

2000-01 BIENNIAL BUDGET

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ECONOMIC DEVELOPMENT

Bill Summary - Economic Development

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The Governor's 2000-01 Biennial Budget can be viewed at
the Department of Finance's web site at:
<http://www.finance.state.mn.us/bis>

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2000-01 Biennial Budget
Bill Summary: Economic Development

Agencies in the Economic Development area of the budget regulate companies doing business in Minnesota, promote the development of quality jobs, assist workers to locate and secure employment, provide access to housing, and preserve the culture of our community.

Economic Develop Funding (\$000s)	1998-99 Biennium			
	General Fund	% of Total	All Funds	% of Total
Economic Security Dept	83,962	26.26	477,470	26.79
Trade & Econ Development Dept	111,462	34.86	363,272	20.39
Housing Finance Agency	0	0.00	285,073	16.00
Labor And Industry Dept	7,958	2.49	272,323	15.28
Commerce Dept	28,776	9.00	124,122	6.97
Iron Range Resources & Rehab	0	0.00	91,180	5.12
Historical Society	47,433	14.84	63,367	3.56
Public Service Dept	17,033	5.33	34,375	1.93
Minnesota Technology Inc	3,864	1.21	29,384	1.65
Public Utilities Comm	7,534	2.36	12,167	0.68
All Other	11,697	3.66	29,311	1.65
Total	319,719		1,782,044	

2000-01 Biennium			
General Fund	% of Total	All Funds	% of Total
73,471	19.04	462,196	28.41
73,056	18.93	260,836	16.03
90,614	23.48	314,910	19.35
7,814	2.02	226,049	13.89
33,676	8.73	103,509	6.36
1,336	0.35	84,450	5.19
50,334	13.04	66,470	4.09
21,074	5.46	41,356	2.54
16,210	4.20	23,737	1.46
7,661	1.98	12,755	0.78
10,699	2.77	30,829	1.89
385,945		1,627,097	

2000-01 Biennial Budget
Bill Summary: Economic Development
(Continued)

Base Adjustments by Category	F.Y. 2000		F.Y. 2001	
	General Fund	All Funds	General Fund	All Funds
Attorney General Costs	0	16	0	32
New Programs to Agency Base	861	861	787	787
Biennial Appropriations	9,581	10,281	9,295	9,995
Capital Project Operating Costs	23	23	23	23
One-Time Appropriations	(12,626)	(28,278)	(12,626)	(28,278)
Open Appr. Forecast Adj.	633	(19,920)	817	(22,492)
Doc. Space Rental/Lease	387	689	500	855
Small Agency Operational Expense	45	51	83	96
Statewide Administration Systems	62	103	62	103
2000-01 Salary & Benefit Base	1,607	2,088	3,266	4,241
Program/Agency Sunset	(161)	(161)	(327)	(327)
System Development Cost	0	(659)	0	(659)
Transfers Between Agencies	(200)	(2,329)	(200)	(2,329)
Uniform Pension Bill Red.	(57)	(57)	(57)	(57)
Totals	155	(37,292)	1,623	(38,010)

Note: Individual base adjustments may be positive or negative depending on the item and adjustment category; all category amounts shown here are net figures.

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: Trade and Economic Development, Department of

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PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS

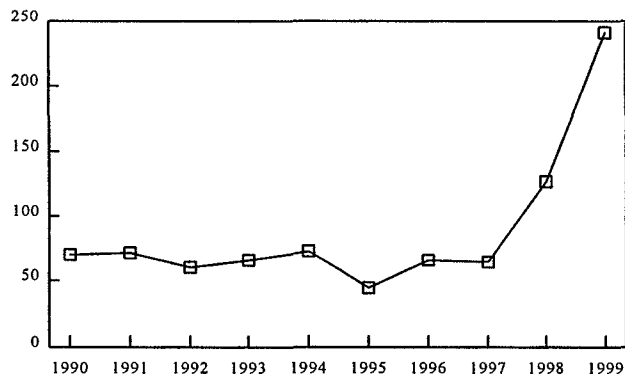
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**2000-01 Biennial Budget
Agency Executive Summary**

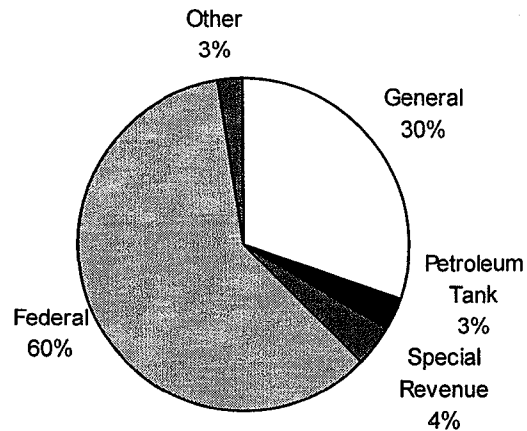
AGENCY: Trade and Economic Development, Department of (DTED)
(Continuation)

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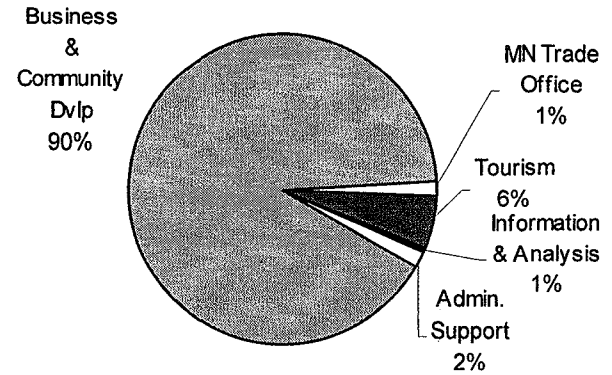
Total Budget - All Funds



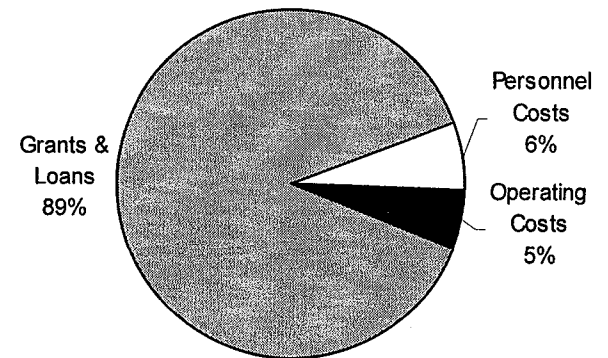
**F.Y. 1998-99 Expenditures by Fund
Total \$363 million**



**F.Y. 1998-99 Expenditures by Program
Total \$363 million**



**F.Y. 1998-99 Expenditures by Category
Total \$363 million**



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
BUSINESS & COMMUNITY DEVELOPME	47,827	106,764	222,455	116,729	113,599	110,919	107,564	(108,056)	-32.8%
MN TRADE OFFICE	2,413	2,374	2,617	2,429	2,429	2,472	2,472	(90)	-1.8%
TOURISM	8,936	10,057	10,348	9,702	12,202	9,732	12,232	4,029	19.7%
INFORMATION & ANALYSIS	1,329	1,224	1,503	1,415	1,415	1,450	1,450	138	5.1%
ADMINISTRATIVE SUPPORT	3,292	2,510	3,420	3,277	4,151	3,322	3,322	1,543	26.0%
Total Expenditures	63,797	122,929	240,343	133,552	133,796	127,895	127,040	(102,436)	-28.2%

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	32,333	55,159	55,049	36,125	36,384	36,422	35,807		
MINNESOTA RESOURCES	0	0	0	0	225	0	0		
PETROLEUM TANK RELEASE CLEANUP	0	1,000	0	0	0	0	0		
TRUNK HIGHWAY	689	706	723	745	745	766	766		
TRANSPORTATION REVOLVING FUND	0	0	1,570	0	0	0	0		
ENVIRONMENTAL	0	350	1,050	700	700	700	700		
GIFT	3	0	0	0	0	0	0		
OPEN APPROPRIATIONS:									
GENERAL	297	361	414	414	174	414	174		
PETROLEUM TANK RELEASE CLEANUP	0	325	200	200	200	0	0		
STATUTORY APPROPRIATIONS:									
GENERAL	228	151	328	258	258	259	259		
PETROLEUM TANK RELEASE CLEANUP	0	3,966	6,200	6,200	6,200	6,200	6,200		
SPECIAL REVENUE	4,621	5,666	9,326	5,874	5,874	6,023	6,023		
FEDERAL	25,559	55,245	165,467	83,036	83,036	77,111	77,111		
GIFT	67	0	16	0	0	0	0		
Total Financing	63,797	122,929	240,343	133,552	133,796	127,895	127,040		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	175.5	189.2	203.0	203.0	203.0	203.8	203.8
PART-TIME, SEASONAL, LABOR SER	31.5	34.2	33.7	33.7	33.7	33.7	33.7
OVERTIME PAY	0.5	0.4	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	207.5	223.8	237.5	237.5	237.5	238.3	238.3

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

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

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$35,840	\$35,840	\$71,680
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(2,860)	(2,860)	(5,720)
Biennial Appropriations	3,050	3,050	6,100
Transfer between Agencies	(200)	(200)	(400)
2000-01 Salary & Benefit	289	586	875
Uniform Pension Bill Reduction	(13)	(13)	(26)
Statewide Administration System	<u>19</u>	<u>19</u>	<u>38</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$36,125	\$36,422	\$72,547
<u>CHANGE ITEMS</u>			
Journey 2000	874	-0-	874
Tourism Marketing	2,500	2,500	5,000
Pass Through Grant Reduction	<u>(3,115)</u>	<u>(3,115)</u>	<u>(6,730)</u>
GOVERNOR'S RECOMMENDATION	\$36,384	\$35,807	\$72,191

Brief Explanation of Budget Decisions:

- The department will spend approximately \$20 million annually, almost 54% of the base budget for grants to cities, counties, and non-profit organizations.
- The remaining 46% of state operations funding pays for the core functions of the agency. This includes support for non-general funded activities. This excludes most federal funded activities.
- The base adjustment for biennial appropriations includes a biennial increase of \$5.6 million for contaminated site cleanup and \$500,000 for Microenterprise Technical Assistance.

- The base adjustment for one time appropriations includes a biennial decrease of \$200,000 for the China Trade Initiative, \$4.0 million for the Minnesota Investment Fund, \$1.0 million for the Biomass Energy Project, \$160,000 for the Metro Foreign Trade Zones, \$160,000 for the Neighborhood Development Center, and \$200,000 for the New Brighton Coalition.
- The Transfer Between Agency base adjustment is a \$200,000 transfer to the Minnesota Pollution Control Agency for wastewater treatment grants.
- Budget guidelines provided for a salary and benefit base increase, a statewide administration system increase, and a uniform pension bill base decrease.
- The department also receives a statutory appropriation of \$240,000 per year for the Job Creation Incentive Grant program and an open appropriation for the Mortgage Credit Certificate Aid program.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$2,500,000 per year for the Office of Tourism to expand consumer marketing, research and partnerships.

The Governor recommends a one-time appropriation of \$874,000 in F.Y. 2000 for the Journey travel destination systems, to be matched at least 1:1 by private resources.

The Governor recommends the sunset of the \$240,000/year statutory appropriation for Incentive Grants contained in M.S. 469.305-31.

The Governor recommends an annual reduction of \$3,115,000 for 10 pass-through grants.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

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

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$723	\$723	\$1,446
<u>BASE ADJUSTMENT</u>			
Statewide Administration System	1	1	2
2000-01 Salary and Benefit	<u>21</u>	<u>42</u>	<u>63</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$745	\$766	\$1,511
<u>CHANGE ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$745	\$766	\$1,511

Brief Explanation of Budget Decisions:

No changes.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

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

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$-0-	\$-0-	\$-0-
<u>BASE ADJUSTMENT</u>			
Biennial Appropriation	<u>700</u>	<u>700</u>	<u>1,400</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$700	\$700	\$1,400
<u>CHANGE ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$700	\$700	\$1,400

Brief Explanation of Budget Decisions:

- The Laws of 1997, Chapter 246, Section 7 made a biennial appropriation of \$1.4 million from the Motor Vehicle Transfer (Environmental) Fund.

**2000-01 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 repayment and PFA organizational fees (as an offset to the General Fund appropriation).

Grants from the federal government represent about \$80,000,000/year from various agencies.

F.Y. 1999 federal budget is larger due to the timing of the beginning of a new program (Drinking Water). Two years of receipts are reflected here.

FORECAST BASIS:

DTED is expecting revenues to remain similar to 1999.

CHANGE ITEMS:

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
GENERAL	400	524	567	551	551	565	565	25	2.3%
CAMBRIDGE DEPOSIT FUND	8	2	2	2	2	2	2	0	.0%
OTHER REVENUES:									
GENERAL	2,112	2,811	1,038	1,038	1,038	1,038	1,038	(1,773)	-46.1%
OTHER SOURCES:									
GENERAL	299	542	256	256	256	256	256	(286)	-35.8%
PETROLEUM TANK RELEASE CLEANUP	0	12	10	10	10	10	10	(2)	-9.1%
TAXES:									
GENERAL	0	3	0	0	0	0	0	(3)	-100.0%
Total Non-Dedicated Receipts	2,819	3,894	1,873	1,857	1,857	1,871	1,871	(2,039)	-35.4%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	704	1,130	1,361	1,365	1,365	1,370	1,370	244	9.8%
GRANTS:									
GENERAL	0	151	25	25	25	25	25	(126)	-71.6%
SPECIAL REVENUE	156	40	40	40	40	40	40	0	.0%
FEDERAL	25,550	55,498	165,225	83,036	83,036	77,111	77,111	(60,576)	-27.4%
OTHER REVENUES:									
GENERAL	80	401	0	0	0	0	0	(401)	-100.0%
SPECIAL REVENUE	1,787	1,721	1,617	1,682	1,682	1,684	1,684	28	.8%
TRANSPORTATION REVOLVING FUND	0	0	70	0	0	0	0	(70)	-100.0%
FEDERAL	0	0	101	0	0	0	0	(101)	-100.0%
GIFT	75	0	0	0	0	0	0	0	
OTHER SOURCES:									
SPECIAL REVENUE	2,763	2,152	1,968	2,153	2,153	2,360	2,360	393	9.5%
Total Dedicated Receipts	31,115	61,093	170,407	88,301	88,301	82,590	82,590	(60,609)	-26.2%
Agency Total Revenues	33,934	64,987	172,280	90,158	90,158	84,461	84,461	(62,648)	-26.4%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

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

USEPA Clean Water SRF Program/Hardship Grants:

Importance

Wastewater, like drinking water, is a basic service to residents and business statewide. Without adequate treatment at affordable cost, the state would be forced to shut down business. Without wastewater treatment capacity, businesses could not expand in Minnesota.

Federal hardship grants may be provided to small, unserved communities meeting federal per capital income and unemployment criteria.

USEPA Safe Drinking Water SRF Program

Importance

Clean, safe 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 1930s. It is critical to upgrade these water systems to meet EPA and other standards for quality water systems. Funds will also be used for improving the operation, training and viability of statewide water systems.

Future Funding

The program has been authorized by the EPA through 2003.

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.

USHUD-Small Cities Community Development Block Grant Program

Importance:

The Federal 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:

Program funding has changed by less than 1% in the past year. Program guidelines change continuously.

Future Funding:

There is conflicting information regarding the amount of federal funds that will be devoted to the maintenance of the status quo. The worst case scenario is a 30% cut over 5 years. The best case is maintenance of the status quo. No information suggests a funding increase.

USSBA-Small Business Development Centers

Importance:

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 9 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

**2000-2001 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

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

not be able to provide the assistance that helps small Minnesota companies achieve these results.

Significant Changes:

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.

Future Funding:

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 ratio 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.

**2000-2001 Biennial Budget
Federal Funds Summary (Cont.)
(\$ in Thousands)**

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

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
USEPA Clean Water SRF	Yes	Loans Pol Subdiv	0	35,703	24,750	24,750
USEPA Federal Hardship Grants**	Yes	Grants Pol Subdiv	0	0	1,200	0
USEPA Drinking Water SRF	Yes	Loans Pol Subdiv	27	56,926	13,617	13,618
FHA State Infrastructure Bank (SIB)*	Yes	Loans Pol Subdiv	0	3,326	198	119
USDOA-MN Rural Partners	No	SO	109	121	110	115
USHUD Small Cities Comm Dev Black Grant Program	Yes	Grants Pol Subdiv	53,677	67,984	41,823	37,171
USSBA - Small Business Development Centers	Yes	State Op/Grts PS	1,432	1,407	1,338	1,338
Agency Total			55,245	165,467	83,036	77,111

KEY:

SO - State Operations

GPS - Grants to Political Subdivisions

GI - Grants to Individuals

* \$47 million at discretion of the Commissioner of MnDOT and State Matching Funds

** One-time appropriation

2000-01 Biennial Budget

PROGRAM: Business and Community Development

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

PROGRAM: The financing programs and technical 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 on facilitating quality job creation and retention by Minnesota companies through 5 program areas:

Business Development and Finance programs include the Minnesota Investment Fund, the Agricultural and Economic Development Boards tax exempt Revenue Bond Program, the Capital Access Program and the Tourism Loan Program. The office also maintains a marketing unit, including 3 marketing offices located in Duluth, Bemidji and Mankato, providing outreach and first point of contact services to communities and businesses for all BCD programs and services. Staff representing this area work in partnership with other economic development organizations to expand Minnesota's economic base and create high-quality jobs.

Minnesota Jobs Skills Partnership (MJSP) provides training grants through state higher education institutions to assist businesses with customized training needs. MJSP's purpose is to assist the state's educational institutions to be more responsive to business needs; to enable Minnesota citizens to be economically self-sufficient; and to improve the workforce and thus, the economic viability of Minnesota's businesses and communities. The MJSP program provides custom education that helps Minnesota businesses increase their productivity and remain competitive with a limited workforce. The workforce benefits from higher skills and compensation.

Community Development Programs include financing for critical infrastructure, primarily sewer and water, commercial rehabilitation, and the rehabilitation and development of housing. Funds for these activities are received from the federally funded Small Cities Development Program. The office also administers Contaminated Site Cleanup Grants, Redevelopment Grants, Community Resource Program Grants, Border City Enterprise Zone tax credits, and Mortgage Credit Certificate Aid Grants. The Minnesota Public Facilities Authority (PFA) manages a revenue bond pool to finance wastewater and drinking water projects originally capitalized through grants from the federal Environmental Protection Agency. The PFA coordinates closely with the Pollution Control Agency and the Minnesota Department of Health on these programs. The PFA is implementing a Transporta-

tion Revolving Loan Fund that is capitalized with federal and state funds.

Small Business Assistance Office serves as point of first, and continuing, contact for businesses that are starting, operating and expanding in Minnesota. The office provides "one-stop" information on business planning, financing, marketing, licensing and regulatory questions. The office also produces publications on a variety of topics on doing business in Minnesota, and administers, under federal law, the Small Business Development Centers at 20 locations around the state.

The Office of Professional and Technical Resources (PTR) provides development organizations and professionals with technical assistance and financial resources to stimulate economic investment and create opportunities for local growth. PTR administers the web-based Community Profile System and Property Tracking System. Financial resources administered by PTR include the Urban Initiative Program, the Rural Challenge Grant Program, the Microenterprise Assistance Program, and the Youth Entrepreneurship Program. PTR also administers special appropriations that assist regional and local organizations with economic development activities.

FINANCING INFORMATION:

	<u>Dollars in Thousands</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
	<u>BASE</u>	<u>BASE</u>
Busines and Comm Development		
General Fund-Direct Appropriated		
Operating	\$3,342	\$3,432
Pass-Through:		
Minnesota Investment Fund	4,017	4,017
Advantage Minnesota	450	450
Job Skills Partnership	5,918	5,918
Pathways	2,000	2,000
City and District Ag Soc and Associates	95	95
Tech Asst-Microenterprise	250	250
PFA Operating	537	537
Rural Policy and Development Center	250	250
MEDA	155	155
WomenVenture	265	265
St Paul Rehab Center	500	500
Hennepin and Ramsey County CDC's	100	100
CDCs	50	50
Community Resources	1,000	1,000
Contaminated Site	2,800	2,800
TOTAL	<u>\$21,729</u>	<u>\$21,819</u>

2000-01 Biennial Budget

PROGRAM: Business and Community Development

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

GOVERNOR'S RECOMMENDATION:

The Governor recommends the sunset of the \$240,000/year statutory appropriation for Incentive Grants contained in M.S. 469.305-31.

The Governor recommends an annual reduction of \$3,115,000 for 10 pass-through grants.

The Governor makes no recommendation regarding the LCMR projects put forward by the Department of Trade and Economic Development.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: BUSINESS & COMMUNITY DEVELOPME

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
PROF & TECHNICAL RESOURCES	3,524	4,781	4,423	4,267	3,547	4,456	3,736	(1,921)	-20.9%
BUSINESS DEVELOP & FINANCE	8,902	15,182	16,807	6,799	6,109	6,604	5,914	(19,966)	-62.4%
COMMUNITY DEVELOPMENT	29,997	77,727	188,967	94,960	93,240	89,090	87,145	(86,309)	-32.4%
SMALL BUSINESS ASSISTANCE	2,194	2,356	2,439	2,314	2,314	2,319	2,319	(162)	-3.4%
MINN JOB SKILLS PARTNERSHIP	2,311	6,456	8,880	7,924	7,924	7,931	7,931	519	3.4%
PROGRAM SUPPORT	899	262	939	465	465	519	519	(217)	-18.1%
Total Expenditures	47,827	106,764	222,455	116,729	113,599	110,919	107,564	(108,056)	-32.8%

CHANGE ITEMS:	FUND				
(P) PASS THRU GRANTS REDUCTION	GEN			(3,115)	(3,115)
(B) INCENTIVE GRANT SUNSET	GEN			(240)	(240)
(B) VIRGINIA STORM SEWER PROJECT	MNR			225	
Total Change Items				(3,130)	(3,355)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	18,072	41,082	39,849	21,729	18,614	21,819	18,704
MINNESOTA RESOURCES	0	0	0	0	225	0	0
PETROLEUM TANK RELEASE CLEANUP	0	1,000	0	0	0	0	0
TRANSPORTATION REVOLVING FUND	0	0	1,570	0	0	0	0
ENVIRONMENTAL	0	350	1,050	700	700	700	700
OPEN APPROPRIATIONS:							
GENERAL	297	361	414	414	174	414	174
PETROLEUM TANK RELEASE CLEANUP	0	325	200	200	200	0	0
STATUTORY APPROPRIATIONS:							
GENERAL	228	151	328	258	258	259	259
PETROLEUM TANK RELEASE CLEANUP	0	3,966	6,200	6,200	6,200	6,200	6,200
SPECIAL REVENUE	3,685	4,284	7,366	4,192	4,192	4,416	4,416
FEDERAL	25,500	55,245	165,467	83,036	83,036	77,111	77,111
GIFT	45	0	11	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: BUSINESS & COMMUNITY DEVELOPME

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Financing	47,827	106,764	222,455	116,729	113,599	110,919	107,564

FTE BY EMPLOYMENT TYPE:							
FULL TIME	55.2	61.6	70.3	70.3	70.3	71.1	71.1
PART-TIME, SEASONAL, LABOR SER	2.9	4.7	4.8	4.8	4.8	4.8	4.8
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	58.2	66.3	75.1	75.1	75.1	75.9	75.9

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Trade and Economic Development
PROGRAM: Business and Community Development

ITEM TITLE: Pass Through Grant Reduction

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$(3,115)	\$(3,115)	\$(3,115)	\$(3,115)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in pass through grants to Advantage Minnesota (\$450,000), county and district agricultural societies (\$95,000), micro enterprise technical assistance (\$250,000), Rural Policy Center (\$250,000), MEDA (\$155,000), Women Venture (\$265,000), St. Paul Rehabilitation Center (\$500,000), Hennepin and Ramsey County CDCs (\$100,000), community development corporations (\$50,000), and the Community Resources Program (\$1,000,000).

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. The work effort of these organizations is not without merit. However, the Governor recommends these resources be spent on higher priorities.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Minnesota Job Skills Partnership Program (M.S. 1161)

Programs of the Minnesota Job Skills Partnership (MJSP) exist to assist Minnesota businesses, in partnership with educators and communities, meet their changing labor needs by providing information, technical assistance and grants. Grant assistance is provided for the development of training and educational programs. The state has an interest in ensuring that its educational systems have the capacity to respond to business labor needs and that its citizens have education and training assistance available to assist them in obtaining quality jobs.

The programs administered by the MJSP include the Minnesota Job Skills Partnership Program, the Pathways Program, and the Hire Education Loan Program (HELP).

MJSP grants, which must be matched by business contributions, are awarded to educational institutions to provide business or industry specific training that will enable Minnesota business to be more economically viable, workers to be more economically self sufficient, and Minnesota educational institutions to be more responsive to the needs of business.

The Pathways Program grant program was created to assist Minnesota businesses in employing persons making the transition from welfare to work. It is a matching grant program that requires demonstration of career ladders and educational pathways.

The HELP is a zero interest loan program to businesses to assist them in training or retraining their workforce. The program is intended to assist companies in training current and prospective employees. It also promotes cost effective job training by requiring a competitive bid process from prospective training providers.

The MJSP is governed by an 11-member board including the commissioners of DTED and the Department of Economic Security (DES), and the Chancellor of the MnSCU system. The MJSP was originally created to directly serve business

retraining needs. Currently, the MJSP has served as part of the state's response to business labor shortages.

STRATEGIES AND PERFORMANCE:

The Partnership Program anticipated that during the F.Y. 1998-99 biennium that the program would:

- Serve approximately 210 businesses resulting in around 10,000 trainees being trained at an average cost of about \$750 per trainee.
- Fund about 25 projects and generate \$12 million in business match resulting in 8-16 new certificate, degree or diploma programs being developed and delivered by Minnesota educational institutions.

Results, thus far, are as follows:

- The Partnership has served approximately 100 businesses training over 17,000 persons.
- Over \$25 million in business match has been generated by 55 projects.
- Ten new certificate, degree, or diploma programs are being developed by Minnesota educational institutions.

During the F.Y. 1998-99 biennium it was expected of the Pathways Programs that:

- approximately 1,500 to 3,000 persons on public assistance would be served by the project at a cost of \$1,000- \$1,500 per person;
- the Pathways Programs would provide 20 matching grants serving 20 companies;
- over \$3.5 million dollars in business match would be generated.

Results, thus far this biennium, are as follows:

- Thirteen grants provided, serving over 2,100 persons.
- Over 30 companies are providing in excess of \$2.5 million in matching contributions
- Cost per trainee is less than \$1,350 per person.

HELP Loan Program Performance:

The HELP Loan Program is expected to become operational in F.Y. 1999. It is expected to make at least 1 loan before 6-30-99.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: MINN JOB SKILLS PARTNERSHIP

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	160	208	365	371	371	378	378	176	30.7%
OPERATING EXPENSES	29	69	153	87	87	87	87	(48)	-21.6%
SUBTOTAL STATE OPERATIONS	189	277	518	458	458	465	465	128	16.1%
LOCAL ASSISTANCE	2,122	6,179	8,362	7,466	7,466	7,466	7,466	391	2.7%
Total Expenditures	2,311	6,456	8,880	7,924	7,924	7,931	7,931	519	3.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,311	6,456	8,880	7,924	7,924	7,931	7,931		
Total Financing	2,311	6,456	8,880	7,924	7,924	7,931	7,931		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.0	3.9	6.0	6.0	6.0	6.0	6.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.7	1.4	1.4	1.4	1.4	1.4		
Total Full-Time Equivalent	3.4	4.6	7.4	7.4	7.4	7.4	7.4		

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Small Business Assistance Office seeks to facilitate the creation 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 12 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), topics specific to particular industries (e.g., products liability for medical device manufacturers) and topics specific to business circumstances (e.g., the new European currency).
- 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 ongoing updates of materials and services provided by the program.

STRATEGIES AND PERFORMANCE:

The department leverages both information and financial resources through collaborative efforts with the private bar and through receipt of \$1.6 million yearly from the U.S. Small Business Administration. Private law firms contribute, *pro*

bono, their expertise in content of some of the current publications and also join with the department to conduct topic-related workshops, also *pro bono*. For F.Y. 1999 and F.Y. 2000, approximately 37,000 hours of counseling to business clients will be provided through the department and the Small Business Development Centers (SBDC). Counseling service is evaluated by improvements in the business operations due to the program. In that same period, the department expects to distribute in excess of 110,000 copies of its publications provided on request.

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 20 SBDC funded in part by the federal government pursuant to 15 U.S.C. 638. These federal funds total \$1.6 million yearly, which are matched dollar-for-dollar by a combination of appropriation to DTED and instructional funds from the academic institutions housing the centers. The ability of academic institutions to provide this match is a recurring issue.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: SMALL BUSINESS ASSISTANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	460	497	516	521	521	526	526	34	3.4%
OPERATING EXPENSES	243	208	276	215	215	215	215	(54)	-11.2%
SUBTOTAL STATE OPERATIONS	703	705	792	736	736	741	741	(20)	-1.3%
LOCAL ASSISTANCE	1,491	1,651	1,647	1,578	1,578	1,578	1,578	(142)	-4.3%
Total Expenditures	2,194	2,356	2,439	2,314	2,314	2,319	2,319	(162)	-3.4%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	1,016	924	1,032	976	976	981	981		
STATUTORY APPROPRIATIONS:									
FEDERAL	1,178	1,432	1,407	1,338	1,338	1,338	1,338		
Total Financing	2,194	2,356	2,439	2,314	2,314	2,319	2,319		
REVENUE COLLECTED:									
DEDICATED									
FEDERAL	1,178	1,432	1,407	1,338	1,338	1,338	1,338		
Total Revenues Collected	1,178	1,432	1,407	1,338	1,338	1,338	1,338		
FTE BY EMPLOYMENT TYPE:									
FULL TIME	8.2	8.4	9.0	9.0	9.0	9.0	9.0		
PART-TIME, SEASONAL, LABOR SER	0.3	0.4	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	8.5	8.8	9.0	9.0	9.0	9.0	9.0		

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2000-01 Biennial Budget

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

ACTIVITY PROFILE:

This activity facilitates job creation and economic growth by providing financing to local units of government for wastewater treatment, drinking water, storm water systems, contamination cleanup, site clearance, housing rehabilitation and development, and commercial rehabilitation.

It also assists communities with critical, expensive development needs which help support economic growth. Program funds are designed to fill gaps between the cost of individual projects and the amount local residents and businesses can afford to pay for the project. Funds for this activity are received from the federal government through the Environmental Protection Agency and the Department of Housing and Urban Development, the state general fund and state bond proceeds.

STRATEGIES AND PERFORMANCE:

The program financially assists local governments and local development agencies for capital improvement projects as the strategy to address the issues described above.

Performance Summary: Identified below are output measures for the various activities described in this Program.

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of Wastewater Systems Financed	53	43	43	43
Number of Water Systems Financed	7	98	68	38
Number of Contaminated Sites Cleaned	18	18	18	18
Number of Houses Rehabilitated	858	800	800	800
Number of Commercial Bldgs	69	100	100	100

Grants Summary:

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.

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

Congress appropriated a total of \$71,567,909 to the state of Minnesota in response to the 1997 flood.

Contaminated Site Cleanup Program (M.S. 116J.551)

The Contaminated Site Cleanup Grant Program provides grants to clean up soil and groundwater contamination.

Community Resource Program (M.S. 466.01)

The Community Resource Program provides grants to Minneapolis, St. Paul and Duluth.

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 also include the Border City Enterprise Zone Program and the Review of County Capital Improvement Programs (no state dollars).

Public Facilities Authority (M.S. 466A)

The Public Facilities Authority (PFA) manages financing programs that provide financial assistance to state agencies, local units of government, and businesses to improve infrastructure related to water quality, drinking water and transportation.

The following summarizes the funds and programs of the Authority:

■ *Water Pollution Control Revolving Fund (M.S. 446A.07)*

The fund can be used to finance water quality improvement projects. Although designed and intended primarily for wastewater treatment projects, it has been expanded to address a variety of nonpoint source pollution problems. Equity for the fund is provided by Federal Capitalization Grant and state matching funds (\$1 state for every \$5 federal).

- The PFA has provided money to other state agencies for 4 different programs. The Department of Agriculture manages the *Agriculture Best Management Program*, the Pollution Control Agency manages *Clean Water Partnership Loan Program* and DTED manages the *Tourism Septic System Loan Program* and *Small Cities Development Loan Program*.

2000-01 Biennial Budget

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

- *Drinking Water Revolving Fund (M.S. 446A.81)*
The PFA has authorized 168 different projects to proceed for over \$140 million with their funding request in F.Y. 1999 using a combination of federal capitalization grants (\$58 million), \$13 million in state matching funds and up to \$70 million in revenue bond proceeds.
- The PFA provides the federal funding to the Department of Health for Technical Assistance to Small Systems, Public Water Supply Supervision Program, Source Water Protection Programs, Technical Capacity Development, as well as source water protection assessment and well head protection programs necessary to comply with the Safe Drinking Water Act.
- *The Transportation Revolving Loan Fund (M.S. 446A.085)*
This fund was established in 1997 in response to the Federal Highway Administration's "State Infrastructure Bank" funding. The fund has been granted \$3.9 million from the federal government and \$1.5 million state matching funds (targeted to transit projects).
- *Wastewater Infrastructure Funding*
This program provides grants to reduce the principle amount of loans provided to municipalities for the construction of wastewater projects.

LCMR RECOMMENDATION:

- *City of Virginia - Pass-Through.*

The LCMR recommends a one-time pass-through grant of \$225,000 in F.Y. 2000 out of the Minnesota Resources Fund be made to the city of Virginia for a storm sewer project.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: COMMUNITY DEVELOPMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,065	1,389	1,663	1,648	1,648	1,661	1,661	257	8.4%
OPERATING EXPENSES	522	439	877	595	595	573	573	(148)	-11.2%
OTHER EXPENSES	0	3,000	76,068	33,849	33,849	37,223	37,223	(7,996)	-10.1%
SUBTOTAL STATE OPERATIONS	1,587	4,828	78,608	36,092	36,092	39,457	39,457	(7,887)	-9.5%
LOCAL ASSISTANCE	28,410	72,899	110,359	58,868	57,148	49,633	47,688	(78,422)	-42.8%
Total Expenditures	29,997	77,727	188,967	94,960	93,240	89,090	87,145	(86,309)	-32.4%

CHANGE ITEMS:	FUND				
(P) PASS THRU GRANTS REDUCTION	GEN			(1,945)	(1,945)
(B) VIRGINIA STORM SEWER PROJECT	MNR			225	
Total Change Items				(1,720)	(1,945)

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	5,435	18,586	12,918	5,747	3,802	5,771	3,826		
MINNESOTA RESOURCES	0	0	0	0	225	0	0		
PETROLEUM TANK RELEASE CLEANUP	0	1,000	0	0	0	0	0		
TRANSPORTATION REVOLVING FUND	0	0	1,570	0	0	0	0		
ENVIRONMENTAL	0	350	1,050	700	700	700	700		
OPEN APPROPRIATIONS:									
GENERAL	74	121	174	174	174	174	174		
STATUTORY APPROPRIATIONS:									
GENERAL	228	0	259	233	233	234	234		
PETROLEUM TANK RELEASE CLEANUP	0	3,966	6,200	6,200	6,200	6,200	6,200		
SPECIAL REVENUE	0	0	2,857	318	318	353	353		
FEDERAL	24,215	53,704	163,939	81,588	81,588	75,658	75,658		
GIFT	45	0	0	0	0	0	0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: COMMUNITY DEVELOPMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Financing	29,997	77,727	188,967	94,960	93,240	89,090	87,145
REVENUE COLLECTED:							
DEDICATED							
SPECIAL REVENUE	627	101	115	418	418	453	453
TRANSPORTATION REVOLVING FUND	0	0	70	0	0	0	0
FEDERAL	24,211	53,957	163,798	79,338	79,338	74,658	74,658
GIFT	45	0	0	0	0	0	0
NONDEDICATED							
GENERAL	400	524	567	551	551	565	565
Total Revenues Collected	25,283	54,582	164,550	80,307	80,307	75,676	75,676
FTE BY EMPLOYMENT TYPE:							
FULL TIME	19.1	22.9	27.7	27.7	27.7	27.7	27.7
PART-TIME, SEASONAL, LABOR SER	0.5	1.9	2.0	2.0	2.0	2.0	2.0
Total Full-Time Equivalent	19.6	24.8	29.7	29.7	29.7	29.7	29.7

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2000-01 Biennial Budget

BUDGET ACTIVITY: Professional and Technical Resources
PROGRAM: Business and Community Development (BCD)
AGENCY: Trade and Economic Development, Department of (DTED)

ACTIVITY PROFILE:

This activity employs financial resources and technical assistance to help facilitate job creation and economic growth. Specifically, it provides financing to businesses, professional training and resources for economic development practitioners, and automated information to promote community resources.

This activity partners with local and regional organizations to deliver technical assistance and financial resources efficiently and cost effectively to businesses and local development organizations that aim to stimulate quality job creation and private investment.

The need to assist minority owned and operated businesses, provide job opportunities for low income individuals and areas of the state, encourage private investment, and promote economic development activities led to the creation of this activity and continue to serve as the public goals this activity seeks to achieve. By building local capacity and partnering with local resources, the burden on state government is reduced. In turn, the communities are empowered to take advantage of local resources and effectively seek business investment and job growth opportunities that will help diversify their economic base and assure long term viability.

STRATEGIES AND PERFORMANCE:

The activity uses financial assistance to regional and local development organizations for business financing, and technical programs and tools to help build the capacity of economic development practitioners and address local economic development policies and issues.

Performance Summary: Identified below are the output measures for the various activities described in this activity. Applicable outcome statements follow the table.

	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Number of Jobs Created by Financed Projects	850	680	560	500
Number of Loans Made	100	90	72	65
Amount of Dollars Invested (millions)	\$3.1	\$2.8	\$2.1	\$1.8
Amount of Leveraged Investment (millions)	\$26.6	\$22.0	\$15.8	\$13.8
Number of Training Participants	961	1,000	1,000	1,000
Number of Completed Community Profiles	340	360	400	425
Number of Property Listings	300	400	650	800

Rural Challenge Grant Program (M.S. 116N)

The Rural Challenge Grant Program helps provide job 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 state appropriation and matched by the same level of funding from the McKnight Foundation.

Urban Challenge Grant Program (M.S. 116M)

The Urban Initiative Fund assists minority owned and operated businesses and others that will create jobs in low income areas of the Twin Cities. The program was created by the Minnesota Legislature in 1993 with a \$6,000,000 appropriation and is matched with funds provided by 14 certified non-profit organizations.

Microenterprise Assistance Program (M.S. 116J.8745)

The Microenterprise Assistance Program provides technical assistance grants to individuals throughout the state with entrepreneurial plans. The program was created by the Minnesota legislature in 1997 with a \$500,000 appropriation that is matched by 10 certified non-profit organizations around the state.

Certified Community Development Corporations (CDC) (M.S. 116J.982)

The Community Development Corporation (CDC) program assists certified CDC's with an ability to fund specific economic development projects within their designated area. Applicants share in an annual \$50,000 state General Fund appropriation through DTED's base funding.

Youth Entrepreneurship Program (M.S. 121.72)

The Youth Entrepreneurship Program assists young entrepreneurs with experiential business development education, training and establishment of new or expanded businesses. The program is funded by an annual \$25,000 General Fund inter-agency transfer from the Department of Children, Family and Learning.

BUDGET ISSUES:

Funds within the Challenge Grant and Urban Initiative programs remain adequate for the next biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: PROF & TECHNICAL RESOURCES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	503	440	395	395	395	404	404	(36)	-4.3%
OPERATING EXPENSES	333	239	390	307	307	307	307	(15)	-2.4%
OTHER EXPENSES	2,240	1,715	1,652	1,525	1,525	1,850	1,850	8	.2%
SUBTOTAL STATE OPERATIONS	3,076	2,394	2,437	2,227	2,227	2,561	2,561	(43)	-9%
LOCAL ASSISTANCE	448	2,387	1,986	2,040	1,320	1,895	1,175	(1,878)	-42.9%
Total Expenditures	3,524	4,781	4,423	4,267	3,547	4,456	3,736	(1,921)	-20.9%

CHANGE ITEMS:	FUND				
(P) PASS THRU GRANTS REDUCTION	GEN			(720)	(720)
Total Change Items				(720)	(720)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	768	1,212	977	1,036	316	1,036	316
STATUTORY APPROPRIATIONS:							
GENERAL	0	25	25	25	25	25	25
SPECIAL REVENUE	2,649	3,544	3,410	3,206	3,206	3,395	3,395
FEDERAL	107	0	0	0	0	0	0
GIFT	0	0	11	0	0	0	0
Total Financing	3,524	4,781	4,423	4,267	3,547	4,456	3,736

REVENUE COLLECTED:							
DEDICATED							
GENERAL	0	25	25	25	25	25	25
SPECIAL REVENUE	3,098	2,816	2,633	2,560	2,560	2,460	2,460
FEDERAL	102	0	0	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: PROF & TECHNICAL RESOURCES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
NONDEDICATED							
GENERAL	5	3	3	3	3	3	3
Total Revenues Collected	3,205	2,844	2,661	2,588	2,588	2,488	2,488
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	9.3	8.1	7.0	7.0	7.0	7.8	7.8
PART-TIME, SEASONAL, LABOR SER	0.9	1.1	0.9	0.9	0.9	0.9	0.9
Total Full-Time Equivalent	10.2	9.2	7.9	7.9	7.9	8.7	8.7

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Office of Business Development and Finance supports business development and expansion through a variety of financing, technical assistance, and promotional programs.

The Marketing and Business Development unit ensures that there is widespread awareness of Business and Community Development's (BCD) programs and services. The unit has established 9 regional account representatives for this purpose, including 3 field offices located in Duluth, Bemidji and Mankato. In addition to marketing the programs within the department, it coordinates information and site selection services for businesses, and houses 4 industry specialists.

STRATEGIES AND PERFORMANCE:

Many of the office's functions are carried out through specific financing initiatives, identified in the Financing Information section below. The largest program in terms of dollars - the Minnesota Investment Fund and its federal counterpart - make grants to local governments partnering with a business to support a jobs-based expansion. Other funding programs are designed to serve specific niches in the financing spectrum.

The office responds to companies seeking information to expand within the state of Minnesota. This involves providing technical information on labor force, buildings and available land, access to suppliers and customers, infrastructure characteristics, and other key elements in the business expansion decision-making process.

Strategies and Performance:

Performance measures for the Office of Business Development and Finance revolve around 3 fundamental results: impact of loans awarded through the Minnesota Investment Fund (state and federal dollars), impact of technical

assistance for business development projects, and community marketing activities.

1. *Impact of Loans: Minnesota Investment Fund*

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Dollars awarded	\$8.4 million	\$9.7 million
Projects	32	46
Job creation	1,780	2,273 (projected)
Average wage (exclusive of benefits)	\$15.97	\$13.41 (projected)

2. *Impact of Technical Assistance for Business Development Projects*

Results from F.Y. 1997 and F.Y. 1998

Number of business outreach visits:	778
Number of business assistance projects:	318
Number of projects selecting a Minnesota site:	132
Number of jobs created in those projects:	7,341
Value of capital investment in those projects:	\$700 million

3. *Community Marketing Activities*

During the 9 months between January and September, 1998, the office planned and conducted 450 marketing visits to cities and other economic development organizations. These visits are a tangible measure of a commitment to outreach and marketing, and furnish access to departmental programs.

Grants Summary:

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 financing, through the community, for business expansions and relocations.

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

The Agricultural and Economic Development Board makes direct loans, loan guarantees, and issues tax-exempt revenue for business expansion.

Capital Access Program (M.S. 11J.876)

The Capital Access Program targets assistance to small and medium 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.

2000-01 Biennial Budget

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

(Continuation)

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 available for additional tourism related loans.

Underground Petroleum Tank Replacement Program (M.S. 116J.57)

This program provides low interest financing to small gasoline retailers for the replacement or upgrading of underground petroleum tanks as mandated by federal regulations.

Taconite Mining Grant Program (M.S. 116J.992)

Grants are awarded competitively to Minnesota's taconite mining companies for technological improvements in plant operations, in return for giving mineral rights to the state on land that will be mined in the future.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: BUSINESS DEVELOP & FINANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	707	886	1,036	1,037	1,037	1,039	1,039	154	8.0%
OPERATING EXPENSES	167	364	188	200	200	203	203	(149)	-27.0%
OTHER EXPENSES	851	1,051	1,323	850	850	650	650	(874)	-36.8%
SUBTOTAL STATE OPERATIONS	1,725	2,301	2,547	2,087	2,087	1,892	1,892	(869)	-17.9%
LOCAL ASSISTANCE	7,177	12,881	14,260	4,712	4,022	4,712	4,022	(19,097)	-70.4%
Total Expenditures	8,902	15,182	16,807	6,799	6,109	6,604	5,914	(19,966)	-62.4%

CHANGE ITEMS:	FUND				
(P) PASS THRU GRANTS REDUCTION	GEN			(450)	(450)
(B) INCENTIVE GRANT SUNSET	GEN			(240)	(240)
Total Change Items				(690)	(690)

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	7,643	13,642	15,103	5,581	5,131
OPEN APPROPRIATIONS:					
GENERAL	223	240	240	240	0
PETROLEUM TANK RELEASE CLEANUP	0	325	200	200	200
STATUTORY APPROPRIATIONS:					
GENERAL	0	126	44	0	0
SPECIAL REVENUE	1,036	740	1,099	668	668
FEDERAL	0	109	121	110	110
Total Financing	8,902	15,182	16,807	6,799	6,109

REVENUE COLLECTED:					
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State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: BUSINESS DEVELOP & FINANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
DEDICATED							
GENERAL	0	526	0	0	0	0	0
SPECIAL REVENUE	524	684	542	562	562	836	836
FEDERAL	0	109	121	110	110	115	115
NONDEDICATED							
GENERAL	2,404	3,347	1,287	1,287	1,287	1,287	1,287
PETROLEUM TANK RELEASE CLEANUP	0	12	10	10	10	10	10
Total Revenues Collected	2,928	4,678	1,960	1,969	1,969	2,248	2,248
FTE BY EMPLOYMENT TYPE:							
FULL TIME	11.9	14.4	16.8	16.8	16.8	16.8	16.8
PART-TIME, SEASONAL, LABOR SER	0.2	0.6	0.5	0.5	0.5	0.5	0.5
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	12.2	15.0	17.3	17.3	17.3	17.3	17.3

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Trade and Economic Development
PROGRAM: Business and Community Development
ACTIVITY: Business Development and Finance

ITEM TITLE: Sunset of Incentive Grants

- Lower priority expenditures should be eliminated.
- Expenditures should reflect a proper role of government.
- Eliminate narrow interests that only benefit a few at the expense of many.
- Eliminate expenditures that duplicate the efforts of others.
- Eliminate expenditures that shift user costs to the general taxpayer.

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$(240)	\$(240)	\$(240)	\$(240)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 469.305-31

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the sunset of the \$240,000 per year statutory appropriation contained in Minnesota Statutes 469.305-31 for incentive grants.

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. Therefore, current spending must be continuously evaluated and lower priority spending eliminated whenever possible. Within the limited time available, only limited number of reductions have been identified.

Some of the criteria applied in identifying these spending reductions are the following:

- Not every new idea has to be financed with added money.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Business and Community Development (BCD) 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.

Revenue Summary: None

BUDGET ISSUES:

None

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT
Program: BUSINESS & COMMUNITY DEVELOPME
Activity: PROGRAM SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	197	196	200	252	252	306	306	162	40.9%
OPERATING EXPENSES	697	66	739	213	213	213	213	(379)	-47.1%
SUBTOTAL STATE OPERATIONS	894	262	939	465	465	519	519	(217)	-18.1%
LOCAL ASSISTANCE	5	0	0	0	0	0	0	0	
Total Expenditures	899	262	939	465	465	519	519	(217)	-18.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	899	262	939	465	465	519	519		
Total Financing	899	262	939	465	465	519	519		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.7	3.9	3.8	3.8	3.8	3.8	3.8		
PART-TIME, SEASONAL, LABOR SER	0.6	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	4.3	3.9	3.8	3.8	3.8	3.8	3.8		

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2000-01 Biennial Budget

PROGRAM: Minnesota Trade Office (MTO)

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

PROGRAM PROFILE:

The Minnesota Trade Office (MTO) was created in 1983 (M.S. 116J.966) as part of the state's initiative to keep businesses more informed about, and to make them more competitive, in the global marketplace. It was realized that our economic future was closely linked to the ability of our companies to market their products and services around the world. It was also realized that select foreign direct investment (FDI) in productive assets could also promote economic development.

During the same period, the federal government significantly reduced its funding of export promotion and withdrew from FDI promotion.

Since 1983, the role of international trade in our economy has grown significantly, and in 1997 exports accounted for around 10% of our gross state product. The recent crisis in Asia and Russia and its ripple effect on Latin America has brought home the fact that our future is closely linked to world events.

This program primarily assists Minnesota businesses understand, evaluate, and exploit export opportunities. This program also promotes Minnesota as a FDI destination for overseas corporations.

The public goal of this program is to strengthen our economy by diversifying the markets for our companies, thus making them more innovative, competitive, and better able to withstand domestic economic downturns. Studies have also shown that workers in exporting companies are paid higher average wages than in non-exporting companies.

STRATEGIES AND PERFORMANCE:

The MTO assists businesses in increasing exports, and facilitates FDI through:

- information services,
- education/training,
- export finance,
- export counseling and technical assistance,
- international information network.

The MTO took the following steps to improve the content/delivery of its services:

- Implemented a new "firm file" database to improve the information on potential/actual users.
- Created a translators/interpreters computerized directory.
- Increased the content of information on its services on the Agency Internet website.
- Expanded its cooperation with federal agencies such as SBA, U.S. Department of Commerce, Exim Bank, U.S. Agency for International Development.
- Implemented the Minnesota-China Initiative, including a high-level mission to China, and the opening of honorary representative offices in Beijing and Hong Kong.
- Organized a hog industry tour (June 1997) of Denmark and a dairy industry tour (November 1998) of New Zealand to focus on technologies/processes in these 2 key agricultural sectors.
- Achieved 75% cost recovery for trade shows.
- Created a training program on international trade for public officials.

FINANCING INFORMATION:

The MTO receives revenue to partially offset the variable costs associated with its education/training programs, trade shows, international credit reports, and trade related materials.

When seminars are provided throughout the state (50-75 per year), costs such as an attendee meals, meeting room expenses, and materials are partially recovered through registration fees.

When the MTO organizes Minnesota participation in trade shows (23 in calendar year 1997), it recovers a portion of its variable cost for booth rental, graphics, publicity, and travel from the participating companies.

Through its master contract, the MTO offers access to international credit reports to exporters at a significant discount than if they were to receive it directly from the credit services. This service is provided on a 100% cost recovery basis.

2000-01 Biennial Budget

PROGRAM: Minnesota Trade Office (MTO)

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

The MTO receives revenue to partially offset the cost of providing trade related materials (lists, certificates of free sale, select publications etc.).

Grant Summary: As of this date, the MTO does not expect to receive any grants directly during the biennium. It may, however, be a service provider to other grant recipients (MnDOT, MPCA, MTI etc.)

BUDGET ISSUES:

The MTO provides services that keep Minnesota exporters informed, trained, and competitive in the global marketplace. Most economists expect that our dependence on international markets will increase in the years ahead. The reduction of trade barriers and the opening of new markets (India, China, Latin America to name a few), present a significant opportunity to increase Minnesota's value-added manufacturing, agriculture, and service employment through international business. Minnesota needs to get its fair share of these opportunities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: MN TRADE OFFICE

Activity: MN TRADE OFFICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,369	1,407	1,512	1,490	1,490	1,534	1,534	105	3.6%
OPERATING EXPENSES	950	897	984	821	821	820	820	(240)	-12.8%
OTHER EXPENSES	2	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	2,321	2,304	2,496	2,311	2,311	2,354	2,354	(135)	-2.8%
LOCAL ASSISTANCE	92	70	121	118	118	118	118	45	23.6%
Total Expenditures	2,413	2,374	2,617	2,429	2,429	2,472	2,472	(90)	-1.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,169	2,219	2,465	2,275	2,275	2,318	2,318		
GIFT	3	0	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	182	155	152	154	154	154	154		
FEDERAL	59	0	0	0	0	0	0		
Total Financing	2,413	2,374	2,617	2,429	2,429	2,472	2,472		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	235	194	202	202	202	202	202		
FEDERAL	59	0	0	0	0	0	0		
GIFT	4	0	0	0	0	0	0		
NONDEDICATED									
GENERAL	2	3	4	4	4	4	4		
CAMBRIDGE DEPOSIT FUND	8	2	2	2	2	2	2		
Total Revenues Collected	308	199	208	208	208	208	208		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: MN TRADE OFFICE

Activity: MN TRADE OFFICE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	23.7	23.8	25.9	25.9	25.9	25.9	25.9
PART-TIME, SEASONAL, LABOR SER	3.3	3.7	2.5	2.5	2.5	2.5	2.5
OVERTIME PAY	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	27.0	27.6	28.4	28.4	28.4	28.4	28.4

2000-01 Biennial Budget

PROGRAM: Tourism

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

PROGRAM PROFILE:

The Minnesota Office of Tourism (MOT) markets Minnesota, in North America and internationally, 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. 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 of the national average.

A 35 person, statewide Tourism Advisory Committee, chaired by the Lt. Governor, provides industry input, program direction and communication relative to program development.

To support the program's activities and achieve the strategic objectives the office is divided into the following areas:

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 to target North American and international markets. The primary international markets are Canada, Japan, the United Kingdom and German speaking countries.

The *Product Marketing* program sells, markets and promotes specific destinations, individual communities, vertical market activities, and tourism-related businesses, attractions, festivals and events. Product Marketing activities are primarily focused in the 12-state north central region of the United States. These 12 states generate approximately 83% of Minnesota's domestic tourism.

