exempt and taxable revenue bonds, approximately 59% of the agency's budget. Proceeds from these bonds provide mortgage loans to first-time home buyers and home improvements loans to homeowners. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities. Repayments made to loan programs are recycled into new loans for the same activities.

Federal funds constitute the second major source of MHFA financing. Federally appropriated funds provided \$66.2 million under the section 8 Housing Assistance Payments program for F.F.Y. 1997. Under the federal Home Investment Partnership Program (HOME) for F.F.Y. 1996, the agency was allotted \$7.6 million to be made available in communities not receiving a direct allocation of HOME funds.

Repayments made to the revolving loan program for home improvements, multi-family housing development, and home ownership down payments assistance are made available for the same activities.

The Housing Trust Fund receives interest earnings on real estate escrow accounts and interest accruing on revenue bond application fees; forfeited fees; and fees which are not returned.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY

SUMMARY OF AGENCY REVENUES	FY 1998			FY 1999				
	FY 1996	Est. FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
<b>DEDICATED RECEIPTS:</b>								
<b>GRANTS:</b>								
HOUSING FINANCE AGENCY	77,156	80,927	86,065	86,065	86,065	85,925	85,925	85,925
<b>OTHER REVENUES:</b>								
HOUSING FINANCE AGENCY	11,604	10,153	9,722	9,722	9,722	9,517	9,517	9,517
<b>OTHER SOURCES:</b>								
SPECIAL REVENUE	71	2						
HOUSING FINANCE AGENCY	15,989	3,862	5,492	5,492	5,492	6,107	6,107	6,107
<b>TOTAL DEDICATED RECEIPTS</b>	<b>104,820</b>	<b>94,944</b>	<b>101,279</b>	<b>101,279</b>	<b>101,279</b>	<b>101,549</b>	<b>101,549</b>	<b>101,549</b>
<b>AGENCY TOTAL REVENUES</b>	<b>104,820</b>	<b>94,944</b>	<b>101,279</b>	<b>101,279</b>	<b>101,279</b>	<b>101,549</b>	<b>101,549</b>	<b>101,549</b>

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Housing Finance Agency

**PROGRAM DESCRIPTION:**

Federal funds constitute approximately 21% of the agency's investment in housing. The largest program is the Section 8 Housing Assistance Payments, which are operating subsidies passed through to owners of multifamily properties for which the agency provided mortgage financing in the late 1970s and early 1980s. The second largest program is the HOME Program which we administer for parts of the state which do not receive their own funds.

The agency is able to serve lower income households by combining debt financing with loans and grants which do not have to amortize on a monthly basis. The federal funds, along with the state appropriation, are the 2 critical components of our total investment in housing which enable us to reach people not served by the private sector alone.

**CHANGES TO PROGRAM FUNDING FOR GUIDELINES:**

There have been no recent changes which significantly affect the funding in these programs or the guidelines under which they operate.

**FUNDS AT RISK:**

As the budget table shows, we anticipate 3 of the smaller federal programs zeroing out by the end of the 1998-99 biennium. Funding for the HOME program was fairly level in last year's budget and this year's proposed budget. The debate over the Section 8 program centers on whether expiring contracts will be renewed - so far they have all been renewed - and how rent increases will be handled.

**1998-99 Biennial Budget  
Federal Funds Summary  
(\$ in Thousands)**

Agency: Housing Finance Agency

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Lead Abatement	-0-	Housing	1,395	435	20	-0-
HUD Rental Rehab	-0-	Housing	168	-0-	-0-	-0-
Section 8 Housing Assistance Payments	-0-	Housing	67,177	66,224	67,000	67,000
Permanent Housing for the Handicapped Homeless	-0-	Housing	14	1	-0-	-0-
Shelter Plus Care	-0-	Housing	138	464	464	464
HOME	-0-	Housing	7,853	13,093	13,041	12,921
Housing Opportunities for Persons with AIDS	-0-	Housing	161	710	540	540
HUD Foreclosure Prevention	-0-	Housing	-0-	-0-	5,000	5,000
<b>Agency Total</b>	<b>-0-</b>		<b>76,906</b>	<b>80,927</b>	<b>86,065</b>	<b>85,925</b>

1998-99 Biennial Budget

**PROGRAM:** Appropriated Programs  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**PROGRAM DESCRIPTION:**

The appropriated programs are all designed to meet one of 2 broad policy objectives: meeting basic housing needs or strengthening communities. Appropriated programs include: the Affordable Rental Investment Fund, the Housing Trust Fund, the Rental Assistance for Family Stabilization program (RAFS), Rehabilitation Loan program, the Family Homeless Prevention and Assistance Program, the Transitional Housing Program, Bridges, the Home Equity Conversion Counseling program, the Community Rehabilitation Fund program, Full Cycle Home Ownership Opportunities Services, Contract for Deed Guarantee Account Program, Foreclosure Prevention and Rental Assistance Program, Minnesota Urban and Rural Homesteading Program, the Urban and Tribal Indian Programs, and the Nonprofit Capacity Building Grant program.

**PROGRAM STATUS:**

- The large number of programs administered by the agency has contributed to the complexity of developing affordable housing, acted as a barrier to effectively accessing programs, and has increased the costs of agency administration.
- Increasing attention is being given to the need for and the cost effectiveness of foreclosure prevention services and funds. Foreclosure prevention activities preserve the investment and homeowner's equity in the property, avert losses to public and private mortgage insurance and avoid blight to the surrounding neighborhood from vacant and deteriorating properties.
- The federal requirement that home equity loans to seniors must include counseling has increased the private sector's experience with counseling on home equity loans and decreased the need for state funding for a Home Equity Conversion Counseling Program.
- Increased lender activity in purchase/rehabilitation products and revisions to HUD's 203K program have enhanced the ability of low and moderate income homeowners to convert existing contracts for deed into mortgages.
- The focus of the Community Rehabilitation Program has changed to single-family homeownership exclusively.
- The rental assistance portion of the Foreclosure Prevention and Rental Assistance Program has been seriously underutilized.
- The Housing Trust Fund is frequently the source of matching funds for grantees under the Transitional Housing Fund.
- Due to the relatively high costs of rental housing in the metropolitan area compared to greater Minnesota, the subsidy for security deposits allowable under the Rental Assistance for Family Stabilization has limited the usefulness of the program for families living in the metropolitan area.

**PLANNED RESULTS:**

The agency budget plan will improve the accomplishment of performance objectives identified in the annual performance report, as follows:

- Approximately 60 additional homeowners will be provided homeownership opportunities through foreclosure prevention services by the proposed redirection of resources from other programs.
- The proposed changes to the Rental Assistance for Family Stabilization Program will assist extremely low- and low-income renters by increasing the amount of the subsidy for security deposits for families living in the metropolitan area to help relieve the high rent burden.
- Consolidation and streamlining of agency programs will increase the efficiency of the administration of agency programs and ease access to programs which will improve the agency's ability to meet all of its performance objectives.