The *Consumer Marketing* program is responsible for handling customer inquiries and providing travel information, travel planning services and marketing fulfillment services to prospective travelers and travelers. Consumer inquiries are handled via telephone, correspondence, fax, the Internet and in response to consumer advertising programs. Computerized information on accommodations,

attractions, and events is maintained and available via the *Journey* personalized travel planning service. The Consumer Marketing unit is also responsible for 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.

The *Industry Sales* program is responsible for facilitating two-way communications between MOT and the state's tourism industry, providing education as well as marketing planning assistance. In addition, this program is responsible for monitoring public policy issues that may affect tourism in Minnesota. The unit operates regional offices in Brainerd, Duluth, Mankato and Thief River Falls in partnership with regional tourism associations.

STRATEGIES AND PERFORMANCE:

In Minnesota, as well as nationally, tourism is gaining recognition as an engine for continued economic development, job growth and prosperity. New and emerging destinations for visitors emerge as travelers are made aware of the travel product.

- The 1996 direct and indirect economic impact of domestic tourism in Minnesota is \$9.1 billion.
- The Minnesota travel and tourism industry currently employs more than 170,300 people.
- Minnesota tourism industry generates \$3.7 billion annually in wages/salaries.
- The tourism industry produces \$1.1 billion in tax receipts annually.
- International travel to Minnesota has grown faster than international travel to the U.S.

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

- Generate incremental revenue from nonresident travel to Minnesota through investment of advertising dollars, media relations activities and marketing partnerships.
- Retain travel dollars statewide by developing co-op partnerships that maximize resources.

2000-01 Biennial Budget

PROGRAM: Tourism

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

- Provide travelers with the highest quality information and service based on their needs, and utilize technology to achieve a competitive advantage in the marketplace.

FINANCING INFORMATION:

Grants Summary:

In accordance with M.S. 116J.58, Subd. 3., the Minnesota Office of Tourism awards grants and enters into tourism-related marketing partnerships with non-profit organizations to maximize both state and local resources to generate non-resident travel expenditures within Minnesota and to retain travel dollars from Minnesotans within the state. All grants and marketing partnerships must meet established criteria and strategic objectives and are based on performance outcomes.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
	<u>BASE</u>	<u>BASE</u>
Tourism		
General Fund-Direct Appropriated		
General Fund		
Operating	\$6,730	\$6,814
Grants/Special:		
Minnesota Film Board	<u>829</u>	<u>829</u>
Total Direct Appropriation	<u>\$7,559</u>	<u>\$7,643</u>

BUDGET ISSUES:

Since the late 1980's, tourism has evolved to become a year-round industry that generates significant economic benefits for each of Minnesota's 87 counties. Minnesota faces fierce competition for the travel dollar as other states and Canadian provinces recognize the importance of strong travel and tourism

industries to their economies. Minnesota's investment in tourism marketing and promotion has not kept pace and the state's competitive position is threatened. While the state's tourism product continues to evolve and new markets emerge, in terms of real dollars, the MOT's advertising budget has one-half the buying power it had in 1986. According to research, for every dollar invested in advertising by the MOT, \$9.46 in tax receipts is generated for the state, yet, by every conceivable measure, Minnesota's investment in tourism marketing and promotion greatly lags its competition.

Minnesota must market and promote a broader and more-appealing tourism product to wider and diverse audiences.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$2,500,000 per year for the Office of Tourism to expand consumer marketing, research and partnerships.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: TOURISM

Activity: TOURISM MARKETING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	3,081	3,324	3,519	3,621	3,621	3,726	3,726	504	7.4%
OPERATING EXPENSES	4,549	4,787	5,419	4,760	7,260	4,685	7,185	4,239	41.5%
OTHER EXPENSES	1	0	0	0	0	0	0	0	
SUBTOTAL STATE OPERATIONS	7,631	8,111	8,938	8,381	10,881	8,411	10,911	4,743	27.8%
LOCAL ASSISTANCE	1,305	1,946	1,410	1,321	1,321	1,321	1,321	(714)	-21.3%
Total Expenditures	8,936	10,057	10,348	9,702	12,202	9,732	12,232	4,029	19.7%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) CONSUMER MKTG/RESEARCH INCREASE	GEN			2,500	2,500
Total Change Items				2,500	2,500

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	7,585	8,196	7,947	7,559	10,059	7,643	10,143
TRUNK HIGHWAY	689	706	723	745	745	766	766
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	662	1,155	1,678	1,398	1,398	1,323	1,323
Total Financing	8,936	10,057	10,348	9,702	12,202	9,732	12,232

<u>REVENUE COLLECTED:</u>							
DEDICATED							
GENERAL	80	1	0	0	0	0	0
SPECIAL REVENUE	809	1,117	1,364	1,368	1,368	1,373	1,373
NONDEDICATED							
GENERAL	0	3	0	0	0	0	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: TOURISM

Activity: TOURISM MARKETING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	889	1,121	1,364	1,368	1,368	1,373	1,373
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	49.5	50.2	52.0	52.0	52.0	52.0	52.0
PART-TIME, SEASONAL, LABOR SER	23.1	25.1	25.0	25.0	25.0	25.0	25.0
OVERTIME PAY	0.1	0.2	0.7	0.7	0.7	0.7	0.7
Total Full-Time Equivalent	72.7	75.5	77.7	77.7	77.7	77.7	77.7

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Tourism Marketing Increase

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,500	\$2,500	\$2,500	\$2,500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$5.0 million increase to expand consumer marketing, research and partnerships.

RATIONALE:

Fierce competition for the travel dollar; a lack of a significant increase in funding for more than a decade; an enormous evolution of the state's tourism product; emergence of new national and international markets; and a measurable and demonstrated return-on-investment warrant a significant Minnesota Office of Tourism (MOT) budget increase.

FINANCING:

According to MOT research and the REMI econometrics model, for each \$1 invested in advertising by the MOT, \$79 in economic impacts and \$9.46 in incremental tax receipts is generated. The requested \$2.5 million increase to the

MOT's annual base is estimated to add nearly \$400 million in economic impact and gross receipts. The requested increase will produce an additional 7,839 jobs throughout the state and \$155,374,241 in new wages and salaries each year. The base increase will also generate an incremental \$47,285,337 in taxes annually, which represents a more than 9:1 return-on-investment for the state.

OUTCOMES:

Tourism is one of Minnesota's largest and fastest-growing industries, generating \$9.1 billion in direct and indirect economic impact and more than \$1 billion in tax receipts per year. Yet, by every conceivable measure and in real dollars, the state's investment in tourism marketing and promotion has greatly diminished. The MOT current advertising budget has one-half the buying power of 10 years ago and Minnesota's competitive position and related economic impacts are greatly threatened. For every \$1 invested in advertising by the MOT, \$79 in economic impact is estimated.

2000-01 Biennial Budget

PROGRAM: Information and Analysis (IAD)

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

PROGRAM PROFILE:

The division supplies centralized communication, marketing, research, analysis, program evaluation and governmental liaison services to support the department's operating divisions, *Advantage Minnesota*, the legislature, the executive branch and sometimes local economic development partners.

Analysis and evaluation services promote job creation and create a positive environment for business formation and expansion in Minnesota by providing critical strategic information, analysis and research services.

Marketing and communication services are designed to coordinate the department's external relations efforts and provide professional public/media relations and communications services for all departmental divisions.

Governmental liaison support services offer simplified liaison services for governmental officials.

STRATEGIES AND PERFORMANCE:

As a centralized function, the Information and Analysis Division (IAD) completes research and works closely with all operating divisions to ensure products are timely, current issues are addressed and are coordinated across divisions. Each fiscal year, clients served by the department's business specialists and the Information and Analysis Division will invest \$300 - \$400 million in Minnesota, create 4,000 - 5,000 high-quality jobs, export millions of dollars in manufactured products, and assist in the facilitation of tourism spending in the state. Key information provided by this division also supports economic development and business policies in other the state and local levels (e.g., the Legislature, the Governor's Office).

Customer Satisfaction with AEO Services, F.Y. 1996 - 1998

(1 = Poor, 4 = Excellent)

<u>Service</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Business Location Analysis & Assistance	3.6	3.7	3.8
Program Evaluation and Impact Analysis	3.3	3.7	4.0
Business Climate Research	3.4	3.4	4.0
Library Services	3.8	3.7	3.9

A 1998 survey indicated a high level of satisfaction with the IAD's marketing and communications services:

- 86% are satisfied with the customer services provided;
- 95% believe that the products produced are effective.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: INFORMATION & ANALYSIS

Activity: INFORMATION & ANALYSIS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,004	1,041	1,151	1,184	1,184	1,219	1,219	211	9.6%
OPERATING EXPENSES	325	183	352	231	231	231	231	(73)	-13.6%
SUBTOTAL STATE OPERATIONS	1,329	1,224	1,503	1,415	1,415	1,450	1,450	138	5.1%
Total Expenditures	1,329	1,224	1,503	1,415	1,415	1,450	1,450	138	5.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,329	1,224	1,503	1,415	1,415	1,450	1,450		
Total Financing	1,329	1,224	1,503	1,415	1,415	1,450	1,450		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	19.7	20.6	21.8	21.8	21.8	21.8	21.8		
PART-TIME, SEASONAL, LABOR SER	1.1	0.3	1.0	1.0	1.0	1.0	1.0		
Total Full-Time Equivalent	20.8	20.9	22.8	22.8	22.8	22.8	22.8		

2000-01 Biennial Budget

PROGRAM: Administrative Support

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

PROGRAM PROFILE:

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

Activities in this program are Information and Computer Services, and General Administration including fiscal services, human resources, and general support.

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. Services are centralized to assure coordination, provide cost effective service, and ensure compliance with state and federal requirements. Administration develops and coordinates the implementation of organizational and operational policies, and provides staff support services in the designated areas.

This is a general support program for the entire agency.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$874,000 in F.Y. 2000 for the Journey travel destination system, to be matched at least 1:1 by private resources.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: ADMINISTRATIVE SUPPORT

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
GENERAL ADMINISTRATION	2,332	1,839	2,403	2,243	2,243	2,270	2,270	271	6.4%
INFO & COMPUTER SERVICES	960	671	1,017	1,034	1,908	1,052	1,052	1,272	75.4%
Total Expenditures	3,292	2,510	3,420	3,277	4,151	3,322	3,322	1,543	26.0%

CHANGE ITEMS:	FUND			
(B) JOURNEY 2000 PROJECT	GEN			874
Total Change Items				874

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	3,178	2,438	3,285	3,147	4,021	3,192	3,192
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	92	72	130	130	130	130	130
GIFT	22	0	5	0	0	0	0
Total Financing	3,292	2,510	3,420	3,277	4,151	3,322	3,322

FTE BY EMPLOYMENT TYPE:							
FULL TIME	27.4	33.0	33.0	33.0	33.0	33.0	33.0
PART-TIME, SEASONAL, LABOR SER	1.1	0.4	0.4	0.4	0.4	0.4	0.4
OVERTIME PAY	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	28.8	33.5	33.5	33.5	33.5	33.5	33.5

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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

STRATEGIES AND PERFORMANCE:

- Management of the budget to ensure proper allocation and expenditure of funds.
- Operational efficiencies and consistency through refined processes and procedures.
- Compliance with rules, regulations, laws, contracts and plans affecting departmental operations.

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 and generates dedicated and non-dedicated revenue through its indirect cost plan which supports a portion of this program.

BUDGET ISSUES:

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

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: ADMINISTRATIVE SUPPORT

Activity: GENERAL ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	997	1,025	1,181	1,210	1,210	1,237	1,237	241	10.9%
OPERATING EXPENSES	1,335	814	1,222	1,033	1,033	1,033	1,033	30	1.5%
SUBTOTAL STATE OPERATIONS	2,332	1,839	2,403	2,243	2,243	2,270	2,270	271	6.4%
Total Expenditures	2,332	1,839	2,403	2,243	2,243	2,270	2,270	271	6.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,218	1,767	2,268	2,113	2,113	2,140	2,140		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	92	72	130	130	130	130	130		
GIFT	22	0	5	0	0	0	0		
Total Financing	2,332	1,839	2,403	2,243	2,243	2,270	2,270		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	117	131	130	130	130	130	130		
GIFT	26	0	0	0	0	0	0		
Total Revenues Collected	143	131	130	130	130	130	130		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	18.4	20.0	20.0	20.0	20.0	20.0	20.0		
PART-TIME, SEASONAL, LABOR SER	1.1	0.4	0.4	0.4	0.4	0.4	0.4		
OVERTIME PAY	0.2	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	19.7	20.5	20.5	20.5	20.5	20.5	20.5		

2000-01 Biennial Budget

increased significantly due to competitive issues within state government and the private sector. Increasing personnel costs present an immediate budget concern.

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

ACTIVITY PROFILE:

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.

STRATEGIES AND PERFORMANCE:

- Effective development and integration of information systems, consistent with statewide goals and objectives, through IRM.
- Operational efficiencies and consistency through refined processes and procedures.

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 this program.

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

BUDGET ISSUES:

Information and Computer Services will continue to work to meet the ongoing challenge of inflationary costs within target funding. Costs for IS personnel have

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: TRADE & ECON DEVELOPMENT DEPT

Program: ADMINISTRATIVE SUPPORT

Activity: INFO & COMPUTER SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	450	555	693	710	710	728	728	190	15.2%
OPERATING EXPENSES	510	116	324	324	1,198	324	324	1,082	245.9%
SUBTOTAL STATE OPERATIONS	960	671	1,017	1,034	1,908	1,052	1,052	1,272	75.4%
Total Expenditures	960	671	1,017	1,034	1,908	1,052	1,052	1,272	75.4%

CHANGE ITEMS:	FUND		
(B) JOURNEY 2000 PROJECT	GEN		874
Total Change Items			874

FINANCING BY FUND:			
DIRECT APPROPRIATIONS:			
GENERAL	960	671	1,017
Total Financing	960	671	1,017

FTE BY EMPLOYMENT TYPE:			
FULL TIME	9.0	13.0	13.0
OVERTIME PAY	0.1	0.0	0.0
Total Full-Time Equivalent	9.1	13.0	13.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: TRADE & ECON DEVELOPMENT DEPT

PROGRAM: ADMINISTRATIVE SUPPORT

ACTIVITY: INFO & COMPUTER SERVICES

IT Change Item: JOURNEY 2000 PROJECT

ITEM DESCRIPTION AND PURPOSE:

The Journey 2000 Project re-engineers the MN Office of Tourism's (MOT) information delivery systems to consumers. The project redesigns MOT's database, its personalized travel planning application, "Journey" and its "Explore MN" Internet web site. The enhancements will improve performance, capacity, functionality and integration to state-of-the-art status.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	24	24	24	24	24	24
Grants	0	0	0	0	0	0
Hardware	246	25	25	25	25	25
Personnel	62	62	62	62	62	62
Services	975	75	20	20	20	20
Software	25	10	10	10	10	10
Supplies	8	58	15	15	15	15
Training	0	0	0	0	0	0
Total	1,340	254	156	156	156	156

RATIONALE:

Redesigning the MOT database, the personal travel counseling applications and the Tourism web site is anticipated to result in:

100% faster retrieval of information = 15% increase in staff productivity.

15% reduction in the cost to deliver information.

"Just in Time" inventory control and bar coding to reduce postage costs.

Local remote maintenance capability of database accommodations and attractions.

Improved conversion rates(actual trips as a % of travel inquires).

A larger # of inquires fulfilled through personalized travel counseling.

Higher quality/more current information on accommodations and attractions.

Improved analysis and evaluation of customer inquiry information.

As a result of intensified marketing efforts through a separately requested appropriation increase, the MOT anticipates the following business results through the journey 2000 Project:

117% growth in tourist receiving travel information from phone counselors/mail (up from 327,000 to 610,000).

Web Site visits up from 281,000 to 610,000 resulting in more trips.

117% increase in actual, state assisted tourist trips (up from 154,000 to 334,000)

\$278 million in increased tourism spending.

\$109 million in additional wages/salaries.

\$33 million in increased annual tax revenues.

5,487 new jobs created by business in the travel/hospitality industry.

Stakeholders benefiting from the project include:

Communities dependent on tourism for the economic vitality, businesses in travel/hospitality industry, state and local government through increased tax revenues & tourists who will receive better information on travel in MN.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: TRADE AND ECONOMIC DEVELOPMENT DEPT
IT Change Item: Journey 2000 Project
(Continuation)

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations	X	X	X	X	X	X
Modification		X	X	X	X	
Retirement						

The initial design and development phases will be completed by March 2000 and in place for the spring summer travel season of 2000. Modifications will annually occur through the FY 2004. Enhancements will provide an extended shelf life anticipated to be in the 7-10 year range.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency made significant information resource management progress two bienniums ago. Although IRM progress has recently slowed, the agency has gained valuable knowledge to apply to new projects.

OT Master Plan: Goal 2-Efficient and effective government, Goal 4-Stimulate economic development. This project would re-design the Office of Tourism's database, its personalized travel planning computer application "Journey", and its "Explore Minnesota" internet web site. Recommendation: Proceed with project. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one time appropriation of \$874,000 in FY 2000 for this project. This appropriation must be matched at least 1:1 with private resources to complete the specified project.

2000-01 Biennial Budget

PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Technology, Inc. (MTI)

AGENCY MISSION AND VISION:

The mission of Minnesota Technology is 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.

The vision of Minnesota Technology is to work collaboratively with industry and public sector partners to help business create higher value jobs in Minnesota. There are several premises to this vision:

- Most stable, high-paying jobs come from stable, successful manufacturers and technology companies. On average, they provide the highest wages in the state's economy.
- The higher the skills required to perform a job, the better its compensation.
- In order to remain competitive and provide stable jobs, companies must continually adopt new technologies.
- Small-and-medium-sized companies generally don't have the tools to determine how to strategically select and implement new technologies.
- Government doesn't create jobs, businesses do.

KEY SERVICE STRATEGIES:

Minnesota Technology's service strategy – the most effective manner in which it can help companies – relies on *knowledge* and *perspective*. Commonly known as technical assistance, our *technology* assistance is provided through an experienced staff of specialists, all of whom have extensive backgrounds in private-sector manufacturing and technology.

The core of these services is provided through field staff based in 6 offices throughout the state:

- | | |
|-----------------|---------------|
| ■ Rochester | ■ Virginia |
| ■ Redwood Falls | ■ Moorhead |
| ■ St. Cloud | ■ Twin Cities |

These specialists work *on site* with a manufacturer to:

- help companies identify and prioritize the key issues a company faces;
- strategize how the issue will be resolved; and
- locate an outside resource to address the issue.

Key to our success is the approach of bringing outside resources (*paid for by the company*) to resolve the issue. This operating philosophy not only requires investment (and therefore commitment) by the company, but it also generates far greater impact of our limited staff than what could otherwise occur.

OPERATING ENVIRONMENT:

Minnesota is home to approximately 9,500 manufacturing companies employing 430,000 people, the vast majority of these companies have fewer than 100 employees. These companies are consumed with the short-term needs of getting product out the door and nurturing key customer relationships. There is little time for assessing strategic opportunities or technologies. Minnesota Technology provides this objective, unbiased perspective, and helps the company focus on implementing the technology and strategies which will strengthen the business.

ORGANIZATION/PROGRAM STRUCTURE:

PRESIDENT AND EXECUTIVE MANAGEMENT	
Technology Assistance Services	51.0 fte
Statewide Technology Services	14.0 fte
Public Policy/Awareness	12.25 fte
HR/Finance/Evaluation/MIS	14.0 fte
TOTAL FTEs 91.25	

GOVERNOR'S RECOMMENDATION:

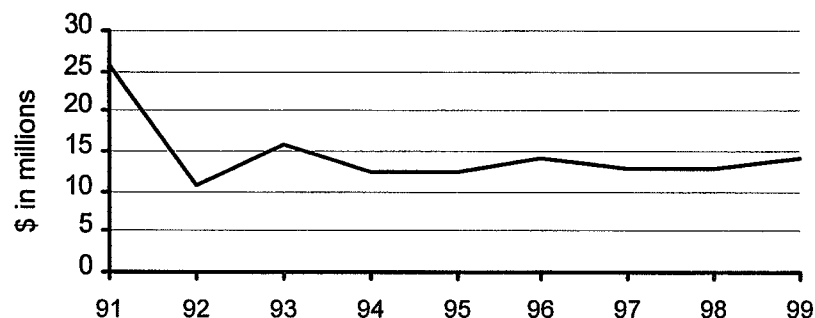
The Governor recommends a reduction of \$1,932,000 per year for pass through grants.

**2000-01 Biennial Budget
Agency Executive Summary**

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

TRENDS AND PERSPECTIVE:

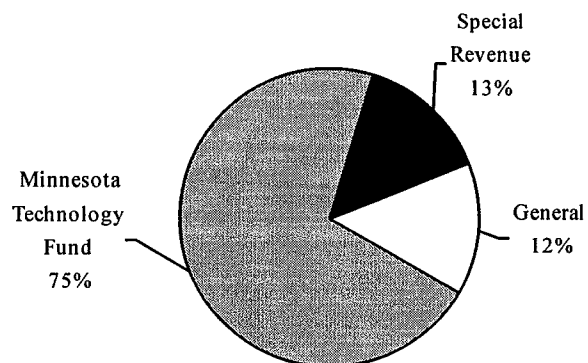
Total Budget - All Funds



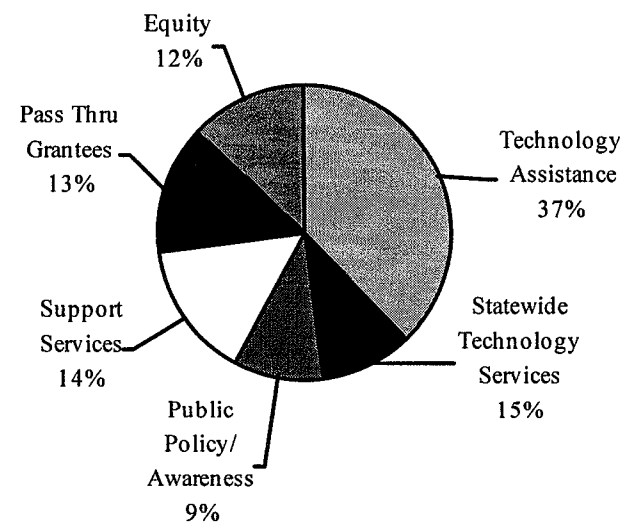
* Minnesota Technology was formed in 1991.

1998-99 Expenditures by Fund

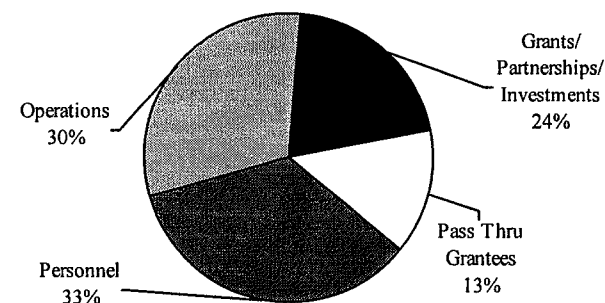
Total \$29.4 million



1998-99 Expenditures by Program



1998-99 Expenditure by Category



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINNESOTA TECHNOLOGY INC

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY PROGRAM:</u>									
MINNESOTA TECHNOLOGY	12,850	13,957	15,427	13,770	11,838	13,831	11,899	(5,647)	-19.2%
Total Expenditures	12,850	13,957	15,427	13,770	11,838	13,831	11,899	(5,647)	-19.2%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	1,482	1,932	1,932	10,037	8,105	10,037	8,105
STATUTORY APPROPRIATIONS:							
MINNESOTA TECHNOLOGY INC	9,719	10,009	11,995	3,333	3,333	3,332	3,332
SPECIAL REVENUE	1,649	2,016	1,500	400	400	462	462
Total Financing	12,850	13,957	15,427	13,770	11,838	13,831	11,899

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Minnesota Technology, Inc. (MTI)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$10,037	\$10,037	\$20,074
<u>BASE ADJUSTMENT</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$10,037	\$10,037	\$20,074
<u>CHANGE ITEMS</u>			
Pass Through Grantee Reductions	(1,932)	(1,932)	(3,864)
GOVERNOR'S RECOMMENDATION	\$8,105	\$8,105	\$16,210

Brief Explanation of Budget Decisions:

- The budget accommodates all compensation increases and inflationary pressures over the next biennium without additional funding.
- Minnesota Technology will spend approximately 70% of its budget on those services oriented to improving the competitive position of Minnesota's manufacturers and technology companies: Technology Assistance Services and Statewide Technology Services.
- The remainder of the budget will be directed to public policy issues, improving the awareness of manufacturing in the economy, and administrative oversight of the strategic delivery of services.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends a reduction of \$1,932,000 per year for pass through grants.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Minnesota Technology, Inc. (MTI)

REVENUE SOURCES:

Minnesota Technology generates dedicated revenue and federal funds. The dedicated revenue comes from the sale of advertising for Minnesota Technology magazine, fees for its online information services, event attendance fees, foundation grants, and repayments on technology investments.

Minnesota Technology also has a long standing relationship with the US Department of Commerce's National Institutes of Standards and Technology. This relationship includes an annual grant of \$2 million per year of Federal Funds. These funds represent approximately 20% of Minnesota Technology's operating budget.

FEE STRUCTURE:

Minnesota Technology continually explores opportunities to generate revenue for its services. As noted above, there are charges for Information Services, event attendance, and magazine advertising. The MTI Board and management takes care, however, to avoid the temptation to charge fees where the result will be to deter our customers from using services which strengthen the manufacturing sector.

RECENT CHANGES:

Last biennium, MTI projected a substantial reduction of federal funding, to take place in F.Y. 1999. The reduction was to be the result of federal sunset legislation affecting MTI's major federal partner. Congress moved to repeal the sunset statute in the fall of 1998. In light of the stable, productive relationship which Minnesota Technology has with its federal partner, we are projecting continuation of the annual \$2 million grant. In addition to the stabilized federal funding, Minnesota Technology is increasing its expected advertising revenue, as a result of moving from a 4 issue/year to a 6 issue/year format for its magazine.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINNESOTA TECHNOLOGY INC

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
MINNESOTA TECHNOLOGY INC	211	212	350	335	335	360	360	133	23.7%
GRANTS:									
MINNESOTA TECHNOLOGY INC	416	139	525	100	100	100	100	(464)	-69.9%
FEDERAL	1,742	2,540	2,029	2,030	2,030	2,029	2,029	(510)	-11.2%
OTHER REVENUES:									
MINNESOTA TECHNOLOGY INC	802	962	811	868	868	843	843	(62)	-3.5%
SPECIAL REVENUE	423	667	150	0	0	0	0	(817)	-100.0%
Total Dedicated Receipts	3,594	4,520	3,865	3,333	3,333	3,332	3,332	(1,720)	-20.5%
Agency Total Revenues	3,594	4,520	3,865	3,333	3,333	3,332	3,332		-20.5%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Minnesota Technology, Inc. (MTI)

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
NIST - MEP	Yes	SO	2,000	2,000	2,000	2,000
Agency Total			2,000	2,000	2,000	2,000

Federal Funds Summary

Minnesota Technology has a cooperative agreement with NIST-MEP, a unit of the U.S. Department of Commerce, to provide technology services to small- and medium-sized manufacturers in Minnesota. Those funds currently comprise approximately 20% of Minnesota Technology's operating budget and are expected to continue.

KEY:

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

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Manufacturers that can remain competitive in a world economy are the key to a stable state economy. Although Minnesota currently enjoys virtually full employment, the state faces 2 challenges:

- to increase – as well as retain – the number of high-paying jobs in manufacturing;
- to help manufacturers grow without having to add new workers.

Technology is a critical component in the solutions to both of these challenges. Without continually improving their use of technology, Minnesota manufacturers will find it difficult to offer higher-wage jobs or to grow. Focused, technology assistance has been a proven strategy to help these manufacturers identify and overcome barriers to their competitiveness, all to the maximum benefit of the economy, and ultimately, Minnesota's workforce.

STRATEGIES AND PERFORMANCE:

Minnesota Technology provides technology services to improve the competitiveness of small and medium-sized manufacturers. These services include:

Service	Performance/Objectives
Technology Assistance – an experienced staff through 6 regional offices, works with manufacturing companies, on-site, to help manufacturers resolve competitiveness issues and implement new technology.	Since the inception of these services in 1992, our assistance to companies has resulted in over \$382 million of documented economic impact, \$87 million of which occurred in F.Y. 1998. Economic impact is measured in terms of impact on a company's bottom line, technology investment, and jobs created/retained.

Statewide Technology Services

- **Technology Partnership Fund** – stimulating industry-university relationships through investments in product development collaborations.
- **Business and Technical Information** – through phone, fax and email, a staff of information specialists responds to manufacturers' business and technology questions with answers from databases, experts and specialized resources.
- **Y2K** – assisting manufacturers in dealing with issues presented by the Year 2000 computer problem.
- **Manufacturers Electronic Network** – training and technical support to help manufacturers conduct business electronically.
- In F.Y. 1998, MTI made investments in 21 companies which had partnered with a Minnesota academic institution.
- An outgrowth of Minn. Project Outreach, the objective of this new service is to provide quality online answers to manufacturers' questions more cheaply and to more customers than MPO.
- MTI is currently offering seminars, resource materials, and free computer software to help assess Y2K impact and to help develop plans to minimize that impact.
- Phase I of this initiative provided training and support services, with the assistance of UM-Crookston, to 122 companies from around the state (exceeding our goal of 100 companies).

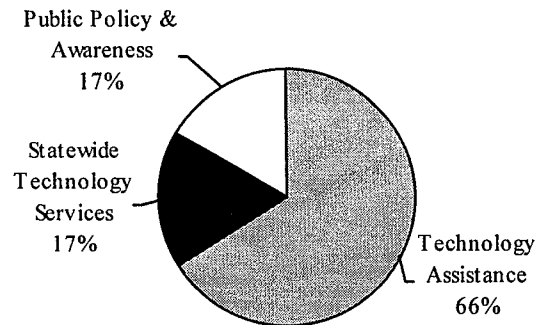
Public Policy and Awareness

Raise the awareness of the importance of manufacturing and technology to the economy through such vehicles as Manufacturers Week, the Capitol Forum Series, and Minnesota Technology Awards.

2000-01 Biennial Budget

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

FINANCING INFORMATION:



BUDGET ISSUES:

Coupled with federal funding, the state appropriation makes it possible to provide one-on-one technology assistance services to manufacturers throughout Minnesota. These services are complemented by statewide infrastructural initiatives strategized to impact broader audiences. The result, in community after community, has been manufacturing employers who have remained competitive in a ever-changing world economy.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINNESOTA TECHNOLOGY INC

Program: MINNESOTA TECHNOLOGY

Activity: TECHNOLOGY SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	4,232	4,749	5,381	5,428	5,428	5,486	5,486	784	7.7%
OPERATING EXPENSES	4,210	4,040	3,948	3,320	3,320	3,261	3,261	(1,407)	-17.6%
SUBTOTAL STATE OPERATIONS	8,442	8,789	9,329	8,748	8,748	8,747	8,747	(623)	-3.4%
LOCAL ASSISTANCE	2,926	3,236	4,166	3,090	3,090	3,152	3,152	(1,160)	-15.7%
Total Expenditures	11,368	12,025	13,495	11,838	11,838	11,899	11,899	(1,783)	-7.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	0	0	8,105	8,105	8,105	8,105		
STATUTORY APPROPRIATIONS:									
MINNESOTA TECHNOLOGY INC	9,719	10,009	11,995	3,333	3,333	3,332	3,332		
SPECIAL REVENUE	1,649	2,016	1,500	400	400	462	462		
Total Financing	11,368	12,025	13,495	11,838	11,838	11,899	11,899		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
MINNESOTA TECHNOLOGY INC	1,429	1,313	1,686	1,253	1,253	1,253	1,253		
SPECIAL REVENUE	423	667	150	0	0	0	0		
FEDERAL	1,742	2,540	2,029	2,030	2,030	2,029	2,029		
Total Revenues Collected	3,594	4,520	3,865	3,283	3,283	3,282	3,282		

2000-01 Biennial Budget

BUDGET ACTIVITY: Pass-Through Grantees
PROGRAM: Minnesota Technology, Inc.
AGENCY: Minnesota Technology, Inc. (MTI)

ACTIVITY PROFILE:

Minnesota Technology is the science and technology arm of the state. As a result, 5 legislative grants are currently transmitted through Minnesota Technology's appropriation to the following organizations:

Minnesota Cold Weather Resource Center (MCWRC): MCWRC is a non-profit agency created to promote and further develop the cold weather testing industry. MCWRC serves primarily the automotive industry and provides engineers and manufacturers with information and resources to support cold-weather testing programs. Since its inception in 1990, the MCWRC has proven itself, posting annual growth in the number of testing clients, the economic impact of testing activities, and the number of seasonal jobs relating to testing. Last season, 52 clients from around the world tested products in 9 communities, spent about \$5.9 million dollars, and hired 275 Minnesotans. Further, 4 companies have invested in facilities to support their test programs. A new initiative is being explored to bring additional testing activities during non-winter months.

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 \$220 million. State funds received through this grant are leveraged with 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. 2001, MPI will assist Minnesota businesses to win \$53.5 million in grants and \$123 million in government contracts. They also complement Minnesota Technology'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; e.g., 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 funding 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.

Minnesota Inventors Congress (MIC): The MIC benefits the state and its citizens through an Inventors Resource Center, assisting entrepreneurs/inventors in finding the information and resources they need while helping them network with other inventors and encouraging inventors from around the nation and the world to do business in Minn. This increases entrepreneur success in the invention development process translating into marketable products that create jobs and sales for the Minn. economy. An economic development survey estimates that MIC impacts the Redwood Area economy by \$2.5M during the 3-day Annual Congress. MIC continues to support the development of the MN Student Inventors Congress in grades K-12 and the recognition of Minnesota inventors in the Minnesota Inventors Hall of Fame.

Minnesota Council for Quality (MCQ): MCQ was founded in 1987 by the Minnesota Legislature to provide organizations with a process to gain competitive advantages, improve productivity and achieve performance excellence. Programs deliver training and recognition that build workforce capacity to gain strategic advantages in all sectors of the Minnesota economy. Since their introductions, Baldrige Express, Minnesota Assessment (MAP) and Quality Award (MQA) have been used to create success in manufacturing, service, government, health care, education and non-profit organizations throughout the state. Financial contributions are leveraged through donated professional services that are reinvested into the economy at a ratio of 4:1.

Minnesota Technology Corridor Corporation (MTCC): MTCC suspended operations and received their final state appropriation in 1997. They invested their remaining assets in the William Norris Foundation.

FINANCING INFORMATION:

	Dollars in Thousands						
	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
*(through MTI)							
MTCC *	\$50	-0-	-0-	-0-	-0-	-0-	-0-
MCWRC *	\$225	\$100	\$100	\$100	\$100	\$100	\$100
MPI *	\$494	\$694	\$694	\$694	\$694	\$694	\$694
NRRI *	\$575	\$950	\$950	\$950	\$950	\$950	\$950
MIC *	\$75	\$75	\$75	\$75	\$75	\$75	\$75
MCQ *	\$88	\$113	\$113	\$113	\$113	\$113	\$113

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MINNESOTA TECHNOLOGY INC

Program: MINNESOTA TECHNOLOGY

Activity: MTI PASS-THRU GRANTS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
LOCAL ASSISTANCE	1,482	1,932	1,932	1,932	0	1,932	0	(3,864)	-100.0%
Total Expenditures	1,482	1,932	1,932	1,932	0	1,932	0	(3,864)	-100.0%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) PASS THRU GRANT REDUCTION	GEN				(1,932)		(1,932)		
Total Change Items					(1,932)		(1,932)		
<u>FINANCING BY FUND:</u>									
<u>DIRECT APPROPRIATIONS:</u>									
GENERAL	1,482	1,932	1,932	1,932	0	1,932	0		
Total Financing	1,482	1,932	1,932	1,932	0	1,932	0		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Technology, Inc. (MTI)
PROGRAM: Minnesota Technology, Inc.
ACTIVITY: Pass Through Grantees

ITEM TITLE: Pass Through Grants Reduction

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
Grants	\$(1,932)	\$(1,932)	\$(1,932)	\$(1,932)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes ____ No <u>X</u>				
If yes, statutes(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in pass through grants to the Minnesota Inventors Congress (\$75,000), Project Innovation (\$694,000), Natural Resources Research Institute (\$950,000), Minnesota Quality Council (\$113,000) and Cold Weather Resource Center (\$100,000).

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. The work effort of these organizations is not without merit. However, the Governor recommends these resources be spent on higher priorities.

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2000-01 Biennial Budget

other trade offices. The goal of the MWTCC is to improve Minnesota's economic position in the global marketplace. To satisfy that goal, the MWTCC hosts many international delegations with no financial support except from the its operating revenues.

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 its members.

The MWTCC is a member of the WTCA -- a global network with more than 300 locations throughout the world. This membership provides global networking for Minnesota businesses.

Since July 1993, the MWTCC is managed by the Minnesota Trade Office (MTO) and works in collaboration and partnership with the MTO to deliver services to promote, facilitate and develop international business ties between Minnesota businesses and international markets.

REVENUES:

The MWTCC generates revenue from conference center usage, membership dues and educational programming. Staffing, rent, vendor costs and all related daily operational expenses are paid from these dedicated revenues.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The MWTCC dedicated revenues support its daily operations and, until last year, long-term debt retirement. Since the debt was retired in annual increments over a period of a decade, the facility has not seen an investment for physical upgrades (furniture, computers, carpeting, etc.).

ISSUES AFFECTING AGENCY'S OPERATIONS:

The MWTCC was created by the Legislature in 1988 and is a state asset. Since 1993 the MTO has assumed the organization's operating responsibilities while at the same time has maintained its own operations. The MTO director, for example, also serves as the President of the MWTCC, which is not the case elsewhere at

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: WORLD TRADE CENTER BOARD

Program: WORLD TRADE CENTER CORP

Activity: WORLD TRADE CENTER CORP

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	136	159	170	172	172	179	179	22	6.7%
OPERATING EXPENSES	564	1,062	384	303	303	301	301	(842)	-58.2%
SUBTOTAL STATE OPERATIONS	700	1,221	554	475	475	480	480	(820)	-46.2%
Total Expenditures	700	1,221	554	475	475	480	480	(820)	-46.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	0	230	0	0	0	0	0		
SPECIAL REVENUE	700	0	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	991	554	475	475	480	480		
Total Financing	700	1,221	554	475	475	480	480		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	572	1,045	478	475	475	477	477		
Total Revenues Collected	572	1,045	478	475	475	477	477		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.2	4.1	4.0	4.0	4.0	4.0	4.0		
PART-TIME, SEASONAL, LABOR SER	0.2	0.9	1.4	1.4	1.4	1.4	1.4		
OVERTIME PAY	0.1	0.1	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	5.5	5.1	5.6	5.6	5.6	5.6	5.6		

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2000-01 Biennial Budget
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Economic Security, Department of (DES)

AGENCY MISSION AND VISION:

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

The vision of the agency is to facilitate a world class workforce through customer-focused services that anticipate the dynamic workforce needs of employers and job seekers. The DES serves the state's economy by fulfilling the following goals:

- Minnesotans will be able to live independently and fully participate in their communities.
- Minnesotans in temporary economic hardship will have their basic needs met and an opportunity for prompt return to suitable employment.
- Minnesotans will have the training and skills to be successful in the workplace.
- Minnesota employers, educators and individuals will have labor market information needed to compete in the world economy.

The programs and services of the DES fall into 4 program areas: Workforce Preparation, Workforce Exchange, Workforce Rehabilitation Services and Workforce Services for the Blind. The target populations include: unemployed and employed persons seeking job opportunities, retraining or reemployment insurance benefits; employers who are seeking qualified employees; students exploring career options; senior citizens, dislocated workers, displaced homemakers, and disadvantaged youth in need of training and placement; public assistance recipients working toward self-sufficiency; disabled persons needing job training or seeking to live independently; and blind or visually impaired people who need training to live independently or want non-visual entertainment, information, and/or assistive technology.

KEY SERVICE STRATEGIES:

The DES has integrated and redesigned the delivery of employment and training services into WorkForce Centers (WFCs) located throughout the state. The WorkForce Center System is a partnership that brings together state, local and private non-profit employment and training services under one roof, providing seamless and comprehensive workforce development services to job seekers and employers. Many additional community services have joined the full range of DES programs in the local WFCs.

The WFCs transformed what used to be a complicated, fragmented and duplicative maze of programs into cost-effective, results-oriented and customer friendly service delivery. There are 53 WorkForce Centers statewide, consolidating services that were formerly offered in nearly 300 separate offices. In some cases, there had been as many as 6 separate offices in a single community.

This "one-stop" service strategy has become a new national direction in the delivery of job training and employment-related services by the U.S. Department of Labor (USDOL) and is a cornerstone of the newly enacted federal Workforce Investment Act of 1998 (H.R. 1385). Minnesota's WorkForce Center System is the national "one-stop" model for this landmark federal legislation.

OPERATING ENVIRONMENT:

The strong performance of the Minnesota economy with vigorous job growth and record-low unemployment rates in recent years has resulted in an unprecedented tight labor market. Additionally, Minnesota consistently has one of the highest workforce participation rates, along with one of the lowest unemployment rates, in the nation. As a result, Minnesota businesses are faced with a serious shortage of workers. In these economic conditions, workforce development has become the most critical issue in the state's economy.

The newly enacted federal Workforce Investment Act (WIA) will bring about many administrative and funding changes in the realm of jobs and training. The DES will continue to play the key role in guiding the Governor's workforce development policy within the framework of this new legislation. The department is involved in other national, state and local initiatives that are factors in Minnesota's workforce development plan, including:

**2000-01 Biennial Budget
Agency Executive Summary**

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

- Along with meeting the challenge of the workforce shortage, the DES is faced with a overwhelming increase in the number of individuals and employers using the WorkForce Centers (WFCs).
- The department is taking a leading role in a national effort to improve delivery of high-quality labor market information in traditional and electronic formats as a critical tool in career and education planning, business planning and economic development projects.
- DES plays a key role in Minnesota's welfare reform effort, in partnership with the Minnesota Department of Human Services, by helping public assistance recipients get jobs through programs and services offered in the WFCs.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER AND EXECUTIVE MANAGEMENT	
Workforce Preparation	63 fte
Workforce Exchange	1,065 fte
Workforce Rehabilitation Services	540 fte
Workforce Services for the Blind	130 fte

6/30/98 TOTAL FTEs 1,798

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends an increase of \$370,000 in F.Y. 1999, \$800,000 in F.Y. 2000, and \$800,000 in F.Y. 2001 be added to the funding of Workforce Services for the Blind to prevent additional loss of services to blind Minnesotans.

The Governor recommends a one-time appropriation of \$1,400,000 in F.Y. 2000 to cover half the cost to convert the Communication Center of Workforce Services for the Blind to digital technology and move the Radio Talking Book service to a new frequency. This amount will be matched by the Minnesota Foundation.

The Governor recommends a \$50,000 annual appropriation for DES to use for the preservation and repair of its state-owned buildings.

The Governor recommends \$5,000,000 in federal TANF funds each year of the biennium be transferred from the Department of Human Services (DHS) to DES to supplement the federal Department of Labor Welfare-to-Work grant.

The Governor recommends \$116,000 in each year of the biennium as match, to secure federal funding for the new Juvenile Accountability Incentive Block Grant (Youth Violence Prevention programs).

The Governor recommends the sunset on the statutory appropriation of \$635,000 per year for incentive grants per M.S. 469.305-31.

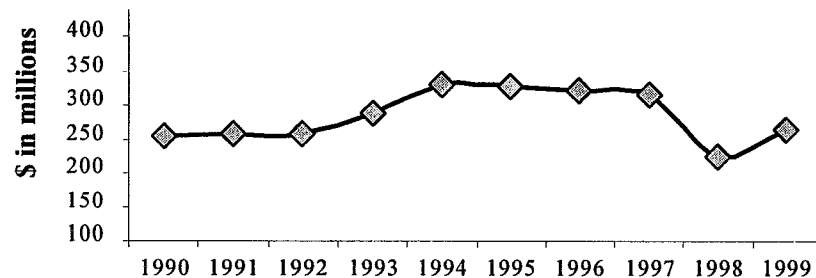
The Governor recommends an additional \$16,000,000 in F.Y. 2000 and \$6,000,000 in F.Y. 2001 be transferred from the Dislocated Worker Fund to the General Fund. This transfer is to offset expenditures incurred for dislocated workers in other state programs and to help finance programs that provide vocational training to a broader range of workers.

**2000-01 Biennial Budget
Agency Executive Summary**

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

TRENDS AND PERSPECTIVE:

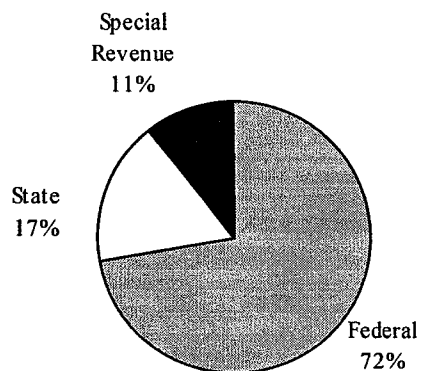
Total Budget - All Funds



Approximately \$80 million in federal and state appropriations transferred to the Department of Education, Children & Families in 1998

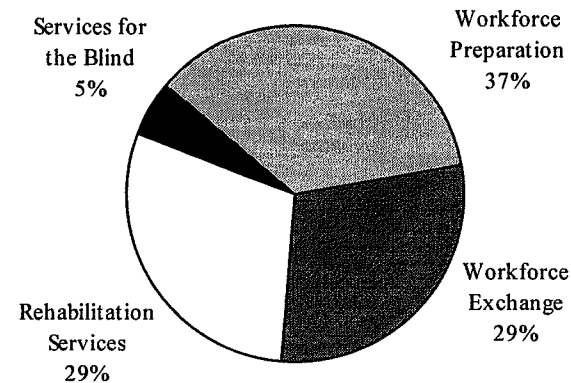
F.Y. 1998-99 Expenditures by Fund

Total \$477 million



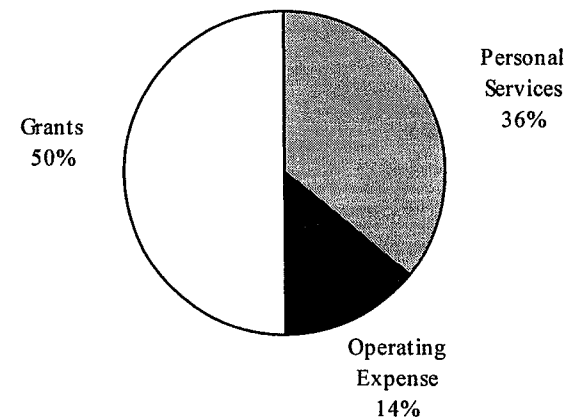
F.Y. 1998-99 Expenditures by Program

Total \$477 million



F.Y. 1998-99 Expenditures by Category

Total \$477 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
WORKFORCE PREPARATION	166,970	72,311	94,288	85,179	84,660	85,417	84,898	2,959	1.8%
WORKFORCE EXCHANGE	65,705	69,516	71,337	66,440	66,490	66,440	66,490	(7,873)	-5.6%
WORKFORCE REHABILITATION SVCS	68,534	68,435	74,875	75,408	75,408	76,293	76,293	8,391	5.9%
WORKFORCE SVCS FOR THE BLIND	13,483	13,254	13,454	13,302	15,502	13,655	14,455	3,249	12.2%
Total Expenditures	314,692	223,516	253,954	240,329	242,060	241,805	242,136	6,726	1.4%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	65,191	41,673	36,826	34,799	37,165	34,930	35,896
SPECIAL REVENUE	0	775	775	775	775	775	775
OPEN APPROPRIATIONS:							
GENERAL	635	636	636	635	0	635	0
STATUTORY APPROPRIATIONS:							
GENERAL	2,583	2,211	1,980	203	203	207	207
SPECIAL REVENUE	21,668	23,458	27,312	29,228	29,228	31,203	31,203
FEDERAL	0	0	0	0	5,000	0	5,000
MDES FEDERAL	223,226	154,760	186,357	174,635	169,635	174,001	169,001
AGENCY	867	0	0	0	0	0	0
GIFT	522	3	68	54	54	54	54
Total Financing	314,692	223,516	253,954	240,329	242,060	241,805	242,136

FTE BY EMPLOYMENT TYPE:							
FULL TIME	1,801.2	1,800.9	1,806.3	1,797.3	1,797.3	1,793.3	1,793.3
Total Full-Time Equivalent	1,801.2	1,800.9	1,806.3	1,797.3	1,797.3	1,793.3	1,793.3

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Economic Security, Department of (DES)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$35,326	\$35,326	\$70,652
<u>BASE ADJUSTMENT</u>			
Biennial Appropriations	3,370	3,370	6,740
One-time Appropriations	(4,026)	(4,026)	(8,052)
Documented Rent/Lease Increase	19	40	59
2000-2001 Compensation Inflation	107	217	324
Statewide Administrative Systems	9	9	18
Uniform Pension Bill Reduction	(6)	(6)	(12)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$34,799	\$34,930	\$69,729
<u>CHANGE ITEMS</u>			
Workforce Services for the Blind	800	800	1,600
21st Century Plan	1,400	-0-	1,400
Statewide Asset Preservation & Repair	50	50	100
Juvenile Accountability Matching Funds	<u>116</u>	<u>116</u>	<u>232</u>
GOVERNOR'S RECOMMENDATION	\$37,165	\$35,896	\$73,061

Brief Explanation of Budget Decisions:

- A biennial appropriation of \$3,370,000 each year is for the Minnesota Youth Program which provides both year-round and summer jobs, and training for youth.
- One-time appropriations of \$4,026,000 that were identified in the Omnibus Appropriation Laws of 1997 and 1998 include; a grant of \$126,000 to Advocating Change Together, Inc., a \$1,400,000 technology grant for the Minnesota WorkForce Centers, a \$1,500,000 Job Training Partnership Act (JTPA) Title II-A supplement, \$10,000 for Fairmont Independent School District 2752, \$650,000 for juvenile justice grants, \$15,000 to the City of Champlin for curfew enforcement, and \$325,000 for 2 Displaced Homemaker grants.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$370,000 in F.Y. 1999, \$800,000 in F.Y. 2000, and \$800,000 in F.Y. 2001 be added to the funding of Workforce Services for the Blind to prevent additional loss of services to blind Minnesotans.

The Governor recommends a one-time appropriation of \$1,400,000 in F.Y. 2000 to cover half the cost to convert the Communication Center of Workforce Services for the Blind to digital technology and move the Radio Talking Book service to a new frequency. This amount will be matched by the Minnesota Foundation.

The Governor recommends a \$50,000 annual appropriation for DES to use for the preservation and repair of its state-owned buildings.

The Governor recommends \$5,000,000 in federal TANF funds each year of the biennium be transferred from the Department of Human Services (DHS) to DES to supplement the federal Department of Labor Welfare-to-Work grant.

The Governor recommends \$116,000 in each year of the biennium to secure federal funding for the new Juvenile Accountability Incentive Block Grant (Youth Violence Prevention programs).

The Governor recommends the sunset on the statutory appropriation of \$635,000 per year for incentive grants per M.S. 469.305-31.

The Governor recommends an additional \$16,000,000 in F.Y. 2000 and \$6,000,000 in F.Y. 2001 be transferred from the Dislocated Worker Fund to the General Fund. This transfer is to offset expenditures incurred by dislocated workers in other state programs and to help finance programs that provide vocational training to a broader range of workers.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Economic Security, Department of (DES) **Fund:** Special Revenue

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$775	\$775	\$1,550
<u>BASE ADJUSTMENT</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$775	\$775	\$1,550
<u>CHANGE ITEMS</u>			
None	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$775	\$775	\$1,550

Brief Explanation of Budget Decisions:

- Each year of the biennium \$775,000 is appropriated from the Workforce Investment Fund for the Opportunities Industrialization Centers (OICs). There are 5 OICs in Minnesota and they are: East Metro OIC in Ramsey County, Summit Academy OIC in Minneapolis, American Indian OIC in Minneapolis, Anishinabe (Mille Lacs), and NW Indian in Bemidji. Of this amount, \$250,000 each year is for grants to the East Metro OIC for vocational training programs which include an English as a second language component.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Economic Security, Department of (DES)

REVENUE SOURCES:

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

The dedicated revenue is generated from several sources. Workforce Services for the Blind (SSB) sells adaptive devices to its customers and operates vending stands in public buildings generating receipts of approximately \$1,000,000/year. SSB also receives gifts estimated at \$50,000/year. The Workforce Exchange Program collects \$2,500,000/year in penalties and interest on delinquent reemployment insurance taxes. Approximately \$27,000,000 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 \$170,000,000/year from various agencies.

Inter-agency grants consist of approximately \$240,000/year from the Minnesota Department of Human Services for the Minnesota Family Investment Program (MFIP), and the Food Stamp Employment and Training Program (FSET) to help Minnesota welfare recipients move from welfare to work.

FEE STRUCTURE:

The department collects no fees.

RECENT CHANGES:

None.

FORECAST BASIS:

The DES is expecting remaining revenues to remain at a level similar to those of 1999, with the exception of the one-time welfare-to-work grant (\$28,000,000).

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>NON-DEDICATED REVENUE:</u>									
GRANTS:									
GENERAL	0	1	0	0	0	0	0	(1)	-100.0%
OTHER SOURCES:									
GENERAL	0	1	0	0	0	0	0	(1)	-100.0%
TAXES:									
GENERAL	9	10	0	12	12	12	12	14	140.0%
Total Non-Dedicated Receipts	9	12	0	12	12	12	12	12	100.0%
<u>DEDICATED RECEIPTS:</u>									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	712	681	630	680	680	680	680	49	3.7%
GRANTS:									
GENERAL	1,436	2,150	1,953	200	200	200	200	(3,703)	-90.3%
FEDERAL	0	0	0	0	5,000	0	5,000	10,000	
MDES FEDERAL	225,231	151,215	185,941	174,415	169,415	173,781	168,781	1,040	.3%
OTHER REVENUES:									
GENERAL	18	0	0	0	0	0	0	0	
SPECIAL REVENUE	4,318	4,216	4,798	4,798	4,798	4,798	4,798	582	6.5%
MDES FEDERAL	0	52	220	220	220	220	220	168	61.8%
GIFT	546	(42)	54	54	54	54	54	96	800.0%
OTHER SOURCES:									
AGENCY	867	0	0	0	0	0	0	0	
TAXES:									
SPECIAL REVENUE	21,525	33,649	27,300	27,300	27,300	27,300	27,300	(6,349)	-10.4%
Total Dedicated Receipts	254,653	191,921	220,896	207,667	207,667	207,033	207,033	1,883	.5%
Agency Total Revenues	254,662	191,933	220,896	207,679	207,679	207,045	207,045	1,895	.5%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Economic Security, Department of (DES)

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
Employment Transition Services (JTPA Programs)	yes	GPS	11,954	14,129	14,233	14,342
Youth Training	yes	GPS	9,527	10,936	10,000	10,000
Youth Violence Prevention	yes	GPS	1,706	6,276	6,379	6,484
Welfare-to-Work Services	yes	GPS	1,003	17,839	7,431	5,444
Dislocated Worker	yes	GPS	9,553	10,000	10,015	10,030
Workforce Employment Exchange	yes	SO	26,176	26,630	25,740	25,740
Reemployment Insurance	no	SO	35,821	38,999	38,000	38,000
Vocational Rehabilitation	yes	SO, GPS, GI	30,572	34,911	35,753	35,917
Independent Living	yes	SO, GPS, GI	1,049	1,112	1,122	1,132
Disability Determination	no	SO	15,565	17,226	17,700	18,400
Workforce Services for the Blind	yes	SO, GPS, GI	8,539	8,103	8,262	8,512
*Transfer to DCFL		SO	(198)	0	0	0
Agency Total			151,267	186,161	174,635	174,001

KEY:

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

2000-01 Biennial Budget

FINANCING INFORMATION:

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

PROGRAM PROFILE:

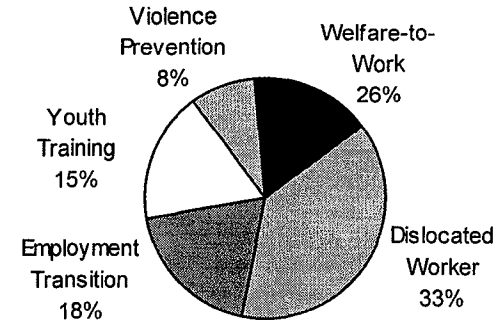
Workforce Preparation provides services to promote economic self-sufficiency for Minnesotans in transition. Employment and training services are provided to economically disadvantaged youth, long-term unemployed adults, displaced homemakers, dislocated workers, older Americans, and public assistance 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.

The DES, in cooperation with the Department of Human Services, manages the Minnesota Family Investment Program (MFIP), an employment services program for Temporary Assistance for Needy Families (TANF) recipients to become self-sufficient, and Food Stamp Employment and Training (FSET) Programs for non-public assistance recipients.

STRATEGIES AND PERFORMANCE:

The Workforce Center System is the distribution network of many Workforce Preparation services combined with services of other local, state and federal agencies. Workforce Centers are a joint effort of local Workforce Councils, counties, cities and the DES.

Workforce Preparation Activity Funding F.Y. 1999



Base Funding - State Only (in thousands)

General Fund	2000	2001
Displaced Homemaker	1822	1827
YouthBuild	701	702
Minnesota Youth	6143	6152
Learn to Earn	250	250
Juvenile Justice/Youth Intervention	1142	1144
Incentive Grant (statutory)	635	635
Special Revenue		
Opportunities Industrializational Centers	775	775

BUDGET ISSUES:

Employment Transition Services

The federal Job Training and Partnership Act (JTPA) is being replaced with the Workforce Investment Act (WIA). The WIA must be implemented by each state no later than 7-1-2000 and will have an impact on the way employment and training services are delivered in Minnesota. Under the WIA adults do not have to be economically disadvantaged to receive "core services." In contrast, all participating youth must be 14-21 years of age, economically disadvantaged and must be hard to serve. At least 30% of the WIA youth funding must be expended on out-of school youth.

2000-01 Biennial Budget

PROGRAM: Workforce Preparation

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

Budget issues arise as the need to enhance our management information system increases as the WIA requires the state to track applicants and evaluate services provided. A great deal of emphasis within the WIA is placed on performance accountability. The programs need to show positive results. This may require a significant increase in computer capabilities by increasing the amount of data collected on individuals. The WIA requires more detailed information on Minnesota Workforce system outcomes.

During the next 2 years, as the JTPA Title II and Title III programs transition into the WIA funded programs, the DES and its local partners will continue to serve economically disadvantaged Minnesotans.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$116,000 per year for match to the federal Juvenile Accountability Incentive Block grant.

The Governor recommends \$5,000,000 in federal TANF funds be appropriated each year to the Department of Human Services for transfer to DES to supplement the federal DOL Welfare-to-Work grant.

The Governor recommends the immediate sunset of the statutory appropriation of \$635,000 per year for incentive grants per M.S. 469.305-31.

The Governor recommends that an additional \$16,000,000 in F.Y. 2000 and \$6,000,000 in F.Y. 2001 be transferred from the Dislocated Worker Fund to the General Fund. This transfer is to offset expenditures for dislocated workers in other state programs and to help finance programs that provide training to a broader range of workers.

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 the last few years Minnesota's economy has been very strong with record-low unemployment. The frequency and severity of plant closings has been somewhat mitigated during what is now the longest period of economic expansion on record. During this expansion cycle, the financial needs for dislocated workers have evolved to include many issues such as health care and housing. This initiative will transfer funds from the Dislocated Worker Fund to the General Fund. The current transfer is \$3,500,000 per year. This would bring the total transfer to \$19,500,000 in F.Y. 2000 and \$9,500,000 in F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Program: WORKFORCE PREPARATION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
EMPLOYMENT TRANSITION SERVICES	17,312	16,999	18,547	16,830	16,830	16,944	16,944	(1,772)	-5.0%
YOUTH TRAINING	16,661	20,157	15,493	17,094	17,094	17,104	17,104	(1,452)	-4.1%
YOUTH VIOLENCE PREVENTION	3,246	3,504	8,073	7,514	7,630	7,622	7,738	3,791	32.7%
WELFARE TO WORK SERVICES	1,249	1,635	18,039	7,641	7,641	5,657	5,657	(6,376)	-32.4%
DISLOCATED WORKER	27,790	30,016	34,136	36,100	35,465	38,090	37,455	8,768	13.7%
TRANSFERRED TO CFL	100,712	0	0	0	0	0	0	0	
Total Expenditures	166,970	72,311	94,288	85,179	84,660	85,417	84,898	2,959	1.8%

CHANGE ITEMS:	FUND				
(B) JUVENILE JUSTICE MATCHING FUNDS	GEN			116	116
(B) INCENTIVE GRANT SUNSET	GEN			(635)	(635)
(B) WELFARE TO WORK ALTERNATIVE	FED			5,000	5,000
(B) WELFARE TO WORK ALTERNATIVE	FES			(5,000)	(5,000)
Total Change Items				(519)	(519)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	42,476	16,571	9,709	10,058	10,174	10,075	10,191
SPECIAL REVENUE	0	775	775	775	775	775	775
OPEN APPROPRIATIONS:							
GENERAL	635	636	636	635	0	635	0
STATUTORY APPROPRIATIONS:							
GENERAL	1,944	548	487	203	203	207	207
SPECIAL REVENUE	17,710	19,827	23,500	25,450	25,450	27,425	27,425
FEDERAL	0	0	0	0	5,000	0	5,000
MDES FEDERAL	103,840	33,954	59,181	48,058	43,058	46,300	41,300
GIFT	365	0	0	0	0	0	0
Total Financing	166,970	72,311	94,288	85,179	84,660	85,417	84,898

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Program: WORKFORCE PREPARATION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	103.9	71.2	77.8	75.6	75.6	75.6	75.6
Total Full-Time Equivalent	103.9	71.2	77.8	75.6	75.6	75.6	75.6

2000-01 Biennial Budget

BUDGET ACTIVITY: Employment Transition
PROGRAM: Workforce Preparation Branch
AGENCY: Economic Security, Department of

ACTIVITY PROFILE:

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.

The 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.

Allocations totaling 8% of the total JTPA 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 allocates 5% of the Title II-A (services to adults) 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 assure that training and placement of eligible individuals in employment opportunities with private business concerns.

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.

Displaced Homemakers are individuals who have spent a number of years at home caring for their homes and families, and are 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. 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.

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: East Metro OIC in St. Paul, Summit Academy OIC in Minneapolis, American Indian OIC in Minneapolis, Anishinabe (Mille Lacs), and NW Indian in Bemidji. A special project at Lino Lakes provides remedial education and services to inmates prior to their release.

STRATEGIES AND PERFORMANCE:

- **JTPA Title II-A:** To annually assist 75% of participants to enter unsubsidized employment and place individuals in jobs with long-term employment potential.
- **JTPA Education Coordination:** To annually assist 400 individuals to obtain needed educational services.
- **JTPA Older Worker:** To annually assist 200 older workers to obtain employment in the private sector.
- **Title V Senior Community Service Employment Program (SCSEP):** To annually place 20% of the participants in unsubsidized employment.
- **Displaced Homemaker Program:** To annually assist 30% of participants to enter employment and 20% to enter training through the direct provision of pre-employment services.
- **Opportunities Industrializational Center (OIC):** Sixty percent of participants will be placed in positions upon program termination which provide long-term employment, and another 16% will receive other positive employability preparation enhancement.

2000-01 Biennial Budget

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

Job Training Partnership Act: Title II-A

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants Served	5,390	4,464	4,123	4,500(est)
Funding	\$8,046	\$6,175	\$6,247	\$7,436
Placement Rate	77.60%	80.30%	77.60%	77.00%(est)
Retention Rate	68.43%	77.00%	77.50%	77.00%(est)

JTPA Education Coordination

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants Served	848	812	512	550 (est)
Funding	\$942	\$737	\$741	\$877

JTPA Older Worker

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants Served	552	390	354	375(est)
Funding	\$522	\$401	\$406	\$483

Title V Senior Community Service Employment Program (SCSEP)

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants Served	411	331	425	440 (est)
Funding	\$1,859	\$1,885	\$2,067	\$2,080

Displaced Homemaker Program

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Participants Served	1,543	1,626	1,762	1,817(est)
Funding	\$1,512	\$1,512	\$1,812	\$1,817

Opportunities Industrializational Center (OIC)

	Dollars in Thousands				
	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
Participants Placed	200	228	154	173	229
Positive Termination	258	186	108	300	167
Funding	\$350	\$350	\$350	\$350	\$775

BUDGET ISSUES:

In August 1998, the Workforce Investment Act (WIA) was made law and will replace JTPA. This law, which must be implemented by each state no later than 7-1-2000, will have an impact on the way employment and training services are delivered in Minnesota. The Act emphasizes performance measurement and funding of programs that have positive outcomes. The effect on who will be served and how services will be delivered is under consideration. Until WIA is implemented in this state, JTPA Title II-A programs will serve only economically disadvantaged adults.

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 administrative entities designated by the governor.

JTPA Education Coordination, (Public Law 97-300 as amended): 20% of the available funding is to oversee coordination; 50% of the funds available is allocated by formula to the JTPA SDAs; 30% of the funds available is contracted with local service providers by the Request for Proposal (RFP) process.

JTPA Older Workers Program, (Public Law 97-300 as amended): 100% of 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): Sixteen grantees currently receive funding and include Community Action Agencies, Counties, the City of Duluth, Chippewa Tribes, Minnesota Green Thumb and JTPA SDAs.

DHP, (M.S. 268.96): Program funds are granted to 12 SDAs statewide to provide services to approximately 1,600 displaced homemakers.

OIC, (M.S. 268.60): In F.Y. 1997 and 1998, the OIC basic grant was increased from \$350,000 per year to \$525,000 and an additional \$250,000 was allocated for a refugee program in St. Paul.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: EMPLOYMENT TRANSITION SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	770	997	1,029	987	987	1,020	1,020	(19)	-.9%
OPERATING EXPENSES	195	320	338	344	344	354	354	40	6.1%
SUBTOTAL STATE OPERATIONS	965	1,317	1,367	1,331	1,331	1,374	1,374	21	.8%
PAYMENTS TO INDIVIDUALS	20	14	0	0	0	0	0	(14)	-100.0%
LOCAL ASSISTANCE	16,327	15,668	17,180	15,499	15,499	15,570	15,570	(1,779)	-5.4%
Total Expenditures	17,312	16,999	18,547	16,830	16,830	16,944	16,944	(1,772)	-5.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,862	4,178	3,642	1,822	1,822	1,827	1,827		
SPECIAL REVENUE	0	775	775	775	775	775	775		
STATUTORY APPROPRIATIONS:									
MDES FEDERAL	15,450	12,046	14,130	14,233	14,233	14,342	14,342		
Total Financing	17,312	16,999	18,547	16,830	16,830	16,944	16,944		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
MDES FEDERAL	15,466	11,954	14,129	14,233	14,233	14,342	14,342		
NONDEDICATED									
GENERAL	0	1	0	0	0	0	0		
Total Revenues Collected	15,466	11,955	14,129	14,233	14,233	14,342	14,342		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: EMPLOYMENT TRANSITION SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	16.0	19.2	19.2	18.0	18.0	18.0	18.0
Total Full-Time Equivalent	16.0	19.2	19.2	18.0	18.0	18.0	18.0

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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 age 14 or 15, and therefore, can not be employed in the private sector.

Minnesota Youth Program (MYP)

The Minnesota Youth Program (MYP) provides services year-round complementing 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 provided 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.

STRATEGIES AND PERFORMANCE:

- **JTPA Title IIB Summer Program:** In 1998, 85% of the total JTPA Title IIB participants will successfully complete the Work Experience and Academic Enrichment Program; 80% of the participants will demonstrate documented gains (approximately one grade level) in reading and math skills.
- **Minnesota Youth Program (MYP):** In 1998, 85% of total MYP participants will return to school or enter unsubsidized employment; 80% of the participants will demonstrate documented gains (approximately one grade level) in reading and math skills.
- **YouthBuild:** In 1998, 50% of YouthBuild participants who complete the program will enter unsubsidized employment; 90% of the participants who complete the program in 1998 will remain in school and/or achieve a major level of education.

JTPA Title IIB Summer Program

	Dollars in Thousands				
	C.Y. 1994	C.Y. 1995	C.Y. 1996	C.Y. 1997	C.Y. 1998
Participants Served	7,100	6,350	4,850	5,803	5,921*
Funding	\$10,000	\$8,900	\$5,800	\$7,750	\$8,600

* estimated

2000-01 Biennial Budget

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

Minnesota Youth Program (MYP)

	Dollars in Thousands				
	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>	<u>C.Y. 1996</u>	<u>C.Y. 1997</u>	<u>C.Y. 1998</u>
Participants Served	4,500	5,000	6,000	7,216	3,205*
Funding	\$5,400	\$6,000	\$9,000	\$9,000	\$4,000

* estimated

JTPA Title IIC Youth Training Program

	Dollars in Thousands				
	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>	<u>C.Y. 1996</u>	<u>C.Y. 1997</u>	<u>C.Y. 1998</u>
Participants Served	4,468	2,542	1,846	1,922	2,000*
Funding	\$5,800	\$1,090	\$980	\$946	\$1,070

* estimated

Minnesota YouthBuild

	Dollars in Thousands				
	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>	<u>C.Y. 1996</u>	<u>C.Y. 1997</u>	<u>C.Y. 1998</u>
Participants Served	226	315	324	352	352*
Funding	\$300	\$500	\$417	\$700	\$700

* estimated

GRANTS:

The JTPA Summer Youth Program is funded under Title IIB of the Job Training Partnership Act (P.L.99-496). 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 12 sites: The City, Inc. (Minneapolis), Bi-County CAP (Bemidji), the Carver-Scott-Education Cooperative, (Chaska), Summit Academy OIC (Minneapolis), Rural Minnesota CEP (Detroit Lakes), and the City Academy (St. Paul), Arrowhead Economic Opportunity Agency (Virginia), Private Industry Council 5 (Willmar), and Guadalupe Area Project (St. Paul), Stearns-Benton Employment and Training Council (St. Cloud), Project for Pride in Living (Minneapolis), and Southeastern Minnesota Private Industry Council (Rochester).

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: YOUTH TRAINING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	206	359	230	290	290	298	298	(1)	-.2%
OPERATING EXPENSES	74	46	33	54	54	56	56	31	39.2%
SUBTOTAL STATE OPERATIONS	280	405	263	344	344	354	354	30	4.5%
PAYMENTS TO INDIVIDUALS	4	4	0	0	0	0	0	(4)	-100.0%
LOCAL ASSISTANCE	16,377	19,748	15,230	16,750	16,750	16,750	16,750	(1,478)	-4.2%
Total Expenditures	16,661	20,157	15,493	17,094	17,094	17,104	17,104	(1,452)	-4.1%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	8,970	10,348	4,270	7,094	7,094	7,104	7,104		
STATUTORY APPROPRIATIONS:									
GENERAL	617	214	287	0	0	0	0		
MDES FEDERAL	7,074	9,595	10,936	10,000	10,000	10,000	10,000		
Total Financing	16,661	20,157	15,493	17,094	17,094	17,104	17,104		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	571	156	287	0	0	0	0		
MDES FEDERAL	7,095	9,527	10,936	10,000	10,000	10,000	10,000		
Total Revenues Collected	7,666	9,683	11,223	10,000	10,000	10,000	10,000		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	9.5	10.0	10.0	9.0	9.0	9.0	9.0		
Total Full-Time Equivalent	9.5	10.0	10.0	9.0	9.0	9.0	9.0		

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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.

Juvenile Accountability Incentive Block Grant

Federal Entitlement Funds will be awarded to approximately 100 units of general local government (cities and counties) under the Juvenile Accountability Incentive Block Grant (JAIBG). The purpose of this initiative is to promote greater accountability in the juvenile justice system.

Youth Intervention Program

The Youth Intervention programs consist of 38 non-residential, community-based programs which provide early intervention services to at-risk youth and families. Programs deal with youth ages 5 through 17 in the context of family, school and community. All programs must obtain a 2:1 funding match from their local municipalities and/or counties. In 1997, over 21,854 at risk youth were served through 38 community-based programs.

STRATEGIES AND PERFORMANCE:

Juvenile Justice Program

In 1998, at least 85% of youth who are ordered by the court to participate in a juvenile justice program will successfully complete the program.

Youth Intervention Program

In 1998, not more than 8% of youth referred to the Youth Intervention Program for a petitionable offense will re-offend within 6 months after completing the program.

Juvenile Justice Program

	Dollars in Thousands				
	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>	<u>C.Y. 1996</u>	<u>C.Y. 1997</u>	<u>C.Y. 1998</u>
Participants Served	9,000	24,600	26,656	42,450	44,000*
Funding	\$1,056	\$1,200	\$1,395	\$1,675	\$2,064
* estimated					

Youth Intervention Program

	Dollars in Thousands				
	<u>C.Y. 1994</u>	<u>C.Y. 1995</u>	<u>C.Y. 1996</u>	<u>C.Y. 1997</u>	<u>C.Y. 1998</u>
Participants Served	10,832	9,952	13,502	21,854	22,000*
Funding	\$550	\$650	\$650	\$890	\$1,050
* estimated					

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 under the Juvenile Accountability Incentive Block Grant (JAIBG) is provided under the 1997 Appropriations Act and is based on Title III of H.R. 3 (as passed by the House of Representatives).

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.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: YOUTH VIOLENCE PREVENTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	202	251	401	408	524	416	532	404	62.0%
OPERATING EXPENSES	88	111	103	103	103	103	103	(8)	-3.7%
SUBTOTAL STATE OPERATIONS	290	362	504	511	627	519	635	396	45.7%
LOCAL ASSISTANCE	2,956	3,142	7,569	7,003	7,003	7,103	7,103	3,395	31.7%
Total Expenditures	3,246	3,504	8,073	7,514	7,630	7,622	7,738	3,791	32.7%
<u>CHANGE ITEMS:</u>									
(B) JUVENILE JUSTICE MATCHING FUNDS	GEN				116		116		
Total Change Items					116		116		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	968	1,795	1,797	1,135	1,251	1,138	1,254		
STATUTORY APPROPRIATIONS:									
MDES FEDERAL	2,278	1,709	6,276	6,379	6,379	6,484	6,484		
Total Financing	3,246	3,504	8,073	7,514	7,630	7,622	7,738		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
MDES FEDERAL	2,268	1,706	6,276	6,379	6,379	6,484	6,484		
Total Revenues Collected	2,268	1,706	6,276	6,379	6,379	6,484	6,484		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: YOUTH VIOLENCE PREVENTION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	3.6	4.1	7.1	7.1	7.1	7.1	7.1
Total Full-Time Equivalent	3.6	4.1	7.1	7.1	7.1	7.1	7.1

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: State Match for Federal Juvenile Accountability Incentive Block Grant

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$116	\$116	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$116,000 per year be appropriated to provide cash match for the new federal Juvenile Accountability Incentive Block Grant (JAIBG).

RATIONALE:

The U.S. Department of Justice requires Minnesota to provide a cash match of \$116,000 to secure \$4.1 million in federal funding under this new grant.

FINANCING:

This is a new federal entitlement grant. The base level funding is zero. Federal entitlement funds will be awarded to over 100 cities and counties to promote greater accountability in the juvenile justice system. These DES contracts have a 1-1-99 start date.

OUTCOMES:

Expected outcomes include:

- Improvements in juvenile detention facilities;
- Improved accountability for juvenile offenders, including restitution and reduced recidivism;
- Hiring additional personnel throughout the juvenile justice system;
- Reduce backlog of violent juvenile offenders in the courts; and,
- Address drug, gang and youth violence problems more effectively at the county level.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Currently, the DES, in coordination with the Department of Human Services (DHS), is responsible for managing the Minnesota Family Investment Program (MFIP) and Food Stamp Employment and Training (FSET) programs.

The DES reviews and approves annual plans to guarantee that programs deliver promised services and also meet state and federal requirements. The department provides oversight and evaluation of functions to ensure program goals and objectives are met and funds are used as intended. Technical assistance is provided to improve effectiveness and efficiency.

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

STRATEGIES AND PERFORMANCE:

- **Minnesota Family Investment Program (MFIP) and FSET**
 - To provide effective employment services which will enable participants to enter the labor force and ultimately become self sufficient.
 - To increase participants' average wage at termination by 5% each year.
- **Federal Welfare to Work Program (WtW)**
 - To provide intensive employment and post-employment services to eligible long term and at-risk of long term hard-to-serve MFIP recipients.
 - To provide employment services to non-custodial parents who meet the same eligibility criteria as the custodial parents.

Minnesota's Welfare to Work Program started on March 14, 1998 and ends in F.Y. 2001. The 1998 and 1999 allocations each have 3 year life cycles. Minnesota is required to provide state match in the amount of \$1 for every \$2 in federal funds it expends.

BUDGET ISSUES:

Federal Welfare to Work Program (WtW)

Responsibility for the administration of WtW is under the DES, but with mandated linkages between the DES and DHS on plan development, and in local service unit plan development.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: WELFARE TO WORK SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	389	718	915	919	919	937	937	223	13.7%
OPERATING EXPENSES	96	150	166	167	167	169	169	20	6.3%
SUBTOTAL STATE OPERATIONS	485	868	1,081	1,086	1,086	1,106	1,106	243	12.5%
LOCAL ASSISTANCE	764	767	16,958	6,555	6,555	4,551	4,551	(6,619)	-37.3%
Total Expenditures	1,249	1,635	18,039	7,641	7,641	5,657	5,657	(6,376)	-32.4%

CHANGE ITEMS:	FUND				
(B) WELFARE TO WORK ALTERNATIVE	FED			5,000	5,000
(B) WELFARE TO WORK ALTERNATIVE	FES			(5,000)	(5,000)
Total Change Items				0	0

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	0	250	0	7	6
STATUTORY APPROPRIATIONS:					
GENERAL	734	334	200	203	207
FEDERAL	0	0	0	0	5,000
MDES FEDERAL	515	1,051	17,839	7,431	5,444
Total Financing	1,249	1,635	18,039	7,641	5,657

REVENUE COLLECTED:					
DEDICATED					
GENERAL	541	314	190	200	200
FEDERAL	0	0	0	0	5,000
MDES FEDERAL	515	1,003	17,839	7,431	5,444

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: WELFARE TO WORK SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
Total Revenues Collected	1,056	1,317	18,029	7,631	7,631	5,644	5,644
FTE BY EMPLOYMENT TYPE:							
FULL TIME	6.5	11.0	14.4	14.4	14.4	14.4	14.4
Total Full-Time Equivalent	6.5	11.0	14.4	14.4	14.4	14.4	14.4

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Welfare-to-Work Alternative

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
- TANF Reserve	\$5,000	\$5,000	\$-0-	\$-0-
- DES Federal	\$(5,000)	\$(5,000)	\$-0-	\$-0-
Revenues: (\$000s)				
	\$-0-	\$-0-	\$-0-	\$-0-
- DES Federal	\$(5,000)	\$(5,000)	\$-0-	\$-0-
- TANF Reserve	\$5,000	\$5,000	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$5,000,000 in each year of the biennium be transferred to DES from the Department of Human Services (DHS) Temporary Assistance for Needy Families (TANF) Reserve to supplement the federal Department of Labor (DOL) Welfare-to-Work grant. The TANF reserve funds will be distributed to the local Workforce Councils using the DES formula allocation process.

The DOL grant must be matched on a 1:2 basis. DES has identified approximately \$9,000,000 in eligible match, leaving \$10,000,000 in federal DOL funds unmatched, which will be returned to the DOL. The federal TANF reserve funds have already been matched and provide greater flexibility in eligible uses and participation.

RATIONALE:

The U.S. Department of Labor has allocated funds to Minnesota for the Welfare-to-Work program. Eligibility for the Welfare-to-Work program is limited to

Minnesota Family Investment Program (MFIP) participants who have received assistance for at least 30 months and who meet 2 out of the following 3 criteria: no high school diploma or GED combined with low reading or math skills; no work history; or in need of substance abuse treatment in order to be employable. Allowable activities are restricted to direct employment opportunities, such as on-the-job training, wage supplementation or community work experience. The program also offers post-placement support services, such as child care, temporary housing, and transportation.

This initiative will provide additional flexibility and resources to address the needs of MFIP participants who are "hardest to serve," yet do not meet DOL criteria.

OUTCOMES:

This initiative will provide services through the local WorkForce Centers that focus on job placement and retention, development of career ladders and other support services leading toward economic independence for MFIP participants who are "hardest to serve," and face serious barriers to employment.

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The federal Job Training Partnership Act (JTPA), Title III - Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) and Minnesota's Dislocated Worker Program 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 include 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 (i.e., daycare and commuting assistance), and relocation assistance; and those classified as "retraining" which include classroom training, occupational skill 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 state program may, on a limited basis provide skill training to workers at-risk of losing their jobs and to provide dislocated workers with skills training targeted to specific employers and industries.

STRATEGIES AND PERFORMANCE:

The "Entered Employment" rate for Minnesota dislocated workers will exceed the established federal standard for Title III, EDWAA, with the state rate increasing to 80% for 1998.

The median rate of wage replacement for dislocated workers will be a minimum of 80% of hourly earnings prior to dislocation.

JTPA Title III (EDWAA)

Dollars in Thousands					
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Participants Served	3,949	4,007	3,934	3,889	3,500
Funding	\$9,241	\$8,305	\$9,933	\$9,553	\$10,000

State Dislocated Worker Program

Dollars in Thousands					
	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Participants Served	9,321	10,774	9,208	7,980	9,000
Funding	\$18,350	\$17,673	\$17,222	\$19,827	\$23,500

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. When implemented, the WIA will likely change how the program will be operated.

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.

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 available funds); and allocation to eligible organizations with demonstrated performance on the basis of a RFP to address specific worker dislocation events, such as plant closings or mass layoffs, statewide activities, regional dislocations, and industry-wide projects (60% of 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.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: DISLOCATED WORKER

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,406	2,444	2,651	2,663	2,639	2,675	2,651	195	3.8%
OPERATING EXPENSES	514	661	387	398	397	411	410	(241)	-23.0%
SUBTOTAL STATE OPERATIONS	2,920	3,105	3,038	3,061	3,036	3,086	3,061	(46)	-.7%
PAYMENTS TO INDIVIDUALS	254	36	0	0	0	0	0	(36)	-100.0%
LOCAL ASSISTANCE	24,616	26,875	31,098	33,039	32,429	35,004	34,394	8,850	15.3%
Total Expenditures	27,790	30,016	34,136	36,100	35,465	38,090	37,455	8,768	13.7%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) INCENTIVE GRANT SUNSET	GEN			(635)	(635)
Total Change Items				(635)	(635)

<u>FINANCING BY FUND:</u>							
OPEN APPROPRIATIONS:							
GENERAL	635	636	636	635	0	635	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	17,222	19,827	23,500	25,450	25,450	27,425	27,425
MDES FEDERAL	9,933	9,553	10,000	10,015	10,015	10,030	10,030
Total Financing	27,790	30,016	34,136	36,100	35,465	38,090	37,455

<u>REVENUE COLLECTED:</u>							
DEDICATED							
SPECIAL REVENUE	22,669	35,299	29,000	29,000	29,000	29,000	29,000
MDES FEDERAL	9,931	9,553	10,000	10,015	10,015	10,030	10,030
Total Revenues Collected	32,600	44,852	39,000	39,015	39,015	39,030	39,030

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE PREPARATION
Activity: DISLOCATED WORKER

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	24.1	26.9	27.1	27.1	27.1	27.1	27.1
Total Full-Time Equivalent	24.1	26.9	27.1	27.1	27.1	27.1	27.1

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Economic Security
PROGRAM: Workforce Preparation
ACTIVITY: Dislocated Worker

ITEM TITLE: Sunset of Incentive Grants

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(635)	\$(635)	\$(635)	\$(635)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 469.305-31

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the sunset of the \$635,000 per year statutory appropriation contained in Minnesota Statutes 469.305-31 for incentive grants.

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. Therefore, current spending must be continuously evaluated and lower priority spending eliminated whenever possible. Within the limited time available, only a limited number of reductions have been identified.

Some of the criteria applied in identifying these spending reductions are:

- Not every new idea has to be financed with added money.
- Lower priority expenditures should be eliminated.
- Expenditures should reflect a proper role of government.
- Eliminate narrow interests that only benefit a few.
- Eliminate expenditures that duplicate the efforts of others.
- Eliminate expenditures that shift user costs to the general taxpayer.

FINANCING INFORMATION:

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

This program is funded by the U.S. Department of Labor.

PROGRAM PROFILE:

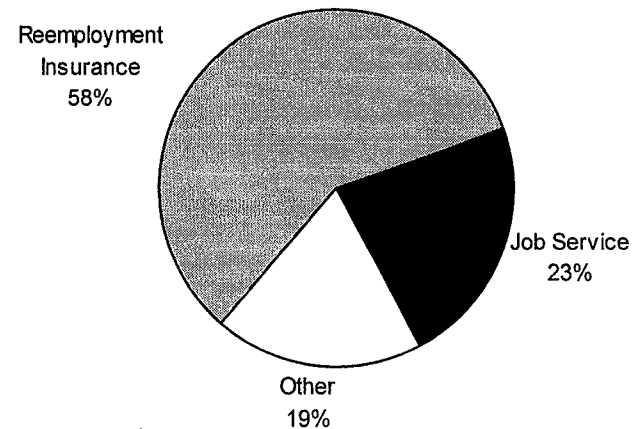
The Workforce Exchange Program, principally through the WorkForce Center System, provides an array of special programs to address the needs of employers seeking qualified applicants and individuals seeking assistance in obtaining employment, and provides economic relief through the payment of benefits to minimize the personal, economic, and social impact of unemployment.

The primary programs are the federally funded Job Service (JS), a national labor exchange which matches job seekers with employers at no cost to either; and the Reemployment Insurance (RI) program which provides temporary financial benefits to assist persons who have been laid off from their employment through no fault of their own, and also economic stabilization for the nation during periods of high unemployment. Other programs include the federally funded Veterans Programs which provide employment related services for veterans; the Labor Market Information System (LMI) which supports state and local economic development strategies; employment and training program planning, and vocational counseling; and the Bureau of Labor Statistics (BLS) funded federal/state cooperative programs which produce statewide and local workforce and employment information.

STRATEGIES AND PERFORMANCE:

Workforce Exchange addresses the employment needs of Minnesotans (employers and applicants), directly through programs such as Job Service (JS), Reemployment Insurance (RI), Veterans Employment Programs, Local Market Information (LMI) and training referrals.

**Workforce Exchange Funding by
Activity F.Y. 1999**



GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$50,000 per year for the repair and preservation of state-owned buildings.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Program: WORKFORCE EXCHANGE

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
WORKFORCE EMPLOYMENT EXCHANGE	28,120	33,235	32,337	28,440	28,440	28,440	28,440	(8,692)	-13.3%
REEMPLOYMENT INSURANCE	37,585	36,281	39,000	38,000	38,050	38,000	38,050	819	1.1%
Total Expenditures	65,705	69,516	71,337	66,440	66,490	66,440	66,490	(7,873)	-5.6%

CHANGE ITEMS:	FUND				
(B) DES ASSSET PRESERVATION	GEN			50	50
Total Change Items				50	50

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	499	1,557	1,400	0	50	0	50
STATUTORY APPROPRIATIONS:							
GENERAL	639	1,663	1,493	0	0	0	0
SPECIAL REVENUE	2,958	2,648	2,704	2,700	2,700	2,700	2,700
MDES FEDERAL	60,742	63,648	65,740	63,740	63,740	63,740	63,740
AGENCY	867	0	0	0	0	0	0
Total Financing	65,705	69,516	71,337	66,440	66,490	66,440	66,490

FTE BY EMPLOYMENT TYPE:							
FULL TIME	1.024.5	1.047.5	1.009.8	1.003.0	1.003.0	1.003.0	1.003.0
Total Full-Time Equivalent	1.024.5	1.047.5	1.009.8	1.003.0	1.003.0	1.003.0	1.003.0

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Workforce Employment Exchange, primarily through the WorkForce Center System, provides an array of special programs to address the needs of employers seeking qualified applicants and individuals seeking assistance in obtaining employment.

The primary program in this budget activity is the federally funded Job Service (JS), a national labor exchange which matches job seekers with employers at no cost to either. Minnesota activity supports the national self-service tools made available on the Internet, America's Job Bank for applicants and America's Talent Bank for employers. Staff-facilitated services are available on a limited basis to both employers and job seekers. Other staff-facilitated programs include the federally funded Veterans Programs which provide employment related services for veterans; the Labor Market Information System (LMI) which supports state and local economic development strategies; employment and training program planning and vocational counseling; and the Bureau of Labor Statistics (BLS) funded federal/state cooperative programs which produce statewide and local workforce and employment information.

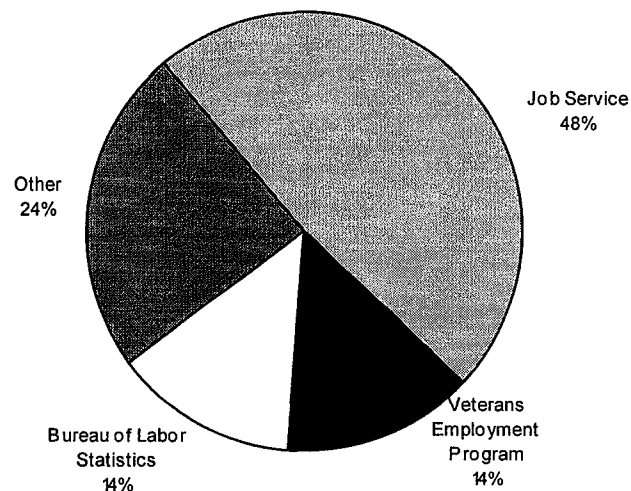
STRATEGIES AND PERFORMANCE:

Workforce Employment Exchange addresses the employment needs of Minnesotans (employer and applicant), through programs such as Job Service (JS), Veterans Employment Programs, Local Labor Market Information (LMI) and training referrals.

FINANCING INFORMATION:

This program is funded by the U.S. Department of Labor.

Workforce Exchange Funding by Activity F.Y. 1999



BUDGET ISSUES:

Regional Labor Market Analysts were funded by a U.S. Department of Labor (DOL) One-Stop Implementation Grant to provide localized information on economic and job market conditions for employers, job seekers, educators and students. The Regional Labor Market Analysts are located in Brainerd, Duluth, St. Cloud, Mankato and the Twin Cities. This was funded by a one-time federal appropriation and the funding for this pilot will run out in early 1999.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE EXCHANGE
Activity: WORKFORCE EMPLOYMENT EXCHANGE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	17,875	20,125	18,545	18,145	18,145	18,145	18,145	(2,380)	-6.2%
OPERATING EXPENSES	8,288	11,194	12,505	9,008	9,008	9,008	9,008	(5,683)	-24.0%
SUBTOTAL STATE OPERATIONS	26,163	31,319	31,050	27,153	27,153	27,153	27,153	(8,063)	-12.9%
CAPITAL OUTLAY	213	0	0	0	0	0	0	0	
PAYMENTS TO INDIVIDUALS	526	542	1,287	1,287	1,287	1,287	1,287	745	40.7%
LOCAL ASSISTANCE	1,218	1,374	0	0	0	0	0	(1,374)	-100.0%
Total Expenditures	28,120	33,235	32,337	28,440	28,440	28,440	28,440	(8,692)	-13.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	499	1,557	1,400	0	0	0	0		
STATUTORY APPROPRIATIONS:									
GENERAL	639	1,663	1,493	0	0	0	0		
SPECIAL REVENUE	2,958	2,648	2,704	2,700	2,700	2,700	2,700		
MDES FEDERAL	24,024	27,367	26,740	25,740	25,740	25,740	25,740		
Total Financing	28,120	33,235	32,337	28,440	28,440	28,440	28,440		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GENERAL	324	1,680	1,476	0	0	0	0		
SPECIAL REVENUE	2,546	2,405	2,700	2,700	2,700	2,700	2,700		
MDES FEDERAL	24,983	26,176	26,630	25,740	25,740	25,740	25,740		
AGENCY	867	0	0	0	0	0	0		
Total Revenues Collected	28,720	30,261	30,806	28,440	28,440	28,440	28,440		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE EXCHANGE
Activity: WORKFORCE EMPLOYMENT EXCHANGE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	384.5	412.5	374.8	368.0	368.0	368.0	368.0
Total Full-Time Equivalent	384.5	412.5	374.8	368.0	368.0	368.0	368.0

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2000-01 Biennial Budget

BUDGET ISSUES:

BUDGET ACTIVITY: Reemployment Insurance
PROGRAM: Workforce Exchange
AGENCY: Economic Security, Department of

The total base funding for RI has been maintained over the last 4 years, while the cost per position has increased significantly. In 1994 the average position cost was \$40,000/year. In 1993 this cost has increased to \$44,000/year. This is an increase of 10%. This increase in costs has required a reduction of staff from 746 positions to 635.

ACTIVITY PROFILE:

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

The RI program encompasses the following activities:

- determine the liability of over 120,000 employers for the RI tax;
- collect contributions for over \$356 million per year;
- audit employer accounts to ensure proper tax payments;
- enforce the collection of the RI tax through the collection of delinquent taxes;
- administer state and federal laws relating to RI;
- determine benefit entitlements;
- pay weekly RI benefits to over 100,000 eligible claimants each year; and
- provide impartial due-process hearings for persons and employers appealing DES decisions, through a 2-level appellate process.

STRATEGIES AND PERFORMANCE:

Reemployment insurance addresses the needs of Minnesotans by providing temporary economic relief through benefits to assist persons in minimizing the economic and social impact of unemployment.

FINANCING INFORMATION:

The administrative funds for RI come from the Social Security Act through the U.S. Department of Labor. These are the only RI related dollars reported in this document. The actual payments to eligible applicants are not contained in the Biennial Budget document as they are processed outside of the state accounting system.

The department's goal of continuing to improve services while living within the financial constraints of the budget has been difficult to maintain. The DES has continually explored new ways to automate and streamline the tax collection and the benefit payment process. An example of this process change is the TeleClaim process for applicants filing an RI claim. The elimination of paper claim processing has enabled the DES to process claims at a significantly faster rate. This has allowed the department to maintain services while living within budget constraints.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE EXCHANGE
Activity: REEMPLOYMENT INSURANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	28,797	28,146	29,000	29,500	29,500	30,000	30,000	2,354	4.1%
OPERATING EXPENSES	8,748	7,832	9,905	8,405	8,405	7,905	7,905	(1,427)	-8.0%
OTHER EXPENSES	36	95	95	95	95	95	95	0	.0%
SUBTOTAL STATE OPERATIONS	37,581	36,073	39,000	38,000	38,000	38,000	38,000	927	1.2%
CAPITAL OUTLAY	1	205	0	0	50	0	50	(105)	-51.2%
LOCAL ASSISTANCE	3	3	0	0	0	0	0	(3)	-100.0%
Total Expenditures	37,585	36,281	39,000	38,000	38,050	38,000	38,050	819	1.1%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) DES ASSET PRESERVATION	GEN			50	50
Total Change Items				50	50

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	0	0	0	0	50	0	50
STATUTORY APPROPRIATIONS:							
MDES FEDERAL	36,718	36,281	39,000	38,000	38,000	38,000	38,000
AGENCY	867	0	0	0	0	0	0
Total Financing	37,585	36,281	39,000	38,000	38,050	38,000	38,050

<u>REVENUE COLLECTED:</u>							
DEDICATED							
MDES FEDERAL	37,147	35,821	38,999	38,000	38,000	38,000	38,000
Total Revenues Collected	37,147	35,821	38,999	38,000	38,000	38,000	38,000

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE EXCHANGE
Activity: REEMPLOYMENT INSURANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	640.0	635.0	635.0	635.0	635.0	635.0	635.0
Total Full-Time Equivalent	640.0	635.0	635.0	635.0	635.0	635.0	635.0

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Statewide Asset Preservation and Repair

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$50	\$50	\$50	\$50
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$100,000 to the agency's base budget for repair and replacement of state assets and facilities. This recommendation is part of a statewide, multi-agency initiative to reduce facility repair and replacement needs by 5% in each agency.

RATIONALE:

Since the early 1990s, there has been a growing consensus between the legislative and executive branches that increased attention needs to be focused on the deferred maintenance needs of state agencies. In 1991, state statutes were adopted that require the Department of Administration to analyze the condition and suitability of all state facilities. This research effort has largely been accomplished, with the results indicating a substantial deferred maintenance backlog across state agencies and higher education institutions.

Common building deficiencies noted in this report include the need for new roofs, windows, heating and ventilation systems, elevators, electrical systems, and a variety of improvements to bring buildings into compliance with building, fire, and handicapped access codes.

During the 1998 legislative session, the Legislative Auditor released a report entitled, "State Building Maintenance," that estimated the state's deferred maintenance backlog of physical deterioration between \$300 to \$600 million.

Also in the 1998 session, an amendment was adopted in the bonding bill that requires agencies to budget for facility repair and maintenance needs. Based on national standards and state building classifications, the Department of Administration has recently estimated DES' biennial maintenance needs at \$1.2 million.

DES is supportive of the statewide asset preservation initiative being presented by Governor Ventura which recommends that all major state agencies and higher education institutions be considered for a base adjustment of at least 5% to reduce facility repair and replacement needs in each agency.

FINANCING:

According to the statute, unless otherwise provided by the Commissioner of Finance, the amount budgeted each year for building maintenance is 2% of the cost of the building, adjusted up or down depending on the age and condition of the building.

OUTCOMES:

This appropriation will help the DES maintain and repair 4 state-owned buildings including the central administration building in downtown St. Paul, which is over 30 years old.

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

PROGRAM PROFILE:

The programs and services of Workforce Rehabilitation Services (RS) exist for people with disabilities to further their integration in society, with emphasis on serving those with severe disabilities. RS programs

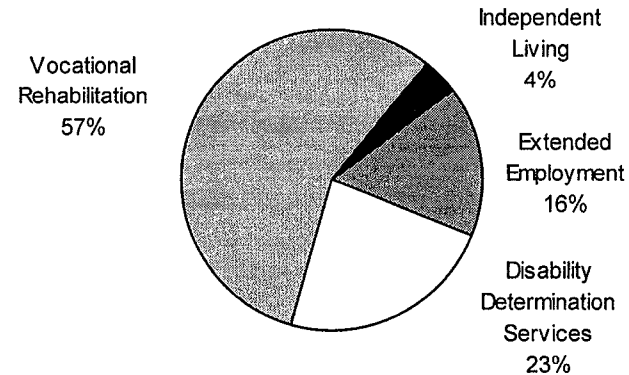
- assist people with severe disabilities to prepare for and secure employment and assist employers to find qualified workers;
- provide ongoing employment supports to individuals with severe disabilities in order to retain their employment;
- empower people with severe disabilities to live with greater independence in their homes and communities;
- determine if Minnesota's adults and children who are claiming disability under Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) programs, qualify for those benefits.

Through these services, RS encourages the participation of all Minnesotans with disabilities in the social and economic life of their communities. While there is a critical labor shortage in Minnesota there is a 71% unemployment rate among persons with severe disabilities according to the 1998 Gallup Survey. Through the RS programs of Vocational Rehabilitation (VR), Independent Living (IL) and Extended Employment (EE), an array of services are provided to assist individuals to live independently in their community rather than in institutions and to work. For those individuals who cannot work because of their disability, the Disability Determination Services (DDS) Program determines eligibility for receiving Social Security benefits.

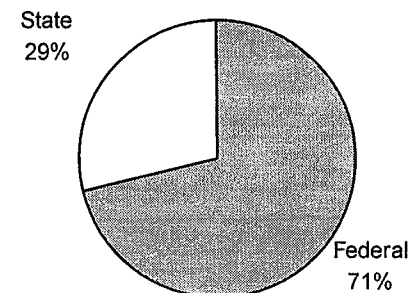
STRATEGIES AND PERFORMANCE:

RS programs assist Minnesotans to achieve their goals for working and living in the community. Many individuals access more than one RS program. Efficiencies continue to be identified through collaborations with other public and private programs to avoid duplication and to enhance service quality, increased computerization and piloting service innovations and redesigns. The Vocational Rehabilitation and Independent Living Programs have consumer councils that provide advice and direction to their respective programs so that services are responsive to the needs of persons with severe disabilities.

F.Y. 1999 Total Funding for RS
 (Total \$74,875,000)



F.Y. 1999 State and Federal Percentage Share



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT

Program: WORKFORCE REHABILITATION SVCS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
VOCATIONAL REHABILITATION	39,243	37,427	42,437	43,280	43,280	43,444	43,444	6,860	8.6%
INDEPENDENT LIVING	2,178	2,804	2,862	2,872	2,872	2,882	2,882	88	1.6%
EXTENDED EMPLOYMENT	10,959	11,545	12,266	11,556	11,556	11,567	11,567	(688)	-2.9%
DISABILITY DETERMINATION	16,154	16,659	17,310	17,700	17,700	18,400	18,400	2,131	6.3%
Total Expenditures	68,534	68,435	74,875	75,408	75,408	76,293	76,293	8,391	5.9%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	18,557	19,815	21,536	20,827	20,827	20,838	20,838
STATUTORY APPROPRIATIONS:							
MDES FEDERAL	49,828	48,619	53,333	54,575	54,575	55,449	55,449
GIFT	149	1	6	6	6	6	6
Total Financing	68,534	68,435	74,875	75,408	75,408	76,293	76,293

FTE BY EMPLOYMENT TYPE:							
FULL TIME	551.0	552.0	588.5	588.5	588.5	584.5	584.5
Total Full-Time Equivalent	551.0	552.0	588.5	588.5	588.5	584.5	584.5

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Vocational Rehabilitation (VR) provides employers with qualified employees with disabilities and addresses the high unemployment rate (71% according to the 1998 Gallop Poll) of people with disabilities. Minnesota VR is on an "order of selection" so that only eligible people with severe disabilities who have a serious limitation to employment in at least one functional area will receive services. VR is a state-federal partnership under the Rehabilitation Act of 1973, as amended, that has evolved over 79 years to emphasize employment outcomes for persons with severe disabilities. Trends and changes expected to increase the need for VR services to assist individuals with disabilities in entering or re-entering the workforce include:

- *labor shortages* facing employers needing qualified employees, especially in high-technology occupations;
- *welfare-to-work* especially MFIP recipients with disabilities;
- *special Education* showing an increased need for services for students with disabilities who are exiting secondary school;
- *"baby Boomers"* experiencing an increased incidence of disability;
- *medical and technological advances* improving the life expectancy, life span and ability to work of persons with severe disabilities; and
- *Social Security* anticipates program changes that reduce or remove disincentives to employment for SSDI and SSI recipients.

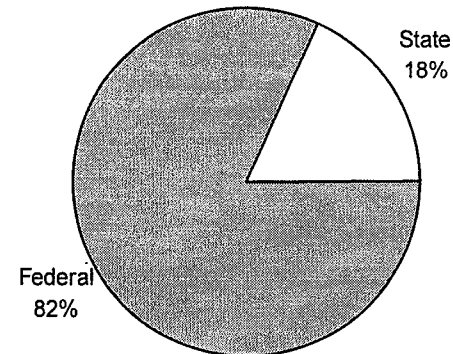
STRATEGIES AND PERFORMANCE:

VR counseling and placement are provided annually to 27,000 individuals by 202 rehabilitation counselors and placement specialists through 53 field offices that are partners in the Workforce Center system. Services are individualized to each consumer's needs, and often include skill or academic training, rehabilitation technology, job development, job placement, and follow-up to ensure that the job is appropriate. Services are coordinated with other public and private programs to avoid duplication. Goods and services are also purchased from non-profit community rehabilitation programs and for-profit vendors. On average, consumers complete their rehabilitation plans in two and one-third years, with the amount of time varying depending on individual needs. Overall, 70% of VR consumers secure employment as a result of services provided.

	<u>1996</u>	<u>1997</u>	<u>1998</u>
VR Consumers			
Successfully Employed	4293	4194	4168
Average Hourly Wage			
<i>Competitive Employment</i>	\$8.09	\$8.58	\$8.93
<i>Supported Employment</i>	\$4.13	\$4.33	\$4.46

FINANCING INFORMATION:

Total VR Funding F.Y. 1999
 (Total \$42,437,000)



BUDGET ISSUES:

For the next biennium, order of selection will remain in effect. VR has maximized "soft match" (state funds used by other state agencies or local programs on behalf of VR consumers) to supplement the state match appropriation and access all available federal funds. Federal appropriation increases are estimated at 2% annually.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: VOCATIONAL REHABILITATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	18,355	17,957	20,297	20,889	20,889	21,175	21,175	3,810	10.0%
OPERATING EXPENSES	5,130	4,227	5,066	4,967	4,967	4,912	4,912	586	6.3%
SUBTOTAL STATE OPERATIONS	23,485	22,184	25,363	25,856	25,856	26,087	26,087	4,396	9.2%
PAYMENTS TO INDIVIDUALS	14,468	14,220	15,748	16,098	16,098	16,281	16,281	2,411	8.0%
LOCAL ASSISTANCE	1,290	1,023	1,326	1,326	1,326	1,076	1,076	53	2.3%
Total Expenditures	39,243	37,427	42,437	43,280	43,280	43,444	43,444	6,860	8.6%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	6,520	6,520	7,520	7,521	7,521	7,521	7,521
STATUTORY APPROPRIATIONS:							
MDES FEDERAL	32,574	30,906	34,911	35,753	35,753	35,917	35,917
GIFT	149	1	6	6	6	6	6
Total Financing	39,243	37,427	42,437	43,280	43,280	43,444	43,444

REVENUE COLLECTED:							
DEDICATED							
MDES FEDERAL	32,258	30,572	34,911	35,753	35,753	35,917	35,917
GIFT	136	1	6	6	6	6	6
Total Revenues Collected	32,394	30,573	34,917	35,759	35,759	35,923	35,923

FTE BY EMPLOYMENT TYPE:							
FULL TIME	380.6	370.5	407.0	407.0	407.0	403.0	403.0
Total Full-Time Equivalent	380.6	370.5	407.0	407.0	407.0	403.0	403.0

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

The Independent Living (IL) Section of Workforce Rehabilitation Services provides IL state/federal grants administration and IL services that empower Minnesotans with significant disabilities to live with greater independence in their homes and communities. Statewide, seventeen IL-VR Counselors deliver IL case-services to Minnesotans whose disabilities are sufficiently severe to prohibit the attainment of vocational goals. IL core-services (IL skills training, advocacy, peer counseling, information and referral) are provided, upon request, to any person with a disability through 8 Centers for Independent Living. These Centers for Independent Living are located in St. Paul, Hibbing, Rochester, St. Cloud, Moorhead, East Grand Forks, Mankato, and Marshall.

STRATEGIES AND PERFORMANCE:

During federal F.Y. 1997, Minnesota's 8 Centers for Independent Living provided IL core-services, as well as housing assistance, transportation referrals, transition services, and other IL services to 2,301(unduplicated) and 8,347 (duplicated) people with disabilities statewide. Of these consumers, 3,713 IL goals were established, and 2,321 of these goals were attained during the last 12-month reporting period. In addition, 2,388 people with disabilities statewide received information and referral assistance from the 8 Centers for Independent Living. IL case-services; which include home modifications, ramp construction, counseling services, as well as the purchase of adaptive equipment, aids for daily living, and augmentative communication devices; delivered through the IL Section's IL-VR Counselors, were provided to 1,191 people with significant disabilities statewide. Of these consumers with significant disabilities, 1,540 IL case-service goals were established, and 1,015 of these goals were attained during the 12-month reporting period.

FINANCING INFORMATION:

The IL Section annually receives \$523,090 in federal funds, which must be utilized solely for the support of 4 of Minnesota's 8 Centers for Independent Living; \$1.75 million in State IL funds, which must also be utilized solely for the support of Centers for Independent Living; and utilizes \$115,000 of other federal IL funds for the provision of IL case-services. An additional \$125,000 of federal funds is utilized annually for the activities of the Minnesota Statewide Independent Living Council.