**BUDGET AND REVENUE SUMMARY:**

Summary of the agency plan is as follows:

- Consolidation of the \$1,100,000 Transitional Housing program into the Housing Trust Fund.
- Elimination of the \$100,000 demonstration Contract for Deed Guarantee program and a reallocation of the funds to the Foreclosure Prevention and Rental Assistance Program (FPRAP).
- Elimination of the Home Equity Conversion Counseling Program and a reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Rental Assistance program (FPRAP).
- Redirection of \$500,000 from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for grants to reconfigure, acquire, demolish, remove or rehabilitate multifamily rental property to reduce concentrations of substandard multifamily rental housing.
- Change the eligible activities under the Foreclosure Prevention and Rental Assistance Program to concentrate on foreclosure prevention assistance and eliminate rental assistance.
- Change the subsidy amount for security deposits for families in the metropolitan area under the Rental Assistance for Family Stabilization (RAFS) program to be consistent with statutory changes made in 1995 regarding monthly assistance.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: APPROPRIATED PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MEETING BASIC HOUSING NEEDS	16,590	28,719	27,889	28,114	28,114	27,889	28,114	28,114
STRENGTHENING COMMUNITIES	8,009	11,528	9,745	9,520	9,520	8,926	8,701	8,701
TOTAL EXPENDITURES BY ACTIVITY	24,599	40,247	37,634	37,634	37,634	36,815	36,815	36,815
AGENCY PLAN ITEMS:		FUND						
TRANSITIONAL HOUSING		GEN		<550>			<550>	
HOUSING TRUST FUND		GEN		550			550	
CONTRACT FOR DEED GUARANTEES		GEN		<50>			<50>	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		50			50	
HOME EQUITY CONVERSION COUNSELING		GEN		<25>			<25>	
FORECLOSURE PREVENTION & RENT ASSISTANCE		GEN		25			25	
COMMUNITY REHABILITATION FUND		GEN		<250>			<250>	
AFFORDABLE RENTAL INVESTMENT FUND		GEN		250			250	
TOTAL AGENCY PLAN ITEMS								
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL			24,007	24,007	24,007	24,007	24,007	24,007
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	24,599	40,247	13,627	13,627	13,627	12,808	12,808	12,808
TOTAL EXPENDITURES	24,599	40,247	37,634	37,634	37,634	36,815	36,815	36,815
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

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1998-99 Biennial Budget

**BUDGET ACTIVITY:** Meeting Basic Housing Needs  
**PROGRAM:** Appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**ACTIVITY DESCRIPTION:**

Activities related to meeting basic housing needs are directed primarily at households who are unable to obtain or maintain decent, safe affordable housing that meets the needs of those living in it. Efforts to meet the goal of meeting basic housing needs center around 4 broad service areas: 1) serving low and extremely low income renters; 2) rehabilitation of owner occupied housing for low and extremely low income households; 3) serving homeless persons; 4) serving persons with special needs.

- A. Extremely low and low income renters - those with annual household incomes of under \$21,750- are served by subsidizing the costs of new construction of rental units and the costs of rehabilitation of existing affordable rental units. A family of 3 with one wage earner earning \$7.65 per hour can afford \$382 per month for shelter costs. It is virtually impossible to develop new rental housing that is affordable at this income level, even when the housing carries no debt service because the typical maintenance, operating costs, and property taxes equal almost this amount.

Three appropriated programs assist in meeting basic housing needs by serving low and extremely low income renters: the Affordable Rental Investment Fund, the Housing Trust Fund, and the Rental Assistance for Family Stabilization program (RAFS).

1. Affordable Rental Investment Fund

The Affordable Rental Investment Fund provides 0% interest-deferred loans for the production or rehabilitation of the type of low and moderate income rental housing. Priority is given to projects which leverage other resources. The income limits are 80% of statewide median income; rents must be affordable to households at 50% of statewide median income. The amount appropriated for F.Y. 1996-1997 was \$12,986,000.

2. Housing Trust Fund

The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable rental housing, limited equity cooperative housing, and home ownership opportunities for very low income households. Funds for rental housing benefit households with incomes of up to 30% of the metropolitan area median income. The amount appropriated for F.Y. 1996-1997 was \$3,596,000.

3. Rental Assistance for Family Stabilization program (RAFS)

The RAFS program provides up to \$250 per month in the metropolitan area and \$200 per month in Greater Minnesota for rental assistance to families receiving public assistance who are participating in a self-sufficiency program. Rental assistance is available for up to 36 months. To be eligible, a family must be paying more than 30% of its income for rent and must live in a county with housing costs in the top one-third of the state. The amount appropriated for F.Y. 1996-1997 was \$3,000,000.

- B. The preservation of owner occupied housing for extremely low income and low income households is the second major component of efforts to meet basic housing needs. Because it is so difficult to develop new housing which is affordable to extremely low income and low income

households, existing affordable housing must be preserved. Extremely low income and low income homeowners often cannot afford to make needed repairs to maintain their home after paying the monthly mortgage payments. Maintenance, if deferred too long, poses health and safety problems. The Rehabilitation Loan program supports this activity.

1. Rehabilitation Loan Program

The Rehabilitation Loan Program provides deferred loans of up to \$10,000 to very low income homeowners for the purpose of correcting health and safety hazards within their homes and improving their habitability, accessibility, and energy efficiency. Loans are forgiven if the homeowner continues to own and occupy the property for at least 10 years. Repayments are recycled into new loans. Historically, repayments under this program have averaged about \$1,000,000 per year. The amount appropriated for this programs in F.Y. 1996-1997 was \$8,574,000.

- C. Housing assistance to homeless persons takes the form of both temporary and permanent housing and is frequently combined with social services. While affordable permanent housing is the ultimate solution for homeless persons, temporary shelter, both emergency and transitional housing, must be available to provide an immediate harbor for youth and women escaping abuse. Transitional housing gives homeless persons the time and support to develop job skills, overcome addictions, or stabilize their lives in preparation for moving to permanent housing. Between 1985 and 1994, there was a 240% increase in the Twin Cities Metro area in the number of persons requesting emergency shelter. Greater Minnesota experienced a 313% increase in the number of persons using temporary housing programs during that same time period. Between May, 1995 and May, 1996, there was an 111% increase in the number of people turned away from emergency shelter. The number of turnaways from transitional housing increased by 146% during that same period. The Family Homeless Prevention and Assistance Program and the Transitional Housing Program provide assistance to homeless persons.

1. Family Homeless Prevention and Assistance Program

The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties or community-based non-profit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. 40 counties are now served by a FHPAP. \$4,450,000 was appropriated for FHPAP in F.Y. 1996-1997.

2. Transitional Housing Program

The Transitional Housing Program provides loans or grants for the construction, acquisition, or rehabilitation of housing for low income individuals and families having an immediate need for temporary or transitional housing. Public agencies, limited-dividend entities, and non-profit organization with housing development experience are eligible program applicants. Financing is available in the form of deferred loans, forgiven at the rate of 20% per year. Matching funds of at least 50% must be secured at the time of application. The amount appropriated for F.Y. 1996-1997 was \$1,100,000.

- D. Housing assistance to persons with special needs often overlaps with housing assistance for extremely low and low income renters. Housing for many persons with special needs requires adaptation or reconfiguration of the housing to accommodate the special needs. Medical or social services must be tied to the housing assistance in order to maintain persons with special needs in the community.

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Meeting Basic Housing Needs  
**PROGRAM:** Appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)  
(Continuation)

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Three appropriated programs assist in meeting basic housing needs by serving persons with special needs: the accessibility loan component of the Rehabilitation Loan program, Bridges, and the Home Equity Conversion Counseling program.