BUDGET ISSUES:

Federal funds are currently insufficient to meet all of the IL case-service needs of those Minnesotans with the most severe disabilities.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: INDEPENDENT LIVING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	253	262	283	293	293	303	303	51	9.4%
OPERATING EXPENSES	31	97	97	97	97	97	97	0	.0%
SUBTOTAL STATE OPERATIONS	284	359	380	390	390	400	400	51	6.9%
PAYMENTS TO INDIVIDUALS	163	119	120	120	120	120	120	1	.4%
LOCAL ASSISTANCE	1,731	2,326	2,362	2,362	2,362	2,362	2,362	36	.8%
Total Expenditures	2,178	2,804	2,862	2,872	2,872	2,882	2,882	88	1.6%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	1,078	1,750	1,750	1,750	1,750	1,750	1,750		
STATUTORY APPROPRIATIONS:									
MDES FEDERAL	1,100	1,054	1,112	1,122	1,122	1,132	1,132		
Total Financing	2,178	2,804	2,862	2,872	2,872	2,882	2,882		
REVENUE COLLECTED:									
DEDICATED									
MDES FEDERAL	1,100	1,049	1,112	1,122	1,122	1,132	1,132		
Total Revenues Collected	1,100	1,049	1,112	1,122	1,122	1,132	1,132		
FTE BY EMPLOYMENT TYPE:									
FULL TIME	4.0	4.6	4.6	4.6	4.6	4.6	4.6		
Total Full-Time Equivalent	4.0	4.6	4.6	4.6	4.6	4.6	4.6		

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

Extended Employment (EE) provides employment assistance for individuals with severe disabilities who need ongoing employment support services to retain their employment. The EE Basic program (funded under M.S. 268A.15) provides employment support to more than 7,000 Minnesotans with severe disabilities. EE services for persons with Serious and Persistent Mental Illness (SPMI) under (M.S. 268A.13 and 268A.14) are specifically tailored to the needs of people with a mental illness. EE also provides a grant for ongoing employment support services for the Minnesota Employment Center for Persons Who Are Deaf or Hard of Hearing (MEC), and a grant for self-advocacy training to Advocating Change Together (ACT).

Trends that increase the need for EE services include the following:

- Anticipated worker shortages will make the employment of persons with severe disabilities a much higher priority for employers.
- Worker shortages will increase the importance of the small business, manufacturing, and service enterprises operated by EE providers as alternative sources of labor and subcontracting services employers.
- The challenge of finding jobs for the most difficult to serve public assistance recipients is creating demand for EE services for persons with "severe impairment to employment" under M.S.. 268A.15.
- Employers, advocacy organizations, and providers are demanding expanded services to meet the needs of 88,000 people with SPMI, 85% of whom are unemployed. (Source: DHS/MHD Federal Block Grant)

STRATEGIES AND PERFORMANCE:

EE Basic services are provided through performance-based contracts with 28 certified providers. These performance contracts pay an hourly support rate for each hour of work, depending on employment setting and wage. EE/SPMI services are provided through cost-based contracts with 13 providers. Contracts for EE/SPMI services provide a reimbursement rate based on the cost of providing support services.

Performance Indicators

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
<u>SPMI - workers</u>	40	205	195
<u>Basic - workers</u>			
center-based	4,295	5,098	5,104
community-based	5,400	5,121	5,372
total - unduplicated	7,727	7,410	7,447
<u>Average Hourly Wage</u>			
center-based	\$2.29	\$2.53	\$2.47
community-based	\$3.91	\$4.15	\$4.39
all workers	\$3.01	\$3.28	\$3.43
<u>Hours worked annually</u>			
center-based	695	662	640
community-based	588	564	604
all workers	883	848	875

Community-Based Funding (% of all basic grants)

F.Y. 1987 (22%), F.Y. 1991 (48%), F.Y. 1998 (57%). F.Y. 1999 est. (65%)

FINANCING INFORMATION:

State funding through EE/Basic performance-based contracts covers only part of the total cost of providing EE/Basic services. Most counties also contribute funding in support of this activity. In addition, revenues from the small business, manufacturing, and service enterprises operated by providers contribute significantly to the overall cost of providing these EE services. In contrast, funding for EE/SPMI services is based on provider cost of providing ongoing employment support services.

BUDGET ISSUES:

- The EE/SPMI services serve only limited areas of the state and DES is under pressure to expand these services statewide.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: EXTENDED EMPLOYMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	246	352	381	392	392	403	403	62	8.5%
OPERATING EXPENSES	26	93	44	44	44	44	44	(49)	-35.8%
SUBTOTAL STATE OPERATIONS	272	445	425	436	436	447	447	13	1.5%
LOCAL ASSISTANCE	10,687	11,100	11,841	11,120	11,120	11,120	11,120	(701)	-3.1%
Total Expenditures	10,959	11,545	12,266	11,556	11,556	11,567	11,567	(688)	-2.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	10,959	11,545	12,266	11,556	11,556	11,567	11,567		
Total Financing	10,959	11,545	12,266	11,556	11,556	11,567	11,567		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	6.6	6.6	6.6	6.6	6.6	6.6	6.6		
Total Full-Time Equivalent	6.6	6.6	6.6	6.6	6.6	6.6	6.6		

2000-01 Biennial Budget

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

ACTIVITY PROFILE:

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 51,603 Minnesota residents of limited income and resources in 1997. Monthly SSI payments of \$18,600,000 were made to Minnesota households with disabled children or disabled adults.
- In addition to the SSI disability payments, 59,450 disabled workers received Social Security Disability Insurance (SSDI) payments in Minnesota in 1997. Payments to these workers and their dependents totaled \$48,500,000 each month.
- Approximately 48.5% 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 Vocational Rehabilitation. In 1998, the DDS anticipated referring at least 1,800 eligible applicants to Vocational Rehabilitation programs.

STRATEGIES AND PERFORMANCE:

The major issue facing the activity in the next 2 years is to manage resources in an efficient, cost-effective manner during a time when new initiatives are being tested, and changing automation requirements are being introduced. The activity will be challenged with increasingly complicated workloads involving Continuing Disability Review (CDR's), during this period, as well as continued testing of redesigned program processes.

- In DDS's effort to stay productive and efficient, the plan is to continue to automate all the disability processes, giving staff a system that allows all areas of the DDS to be interactively connected and share information internally as well as externally with other appropriate government agencies.
- Medical costs for purchasing consultative examination (CE's) for claimants and for purchasing medical evidence of record (MER) will continue to increase. Minnesota will work to contain these costs by keeping the number of CE's down by implementing an automated in-line review process for supervisory staff to evaluate casework at strategic points and will continue medical staff review and advise on cases.
- In the next 2 years, the DDS will be working with SSA redesign activities being piloted or phased in at the DDS level. These activities are challenges to the DDS as a result of training needs, system needs, job restructuring, staffing issues, workflow changes, etc.

FINANCING INFORMATION:

	Dollars in Thousands					
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Dedicated Federal Funds	\$14,917	\$16,154	\$16,938	\$17,310	\$17,700	\$18,400

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: DISABILITY DETERMINATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	7,301	8,039	8,100	8,300	8,300	8,500	8,500	661	4.1%
OPERATING EXPENSES	4,271	3,677	3,900	4,000	4,000	4,100	4,100	523	6.9%
SUBTOTAL STATE OPERATIONS	11,572	11,716	12,000	12,300	12,300	12,600	12,600	1,184	5.0%
CAPITAL OUTLAY	17	0	0	0	0	0	0	0	
PAYMENTS TO INDIVIDUALS	4,565	4,943	5,310	5,400	5,400	5,800	5,800	947	9.2%
Total Expenditures	16,154	16,659	17,310	17,700	17,700	18,400	18,400	2,131	6.3%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
MDES FEDERAL	16,154	16,659	17,310	17,700	17,700	18,400	18,400		
Total Financing	16,154	16,659	17,310	17,700	17,700	18,400	18,400		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
MDES FEDERAL	17,136	15,565	17,226	17,700	17,700	18,400	18,400		
Total Revenues Collected	17,136	15,565	17,226	17,700	17,700	18,400	18,400		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	159.8	170.3	170.3	170.3	170.3	170.3	170.3		
Total Full-Time Equivalent	159.8	170.3	170.3	170.3	170.3	170.3	170.3		

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2000-01 Biennial Budget

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

PROGRAM PROFILE:

The mission of State Services for the Blind (SSB) is to foster the achievement of vocational and personal independence by children and adults who are blind or visually impaired. (Statutory References: M.S. 248.07; Minn Rules Chap. 3321 and 3325; the Rehabilitation Act of 1973, as amended through 1998; the Americans with Disabilities Act; the Randolph-Sheppard Act. The program is delivered through:

- **Career and Independent Living Services (CILS):** Ten 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):** The Business Enterprises program creates small business franchise opportunities statewide 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.
- **Communication Center (CC):** Through paid staff and more than 600 trained volunteers, the Communication 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, job and leisure materials assist persons who are blind in achieving their ultimate goals of personal and vocational independence. The Radio Talking Book is a radio reading service which 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 touch tone telephone 24 hours a day.

- **Client/Staff Support (CSS):** CSS supports other branch programs to assist blind persons 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.

STRATEGIES AND PERFORMANCE:

Several relevant federal legislative, funding, and policy factors have impacted on current state policy and funding levels. With the 1998 reauthorization of the Rehabilitation Act, persons eligible for payments under Titles II or XVI of the Social Security Act are now presumed eligible for services unless the state can show by clear and convincing evidence that they are incapable of benefiting in terms of an employment outcome. There is a greater emphasis on consumer choice and serving individuals with the most severe disabilities. Responsibilities of the Rehabilitation Advisory Council for the Blind (RACB) have been increased, with greater involvement of the council in policy decisions. There is a continuing requirement that the Statewide Independent Living Council (SILC), in conjunction with the Rehabilitation Services and State Services for the Blind Branches, jointly develop and sign the State Plan for Independent Living services, and monitor, review and evaluate its implementation. Financial elements of the Federal Rehabilitation Act related to state match requirements, required maintenance of effort, carryover provision, and set-aside funds for strategic planning activities continue with minor modifications.

Due to the anticipated reduction in dollars available for direct client services, it is projected that the number of blind persons becoming employed, and the number of those regaining their ability to live independently will begin to decrease. SSB has been forced to implement an order of selection in F.Y. 1999, and place eligible vocational rehabilitation clients on a waiting list.

- In 1998, the number of blind persons who found employment was 132.
- In 1998, the number of blind persons regaining their ability to manage their own home or living independently was 1,131.
- In 1998, the number of blind citizens who gained access to printed word through alternative reading media was 14,225.

2000-01 Biennial Budget

PROGRAM: Workforce Services for the Blind

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

The performance outcomes reflected in the 1998 Annual Performance Report will be impacted based on the anticipated decrease in federal reallocated funds.

FINANCING INFORMATION:

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, and subgrant from Department of Education; and 4) Other: Social Security reimbursement funds, program income, endowment income from the St. Paul Foundation, 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).

	Dollars in Thousands			
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Special Revenue	\$983	\$1,108	\$1,078	\$1,078
DES Federal	8,539	8,103	8,262	8,512
DES State	3,730	3,811	3,908	4,011
Gifts	<u>2</u>	<u>62</u>	<u>48</u>	<u>48</u>
TOTAL	\$13,254	\$13,084	\$13,296	\$13,649

BUDGET ISSUES:

Relatively flat state level funding and limited increases in federal funding, combined with more rapid increases in wages and other costs, have created a structural imbalance in the budget. This has required across the board spending cuts, including a 20% cut in case service spending. The problem is expected to get worse. Career and Independent Living Services had to implement an "Order of Selection" in Fall 1998, limiting the vocational rehabilitation to serving only those blind individuals with the most severe disabilities.

Nationally, due to states' efforts to maximize use of federal funding, only very limited federal funds are available to SSB from the year-end reallocation process. These funds had previously been efficiently used by SSB to make one-time purchases of necessary equipment and to purchase services for clients.

In 1992, due to the changes in the Federal Rehabilitation Act, state agencies for the blind were excluded from receiving Center for Independent Living (CIL) grants, resulting in a \$102,596 loss of revenue to SSB which has impacted on service delivery levels to blind persons with severe, multiple disabilities. Given SSB's small amount of federal Independent Living funding, and minimal increases in the federal grant for services to older blind persons, the rapid increase in Minnesota's older blind population has placed an increased strain on state funds available for this purpose. In addition, new federal standards and indicators are forcing SSB to reduce the number of homemakers (most of them elderly) served with vocational rehabilitation funds.

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

In addition, there has been a rapid increase in the demand for the Communication 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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$1,400,000 in F.Y. 2000 for technology upgrades to the Radio Talking Book Program.

The Governor also recommends an increase of \$370,000 in F.Y. 1999, \$800,000 in F.Y. 2000, and \$800,000 in F.Y. 2001 to the appropriation for SSB to prevent the additional loss of services to blind Minnesotans.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE SVCS FOR THE BLIND
Activity: SERVICES FOR THE BLIND

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	5,889	6,137	6,301	6,406	6,406	6,538	6,538	506	4.1%
OPERATING EXPENSES	3,654	2,851	3,373	3,377	4,777	3,398	3,398	1,951	31.3%
SUBTOTAL STATE OPERATIONS	9,543	8,988	9,674	9,783	11,183	9,936	9,936	2,457	13.2%
PAYMENTS TO INDIVIDUALS	3,829	4,247	3,744	3,483	4,283	3,683	4,483	775	9.7%
LOCAL ASSISTANCE	111	19	36	36	36	36	36	17	30.9%
Total Expenditures	13,483	13,254	13,454	13,302	15,502	13,655	14,455	3,249	12.2%

CHANGE ITEMS:	FUND				
(B) STATE SERVICES FOR THE BLIND	GEN		370	800	800
(B) 21ST CENTURY PLAN	GEN			1,400	
Total Change Items			370	2,200	800

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	3,659	3,730	4,181	3,914	6,114
STATUTORY APPROPRIATIONS:					
SPECIAL REVENUE	1,000	983	1,108	1,078	1,078
MDES FEDERAL	8,816	8,539	8,103	8,262	8,262
GIFT	8	2	62	48	48
Total Financing	13,483	13,254	13,454	13,302	15,502

REVENUE COLLECTED:					
DEDICATED					
SPECIAL REVENUE	1,055	961	1,028	1,078	1,078
MDES FEDERAL	8,633	8,539	8,103	8,262	8,262
GIFT	39	15	48	48	48

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ECONOMIC SECURITY DEPT
Program: WORKFORCE SVCS FOR THE BLIND
Activity: SERVICES FOR THE BLIND

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
NONDEDICATED							
GENERAL	9	11	0	12	12	12	12
Total Revenues Collected	9,736	9,526	9,179	9,400	9,400	9,650	9,650
FTE BY EMPLOYMENT TYPE:							
FULL TIME	121.8	130.2	130.2	130.2	130.2	130.2	130.2
Total Full-Time Equivalent	121.8	130.2	130.2	130.2	130.2	130.2	130.2

F.Y. 2000-01 BUDGET CHANGE ITEM

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

ITEM TITLE: Services for the Blind

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)					
General Fund					
- State Operations	\$370	\$800	\$800	\$800	\$800

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$370,000 in F.Y. 1999, \$800,000 in F.Y. 2000, and \$800,000 in F.Y. 2001 in the funding of Workforce Services for the Blind, in order to prevent additional loss of services to blind Minnesotans.

RATIONALE:

Since 1992, federal and state funding for Workforce Services for the Blind has been essentially flat, while wages and other costs have risen significantly. These increased costs are draining funds from vocational rehabilitation and independent living services, overloading available state funds and drawing an increasing amount away from services to older blind persons.

New federal standards and indicators of performance are also forcing Workforce Services for the Blind to reduce the number of homemakers (most of them elderly), served using federal vocational rehabilitation funds. These individuals must now be served using primarily state funds. Minnesota's older blind population is growing rapidly as people live longer, creating an increased demand for services. Without services aimed at independent living, it is likely that more restrictive and

costly care alternatives will be required.

OUTCOMES:

Workforce Services for the Blind had to implement an "order of selection" in the fall of 1998. This initiative will prevent further loss of vocational rehabilitation and independent living services to blind Minnesotans.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: ECONOMIC SECURITY DEPT

PROGRAM: WORKFORCE SVCS FOR THE BLIND

ACTIVITY: SERVICES FOR THE BLIND

IT Change Item: 21ST CENTURY PLAN

ITEM DESCRIPTION AND PURPOSE:

The department requests half the funds to convert the Communication Center of State Services for the Blind (SSB) from analog to digital technology and move the Radio Talking Book (RTB) service to a new radio frequency. The other half of the funding required for this upgrade will be provided by the Minnesota Foundation. This is a one time appropriation.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	867	894	0	0	0	0
Personnel	0	0	0	0	0	0
Services	533	450	0	0	0	0
Software	0	48	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	8	0	0	0	0
Total	1,400	1,400	0	0	0	0

The Governor recommends a one-time appropriation of \$1,400,000 in F.Y. 2000 for Workforce Services for the Blind to convert the Communication Center from analog to digital technology, replace outmoded Radio Talking Book receivers, and move the Radio Talking Book to a new radio frequency. This amount will be matched by the Minnesota Foundation, to cover the \$2,800,000 total cost of the initiative.

RATIONALE:

This initiative will upgrade old analog audio technology and equipment to digital. Digital technology and equipment will provide better audio quality, as well as increased capacity and functionality for the Communication Center. This technology will also permit better service using existing staff and volunteer resources and physical space. Moving to a new frequency will permit all Radio Talking Book listeners to receive service free from interruption and signal interference. The old analog technology and equipment is also very costly to maintain and repair. Existing Radio Talking Book units are at the end of their useful life, and must be replaced.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development						
Operations						
Modification						
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

Agency continues to establish agency-wide information resource management. An agency-wide data administration unit has been formed. The agency is recognized as a leader among states in the development of automated business systems, such as workforce centers.

OT Master Plan: Goal 1-Technically literate and competent society, Goal 5-Improved quality of life. This project would replace antiquated technology which is in danger of failure, with new digital equipment which ensures the continuation of this service to the blind. This service translates written material into an audio format. Recommendation: Proceed with digital equipment upgrade. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one time appropriation of \$1,400,000 in FY 2000. This appropriation must be matched at least 1:1 by private resources to complete the specified project.

2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Housing Finance Agency (MHFA)

AGENCY MISSION AND VISION:

The Minnesota Housing Finance Agency is committed to meeting Minnesotans needs for decent, safe, affordable housing and stronger communities.

The Agency addresses Minnesotans needs for decent, safe, affordable housing by:

- providing new affordable homes for underserved households; and
- preserving and maintaining existing affordable homes for underserved households.

The Agency strengthens communities by:

- targeting rehabilitation efforts to the oldest housing;
- targeting new construction activities to areas of net job growth; and
- assisting in implementation of cooperatively developed plans.

KEY SERVICE STRATEGIES:

- Much of the Agency's assistance is delivered through local lenders, community action programs, and local housing and redevelopment authorities.
- MHFA is committed to coordinating its resources with other players in the affordable housing arena and to promoting comprehensive planning for housing development and maintenance, as demonstrated by the following strategies:

Regional investment guidelines - MHFA continues to work with regional advisory groups throughout the state to develop and refine regional investment guidelines which assist MHFA in making funding decisions.

Coordination with other funders - The Agency utilizes a joint application and review process in conjunction with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Metropolitan Council for significant portions of its funding. Other state agencies and local units of government are consulted in making funding awards in order to better coordinate government resources.

Inter-Agency Stabilization Group (ISG) - The Agency, along with HUD, the cities

of Minneapolis and St. Paul, and private foundations and nonprofit technical assistance providers meet regularly to devise coordinated strategies to address the needs of troubled rental properties in the center cities.

Continuum of Care Plans - The Agency requires that any application for funding for homeless-related resources be reviewed for consistency with the needs and priorities identified in the regional Continuum of Care plans. Continuum of Care plans assess homelessness, identify gaps in the regional service systems for homeless persons, and develop strategies to meet the needs of homeless persons in the region.

OPERATING ENVIRONMENT:

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

Low Vacancy Rates. In the past several years, many parts of the state have experienced extremely low vacancy rates in rental housing. In the Twin Cities area the vacancy rate is well under 2%. Industry standards regard a 5% vacancy rate as a healthy environment. The low vacancy rates have pushed rents up to even higher levels.

Affordability Gap. The costs of developing new housing, for either homeownership or rental, continues to far outstrip wage levels in lower paying and medium paying jobs. In the Twin Cities area, the cost of purchasing even existing housing for homeownership exceeds the wage level of the majority of newly created jobs in the region. The affordability gap is aggravated by the fact that wage earners in the majority of the newly created jobs cannot save money for a down payment and other entry costs because their earnings are insufficient.

Value Gap. A value gap exists in many parts of Greater Minnesota and the older neighborhoods in the metro area between what it costs to build a single family home 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.

Increased Homelessness. Between 1985 and 1997 the number of children experiencing homelessness increased by 731% in Minnesota. Homelessness, changing homes, and/or schools has a significant impact on student academic achievement.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

Discrimination and Not In My Backyard (NIMBY). Discrimination has been identified in the Analysis of Impediments to Fair Housing as a major barrier in obtaining or developing affordable housing.

Changing Federal Commitment to Housing. Federal rental assistance subsidies which historically have been the major means of providing affordable housing to the lowest income households may see a very slight increase this year, for the first time in 4 years. Housing Credits, a primary financing tool for affordable rental housing, have been capped for more than 10 years, effectively reducing the impact of the credits. Similarly, tax-exempt mortgage revenue bonds have been capped for more than 10 years; that fact combined with certain IRS regulations, have reduced the amount of below market interest rate mortgage money available for low and moderate income first time homebuyers.

Increasing Ability to Opt Out of Federal Assistance Programs. More and more housing developments are in a position to command higher rents and leave federal assistance programs or are in need of substantial rehabilitation in order for federal assistance to continue. Federally assisted rental housing is the most affordable housing available in the state. Over half of the federally assisted housing developments are for the elderly.

Complexity of Housing Development. Housing development has grown in complexity and is increasingly dependent on an ability to marshal funding from a variety of sources.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER'S OFFICE	15.0 fte
MN Homes Division	48.0 fte
Finance and Accounting	22.5 fte
Human Resources	6.0 fte
Information Systems	6.0 fte
Research and Policy Analysis	6.5 fte
Multifamily Division	84.0 fte

06/30/98 TOTAL FTEs 188.0

GOVERNOR'S RECOMMENDATION:

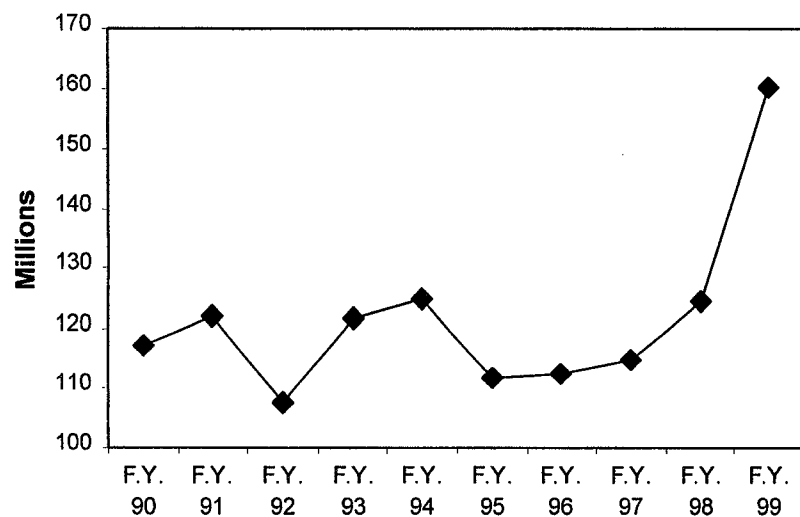
- The Governor recommends an increase of \$5,000,000 per year to the Affordable Rental Investment Fund to preserve federally-assisted affordable housing.
- The Governor recommends an increase of \$3,000,000 per year to the Community Rehabilitation Fund for the construction, acquisition and rehabilitation of affordable housing.
- The Governor recommends the consolidation of the Home Equity Conversion Counseling Program and the Full Cycle Homeownership Services Program.
- The Governor recommends an amendment to M.S. 462A.20, Subd. 2(e) to eliminate the administrative cost ceiling and replace it with a requirement for a detailed report to the appropriate committees of the legislature on the actual costs of operating the agency. This will allow the agency to provide more assistance in the development of affordable housing.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

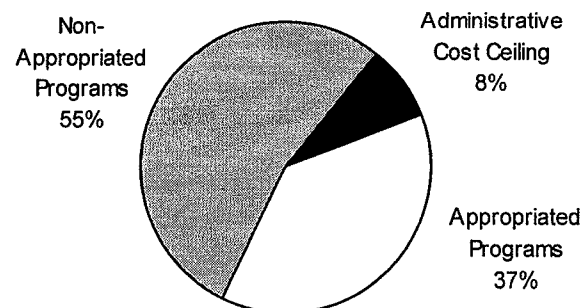
TRENDS AND PERSPECTIVE:

Total Budget - All Funds



1998-99 Expenditures by Program *

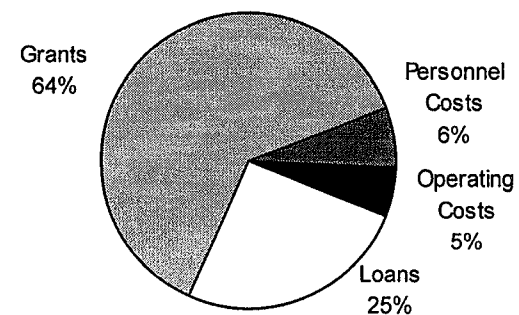
Total \$285 million



** Total does not include agency level programs which represent approximately \$600 million in additional expenditures.*

1998-99 Expenditures by Category *

Total \$285 million



** Total does not include agency level programs which represent approximately \$600 million in additional expenditures.*

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
APPROPRIATED PROGRAMS	31,327	38,978	66,007	56,857	64,857	52,307	60,307	20,179	19.2%
NON-APPROPRIATED PROGRAMS	73,773	74,794	81,132	79,531	79,531	77,959	77,959	1,564	1.0%
ADMINISTRATIVE COST CEILING	9,888	10,766	13,396	13,396	16,521	13,396	15,735	8,094	33.5%
Total Expenditures	114,988	124,538	160,535	149,784	160,909	143,662	154,001	29,837	10.5%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	0	0	0	37,307	45,307	37,307	45,307
STATUTORY APPROPRIATIONS:							
HOUSING FINANCE AGENCY	114,988	124,538	160,535	112,477	115,602	106,355	108,694
Total Financing	114,988	124,538	160,535	149,784	160,909	143,662	154,001

FTE BY EMPLOYMENT TYPE:							
FULL TIME	151.0	155.9	182.9	199.3	223.3	201.5	225.5
PART-TIME, SEASONAL, LABOR SER	5.9	7.4	5.3	3.3	3.3	3.0	3.0
OVERTIME PAY	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	157.1	163.3	188.2	202.6	226.6	204.5	228.5

2000-01 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Minnesota Housing Finance Agency (MHFA)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$38,826	\$38,826	\$77,652
<u>BASE ADJUSTMENT</u>			
Annualization of New Program	550	550	1,100
One-time Appropriations	(4,944)	(4,944)	(9,888)
Biennial Appropriation	<u>2,875</u>	<u>2,875</u>	<u>5,750</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$37,307	\$37,307	\$74,614
<u>CHANGE ITEMS</u>			
ARIF	5,000	5,000	10,000
CRF	3,000	3,000	6,000
Home Equity Conversion Counseling	(25)	(25)	(50)
Full Cycle Homeownership Services	<u>25</u>	<u>25</u>	<u>50</u>
GOVERNOR'S RECOMMENDATION	\$45,307	\$45,307	\$90,614

GOVERNOR'S RECOMMENDATION(S):

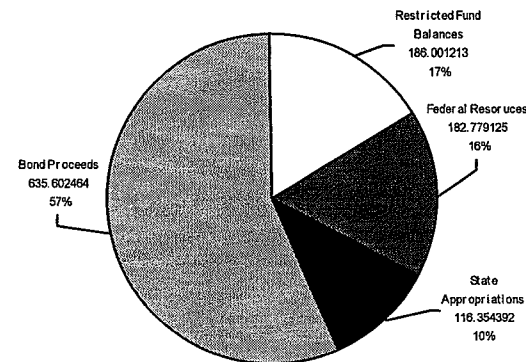
- The Governor recommends an increase of \$5,000,000 per year to the Affordable Rental Investment Fund to preserve federally-assisted affordable housing.
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The Governor recommends an amendment to M.S. 462A.20, Subd. 2(e) to eliminate the administrative cost ceiling and replace it with a requirement for a detailed report to the appropriate committees of the legislature on the actual costs of operating the agency. This will allow the agency to provide more assistance in the development of affordable housing.

Brief Explanation of Budget Decisions:

- The 1997 Legislature appropriated the MHFA \$24,976,000 for F.Y. 1999. Of this, \$1,344,000 was one time funding. This includes a reduction of \$750,000 for RAFS, \$419,000 for the CRF, and \$175,000 for the Homeownership Assistance Fund. The 1998 Legislature appropriated MHFA \$13,850,000 for F.Y. 1999. Of this, \$3,600,000 was one time funding, including \$3,300,000 for ARIF/CRF and \$300,000 for the Family Homeless Prevention Program. The Employer Matching Grant program was appropriated \$550,000 more in F.Y. 2000 and 2001 than in 1999. The Family Homeless Prevention Program received a biennial appropriation of \$5,750,000 for the 1998-99 biennium, which is added to the base as a biennial appropriation.

Minnesota Housing Finance Agency
Affordable Housing Plan, 10/97 through 9/99
Budget by Source of Funds (\$ in millions)



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**2000-01 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 bonds: approximately 57% 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.

Federal funds constitute the second major source of MHFA financing. Federally appropriated funds provided \$65.9 million under the Section 8 Housing Assistance payments program for F.Y. 1998. Under the Home Investment Partnership Program (HOME) for F.Y. 1998, \$6.3 million was received by the agency to be made available in communities not receiving a direct allocation of HOME funds. In F.Y. 1998, the agency also received federal funding for a number of smaller programs as detailed in the Federal Funds Summary page.

Repayments made to various loan programs, including the revolving loan program for home improvements, multi-family housing developments, and home ownership down payment assistance are recycled into new loans for the same activities. The Summary of Agency Revenues page also includes funds received for developers' escrow deposits and administrative reimbursements from bond funds, which pay most of the agency's administrative or operating costs.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
DEDICATED RECEIPTS:									
GRANTS:									
HOUSING FINANCE AGENCY	74.517	74.552	78.051	77.305	77.305	75.732	75.732	434	.3%
OTHER REVENUES:									
HOUSING FINANCE AGENCY	6.699	8.320	6.375	4.568	4.568	3.877	3.877	(6.250)	-42.5%
OTHER SOURCES:									
SPECIAL REVENUE	3	0	0	0	0	0	0	0	
HOUSING FINANCE AGENCY	(5.281)	2.887	16.300	19.209	19.209	18.578	18.578	18,600	96.9%
Total Dedicated Receipts	75.938	85.759	100.726	101.082	101.082	98.187	98.187	12.784	6.9%
Agency Total Revenues	75.938	85.759	100.726	101.082	101.082	98.187	98.187		6.9%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Housing Finance Agency

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
Lead Abatement	0	Housing	50	0	0	0
Section 8 Housing Assistance Payments	0	Housing	65,977	66,000	66,000	66,000
Permanent Housing for the Handicapped Homeless	0	Housing	4	0	0	0
Shelter Plus Care	0	Housing	420	420	262	0
HOME	0	Housing	6,316	10,361	10,063	8,962
Housing Opportunities for Persons with AIDS	0	Housing	264	624	730	520
Housing Counseling	0	Housing	0	500	250	250
Agency Total	0		73,031	77,905	77,305	75,732

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2000-01 Biennial Budget

PROGRAM: Appropriated Programs

AGENCY: Minnesota Housing Finance Agency (MHFA)

PROGRAM PROFILE:

The appropriated programs are all designed to meet at least 1 of 2 broad policy objectives: meeting the need for decent, safe, affordable housing; or strengthening communities.

There are 16 appropriated programs: ARIF, Family Homeless Prevention, Housing Trust Fund, Bridges, the Community Rehabilitation Fund (CRF) Program, the Homeownership Assistance Fund (HAF), the Rehabilitation Loan Program, the Employer Matching Grant Program, Home Equity Conversion Counseling, Full Cycle Home Ownership Services, Foreclosure Prevention and Assistance Program, the Rental Assistance for Family Stabilization (RAFS) Program, the Minnesota Urban and Rural Homesteading (MURL) Program, the Urban and Tribal Indian Programs, and the Nonprofit Capacity Building Grant Program.

The income limits for these programs vary from program to program.

In recent years, the agency has sought to consolidate programs whenever appropriate.

The appropriated programs often supplement amortizing debt programs funded from non-appropriated resources and provide assistance to the lowest income persons and households.

STRATEGIES AND PERFORMANCE:

Assistance under the appropriated programs usually is provided in the form of:

- rental assistance,
- deferred loans, or
- grants.

FINANCING INFORMATION:

The following table indicates the base level funding for each of the appropriated programs:

	Dollars in Thousands		
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennial</u>
Bridges	\$1,550	\$1,550	\$3,100
Family Homeless Prevention	2,875	2,875	5,750
Foreclosure Prevention and Assistance	583	583	1,166
RAFS	2,000	2,000	4,000
Housing Trust Fund	2,348	2,348	4,696
ARIF	16,493	16,493	32,986
Urban Indian	187	187	374
Tribal Indian	1,683	1,683	3,366
Rural/Urban Homesteading (MURL)	186	186	372
Non-Profit Capacity	240	240	480
Community Rehab Fund (CRF)	2,900	2,900	5,800
Full Cycle Homeownership Services	250	250	500
Rehabilitation Loan	4,287	4,287	8,574
Homeownership Assistance Fund (HAF)	900	900	1,800
Home Equity Conversion Counseling	25	25	50
Employer Matching Grant	<u>800</u>	<u>800</u>	<u>1,600</u>
TOTAL	\$37,307	\$37,307	\$74,614

BUDGET ISSUES

- The budget proposes to consolidate the Full Cycle Homeownership Services Program and the Home Equity Conversion Counseling Program.

GOVERNOR'S RECOMMENDATION:

- The Governor recommends an increase of \$5,000,000 per year to the Affordable Rental Investment Fund to preserve federally-assisted affordable housing.
- The Governor recommends an increase of \$3,000,000 per year to the Community Rehabilitation Fund for the construction, acquisition and rehabilitation of affordable housing.
- The Governor recommends the consolidation of the Home Equity Conversion Counseling Program and the Full Cycle Homeownership Services Program.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
SAFE, AFFORDABLE HOUSING	20,911	26,096	56,399	47,779	52,804	43,229	48,254	18,563	22.5%
STRENGTHENING COMMUNITIES	10,416	12,882	9,608	9,078	12,053	9,078	12,053	1,616	7.2%
Total Expenditures	31,327	38,978	66,007	56,857	64,857	52,307	60,307	20,179	19.2%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) AFFORDABLE RENTAL INVESTMENT FUND	GEN			5,000	5,000
(B) COMMUNITY REHAB FUND	GEN			3,000	3,000
(B) FULL CYCLE HOMEOWNERSHIP SERVICES	GEN			25	25
(B) HOME EQUITY CONVERSION COUNSELING	GEN			(25)	(25)
Total Change Items				8,000	8,000

<u>FINANCING BY FUND:</u>							
<u>DIRECT APPROPRIATIONS:</u>							
GENERAL	0	0	0	37,307	45,307	37,307	45,307
<u>STATUTORY APPROPRIATIONS:</u>							
HOUSING FINANCE AGENCY	31,327	38,978	66,007	19,550	19,550	15,000	15,000
Total Financing	31,327	38,978	66,007	56,857	64,857	52,307	60,307

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2000-01 Biennial Budget

BUDGET ACTIVITY: Meeting the Need for Decent, Safe, Affordable Housing
PROGRAM: Appropriated Programs
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY PROFILE:

It is increasingly difficult to produce new housing that is affordable to households earning the average wage paid in most newly created jobs.

The programs related to this budget activity 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 without some sort of financial assistance. Some programs engage in more than one category of activities.

Activities related to meeting Minnesotan's needs for decent, safe, affordable housing fall into 3 broad categories:

- providing new affordable homes,
- preserving and maintaining existing affordable homes, and
- rental assistance.

STRATEGIES AND PERFORMANCE:

- *Providing new affordable homes.*

Two appropriated programs assist in meeting Minnesotan's needs for decent, safe, affordable housing by providing new affordable homes:

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 preservation of federally assisted housing is funded through this appropriation. The income limits are 80% of statewide median income (\$41,440 for a family of 4 in 1998); rents must be affordable to households at 50% of statewide median income (\$673 per month for a 3 bedroom apartment).

Housing Trust Fund. The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable permanent and transitional rental housing,

limited equity cooperative housing, and homeownership opportunities for very low income households. Funds for rental housing benefit households with incomes of up to 30% of the metropolitan area median income (\$17,430); funds for homeownership benefit households with incomes up to 50% of metropolitan area median income.

There are 2 key indicators of agency performance in providing new affordable homes: the rents produced, and the incomes of the households housed. The following charts demonstrate agency performance in the last federal fiscal year.

Income Distribution of MHFA Rental Housing Programs				
	Less than 30% of Statewide HUD Median	30%-50% of Statewide HUD Median	50%-80% of Statewide HUD Median	Over 80% of Statewide HUD Median
1990 Census Data	43.17%	23.68%	21.24%	11.91%
Agency Data - Rental Assist./Homeless Prevention	93.3%	6.3%	0.3%	0.1%
Agency Data - Rental Housing Rehab /Preservation	62.8%	25.6%	10.5%	1.1%
Agency Data - Rental Housing New Construction	42.7%	42.7%	14.7%	0.0%

Distribution of Rents in MHFA Rental Housing Programs	
Level of Affordability	% of Rents Affordable
Rents Affordable for Households at 30% of Area Median Income	39.6%
Rents Affordable for Households at 50% of Area Median Income	98.4%

- *Preserving and maintaining existing affordable homes.*

Three appropriated programs assist in meeting Minnesotan's needs for decent, safe, affordable housing by preserving and maintaining existing affordable homes:

Rehabilitation Loan Program. The Rehabilitation Loan Program provides

2000-01 Biennial Budget

BUDGET ACTIVITY: Meeting the Need for Decent, Safe, Affordable Housing
PROGRAM: Appropriated Programs
AGENCY: Minnesota Housing Finance Agency (MHFA)

(Continuation)

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.

Family Homeless Prevention and Assistance Program. The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties and 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. Thirty-three counties are now served by a FHPAP.

Home Equity Conversion Counseling. The Home Equity Conversion Counseling Program provides a grant to the Senior Foundation to provide counseling to senior homeowners who are considering a home equity conversion loan.

The rents produced and the incomes of the households housed are also the 2 key indicators of agency performance in preserving and maintain existing affordable homes.

Distribution of Housing Cost Burdens in MHFA Rental Housing Programs		
Housing Cost Burden	Agency Data - Rental Housing New Construction	Agency Data - Rental Housing Rehab/Preservation
Less than 30%	40.5%	51.1%
30% - 50%	33.8%	17.9%
Over 50%	25.7%	31.0%

Distribution of Rents in MHFA Rental Housing Programs		
	Below HUD FMR	Above HUD FMR
Existing Rental Housing	98%	2%
Newly Constructed Rental Housing	95%	5%

■ *Rental Assistance*

Rental Assistance is provided by 2 appropriated programs:

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 have an approved employment and training plan. 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.

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.

BUDGET ISSUES:

- Additional funding is sought for the ARIF Program in order to preserve additional units of federally assisted housing.
- Consolidation of the Home Equity Conversion Counseling program with the Full Cycle Homeownership Services program is proposed.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: SAFE, AFFORDABLE HOUSING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	75	274	271	170	170	170	170	(205)	-37.6%
OTHER EXPENSES	13,354	13,442	30,831	30,849	35,849	30,402	35,402	26,978	60.9%
SUBTOTAL STATE OPERATIONS	13,429	13,716	31,102	31,019	36,019	30,572	35,572	26,773	59.7%
PAYMENTS TO INDIVIDUALS	2,745	2,993	6,312	7,009	7,009	7,009	7,009	4,713	50.7%
LOCAL ASSISTANCE	4,737	9,387	18,985	9,751	9,776	5,648	5,673	(12,923)	-45.5%
Total Expenditures	20,911	26,096	56,399	47,779	52,804	43,229	48,254	18,563	22.5%
CHANGE ITEMS:									
(B) AFFORDABLE RENTAL INVESTMENT FUND	GEN				5,000		5,000		
(B) FULL CYCLE HOMEOWNERSHIP SERVICES	GEN				25		25		
Total Change Items					5,025		5,025		
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	0	0	0	29,351	34,376	29,351	34,376		
STATUTORY APPROPRIATIONS:									
HOUSING FINANCE AGENCY	20,911	26,096	56,399	18,428	18,428	13,878	13,878		
Total Financing	20,911	26,096	56,399	47,779	52,804	43,229	48,254		
REVENUE COLLECTED:									
DEDICATED									
HOUSING FINANCE AGENCY	4,411	7,625	5,461	4,547	4,547	3,938	3,938		
Total Revenues Collected	4,411	7,625	5,461	4,547	4,547	3,938	3,938		

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated Programs
ACTIVITY: Providing Decent, Safe, Affordable Housing

ITEM TITLE: Preservation of Federally Assisted Housing

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$5,000	\$5,000	\$5,000	\$5,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$5 million per year increase to the Affordable Rental Investment Fund (ARIF) program in order to preserve more of the very affordable federally assisted housing stock. The additional funding would give the Agency increased resources to address preservation needs.

RATIONALE:

It has become apparent that the extent of the rehabilitation needs of the section 236 developments and Rural Development projects, particularly in Greater Minnesota, are much greater than originally anticipated. Since the request for funding for preservation efforts was made in early 1998, the Agency has had additional time to learn more about the condition of the HUD insured portfolio of section 236 developments and the Rural Development portfolio. The Agency is receiving an increasing number of inquiries and expressions of concern from resident organizations, many of whom are primarily senior citizens, about the conversion of their homes to market rate housing.

At the time of the original request for funding for preservation efforts, the discussion was focused primarily on the threats of conversion of subsidized housing to market rate housing in situations where the market rents would significantly exceed the HUD established rents and therefore would provide a significant increase in profit for the private owners of these developments. At that time, the most prominent examples of the crisis created by the conversion of a subsidized building to market rate were Section 8 buildings with the ability to command rents significantly above the contract rents.

The poor condition of many Section 236 and Rural Development projects appears to be as significant a reason for potential conversions to market rate housing or the loss of federal subsidy because the housing no longer qualifies as decent and safe as the ability of developments to command much higher rents. In the case of a development needing substantial rehabilitation, there is often insufficient cash flow at the HUD established rents to support additional debt to finance the rehabilitation. Owners, in order to preserve their assets, will opt to terminate participation in the federal program in order to charge rents sufficient to cover the costs of the rehabilitation.

BACKGROUND: Section 236 is a federal housing program created in 1968. It was the precursor of the Section 8 program. Section 236 developments received FHA mortgage insurance and interest rate subsidies to make rents more affordable to low-income households. Mortgage payments are based on a 1% interest rate and HUD provides a subsidy to the lender to cover the difference between 1% and the market interest rate on the loan.

At a minimum, the tenant pays what is called a "basic rent" which is based on the 1% interest rate. Unlike the Section 8 program, the rent paid by the tenant is not calculated on the basis of the tenant's income, so some tenants could pay much more than 30% of their income for rent. Nevertheless, rents, because of the Section 236 subsidy, are well below market rents in the area. In some developments, the Section 236 subsidy is combined with a Section 8 subsidy to ensure that the tenant does not pay more than 30% of his or her income for shelter.

There are approximately 6,200 Section 236 units without a Section 8 subsidy.

The Section 8 program was established in 1974 after Congress concluded that fundamental changes needed to be made to the subsidy system. Under the Section 8 program for project-based assistance, HUD pays the owner the difference between 30% of a tenant's income and the rents established under the Housing Assistance Payments (HAP) contract. Under the contract terms, the owners must

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Housing Finance Agency
PROGRAM: Appropriated Programs
ACTIVITY: Providing Decent, Safe, Affordable Housing

ITEM TITLE: Preservation of Federally Assisted Housing
(Continuation)

agree to participate in the Section 8 program for a minimum period of time and at their option, in the case of uninsured mortgages, can renew the contracts for a longer period of time. The federal government commits to renewing the contracts at the owners' option in the case of developments with mortgages which are not insured by the federal government.

FINANCING:

Twenty million dollars of the base for the ARIF program is designated for preservation activities. These funds provide deferred 0% loans. The loans are most commonly in the form of preservation loans or loans to cover the costs of rehabilitation. Preservation loans are provided in situations where the development could, in the Agency's estimation, produce significantly greater revenues from market rents than it does under the federal program.

In other situations, the condition of the property requires a loan for rehabilitation needs. By providing 0% deferred loan monies, a development can afford to make necessary improvements and maintain rents at levels established by the federal program. Some developments will receive loans for both purposes.

OUTCOMES:

The new funding will preserve approximately 1,000 additional units of federally subsidized housing. It will leverage approximately \$38 million in federal assistance payments.

2000-01 Biennial Budget

BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY PROFILE:

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. The programs described below are intended to assist in strengthening communities.

Activities related to building stronger communities fall into 4 broad categories:

- Rehabilitation targeted to the oldest housing.
- New construction targeted to areas of new job growth.
- Assistance in the provision of homeownership opportunities.
- Assistance in the building of capacity to develop and maintain affordable housing.

STRATEGIES AND PERFORMANCE:

- Rehabilitation targeted to the oldest housing.

Three appropriated programs are most useful in strengthening communities by rehabilitating the oldest 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 or the difference between what an eligible homebuyer can afford and the cost of modest new housing is also an eligible use of the funds.

2. Minnesota Urban and Rural Homesteading (MURL) 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".

3. Affordable Rental Investment Fund (ARIF) Program.

ARIF also provides funds to rehabilitate multifamily (rental) housing.

The age of housing for which home improvement loans are made is an indicator of agency performance.

Age of Housing in Home Improvement Programs			
	Built before 1940	Built before 1976	Built after 1976
1990 Census Data	24.6%	57.2%	18.1%
Agency Data - Age of Housing Receiving Home Improvement Loans	42.9%	44.1%	13.0%

- New construction targeted to areas of net job growth.

1. The Community Rehabilitation Fund Program is also used by communities to develop new single family homes. See above for a description of this program.
2. Employer Matching Grant.

The Employer Matching Grant Program was created by the legislature in 1998. The program provides a 1 to 1 matching grant for contributions made by employers to non-profit organizations for the development of affordable housing.

- Assistance in the provision of home ownership opportunities.

Four appropriated programs assist in providing home ownership opportunities - a major component of the MHFA's efforts to strengthen communities.

2000-01 Biennial Budget

BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency
 (Continuation)

1. Home Ownership Assistance Fund (HAF)

HAF provides entry cost and monthly 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 Funds (HAF) loans are repaid on a graduated basis. Eligible home buyers must have income that does not exceed 50% of the greater of state or area median. Repayments and prepayments of loans are invested in new loans.

2. Foreclosure Prevention and Assistance Program

The Foreclosure Prevention and Assistance Program provides interest-free loans for 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 1998, in the metro area this was \$46,380 for a family of 4. Non-profit, community based organizations administer the program.

3. 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.

4. 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.

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 sponsored by nonprofit organizations.

5. Home Equity Conversion Counseling

The Home Equity Conversion Counseling Program provides a grant to the Senior Foundation to provide counseling to senior homeowners who are considering a home equity conversion loan.

The rents produced and the incomes of the households housed is also one of the key indicators of agency performance in preserving and maintaining existing affordable homes.

Income Distribution of MHFA Ownership Housing Programs				
	Less than 30% of Statewide HUD Median	30%-50% of Statewide HUD Median	50%-80% of Statewide HUD Median	Over 80% of Statewide HUD Median
1990 Census Data	15.90%	16.22%	26.28%	41.60%
Agency Data - Home Improvement	21.7%	17.6%	30.5%	30.2%
1990 Census Data	43.17%	23.68%	21.24%	11.91%
Agency Data - Owner- ship Existing Housing	4.0%	45.9%	45.4%	4.7%
Agency Data - Owner- ship New Construc- tion	0.0%	27.0%	60.8%	12.2%

2000-01 Biennial Budget

BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Appropriated
AGENCY: Minnesota Housing Finance Agency
(Continuation)

- Assistance in the building of capacity to develop and maintain affordable housing.
- 1. 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.

BUDGET ISSUES:

- Additional funding is sought for the Community Rehabilitation Fund Program to significantly increase the support for economic development activities and community revitalization efforts.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: STRENGTHENING COMMUNITIES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	1,007	1,116	1,306	888	888	888	888	(646)	-26.7%
OTHER EXPENSES	6,688	5,379	7,381	5,062	5,062	5,062	5,062	(2,636)	-20.7%
SUBTOTAL STATE OPERATIONS	7,695	6,495	8,687	5,950	5,950	5,950	5,950	(3,282)	-21.6%
LOCAL ASSISTANCE	2,721	6,387	921	3,128	6,103	3,128	6,103	4,898	67.0%
Total Expenditures	10,416	12,882	9,608	9,078	12,053	9,078	12,053	1,616	7.2%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(B) COMMUNITY REHAB FUND	GEN			3,000	3,000
(B) HOME EQUITY CONVERSION COUNSELING	GEN			(25)	(25)
Total Change Items				2,975	2,975

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	0	0	0	7,956	10,931	7,956	10,931
STATUTORY APPROPRIATIONS:							
HOUSING FINANCE AGENCY	10,416	12,882	9,608	1,122	1,122	1,122	1,122
Total Financing	10,416	12,882	9,608	9,078	12,053	9,078	12,053

<u>REVENUE COLLECTED:</u>							
DEDICATED							
HOUSING FINANCE AGENCY	3,057	3,275	1,446	1,287	1,287	1,288	1,288
Total Revenues Collected	3,057	3,275	1,446	1,287	1,287	1,288	1,288

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated
ACTIVITY: Strengthening Communities

ITEM TITLE: Community Rehabilitation Fund

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$3,000	\$3,000	\$3,000	\$3,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 462.A.06

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase to the Community Rehabilitation Fund (CRF) program of \$6 million to build on the successes of the Economic Vitality and Housing Initiative by helping neighborhoods and communities revitalize their housing. This initiative will significantly increase community rehabilitation efforts and support economic development activities.

RATIONALE:

This fund provides grants to cities to finance or refinance the construction, acquisition, or rehabilitation of single family housing. Provide financing the difference between the cost of acquiring, rehabilitation, or constructing housing and the market value of the housing upon its sale (value gap) or the difference between the cost of modest, safe housing and the amount a family can afford to pay for housing (afford ability gap) is available through this program. Since the inception of the program in 1993, 80 projects have been funded with total award of \$11,134,909.

Minnesota's economy is strong and growing, with tens of thousands of new jobs created in recent years and an unemployment rate of 2.3%. Because the costs of producing and maintaining housing have grown faster than family incomes, the strength of Minnesota's job growth is putting a strain on the state's supply of affordable housing. Even full-time employment is often not sufficient for families to buy homes or afford safe and decent apartments.

In Greater Minnesota, many employers cannot attract enough workers to fill new jobs because the communities lack housing that working families can afford; in some communities there simply is no more even marginally suitable housing. In the metropolitan area, there is a mismatch between where new jobs are created and where potential workers live. Older communities face the loss of existing employers when housing in the surrounding neighborhood deteriorates.

The affordability gap is putting the American dream of home ownership out of the reach of many working families. A family with a full-time worker at an average wage for a common newly created job plus a part-time worker also at an average wage for a common newly created job cannot afford a median priced existing home in either the center cities or in the suburbs in the Twin City metro area, even with a below market-rate interest mortgage. The affordability gap for such a family can range from \$3,500 to purchase a median priced existing home in the center cities to as much as \$40,000 to purchase a median priced home in the suburbs. Newly constructed single family homes both in Greater Minnesota and the Twin Cities metro area cannot be purchased for under \$120,000; the family described above has an afford ability gap of \$40,000 for a newly constructed home.

The CRF Program, in combination with local efforts to reduce housing costs, can help fill the affordability gap. A lien would be placed on the property for monies provided for the affordability gap; the lien would have to be satisfied if the homeowner sells the property within a specified period of time. The lien satisfactions could eventually create a revolving fund.

The CRF Program is an effective tool for local redevelopment efforts. It has been helpful in communities redevelopment plans to encourage increased home ownership, improve the quality of the existing housing stock, and alleviate slight and replace with appropriate affordable housing.

The program can provide an incentive for communities to develop comprehensive, cooperatively developed housing plans that address the linkages between housing and services, transportation, commercial and/or economic activity. It also can provide an incentive for local governments to reform development regulations,

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated
ACTIVITY: Strengthening Communities

ITEM TITLE: Community Rehabilitation Fund
(Continuation)

fees, controls and standards in order to reduce the costs of development and redevelopment of housing.

The current level of base funding for this program is insufficient for a statewide program to provide grants at a level that produces results of any scale in a community. The increased funding will allow communities to receive larger grant amounts and make a significant impact on targeted area.

FINANCING:

The base funding for this program is \$5,800,000. Funds in this program often leverage private and philanthropic capital.

OUTCOMES:

At least 20 additional communities or areas would receive grants to address housing needs identified in comprehensive housing-plus plans for targeted areas. As many as 200 additional limits of housing could be rehabilitated as well as 100 additional limits of new housing developed with the proposed increase.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Housing Finance Agency (MHFA)
PROGRAM: Appropriated Programs
ACTIVITY: Strengthening Communities

ITEM TITLE: Consolidation of Home Equity Conversion Counseling and Full Cycle Homeownership Services Programs

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
Full Cycle Homeownership	\$25	\$25	\$25	\$25
Home Equity Conversion	\$(25)	\$(25)	\$(25)	\$(25)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends the consolidation of the Home Equity Conversion Counseling Program and the Full-Cycle Homeownership Services Program.