1. Accessibility Loan Fund

The accessibility loan fund is a component of the Rehabilitation Loan program. Deferred loans of up to \$10,000 are provided to make modifications to the residences of households with disabled members. The loans are forgiven after 5 years, provided the borrower continues to own and occupy the home. Repayments are recycled into new loans.

2. Bridges

The Bridges program (statutorily known as the Rent Assistance for Persons with Mental Illness program) provides rent assistance for households in which at least 1 adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% of area median income. This activity links housing with social services through a partnership between a housing agency and a social service agency. The rental assistance is intended to stabilize the household in the community until a section 8 certificate or voucher becomes available. \$2,400,000 was appropriated for this program for F.Y. 1996-1997.

3. Home Equity Conversion Counseling

The Home Equity Conversion Counseling program provides a grant to the Senior Federation to provide counseling to senior homeowners who are considering a home equity conversion loan. \$50,000 was appropriated for F.Y. 1996-1997 for this activity.

**BUDGET ISSUES:**

1. Transitional Housing

The consolidation of the Transitional Housing program into the Housing Trust Fund will continue the streamlining of agency programs to ease customer/partner relationships with the agency. Both programs are targeted to extremely low income persons. Transitional housing is one of the activities funded under the Housing Trust Fund. Frequently projects receiving funding from the Transitional Housing Program also receive funding from the Housing Trust Fund.

2. Home Equity Conversion Counseling

Elimination of the Home Equity Conversion Counseling program and reallocation of the \$50,000 appropriation to the Foreclosure Prevention and Retail Assistance Program will target scarce state resources to activities that aren't provided in the private sector. Federal law requires that home equity loans to seniors include a counseling. This federal requirement has increased the private sector's experience and interest in providing home equity counseling.

3. Rental Assistance for Family Stabilization

The 1995 Legislature changed the program requirements to further relieve high rent burdens of families in the metropolitan area. The plan proposes to similarly change program requirements to permit a higher subsidy for security deposits for families living in the metropolitan area. The change will improve the effectiveness of the rental assistance to the targeted extremely low income families.

**REVENUE:**

This activity generates dedicated revenue.

1. Rehabilitation Loan Program

Loans have a repayment requirement in the event the owner sells or ceases to reside in the improved property within a specified period, depending on the type of loan. Revenues are used to make new loans.

**GRANTS:**

The following programs provide assistance in the form of grants:

Rental Assistance for Family Stabilization program (RAFS), M.S. 462A.205;

Family Homeless Prevention and Assistance Program, M.S. 462A.204;

Bridges, M.S. 462A.2097; and

Home Equity Conversion Counseling, M.S. 462A.28.

These programs are described above.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: APPROPRIATED PROGRAMS  
ACTIVITY: MEETING BASIC HOUSING NEEDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	948	804	804	804	804	804	804	804
SUBTOTAL STATE OPERATIONS	948	804	804	804	804	804	804	804
PAYMENTS TO INDIVIDUALS	4,181	7,574	7,062	7,037	7,037	7,062	7,037	7,037
OTHER EXPENSES	11,461	20,341	20,023	20,273	20,273	20,023	20,273	20,273
<b>TOTAL EXPENDITURES</b>	<b>16,590</b>	<b>28,719</b>	<b>27,889</b>	<b>28,114</b>	<b>28,114</b>	<b>27,889</b>	<b>28,114</b>	<b>28,114</b>
<b>AGENCY PLAN ITEMS:</b>								
		<b>FUND</b>						
TRANSITIONAL HOUSING		GEN		<550>			<550>	
HOUSING TRUST FUND		GEN		550			550	
HOME EQUITY CONVERSION COUNSELING		GEN		<25>			<25>	
AFFORDABLE RENTAL INVESTMENT FUND		GEN		250			250	
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>225</b>			<b>225</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL			18,228	18,453	18,453	18,228	18,453	18,453
<b>STATUTORY APPROPRIATIONS:</b>								
HOUSING FINANCE AGENCY	16,590	28,719	9,661	9,661	9,661	9,661	9,661	9,661
<b>TOTAL EXPENDITURES</b>	<b>16,590</b>	<b>28,719</b>	<b>27,889</b>	<b>28,114</b>	<b>28,114</b>	<b>27,889</b>	<b>28,114</b>	<b>28,114</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
HOUSING FINANCE AGENCY	4,279	2,056	1,790	1,790	1,790	1,618	1,618	1,618
<b>TOTAL REVENUES COLLECTED</b>	<b>4,279</b>	<b>2,056</b>	<b>1,790</b>	<b>1,790</b>	<b>1,790</b>	<b>1,618</b>	<b>1,618</b>	<b>1,618</b>

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1998-99 Biennial Budget

**BUDGET ACTIVITY:** Strengthening Communities  
**PROGRAM:** Appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**ACTIVITY DESCRIPTION:**

Housing is an important component of a community's vitality. The availability, cost, and condition of the housing influences the community's ability to attract and sustain economic development. A decline in a community's housing stock can adversely impact property values and revenues from property taxes. Declining neighborhoods are disproportionately the site of criminal activities. Once a community is perceived as having declined, its ability to attract new investment, in terms of new homeowners, rehabilitation, and new commerce, is seriously impaired. Activities designed to strengthen communities fall into 4 categories: 1) strengthening a community's housing stock; 2) assisting in providing home ownership opportunities; 3) assisting in building capacity; and 4) preserving affordable MHFA-financed housing.

A. A community's housing stock is strengthened through the provision of funding for revitalization of specific neighborhoods. Communities with a predominantly older housing stock can encourage continued home ownership in an area by offering funds to improve the housing in need of update and code compliance. Targeting resources at a particular area of a community can produce discernible results not just for the homes being rehabilitated but also for the neighborhood as a whole.

The Community Rehabilitation Fund program is an appropriated program which strengthens communities by strengthening the housing stock.

1. Community Rehabilitation Fund

The Community Rehabilitation Fund program provides grants to cities for the preservation or improvement of designated neighborhoods or areas. The program provides a flexible grant which may be used for single family construction, acquisition, rehabilitation, demolition, permanent financing, and refinancing. Gap financing (the difference between the costs of producing or rehabilitating a building and the appraised value upon completion) is also an eligible use of the funds. \$5.3 million was appropriated for F.Y. 1996-1997 for this program.

B. Assistance with home ownership opportunities is a second major component of the agency's efforts to strengthen communities. High home ownership rates are perceived as a critical element of a community's stability. Many Minnesotans have sufficient income to make monthly mortgage payments but do not believe that home ownership is within their reach, lack the knowledge necessary to access financing, or have encountered other institutional barriers to obtaining home ownership financing. Others have purchased a home but have suffered a temporary financial setback that puts them at risk of losing their home.

There are 6 programs funded through state appropriations that assist in home ownership opportunities: 1) Full Cycle Home Ownership Opportunities Services; 2) Contract for Deed Guarantee Account Program; 3) Foreclosure Prevention and Rental Assistance Program; 4) Minnesota Urban and Rural Homesteading Program; 5) the Urban and Tribal Indian Programs; and 6) the Home Ownership Assistance Fund.