RATIONALE:

Elimination of the Home Equity Conversion Counseling program as a separate program is proposed. The program would be merged with the Full-Cycle Homeownership Services Program. The funding for home equity conversion counseling would be added to the Full-Cycle Homeownership Services program funds. The Full-Cycle Homeownership Services Program includes funding for post-purchase counseling activities, including home equity conversion counseling. In recent years, several more organizations have been qualified as home equity conversion counselors. The organizations provide a full-range of homeownership counseling services. The merger of the programs could facilitate the expansion of opportunities for home equity conversion counseling.

This merging of programs is part of the agency's ongoing efforts to streamline the administration of its operation.

The agency has attempted to eliminate this program in the past. This proposal differs from the past proposal in that the proposal does not contemplate elimination of funding for the program, but rather a merging of programs.

FINANCING:

This proposal does not affect the total base budget for the agency.

OUTCOMES:

The merger will streamline the application process for homeownership counseling services and promote competition for the funding.

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2000-01 Biennial Budget

PROGRAM: Non-appropriated Programs

AGENCY: Minnesota Housing Finance Agency (MHFA)

PROGRAM PROFILE:

Like the appropriated programs, the non-appropriated programs are all designed to meet at least 1 of 2 broad policy objectives: meeting the need for decent, safe, affordable housing; or strengthening communities.

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
- Multifamily Troubled Properties Operation Subsidies
- Youth Employment Incentives Program
- the mortgage revenue bond programs for home ownership, home improvements, and rental projects.

STRATEGIES AND PERFORMANCE:

Assistance under the non-appropriated programs is provided as:

- rental assistance,
- grants, or
- loans, both deferred and amortizing.

BUDGET ISSUES:

The agency budget will not directly affect the non-appropriated programs.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY

Program: NON-APPROPRIATED PROGRAMS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
SAFE AFFORDABLE HOUSING	69,342	69,000	72,568	70,841	70,841	69,869	69,869	(858)	-.6%
STRENGTHENING COMMUNITIES	4,431	5,794	8,564	8,690	8,690	8,090	8,090	2,422	16.9%
Total Expenditures	73,773	74,794	81,132	79,531	79,531	77,959	77,959	1,564	1.0%

FINANCING BY FUND:							
STATUTORY APPROPRIATIONS:							
HOUSING FINANCE AGENCY	73,773	74,794	81,132	79,531	79,531	77,959	77,959
Total Financing	73,773	74,794	81,132	79,531	79,531	77,959	77,959

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2000-01 Biennial Budget

BUDGET ACTIVITY: Meeting the Need for Decent, Safe, Affordable Housing
PROGRAM: Non-appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY PROFILE:

Activities related to meeting Minnesotan's needs for decent, safe, affordable housing fall into 3 broad categories:

- providing new affordable homes,
- preserving and maintaining existing affordable homes, and
- rental assistance.

These activities 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 without some sort of financial assistance. Some programs engage in more than one category of activities.

It is increasingly difficult to produce new housing that is affordable to households earning the average wage paid in most newly created jobs.

STRATEGIES AND PERFORMANCE:

- Providing *new* affordable homes

Five non-appropriated programs assist in meeting Minnesotans' needs for decent, safe, affordable housing by providing new affordable homes:

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, 556 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.

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.

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.

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.

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 persons with AIDS or related diseases.

- Preserving and maintaining existing affordable homes.

Three non-appropriated programs assist in meeting Minnesotan's needs for decent, safe, affordable housing by preserving and maintaining existing affordable homes:

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 assist in administrating this program.

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security for repayment of the bonds depends on the MHFA's continued administration of these funds.

BUDGET ACTIVITY: Meeting the need for Decent, Safe, Affordable Housing
PROGRAM: Non-appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

BUDGET ISSUES:

Because these activities are funded through non-state appropriated resources, no budget issues are presented.

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.

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 5% and a 15 year term, with a maximum loan amount of \$10,000.

■ **Rental Assistance**

Rental Assistance is provided by one non-appropriated program:

HUD Section 8 Housing Assistance Program. The agency administers the federal Housing Assistance Payments for 25 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

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: SAFE AFFORDABLE HOUSING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	1,808	1,760	2,990	2,114	2,114	2,115	2,115	(521)	-11.0%
OTHER EXPENSES	403	567	1,624	1,175	1,175	892	892	(124)	-5.7%
 SUBTOTAL STATE OPERATIONS	2,211	2,327	4,614	3,289	3,289	3,007	3,007	(645)	-9.3%
PAYMENTS TO INDIVIDUALS	66,866	65,994	66,420	66,262	66,262	66,000	66,000	(152)	-.1%
LOCAL ASSISTANCE	265	679	1,534	1,290	1,290	862	862	(61)	-2.8%
Total Expenditures	69,342	69,000	72,568	70,841	70,841	69,869	69,869	(858)	-.6%

FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
HOUSING FINANCE AGENCY	69,342	69,000	72,568	70,841	70,841	69,869	69,869		
Total Financing	69,342	69,000	72,568	70,841	70,841	69,869	69,869		

REVENUE COLLECTED:									
DEDICATED									
HOUSING FINANCE AGENCY	64,012	69,053	85,374	86,558	86,558	84,871	84,871		
Total Revenues Collected	64,012	69,053	85,374	86,558	86,558	84,871	84,871		

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BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Non-appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

ACTIVITY PROFILE: 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. The programs described below are intended to assist in strengthening communities.

Activities related to building stronger communities fall into 4 broad categories:

- Rehabilitation targeted to the oldest housing.
- New construction targeted to areas of new job growth.
- Assistance in the provision of homeownership opportunities.
- Assistance in the building of capacity to develop and maintain affordable housing.

STRATEGIES AND PERFORMANCE:

- Rehabilitation targeted to the oldest housing.

Four programs funded through bond proceeds and other resources finance rehabilitation activities.

1. 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 \$25,000. Borrowers may take up to 20 years to repay the loan.

2. Community Fix-up Fund

The Community Fix-up Fund program encourages cooperative efforts between MHFA, local lenders, nonprofit organizations, local governments, community organizations, 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. The maximum loan amount is \$35,000; the maximum repayment period is 20 years.

3. 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 8 years. The maximum loan amount is \$8,000. Homes built prior to 1976 are targeted.

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". This program also strengthens communities by assisting in providing home ownership opportunities.

- New Construction targeted to areas of net job growth.

1. 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.

2. 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

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BUDGET ACTIVITY: Strengthening Communities
PROGRAM: Non-appropriated
AGENCY: Minnesota Housing Finance Agency (MHFA)

(Continuation)

multifamily 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. This program is used almost exclusively for home ownership.

3. 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 on conjunction with a variety of other sources of funds. This program is funded from federal tax-exempt bond proceeds.

- Assistance in the provision of homeownership opportunities.

1. 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.

2. 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 loans 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.

3. Purchase Plus

The Purchase Plus Program is a purchase/rehabilitation mortgage program that enables 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 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.

- Assistance in the building of capacity to develop and maintain affordable housing.

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 pre-development 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.

BUDGET ISSUES: Because these activities are funded through non-state appropriated resources, no budget issues are presented.

State of Minnesota
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Agency: HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: STRENGTHENING COMMUNITIES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	497	415	1,192	1,122	1,122	1,051	1,051	566	35.2%
OTHER EXPENSES	2,245	4,832	6,580	6,082	6,082	5,553	5,553	223	2.0%
SUBTOTAL STATE OPERATIONS	2,742	5,247	7,772	7,204	7,204	6,604	6,604	789	6.1%
PAYMENTS TO INDIVIDUALS	406	50	100	0	0	0	0	(150)	-100.0%
LOCAL ASSISTANCE	1,283	497	692	1,486	1,486	1,486	1,486	1,783	150.0%
Total Expenditures	4,431	5,794	8,564	8,690	8,690	8,090	8,090	2,422	16.9%

FINANCING BY FUND:							
STATUTORY APPROPRIATIONS:							
HOUSING FINANCE AGENCY	4,431	5,794	8,564	8,690	8,690	8,090	8,090
Total Financing	4,431	5,794	8,564	8,690	8,690	8,090	8,090

REVENUE COLLECTED:							
DEDICATED							
SPECIAL REVENUE	3	0	0	0	0	0	0
HOUSING FINANCE AGENCY	4,455	5,806	8,445	8,690	8,690	8,090	8,090
Total Revenues Collected	4,458	5,806	8,445	8,690	8,690	8,090	8,090

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2000-01 Biennial Budget

PROGRAM: Administrative Cost Ceiling

AGENCY: Minnesota Housing Finance Agency (MHFA)

PROGRAM PROFILE:

Since its creation in 1971, the MHFA has:

- provided \$780 million in financing for 574 developments containing 26,853 rental housing units throughout Minnesota;
- administered over \$1.065 billion of federal Section 8 Housing Assistance Payments (Section 8) to low-income tenants in developments generally financed by the agency;
- purchased 105,780 home improvement and energy loans totaling \$564 million at below-market interest rates to low- and moderate-income homeowners;
- purchased 52,147 home mortgage loans totaling \$2.6 billion made at below-market interest rates and affordable terms to low- and moderate-income home buyers, substantially all of which were first-time home buyers;
- provided down payment and/or monthly assistance totaling \$59.8 million to approximately 15,000 families who received home mortgage financing from MHFA;
- provided 23,875 rehabilitation loans totaling over \$128 million to very low-income homeowners who do not repay the loan unless the property is sold or transferred within 10 years of the loan date;
- allocated \$44 million in annual Low Income Housing Tax Credits to 416 developments providing over 13,750 units of affordable rental housing;
- financed 233 Section 8 and 10 Section 236 developments producing 16,089 and 710 units, respectively, of affordable housing.

As of 6-30-98, total assets were \$2.79 billion, an increase of \$102 million compared to 6-30-97. Loans receivable totaled \$1.8 billion, net, and bonds payable were \$2.3 billion.

In F. Y. 1998, mortgage loan purchases/originations were \$268 million; 69% of which were attributable to homeownership purchases. The receipt of scheduled mortgage loan repayments of \$62 million increased from the previous year. Mortgage loan prepayments totaled \$163 million, funded primarily by prepayments of higher interest-rate homeownership loans.

During F.Y. 1998, the agency completed the issuance/remarketing of 22 series of bonds aggregating \$314 million. The increase in issuance/remarketing of \$58 million over the previous year is primarily due to the timing of bond issuance.

Between 9-1-97 and 8-31-98, 141 loans totaling \$30.8 million were closed on multifamily developments, increasing or rehabilitating the supply of affordable housing. This activity added 3,243 units of rental housing to the agency's portfolio of properties to be monitored.

The level of staffing and necessary equipment directly impact the agency's ability to adequately underwrite or monitor agency-funded projects and to process loans purchased by the agency.

STRATEGIES AND PERFORMANCE:

Agency staff engages in a number of activities to ensure that both appropriated and non-appropriated funds are well-invested and the investments are well-managed.

For multifamily properties, one of the major activities is management monitoring with 5 major components which require review and oversight: underwriting, construction, marketing/initial rent-up, long-term management, and additional oversight for troubled properties. In addition, monitoring for compliance with the federal Section 8, Section 236, Low Income Housing Tax Credit, and HOME programs must be performed as well as monitoring for compliance with imposed rent and income restrictions.

Activities surrounding the various homeownership assistance provided by the agency include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

The agency's portfolio grows as additional funds are appropriated for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from a larger portfolio. In order to meet these responsibilities and adequately protect the agency's investments, additional staff is needed.

2000-01 Biennial Budget

PROGRAM: Administrative Cost Ceiling

AGENCY: Minnesota Housing Finance Agency (MHFA)
(Continuation)

HUD has recently added responsibilities to the administration of the Section 8 contracts.

The portfolio of federal housing tax credit is growing by approximately 1,200 units per year. Federal law requires that a portion of tax credit units be monitored every year, which in turn means a slow but steady growth over the next 4 years in the number of staff required to comply with federal law requirements. In addition, the IRS is changing the oversight requirements to add responsibilities for allocating agencies.

FINANCING INFORMATION:

The cost ceiling for F.Y. 1999 is \$13,396,000. Approximately 6% of the cost ceiling is reimbursed from earnings on state appropriations; the remainder of the cost ceiling and other costs of operating the agency are funded totally from agency earnings. Increases in the administrative costs are not funded with state appropriations. The current "cost ceiling" is inadequate to meet agency responsibilities. The dollar amount shown for F.Y. 2000-01 as a change item is offered as an indication of anticipated expenditures for operating costs, consistent with elimination of the cost ceiling.

BUDGET ISSUES:

The administrative costs of the agency are funded through non-state appropriated resources. The administrative cost ceiling does not represent all of the operating costs of the agency and does not provide the legislature with a complete picture of the agency's operations. The administrative cost ceiling is not a useful communication tool for providing information to the financial community about the agency's operation.

The administrative cost ceiling can prevent the agency from effectively providing assistance in the development and management of affordable housing. For example, the federal government may indicate a desire to hand over certain responsibilities to state HFAs that have more knowledge of local conditions and are

better able to perform certain functions. The federal government would reimburse all of the state agency's expenses. However, the administrative cost ceiling could prevent the agency from taking on these responsibilities any time the cost ceiling is insufficient to incur the additional staff expenses, even though the expenses are entirely reimbursed by the federal government.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an amendment to M.S. 462A.20, Subd. 2(e) to eliminate the administrative cost ceiling and replace it with a requirement for a detailed report to the appropriate committees of the legislature on the actual costs of operating the agency. This will allow the agency to provide more assistance in the development of affordable housing.

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Agency: HOUSING FINANCE AGENCY
Program: ADMINISTRATIVE COST CEILING
Activity: ADMINISTRATIVE COST CEILING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	7,373	8,156	10,226	10,474	12,035	10,514	12,480	6,133	33.4%
OPERATING EXPENSES	2,515	2,610	3,170	2,922	4,486	2,882	3,255	1,961	33.9%
SUBTOTAL STATE OPERATIONS	9,888	10,766	13,396	13,396	16,521	13,396	15,735	8,094	33.5%
Total Expenditures	9,888	10,766	13,396	13,396	16,521	13,396	15,735	8,094	33.5%
<u>CHANGE ITEMS:</u>									
(B) ELIMINATION OF COST CEILING	FUND HFA				3,125		2,339		
Total Change Items					3,125		2,339		
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
HOUSING FINANCE AGENCY	9,888	10,766	13,396	13,396	16,521	13,396	15,735		
Total Financing	9,888	10,766	13,396	13,396	16,521	13,396	15,735		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	151.0	155.9	182.9	199.3	223.3	201.5	225.5		
PART-TIME, SEASONAL, LABOR SER	5.9	7.4	5.3	3.3	3.3	3.0	3.0		
OVERTIME PAY	0.2	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	157.1	163.3	188.2	202.6	226.6	204.5	228.5		

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PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Commerce, Department of

AGENCY MISSION AND VISION:

The agency is responsible for the regulation of Minnesota's financial services industries.

Mission: To serve the citizens of Minnesota by; enforcing state laws and safeguarding consumers' rights and investments, resolving conflicts between consumers and industry and enhancing the stability and strength of the regulated industries.

Vision: To review issues of financial solvency to assure consumer protection against financial failure; assure compliance for investment opportunities and insurance products; assure policyholder and investor protection and understanding; to enforce statutes and rules regarding regulated industry transactions; and to assure practitioners in regulated industries meet minimum competency standards.

The agency takes responsibility for achieving the following Minnesota Milestones targets:

- Provide Minnesota's citizens with the economic means to maintain a reasonable standard of living.
- Provide a decent safe and affordable housing option.
- Through the activities of the petroleum tank release cleanup fund, clean our environment and improve the quality of air, water and earth.

KEY SERVICE STRATEGIES:

- To ensure consumer trust and confidence in regulated industries.
- To ensure solvent financial institutions for investors, borrowers, policyholders and depositors.
- To investigate consumer complaints and enforce applicable statutes.
- To ensure the public that licensed entities meet minimum standards of expertise.
- To monitor changing market conditions.
- To ensure compliance with statutes and rules relating to regulated industry products and services.
- To return abandoned property to the rightful owners or heirs.

OPERATING ENVIRONMENT:

- **Economic Indicators.** Most economic indicators have direct affects on the solvency of banks, credit unions and insurance companies. The agency monitors trends in the economy to anticipate future affects on regulated industries.
- **Evolution of Industries.** Regulation of the financial services industries has become more complex due to opportunities for specific industries to offer products previously prohibited. Mergers have significantly affected the size of institutions (banks, credit unions, consumer credit companies and insurance companies) and have contributed to an expansion of their markets.
- **Changing Demographic.** The makeup of Minnesota continues to reflect an increase of older residents. They have expanded contact with regulated industries and products, such as retirement planning, long term care insurance and increased health insurance issues.
- **Federal Regulatory Activities.** Changes at the national level and those of other states have an affect on issues of performance for the agency. Acts of congress relating to bank, insurance and securities regulation and the ability to expand into new product areas have made regulation of these industries increasingly complex.
- **Technology.** Changes in technology infrastructure have led to more streamlined regulatory processes, information exchange and increased consumer access to information and data.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER OFFICE	
Financial Examinations	53.1 fte
Registration and Insurance	71.8 fte
Petroleum Tank Release Cleanup Fund	13.8 fte
Administrative Services	34.9 fte
Enforcement and Licensing	72.6 fte

6/30/98 TOTAL FTEs 246.2

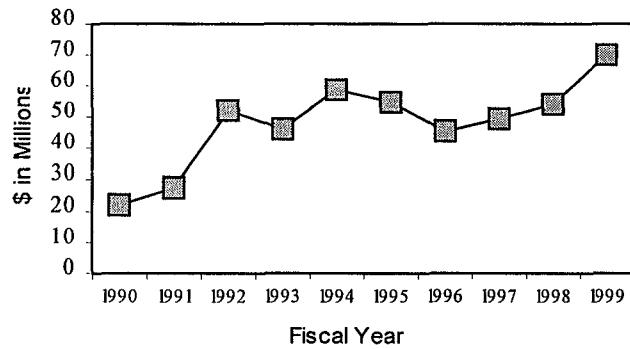
Agency programs are administered statewide. Examination functions are performed at institutions throughout the state and nation. The central office is located in St. Paul and 2 additional offices exist to support bank examination crews. One is located in Fergus Falls and the other in Rochester.

**2000-01 Biennial Budget
Agency Executive Summary**

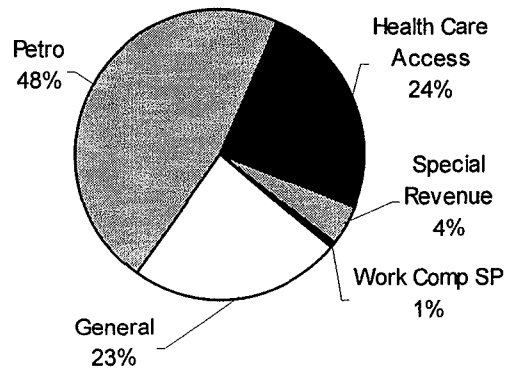
AGENCY: Commerce, Department of
(Continuation)

TRENDS AND PERSPECTIVE

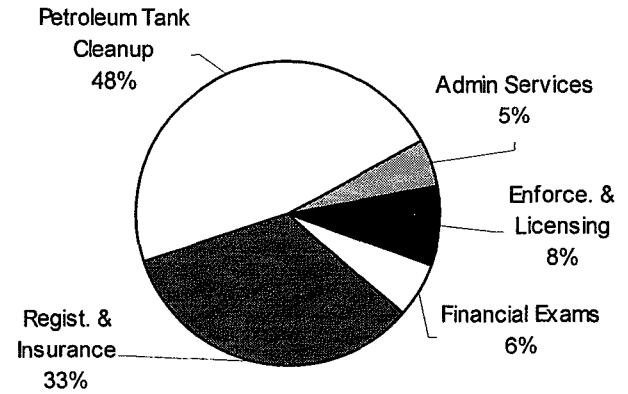
Total Budget - All Funds



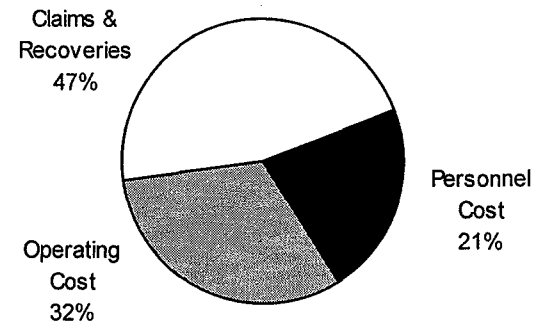
**F.Y. 1998-99 Expenditures by Fund
\$124 Million**



**F.Y. 1998-99 Expenditures by Program
\$124 Million**



**F.Y. 1998-99 Expenditures by Category
\$124 Million**



**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Commerce, Department of
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to the agency base level. These change items are outlined on the following budget brief pages as well as detailed on individual change item pages within the agency's budget:

<u>Change Item/Fund</u>	<u>Biennial Total (in thousands)</u>
General Fund	
Web Site Development	\$90
Redesign and Re-engineer data bases	2,000
Casualty Actuary (50%)	189
EDP Examiner	212
State Crop Revenue Insurance Feasibility Study	200
Workers Compensation Fund	
Casualty Actuary (50%)	<u>147</u>
Total Expenditures	\$2,838
Non-dedicated Revenue Increases	
EDP Examiner	\$216
Agency Fee Changes	<u>2,000</u>
Total Non-Dedicated Revenue	\$2,216
Net Change - All Funds	<u>\$622</u>

State of Minnesota
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Agency: COMMERCE DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
FINANCIAL EXAMINATIONS	3,616	3,550	3,758	3,853	3,963	3,950	4,052	707	9.7%
REGISTRATION & INSURANCE	4,423	20,241	21,196	5,781	6,153	5,907	6,071	(29,213)	-70.5%
PETROLEUM TANK CLEANUP FUND	33,264	22,331	36,482	36,405	36,405	26,455	26,455	4,047	6.9%
ADMINISTRATIVE SERVICES	3,459	2,862	3,402	3,188	5,278	3,133	3,133	2,147	34.3%
ENFORCEMENT & LICENSING	4,428	4,931	5,369	5,975	5,975	6,224	6,224	1,899	18.4%
Total Expenditures	49,190	53,915	70,207	55,202	57,774	45,669	45,935	(20,413)	-16.4%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	14,429	13,685	15,091	15,546	18,045	15,639	15,831
PETROLEUM TANK RELEASE CLEANUP	834	818	1,108	1,015	1,015	1,045	1,045
HEALTH CARE ACCESS	0	15,075	15,000	0	0	0	0
WORKERS COMPENSATION	425	461	477	494	567	510	584
OPEN APPROPRIATIONS:							
PETROLEUM TANK RELEASE CLEANUP	32,430	21,513	35,374	35,390	35,390	25,410	25,410
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	1,072	2,363	3,157	2,757	2,757	3,065	3,065
Total Financing	49,190	53,915	70,207	55,202	57,774	45,669	45,935

FTE BY EMPLOYMENT TYPE:							
FULL TIME	251.5	240.8	256.9	260.9	262.9	260.9	262.9
PART-TIME, SEASONAL, LABOR SER	3.2	4.3	2.0	4.8	4.8	2.0	2.0
OVERTIME PAY	0.6	1.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	255.3	246.2	258.9	265.7	267.7	262.9	264.9

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

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Agency: Commerce, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$14,572	\$14,572	\$29,144
<u>BASE ADJUSTMENT</u>			
Annualization of New Program	311	237	548
Biennial Appropriations	238	-0-	238
Doc. Space Rental/Lease	72	116	188
2000-2001 Sal. & Ben. Base	352	713	1,065
Statewide Administrative Systems	19	19	38
Uniform Pension Bill Red.	(18)	(18)	(36)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$15,546	\$15,639	\$31,185
<u>CHANGE ITEMS</u>			
Web Site Development	90	-0-	-0-
Redesign/Re-engineer Database	2,000	-0-	2,000
Casualty Actuary	99	90	189
EDP Examiner	110	102	212
State Crop Revenue Insurance Feasibility Study	200	-0-	200
GOVERNOR'S RECOMMENDATION	\$18,045	\$15,831	\$33,876

Brief Explanation of Budget Decisions:

- The entire amount of the base budget is for operations funding for the basic functions of the agency; examination, compliance enforcement and licensing.
- The annualization of new program cost: In 1998, the legislature passed a bill requiring the agency to regulate and license the mortgage service industry. Full regulation begins in F.Y. 2000 and the base adjustment reflects the amount needed to regulate this new profession. The cost is higher than originally estimated because there are more licensees than the agency had originally estimated. The full cost of regulation will be recovered through license fees.
- A base adjustment is included for notary renewal cost in F.Y. 2000. Notary public commissions are issued to expire every 5 years. The first such renewal

will occur in December, 1999. The costs are those identified to process 90,000 notary commission renewals. An additional \$3,600,000 in non-dedicated revenue will also be collected in F.Y. 2000.

- Documented rent increases are for the central office, Fergus Falls and Rochester field offices.
- A base adjustment is included for salary and benefit increases.
- A base adjustment is included for Statewide Administrative Systems costs which are assessed by the Finance Department and based on system use.
- Uniform pension reduction is the amount transferred in F.Y. 1999 to a central account for cancellation based on a reduction in pension rates enacted by the legislature.

GOVERNOR'S RECOMMENDATION(S): The Governor recommends the agency's base level funding and biennial increases for the following change items:

- Web Site Development: \$90,000 to expand the department's web site capability and allow for on-line applications and fee collections.
- Redesign and Re-engineer Data Bases: \$2,000,000 to provide better access to clients and a system that is faster and easier to use.
- Casualty Actuary: \$189,000 and .5 FTE to address increased actuarial needs in the areas of workers compensation, self-insurance and solvency regulation (the other .5 FTE is funded from the workers' compensation fund.)
- EDP Examiner: \$212,000 and 1.0 FTE to conduct audits of the electronic data base systems used by financial institutions. This initiative will be funded by examination fees and assessments paid by the regulated industry and will generate an additional \$216,000 for the biennium.
- Agency Fee Changes: An additional \$2,000,000 in non-dedicated revenue will be collected as a result of recommended changes to the agency's existing fee structure. These receipts will be deposited into the Cambridge Deposit Fund then transferred to the General Fund.
- State Crop Insurance Feasibility Study: \$200,000 to do an actuarial study on the feasibility of a state crop insurance program.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Commerce, Department of **Fund:** Petroleum Tank Release Cleanup

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$969	\$969	\$1,938
<u>BASE ADJUSTMENT</u>			
Doc. Space Rental/Lease	17	27	44
2000-2001 Salary and Benefit Base	20	40	60
Statewide Administrative Systems	2	2	18
<u>BASE LEVEL (for 2000 and 2001)</u>	\$1,015	\$1,045	\$2,060
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$1,015	\$1,045	\$2,060

Brief Explanation of Budget Decisions:

- The agency will spend \$2,060,000 for operating expenditures relating to administration of cleanup reimbursement applications and distribution of reimbursement funds for cleaning up leaking petroleum tanks. Approximately \$60 million will be paid for reimbursements relating to cleanup expenditures.
- The base is adjusted for documented rent increases for the central office location in St. Paul.
- A base adjustment is included for salary and benefit increases.
- A base adjustment is included for Statewide Administrative Systems cost which is assessed by the Department of Finance and based on system use.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Commerce, Department of

Fund: Health Care Access

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$15,000	\$15,000	\$30,000
<u>BASE ADJUSTMENT</u>			
One Time Appropriations	(15,000)	(15,000)	(30,000)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$-0-	\$-0-	\$-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATION	\$-0-	\$-0-	\$-0-

Brief Explanation of Budget Decisions:

- \$15 million per year for F.Y. 1998-99 was appropriated from the health care access fund to help reduce the deficit of the Minnesota Comprehensive Health Association (MCHA). This appropriation reduced the amount of MCHA losses that was assessed back to health insurers. A base adjustment to reduce this amount is needed because the legislature specified the appropriation was to be one time in nature.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends no additional funding for the biennium.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Commerce, Department of

Fund: Workers Compensation

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$476	\$476	\$952
<u>BASE ADJUSTMENT</u>			
Doc. Space Rental/Lease	6	10	16
2000-2001 Salary and Benefit Base	<u>12</u>	<u>24</u>	<u>36</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$494	\$510	\$1,004
<u>CHANGE ITEMS</u>			
Casualty Actuary	<u>73</u>	<u>74</u>	<u>147</u>
GOVERNOR'S RECOMMENDATION	\$567	\$584	\$1,151

Brief Explanation of Budget Decisions:

- The entire request from this fund is for operations relating to the regulation of workers compensation self insurance.
- A base adjustment is included for documented rent increases for the central office location in St. Paul.
- A base adjustment is included for salary and benefit increases.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base level funding and a biennial increase of \$147,000 and .5 FTE for a new casualty actuary position to review workers compensation and self insurance rate, filing and solvency issues. The other .5 FTE will be funded from the General Fund.

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2000-01 Biennial Budget Agency Level Revenue Summary

AGENCY: Commerce, Department of

REVENUE SOURCES:

The agency generates significant non-dedicated revenue for the General Fund. Additionally, dedicated revenue is generated for the building contractor recovery fund, insurance examination revolving fund and the real estate education research and recovery fund. The revenue is generated from service, occupational license and regulatory fees charged by the agency to do business in regulated industries. Estimated non-dedicated General Fund receipts for F.Y. 1999 are \$53.451 million while expenditures for that same year are anticipated at \$15.091 million. Revenues are 354% of expenditures for the General Fund.

Dedicated receipts are estimated at \$4.814 million for F.Y. 1999. Expenditures are anticipated to be \$3.157 million. Revenue is 153% of expenditures. A portion of this amount, \$1.117 million will transfer from the insurance examination revolving fund to the General Fund for cancellation.

FEE STRUCTURE:

There are a number of fees charged by the agency, all defined in the various chapters of statute that define the agency regulatory authority. Fee types charged by the agency include: assessments to the banks, credit unions and consumer credit companies; examination fees for banks, credit unions, consumer credit companies and insurance companies; registration fees for investment offerings; filing fees for insurance company transactions; application and license fees for all industries; fines and penalties and proceeds from the remittance of abandoned property.

RECENT CHANGES:

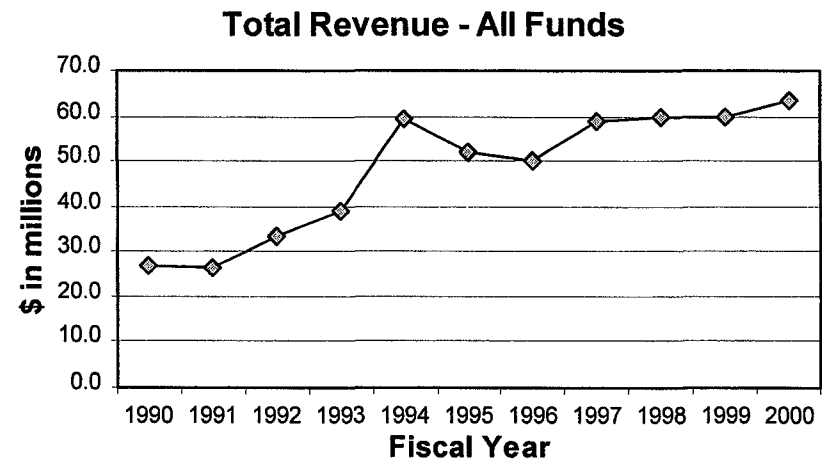
In 1997, several transaction fees for licensing were made uniform and relocated in M.S. 45.0295. New fees were created for some self insurance transactions to help recover the cost of regulation. New fees were created in 1998 for regulation of the mortgage service industry. The majority of the agency fees have not seen change for several years.

The revenue stream has remained consistent with few exceptions. New license fees have increased over the last 2 years as more people have entered regulated occupations. Renewal fees have decreased over the last few years as people leave the business or do not maintain their license status. There has been an increase in registration fees over the past few years as the investment opportunities available have shown significant return. The forecast includes the renewal of notary commissions in F.Y. 2000. This only occurs every 5 years.

FORECAST BASIS:

The forecast basis uses the assumption that the economy will continue to produce substantial returns on investment, thereby creating a similar trend in registration fees. The pattern for new licenses is expected to continue into the next biennium. It is also assumed that the decline in renewal transactions will now level off. Unclaimed property proceeds are expected to remain steady. Examination fees and assessments will continue to be set to recover cost.

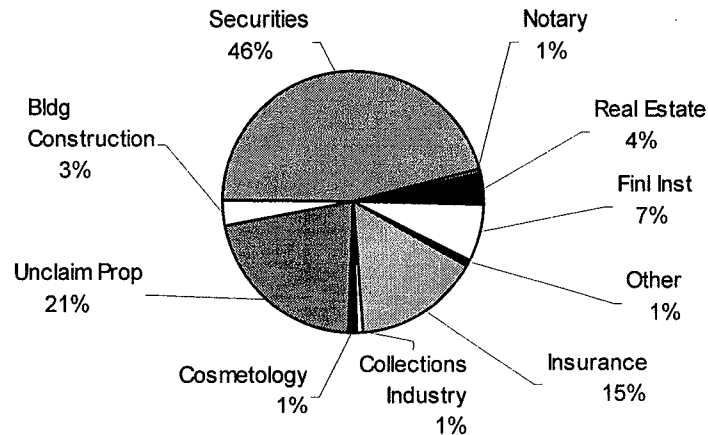
The graphics below provide additional information regarding revenue for the agency.



**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Commerce, Department of
(Continuation)

**1998-99 Revenue by Industry
Total \$116 Million**



CHANGE ITEMS:

The following change items are outlined on the budget brief pages, on individual change item pages and discussed in detail in the agency's 2000-01 Departmental Earnings Report.

- **Agency Fee Changes:** This initiative will generate an additional \$2,000,000 in non-dedicated revenue for the biennium (\$972,000 in F.Y. 2000 and \$1,028,000 in F.Y. 2001). The receipts will be deposited into the Cambridge Deposit Fund, then later transferred to the General Fund:
 - The new transaction fees created in M.S. 45.0295 in 1997 will be eliminated because the fees have presented an increased burden for the agency and the licensee in transaction processing and they also prohibit development of on-line transaction ability.

- Fee changes are needed for certain industries that are not recovering costs: building contractors, campground clubs, currency exchange, insurance and subdivided land.
 - Changes in financial institution fees will be made for charters, acquisitions, relocations, amendments and mergers. The fees will be restructured to ensure that the institution requesting the service will pay for the cost of the service. Under the current system, a general assessment is paid by all financial institutions. No additional revenue will be generated.
- **EDP Examiner:** This initiative is fully funded by fees and assessments and will generate an additional \$216,000 in non-dedicated revenue for the biennium (\$112,000 in F.Y. 2000 and \$104,000 in F.Y. 2001).

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
GENERAL	19.325	22.524	21.155	21.115	21.115	20.110	20.110	(2,454)	-5.6%
CAMBRIDGE DEPOSIT FUND	34.166	31.684	32.241	36.270	37.354	31.767	32.899	6.328	9.9%
OTHER REVENUES:									
GENERAL	41	62	55	42	42	41	41	(34)	-29.1%
PETROLEUM TANK RELEASE CLEANUP	1,447	1,641	1,300	1,300	1,300	1,500	1,500	(141)	-4.8%
Total Non-Dedicated Receipts	54.979	55.911	54.751	58.727	59.811	53.418	54.550	3.699	3.3%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	3,773	3,483	4,524	4,321	4,321	4,498	4,498	812	10.1%
OTHER REVENUES:									
SPECIAL REVENUE	225	370	290	252	252	248	248	(160)	-24.2%
AGENCY	41	(49)	0	0	0	0	0	49	-100.0%
Total Dedicated Receipts	4,039	3,804	4,814	4,573	4,573	4,746	4,746	701	8.1%
Agency Total Revenues	59,018	59,715	59,565	63,300	64,384	58,164	59,296	4,400	3.7%

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Commerce, Department of

PROGRAM:

ACTIVITY:

ITEM TITLE: Agency Fee Changes

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Cambridge Deposit Fund	\$972	\$1,028	\$899	\$976

Statutory Change? Yes ☒ No ☐

If yes, statutes(s) affected: M.S. 45, 46, 47, 48, 49, 53, 53A, 55, 56, 59, 60A, 60K, 65B, 70A, 72B, 79, 176, 182A, 168, 326, 332

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends changes to the agency's existing fee structure: Certain license fees will be increased to cover the cost of regulation, certain transaction fees will be eliminated in order to make the department's revenue collection process more efficient, and financial institution fees will be restructured to ensure that the institution requesting the service pays for the cost of that service.

RATIONALE:

The intent of the proposal is to increase and/or create transaction fees for financial institutions relating to applications and amendments to more accurately reflect the cost of processing these transactions. It also shifts the burden of cost of a transaction to those entities that are making the request rather than assessing all entities for the cost of application processing.

The need to eliminate the transaction fees in M.S. 45.0295 arises from the need to reduce the amount of processing time to accomplish simple transactions. The licensee pays an initial and renewal license fee, which should pay for the cost of regulation and all transactions. It is important to maintain current, accurate

information relating to licensed entities. Charging for transactions relating to their license discourages continuous communications. Maintaining this fee structure would require adding staff to process transactions.

FINANCING:

This request does not directly affect the base budget for operations. It will change non-dedicated revenue for the industries as identified in the table below.

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Building Contractor	-0-	199	199
Campgrounds	-0-	1	1
Collections	-0-	(6)	(6)
Cosmetology	-0-	(44)	(45)
Currency Exchange	-0-	24	22
Insurance	-0-	852	913
Notary	-0-	(3)	(5)
Real Estate	-0-	51	51
TOTAL	\$-0-	\$972	\$1,028

OUTCOMES:

This request will allow for a more accurate representation of cost to processing applications in the financial examination area. The changes in licensing fees will decrease the additional work created by the fees so the agency can manage cash processing with existing staff.

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PROGRAM: Financial Examinations
AGENCY: Commerce, Department of

PROGRAM PROFILE:

The program exists to maintain a safe and sound state banking system and money supply. To do this, the program carries out activities in three major areas important to the economic and financial well being of Minnesota citizens.

- To ensure the availability of financial services in regards to both quality and quantity.
- To maintain safety and soundness of the state banking system.
- To ensure consumer protection by facilitating a consumer complaint processing system.

The program serves Minnesota consumers and businesses; local, county and state government; U.S. citizens; federal government and its agencies; and the global economy. The authority began in 1909 in response to difficult financial times and financial failures. Business cycles are embedded in our economic system, but proper risk management diminishes the depth and severity of down cycles. Application of technology to the examination process and risk focused examination techniques facilitate early intervention for corrective action.

Safety and soundness of the state's banking system and money supply is fundamental to economic growth and stability. Maintenance of state chartered community banks enhance the vitality of communities they serve. This program is particularly important to rural Minnesota where small community banks provide services not otherwise available.

It is a goal to encourage a competitive environment in the financial services industry to ensure many choices to consumers available at the lowest possible cost.

Dual chartering of financial services provides freedom of choice, fosters expanded bank services (particularly in outstate communities), provides access to capital for small business and provides option of regulation based on factors unique to Minnesota.

STRATEGIES AND PERFORMANCE:

The goals of the program are:

- To foster and support the continued growth of state chartered financial institutions.
- To ensure compliance with various state and federal laws and regulations.
- To ensure a safe and sound banking and financial services industry.
- To maintain depositor confidence in financial institutions.
- To minimize disruptive financial institution failures.
- To promote competition and encourage financial service alternatives.
- To ensure that financial services are provided to citizens and business at reasonable cost.
- To continuously evaluate and improve examination and application requirements related procedures.
- To maintain accreditation from the Conference of State Bank Supervisors (CSBS).

Specific regulatory strategies are:

- On-site examination of a financial institution is the primary tool used to regulate and monitor the industry. Face-to-face meetings with institution management are conducted for those institutions that exhibit problems.
- A 6-point rating system with an overall composite rating is assigned and disclosed to each institution at the conclusion of an on-site examination.
- Off-site monitoring is also conducted, including peer group analysis, uniform bank performance reports and quarterly call reports from each institution. These tools are available for public use in assessing an individual financial institutions performance and it's ability to provide needed services.
- Owners of financial institutions have a choice between federal or state charters. The program is reviewing procedures and policies to assure that a state charter remains an attractive choice.
- Increased use of technology in the examination process to improve accuracy and minimize disruption.

FINANCING INFORMATION:

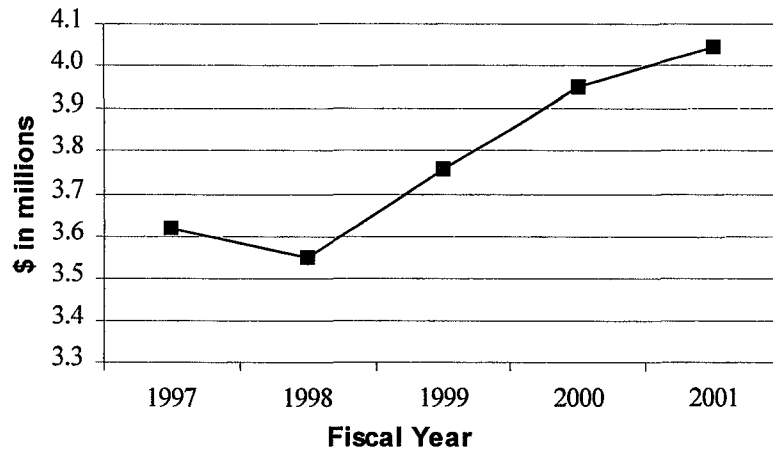
The program is totally supported by appropriations from the General Fund. The revenue collected for this program is a result of examination fees and assessments. The assessment is billed at the beginning of a fiscal year at 103% of operating, agency indirect and Attorney General cost. The examination fee is set based on a formula calculating examiner salary and billing hours. Fees are also charged for applications relating to charter and license activity.

2000-01 Biennial Budget

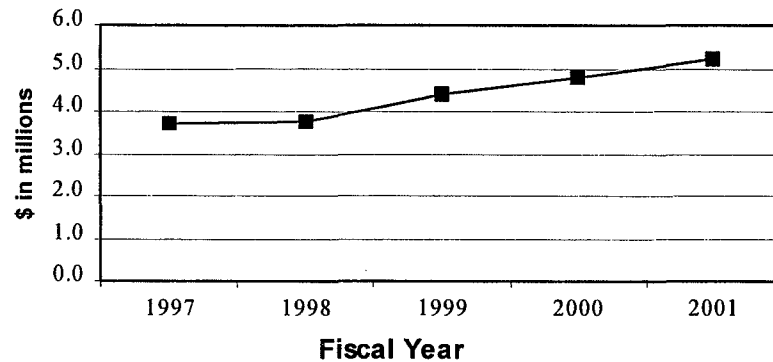
PROGRAM: Financial Examinations
AGENCY: Commerce, Department of
 (Continuation)

applications relating to charter and license activity.
 The charts below provide relevant financial information.

Program Expenditures

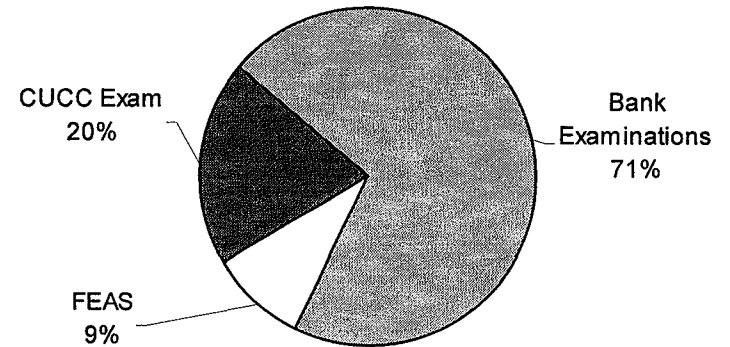


Total Revenue - All Funds



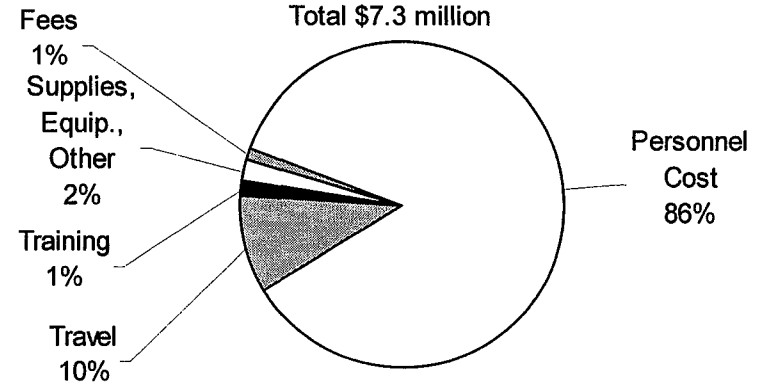
F.Y. 1998-99 Expenditure by Activity

Total \$7.3 million



F.Y. 1998-99 Expenditures by Category

Total \$7.3 million



2000-01 Biennial Budget

PROGRAM: Financial Examinations

AGENCY: Commerce, Department of
(Continuation)

BUDGET ISSUES:

- Consolidation in the financial services industry will continue. The number of individual banks and credit unions in Minnesota will continue to decline. However, the number of banks and credit union offices will continue to expand or be stable.
- Many of the transaction fees no longer cover the cost for service. Some of the fees have not been changed since the 1960's. Increasing the fees will expand the funding base of the program and reduce pressure on the annual assessment.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels for this program and a biennial increase in funding of \$212,000 and 1.0 FTE in the Bank Examination Activity to enable the department to perform electronic data processing examinations at financial institutions. The initiative will be fully funded through fees and assessments which will generate an additional \$216,000 in non-dedicated revenue for the biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: FINANCIAL EXAMINATIONS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
BANK EXAMINATIONS	2,604	2,532	2,641	2,708	2,818	2,775	2,877	522	10.1%
FINANCIAL EXAMINATIONS SUPPORT	321	330	347	355	355	364	364	42	6.2%
CREDIT UNION, CONSUMER CREDIT	691	688	770	790	790	811	811	143	9.8%
Total Expenditures	3,616	3,550	3,758	3,853	3,963	3,950	4,052	707	9.7%

<u>CHANGE ITEMS:</u>	<u>FUND</u>		
(B) EDP EXAMINER	GEN		
		110	102
Total Change Items		110	102

<u>FINANCING BY FUND:</u>					
<u>DIRECT APPROPRIATIONS:</u>					
GENERAL	3,616	3,550	3,758	3,853	3,963
Total Financing	3,616	3,550	3,758	3,853	3,963

<u>FTE BY EMPLOYMENT TYPE:</u>					
FULL TIME	56.2	52.9	55.0	55.0	56.0
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.0	0.0	0.0
Total Full-Time Equivalent	56.2	53.1	55.0	55.0	56.0

2000-01 Biennial Budget

BUDGET ACTIVITY: Bank Examinations
PROGRAM: Financial Examinations
AGENCY: Commerce, Department of

ACTIVITY PROFILE:

Onsite examinations are conducted at all state chartered banks, trust companies, certificate investment companies and thrift companies on a 12 to 18 month cycle (determined by bank performance rating). Examinations are shared between the Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Bank. On an alternating basis, this activity and the appropriate federal authority examine the chartered institution and share examination material in order to reduce the cost burden to the regulated entity.

In addition to the examinations, this activity performs a review of various applications from regulated entities for compliance. Action is taken to approve or deny applications.

The financial services industry continues to be cyclical, with its fortunes affected by the business cycle and economic activity. Early intervention to problems disclosed by examinations will mitigate losses and help maintain public confidence in the banking system.

This activity works with federal regulators to ensure a safe and sound banking system.

Encouraging the growth of state chartered institutions fosters competition and ensures numerous choices for consumers and business. Competition drives down the cost of financial services. Several new financial products originated in state chartered institutions and spread nationwide.

STRATEGIES AND PERFORMANCE:

Periodic on-site examinations of these industries continue to be the primary strategy to regulate and monitor the financial condition of the industry. All state and federal regulators have adopted a uniform rating system for financial institutions. This system assigns a numerical rating to each of 6 factors, along with an overall composite rating. The examination rating is used as a guide to whether any additional follow up or remedial corrective measures are necessary.

Off-site monitoring of banks is conducted by way of analysis and review of quarterly financial data submitted by chartering institutions. Automated processing of the extensive data submitted permits comparison of one bank to its peer group and/or prior periods and enables identification of adverse developments via "flags" indicated by the data. Off-site monitoring also enables examiners to identify problem areas to focus on. The increased use of technology along with gathering records and data in advance decreases the amount of time examiners are physically present at the regulated institutions which minimize disruption and bank management time in the actual facility.

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of State Banks	395	375	370	365	355
Number of Branch Offices	307	322	332	342	350
Number of Examinations	164	222*	138*	121	116
Bank Assets (\$ in billion)	\$18.8	\$19.2	\$19.5	\$19.7	\$20.1
Number of Examiners	34	30	31	32	32
Number of Bank Applications	330	345	350	250	200

* includes special year 2000 examinations

Since 1990, 13 new state bank charters have been granted and several more are anticipated in the next 2 years. New bank charters will continue but they will not keep pace with the number of mergers. Close monitoring of these new businesses operating in a risk management environment will be necessary.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT
Program: FINANCIAL EXAMINATIONS
Activity: BANK EXAMINATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	2,186	2,119	2,174	2,250	2,318	2,317	2,387	412	9.6%
OPERATING EXPENSES	418	413	467	458	500	458	490	110	12.5%
SUBTOTAL STATE OPERATIONS	2,604	2,532	2,641	2,708	2,818	2,775	2,877	522	10.1%
Total Expenditures	2,604	2,532	2,641	2,708	2,818	2,775	2,877	522	10.1%

CHANGE ITEMS:	FUND				
(B) EDP EXAMINER	GEN			110	102
Total Change Items				110	102

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	2,604	2,532	2,641	2,708	2,818	2,775	2,877
Total Financing	2,604	2,532	2,641	2,708	2,818	2,775	2,877

REVENUE COLLECTED:								
NONDEDICATED								
CAMBRIDGE DEPOSIT FUND		3,055	3,012	3,354	3,616	3,738	3,973	4,087
Total Revenues Collected		3,055	3,012	3,354	3,616	3,738	3,973	4,087

FTE BY EMPLOYMENT TYPE:							
FULL TIME	40.6	37.7	38.0	38.0	39.0	38.0	39.0
Total Full-Time Equivalent	40.6	37.7	38.0	38.0	39.0	38.0	39.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Commerce, Department of
PROGRAM: Financial Examinations
ACTIVITY: Bank Examinations

ITEM TITLE: EDP Examiner

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$110	\$102	\$102	\$102
Revenues: (\$000s)				
Cambridge Deposit Fund	\$112	\$104	\$104	\$104

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$110,000 the first year and \$102,000 the second year for a position to bank examinations for the purpose of conducting electronic data processing system examinations at financial institutions.

RATIONAL:

During the last accreditation review the Conference of State Bank Supervisors (CSBS) found that overall, the program maintained an adequate pool of competent examiners with the exception of specialty examinations in the area of electronic data processing for bank and trust companies. They found that the program's ability to examine the EDP area was limited and that primary reliance was on federal agencies to perform EDP examinations. The CSBS review team strongly recommended the program create and train an EDP examiner and perform it's own examinations in this area.

The financial services industry has already demonstrated its intent to take applied technology to a higher level through electronic banking and internal management. Additionally, the department has increased it's own use of technology in processing examination reports for safety and soundness, the specialty examiner is needed to examine data centers and data produced for integrity.

FINANCING:

The funding is from the General Fund. Revenue would be generated from an assessment to the industry and examination fees charged for work produced.

Expenditure Detail is as follows:

	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Salary and Benefits	\$-0-	\$68	\$70
Supply and Expense	-0-	42	32
TOTAL	\$-0-	\$110	\$102

Revenue Detail is as follows:

	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Examination Fee	\$-0-	\$34	\$35
Assessment	-0-	78	69
TOTAL	\$-0-	\$112	\$104

OUTCOMES:

The desired outcome is to improve the efficiency of the examination process by not having to rely on federal agencies to perform the specialty EDP examination. This will improve the ability to respond to issues relating to EDP in financial institutions.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Financial Examinations Administration and Support
PROGRAM: Bank Examinations
AGENCY: Commerce, Department of

ACTIVITY PROFILE:

This activity provides day to day management and support to bank, credit union and consumer credit examinations activities. The activity reviews information developed by the examination and directs appropriate follow up action. Relationships are established with regulated industries, federal regulators and related trade associations. Industry trends are monitored to anticipate changes and prepare appropriate regulatory responses.

This activity provides the leadership that is essential to state regulation of financial condition for banks, credit unions and consumer credit companies. Maintenance of the dual banking system, where charters are granted by both the state and the federal government, is believed to be an important issue to ensure continued innovation and distribution of financial service products throughout the state.

FINANCING INFORMATION:

The activity is funded by an appropriation from the General Fund, but the cost is fully recovered. While no specific revenue is generated by this activity, all costs are assessed to the regulated industries at 103% of direct expenditure.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: FINANCIAL EXAMINATIONS

Activity: FINANCIAL EXAMINATIONS SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	276	310	323	333	333	342	342	42	6.6%
OPERATING EXPENSES	45	20	24	22	22	22	22	0	.0%
SUBTOTAL STATE OPERATIONS	321	330	347	355	355	364	364	42	6.2%
Total Expenditures	321	330	347	355	355	364	364	42	6.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	321	330	347	355	355	364	364		
Total Financing	321	330	347	355	355	364	364		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	1	0	0	0	0	0	0		
Total Revenues Collected	1	0	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	5.0	4.6	5.0	5.0	5.0	5.0	5.0		
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	5.0	4.8	5.0	5.0	5.0	5.0	5.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Credit Union, Consumer Credit Examinations
PROGRAM: Financial Examinations
AGENCY: Commerce, Department of

ACTIVITY PROFILE:

On-site examinations are conducted at all state credit unions and consumer credit companies on a cycle that is not to exceed 18 months. Examinations may be conducted at shortened intervals in recognized problem or potential problem institutions. Today's credit unions, whether large or small, have the powers to offer the same services as banks. Mandatory federal share insurance is required of credit unions operating in Minnesota. The National Credit Union Administration (NCUA) is a federal insuring and chartering organization that also regulates credit unions. Credit union fields of membership have been expanded to include multiple groups within a field of membership. This diversion from a single unitary group has increased competition with other credit unions and with banks.