1. Full Cycle Home Ownership Opportunities Services

The Full Cycle Home Ownership Opportunities Services program provides grants to experienced nonprofit organizations to provide comprehensive home buyer training and support on either a pre- or post - purchase basis for low and moderate-income first-time home buyers. Funds may be used for either administrative support or program support. \$500,000 was appropriated for this program for F.Y. 1996-1997.

2. Contract for Deed Guarantee Program

The Contract for Deed Guarantee Program is a program designed to enable individuals who have purchased a home on a contract for deed to refinance it with traditional mortgage financing. These program funds are combined with agency first mortgage funds. Funds are available for exclusive use in a designated neighborhood and may be used in a variety of manners including gap and equity investment. For F.Y. 1996-1997, \$100,000 was appropriated for this program.

3. Foreclosure Prevention and Rental Assistance Program

The Foreclosure Prevention and Rental Assistance Program provides interest-free loans for renters and homeowners who are faced with eviction or foreclosure due to a temporary financial hardship; it also provides non-financial assistance in the form of financial counseling services, screening and assessment, referrals, case management and advocacy. Priority is given to households with incomes at or below 60% of area median income limits. For 1996, in the metro area this was \$32,760 for a family of 4. Non-profit, community-based organizations administer the program. \$566,000 was appropriated for this program for the F.Y. 1996-97 biennium.

4. Minnesota Urban and Rural Homesteading Program

The Minnesota Urban and Rural Homesteading Program provides grants to nonprofit housing providers or cities to acquire single family residences which are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first time low and moderate income home buyers who are defined as "at risk". \$372,000 was appropriated for this program for the F.Y. 1996-97 biennium.

5. Indian Housing Programs

The Tribal Indian Housing Program provides mortgage loans, home improvement financing, and rental opportunities to American Indian families and persons throughout the state. Individual programs have been developed by each of the 3 Indian tribes that administer the program through their respective tribal housing authorities: Minnesota Chippewa Tribe Housing Corporation, the Minnesota Dakota Indian Housing Authority, and the Red Lake Housing Finance Corporation. All of the tribes must recycle any repayments and prepayments into new housing loans. The state appropriations are used exclusively for housing loans; administrative costs are paid for from the earnings on loans made. \$3,366,000 was appropriated for this program for F.Y. 1996-1997.

The Urban Indian Housing Program provides both home ownership and rental housing opportunities for low- and moderate-income American Indians residing in the urban areas of the state. The program provides below market interest rate financing for first time home buyers. Funding is also available for the development of special assistance program components of projects that address specifically identified needs of American Indians that are

**BUDGET ACTIVITY:** Strengthening Communities  
**PROGRAM:** Appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)  
 (Continuation)

sponsored by nonprofit organizations. \$374,000 was appropriated for this program for F.Y. 1996-1997.

6. Home Ownership Assistance Fund (HAF)

HAF provides down payment assistance to more modest income home buyers who are purchasing their first home through one of the agency's mortgage revenue bond programs. Assistance is in the form of a 0% interest second mortgage loan. Home Ownership Assistance Fund (HAF) loans are repaid on a graduated basis. Eligible home buyers must have income that does not exceed 115% of state or area median. This program has not received an appropriation since 1991. Repayments and prepayments of loans are required into new loans.

C. The development of affordable housing is increasing in complexity. In order to achieve affordability, developers must obtain funding from multiple sources which often have separate funding conditions. Many communities in the state are hindered in their efforts to develop affordable housing by the lack of local expertise in housing development. The agency is committed to alleviating some of the complexities of developing affordable housing by consolidating programs whenever possible, simplifying the application process, and adhering to an established schedule for availability of funds. The agency provides financial assistance in building housing capacity through the Nonprofit Capacity Building Grant program.

1. Nonprofit Capacity Building Grants

The Nonprofit Capacity Building Grants program provides grants to nonprofit organizations and local units of government for the purpose of expanding their capacity to provide housing and housing-related services to low-income persons within the organization's service area. Grants may be used for staff training, needs assessment, strategic planning, and other activities which will enable the organization to better address local housing needs. \$80,000 for the biennium is set aside for the Minnesota Housing Partnership to be used for the regional housing network organizations that provide housing and homeless prevention information and assistance in Greater Minnesota. An organization in each of the 6 Minnesota Initiative Fund regions receives a \$25,000 capacity building grant for the biennium to address the affordable housing needs created by economic development in the region, and a \$50,000 grant for the biennium is made for similar activities in the metro area. The balance is not targeted for a specific organization or geographic area. \$480,000 was appropriated for F.Y. 1996-1997 for this program.

**BUDGET ISSUES:**

1. Contract for Deed Guarantee

Elimination of the Contract for Deed Guarantee program and redirection of the \$100,000 appropriation to the Foreclosure Prevention and Rental Assistance Program will be a more

effective way to assist in home ownership opportunities. The Contract for Deed Guarantee program is a demonstration program. Due to the limited appropriations, the options for the use of the funds were somewhat limited. The private sector is increasing its activities related to converting contracts for deed into traditional mortgages.

2. Foreclosure Prevention and Rental Assistance Program (FPRAP)

Preventing foreclosure has proven to be extremely cost-effective. FPRAP has had an 85% success rate, with success defined as the recipient of a FPRAP loan is current on repayments to the agency and has not gone into default on the mortgage or faced eviction since receipt of the FPRAP loan. Redirection of funds from the Contract for Deed Guarantee program to FPRAP will assist at least 40 additional families in avoiding foreclosure and the loss of their home.

3. Community Rehabilitation Fund

Reallocation of the \$500,000 appropriation for acquisition, demolition, reconfiguration of substandard multi-family housing from the Community Rehabilitation Fund to the Affordable Rental Investment Fund for the same use will aid in simplifying the application process.

**REVENUE:**

The following activities generate dedicated revenues:

1. Indian Housing Programs

By contractual arrangement with tribal administrators, funds repaid under the Tribal Indian Housing Program are placed in a revolving fund with the program administrators and made available for administrative expenses and new loans.

Under the Urban Indian Housing Program, funds are typically repaid on an interest-free basis and are made available for new activities under the program.

**GRANTS:**

The following programs provide assistance in the form of grants:

Full Cycle Home Ownership Opportunities Services, M.S.462A.2091;

The Contract for Deed Guarantee Program, M.S. 462A.209;

The Minnesota Urban and Rural Homesteading Program, M.S. 462A.057; and

Nonprofit Capacity Building Grants, M.S. 462A.21, Subd. 36.

See above for a description of these programs.

**GOVERNOR'S RECOMMENDATION:**

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: APPROPRIATED PROGRAMS  
ACTIVITY: STRENGTHENING COMMUNITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	292	349	165	115	115	165	115	115
SUBTOTAL STATE OPERATIONS	292	349	165	115	115	165	115	115
PAYMENTS TO INDIVIDUALS	1,864	3,740	3,987	3,737	3,737	3,987	3,737	3,737
LOCAL ASSISTANCE	203	389	294	294	294	294	294	294
OTHER EXPENSES	5,650	7,050	5,299	5,374	5,374	4,480	4,555	4,555
TOTAL EXPENDITURES	8,009	11,528	9,745	9,520	9,520	8,926	8,701	8,701
<b>AGENCY PLAN ITEMS:</b>								
CONTRACT FOR DEED GUARANTEES					<50>		<50>	
FORECLOSURE PREVENTION & RENT ASSISTANCE					50		50	
FORECLOSURE PREVENTION & RENT ASSISTANCE					25		25	
COMMUNITY REHABILITATION FUND					<250>		<250>	
TOTAL AGENCY PLAN ITEMS					<225>		<225>	
<b>EXPENDITURES BY FUND:</b>								
<b>DIRECT APPROPRIATIONS:</b>								
GENERAL			5,779	5,554	5,554	5,779	5,554	5,554
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	8,009	11,528	3,966	3,966	3,966	3,147	3,147	3,147
TOTAL EXPENDITURES	8,009	11,528	9,745	9,520	9,520	8,926	8,701	8,701
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
HOUSING FINANCE AGENCY	2,726	1,130	1,563	1,563	1,563	1,473	1,473	1,473
TOTAL REVENUES COLLECTED	2,726	1,130	1,563	1,563	1,563	1,473	1,473	1,473

1998-99 Biennial Budget

**PROGRAM:** Non-appropriated Programs  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**PROGRAM DESCRIPTION:**

The non-appropriated programs consist of the following activities: Section 8 Housing Assistance Payments; Home Investment Partnership Programs (HOME); Housing Tax Credit; Shelter Plus Care; Nonprofit Capacity Building Loan Program; Publicly Owned Transitional Housing Program; the Low and Moderate Income Rental program; the Innovative Housing Loan program; Housing Opportunities for Persons with Aids (HOPWA); Partnership in Affordable Housing; the Deferred Maintenance Program; Multi-family Troubled Properties Operation Subsidies; Youth Employment Incentives Program; and the mortgage revenue bond programs for home ownership, home improvements, and rental projects.

**PROGRAM STATUS:**

The agency works directly with the following goals:

- to provide leadership in addressing housing needs in Minnesota;
- to encourage and participate in partnerships with the public and private sector organizations, in order to increase affordable housing opportunities in Minnesota;
- to take full advantage of existing resources for funding and financing housing;
- to conduct activities with the highest degree of fiscal responsibility and integrity;
- to provide technical assistance opportunities as well as financing to ensure that resources are used as efficiently and effectively as possible in all areas of the state;
- to help build stronger communities and neighborhoods by increasing the availability of quality, affordable housing and a variety of housing options.

**PLANNED RESULTS:**

The agency budget plan will not directly affect the non-appropriated programs.

**BUDGET AND REVENUE SUMMARY:**

The agency budget plan will not directly affect the non-appropriated programs.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: NON-APPROPRIATED PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MEETING BASIC HOUSING NEEDS	76,434	80,557	84,926	84,926	84,926	84,906	84,906	84,906
STRENGTHENING COMMUNITIES	1,606	2,650	2,593	2,593	2,593	2,473	2,473	2,473
TOTAL EXPENDITURES BY ACTIVITY	78,040	83,207	87,519	87,519	87,519	87,379	87,379	87,379
EXPENDITURES BY FUND:								
-----								
STATUTORY APPROPRIATIONS:								
HOUSING FINANCE AGENCY	78,040	83,207	87,519	87,519	87,519	87,379	87,379	87,379
TOTAL EXPENDITURES	78,040	83,207	87,519	87,519	87,519	87,379	87,379	87,379
FTE BY EMPLOYMENT TYPE:								
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TOTAL FTE								

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1998-99 Biennial Budget

**BUDGET ACTIVITY:** Meeting Basic Housing Needs  
**PROGRAM:** Non-appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**ACTIVITY DESCRIPTION:**

Activities related to meeting basic housing needs are directed primarily at households who are unable to obtain or maintain decent, safe affordable housing that meets the needs of those living in it. Efforts to meet the goal of meeting basic housing needs center around 4 broad service areas: 1) serving low and extremely low income renters; 2) rehabilitation of owner occupied housing for low and extremely low income households; 3) serving homeless persons; 4) serving persons with special needs.

A. Extremely low and low income renters - those with annual household incomes of under \$21,750- are served by subsidizing the costs of new construction of rental units or the costs of the rehabilitation of existing affordable rental units or providing monthly rental assistance. A family of 3 with one wage earner earning \$7.65 per hour (the average wage in a newly created lower paying job) can afford only \$382 per month for shelter costs. It is virtually impossible to develop new rental housing that is affordable at this income level, even when the housing carries no debt service because the typical maintenance, operating costs, and property taxes equal almost this amount. Often, a combination of a subsidy for construction or rehabilitation and a monthly rent subsidy is necessary in order for a rental unit to be affordable to extremely low- and low-income renters.

Five programs funded from non-state appropriated resources assist in meeting basic housing needs by serving extremely low- and low-income renters: the HUD Section 8 Housing Assistance program; Housing Tax Credit program; New Construction Tax Credit Mortgage/ Bridge Loan program; Targeted HOME fund; and HOME Rental Rehab program.

1. HUD Section 8 Housing Assistance program

The Agency administers the federal Housing Assistance Payments for 23 developments. The assistance is in the form of rental subsidies to low and moderate income tenants. The tenant pays no more than 30% of his or her income for rents and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes of less than 80% of area median. For developments with Housing Assistance Payments contracts executed after 10-1-81, 100% of the units must be occupied by households with incomes below 50% of area median; developments with contracts executed before that date must rent at least 30% of the units to households with incomes below 50% of area median. The Housing Assistance Payments are committed for the remainder of the mortgage term (30 or 40 years).

MHFA used tax exempt bond proceeds to finance most of these projects. The security for repayment of the bonds depends on the MHFA's continued administration of these funds.

2. Housing Tax Credit Program

The federal Housing Tax Credit program provides income tax credits for 10 years to investors who invest in the construction or rehabilitation of rental housing. For the last 10 years this has been the primary source of equity for affordable rental housing. In order to be eligible for the tax credit, the housing must meet federal income and rent restrictions for

at least 15 years. MHFA is the statutorily designated agency for allocating and monitoring the federal tax credits. To date, 394 developments in Minnesota have received an allocation of credits from MHFA under the tax credit program; all of which must be monitored for compliance with federal requirements.

3. New Construction Tax Credit Mortgage/ Bridge Loan Program

The New Construction Tax Credit Mortgage/ Bridge Loan program provides first mortgage and bridge loans for the construction or substantial rehabilitation of affordable rental housing that has received federal tax credits.

4. Targeted HOME fund

The Targeted HOME fund is federally funded and provides deferred mortgage loans to assist eligible applicants with the development, acquisition, construction, or rehabilitation of rental housing for low income households, including special needs populations.

5. HOME Rental Rehab Program.

The HOME Rental Rehab program is a federally funded program that provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower income households. Assistance ranges from \$3,000 to \$14,000 per unit. Owners are required to match program assistance on a 1 to 3 basis. A network of local administrators assists in administering this program.

B. The preservation of owner occupied housing for extremely low income and low income households is the second major component of efforts to meet basic housing needs. Because it is so difficult to develop new housing which is affordable to extremely-low and low-income households, existing affordable housing must be preserved. Extremely low income and low income homeowners often cannot afford to make needed repairs to maintain their home after paying the monthly mortgage payments. Maintenance, if deferred too long, can pose health and safety problems.

Two programs funded from non-state appropriation sources support this activity: the HOME Deferred Loan program and the Revolving loan program.