Consumer credit companies provide a source of funds for consumer purchases. Most of the consumer finance companies are either regulated loan or industrial loan companies. They were formerly known as small loan companies and were restricted in the amount of money and type of loans they could make to one individual. These restrictions have now been virtually eliminated. There is no comparable federal regulation of the consumer credit industry.

STRATEGIES AND PERFORMANCE:

Periodic on-site examinations of credit unions and consumer credit companies continues to be the primary strategy to regulate and monitor the financial state of the industry. Technological advances have been applied to streamline examinations (through hardware acquisition and adoption of an examination system developed by the NCUA). The National Association of State Chartered Credit Union Administration (NASCUS) has accredited state credit union examination programs. This program is similar to the CSBS program for banks.

	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Number of Credit Unions	148	138	135	133	131
Number of Consumer Credit Companies	160	161	180	170	160
Number of Examinations	196	361*	270 *	238	226
Credit Union Assets (\$ in billions)	\$2.2	\$2.6	\$2.8	\$2.9	\$3.0
Number of Credit Union Applications	72	113	100	90	75
Number of Other Applications	100	67	80	110	90

* includes special year 2000 examinations.

FINANCING INFORMATION:

The activity is funded by an appropriation from the General Fund, but the cost is fully recovered through fees. Revenue collected for this activity is generated from assessment, examination and transaction fees charged.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: FINANCIAL EXAMINATIONS

Activity: CREDIT UNION, CONSUMER CREDIT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	603	624	697	717	717	738	738	134	10.1%
OPERATING EXPENSES	88	64	73	73	73	73	73	9	6.6%
SUBTOTAL STATE OPERATIONS	691	688	770	790	790	811	811	143	9.8%
Total Expenditures	691	688	770	790	790	811	811	143	9.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	691	688	770	790	790	811	811		
Total Financing	691	688	770	790	790	811	811		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	635	757	1,043	1,150	1,150	1,249	1,249		
Total Revenues Collected	635	757	1,043	1,150	1,150	1,249	1,249		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	10.6	10.6	12.0	12.0	12.0	12.0	12.0		
Total Full-Time Equivalent	10.6	10.6	12.0	12.0	12.0	12.0	12.0		

PROGRAM: Registration and Insurance

AGENCY: Commerce, Department of

PROGRAM PROFILE:

The program exists to maintain strong and healthy investment opportunities and insurance products for the citizens of the state. To achieve this goal, the program employs 2 primary regulatory functions:

- To determine that the investment and insurance products sold in Minnesota meet minimum requirements provided for in statute and rule.
- To assure that insurance companies doing business in Minnesota are in sound and stable financial condition.

Almost all Minnesota citizens are required to have some form of insurance product. Anyone who drives a car must have no fault automobile insurance, many Minnesotans have health insurance and all Minnesota employers are required to provide workers compensation insurance. The conditions that led to the creation of this program relate to insurance company insolvency's of the early 1900's (many of which were a result of the market crash). Government intervention was needed to assure that funds placed with insurance companies were not squandered or stolen and that the firms remain solvent.

The stock market crash of 1929 also led to regulation of securities and investment offerings. It is an important effort of the program to attempt to safeguard the money Minnesota consumers invest. There must be the opportunity for a positive return on investment. This program requires all investments to meet viability standards. The program also licenses businesses and individuals who offer investment products for sale.

While the securities industry is regulated by the Securities Exchange Commission (SEC), there is no federal regulation of the insurance industry. Insurance regulation is handled by states alone. This program creates a regulatory entity for insurance which participates in the National Association of Insurance Commissioners (NAIC). The NAIC will generally put forward model regulatory standards for each state to adopt. However, this program will tailor the model act and adapt it to conditions unique to Minnesota.

STRATEGIES AND PERFORMANCE:

The program goals are:

- No insurance company that is currently selling products to Minnesota citizens will fail.
- All policies sold to consumers would be in compliance with statutes and rules.
- Insurance products sold will have fair and reasonable rates.
- All investment offerings available for sale in this state are financially sound.
- All investment offerings provide a proper disclosure of risk to all investors.

Specific regulatory strategies to achieve goals are:

- Quarterly review is performed on all companies selling insurance in Minnesota for financial soundness.
- Complete audit of the financial records (on-site) of all domestic insurance companies every 3 years.
- The NAIC provides an accreditation of state insurance financial review processes to determine adequacy of solvency statutes, financial analysis and audit standards.
- Review every policy form and rate charged for an insurance product sold in Minnesota for compliance.
- Review of all investment offerings that are not exempt from registration for compliance with merit standards, statutes and rules.

FINANCING INFORMATION:

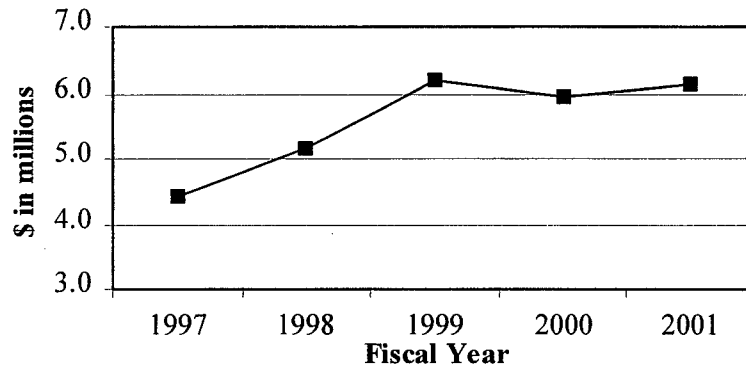
The program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the insurance examination revolving fund. The balance of the revolving fund cancels at the end of every fiscal year to the General Fund. Revenues generated by this program are a result of examination fees, registration fees, licensing fees and transaction fees.

The charts below provide relevant financial information.

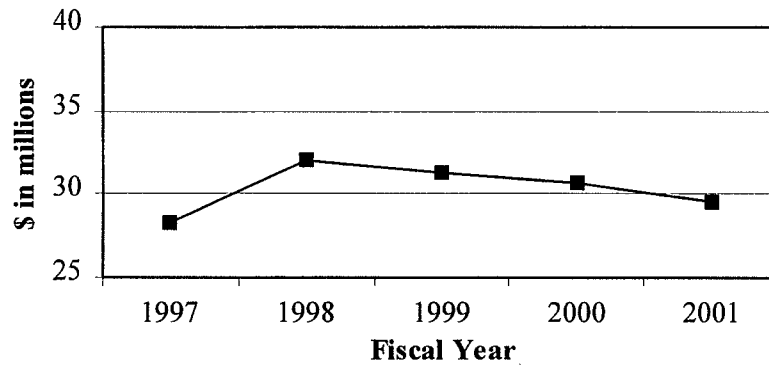
2000-01 Biennial Budget

PROGRAM: Registration and Insurance
AGENCY: Commerce, Department of
 (Continuation)

Program Expenditures

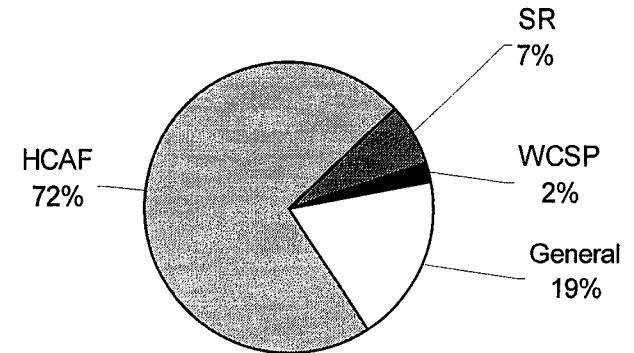


Total Revenue - All Funds



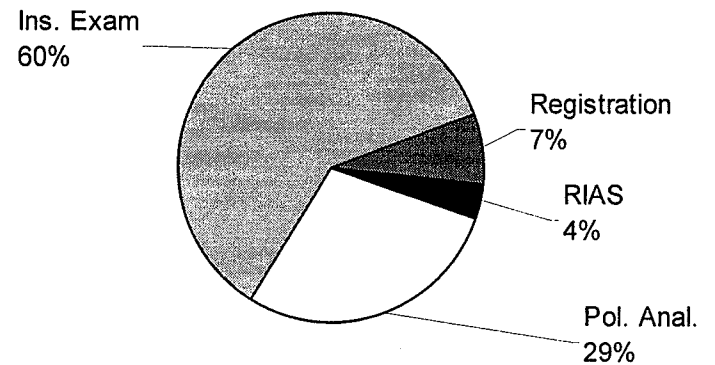
F.Y. 1998-99 Expenditures By Fund

Total \$41.4 million



F.Y. 1998-99 Expenditures by Activity

Total \$41.4 million

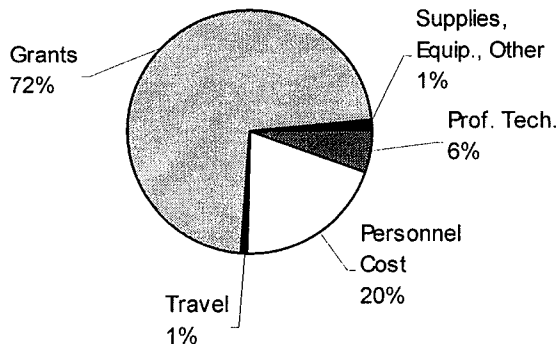


2000-01 Biennial Budget

PROGRAM: Registration and Insurance

AGENCY: Commerce, Department of
(Continuation)

1998-99 Expenditures by Category



BUDGET ISSUES:

- A pervasive regulatory structure has grown up around these industries over the years and little change is expected in this environment. However, regulation of these 2 industries is the subject of considerable discussion in many communities (private sector, federal government, other states). There is much discussion that state regulation is not as efficient as a single regulatory body at the federal level. While the securities industry has begun movement in this direction, states have strongly opposed congressional action towards federal regulation of insurance. As a result, little change is expected in creating more federal regulation of insurance.
- The growth and expansion of the insurance industry will require increased regulatory efforts by the program for financial solvency, form and rate review.

- Health care options for consumers are becoming more complex; managed care, patients bill of rights, specific policy provisions, long term care. Increased time is essential to assure adequate review of policy provisions and cost information.
- Due to the strength of the economy and dramatic growth of retirement plans, investments in securities is at an all time high requiring increased regulatory responsibility.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and a biennial funding increase of \$189,000 and .5 FTE from the General Fund and \$147,000 and .5 FTE from the Workers Compensation Fund to address increased actuarial needs in the areas of workers' compensation, self-insurance and solvency regulation.

In addition the Governor recommends an increase of \$200,000 to do an actuarial study on the feasibility of a state crop revenue insurance program.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
REGISTRATION AND POLICY ANALYS	1,903	16,950	17,026	2,076	2,349	2,134	2,208	(29,419)	-86.6%
REGISTRATION & INSURANCE SUPPO	161	190	198	203	203	208	208	23	5.9%
INSURANCE COMPANY EXAMINATIONS	2,359	3,101	3,972	3,502	3,601	3,565	3,655	183	2.6%
Total Expenditures	4,423	20,241	21,196	5,781	6,153	5,907	6,071	(29,213)	-70.5%

<u>CHANGE ITEMS:</u>	<u>FUND</u>				
(P) CASUALTY ACTUARY	GEN			99	90
(P) CASUALTY ACTUARY	WCS			73	74
(B) STATE CROP REV INSUR FEASABILITY STUDY	GEN			200	
Total Change Items				372	164

<u>FINANCING BY FUND:</u>							
<u>DIRECT APPROPRIATIONS:</u>							
GENERAL	3,781	3,670	4,042	4,150	4,449	4,260	4,350
HEALTH CARE ACCESS	0	15,075	15,000	0	0	0	0
WORKERS COMPENSATION	425	461	477	494	567	510	584
<u>STATUTORY APPROPRIATIONS:</u>							
SPECIAL REVENUE	217	1,035	1,677	1,137	1,137	1,137	1,137
Total Financing	4,423	20,241	21,196	5,781	6,153	5,907	6,071

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	75.3	71.8	76.0	76.0	77.0	76.0	77.0
PART-TIME, SEASONAL, LABOR SER	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	75.7	71.8	76.0	76.0	77.0	76.0	77.0

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F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Commerce, Department of
PROGRAM: Registration and Insurance
ACTIVITY:

ITEM TITLE: Casualty Actuary

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$99	\$90	\$91	\$92
Work Comp Fund				
- State Operations	73	74	74	74
Revenues: (\$000s)				
Cambridge Deposit Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for an additional casualty actuary position for the agency to address increased actuarial needs.

RATIONALE:

The program is involved in the regulation of workers compensation and property casualty insurance. A major factor in that regulation work is based on actuarial assumptions. In order to determine the validity of those assumptions, the program is required to have actuarial staff sufficient to handle the volume. Presently, the program has 1 casualty actuary position funded equally from the General Fund and Workers Compensation Fund. The employee's time is split between issues relating to financial solvency, form and rate approval and workers compensation.

The volume of work in this area has increased to such a level that it is not possible for one casualty actuary to handle all matters and issues sufficiently. The casualty

actuary profession is very specialized in the insurance industry. An individual with the appropriate credential to perform actuarial functions is required. Without these special services, the agency will be severely limited in its ability to provide the level of sophisticated analysis required to evaluate financial condition, insurance products or rates charged for those products.

FINANCING:

This request is funded from appropriations from the General Fund and the Workers Compensation Fund.

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Salary and Benefits	\$-0-	\$139	\$143
Supply and Expense	<u>-0-</u>	<u>33</u>	<u>21</u>
TOTAL	\$-0-	\$172	\$164

While no direct revenue is represented for the General Fund portion of this request, all costs are allocated to regulated industry revenue sources. The cost will be recovered either by existing fee schedules or recommended fee changes.

OUTCOMES:

The additional actuary position will allow the agency to improve its scientific regulatory response to complex insurance solvency, policy product and rate issues.

2000-01 Biennial Budget

BUDGET ACTIVITY: Registration and Policy Analysis
PROGRAM: Registration and Insurance
AGENCY: Commerce, Department of

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Number of Investment Offerings	547	532	530	530	530
Investment Advisor Licenses	136	144	140	140	140
Securities Agent Licenses	22,578	17,457	19,500	19,500	19,500
Securities Brokers Licenses	193	214	200	200	200
Insurance Policy Filings	7,898	7,977	8,715	8,999	9,200
Self Insurance Licenses Issued	156	158	160	164	169

ACTIVITY PROFILE:

The primary focus of this activity is to ensure that investment offerings and insurance products are in compliance with Minnesota statutes. The activity's primary clients include anyone who intends to invest or purchase insurance, as well as, the representatives in the business community that wish to sell a product.

Prior to regulation of this area, the opportunity was available for the sale of insurance or investments that did not provide the basic coverage or opportunity to earn that may have been presented in sales material. Because of the significant exposure for loss to consumers, the government was required to regulate these activities. It is expected that the financial services industries will grow and consolidate over the next decade. Therefore, regulation will continue in some form.

The public goal is to safeguard the dollars invested by consumers. For the majority of the investment offerings this is a dual state and federal responsibility. For insurance, the primary regulatory authority is the state's.

STRATEGIES AND PERFORMANCE:

The primary strategy used in regulation is standard setting. Complex documents are reviewed for compliance relating to every investment offering or insurance policy sold. The goal is to review all material for compliance with statutes and rules. Rates charged for insurance products are also reviewed to assure they are not excessive based on loss projections for that insurance product. Individuals and companies are licensed to sell investment offerings and authorized to self insure their risk by this activity.

FINANCING INFORMATION:

The activity is funded by an appropriation from the General Fund but the cost is fully recovered through fees. Revenue collected by this activity is from registration and filing fees.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Activity: REGISTRATION AND POLICY ANALYS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,725	1,796	1,889	1,942	2,012	1,996	2,067	394	10.7%
OPERATING EXPENSES	178	154	137	134	337	138	141	187	64.3%
SUBTOTAL STATE OPERATIONS	1,903	1,950	2,026	2,076	2,349	2,134	2,208	581	14.6%
LOCAL ASSISTANCE	0	15,000	15,000	0	0	0	0	(30,000)	-100.0%
Total Expenditures	1,903	16,950	17,026	2,076	2,349	2,134	2,208	(29,419)	-86.6%

CHANGE ITEMS:	FUND				
(P) CASUALTY ACTUARY	WCS			73	74
(B) STATE CROP REV INSUR FEASABILITY STUDY	GEN			200	
Total Change Items				273	74

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	1,478	1,414	1,549	1,582	1,782
HEALTH CARE ACCESS	0	15,075	15,000	0	0
WORKERS COMPENSATION	425	461	477	494	567
Total Financing	1,903	16,950	17,026	2,076	2,349

REVENUE COLLECTED:					
NONDEDICATED					
GENERAL	19,325	22,524	21,155	21,115	21,115
CAMBRIDGE DEPOSIT FUND	5,578	6,115	5,937	5,851	6,264
Total Revenues Collected	24,903	28,639	27,092	26,966	27,379

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Activity: REGISTRATION AND POLICY ANALYS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	35.4	35.7	37.3	37.3	37.8	37.3	37.8
PART-TIME, SEASONAL, LABOR SER	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	35.8	35.7	37.3	37.3	37.8	37.3	37.8

FY 2000-01 BUDGET CHANGE ITEM

AGENCY: Commerce, Department of
PROGRAM:
ACTIVITY:

ITEM TITLE: Crop Revenue Insurance Feasibility Study

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Expenditures:				
(\$000s)				
General Fund				
- State Operations	\$200	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$200,000 be appropriated to study the feasibility of a state crop revenue insurance program to complement federal crop revenue insurance programs if such programs are created by the federal government. These funds would only be released if the federal government institutes a crop revenue insurance program.

RATIONALE:

Wide fluctuation in commodity prices result in volatile year to year income for farmers. The federal government is currently looking into the possibility of establishing programs to ensure crop producers some certain level of income from their production.

In the event that the federal government does adopt some crop revenue insurance program, this proposed study would evaluate the feasibility of a complementary state program. The current vision is that such a state program could potentially enhance current federal crop insurance programs which offer multi-peril coverage against weather related crop losses by providing downside price protection in certain cases.

While this program has been presented to the departments of Agriculture and Commerce, it is still conceptual at both the federal and state level and needs to be examined in greater detail to determine whether it would be feasible for the state to consider implementation in future years.

OUTCOMES:

Two outcomes are possible; design criteria for a crop revenue insurance program in Minnesota, or a determination that such a program is not feasible.

2000-01 Biennial Budget

BUDGET ACTIVITY: Registration and Insurance Administration and Support
PROGRAM: Registration and Insurance
AGENCY: Commerce, Department of

ACTIVITY PROFILE:

This area provides day to day management and support to registration, policy analysis and insurance examination activities. Issues discovered as a result of the compliance reviews and financial examination are analyzed. The staff of this activity directs all identified compliance issues and determines the appropriate follow up action. Relationships are established with regulated industries, federal regulators and related trade associations. Industry trends are monitored to anticipated regulatory responses. The activity is responsible to safeguard consumer expectations when investing or entering into business transactions with the insurance industry. This activity provides the leadership that is essential to state regulations of financial condition for insurance companies, insurance product and investment offerings.

FINANCING INFORMATION:

The activity is funded by an appropriation from the General Fund. There is no direct revenue collected from this activity. However, costs associated with the activity are distributed to other revenue collection areas to assure cost recovery.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Activity: REGISTRATION & INSURANCE SUPPO

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	151	165	178	183	183	188	188	28	8.2%
OPERATING EXPENSES	10	25	20	20	20	20	20	(5)	-11.1%
SUBTOTAL STATE OPERATIONS	161	190	198	203	203	208	208	23	5.9%
Total Expenditures	161	190	198	203	203	208	208	23	5.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	161	190	198	203	203	208	208		
Total Financing	161	190	198	203	203	208	208		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	1	0	0	0	0	0	0		
Total Revenues Collected	1	0	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	2.9	2.2	2.2	2.2	2.2	2.2	2.2		
Total Full-Time Equivalent	2.9	2.2	2.2	2.2	2.2	2.2	2.2		

2000-01 Biennial Budget

BUDGET ACTIVITY: Insurance Company Examinations
PROGRAM: Registration and Insurance
AGENCY: Commerce, Department of

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of Insurance Companies	1,612	1,620	1,620	1,620	1,620
Number of On-site Examinations	16	20	15	18	17
Number of Desk Audits	1,484	1,495	1,490	1,490	1,490
Number of New Company Licenses Issued	28	31	30	30	30

FINANCING INFORMATION:

The activity is primarily supported by an appropriation from the General Fund. Some of the operating costs are also paid from the insurance examination revolving fund. Revenue generated by this activity is from audit, examination, license and transaction fees. The balance of the insurance examination revolving fund cancels to the General Fund at the end of each fiscal year.

ACTIVITY PROFILE:

The insurance company examination activity is designed to monitor insurance for financial stability. If a company becomes financially unstable, action is taken to provide a mechanism for a return to solvency. Every consumer of insurance in Minnesota and the insurance industry is served by this activity.

The public goal is to give the consumer of insurance products the comfort that the company they purchase an insurance product from will have the resources available to pay a claim, should a filing become a necessity. Insurance regulation is a state responsibility because insurance historically was largely a local endeavor. Today, insurers are large, multi-state, multi-jurisdictional concerns.

STRATEGIES AND PERFORMANCE:

The strategy used by this activity is regulation, research, analysis and examination. There are 2 types of examinations, the desk audit and the on-site field. The desk audit review is based on quarterly and annual financial reports submitted by insurance companies. Information is evaluated and a financial profile of every company doing business in Minnesota is developed. The profile is monitored for change, if change occurs, an action would result.

The second method for solvency monitoring is provided by the tri-annual on-site examination of domestic insurers. Examiners review books and records of insurance companies at the company headquarters. The examination is a full and complete review of financial condition. The examination is completed by staff or special examiners (generally accounting firms).

The primary focus is to have no insurance company doing business in this state that is failing. If domestic companies are financially insecure, it is Minnesota's responsibility to formulate a plan to affect compliance or close their business. If a foreign company becomes unstable, Minnesota would restrict the business they are allowed to do within the state. If an insurance company failure is unavoidable, it is the activity responsibility to manage the transition and to minimize any negative impact on Minnesota policy holders.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Activity: INSURANCE COMPANY EXAMINATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	2,017	1,976	2,196	2,270	2,339	2,333	2,405	572	13.7%
OPERATING EXPENSES	342	1,125	1,776	1,232	1,262	1,232	1,250	(389)	-13.4%
SUBTOTAL STATE OPERATIONS	2,359	3,101	3,972	3,502	3,601	3,565	3,655	183	2.6%
Total Expenditures	2,359	3,101	3,972	3,502	3,601	3,565	3,655	183	2.6%

CHANGE ITEMS:	FUND				
(P) CASUALTY ACTUARY	GEN			99	90
Total Change Items				99	90

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	2,142	2,066	2,295	2,365	2,464	2,428	2,518
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	217	1,035	1,677	1,137	1,137	1,137	1,137
Total Financing	2,359	3,101	3,972	3,502	3,601	3,565	3,655

REVENUE COLLECTED:							
DEDICATED							
SPECIAL REVENUE	2,004	1,810	2,794	2,795	2,795	2,795	2,795
NONDEDICATED							
GENERAL	1	1	1	1	1	0	0
CAMBRIDGE DEPOSIT FUND	1,382	1,561	1,431	1,552	1,552	1,427	1,427
Total Revenues Collected	3,387	3,372	4,226	4,348	4,348	4,222	4,222

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: REGISTRATION & INSURANCE

Activity: INSURANCE COMPANY EXAMINATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	37.0	33.9	36.5	36.5	37.0	36.5	37.0
Total Full-Time Equivalent	37.0	33.9	36.5	36.5	37.0	36.5	37.0

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PROGRAM: Petroleum Tank Release Cleanup Fund

AGENCY: Commerce, Department of

PROGRAM PROFILE:

The program was created by the legislature in 1987 to reimburse owners for costs to clean up releases from their underground and aboveground storage tanks because insurance, or its equivalent, to pay up to \$1 million for cleanups and third party damages was impossible to obtain. Minnesota, along with 47 other states, has chosen to relieve tank owners of this financial obligation by establishing a state-financed reimbursement program.

The primary beneficiaries of the program are petroleum tank owners and/or operators. Additionally, this program serves people who reside in this state. By encouraging tank owners to clean up contaminated soil and groundwater, the program has helped to improve the environment for all citizens of Minnesota.

The conditions that led to the creation of this program were that private insurance for old tanks became scarce and expensive. Many tank owners were unable to afford the federally mandated financial assurance requirement. The fund was created to provide this necessary financial assurance.

Two important legislative changes were made in 1997:

- \$6.2 million is transferred to the Department of Trade and Economic Development each year for use in their Brownfields redevelopment grants program.
- Tank owners meeting the criteria of a "Small Gasoline Retailer" are eligible for reimbursement of costs related to the removal and disposal of their regulated underground petroleum storage tanks.

Installed or upgraded tanks must now meet or exceed the federal requirements for leak detection and corrosion resistance. We expect that the insurance industry will be taking a more active role in providing tank owners with the required financial assurance.

STRATEGIES AND PERFORMANCE:

The goals of the program are:

- Reducing health risks and physical dangers caused by petroleum leaks and spills.
- To have all petroleum leaks in the state cleaned up in the most cost-effective manner possible.
- To process reimbursement applications within 30 days.

The program date has been changed from 6-30-2000 to 6-30-2005. The reimbursement program was set up to reimburse tank owners for their cleanup costs only after those costs have been incurred, which means that program staff do not see reimbursement applications until often long after work has been completed. This after-the-fact review of applications presents one of the biggest challenges for this program, since they are mandated only to reimburse reasonable and necessary cleanup costs. There are instances where work was performed on leak sites that were either not necessary (as determined by the Minnesota Pollution Control Agency, MPCA) or the work was billed at excessive rates. This has resulted in applicants receiving less reimbursement than they expected.

The program has implemented rules designed to help quantify the cleanup activities to be performed at leak sites. The rules set forth very specific standard tasks and expected levels of effort for those tasks, but at the same time, allow for unforeseen circumstances that can arise at these sites. The result of these rules has been that tank owners have a clearer understanding of the cleanup work required at their sites, which has lead to more cost-effective cleanups.

The program has undertaken educational efforts to inform the public, contractors and environmental consultants to understand and comply with the rules. The program continues to work extensively with the MPCA. The outreach efforts also went a long way towards keeping applicants from performing unnecessary and non-reimbursable work on their sites, which minimizes reductions in their reimbursement and speeds up the review time.

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of Applications	2,318	1,906	2,000	1,800	1,500
Amount Reimbursed (\$ in million)	32	21	22	20	20
Days to Process Applications	60	45	30	30	30

2000-01 Biennial Budget

PROGRAM: Petroleum Tank Release Cleanup Fund

AGENCY: Commerce, Department of
(Continuation)

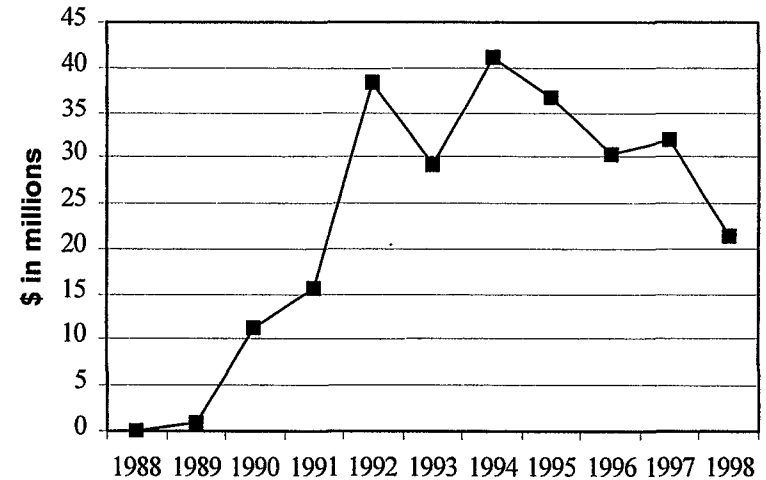
Though the number of reimbursement applications received by the program has remained essentially the same between F.Y. 1996-98, the amount of reimbursement awarded has dropped by nearly 30%.

FINANCING INFORMATION:

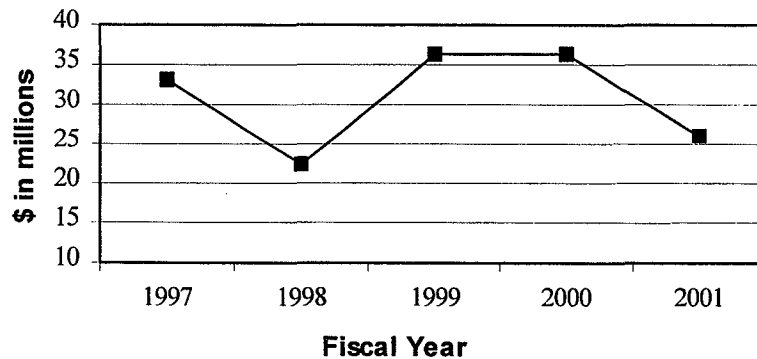
The program is totally supported by an appropriation from the petroleum tank release cleanup fund. The fund is supported by a \$.02 per gallon fee on wholesale petroleum products, which is collected by the Revenue Department. The fee is collected when the fund balance falls below \$4 million. Revenue collected by this activity is from investment earnings on the fund balance.

The charts below provide relevant financial information.

Petro Fund Claims Payment History

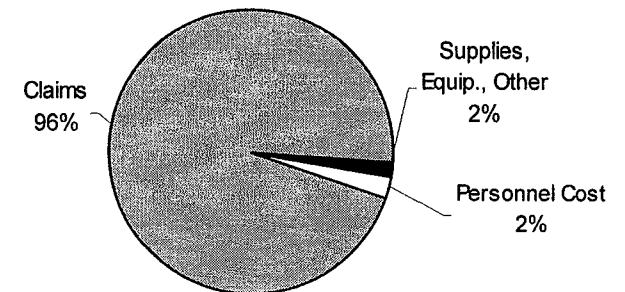


Program Expenditures



F.Y.1998-99 Program Expenditures by Category

Total \$58.8 million



2000-01 Biennial Budget

PROGRAM: Petroleum Tank Release Cleanup Fund

AGENCY: Commerce, Department of
(Continuation)

BUDGET ISSUES:

While the Environmental Protection Agency (EPA) deadline for tank removals is 12-22-98, the demand on the fund will not be eliminated for several years. Cleanup activities will be required for after the deadline for tank removal. The reimbursement activity will continue to require resources from this program. Fewer administrative costs could be necessary within the next 2 years. While no additional staff resources will be required to handle the potentially large onset of claims during the 6-12 months following the tank removal deadline, it is anticipated that claims should level off (likely decrease) after January, 2000. Only the maintenance of ongoing claims should be necessary then.

With the EPA tank removal deadline of 12-22-98, the demand on the fund will likely decrease somewhat over the next several years. The current backlog of processing claims is one month.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: PETROLEUM TANK CLEANUP FUND

Activity: PETROLEUM TANK CLEANUP FUND

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	669	640	774	794	794	814	814	194	13.7%
OPERATING EXPENSES	32,595	21,691	35,708	35,611	35,611	25,641	25,641	3,853	6.7%
SUBTOTAL STATE OPERATIONS	33,264	22,331	36,482	36,405	36,405	26,455	26,455	4,047	6.9%
Total Expenditures	33,264	22,331	36,482	36,405	36,405	26,455	26,455	4,047	6.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
PETROLEUM TANK RELEASE CLEANUP	834	818	1,108	1,015	1,015	1,045	1,045		
OPEN APPROPRIATIONS:									
PETROLEUM TANK RELEASE CLEANUP	32,430	21,513	35,374	35,390	35,390	25,410	25,410		
Total Financing	33,264	22,331	36,482	36,405	36,405	26,455	26,455		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
PETROLEUM TANK RELEASE CLEANUP	1,447	1,641	1,300	1,300	1,300	1,500	1,500		
Total Revenues Collected	1,447	1,641	1,300	1,300	1,300	1,500	1,500		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	15.3	13.2	15.0	15.0	15.0	15.0	15.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.6	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	15.7	13.8	15.5	15.5	15.5	15.5	15.5		

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2000-01 Biennial Budget

PROGRAM: Administrative Services
AGENCY: Commerce, Department of

PROGRAM PROFILE:

The program exists to assure all of the agency programs are administered and implemented in a manner that is consistent with the goals of an administration. The program is responsible for setting priorities for the agency and to assure management consistency. The following activities are accomplished to fulfill the agency goals and mission:

- Providing management, leadership and direction to agency operations.
- Providing fiscal and human resources.
- Providing automated technology tools and system resources.

This program provides support for all of the agency regulatory operations.

STRATEGIES AND PERFORMANCE:

The goals of the program are:

- To assure prompt and efficient operation of all agency functions and to facilitate productive relationships with regulated entities.
- To assure agency operations are consistent with the intent of the administration.
- To assure agency budgets for operations are maintained.
- To assure adequate staffing levels to provide essential services.
- To provide system users with equipment and systems to support the agency operations.

Specific strategies used to achieve these goals are:

- Effective communication to management of administrative policy, goals and initiatives to be put into effect when making decisions.
- Interaction with regulated industry representatives and consumer groups to identify agency performance issues.
- Preparation and direction on agency position for implementation of regulatory policy.
- Compliance with statewide policy and procedures for agency administration.

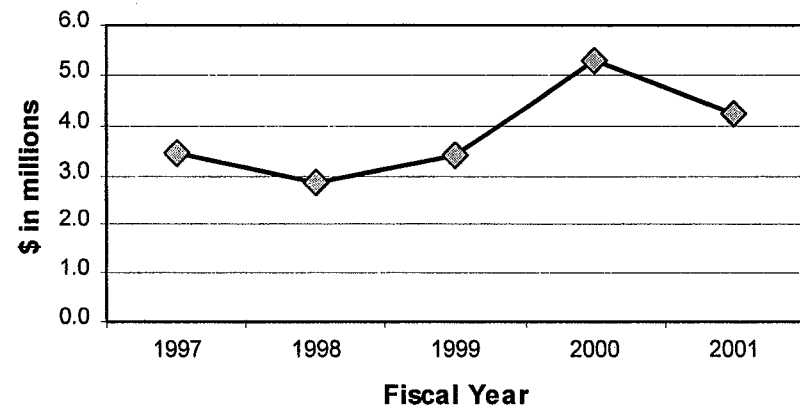
- Administration and development of systems to provide efficient access to agency information.

FINANCING INFORMATION:

The program is totally supported by an appropriation from the General Fund. The program does not generate revenue, however, all costs are allocated back to the regulated industries and are recovered through fees collected in other activities.

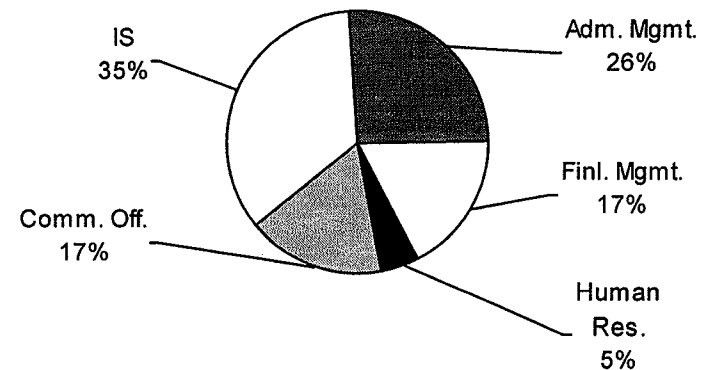
The charts below provide relevant financial information.

Program Expenditures



F.Y. 1998-99 Expenditures by Activity

Total \$6.3 million

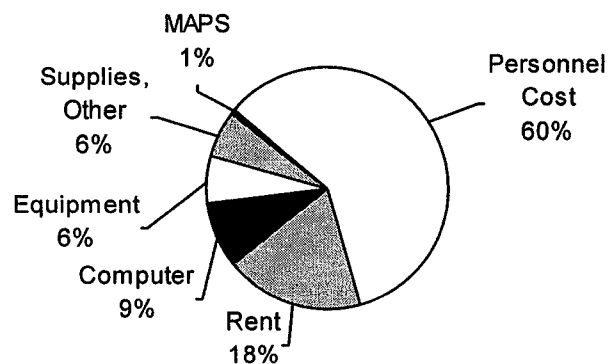


2000-01 Biennial Budget

PROGRAM: Administrative Services
AGENCY: Commerce, Department of
(Continuation)

F.Y. 1998-99 Expenditure by Category

Total \$6.3 million



GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments; a biennial increase in funding of \$2 million to redesign and re-engineer the agency's data base in order to provide better access to clients and a system that is easier and faster to use; and \$90,000 to expand the agency's web site capability to allow for online application and fee collections.

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BUDGET ISSUES:

- The primary issue for this program is the implementation of technological advancements to keep pace with regulated industries and consumer needs. Agency databases are currently outdated and in need of major re-engineering to provide improved data management services.
- Web-site development has occurred to improve some communications. Expansion of access to the Web must proceed to allow for increased transaction processing. Currently, forms can be downloaded from the Web. We need to achieve a level in which transactions can be returned via the Web and load directly into agency databases.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT
Program: ADMINISTRATIVE SERVICES
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,532	1,733	1,989	2,032	2,132	2,057	2,057	467	12.5%
OPERATING EXPENSES	1,927	1,129	1,403	1,156	3,146	1,076	1,076	1,690	66.7%
SUBTOTAL STATE OPERATIONS	3,459	2,862	3,392	3,188	5,278	3,133	3,133	2,157	34.5%
LOCAL ASSISTANCE	0	0	10	0	0	0	0	(10)	-100.0%
Total Expenditures	3,459	2,862	3,402	3,188	5,278	3,133	3,133	2,147	34.3%

<u>CHANGE ITEMS:</u>	<u>FUND</u>			
(B) RE-DESIGN/RE-ENGINEER DATABASES	GEN			2,000
(B) WEB SITE DEVELOPMENT	GEN			90
Total Change Items				2,090

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,459	2,862	3,402	3,188	5,278	3,133	3,133		
Total Financing	3,459	2,862	3,402	3,188	5,278	3,133	3,133		

<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	10	0	1	0	0	0	0		
Total Revenues Collected	10	0	1	0	0	0	0		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ADMINISTRATIVE SERVICES

Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	32.0	33.0	36.0	36.0	36.0	36.0	36.0
PART-TIME, SEASONAL, LABOR SER	1.4	1.0	0.5	1.5	1.5	0.5	0.5
OVERTIME PAY	0.4	0.9	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	33.8	34.9	36.5	37.5	37.5	36.5	36.5

F.Y. 2000-2001 Information Technology New Funding

AGENCY: COMMERCE DEPT

PROGRAM: ADMINISTRATIVE SERVICES

ACTIVITY: ADMINISTRATIVE SERVICES

IT Change Item: RE-DESIGN/RE-ENGINEER DATABASES

ITEM DESCRIPTION AND PURPOSE:

Re-design enterprise database system to incorporate additional job functions, provide better access to clients, process information faster, share information easier and have systems that do not require continuous maintenance.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	100	0	0	0	0	0
Personnel	100	0	0	0	0	0
Services	1,800	0	0	0	0	0
Software	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	2,000	0	0	0	0	0

The dollars requested are from the General Fund and are in addition to those in the agency base for information systems. The funding represents a one-time appropriation for the biennium to re-design and re-engineer the enterprise database used by the agency to regulate assigned industries. Division staff along with consultants will use the resources for the project to pay for additional staff time, consultant fees and additional equipment to complete the project.

While no direct revenue is represented with this request, all costs are allocated to regulated industry revenue sources. The cost will be recovered either by existing fee schedules or recommended fee changes.

RATIONALE:

The enterprise database system has exceeded its expected life span and needs continuous maintenance. Changes are needed to incorporate additional job functions and provide better access to clients through data exchange. The modifications required to continue the existing systems exceed anticipated cost for replacement.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations		X	X	X	X	X
Modification					X	X
Retirement						

The pre-design work is currently underway in fiscal year 1999 with business and data modeling processes. Expected completion of pre-design work is March of 1999. Actual system design, development and testing is expected to begin immediately after modeling process is complete and funding is approved. System would be expected to be operational July 2000 with minor modifications expected immediately after implementation. It is anticipated that the system would function with minor modifications between implementation and fiscal year 2003. In fiscal year 2004, it is anticipated that several modifications would be required as a result of changing technology and/or changes in department mission, functions or Legislative action. The system would be used until eventual retirement, which is anticipated in fiscal year 2006. Funding for all aspects of the system would be from General Fund resources.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency is currently developing its approach and use of information technology. The agency must address its agency-wide information resource planning, data redundancy issues, and "silo" applications.

OT Master Plan: Goal 2-Efficient and effective government. This project would design and implement an enterprise-wide database structure. This is one of the three inter-related projects that must receive first priority. Recommendation: OT supports funding if there is a commitment to address agency-wide issues.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$2,000,000 in F.Y. 2000 for this project.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: COMMERCE DEPT

PROGRAM: ADMINISTRATIVE SERVICES

ACTIVITY: ADMINISTRATIVE SERVICES

IT Change Item: WEB SITE DEVELOPMENT

ITEM DESCRIPTION AND PURPOSE:

Expanding Web Site capability to allow for on line applications and fee collections, data access and fire wall security system.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Personnel	0	0	0	0	0	0
Services	90	0	0	0	0	0
Software	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	90	0	0	0	0	0

This would be a General Fund request, money does not exist in the base to provide for this development.

While no direct revenue is represented with this request, all costs are allocated to regulated industry revenue sources. The cost will be recovered either by existing fee schedules or recommended fee changes.

RATIONALE:

Web-site development will allow for an increase in the speed in which clients of the DOC can transact business. Access to data through the Web will also allow clients to view their licensing record and manage their continuing education requirements. This will streamline processing and allow the agency to address the increase in information requests without a need for additional staff.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X					
Operations	X	X	X	X	X	X
Modification				X		X
Retirement						

Pre-design and planning has already occurred and a Web site is already operational. However, it lacks an essential fire wall and needs to be expanded to allow for electronic commerce.

OFFICE OF TECHNOLOGY ANALYSIS:

The agency is currently developing its approach and use of information technology. The agency must address its agency-wide information resource planning, data redundancy issues, and "silo" applications.

OT Master Plan: Goal 2-Efficient and effective government. This project would expand current web-site functionality to allow for on-line applications and fee collections, i.e. credit card transactions. This project is very similar to the One Stop Licensing initiative sponsored by OT. Both projects have similar business and technical requirements. Recommendation: OT supports this initiative for expanded web site capability and on-line transaction development. However, the projects should be coordinated with the One Stop Licensing project to avoid duplication of web-based transaction facilities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends this change item as requested by the agency and directs the agency to coordinate their project with the One-Stop Licensing project of the Office of Technology to avoid duplication of web-based transaction facilities.

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2000-01 Biennial Budget

PROGRAM: Enforcement and Licensing

AGENCY: Commerce, Department of

PROGRAM PROFILE: B13-pr05.ash

This program exists to ensure policyholder, investor and consumer protection, increase policyholder and investor understanding, and maintain investor and public confidence in the areas of insurance, securities, franchising, real estate, residential building construction and remodeling, currency exchange, residential mortgage services, debt collection, consumer finance, cosmetology and notary publics. The program is also responsible for location of the owners of abandoned or unclaimed property and returns it to the rightful owners or heirs.

To do this, the program carries out the following activities:

- The program serves Minnesota consumers, businesses and licensed entities to ensure that business transactions within the regulated industries are fair and equitable.
- The program is responsible for the investigation of complaints filed against members of the regulated industries.
- The program establishes and maintains systems designated to ensure that approximately 240,000 individuals and companies practicing within the regulated industries and professions meet basic competency standards.
- The program maintains information relating to the owner of abandoned property and attempts to locate the individual or heir to return that property.

STRATEGIES AND PERFORMANCE:

The goals of the program are:

- Enforcing state law and rules relating to regulated industries.
- Safeguarding consumer rights and investments.
- Resolving conflicts between consumers and industries.
- Enhancing the stability and strength of the regulated industries.

Specific strategies used to achieve goals are:

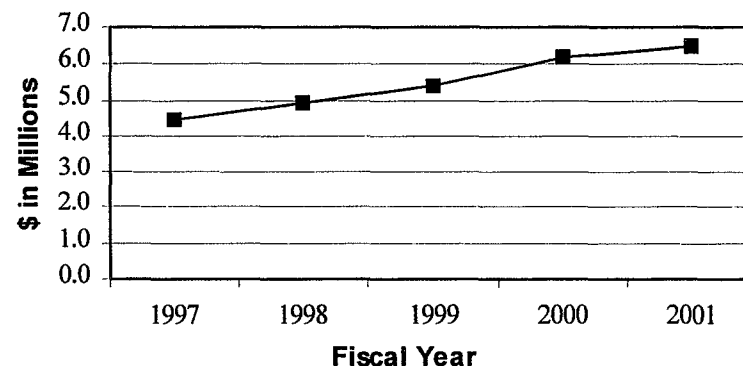
- Investigate consumer complaints regarding regulated industry activities.
- Issue licenses to qualified entities to do business in regulated industries.
- Provide information to consumers relating to business transactions with regulated industries.
- Maintain information and attempt to locate rightful owners and heirs of abandoned property.
- Developing streamlined system to improve customer service.
- Develop positive relationships with regulated industries to facilitate conflict resolution.

FINANCING INFORMATION:

The program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the real estate education research and recovery fund. Claims paid by this program are for real estate and building contractor recoveries. Revenue generated by this program are a result of licensing and transaction fees and proceeds from the collection of abandoned property.

The charts below provide relevant financial information.

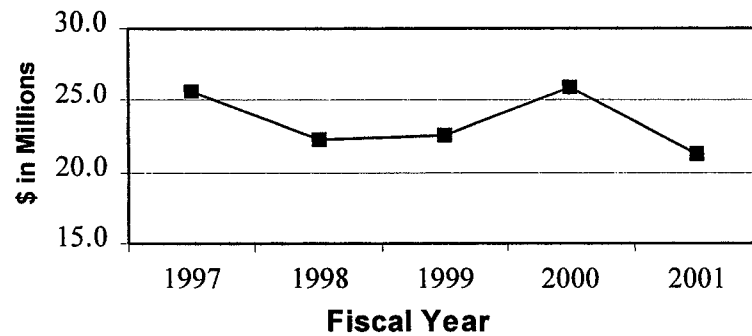
Program Expenditures



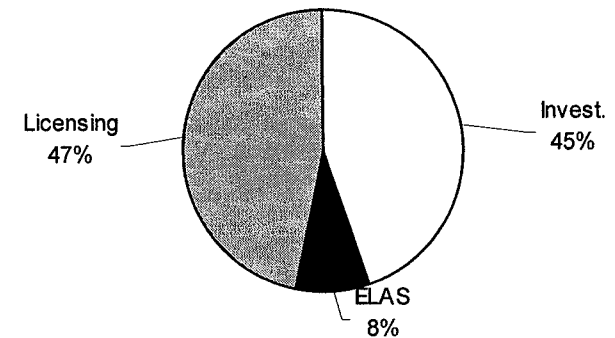
2000-01 Biennial Budget

PROGRAM: Enforcement and Licensing
AGENCY: Commerce, Department of
 (Continuation)

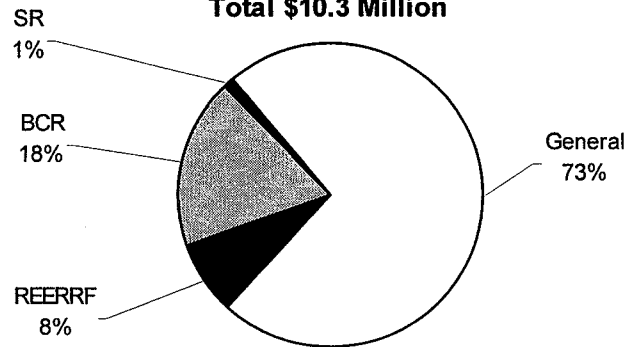
Total Revenue - All Funds



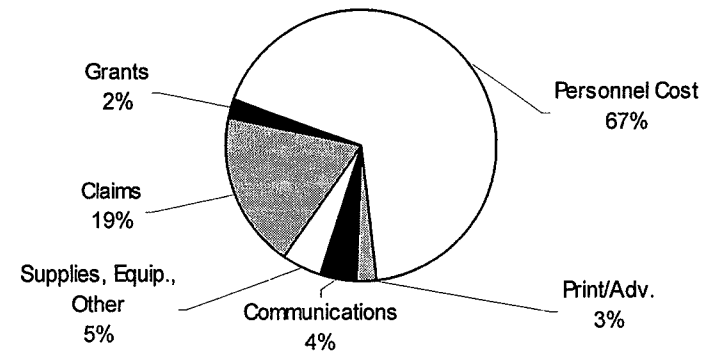
**F.Y. 1998-99 Program Expenditures
by Activity**
 Total \$10.3 Million



F.Y. 1998-99 Expenditures by Fund
 Total \$10.3 Million



F.Y. 1998-99 Expenditure by Category
 Total \$10.3 Million



2000-01 Biennial Budget

PROGRAM: Enforcement and Licensing
AGENCY: Commerce, Department of
(Continuation)

BUDGET ISSUES:

- Economic changes have a direct affect on the industries regulated by the agency. These changes will affect the consumer assistance aspect of this program if they believe they have been harmed as a result of their participation in regulated transactions.
- There is growing concern that the program should go beyond regulatory action relating to the licensed entity and actively pursue recovery of losses. This concept has directly affected settlement negotiations in attempting to ensure that victims are at least partially restored to their pre-loss status.
- Increases in extremely complex and multifaceted investigations are having an impact on resources. These cases contain large numbers of victims and respondents and involve numerous regulated entities and/or industries. The increase in this type of case has a result of reducing the level of service available to consumers with less complex issues.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

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State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ENFORCEMENT & LICENSING

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
INVESTIGATIONS	2,276	2,238	2,370	2,612	2,612	2,661	2,661	665	14.4%
ENFORCEMENT & LICENSING SUPPOR	399	422	422	434	434	446	446	36	4.3%
LICENSING	1,753	2,271	2,577	2,929	2,929	3,117	3,117	1,198	24.7%
Total Expenditures	4,428	4,931	5,369	5,975	5,975	6,224	6,224	1,899	18.4%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	3,573	3,603	3,889	4,355	4,355	4,296	4,296
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	855	1,328	1,480	1,620	1,620	1,928	1,928
Total Financing	4,428	4,931	5,369	5,975	5,975	6,224	6,224

FTE BY EMPLOYMENT TYPE:							
FULL TIME	72.7	69.9	74.9	78.9	78.9	78.9	78.9
PART-TIME, SEASONAL, LABOR SER	1.0	2.5	1.0	2.8	2.8	1.0	1.0
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	73.9	72.6	75.9	81.7	81.7	79.9	79.9

2000-01 Biennial Budget

BUDGET ACTIVITY: Investigations
PROGRAM: Enforcement and Licensing
AGENCY: Commerce, Department of

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of Investigation and Inquiry Files Opened	8,589	8,162	8,376	8,576	8,795
Number of Investigation and Inquiry Files Closed	8,335	8,141	8,238	8,434	8,645
Number of Administrative Actions Taken	585	569	576	590	605
Number of Telephone Calls	62,492	67,678	63,000	64,496	66,150

ACTIVITY PROFILE:

The activity investigates consumer complaints to determine if regulated entities or individuals have committed violations of law or rule. When possible, an attempt is made to resolve disputes between consumers and licensees informally before proceeding to a full investigation. This program serves all Minnesota individuals and corporate entities who do business with any of the regulated industries. As well, the program serves licensees and businesses in regulated industries.

Specific changes have occurred that affect the program performance as identified below:

- A new area of regulatory responsibility was added in the 1998 session, mortgage service industry.
- Consumer complaints and enforcement activity tend to increase with economic instability. We see increases in mortgage, real estate and building contractor activity when lending rates change and increases in securities and insurance issues when in a volatile stock market.
- The number of insurance investigations has increased in the last 5 years. At the same time, the complexity of insurance complaints has also increased. National trends indicate that complex, multi-state investigations will become more frequent.

STRATEGIES AND PERFORMANCE:

The strategies used by the activity are:

- Enforcement of laws and rules pertaining to regulated industries.
- Communication with consumers and licensees concerning rights and responsibilities under the law.
- Responding to consumer complaints and inquiries.

FINANCING INFORMATION:

The activity is totally supported by an appropriation from the General Fund, but all costs are recovered through fees collected in other activities. Revenue generated by this activity is from fines and penalties assessed for violations.

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State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ENFORCEMENT & LICENSING

Activity: INVESTIGATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,035	2,029	2,179	2,392	2,392	2,460	2,460	644	15.3%
OPERATING EXPENSES	241	209	191	220	220	201	201	21	5.3%
SUBTOTAL STATE OPERATIONS	2,276	2,238	2,370	2,612	2,612	2,661	2,661	665	14.4%
Total Expenditures	2,276	2,238	2,370	2,612	2,612	2,661	2,661	665	14.4%

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,276	2,238	2,370	2,612	2,612	2,661	2,661		
Total Financing	2,276	2,238	2,370	2,612	2,612	2,661	2,661		

<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	0	60	50	40	40	40	40		
CAMBRIDGE DEPOSIT FUND	1,491	553	451	466	466	463	463		
Total Revenues Collected	1,491	613	501	506	506	503	503		

<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	43.7	41.6	42.8	45.8	45.8	45.8	45.8		
PART-TIME, SEASONAL, LABOR SER	0.6	1.3	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	44.3	42.9	43.3	46.3	46.3	46.3	46.3		

2000-01 Biennial Budget

BUDGET ACTIVITY: Enforcement and Licensing Administration and Support
PROGRAM: Enforcement and Licensing
AGENCY: Commerce, Department of

ACTIVITY PROFILE:

This area provides day to day management and support to the enforcement and licensing program. Issues discovered as a result of the investigations are analyzed. The staff of this activity directs all identified compliance issues and determines the appropriate follow up action. Relationships are established with regulated industries, federal regulators and related trade associations representing industry consumers. Industry trends are monitored to anticipated regulatory responses. The activity is responsible to safeguard consumer expectations when investing or entering into business transactions with the regulated industry. This activity provides leadership that is essential to the regulation of multiple and diverse industries.