1. HOME Deferred Loan program

The HOME Deferred Loan program provides deferred loans to extremely low income homeowners to correct health and safety hazards and improve the home's habitability, accessibility, and energy efficiency. Loans are repaid only if the property is sold or otherwise ceases to be the borrower's principal residence within 10 years of receiving the loan.

2. Revolving Loan program

The Revolving Loan program provides affordable home improvement financing to low and moderate income households who are not eligible for other financing, including the agency's other home improvement loans, for a variety of reasons, including poor credit history. The loans may be used to correct health and safety hazards and improve the home's habitability, accessibility, and energy efficiency. The program offers an interest rate of 3% and a 15 year term, with a maximum loan amount of \$10,000.

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Meeting Basic Housing Needs  
**PROGRAM:** Non-appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)  
(Continuation)

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C. Housing assistance to homeless persons takes the form of both temporary and permanent housing and is frequently combined with social services. While affordable permanent housing is the ultimate solution for homeless persons, temporary shelter (both emergency and transitional housing) must be available to provide an immediate harbor for youth and women escaping abuse. Transitional housing gives homeless persons the time and support to develop job skills, overcome addictions, or stabilize their lives in preparation for moving to permanent housing. Between 1985 and 1994, there was a 240% increase in the Twin Cities Metro area in the number of persons requesting emergency shelter. Greater Minnesota experienced a 313% increase in the number of persons using temporary housing programs during that same time period. Between May, 1995 and May, 1996, there was an 111% increase in the number of people turned away from emergency shelter. The number of turnaways from transitional housing increased by 146% during that same period.

The Shelter Plus Care Program and the Publicly Owned Transitional Housing Program are the 2 programs funded through non-state appropriations that provide assistance to homeless persons.

1. Shelter Plus Care Program

MHFA administers the federal Shelter Plus Care program which provides grants to states, local units of government, Indian tribes, and public housing authorities for rental assistance that is combined with support services to homeless persons with disabilities.

2. Publicly Owned Transitional Housing Program

The Publicly Owned Transitional Housing program provides deferred loans to local units of government in the development, construction, acquisition, improvement, or rehabilitation of housing properties to be used as transitional housing for low and moderate income persons. The loan is forgiven after 20 years if the property is used for specified purposes during the entire 20-year period. Transitional housing is housing used for a limited duration not to exceed 24 months and designed for occupancy on a continuous 24 hour basis. Battered women and homeless youth are among those for whom housing is provided under this program. The program is funded from capital bonding proceeds.

D. The provision of housing assistance to persons with special needs presents several challenges. Housing for persons with special needs often requires adaptation or reconfiguration of the housing to accommodate the special needs. Many persons with special needs also have extremely-low or low-incomes and need subsidized rents. In order to maintain persons with special needs in the community, medical or social services must be tied to the housing assistance.

The Great Minnesota Fix-up Fund-Accessibility program and the Housing Opportunities for Persons with Aids (HOPWA) program provide housing assistance to persons with special needs with non-state appropriated funds.

1. Great Minnesota Fix-up Fund-Accessibility

The accessibility set-aside under the Great Minnesota Fix-up Fund program provides affordable home improvement loans to low and moderate income households to increase the accessibility of a property for a disabled occupant.

2. Housing Opportunities for Persons with Aids (HOPWA)

The HOPWA program is a federally funded program which is jointly administered by the Department of Health and MHFA. It provides resources to devise long-term and comprehensive strategies for meeting the housing needs of person with AIDS or related diseases.

**BUDGET ISSUES:**

Because these activities are funded through non-state appropriated resources, no budget issues are presented.

**REVENUE:**

All of the loan activities generate dedicated revenues. Revenues earned under this activity support agency administrative expenses, fund new loans, or are pledged to the repayment of mortgage revenue bonds.

**GRANTS:**

The Housing Assistance Payments, the Shelter Plus Care program, and the Housing Opportunities for Persons with AIDS (HOPWA) program provide grants. These programs are authorized under M.S. 462A.95, Subd. 11. A description of these programs is found above.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: NON-APPROPRIATED PROGRAMS  
ACTIVITY: MEETING BASIC HOUSING NEEDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	1,582	2,230	2,187	2,187	2,187	2,187	2,187	2,187
SUBTOTAL STATE OPERATIONS	1,582	2,230	2,187	2,187	2,187	2,187	2,187	2,187
PAYMENTS TO INDIVIDUALS	69,705	68,664	73,032	73,032	73,032	73,012	73,012	73,012
OTHER EXPENSES	5,147	9,663	9,665	9,665	9,665	9,665	9,665	9,665
TRANSFERS			42	42	42	42	42	42
TOTAL EXPENDITURES	76,434	80,557	84,926	84,926	84,926	84,906	84,906	84,906
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
HOUSING FINANCE AGENCY	76,434	80,557	84,926	84,926	84,926	84,906	84,906	84,906
TOTAL EXPENDITURES	76,434	80,557	84,926	84,926	84,926	84,906	84,906	84,906
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
HOUSING FINANCE AGENCY	96,138	89,106	95,333	95,333	95,333	95,985	95,985	95,985
TOTAL REVENUES COLLECTED	96,138	89,106	95,333	95,333	95,333	95,985	95,985	95,985
<b>FTE BY EMPLOYMENT TYPE:</b>								
TOTAL FTE								

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1998-99 Biennial Budget

**BUDGET ACTIVITY:** Strengthening Communities  
**PROGRAM:** Non-appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

**ACTIVITY DESCRIPTION:**

Housing is an important component of a community's vitality. The availability, cost, and condition of the housing influences the community's ability to attract and sustain economic development. A decline in a community's housing stock can adversely impact property values and revenues from property taxes. Declining neighborhoods are disproportionately the site of criminal activities. Once a community is perceived as having declined, its ability to attract new investment, in terms of new homeowners, rehabilitation, and new commerce, is seriously impaired. Activities designed to strengthen communities fall into 4 categories: 1) strengthening a community's housing stock; 2) assisting in opportunities; 3) assisting in building capacity; and 4) preserving affordable MHFA-financed housing.

- A. A community's housing stock is strengthened through the provision of funding for revitalization of specific neighborhoods. Communities with a predominantly older housing stock can encourage continued home ownership in an area by offering funds to improve the housing in need of update and code compliance. Targeting resources at a particular area of a community can produce discernible results not just for the homes being rehabilitated but also for the neighborhood as a whole.

The Community Fix-up Fund, the Home Energy Loan program, the Great Minnesota Fix-up Fund program, and the Low and Moderate Income Rental program are all activities funded from non-state appropriated resources that strengthen communities by strengthening the housing stock.

1. Community Fix-up Fund

The Community Fix-up Fund program encourages cooperative efforts between MHFA, local lenders, nonprofit organizations, local governments, community organization, and other participants by providing funds to address specific community home improvement objectives and needs. Loans are for a fixed, below market interest rate, based on household income.

2. Home Energy Loan program

The Home Energy Loan program provides subsidized financing for the purpose of increasing the energy efficiency of owner-occupied, single family properties. Loans for the installation of energy conservation improvements tend to be small and expensive to originate and service; for these reasons, private lenders are generally not willing to provide them on a conventional basis. The program provides loans at 8% for a maximum term of 5 years. The maximum loan amount is \$5,000. Homes built prior to 1976 are targeted.