FINANCING INFORMATION:

The activity is totally supported by an appropriation from the General Fund. There is no direct revenue collected from this activity. However, costs associated with the activity are distributed to other revenue collection areas to assure cost recovery.

B13-ac08.ash

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ENFORCEMENT & LICENSING

Activity: ENFORCEMENT & LICENSING SUPPOR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	369	406	404	415	415	427	427	32	4.0%
OPERATING EXPENSES	30	16	18	19	19	19	19	4	11.8%
SUBTOTAL STATE OPERATIONS	399	422	422	434	434	446	446	36	4.3%
Total Expenditures	399	422	422	434	434	446	446	36	4.3%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	399	422	422	434	434	446	446		
Total Financing	399	422	422	434	434	446	446		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	0	0	1	0	0	0	0		
Total Revenues Collected	0	0	1	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	6.8	6.0	5.5	5.5	5.5	5.5	5.5		
PART-TIME, SEASONAL, LABOR SER	0.0	0.5	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	6.8	6.5	6.0	6.0	6.0	6.0	6.0		

2000-01 Biennial Budget

STRATEGIES AND PERFORMANCE:

BUDGET ACTIVITY: Licensing
PROGRAM: Enforcement and Licensing
AGENCY: Commerce, Department of

The primary strategies for this activity are:

- Review and issue new licenses and renew licenses of industry practitioners.
- Track information relating to abandoned property and attempt to return the property to rightful owner or heir.

ACTIVITY PROFILE:

The 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. The activity is also responsible for the reporting of, location of and maintenance of data relating to abandoned property. Finally, the activity serves licensees, those individuals or entities that desire a license in a regulated industry, schools providing educational services to licensees and consumers with questions regarding license activity or status.

The industries licensed by this activity are: real estate brokers, real estate appraisers, real estate salespersons, real estate abstractors, residential building contractors, residential remodelers, manufactured home installers, roofers, subdivided land agents, campground membership salespersons, residential mortgage services, residential mortgage originators, insurance agents, insurance adjusters, insurance agencies, managing general agents, reinsurance intermediaries, notaries public, cosmetologists, cosmetology salons, cosmetology schools, collection agencies, debt collectors and currency exchanges.

The activity was created in 1983 when the agency was reorganized. One licensing activity was created to respond to the transactional activities for all regulated industries.

Specific changes have occurred that affect the program performance as identified below:

- The activity will now regulate the mortgage services industry.
- Notary public commissions renew every 5 years. The next renewal date is 1-1-2000. This will involve processing approximately 90,000 commission renewals.

	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Number of New Licenses Issued	36,420	42,513	39,466	42,119	45,781
Number of Licenses Renewed	54,278	50,749	52,514	143,000	55,140
Number of Active Licenses	220,368	242,538	253,619	260,122	266,792
Number of Phone Calls	172,468	185,001	178,735	186,277	193,033
Unclaimed Property Remitted (\$ in million)	\$19,527	\$17,050	\$17,000	\$17,000	\$16,000
Amount of Property Returned	5,131	5,085	5,000	4,800	4,800

FINANCING INFORMATION:

The activity is totally supported by an appropriation from the General Fund, but all costs are recovered through fees. Revenue generated by this activity relates to transactional fees for licenses and abandoned property proceeds.

B13-ac09.ash

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ENFORCEMENT & LICENSING

Activity: LICENSING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	790	878	1,043	1,150	1,150	1,131	1,131	360	18.7%
OPERATING EXPENSES	848	1,250	1,461	1,706	1,706	1,913	1,913	908	33.5%
SUBTOTAL STATE OPERATIONS	1,638	2,128	2,504	2,856	2,856	3,044	3,044	1,268	27.4%
LOCAL ASSISTANCE	115	143	73	73	73	73	73	(70)	-32.4%
Total Expenditures	1,753	2,271	2,577	2,929	2,929	3,117	3,117	1,198	24.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	898	943	1,097	1,309	1,309	1,189	1,189		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	855	1,328	1,480	1,620	1,620	1,928	1,928		
Total Financing	1,753	2,271	2,577	2,929	2,929	3,117	3,117		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	1,994	2,043	2,020	1,778	1,778	1,951	1,951		
AGENCY	41	(49)	0	0	0	0	0		
NONDEDICATED									
GENERAL	28	1	2	1	1	1	1		
CAMBRIDGE DEPOSIT FUND	22,025	19,686	20,025	23,635	24,229	18,827	19,507		
Total Revenues Collected	24,088	21,681	22,047	25,414	26,008	20,779	21,459		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: COMMERCE DEPT

Program: ENFORCEMENT & LICENSING

Activity: LICENSING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	22.2	22.3	26.6	27.6	27.6	27.6	27.6
PART-TIME, SEASONAL, LABOR SER	0.4	0.7	0.0	1.8	1.8	0.0	0.0
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	22.8	23.2	26.6	29.4	29.4	27.6	27.6

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2000-01 Biennial Budget

AGENCY: Accountancy, Board of

AGENCY MISSION AND VISION:

The Board of Accountancy was first established in Minnesota in 1909 and is mandated by M.S. 326.165 to 326.229.

Mission:

To govern and regulate the practice of public accounting within the state of Minnesota.

Vision:

- Promote dependability of information used in financial transactions, financial reporting and financial auditing.
- Assure the public that persons engaged in public accounting are qualified.
- Certify that the expression of any assurances or opinions on financial statements be reserved to persons who demonstrate their ability and fitness to observe and apply the standards of the accounting profession.
- Ensure that the use of accounting titles that may confuse the public are prohibited.

KEY SERVICE STRATEGIES:

- Examination of candidates to obtain their certification.
- Licensing of qualified certificate holders.
- Enforcement action as determined by the ethics committee.

PERFORMANCE SUMMARY:

- Licensed 12,296 active and 9,690 inactive Certified Public Accountants for a cumulative total of 21,986 through F.Y. 1997-98.
- Reviewed and processed 2,933 applications to sit for the Uniform Certified Accountant's examination in F.Y. 1997-98.
- Granted 1,206 certificates and 541 new licenses in F.Y. 1997-98.
- Licensed 730 active and 308 inactive Licensed Public Accountants through F.Y. 1997-98, for a cumulative total of 1,038.

REVENUES:

All revenues are non-dedicated and are from the collections of fees, registrations and penalties. The amounts of fees and the maximum amount of penalties are set in statute and rule. Revenue from fines amounted to \$72,000 in F.Y. 1997, an increase of \$46,000 over the F.Y. 1996 amount. This increase is due to increased enforcement of Continuing Professional Education (CPE) requirements. Fines are expected to generate a total of \$100,000 over the F.Y. 1998-99.

EXPLANATION OF AGENCY'S PLAN:

The agency is proposing 3 fee changes:

- Removal of a \$50 fee for temporary individual licenses (no revenue impact because no licenses of this class are issued).
- New fee (\$50) for late license registration -- (designed to improve compliance with registration deadlines).
- Increased fee (current, \$50; proposed, \$165) for canceling from CPA exam within 14 days of the exam date (designed to recover costs of having reserved an exam seat and purchased exam materials).

The board requests a biennial appropriation of \$1,231,000 to maintain the current level of service.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Information Technology.
- Recently enacted legislation allowing the investigation of complaints about unlicensed accounting practitioners.
- Diminishing number of Licensed Public Accountants.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget, and concurs with the proposed fee changes. The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ACCOUNTANCY BOARD

Program: ACCOUNTANCY

Activity: ACCOUNTANCY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	217	228	239	245	245	252	252	30	6.4%
OPERATING EXPENSES	251	260	432	362	362	372	372	42	6.1%
SUBTOTAL STATE OPERATIONS	468	488	671	607	607	624	624	72	6.2%
Total Expenditures	468	488	671	607	607	624	624	72	6.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	468	488	671	607	607	624	624		
Total Financing	468	488	671	607	607	624	624		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	0	0	1	0	0	0	0		
CAMBRIDGE DEPOSIT FUND	674	753	707	747	760	722	728		
Total Revenues Collected	674	753	708	747	760	722	728		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	4.7	4.9	4.9	4.9	4.9	4.9	4.9		
PART-TIME, SEASONAL, LABOR SER	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	5.0	5.2	5.2	5.2	5.2	5.2	5.2		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **ACCOUNTANCY BOARD**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	587	587	587	587	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	3	5	3	5	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	10	18	10	18	0	0	0	0
2000-01 SAL. & BEN. BASE	7	14	7	14	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	20	37	20	37	0	0	0	0
BASE BUDGET	607	624	607	624	0	0	0	0

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2000-01 Biennial Budget

AGENCY: Architecture, Engineering, Land Surveying, Landscape
Architecture, Geoscience and Interior Design, Board of

AGENCY DESCRIPTION: The board protects the public through the examination, licensure, and regulation of the professions enumerated in M.S. 326.02-326.15.

Mission:

- Safeguard life, health, and property and promote the public welfare through the regulation of individuals in the professions as set forth in statute.

Vision:

- Ensure that work done by regulants enhances the protection of the public.

KEY SERVICE STRATEGIES: Ensure that education, experience, and examination requirements are fully met.

- Take disciplinary action against licensees and certificate holders who violate board statute or rule.
- Issue orders against unlicensed individuals for practicing or holding out to practice the professions identified in statute.

PERFORMANCE SUMMARY:

- Conduct approximately 3,600 examinations biennially.
- Issue approximately 2,000 licenses annually.
- Receive 525 complaints biennially alleging violation of statute or rule.

REVENUES: The board is funded by General Fund appropriations, and all revenues collected are returned to the General Fund. Board fees are set in rule and include examination, licensure, filings and fines imposed through enforcement actions. The board is required to establish fees to recover costs, including overhead.

EXPLANATION OF AGENCY'S BUDGET PLAN: The agency plan includes an allowed salary and benefit base adjustment of 3% in F.Y. 2000 and 6.1% in F.Y. 2001, and a 3% base adjustment for operational expenses.

In addition to their base level funding, the board requests \$93,000 for the following purposes:

- \$14,000 for computer system services and supplies.
- \$13,000 for increased dues charged by the national councils (membership in the national councils allow the board to access national standardized licensing examinations).
- \$50,000 for increased fees for examinations (these examination fees, paid by exam applicants, are levied by the national councils and are a pass through cost to the board).
- \$16,000 to develop a reliable and valid examination for local land surveyor license applicants.

The board would like to set the license fee and the biennial license renewal fee at \$104, an amount that will allow the board to recover costs. The license and renewal fee, if approved, would represent an increase of \$34 over the current fee, which was last changed in 1993.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Greater number and heightened technical nature of complaints, thereby requiring an increase in time and resources devoted to the enforcement aspect of the board's operations.
- Increasing demand for legal services in all operations.
- Increasing sophistication of the board's computer system for tracking licensees and certificate holders and for development of a disciplinary tracking program.
- The board is taking a stronger, more pro-active stance in amending and updating its rules which will show a corresponding increase in the need for public hearings.
- Greater involvement of qualified individuals to assist in the preparation of local licensing examinations.
- Increasing costs levied by national councils for examinations and membership.
- Greater involvement of board members and staff in national and regional council activities and in outreach programs with individuals directly impacted by its laws and rules.

GOVERNOR'S RECOMMENDATION: The Governor recommends the agency's base budget and a biennial increase of \$93,000 for operational expenses.

The board has been under-recovering costs in the current and previous two fiscal years. To address previous under-recovery and to recover costs in the upcoming biennium, the Governor recommends that the board change their fee schedule to raise an additional \$570,000.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ARCHITECTURE, ENGINEERING BD

Program: AELSLA

Activity: AELSLA

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	368	397	393	405	405	418	418	33	4.2%
OPERATING EXPENSES	439	332	308	320	365	328	376	101	15.8%
SUBTOTAL STATE OPERATIONS	807	729	701	725	770	746	794	134	9.4%
Total Expenditures	807	729	701	725	770	746	794	134	9.4%
<u>CHANGE ITEMS:</u>									
(B) BD OF ARCH.-- OPERATIONS CHANGES	<u>FUND</u> GEN				45		48		
Total Change Items					45		48		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	807	729	701	725	770	746	794		
Total Financing	807	729	701	725	770	746	794		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
GENERAL	1	0	0	0	0	0	0		
CAMBRIDGE DEPOSIT FUND	366	829	616	937	1,299	617	825		
Total Revenues Collected	367	829	616	937	1,299	617	825		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	8.0	8.0	8.0	8.0	8.0	8.0	8.0		
PART-TIME, SEASONAL, LABOR SER	0.6	0.6	0.6	0.6	0.6	0.6	0.6		
Total Full-Time Equivalent	8.6	8.6	8.6	8.6	8.6	8.6	8.6		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: ARCHITECTURE, ENGINEERIN

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	701	701	701	701	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	2	4	2	4	0	0	0	0
SMALL AGENCY OPERATIONAL EXPE	10	16	10	16	0	0	0	0
2000-01 SAL. & BEN. BASE	12	25	12	25	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	24	45	24	45	0	0	0	0
BASE BUDGET	725	746	725	746	0	0	0	0

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2000-01 Biennial Budget**EXPLANATION OF AGENCY'S BUDGET PLAN:**

The agency's plan includes a 3.0% inflationary increase each year.

To provide the same level of service to the public, the board is proposing to change the following fees:

<u>Fee Name</u>	<u>Current Fee</u>	<u>Proposed Fee</u>
Renewal - Apprentice	\$20	\$35
Renewal - Registered Barber	25	40
Renewal - Shop	35	50
Renewal - Instructor	35	50
Renewal - School	200	250

All of the board's direct and indirect costs will be recovered as a result of the fee changes.

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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and concurs with the proposed fee increase.

AGENCY: Barber, Board of

AGENCY DESCRIPTION:

The mission of the Board of Barber Examiners is to ensure that the public has a safe and healthy environment in shops and schools where services are performed. The board carries out the following activities:

- Examines the professional qualifications of license applicants
- Inspects shops and schools
- Enforces sanitation rules and statutes

PERFORMANCE SUMMARY

<u>Effectiveness Measures</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>Projected</u>		
			<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Shops/Schools Inspected	100%	100%	100%	100%	100%
Sanitary Compliance	100%	100%	98%	99%	100%
Violations Corrected	100%	100%	100%	100%	100%
Complaints Resolved	100%	100%	100%	100%	100%
Suspensions/License Revocations	3	5	3	3	7

Activity Statistics

Student Permits	93	101	90	85	80
Number of Licenses Issued	4,036	4,203	4,048	3,888	3,776
Number of Inspections	1,319	1,261	1,255	1,240	1,245
Number of Violations	653	589	500	475	450
Number of Complaints	10	7	15	12	10
Number of Examinations	126	125	115	120	125
Number of Shops	1,131	1,275	1,220	1,210	1,220
Number of Schools	5	5	5	5	5

REVENUES:

The board collects examination fees and licensing fees for apprentices, registered barbers, instructors, shops and schools. These receipts are non-dedicated and are deposited in the General Fund. The board is funded with a General Fund appropriation.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: BARBERS BOARD

Program: BARBERS

Activity: BARBERS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	85	88	90	90	90	92	92	4	2.2%
OPERATING EXPENSES	41	42	56	54	54	57	57	13	13.3%
SUBTOTAL STATE OPERATIONS	126	130	146	144	144	149	149	17	6.2%
Total Expenditures	126	130	146	144	144	149	149	17	6.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	126	130	146	144	144	149	149		
Total Financing	126	130	146	144	144	149	149		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	129	137	129	122	179	118	174		
Total Revenues Collected	129	137	129	122	179	118	174		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	2.0	2.0	2.0	2.0	2.0	2.0	2.0		
Total Full-Time Equivalent	2.0	2.0	2.0	2.0	2.0	2.0	2.0		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **BARBERS BOARD**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	140	140	140	140	0	0	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	1	3	1	3	0	0	0	0
2000-01 SAL. & BEN. BASE	3	6	3	6	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	4	9	4	9	0	0	0	0
BASE BUDGET	144	149	144	149	0	0	0	0

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ISSUES AFFECTING AGENCY'S OPERATIONS:

AGENCY: Boxing, Board of

AGENCY DESCRIPTION:

The board 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 composed of 7 members and enforces regulations governing boxing. Board members participate at 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.

PERFORMANCE SUMMARY:

The board has 2 primary objectives:

- To promote the health and safety of the participants in the profession.
- To promote the amateur sport as a means of helping kids to direct their energy and efforts in a productive manner.

REVENUES:

The board contributes revenue to the General Fund from license and franchise fees. The fees are not sufficient to cover operating costs of the board. However, it has been determined that the board mission and goals take priority over cost recovery.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Funding is requested to support the current operation of the board including one part time executive secretary, the board staff secretary and expenses of board members. No increase in the budget is requested. The budget includes salary and benefit inflation and 3% per year for supply and expense inflation.

- The board supports the World Boxing Association's regulations and continues to assure that Minnesota participants in boxing and full contact karate events are of a certified health condition in order to avoid serious injury.
- The board also encourages the organization of amateur boxing programs throughout the state. There are approximately 800 amateur boxers active in Minnesota, ranging in age from 10 to 36. While the amateur sport is not licensed or regulated, it serves a civic and community function by encouraging individuals to focus their energies in 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.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: BOXING BOARD

Program: NON HEALTH BOARDS

Activity: BOXING

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	60	65	67	69	69	71	71	8	6.1%
OPERATING EXPENSES	14	8	21	15	15	16	16	2	6.9%
SUBTOTAL STATE OPERATIONS	74	73	88	84	84	87	87	10	6.2%
Total Expenditures	74	73	88	84	84	87	87	10	6.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	74	73	88	84	84	87	87		
Total Financing	74	73	88	84	84	87	87		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	4	2	2	2	2	2	2		
Total Revenues Collected	4	2	2	2	2	2	2		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
PART-TIME, SEASONAL, LABOR SER	0.5	0.6	0.6	0.6	0.6	0.6	0.6		
Total Full-Time Equivalent	1.5	1.6	1.6	1.6	1.6	1.6	1.6		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **BOXING BOARD**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	82	82	82	82	0	0	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	0	1		1	0	0	0	0
2000-01 SAL. & BEN. BASE	2	4	2	4	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	2	5	2	5	0	0	0	0
BASE BUDGET	84	87	84	87	0	0	0	0

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2000-01 Biennial Budget

AGENCY: Electricity, Board of

AGENCY MISSION AND VISION:

The Board of Electricity was established by the legislature in 1899.

Mission:

- To protect life and property from the hazards arising from the use of electricity by enforcing state electrician licensing requirements and state electrical inspection requirements.

KEY SERVICE STRATEGIES:

- License persons through an experience and examination process.
- License businesses that perform electrical work.
- Inspect installed electrical wiring.

PERFORMANCE SUMMARY:

- Licenses approximately 2,600 businesses that perform electrical wiring for others.
- Licenses over 15,000 persons across 10 different classification. As of 6-30-98 there were, 8,741 Class A Journeyman, 5,301 Class A Master, 82 Class B Journeyman, 120 Class B Master, 327 Elevator Constructor, 54 Master Elevator Constructor, 477 Maintenance Electrician, 118 Lineman, 4 Class A Installer, and 15 Class B Installer licenses in effect. Approximately 2,000 persons are licensed in more than 1 category.
- 2,684 persons were examined by the board in the biennium ending 6-30-98. 1,435 persons passed these examinations with a score of 70% or better. Additionally, 47 Class A Master and 92 Class A Journeyman licenses were issued under reciprocal agreements with the states of North Dakota, South Dakota, and Nebraska.
- The board received approximately 300,000 separate requests for inspection and completed a similar number of inspections requiring approximately 700,000 separate inspection trips.

REVENUES:

- The board collects revenues for electrical examinations and licensing, inspection charges, handling fees, civil penalties, and miscellaneous charges. These revenues are deposited in a special revenue account in the state treasury.

- Electrical inspection fees are held in escrow and are used to pay inspection service expenses as the inspections are completed. In F.Y. 1998 approximately 86.5% of the collected inspection fee was used to pay for inspection service with the remaining 13.5% retained to offset administrative costs.
- Electrical licensing fees are collected at the time of initial licensure and are based on a 2-year term.
- Revenue from inspection and licensing fees accounted for 89% of the board's total revenue for F.Y. 1997-98. The F.Y. 2000-01 revenue estimates are based on activity trends over F. Y.s 1996, 1997, 1998, and 1999.

EXPLANATION OF AGENCY'S BUDGET PLAN:

- The budget plan includes a significant increase for IT System upgrade and development. Electronic commerce is included as a feature of this development. The associated expense will be offset by accumulated carry forward earnings.
- Electrical inspection fees have not been adjusted since 1988 and have become inadequate due to the effects of inflation. The board is seeking authority to amend the inspection fee schedule to ensure that quality inspection service is provided to the citizens of the state.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Information Technology System development.
- Legislation regarding power limited licensing and inspection.
- Increased demand for electrical inspection. The demand for electrical inspections varies with the overall level of economic activity. If the economy continues to grow at the current rate, the board would need to hire 16 additional contract inspectors in F.Y. 2001.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the board's budget. Consideration of an inspection fee increase in F.Y. 2001 is also recommended to ensure quality inspection service is provided to the citizens of the state. However, approval of the fee increase is contingent upon a thorough review by the Finance Department of the board's current fee structure, as well as program costs, to assure accountability and efficiency in program administration and the delivery of service.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ELECTRICITY BOARD
Program: BOARD OF ELECTRICITY
Activity: BOARD OF ELECTRICITY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,069	1,220	1,190	1,331	1,331	1,421	1,421	342	14.2%
OPERATING EXPENSES	4,505	4,932	4,518	5,626	5,626	5,933	6,608	2,784	29.5%
SUBTOTAL STATE OPERATIONS	5,574	6,152	5,708	6,957	6,957	7,354	8,029	3,126	26.4%
Total Expenditures	5,574	6,152	5,708	6,957	6,957	7,354	8,029	3,126	26.4%
<u>CHANGE ITEMS:</u>									
(B) INSPECTION FEE INCREASE	SR							675	
Total Change Items								675	
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	5,574	6,128	5,708	6,957	6,957	7,354	8,029		
FEDERAL	0	24	0	0	0	0	0		
Total Financing	5,574	6,152	5,708	6,957	6,957	7,354	8,029		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	6,022	6,423	6,669	7,386	7,386	7,911	8,686		
FEDERAL	0	24	0	0	0	0	0		
Total Revenues Collected	6,022	6,447	6,669	7,386	7,386	7,911	8,686		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	22.3	23.7	23.7	23.7	23.7	23.7	23.7		
OVERTIME PAY	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	22.5	23.9	23.9	23.9	23.9	23.9	23.9		

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Labor and Industry, Department of (DLI)

AGENCY MISSION AND VISION:

The Department of Labor and Industry (DLI) is the regulatory agency responsible for compliance with workplace statutes and rules in Minnesota. Its customers are workers and employers.

Mission:

- To foster a safe, efficient and productive working environment for Minnesota workplaces.

Vision:

- Workplaces are free from injury and illness;
- Job-injured workers are provided treatment and support;
- Workers from all communities have the opportunity to receive critical skills through apprenticeship learning;
- Boilers and high pressure piping systems are properly installed and operated;
- Workers, potential workers and employers have a clear understanding of their rights and responsibilities in the workplace.

KEY SERVICE STRATEGIES:

Stakeholder compliance with workplace requirements is the department's goal. The stakeholders are workers, employers and consumers of the resources that support them (insurers, attorneys, rehabilitation and health care providers, etc.). Compliance strategies begin with outreach and education for all participants. Audits, inspections and investigations are tools used to determine appropriate behavior. Fines, citations and revocation of rights are used to assure compliance.

OPERATING ENVIRONMENT:

It is generally perceived that the interests of workers and employers are competitive. Signs that labor and business are working together include: 1) labor and business, as members of the workers' compensation advisory council, must agree

on recommended changes to the workers' compensation statute; 2) the number of registered apprenticeship programs is increasing; and 3) labor-management committees are forming statewide to assure safer workplaces. Pursuant to M.S. 176.129, the agency administers the Special Compensation Fund (hereinafter referred to as the Workers' Compensation fund).

Financing of the safety and workers' compensation programs is dependent on the following:

- Stability of the Workers' Compensation fund which is based on an assessment to insurers and self-insured employers;
- Federal support for safety programs and veterans' apprenticeship programs;
- Costs of medical care; and
- Competition and pricing in the insurance industry.

Operations are driven by commitment to these principles:

- Service with a "customer first" tradition;
- Regulation through consistent, well-defined policies;
- Education for stakeholders and agency employees;
- Ongoing analysis and review of work processes; and
- Use of technology to enhance effectiveness.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONERS OFFICE		
Workers Compensation Division		158.0 fte
Workplace Services Division		154.0 fte
General Support		90.0 fte
7/1/98 TOTAL FTEs 402.0		

DLI programs are administered statewide. The agency maintains its central office in St. Paul. Services are also provided through offices located in Bemidji, Cloquet, Duluth, Hibbing, Fergus Falls, Mankato, Rochester, Roseville, and St. Cloud. In addition, the agency conducts on-site visits with Minnesota employers throughout the state.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Labor and Industry, Department of (DLI)
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget, except for the following adjustments:

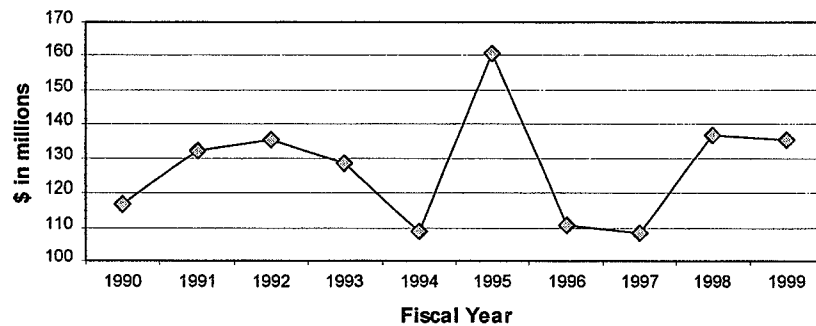
- A biennial increase in funding in the Workplace Services Division program of \$764,000 and 3.0 FTEs from the General Fund for a new code administration and inspection system which will improve the agency's management of the licensing and inspections of boilers, pressure vessels, boats-for-hire, hobby boilers, and high pressure and ammonia piping systems. The cost of this initiative will be recovered by an increase in user fees which will generate an additional \$366,000 per year in non-dedicated revenue beginning in F.Y. 2001.
- A biennial reduction in funding in the Workplace Services Division program of \$1,379,000 and 8.7 FTEs from the General Fund and \$64,000 and .3 FTEs from federal funds to discontinue state regulation of apprenticeships.
- A biennial increase in funding in the General Support Division program of \$24,000 from the General Fund and \$691,000 from the Workers' Compensation Fund to provide one-time funding to improve the agency's technical infrastructure and reporting capabilities and to provide ongoing maintenance to existing systems.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Labor and Industry, Department of (DLI)
(Continuation)

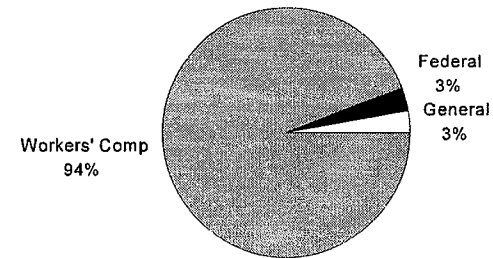
TRENDS AND PERSPECTIVE:

Total Budget - All Funds



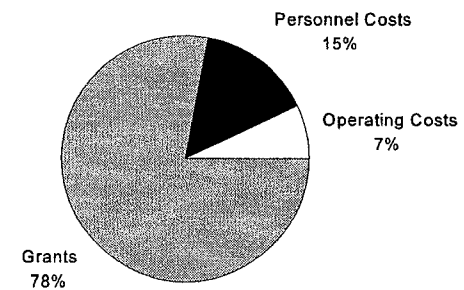
1998-99 Expenditures by Fund

Total \$272 Million



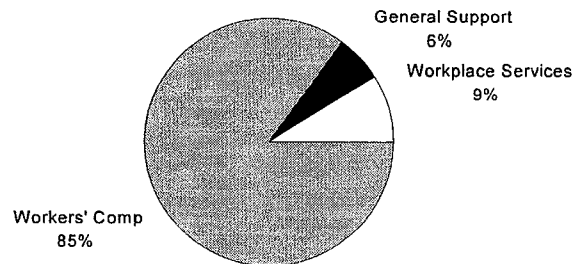
1998-99 Expenditures by Category

Total \$272 Million



1998-99 Expenditures by Program

Total \$272 Million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
WORKERS' COMPENSATION DIVISION	91,648	118,405	113,893	93,001	93,001	90,475	90,475	(48,822)	-21.0%
WORKPLACE SERVICES DIVISION	10,265	11,718	13,122	13,862	13,555	14,441	14,069	2,784	11.2%
GENERAL SUPPORT DIVISION	6,488	6,798	8,387	7,037	7,552	7,197	7,397	(236)	-1.6%
Total Expenditures	108,401	136,921	135,402	113,900	114,108	112,113	111,941	(46,274)	-17.0%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	3,908	3,850	4,108	4,152	3,901	4,253	3,913
WORKERS COMPENSATION	20,281	20,365	20,488	19,616	20,107	20,070	20,270
OPEN APPROPRIATIONS:							
WORKERS COMPENSATION	79,377	106,509	103,619	82,523	82,523	79,767	79,767
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	284	342	861	575	575	575	575
FEDERAL	3,238	3,814	4,144	4,239	4,207	4,360	4,328
WORKERS COMPENSATION	1,304	2,011	2,127	2,783	2,783	3,076	3,076
AGENCY	9	30	55	12	12	12	12
Total Financing	108,401	136,921	135,402	113,900	114,108	112,113	111,941

FTE BY EMPLOYMENT TYPE:							
FULL TIME	400.8	425.5	386.5	384.4	378.4	383.4	377.4
PART-TIME, SEASONAL, LABOR SER	24.8	18.5	15.5	13.6	13.6	12.1	12.1
Total Full-Time Equivalent	425.6	444.0	402.0	398.0	392.0	395.5	389.5

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Labor and Industry, Department of

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$4,012	\$4,012	\$8,024
<u>BASE ADJUSTMENT</u>			
Doc. Space Rental/Lease	49	56	105
2000-01 Salary and Benefit Base	90	184	274
Statewide Administrative Systems	5	5	10
Uniform Pension Bill Red.	(4)	(4)	(8)
<u>BASE LEVEL (for 2000 and 2001)</u>	\$4,152	\$4,253	\$8,405
<u>CHANGE ITEMS</u>			
Enhance Technology Infrastructure	24	-0-	24
Code Administration and Inspection System	325	439	764
Apprenticeship Programs	(600)	(779)	(1,379)
GOVERNOR'S RECOMMENDATION	\$3,901	\$3,913	\$7,814

Brief Explanation of Budget Decisions:

- The agency will spend its base of \$8,405,000 for the biennium to:
 - promote, develop, approve and monitor quality registered apprenticeships in Minnesota workplaces;
 - assure the safe operation of boilers, pressure vessels, boats-for-hire, hobby boilers, and high pressure and ammonia piping systems; and
 - educate, advise on and enforce the Minnesota Fair Labor Standards Act, Minnesota Child Labor Standards Act, Parental Leave Law, Nursing Mother Law, Fee Employment Agency Act, and Prevailing Wage Law.
- Base adjustments include inflationary increases for salaries, space rental, and statewide systems costs and a slight reduction for retirement savings.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

- A biennial increase in funding of \$24,000 as the General fund's share of the agency's technology initiative to rewire the existing network and to purchase an end-user reporting tool.
- A biennial increase in funding of \$764,000 and 3.0 FTEs for the development of an integrated information system to improve upon the agency's management of the licensing and inspections of boilers, pressure vessels, boats-for-hire, hobby boilers, and high pressure and ammonia piping systems. The amount will be recovered by an increase in user fees which will generate an additional \$366,000 per year in non-dedicated revenue beginning in F.Y. 2001.
- A biennial reduction in funding of \$1,379,000 and 8.7 FTEs for the removal of base funding for the apprenticeship program which the Governor recommends be eliminated.

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Labor and Industry, Department of **Fund:** Workers' Compensation

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$21,156	\$21,156	\$42,312
<u>BASE ADJUSTMENT</u>			
Attorney General Costs	16	32	48
Doc. Space Rental/Lease	270	306	576
2000-01 Salary and Benefit Base	389	791	1,180
Statewide Administrative Systems	30	30	60
Reallocation of Administrative Costs	543	543	1,086
System Development Cost	(659)	(659)	(1,318)
Transfers Between Agencies	<u>(2,129)</u>	<u>(2,129)</u>	<u>(4,258)</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$19,616	\$20,070	\$39,686

CHANGE ITEMS

Enhance Technology Infrastructure	<u>491</u>	<u>200</u>	<u>691</u>
GOVERNOR'S RECOMMENDATION	\$20,107	\$20,270	\$40,377

Brief Explanation of Budget Decisions:

- The agency will use the base budget to:
 - minimize the impact of work related injuries or illnesses on Minnesota workers and employers through the administration of the state's workers' compensation laws; and
 - promote and ensure safe and healthful working conditions for Minnesota workers.
- Base adjustments include inflationary increases for salaries, space rental, legal and statewide systems costs; the removal of \$1,318,000 in one-time system development costs;
- The base includes the removal of \$4,258,000 for the Judicial Services unit which was transferred to the Office of Administrative Hearings during 1998.

- The base includes the reallocation of \$1,086,000 for certain costs of administering workers' compensation benefits that have been previously funded from an open appropriation. A corresponding reduction has been made to the open appropriation.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustment. A biennial increase in funding of \$691,000 to optimize and protect the agency's past investments in technology.

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Labor and Industry, Department of

REVENUE SOURCES: The Workers' Compensation fund provides the resources which support the entire workers' compensation system including activities of the Department of Labor and Industry, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, and the Department of Commerce. It is financed primarily by an assessment collected from workers' compensation insurers and self-insured employers based on their indemnity payments made to injured employees. Other non-dedicated revenues of the Workers' Compensation fund include:

- Investment income
- Recoveries from uninsured and bankrupt self-insured employers
- Penalties assessed for violations of OSHA standards
- Fees for services provided by agency Qualified Rehabilitation Consultants (QRCs) who assist injured workers in their return to work
- Fees collected for licensing individual QRCs and their firms
- Fees collected for licensing of managed care organizations
- Fines assessed against rehabilitation providers

The Assigned Risk Safety Account is a dedicated account within the Workers' Compensation fund that provides matching grants to businesses for safety equipment and training. It is financed by penalties assessed for failure to acquire and maintain mandatory worker's compensation insurance, late filing of required reports, or improper payments.

The Loggers' Targeted Industry Fund is a dedicated account within the Workers' Compensation fund to ensure that Minnesota loggers are provided safety training that is relevant to this high hazard industry. It is financed by assessments collected from wood mills which are given back to the industry through rebates for successful completion of required training.

The department collects the following non-dedicated revenue which is deposited into the Cambridge Deposit Fund then transferred to the General Fund:

- Fees collected by the Code Administration and Inspection Services unit for inspections, licences, and permits related to boilers, high pressure and ammonia

pipng systems, and boats-for-hire.

- Fees collected by the Labor Standards unit for issuing licenses to fee employment agencies and for registering their managers and counselors.
- Fines assessed by the Labor Standards unit for violations of Child Labor and Fair Labor Standards laws. (Deposited directly to the General Fund)

Other dedicated revenue collected by the department include:

- Federal grants from the U.S. Department of Labor and the Veterans' Administration.
- Fees collected to recover departmental costs of workers' compensation and workplace safety seminars.
- Collections of back wages owed to employees by employers. These funds are remitted to the employees.
- Recoveries of the costs associated with providing photocopies of workers' compensation documents to requesting parties.

FEE STRUCTURE: Most fees and penalties collected by the department are established by statute or rule. Other fees are established to recover the costs of providing photocopies and conducting department sponsored seminars.

RECENT CHANGES: For 1999, the department increased the rate of assessment on indemnity benefits from 28% to 30%. This increase was needed due to a declining indemnity base resulting from workers' compensation reforms in 1992 and 1995 and fewer lost work time injuries, and to provide funding to increase settlements of costly workers' compensation claims. The department continues to monitor the assessment rate to determine the necessity of an adjustment.

FORECAST BASIS: Assessment revenues are expected to decline by 3% each year of the biennium due to the declining indemnity base. Benefit expenditures are expected to decline at a similar rate. Inflationary increases are expected in some federal grants. Other revenues are expected to remain relatively constant.

CHANGE ITEMS:

Boiler and pipefitter fees will be increased to recover the cost of replacing the code administration and licensing information system. An additional \$366,000 in non-dedicated revenue will be deposited into the Cambridge Deposit Fund beginning in F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
CAMBRIDGE DEPOSIT FUND	1,968	2,059	1,963	1,963	1,963	1,963	2,329	270	6.7%
WORKERS COMPENSATION	1,717	1,790	326	326	326	326	326	(1,464)	-69.2%
OTHER REVENUES:									
GENERAL	2	0	6	3	3	3	3	0	.0%
WORKERS COMPENSATION	111,084	108,036	108,731	104,425	104,425	100,058	100,058	(12,284)	-5.7%
Total Non-Dedicated Receipts	114,771	111,885	111,026	106,717	106,717	102,350	102,716	(13,478)	-6.0%

DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
WORKERS COMPENSATION	1,841	2,262	2,319	2,325	2,325	2,329	2,329	73	1.6%
GRANTS:									
FEDERAL	3,313	3,719	4,120	4,239	4,207	4,360	4,328	696	8.9%
OTHER REVENUES:									
SPECIAL REVENUE	403	492	575	575	575	575	575	83	7.8%
FEDERAL	0	7	0	0	0	0	0	(7)	-100.0%
WORKERS COMPENSATION	50	62	62	62	62	62	62	0	.0%
AGENCY	10	33	12	12	12	12	12	(21)	-46.7%
Total Dedicated Receipts	5,617	6,575	7,088	7,213	7,181	7,338	7,306	824	6.0%

Agency Total Revenues	120,388	118,460	118,114	113,930	113,898	109,688	110,022	(12,654)	-5.3%
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**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Labor and Industry, Department of

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
OSHA Compliance	Yes	State Operations	2,846	3,217	3,314	3,413
OSHA Consultation	Yes	State Operations	701	722	744	766
Bureau of Labor Statistics	Yes	State Operations	85	107	107	107
OSHA Survey	No	State Operations	45	42	42	42
Veterans Admin-Apprenticeship	No	State Operations	42	32	0	0
Agency Total			3,719	4,120	4,207	4,328

The OSHA Compliance and OSHA Consultation grants are essential to continue the downward trend in occupational fatalities, injuries and illnesses, and thereby reduce workers' compensation costs and the suffering of workers and families. The Bureau of Labor Statistics and OSHA Survey grants provide funding necessary to conduct surveys to collect, analyze, and report data on workplace injuries. The Veterans Administration - Apprenticeship grant provides funding necessary to review and approve eligible veteran apprenticeship and on-the-job training programs. The Governor recommends elimination of this program in F.Y. 2000.

Federal funding contributes to 13% of the agency's operations. Federal funds received through the OSHA Compliance and Bureau of Labor Statistics programs require matching state funds of 50%. The OSHA Consultation program requires matching state funds of 10%. The required state match is provided by a direct appropriation from the Workers' Compensation fund. The OSHA Survey program is 100% federally funded.

The agency's revenue estimates include a 3% inflationary increase for the OSHA Compliance and OSHA Consultation grants. Other grants have remained relatively constant, and no increases are expected.

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2000-01 Biennial Budget

PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of

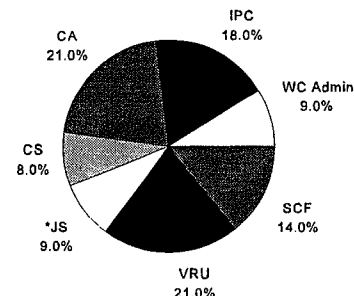
PROGRAM PROFILE:

The workers' compensation system's purpose is to minimize the impact of work-related injuries or illnesses on workers and employers. When injuries do occur on the job, the 5 activity areas within the program ensure that the injured worker and employer are assisted. The goal is to return the injured worker to pre-injury status as quickly and safely as possible. The 5 activity areas are:

- Information Processing Center (IPC): creates and maintains paper and imaged workers' compensation files and the department database;
- Customer Assistance (CA): provides assistance and information about the workers' compensation law to injured workers, employers, and other system stakeholders through alternative dispute resolution services including mediations, conferences, a general information telephone line, walk-in aid, and dispute certification;
- Compliance Services (CS): ensures that insurers' and self-insured employers' benefit payments and reports are accurately submitted according to statutory time lines using the compliance strategies of auditing, penalizing, and targeted education;
- Special Compensation Fund (SCF): collects and manages the assessment revenue which funds the state's workers' compensation system; verifies workers' compensation insurance coverage; enforces statutory mandatory coverage; administers claims for injured workers of uninsured employers, some bankrupt self-insured employers, and asbestosis claims; and reimburses second injury and supplementary benefits to insurers and self-insurers; and
- Vocational Rehabilitation (VRU): provides return-to-work services to injured workers who cannot return to their pre-injury job; and assures provider behavior is appropriate and assures compliance by medical providers by monitoring the services of certified managed care organizations and medical and rehabilitation providers.

1998-99 Expenditures by Activity

Total \$23 million (excludes benefits)



*Judicial Services (JS) was transferred to the Office of Administrative Hearings in 1998.

STRATEGIES AND PERFORMANCE:

The division is guided by the following service strategies:

- information is available to all stakeholders when needed;
- the system is properly funded; and
- participants understand their rights and responsibilities.

Since 1993, total workers' compensation disputes have dropped from 21,068 to 12,645. The imaging system is implemented so that claim files injuries after March 1995 are available to multiple users. The Workers' Compensation fund continues to collect revenues sufficient to pay benefits and support administrative operations.

FINANCING INFORMATION:

The program is financed by appropriations from the Workers' Compensation fund. The program recovers its costs for training sessions through participant fees.

BUDGET ISSUES:

For the last 4 years, all new workers' compensation claims have been created as imaged files rather than paper files. Currently, over 82% of the daily mail is image-based. The Information Processing Center is projecting a 62.2% increase over the next 3 years as it continues to move toward imaging 100% of all mail received.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
WC ADMINISTRATION	2,453	1,141	972	334	334	304	304	(1,475)	-69.8%
WC INFORMATION PROCESSING CTR	1,772	2,032	2,207	2,277	2,277	2,329	2,329	367	8.7%
WC CUSTOMER ASSISTANCE	2,145	2,377	2,422	2,494	2,494	2,564	2,564	259	5.4%
WC COMPLIANCE SERVICES	913	928	978	1,019	1,019	1,063	1,063	176	9.2%
WC JUDICIAL SERVICES	2,004	2,034	0	0	0	0	0	(2,034)	-100.0%
WC VOCATIONAL REHABILITATION	1,825	2,312	2,470	2,539	2,539	2,602	2,602	359	7.5%
WC SPECIAL COMPENSATION FUND	80,536	107,581	104,844	84,338	84,338	81,613	81,613	(46,474)	-21.9%
Total Expenditures	91,648	118,405	113,893	93,001	93,001	90,475	90,475	(48,822)	-21.0%

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	100	0	0	0	0	0	0		
WORKERS COMPENSATION	12,657	12,181	10,397	10,586	10,586	10,833	10,833		
OPEN APPROPRIATIONS:									
WORKERS COMPENSATION	78,881	106,027	103,213	82,126	82,126	79,349	79,349		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	10	16	68	68	68	68	68		
WORKERS COMPENSATION	0	181	215	221	221	225	225		
Total Financing	91,648	118,405	113,893	93,001	93,001	90,475	90,475		

FTE BY EMPLOYMENT TYPE:									
FULL TIME	184.5	190.0	149.0	149.0	149.0	148.0	148.0		
PART-TIME, SEASONAL, LABOR SER	23.7	12.0	9.0	8.0	8.0	8.5	8.5		
Total Full-Time Equivalent	208.2	202.0	158.0	157.0	157.0	156.5	156.5		

2000-01 Biennial Budget

BUDGET ISSUES:

BUDGET ACTIVITY: WC Administration
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

None

ACTIVITY PROFILE:

The Workers' Compensation Administration activity provides the leadership, support, and framework for operations of the Workers' Compensation Division and all participants in the system. The goal is to assure a fast, responsive and easy-to-use workers' compensation system that delivers services, maximizes resources and reduces disputes.

This activity manages the 5 units of the Workers' Compensation Division and supports the Workers' Compensation Advisory Council, a statutory body composed of employee and employer representatives.

STRATEGIES AND PERFORMANCE:

Five operating strategies guide this administrative activity:

- Focus human, fiscal and information resources on workers and employers;
- Seek user input on suggested changes where possible;
- Integrate operations so that the division's individual units work together;
- Support the Workers' Compensation Advisory Council ; and
- Provide clarification of policy questions as they influence operations.

These strategies establish a foundation on which the employees of the division's units and system participants can rely to make decisions, take action or expect support. The administration's aim is to provide a stable environment to achieve the division's goal of minimizing the impact of illnesses and injuries on employees and employers.

FINANCING INFORMATION:

The workers' compensation administration activity is financed by a direct appropriation from the Workers' Compensation fund. The unit does not collect revenue.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

Activity: WC ADMINISTRATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	662	230	168	147	147	155	155	(96)	-24.1%
OPERATING EXPENSES	1,791	911	804	187	187	149	149	(1,379)	-80.4%
SUBTOTAL STATE OPERATIONS	2,453	1,141	972	334	334	304	304	(1,475)	-69.8%
Total Expenditures	2,453	1,141	972	334	334	304	304	(1,475)	-69.8%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	2,453	1,141	972	334	334	304	304		
Total Financing	2,453	1,141	972	334	334	304	304		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	6.0	6.0	2.0	2.0	2.0	2.0	2.0		
PART-TIME, SEASONAL, LABOR SER	15.0	0.0	1.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	21.0	6.0	3.0	2.0	2.0	2.0	2.0		

2000-01 Biennial Budget

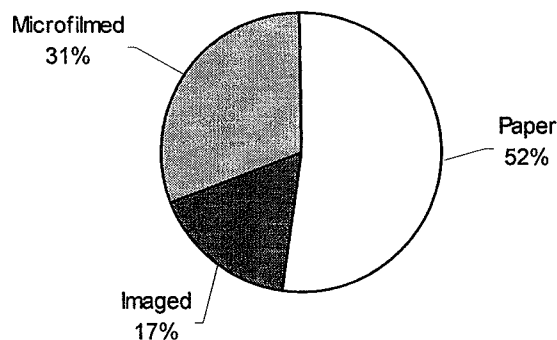
BUDGET ACTIVITY: WC Information Processing Center
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

This activity provides critical administrative support services to the workers' compensation system and its constituents in the following areas:

- Receives and scans all workers' compensation claim-information mail into the computer to create imaged files (521,652 documents in 1997);
- Enters workers' compensation data into the department database (265,041 forms in 1997);
- Mails *Employee Rights and Responsibilities* booklet to injured workers;
- Manages and maintains all of the paper workers' compensation claim files;
- Provides copies of claim files to authorized clientele in accordance with data privacy laws;
- handles all employer requests for mandatory state posters;
- Provides centralized copy center services for department; and
- Provides mailroom/courier services for department.

**Workers' Compensation Claim Files
(1.2 million total)**



Information Processing Center (IPC) customers include: all DLI staff, injured workers, employers, insurers and self-insurers, claims administrators, attorneys, health care providers, rehabilitation service providers, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals and the state Supreme Court.

STRATEGIES AND PERFORMANCE:

This support program is driven by 3 strategies:

- To provide accurate, timely information to customers;
- To apply new, appropriate technologies; and
- To continually improve processes.

Major performance measures include:

- Maintain at least a 95% accuracy in image files (12-month average 99.56%);
- Achieve a 48-hour availability of imaged workers' compensation documents for customers 90% of the time-from April-August 1998, IPC imaged 248,730 documents averaging 71% availability within 48 hours; 88% availability within 72 hours; 91% availability within 96 hours; and
- Ensure 1 week turn-around time on data entry documents; this objective is not currently met.

FINANCING INFORMATION:

The IPC is financed by a direct appropriation from the Workers' Compensation Fund. IPC also generates dedicated revenue from the sale of claim file photocopies to requesting parties in workers' compensation cases.

BUDGET ISSUES:

IPC is projecting a 62.2% increase in daily mail over the next 3 years as it continues to move toward imaging 100% of all mail received.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC INFORMATION PROCESSING CTR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,265	1,511	1,634	1,684	1,684	1,728	1,728	267	8.5%
OPERATING EXPENSES	507	521	573	593	593	601	601	100	9.1%
SUBTOTAL STATE OPERATIONS	1,772	2,032	2,207	2,277	2,277	2,329	2,329	367	8.7%
Total Expenditures	1,772	2,032	2,207	2,277	2,277	2,329	2,329	367	8.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	1,772	1,851	1,992	2,056	2,056	2,104	2,104		
STATUTORY APPROPRIATIONS:									
WORKERS COMPENSATION	0	181	215	221	221	225	225		
Total Financing	1,772	2,032	2,207	2,277	2,277	2,329	2,329		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
WORKERS COMPENSATION	0	181	215	221	221	225	225		
Total Revenues Collected	0	181	215	221	221	225	225		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	36.0	42.0	42.0	42.0	42.0	41.0	41.0		
PART-TIME, SEASONAL, LABOR SER	0.9	4.9	0.9	0.9	0.9	1.4	1.4		
Total Full-Time Equivalent	36.9	46.9	42.9	42.9	42.9	42.4	42.4		

2000-01 Biennial Budget

BUDGET ACTIVITY: WC Customer Assistance
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Customer Assistance unit is the early-intervention and mediation activity responsible for:

- Preventing and resolving disputes in an effort to minimize the effects of an injury sustained by the worker and to decrease the overall costs of the workers' compensation system; and
- Providing fair, accurate, and neutral assistance and information about workers' compensation law and rules to employees, employers, and other external customers.

Customer Assistance activities are performed in St. Paul and Duluth.

STRATEGIES AND PERFORMANCE:

Customer Assistance strategies involve the direct performance of service to injured workers (employees), their employers, and their workers' compensation insurance carriers, as follows:

- Respond to system participants who call or visit our offices;
- Certify that a dispute exists;
- Intervene to resolve disputes and avoid litigation;
- Hold mediation sessions with injured workers, their attorneys and workers' compensation insurance providers, and other interested parties;
- Conduct administrative conferences to resolve rehabilitation issues and medical issues under \$1,500; and
- Provide non-conference decisions on issues not requiring in-person attendance at a conference.

During F.Y. 1998, the Customer Assistance unit has:

- Reduced average caller wait time from 3 minutes to less than 1 minute;
- Certified approximately 2,300 disputes in 7 to 10 days of notice;

- Resolved over 300 disputes which were requested to be certified;
- Resolved over 2,000 issues which had not yet developed into a formal dispute through telephone contact with injured workers and others;
- Issued over 360 mediation awards within an average of 40 days of request for mediation services; and
- Issued approximately 550 administrative conference decisions within approximately 75 to 80 days from date the medical or rehabilitation request was received.

FINANCING INFORMATION:

The Customer Assistance unit is financed by a direct appropriation from the Workers' Compensation fund. The unit does not collect revenue.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC CUSTOMER ASSISTANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,837	2,010	2,042	2,118	2,118	2,180	2,180	246	6.1%
OPERATING EXPENSES	308	367	380	376	376	384	384	13	1.7%
SUBTOTAL STATE OPERATIONS	2,145	2,377	2,422	2,494	2,494	2,564	2,564	259	5.4%
Total Expenditures	2,145	2,377	2,422	2,494	2,494	2,564	2,564	259	5.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	2,145	2,377	2,422	2,494	2,494	2,564	2,564		
Total Financing	2,145	2,377	2,422	2,494	2,494	2,564	2,564		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	39.0	40.5	37.5	37.5	37.5	37.5	37.5		
Total Full-Time Equivalent	39.0	40.5	37.5	37.5	37.5	37.5	37.5		

2000-01 Biennial Budget

BUDGET ACTIVITY: WC Compliance Services
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Compliance Services unit modifies employer and insurer behavior regarding the reporting and monetary-benefit provisions of the workers' compensation statutes.

STRATEGIES AND PERFORMANCE:

Compliance Services uses 3 strategies to improve employer and insurer compliance:

- Audit of workers' compensation files;
- Assessment of monetary penalties for non-compliance; and
- Education of employers and insurers regarding their responsibilities under the law.

During F.Y. 1998, Compliance Services staff:

- Audited 55,071 claim files, uncovering \$1,199,339 in under-payments to injured workers;
- Assessed 4,253 penalties against employers and/or insurers, totaling \$1,302,918; and
- Conducted 15 training sessions for approximately 364 employers and/or insurers regarding their responsibilities under workers' compensation law, as part of a growing training program.

Significant achievements during F.Y. 1998 include:

- Development and implementation of a 1-day training session, plus manual, for new claims adjusters which is now offered several times each year;
- Initiation of training in Wisconsin, Michigan, and Illinois for out-of-state insurers who do business in Minnesota;
- Publishing of the first Prompt First Action Report (M.S. 176.223); and
- Assisting specific insurers in efforts to change claims practices that result in penalties.