3. Great Minnesota Fix-up Fund program

This program provides affordable home improvement loans to low and moderate income households. Loans may be used to bring homes into compliance with building and housing code standards, to accomplish energy conservation related improvements, to make housing more desirable to live in, and to improve the quality of the existing housing stock. The purchase or installation of luxury items, recreational facilities and personal property are not eligible uses of these funds. Recognizing that affordability of the loan is dependent on income, the program offers fixed interest rates ranging from 2% to 8%, with households with the lowest incomes receiving the lowest interest rates. The maximum loan amount is \$15,000. Borrowers may take up to 15 years to repay the loan.

4. Low and Moderate Income Rental Program

This program provides low interest mortgage funds for the acquisition and rehabilitation or new construction of rental apartment buildings for low and moderate income Minnesotans. This program may be used in conjunction with a variety of other sources of funds. This program is funded from federal tax-exempt bond proceeds.

- B. Assistance with home ownership opportunities is a second major component of the agency's efforts to straighten communities. High home ownership rates are perceived as a critical element of a community's stability. Many Minnesotans have sufficient income to make monthly mortgage payments but do not believe that home ownership is within their reach, lack the knowledge necessary to access financing, or have encountered other institutional barriers to obtaining home ownership financing. Others have purchased a home but have suffered a temporary financial setback that puts them at risk of losing their home.

There are 7 programs funded from non-state appropriated resources that assist in home ownership opportunities: 1) Entry Cost Homeownership Opportunity Program; 2) the Mortgage Revenue Bond programs; 3) Purchase Plus; 4) HOME-MURL; 5) Partnership in Affordable Housing Program; 6) the Home Stretch Home Buyer Training Program; and 7) The Innovative Housing Loan Program.

1. Entry Cost Homeownership Opportunity (ECHO) Program

ECHO encourages the development of community lending initiatives by private lenders in cooperation with community partners, such as local governments, nonprofit housing providers, and various advocacy groups. Interest free, deferred loan are provided to low-income home buyers who are unable to afford home ownership without assistance in meeting the entry costs. Lenders are required to contribute a portion of the loan through their own resources.

2. Mortgage Revenue Bond programs

The agency's mortgage revenue bond programs provide below market interest rate financing to low and moderate-income first time homebuyers throughout the state. Mortgage revenue bonds are tax exempt bonds sold under section 143 of the Internal Revenue Code of 1986. The low interest rate on the bonds enables the agency to provide below market interest rate mortgage loans. The programs are generally delivered in cooperation with private mortgage lenders throughout the state. A set-aside of mortgage revenue bond funds is available to lenders who are working in cooperation with local community groups to address homeownership needs within a particular community or neighborhood. MHFA also issues bonds on behalf of units of local government which receive an allocation of bonding authority. Local programs must meet certain income and house price limits and meet locally identified housing needs.

3. Purchase Plus

The Purchase Plus Program is a purchase/rehabilitation mortgage program that enable borrowers to raise the funds either to purchase and rehabilitate or refinance and rehabilitate existing housing with a single mortgage. This program is funded by the agency's recycled resources.

4. HOME-MURL

The Rural and Urban HOMEsteading Program is modeled as closely as possible to complement the state appropriated MURL program. It uses federal HOME block grant funds to provide grants to nonprofit housing providers or cities to acquire single family residences which are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first time low and moderate income home buyers who are defined as "at risk".

1998-99 Biennial Budget

**BUDGET ACTIVITY:** Strengthening Communities  
**PROGRAM:** Non-appropriated  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)  
(Continuation)

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5. **Partnership in Affordable Housing (PAH) Program**  
PAH is a partnership between the MHFA and nonprofit housing providers and lenders. MHFA provides below-market interest rate interim financing for the construction or rehabilitation of homes for ownership by lower income households.
  6. **Innovative Housing Loan Program**  
The Innovative Loan Program provides a pool of funds to be used for encouraged innovation in the development or rehabilitation of single or multi-family residential housing. The program provides interim financing to both for-profit and non-profit organizations for housing projects inviting innovations in construction methods, materials, equipment, design, marketing, financing, and other areas. Interim loans to non-profit organizations are interest-free.
  7. **Home Stretch Home Buyer Training Program**  
The Home Stretch Home Buyer Training Program provides materials and technical support to communities which want to provide home buyer training and counseling to potential home buyers. A common curriculum and materials is available. The agency works with communities to identify participants in and coordinators for home buyer training, trains local participants to effectively deliver these services and provides them with materials and support to assure their success. Since the program began in April, 1995, 83 program administrators have been trained to provide education and or counseling. Almost 1700 people have completed a workshop. 71 counties have Home Stretch classes and/or counseling available.
- C. The development of affordable housing is increasing in complexity. In order to achieve affordability, developers must obtain funding from multiple sources which often have separate funding conditions. Many communities in the state are hindered in their efforts to develop affordable by the lack of local expertise in housing development. The agency is committed to alleviating some of the complexities of developing affordable housing by consolidating programs whenever possible, simplifying the application process, and adhering to an established schedule for availability of funds.

The agency provides financial assistance in building housing capacity through the Nonprofit Capacity Building Revolving Loan program.

1. **Nonprofit Capacity Building Loan Program**  
The Nonprofit Capacity Building Revolving Loan program provides loans to nonprofit organizations and local units of government to assist them in efforts to develop housing projects for low and moderate income persons. Loans may be used for predevelopment costs such as architect fees, attorney's fees, options on land and buildings, and other costs associated with the processing or preparation of a housing project proposal.

- D. Since its inception, MHFA has financed 546 rental housing developments throughout the state. The preservation and continued long-term viability of agency-financed property is crucial to maintaining strong communities. MHFA is involved with the Interagency Stabilization Group, which consists of representatives from HUD, Family Housing Fund of Minneapolis and St. Paul, Local Initiatives Support Corporation, the McKnight Foundation, Minneapolis Community Development Agency, and the St. Paul Department of Planning and Economic Development. This group was formed to address the need for stabilization assistance for distressed multifamily developments. The agency's management staff works with owners and management agents to ensure that social, financial, and regulatory goals are achieved throughout the life of the development. The housing must be operated in a financially sound manner and maintained properly in order to provide decent and safe housing for the tenants. The Deferred Maintenance Program, the Multi-family Troubled Properties Operation Subsidies, and Youth Employment Incentives program are activities which help preserve agency financed affordable housing and are not funded by state appropriations.
1. **Deferred Maintenance Program**  
This program is used to fund the maintenance needs of MHFA-financed properties that have been deferred because the property did not adequately cash flow.
  2. **Multi-family Troubled Properties Operation Subsidies**  
This program provides funds for deferred maintenance and operating subsidies for MHFA-financed properties to allow the properties to continue to serve low and extremely low income families.
  3. **Youth Employment Incentives program**  
MHFA shares the salary expenses with MHFA-financed properties when the properties hire young persons living in or around the property to assist in general maintenance and light office work needed on the property. The youth must live in family whose income is \$28,000 or less. This program not only helps defray operational costs of the affordable rental property but also provides employment and training opportunities for the youth.

**BUDGET ISSUES:**

Since these activities are funded from non-state appropriated resources, there are no budget issues related to these activities.

**REVENUE:**

All of the loan activities generate dedicated revenues. Revenues earned under this activity support agency administrative expenses, fund new loans, or are pledged to the repayment of mortgage revenue bonds.

**GRANTS:**

The HOME-MURL program M.S. 462A.05, Subd. 11 and the Youth Employment Incentives program, M.S. 462A.05, Subd. 40 provide grants. See above for a description of these programs.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: NON-APPROPRIATED PROGRAMS  
ACTIVITY: STRENGTHENING COMMUNITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
OPERATING EXPENSES	16	37						
SUBTOTAL STATE OPERATIONS	16	37						
PAYMENTS TO INDIVIDUALS	1,432	1,752	1,752	1,752	1,752	1,752	1,752	1,752
LOCAL ASSISTANCE	6	721	721	721	721	721	721	721
OTHER EXPENSES	152	140	120	120	120			
<b>TOTAL EXPENDITURES</b>	<b>1,606</b>	<b>2,650</b>	<b>2,593</b>	<b>2,593</b>	<b>2,593</b>	<b>2,473</b>	<b>2,473</b>	<b>2,473</b>
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
HOUSING FINANCE AGENCY	1,606	2,650	2,593	2,593	2,593	2,473	2,473	2,473
<b>TOTAL EXPENDITURES</b>	<b>1,606</b>	<b>2,650</b>	<b>2,593</b>	<b>2,593</b>	<b>2,593</b>	<b>2,473</b>	<b>2,473</b>	<b>2,473</b>
<b>REVENUE COLLECTED:</b>								
<b>DEDICATED:</b>								
SPECIAL REVENUE	71	2						
HOUSING FINANCE AGENCY	1,606	2,650	2,593	2,593	2,593	2,473	2,473	2,473
<b>TOTAL REVENUES COLLECTED</b>	<b>1,677</b>	<b>2,652</b>	<b>2,593</b>	<b>2,593</b>	<b>2,593</b>	<b>2,473</b>	<b>2,473</b>	<b>2,473</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
<b>TOTAL FTE</b>								

## 1998-99 Biennial Budget

**PROGRAM:** Administrative Cost Ceiling  
**AGENCY:** Minnesota Housing Finance Agency (MHFA)

### PROGRAM DESCRIPTION:

The purpose of the administrative cost ceiling is to fund agency operations. On 6-30-96, total assets were \$2.72 billion, an increase of \$105 million over the previous year. Loans outstanding were \$1,745,734 and bonds payable were \$2,020,738.

In F.Y. 1996, mortgage loan purchases/originations were \$232 million. 80% of this amount is attributable to home ownership loans. The receipt of scheduled mortgage loan repayments of \$54 million increased from the previous year, as did mortgage loan prepayments.

During F.Y. 1996, the agency issued/remarketed 16 series of bonds aggregating \$736 million, an increase of \$279 million over the previous year. The increase is due primarily to the current refunding of certain of the Agency's Multifamily and Housing Development bonds with proceeds from the issuance of Rental Housing bonds, 1995 Series C-2 and 1995 Series D.

The responsibilities for loan portfolio management, investment and debt management, and property management continue to increase as the agency's portfolio grows. The agency plan includes an increase to the cost ceiling to allow an addition to staff of 14 full time employees over the course of the biennium.

### PROGRAM STATUS:

The following 3 factors drive the need for additional staff.

- The agency's portfolio of properties requiring management has grown as a result of previous appropriations. In order to protect the agency's investment in these properties, the agency must closely monitor the management and operation of the properties.
- The portfolio of federal housing tax credit units is growing by approximately 1200 units per year. Federal law requires that a portion of tax credit units be monitored every year which in terms means a slow but steady growth over the next 6 years in the number of staff required to comply with federal law requirements.
- MHFA is involved in a number of efforts to substantially simplify the housing financing system for development organizations by consolidating the processes for project selection, underwriting and monitoring with other public and private funders, including the Family Housing Fund, the Greater Minnesota Housing Fund, the Metropolitan Council, and the Minneapolis Public Housing Authority. Recognizing the agency's technical expertise, these funders are relying increasingly on the agency to provide underwriting and monitoring services. Current staff levels cannot support these additional responsibilities.

### PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 annual performance report as follows:

- MHFA consistently maintains its top tier rating with Standard and Poor's rating agency. This

performance is consistent with the annual performance report and requires a spending increase for additional accounting staff.

- To add to the stock of existing and permanent units of affordable housing. This performance is consistent with the annual performance report. As the number of affordable units funded by the Agency increases, additional staff is necessary to monitor the management and operations of the properties and to comply with federal tax credit monitoring requirements.

### BUDGET AND REVENUE SUMMARY:

The cost ceiling for F.Y. 1997 is \$9,911,000. The agency plan proposes increasing the cost ceiling to \$11,017,000 in F.Y. 1998 and \$11,678,000 in F.Y. 1999. This increase includes the addition of 14 additional staff, and also provides for documented rent increases, necessary hardware and software, and approved adjustments for inflationary operating expenses.

Any increase to the cost ceiling is paid through agency earnings, not state appropriations.

### GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET  
(DOLLARS IN THOUSANDS)

AGENCY: HOUSING FINANCE AGENCY  
PROGRAM: ADMINISTRATION  
ACTIVITY: ADMINISTRATIVE COST CEILING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
<b>EXPENDITURES:</b>								
<b>DETAIL BY CATEGORY:</b>								
<b>STATE OPERATIONS:</b>								
PERSONAL SERVICES	6,828	7,783	7,783	8,636	8,636	7,783	9,247	9,247
OPERATING EXPENSES	2,869	2,128	2,128	2,381	2,381	2,128	2,431	2,431
<b>SUBTOTAL STATE OPERATIONS</b>	<b>9,697</b>	<b>9,911</b>	<b>9,911</b>	<b>11,017</b>	<b>11,017</b>	<b>9,911</b>	<b>11,678</b>	<b>11,678</b>
<b>TOTAL EXPENDITURES</b>	<b>9,697</b>	<b>9,911</b>	<b>9,911</b>	<b>11,017</b>	<b>11,017</b>	<b>9,911</b>	<b>11,678</b>	<b>11,678</b>
<b>AGENCY PLAN ITEMS:</b>								
								<b>FUND</b>
NEW STAFF & ASSOCIATED COSTS				1,106			1,767	HFA
<b>TOTAL AGENCY PLAN ITEMS</b>				<b>1,106</b>			<b>1,767</b>	
<b>EXPENDITURES BY FUND:</b>								
<b>STATUTORY APPROPRIATIONS:</b>								
HOUSING FINANCE AGENCY	9,697	9,911	9,911	11,017	11,017	9,911	11,678	11,678
<b>TOTAL EXPENDITURES</b>	<b>9,697</b>	<b>9,911</b>	<b>9,911</b>	<b>11,017</b>	<b>11,017</b>	<b>9,911</b>	<b>11,678</b>	<b>11,678</b>
<b>FTE BY EMPLOYMENT TYPE:</b>								
REGULAR	151.9	170.5	170.5	184.5	184.5	170.5	184.5	184.5
TEMP/SEAS/PART_TIME	2.5							
OVERTIME	.2							
<b>TOTAL FTE</b>	<b>154.6</b>	<b>170.5</b>	<b>170.5</b>	<b>184.5</b>	<b>184.5</b>	<b>170.5</b>	<b>184.5</b>	<b>184.5</b>