FINANCING INFORMATION:

The Compliance Services unit is financed by a direct appropriation from the Workers' Compensation Fund. Revenues collected from penalties assessed by the unit are deposited to the Assigned Risk Safety Account which is dedicated for workplace safety programs. Revenues and expenditures of the Assigned Risk Safety Account are reflected in the Workplace Safety Consultation activity under the Workplace Services program. The unit recovers its costs for training sessions through participant fees.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC COMPLIANCE SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	765	775	862	902	902	944	944	209	12.8%
OPERATING EXPENSES	148	153	116	117	117	119	119	(33)	-12.3%
SUBTOTAL STATE OPERATIONS	913	928	978	1,019	1,019	1,063	1,063	176	9.2%
Total Expenditures	913	928	978	1,019	1,019	1,063	1,063	176	9.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	913	926	967	1,008	1,008	1,052	1,052		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	0	2	11	11	11	11	11		
Total Financing	913	928	978	1,019	1,019	1,063	1,063		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	4	11	11	11	11	11		
Total Revenues Collected	0	4	11	11	11	11	11		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	14.0	13.0	14.0	14.0	14.0	14.0	14.0		
PART-TIME, SEASONAL, LABOR SER	2.0	2.0	2.0	2.0	2.0	2.0	2.0		
Total Full-Time Equivalent	16.0	15.0	16.0	16.0	16.0	16.0	16.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Judicial Services
PROGRAM: Workers' Compensation
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Judicial Services unit resolves disputes when employees and employers or their insurers have reached impasse on workers' compensation benefits. The 1998 Legislature transferred the unit from DLI to the Office of Administrative Hearings, Settlement Division. This transfer was made in an effort to improve efficiency and avoid duplication in the workers' compensation system. The goal is to streamline appeal processes by combining pre-trial and settlement conferences with the judges that conduct full hearings.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC JUDICIAL SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,710	1,771	0	0	0	0	0	(1,771)	-100.0%
OPERATING EXPENSES	294	263	0	0	0	0	0	(263)	-100.0%
SUBTOTAL STATE OPERATIONS	2,004	2,034	0	0	0	0	0	(2,034)	-100.0%
Total Expenditures	2,004	2,034	0	0	0	0	0	(2,034)	-100.0%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	2,004	2,034	0	0	0	0	0		
Total Financing	2,004	2,034	0	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	35.0	33.0	0.0	0.0	0.0	0.0	0.0		
PART-TIME, SEASONAL, LABOR SER	1.0	1.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	36.0	34.0	0.0	0.0	0.0	0.0	0.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: WC Vocational Rehabilitation
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Vocational Rehabilitation Unit (VRU) provides the following client services and policy administration:

- Rehabilitation consultations and vocational services to injured workers (M.S. 176.104 and M.S. 176.102) with the objectives of early intervention and the return to restriction-accommodating, economically-suitable work;
- "Safety net" provider of statutory workers' compensation rehabilitation services when primary liability is denied. The VRU represents a service option to injured workers wanting to exercise the statutory right to change QRC and to insurers seeking QRC services throughout Minnesota;
- Ensures that injured workers receive reasonable and necessary medical care for the cure and relief of the work injuries at a reasonable cost to employers.

Services are available statewide through offices in Roseville, St. Cloud, Rochester, Duluth, Mankato, Fergus Falls, Bemidji and Hibbing.

STRATEGIES AND PERFORMANCE:

The Vocational Rehabilitation Unit:

- Provides several levels of services including information and referral services, early-intervention services by contacting injured workers when liability is denied, and rehabilitation consultations per statutory requirement. Rehabilitation plans are developed with eligible injured workers which include services such as: job and worksite analysis, labor market analysis, vocational counseling, testing, job seeking skills, job placement, skills enhancement, and on-the-job training.
- Reviews/updates medical and rehabilitation rules through administrative rule making.
- Provides training to the public, rehabilitation providers, judges, insurers, health care providers, and users of medical services on medical fees schedules, managed care rules, treatment parameters, and rehabilitation outcomes, statutes,

and rules.

- Administers and certifies managed care organizations and rehabilitation providers.
- Monitors certified managed care organizations for compliance with statute and rules.
- Monitors the cost, duration and outcomes of rehabilitation services.
- Monitors insurer compliance with the rehabilitation statute and rules; and
- Performs professional conduct and accountability investigations of health care providers, certified managed care organizations, and rehabilitation providers.

In 1997, the unit responded to more than 4,000 informational inquiries; contacted more than 3,000 injured workers informing them of available services immediately on the filing of a claim for benefits; completed more than 600 consultations and 500 plans with average duration of plan of less than 240 days and an average cost per completed plan of less than \$1,500.

FINANCING INFORMATION:

This unit is financed by a direct appropriation from the Workers' Compensation fund. It generates non-dedicated revenue through:

- Reimbursements from employers and insurers for vocational services provided,
- Registrations of rehabilitation providers and managed care organizations, and
- Fines assessed against medical and rehabilitation providers.

The unit recovers its costs for training sessions through participant fees.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC VOCATIONAL REHABILITATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,307	1,669	1,696	1,779	1,779	1,840	1,840	254	7.5%
OPERATING EXPENSES	343	340	416	406	406	411	411	61	8.1%
SUBTOTAL STATE OPERATIONS	1,650	2,009	2,112	2,185	2,185	2,251	2,251	315	7.6%
PAYMENTS TO INDIVIDUALS	75	178	233	229	229	226	226	44	10.7%
LOCAL ASSISTANCE	100	125	125	125	125	125	125	0	.0%
Total Expenditures	1,825	2,312	2,470	2,539	2,539	2,602	2,602	359	7.5%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	100	0	0	0	0	0	0
WORKERS COMPENSATION	1,715	2,298	2,413	2,482	2,482	2,545	2,545
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	10	14	57	57	57	57	57
Total Financing	1,825	2,312	2,470	2,539	2,539	2,602	2,602

<u>REVENUE COLLECTED:</u>							
DEDICATED							
SPECIAL REVENUE	0	22	57	57	57	57	57
NONDEDICATED							
WORKERS COMPENSATION	311	359	326	326	326	326	326
Total Revenues Collected	311	381	383	383	383	383	383

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

Activity: WC VOCATIONAL REHABILITATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	24.5	33.5	31.5	31.5	31.5	31.5	31.5
PART-TIME, SEASONAL, LABOR SER	3.3	3.3	4.3	4.3	4.3	4.3	4.3
Total Full-Time Equivalent	27.8	36.8	35.8	35.8	35.8	35.8	35.8

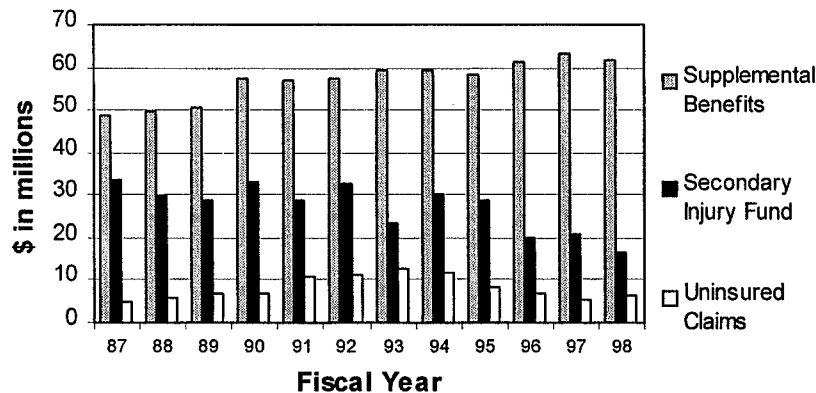
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2000-01 Biennial Budget

BUDGET ACTIVITY: WC Special Compensation Fund
PROGRAM: Workers' Compensation Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Special Compensation Fund (SCF) provides the following: 1) verification of employer compliance with workers' compensation mandatory coverage requirements (M.S. 176.181); 2) administration of workers' compensation claims for employees of uninsured employers, bankrupt self-insured employers, and asbestosis claims and collects recoveries of monies from uninsured employers and other sources (M.S. 176.183); and 3) administration, reimbursement and negotiation of Supplementary Benefit and Second Injury monies to insurers and self-insured employers.



STRATEGIES AND PERFORMANCE:

The SCF uses regulation, negotiation and regulatory strategies to achieve the following performance measurements and other standards:

- Maintain a 4% insurer's error rate on assessment report filing and payments;
- Increase recoveries from uninsured employer for benefits paid to 30%;
- Initiate payment or denial of uninsured claims within 14 days of notice;

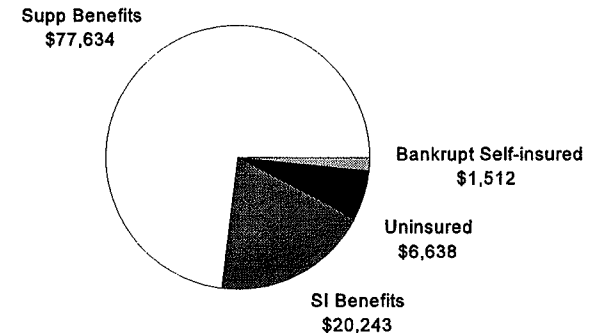
- Pay 95% of Second Injury and Supplemental Benefit reimbursements within 90 days of receipt from insurers;
- Reduce the annual uninsured paid indemnity claim incidence rate to 2.1 per 1,000 annual indemnity claims; and
- Achieve a minimum uninsured employer penalty settlement amount of 1.5 times evaded premium.

FINANCING INFORMATION:

SCF's operating costs are financed by a direct appropriation from the Workers' Compensation fund. Benefits paid by the SCF are financed by an open appropriation from the Workers' Compensation fund. The workers' compensation fund is primarily financed through non-dedicated revenues collected by the unit. These revenues include a semi-annual assessment paid by insurers and self-insured employers, as well as recoveries from employers for benefits paid by the SCF.

1998 Benefit Expenditures

(in thousands)



BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKERS' COMPENSATION DIVISION
Activity: WC SPECIAL COMPENSATION FUND

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,366	1,010	1,076	1,123	1,123	1,164	1,164	201	9.6%
OPERATING EXPENSES	79,170	838	755	1,089	1,089	1,100	1,100	596	37.4%
SUBTOTAL STATE OPERATIONS	80,536	1,848	1,831	2,212	2,212	2,264	2,264	797	21.7%
PAYMENTS TO INDIVIDUALS	0	105,733	103,013	82,126	82,126	79,349	79,349	(47,271)	-22.6%
Total Expenditures	80,536	107,581	104,844	84,338	84,338	81,613	81,613	(46,474)	-21.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	1,655	1,554	1,631	2,212	2,212	2,264	2,264		
OPEN APPROPRIATIONS:									
WORKERS COMPENSATION	78,881	106,027	103,213	82,126	82,126	79,349	79,349		
Total Financing	80,536	107,581	104,844	84,338	84,338	81,613	81,613		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
WORKERS COMPENSATION	111,084	108,036	107,281	102,955	102,955	98,568	98,568		
Total Revenues Collected	111,084	108,036	107,281	102,955	102,955	98,568	98,568		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	30.0	22.0	22.0	22.0	22.0	22.0	22.0		
PART-TIME, SEASONAL, LABOR SER	1.5	0.8	0.8	0.8	0.8	0.8	0.8		
Total Full-Time Equivalent	31.5	22.8	22.8	22.8	22.8	22.8	22.8		

2000-01 Biennial Budget

PROGRAM: Workplace Services Division

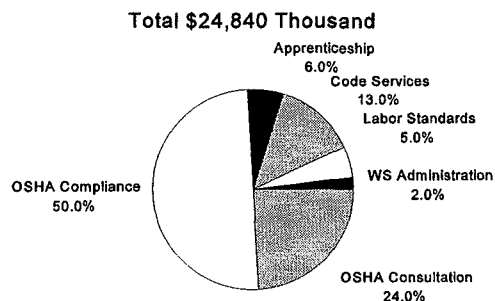
AGENCY: Labor and Industry, Department of

PROGRAM PROFILE:

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:

- Occupational Safety and Health Act (OSHA) Compliance--enforcement and outreach
- Workplace Safety Consultation--advice and consultation for workplace safety
- Code Administration and Inspection Services--enforcement of high pressure piping, boilers and pressure vessels, inland boats-for-hire
- Labor Standards--promoting fair wages and working conditions
- Apprenticeship--providing a highly skilled and educated workforce for employers.

1998-99 Expenditures by Activity



The program enforces the laws and standards established to prevent workplace injuries and illnesses. It enforces labor laws including the Minnesota Fair Labor Standards Act, child labor laws, minimum and prevailing wages, parental leave, lie detector law, fee employment and entertainment agencies laws. The goal is to work toward voluntary compliance by providing more education and outreach which reduces the need for enforcement citations.

STRATEGIES AND PERFORMANCE:

The Division is focused on creating safe and productive workplaces by changing workplace culture to increase employer and worker awareness of, commitment to and involvement with safety and health. It does this by securing public confidence

through excellence in the development and delivery of the Minnesota Occupational Safety and Health program. The Minnesota Safety and Health Achievement Recognition Program (MNSHARP) assists small high-hazard employers to achieve safety and health improvements and recognizes them for doing so.

The program will seek to change workplace culture in this way:

- OSHA will effect a reduction in the lost workday incidence by continued emphasis on outreach and education.
- Code Administration and Inspection Services will use technology to improve service, increase inspection efficiency and enhance collection of revenues through an interface with the statewide MAPS accounting system.
- Women, people of color and youth participating in apprenticeship programs will continue to increase.

FINANCING INFORMATION:

The program is financed by direct appropriations from the Workers' Compensation and General Funds. It also receives funding through 3 federal grants.

BUDGET ISSUES:

The information system used by the Code Administration and Inspection Services unit is obsolete and should be replaced.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels, except for the following adjustments:

- A biennial increase in funding in the Code Administration and Inspection Services activity of \$764,000 and 3.0 FTEs from the General Fund for a new code administration and inspection system which will improve the agency's management of the licensing and inspections of boilers, pressure vessels, boats-for-hire, hobby boilers, and high pressure and ammonia piping systems. The cost of this initiative will be recovered by an increase in user fees which will generate an additional \$366,000 per year in non-dedicated revenue beginning in F.Y. 2001.
- A biennial reduction in funding in the Apprenticeship activity of \$1,379,000 and 8.7 FTEs from the General Fund and \$64,000 and .3 FTEs from federal funds for the removal of base funding for the apprenticeship program.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: WORKPLACE SERVICES DIVISION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
WORKPLACE SERVICES ADMIN	120	143	329	211	211	215	215	(46)	-9.7%
APPRENTICESHIP PROGRAMS	704	746	830	797	165	811	0	(1,411)	-89.5%
CODE ADMIN & INSPECTION SVS	1,484	1,603	1,677	1,713	2,038	1,755	2,194	952	29.0%
LABOR STANDARDS	514	558	636	610	610	625	625	41	3.4%
OSHA COMPLIANCE	5,500	5,762	6,533	6,710	6,710	6,896	6,896	1,311	10.7%
WORKPLACE SAFETY CONSULTATION	1,943	2,906	3,117	3,821	3,821	4,139	4,139	1,937	32.2%
Total Expenditures	10,265	11,718	13,122	13,862	13,555	14,441	14,069	2,784	11.2%

CHANGE ITEMS:	FUND				
(B) CODE ADMIN AND INSPECTION SYSTEM	GEN			325	439
(B) APPRENTICESHIP REGISTRATION-BASE CUT	FED			(32)	(32)
(B) APPRENTICESHIP REGISTRATION-BASE CUT	GEN			(600)	(779)
Total Change Items				(307)	(372)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	2,738	2,872	3,102	3,112	2,837	3,184	2,844
WORKERS COMPENSATION	3,329	3,287	4,012	4,039	4,039	4,136	4,136
OPEN APPROPRIATIONS:							
WORKERS COMPENSATION	88	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	58	19	47	47	47	47	47
FEDERAL	2,739	3,680	3,994	4,090	4,058	4,211	4,179
WORKERS COMPENSATION	1,304	1,830	1,912	2,562	2,562	2,851	2,851
AGENCY	9	30	55	12	12	12	12
Total Financing	10,265	11,718	13,122	13,862	13,555	14,441	14,069

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: WORKPLACE SERVICES DIVISION

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	143.0	151.0	154.0	154.0	148.0	154.0	148.0
Total Full-Time Equivalent	143.0	151.0	154.0	154.0	148.0	154.0	148.0

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2000-01 Biennial Budget

BUDGET ACTIVITY: Workplace Services Administration
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

appropriation from the General Fund and 79% by a direct appropriation from the Workers' Compensation fund. This unit does not collect revenue.

BUDGET ISSUES:

None.

ACTIVITY PROFILE:

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 of those who inspect them; and labor standards rights and obligations for employers and employee in the workplace. Administration leads this division in achieving new and innovative ways to regulate through outreach 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.

STRATEGIES AND PERFORMANCE:

Workplace Services Administration operates within 4 over-arching leadership strategies:

- Programs provide proactive consultation to meet current and emerging workplace needs.
- Each individual program meets or exceeds comparable programs at the federal level or in other states while addressing Minnesota's unique needs.
- Supports the statutorily required advisory councils.
- Facilitates discussion to resolve questions of workplace statutes and rules.

This approach ensures that the division's activities anticipate worker and employer trends. It provides for clear communication and an arena for customers, stakeholders and staff to successfully participate in policy and operational decision making.

FINANCING INFORMATION:

The Workplace Services Administration activity is financed 21% by a direct

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: WORKPLACE SERVICES ADMIN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	37	126	133	142	142	150	150	33	12.7%
OPERATING EXPENSES	83	17	196	69	69	65	65	(79)	-37.1%
SUBTOTAL STATE OPERATIONS	120	143	329	211	211	215	215	(46)	-9.7%
Total Expenditures	120	143	329	211	211	215	215	(46)	-9.7%

<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	80	40	104	45	45	46	46		
WORKERS COMPENSATION	0	103	225	166	166	169	169		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	40	0	0	0	0	0	0		
Total Financing	120	143	329	211	211	215	215		

<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	2.0	2.0	2.0	2.0	2.0	2.0		
Total Full-Time Equivalent	1.0	2.0	2.0	2.0	2.0	2.0	2.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: Apprenticeship
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Apprenticeship program goals are to:

- Expand apprenticeship opportunities for youth and adults that provide Minnesota employers with well-trained workers.
- Increase the diversity of registered apprentices.
- Maintain the relevancy and quality of registered apprenticeship programs.

To promote, develop, approve and monitor quality registered apprenticeships in Minnesota workplaces, the unit:

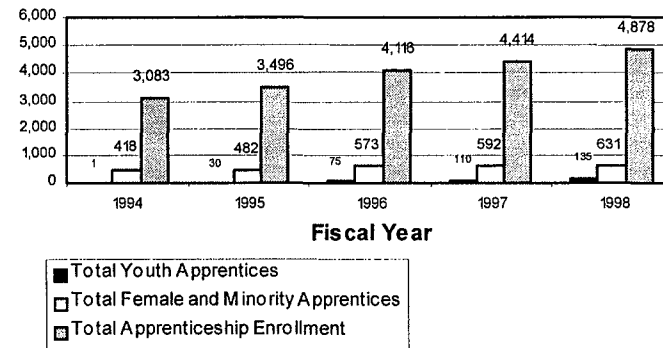
- Delivers quality informational apprenticeship brochures.
- Provides timely technical assistance for new and existing programs.
- Conducts yearly supervisory and compliance reviews at approved work sites.
- Reviews entrance requirements to eliminate discriminatory practices.
- Investigates all complaints regarding apprenticeship program violations.
- Cancels programs that fail to adhere to the approved standards.
- Meets with Minnesota employers and community-based organizations to expand interest and understanding of the value of apprenticeship.

STRATEGIES AND PERFORMANCE:

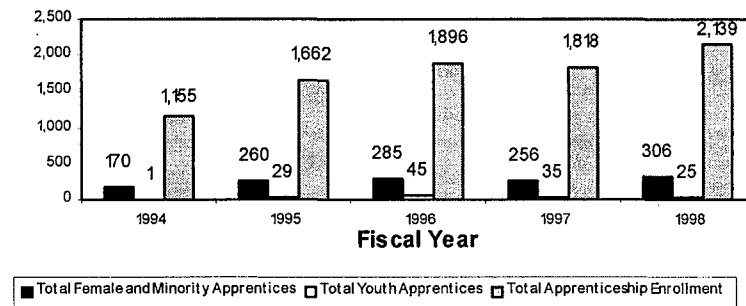
The Apprenticeship unit's performance achievements from F.Y. 1994 to 1998 include the following items:

- Conducted 425 compliance reviews and supervisory visits in F.Y. 1998 to ensure proper EEO.
- Increased the number of apprentices from 3,083 to 4,878.
- Increased the number of women and minorities from 418 to 631.
- Increased the number of youth apprentices from 1 to 135.
- Awarded 5 LEAP grants to community-based organizations to recruit women and minority apprentices each fiscal year.

1994-1998
Total State Apprenticeship Enrollments



1994 - 1998
Total New Apprenticeship Enrollments



FINANCING INFORMATION:

The Apprenticeship unit is financed by a direct appropriation from the General Fund. In addition, the Apprenticeship unit administers the Labor Education Advancement Program (LEAP) grants which are allocated each year to community-based organizations for the purpose of increasing the number of women and minorities in registered apprenticeship programs. The unit also receives funding through a federal grant from the Veterans Administration. These federal funds are for apprenticeship staff to review and approve all eligible veteran apprenticeship and on-the-job (OJT) training programs.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: APPRENTICESHIP PROGRAMS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	450	446	470	498	165	511	0	(751)	-82.0%
OPERATING EXPENSES	50	106	156	95	0	96	0	(262)	-100.0%
SUBTOTAL STATE OPERATIONS	500	552	626	593	165	607	0	(1,013)	-86.0%
LOCAL ASSISTANCE	204	194	204	204	0	204	0	(398)	-100.0%
Total Expenditures	704	746	830	797	165	811	0	(1,411)	-89.5%

CHANGE ITEMS:	FUND				
(B) APPRENTICESHIP REGISTRATION-BASE CUT	FED			(32)	(32)
(B) APPRENTICESHIP REGISTRATION-BASE CUT	GEN			(600)	(779)
Total Change Items				(632)	(811)

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	673	703	749	765	165	779	0
STATUTORY APPROPRIATIONS:							
FEDERAL	31	42	32	32	0	32	0
WORKERS COMPENSATION	0	1	49	0	0	0	0
Total Financing	704	746	830	797	165	811	0

REVENUE COLLECTED:							
DEDICATED							
FEDERAL	0	42	32	32	0	32	0
Total Revenues Collected	0	42	32	32	0	32	0

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: APPRENTICESHIP PROGRAMS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	9.0	9.0	9.0	9.0	0.0	9.0	0.0
Total Full-Time Equivalent	9.0	9.0	9.0	9.0	0.0	9.0	0.0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Labor and Industry, Department of
PROGRAM: Workplace Services Division
ACTIVITY: Apprenticeship

ITEM TITLE: Base Reduction

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$(396)	\$(575)	\$(575)	\$(575)
- Grants	\$(204)	\$(204)	\$(204)	\$(204)
- Federal	\$(32)	\$(32)	\$(32)	\$(32)
Revenues: (\$000s)				
Federal	\$(32)	\$(32)	\$(32)	\$(32)

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 178

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial reduction in funding of \$1,379,000 and 8.7 FTEs from the General Fund and \$64,000 and .3 FTEs from the federal fund for elimination of state regulation of apprenticeships.

RATIONALE:

The base budget reductions recommended by the Governor reflect his firmly held views that government should only do what is critical and important and that not everything the state currently does meets that test. Therefore, current spending must be continuously evaluated and lower priority spending eliminated whenever possible. Within the limited time available, only a limited number of reductions have been identified. However, these reductions should be taken as indicative of how the budget will be approached in the future.

Some of the criteria applied in identifying these spending reductions are:

- Not every new idea has to be financed with added money.

- Non-essential expenditures should be eliminated.
- Expenditures should reflect a proper role of government.
- Eliminate narrow interests that only benefit a few at the expense of many.
- Eliminate expenditures that duplicate the efforts of others.
- Eliminate expenditures that shift user costs to the general taxpayer.

The state apprenticeship registration and monitoring program originated in 1939 from federal legislation concerned about safeguarding the welfare of apprentices and the enforcement of labor standards. Times and conditions have changed substantially since 1939. Many lines of work routinely have internships and other special employment conditions without oversight by the state and without loss of employee protections. Recognizing current employment conditions, the Governor recommends that the state eliminate this program and leave employees and employers to determine conditions between themselves. Should some need for a portion of the program remain, the department should explore how to meet that need through fees paid by benefited employers.

2000-01 Biennial Budget

BUDGET ACTIVITY: Code Administrative and Inspection Services
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

Code Administration and Inspection Services is responsible for assuring the safe operation of boilers, pressure vessels, boats-for-hire, hobby boilers, and high pressure and ammonia piping systems in Minnesota through the adoption of regulations; for licensing boiler operators, boat pilots, and pipefitters; and for conducting inspections. Boilers and boats-for-hire must be inspected annually. Pressure vessels and hobby boilers must be inspected once every 2 years. Piping systems must be inspected before they may begin operation.

Inspection of boilers and licensure of boiler operators became law in 1879 because of the many deaths being caused by boiler explosions. High pressure piping regulations were enacted in 1937 with ammonia piping systems added to the law in 1989. The premise underlying these activities is that boilers, pressure vessels, and piping systems will be safer if constructed and operated according to uniform code administered and enforced by the state.

STRATEGIES AND PERFORMANCE:

As a regulator, these are the budget activity's key strategies:

- Administer and enforce the state code on boilers, pressure vessels, and boats-for-hire incorporating industry and national codes.
- Administer and enforce the code on ammonia and power piping systems.
- Inspect boilers, pressure vessels, hobby boilers, boats-for-hire, high pressure piping systems, and ammonia piping systems to ensure their safe operation.
- License boiler operators, boat pilots, piping contractors, and journey-level pipefitters.
- Issue permits for the installation of high pressure piping and ammonia piping systems.
- Investigate compliance with state regulation of boilers, pressure vessels, hobby boilers, boats-for-hire, power piping systems, and ammonia piping systems.

Measures of this budget activity's performance in F.Y. 1998 include the following:

Boilers and Pressure Vessels

- 12,131 boiler and pressure vessel inspections conducted by department (output)
- 2,238 survey inspections (output)
- 1,306.3 inspections per inspector (workload)
- 12.75% of the 21,736 boilers and pressure vessels inspected by the department are past due (efficiency)
- 27,487 boiler and pressure vessel inspections conducted by insurers (output)
- 3,570 boiler operator exams given (output)
- 39,285 boiler licenses issued/renewed (output)

Ammonia and High Pressure Piping

- 326 ammonia and high pressure piping permits issued (output)
- 1,279 permit inspections conducted (output)
- 342 survey inspections conducted (output)
- 164 HPP code violations cited (output)
- 0.5 code violations per permit (outcome)
- 2,497 piping licenses issued/renewed (output)

Boats-for-Hire

- 84 boats-for-hire inspected (output)
- 499 pilots licenses issued/renewed (output)

The primary outcome measure for boilers and pressure vessels is the incidence of deficiencies recorded per 100 inspected objects.

FINANCING INFORMATION:

The unit is financed by a direct appropriation from the General Fund. Its costs are recovered through the collection of license, inspection, exemption, and seminar registration fees.

BUDGET ISSUES:

The activity's computer databases need to be replaced with a single integrated database that allows it to effectively manage the department's responsibilities to licensees, certificate holders, and permit holders and to efficiently monitor compliance with the boiler and pressure vessel code and the ammonia and power piping codes.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: CODE ADMIN & INSPECTION SVS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,184	1,269	1,315	1,360	1,550	1,408	1,608	574	22.2%
OPERATING EXPENSES	300	334	362	353	488	347	586	378	54.3%
SUBTOTAL STATE OPERATIONS	1,484	1,603	1,677	1,713	2,038	1,755	2,194	952	29.0%
Total Expenditures	1,484	1,603	1,677	1,713	2,038	1,755	2,194	952	29.0%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) CODE ADMIN AND INSPECTION SYSTEM	GEN				325		439		
Total Change Items					325		439		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,480	1,601	1,668	1,704	2,029	1,746	2,185		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	4	2	9	9	9	9	9		
Total Financing	1,484	1,603	1,677	1,713	2,038	1,755	2,194		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	4	9	9	9	9	9		
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	1,867	1,947	1,875	1,875	1,875	1,875	2,241		
Total Revenues Collected	1,867	1,951	1,884	1,884	1,884	1,884	2,250		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: CODE ADMIN & INSPECTION SVS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	24.0	25.0	24.0	24.0	27.0	24.0	27.0
Total Full-Time Equivalent	24.0	25.0	24.0	24.0	27.0	24.0	27.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: LABOR AND INDUSTRY DEPT

PROGRAM: WORKPLACE SERVICES DIVISION

ACTIVITY: CODE ADMIN & INSPECTION SVS

IT Change Item: CODE ADMIN AND INSPECTION SYSTEM

ITEM DESCRIPTION AND PURPOSE:

A new set of applications is needed in Code Administration and Inspection Services (CAIS) to replace the current system which was designed 10 years ago for use on a mainframe computer. The new system will: 1) create an inventory record of boilers, pressure vessels, boats-for-hire, hobby boilers, high pressure piping systems, and ammonia piping systems; 2) create a current and historical record of inspections and findings linked to the inspected object or piping system; 3) provide inspectors access to object and operator information to assure data accuracy and improve inspection efficiency and effectiveness; 4) eliminate inspection reporting delays by allowing inspectors to record and file their inspection reports electronically concurrent with their inspections; 5) enhance the collection of revenues through an interface with the statewide MAPS accounting system; 6) provide data necessary to measure the results of the activity's operations; and 7) create meaningful management reports that: a) enable the department to manage CAIS regulatory activities and b) keep inspectors informed of their productivity and performance.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	21	55	0	0	0	0
Personnel	190	200	0	0	0	0
Services	104	169	0	0	0	0
Software	10	15	0	0	0	0
Supplies	0	0	0	0	0	0
Training	0	0	0	0	0	0
Total	325	439	0	0	0	0

The requested funding is needed for this one-time design and implementation of a new information system to serve Code Administration and Inspection Services. The base funding for this office is devoted to ongoing operational expenses and is not sufficient to cover the necessary costs of a new and improved information system. Systems development consultants will be obtained with \$273,000 over the biennium to perform business process analysis, requirements definition, systems development, testing, and stabilization. \$390,000 will be used over the biennium for 1 project manager and 2 functional analyst positions to provide leadership and coordination between department staff and systems development consultants. These positions will be filled by business-knowledgeable state employees. The remaining \$101,000 will provide the computer hardware and software needed for implementation. The costs of the project will be recovered by an increase in boiler and pipefitter user fees.

RATIONALE:

This project is being undertaken to automate collection and manipulation of data related to inspection of high pressure piping systems, boilers, pressure vessels, hobby boilers, and boats for hire, as well as the licensing of the operators of these objects. The project will integrate with Labor and Industry's enterprise-wide database, will generate invoices and licenses for services that the Code Administration and Inspection Services unit provides, and will interface with MAPS. Management reports will also be provided.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X				
Operations		X	X	X	X	X
Modification			X	X	X	X
Retirement						

Initial funding for this project will cover three project staff positions to direct the project development and integrate it within the Code Administration and Inspection Services (CAIS) office. Funding will also be used to purchase software and services to build custom applications, and hardware with which to implement the application. Ongoing costs will include modification to the application which will be done internally by department technical staff. Maintenance and licensing for hardware and software will be covered by the CAIS operating budget.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: LABOR AND INDUSTRY

IT Change Item: Enhance Technology Infrastructure
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

Agency is committed to sound information resource management approach, is addressing its critical business functions and needs, and is evolving toward agency-wide data sharing, applications and technology.

OT Master Plan: Goal 2-Efficient and effective government. This project would collect and automate inspection and licensing of high pressure piping systems, boilers, pressure vessels and related equipment. Code administration information would be integrated into agency-wide database. Recommendation: Proceed with project to integrate agency-wide data. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$764,000 and 3.0 FTEs from the General Fund for this change item, as requested by the agency. The cost of this change item will be recovered by an increase in user fees which will generate an additional \$366,000 in non-dedicated revenue annually beginning in FY 2001.

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2000-01 Biennial Budget

BUDGET ACTIVITY: Labor Standards
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

Labor Standards unit educates, advises on and enforces the following:

- The Minnesota Fair Labor Standards Act
- Minnesota Child Labor Standards Act
- Parental Leave Law
- Nursing Mother Law
- Fee Employment Agency Act
- Prevailing Wage Law

Labor Standards uses both education and enforcement to assure compliance. The unit's customer-service work also includes:

- Answering nearly 90,000 phone calls on labor-law issues per year from concerned citizens;
- Conducting approximately 200 payroll-record audits per year; and
- Mailing 5,500 prevailing wage survey forms and processing about 2,000 responses to establish state prevailing wages.

STRATEGIES AND PERFORMANCE:

A well-educated workforce working for employers who understand their responsibilities is the best guarantee that labor laws are properly administered. To train employers and employees, the unit:

- Responds to telephone, written and electronic inquiries;
- Conducts payroll-record audits;
- Provides outreach at the Minnesota State Fair, various trade and industry shows, union conventions, high schools, and to civic and community groups;

- Targets all high school principals and career resource centers in the state to inform them of labor law requirements for minors;
- Provides notice to companies where a minor was injured in the last 15 months to inform them of hazardous occupations for minors and to make employers aware of safety consultation services; and
- seeks more user-friendly methods of communication.

FINANCING INFORMATION:

The unit is financed by a direct appropriation from the General Fund. The unit collects revenue from:

- Licensing of fee employment agencies and search firms, and
- Fines assessed for violations of the Child Labor Laws and Rules and the Fair Labor Standards Act.

The unit also collects back wages owed to employees by employers. These funds are remitted to the employees.

BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: LABOR STANDARDS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	432	426	473	499	499	517	517	117	13.0%
OPERATING EXPENSES	82	132	163	111	111	108	108	(76)	-25.8%
SUBTOTAL STATE OPERATIONS	514	558	636	610	610	625	625	41	3.4%
Total Expenditures	514	558	636	610	610	625	625	41	3.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	505	528	581	598	598	613	613		
STATUTORY APPROPRIATIONS:									
AGENCY	9	30	55	12	12	12	12		
Total Financing	514	558	636	610	610	625	625		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
AGENCY	10	33	12	12	12	12	12		
NONDEDICATED									
GENERAL	0	0	6	3	3	3	3		
CAMBRIDGE DEPOSIT FUND	101	112	88	88	88	88	88		
Total Revenues Collected	111	145	106	103	103	103	103		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	10.0	10.0	10.0	10.0	10.0	10.0	10.0		
Total Full-Time Equivalent	10.0	10.0	10.0	10.0	10.0	10.0	10.0		

2000-01 Biennial Budget

BUDGET ACTIVITY: OSHA Compliance
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Minnesota Occupational and Safety and Health (MNOSHA) program began in 1973. Its mission is to make sure every worker in the state of Minnesota has a safe and healthful workplace.

All public/private employers in Minnesota, except federal agencies and exclusive federal jurisdiction properties, are covered under the MNOSHA program. MNOSHA is required to be at least as effective as the federal OSHA program.

The MNOSHA Compliance program promotes and ensures safe and healthful working conditions for all Minnesota workers by:

- Conducting inspections which identify hazardous 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 MNOSHA standards is encouraged through staff outreach initiatives and seminars, and providing information and technical assistance.

STRATEGIES AND PERFORMANCE:

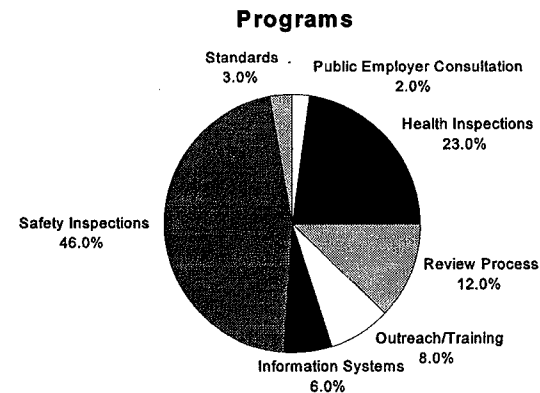
MNOSHA is in the process of developing a 5-year strategic plan. MNOSHA will work cooperatively with Workplace Safety Consultation to complete and implement the strategic plan with the following 3 goals:

- Improve workplace safety and health for all workers, as evidenced by fewer hazards, reduced exposures, and fewer injuries, illnesses and fatalities;
- Change workplace culture to increase employer and worker awareness of, commitment to, and involvement with safety and health; and

- Secure public confidence through excellence in the development and delivery of MNOSHA's programs and services.

FINANCING INFORMATION:

MNOSHA is financed by a federal grant which is matched with a direct appropriation from the workers' compensation fund. The activity generates non-dedicated revenue for the workers' compensation fund through penalties assessed on employers who are found to be out of compliance with MNOSHA standards.



BUDGET ISSUES:

- The Federal OSHA budget which provides up to 50% of the budget for MNOSHA is appropriated every federal fiscal year. A small cost of living adjustment is anticipated during the biennium.
- MNOSHA will be covering a 13% projected increase of workers to 2.1 million employees by F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: OSHA COMPLIANCE

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	3,814	3,994	4,532	4,767	4,767	4,943	4,943	1,184	13.9%
OPERATING EXPENSES	1,686	1,768	2,001	1,943	1,943	1,953	1,953	127	3.4%
SUBTOTAL STATE OPERATIONS	5,500	5,762	6,533	6,710	6,710	6,896	6,896	1,311	10.7%
Total Expenditures	5,500	5,762	6,533	6,710	6,710	6,896	6,896	1,311	10.7%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
WORKERS COMPENSATION	3,258	2,822	3,296	3,396	3,396	3,483	3,483
OPEN APPROPRIATIONS:							
WORKERS COMPENSATION	88	0	0	0	0	0	0
STATUTORY APPROPRIATIONS:							
FEDERAL	2,154	2,940	3,237	3,314	3,314	3,413	3,413
Total Financing	5,500	5,762	6,533	6,710	6,710	6,896	6,896

REVENUE COLLECTED:							
DEDICATED							
FEDERAL	0	2,828	3,217	3,314	3,314	3,413	3,413
NONDEDICATED							
WORKERS COMPENSATION	1,406	1,431	1,450	1,470	1,470	1,490	1,490
Total Revenues Collected	1,406	4,259	4,667	4,784	4,784	4,903	4,903

FTE BY EMPLOYMENT TYPE:							
FULL TIME	88.0	88.7	89.7	89.7	89.7	89.7	89.7
Total Full-Time Equivalent	88.0	88.7	89.7	89.7	89.7	89.7	89.7

2000-01 Biennial Budget

BUDGET ACTIVITY: Workplace Safety Consultation
PROGRAM: Workplace Services Division
AGENCY: Labor and Industry, Department of (DLI)

ACTIVITY PROFILE:

The Workplace Safety Consultation (WSC) unit's mission is to help employers and employees eliminate safety and health hazards in the workplace that contribute to injuries and illnesses through the following programs:

- OSHA Consultation Program - 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;
- Loggers' Safety Education Program - administers the educational program for the loggers' statute (M.S. 176.130) to ensure all Minnesota loggers have the opportunity to obtain safety training;
- Labor-Management Safety Committee Program - targets workplace safety consultation and inspections through the formal labor-management safety committee structure developed jointly with the Bureau of Mediation Services;
- Safety Grant Program - provides matching grants to businesses for safety equipment and training costs;
- Workplace Violence Prevention Program - assists employers and employees with this emerging workplace safety issue; and
- MNSHARP Program - provides Minnesota Safety and Health Achievement Recognition Program incentives and support to smaller, high-hazard employers to work with their employees to develop, implement and continuously improve safety and health programs. MNSHARP partners with larger employers to develop exemplary programs and mentor smaller employers. The impact of the program is to reduce injury and illness rates below the national average for their industry.

STRATEGIES AND PERFORMANCE:

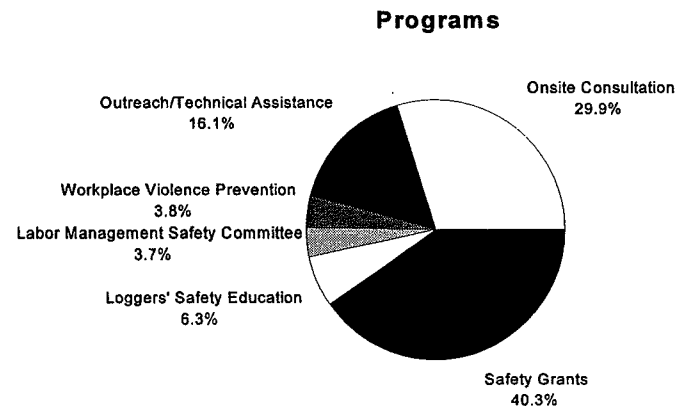
Workplace Safety Consultation's 3 primary goals are as follows:

- Help employers improve workplace safety and health for workers, as evidenced by fewer hazards, reduced exposures, and fewer injuries, illnesses and fatalities,
- Change workplace culture to increase employer and worker awareness of,

- commitment to, and involvement with safety and health; and
- Secure public confidence through excellence in the development and delivery of Workplace Safety Consultation's programs and services.

FINANCING INFORMATION:

WSC is financed by a federal grant which is matched with a direct appropriation from the workers' compensation fund. The unit also administers the funding appropriated from the Assigned Risk Safety Account in the workers' compensation fund for the Labor-Management Safety Committee, Workplace Violence Prevention, and Safety Grant programs. The Loggers' Safety Education program is funded by an assessment paid by wood mills.



BUDGET ISSUES:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: WORKPLACE SAFETY CONSULTATION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	603	883	1,038	1,093	1,093	1,131	1,131	303	15.8%
OPERATING EXPENSES	371	467	500	453	453	448	448	(66)	-6.8%
SUBTOTAL STATE OPERATIONS	974	1,350	1,538	1,546	1,546	1,579	1,579	237	8.2%
LOCAL ASSISTANCE	969	1,556	1,579	2,275	2,275	2,560	2,560	1,700	54.2%
Total Expenditures	1,943	2,906	3,117	3,821	3,821	4,139	4,139	1,937	32.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	71	362	491	477	477	484	484		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	14	17	38	38	38	38	38		
FEDERAL	554	698	725	744	744	766	766		
WORKERS COMPENSATION	1,304	1,829	1,863	2,562	2,562	2,851	2,851		
Total Financing	1,943	2,906	3,117	3,821	3,821	4,139	4,139		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	0	19	38	38	38	38	38		
FEDERAL	0	701	722	744	744	766	766		
WORKERS COMPENSATION	1,891	2,143	2,166	2,166	2,166	2,166	2,166		
Total Revenues Collected	1,891	2,863	2,926	2,948	2,948	2,970	2,970		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	11.0	16.3	19.3	19.3	19.3	19.3	19.3		
Total Full-Time Equivalent	11.0	16.3	19.3	19.3	19.3	19.3	19.3		

2000-01 Biennial Budget

PROGRAM: General Support Division

AGENCY: Labor and Industry, Department of

PROGRAM PROFILE:

The General Support program provides agency-wide leadership and support to internal customers in the following management areas:

- Research and statistics;
- Information technology development and support;
- Legal advice and litigation;
- Investigative services;
- Finance and accounting;
- Communications; and
- Human resources.

This program assists other agency activities to achieve the goals and objectives that serve workers and employers in the state.

STRATEGIES AND PERFORMANCE:

This infrastructure program is based on 4 critical strategies:

- Improve internal processes;
- Capitalize on available information through research and technology;
- Develop sound analysis and training in the law to support decision making; and
- Centralize services to reduce duplication of cost and effort.

Such services must become faster, more accurate and better able to anticipate trends in workplace issues and technology applications.

Important performance achievements include:

- Established an agency research agenda including an annual workers' compensation system report, a workplace safety report and ongoing, quality research and statistics on workplace issues;
- Implemented a human resource management pilot, focusing on alternative methods of employee selection;

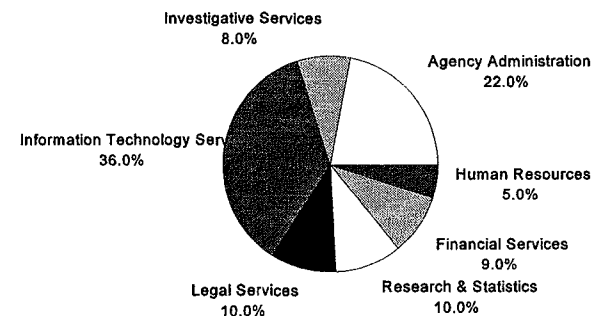
- Advanced the computer imaging system and migrated to a new computer database;
- Developed an information model for all agency programs to reduce duplication of effort and improve the quality of data collected; and
- Completed the programming required to upgrade systems to ensure Year 2000 readiness.

FINANCING INFORMATION:

The program is financed by direct appropriations from the Workers' Compensation and General Funds, and indirect cost revenues recovered from the agency's federal programs. The program also administers 2 federal research grants from the Bureau of Labor Statistics. The purpose of these grants is to conduct surveys to collect, analyze and report data on workplace injuries.

1998-99 Expenditures by Activity

Total \$15,185 Thousand



BUDGET ISSUES:

The program will be challenged to provide the necessary services within the constraints of its base budget. General inflation costs must be absorbed through operating efficiencies.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base level funding for this program and a biennial increase in funding of \$24,000 from the General Fund and \$691,000 from the workers compensation fund to provide one-time funding to improve the agency's technical infrastructure and reporting capabilities and to provide ongoing maintenance to existing systems.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT
Program: GENERAL SUPPORT DIVISION
Activity: GENERAL SUPPORT DIVISION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	3,643	4,217	4,800	5,021	5,021	5,191	5,191	1,195	13.3%
OPERATING EXPENSES	2,845	2,581	3,587	2,016	2,531	2,006	2,206	(1,431)	-23.2%
SUBTOTAL STATE OPERATIONS	6,488	6,798	8,387	7,037	7,552	7,197	7,397	(236)	-1.6%
Total Expenditures	6,488	6,798	8,387	7,037	7,552	7,197	7,397	(236)	-1.6%

CHANGE ITEMS:	FUND				
(B) ENHANCE TECHNOLOGY INFRASTRUCTURE	GEN			24	
(B) ENHANCE TECHNOLOGY INFRASTRUCTURE	WCS			491	200
Total Change Items				515	200

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	1,070	978	1,006	1,040	1,064	1,069	1,069
WORKERS COMPENSATION	4,295	4,897	6,079	4,991	5,482	5,101	5,301
OPEN APPROPRIATIONS:							
WORKERS COMPENSATION	408	482	406	397	397	418	418
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	216	307	746	460	460	460	460
FEDERAL	499	134	150	149	149	149	149
Total Financing	6,488	6,798	8,387	7,037	7,552	7,197	7,397

REVENUE COLLECTED:							
DEDICATED							
SPECIAL REVENUE	403	443	460	460	460	460	460
FEDERAL	3,313	155	149	149	149	149	149

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR AND INDUSTRY DEPT

Program: GENERAL SUPPORT DIVISION

Activity: GENERAL SUPPORT DIVISION

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
NONDEDICATED							
GENERAL	2	0	0	0	0	0	0
Total Revenues Collected	3,718	598	609	609	609	609	609
FTE BY EMPLOYMENT TYPE:							
FULL TIME	73.3	84.5	83.5	81.4	81.4	81.4	81.4
PART-TIME, SEASONAL, LABOR SER	1.1	6.5	6.5	5.6	5.6	3.6	3.6
Total Full-Time Equivalent	74.4	91.0	90.0	87.0	87.0	85.0	85.0

F.Y. 2000-2001 Information Technology New Funding

AGENCY: LABOR AND INDUSTRY DEPT

PROGRAM: GENERAL SUPPORT DIVISION

ACTIVITY: GENERAL SUPPORT DIVISION

IT Change Item: ENHANCE TECHNOLOGY INFRASTRUCTURE

ITEM DESCRIPTION AND PURPOSE:

Over the past few biennia, the agency has made technological giant steps in converting its workers' compensation system to a paperless process using an imaging system, implementing a relational database to reduce duplication of effort and to improve available information, and installing a claims management system to improve the overall processing of claims handled by the Special Compensation Fund. This request addresses the following areas that were not addressed in past technology initiatives, and is a way to optimize and protect those past investments: 1) one-time conversion of existing 16-bit applications to a 32-bit environment; 2) one-time rewiring of agency network; 3) one-time purchase of an additional disk array; 4) one-time purchase and training for an end-user reporting tool; and 5) ongoing maintenance and upgrade of imaging and claims management systems.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	160	0	0	0	0	0
Personnel	0	0	0	0	0	0
Services	308	200	200	200	200	200
Software	15	0	0	0	0	0
Supplies	0	0	0	0	0	0
Training	32	0	0	0	0	0
Total	515	200	200	200	200	200

This request seeks resources needed to optimize and protect the department's investment in the workers' compensation imaging system, and to allow the department to continue its shared-system relationship with the Department of Employee Relations and implement system upgrades/modifications to enhance the workers' compensation claims management function. This request supplements the \$12.3 million that has previously been invested by the department in technology. The areas covered by this request were not addressed in past technology initiatives.

RATIONALE:

This change item is intended to strengthen and refurbish our technology infrastructure and provide additional funding to allow for ongoing maintenance of the imaging and GenComp systems. Specifically, the following benefits will result:

1. 16-bit imaging system applications will be converted to 32-bit environment.
2. Imaging system disk array storage will be increased.
3. Labor and Industry's network will be rewired and converted to a switched network.
4. End-user reporting tool will be acquired with associated training.
5. Maintenance will be provided for GenComp and imaging systems.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X					
Operations	X	X	X	X	X	X
Modification	X	X				
Retirement						

The nature of the request makes life-cycle discussions difficult. The 32-bit conversion and network rewire are discrete projects that will have distinct development, operations, and (potentially) modification phases. The disk array involves purchase and implementation of hardware. The reporting tool will be purchased, users trained, and the product installed. Ongoing costs for software licenses will be borne by the impacted work unit. Ongoing funding requested herein is needed to cover maintenance costs for systems which were funded and implemented over the last 2 biennia.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: LABOR AND INDUSTRY
IT Change Item: Enhance Technology Infrastructure
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

Agency is committed to sound information resource management approach, is addressing its critical business functions and needs, and is evolving toward agency-wide data sharing, applications and technology.

OT Master Plan: Goal 2-Efficient and effective government. This project would provide ongoing maintenance and upgrade of networking infrastructure.
Recommendation: Proceed with project. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends this change item as requested by the agency. This initiative is funded \$24,000 from the General Fund and \$691,000 from the Workers Compensation Fund.

2000-01 Biennial Budget

AGENCY: Labor Interpretive Center (MLIC)

AGENCY DESCRIPTION:

The Minnesota Labor Interpretive Center (MLIC) will become a reality in the 2000-01 biennium as a state-of-the-art educational institution presenting the story of workers in Minnesota from past to present. It will offer the public a variety of forward-looking programs and examine current issues that illuminate the ever-changing story of work and workers in Minnesota. The MLIC is a public corporation of the state, created by M.S. 138A in 1985. It is governed by a state-appointed board of directors.

The MLIC will carry its program statewide through changing and interactive exhibits, theatrical plays, seminars, forums, conferences, art shows, lectures and all-media presentations. It will be based in a thoroughly renovated East Building of the Old Science Museum in St. Paul's Cultural Corridor. Scheduled for construction in 1999-2001, the MLIC, through its multi-faceted programs, will portray Minnesota workers in their varied and vital roles in building the state of Minnesota.

PERFORMANCE SUMMARY:

- Produced 3 traveling exhibits: "The Voices of America's Workers Begin to be Heard," "The World of Work: Work History in Minnesota," and "The Minnesota Labor Interpretive Center," and displayed them around the state in Minneapolis, St. Paul, Duluth, Owatonna and Little Falls, among other places.
- Placed the "World of Work" exhibit on its world wide website. Between May 20 and September 3, this site was visited by 683 persons from all over the United States and IC foreign countries.
- Produced a Minnesota Labor History Map, a preliminary design plan for exhibits to be installed in the center, a strategic plan, feasibility planning studies, a predesign report for the East Building.
- Conducted oral history interviews, collected historical items for exhibits. and gave technical assistance to students, scholars, organizations and the general public.

REVENUES:

No revenues to be collected during F.Y. 2000-2001. Beginning on 7-1-2001, admission fees will be charged.

EXPLANATION OF AGENCY'S BUDGET PLAN:

To provide the governing board with the necessary expertise to implement the pre-design plan for its building, staff and operate a temporary facility during the biennium and complete the design, construction and installation of exhibits.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Creating a core staff and enabling it to be involved in the design of the building and implementation of its program as the MLIC moves from a temporary to a permanent home and is up and running for public use.
- Completing the building design of a 4-level 120,291 square foot building so construction can begin in 1999.
- Overseeing the construction of the Center in 1999-2001.
- Planning, designing and installing the initial exhibits.
- Continuing the development of a statewide program.
- Advancing the teaching of the much-neglected subject of workers and the world of work in the history of Minnesota.
- Developing ongoing membership program and raising non-state funding for public programs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Labor Interpretive Center (LIC), as established in MS 138A.01 to MS 138.06, be terminated and its purposes and function be combined with those of the Minnesota Historical Society. To accomplish this transition the Governor recommends an appropriation of \$110,000 for the Society, in F.Y. 2000 to pay associated costs.

The mission of the Society is to foster an awareness of Minnesota history, so that people may draw strength and perspective from the past and find purpose for the future. The Society carries out this mission, in part, by providing opportunities for people of all ages to learn about the history of Minnesota. The Society also serves as an educational institution providing a variety of historical programs and services. The Society's role in preservation and interpretation of Minnesota's historical heritage inherently must include the contribution of working people.

2000-01 Biennial Budget

AGENCY: Labor Interpretive Center (MLIC)
(Continuation)

The Mission of the Labor Interpretive Center (MS 138A.01 subd. 2) is to "...celebrate the contribution of working people to the past, present, and future of Minnesota; to spur an interest among the people of Minnesota in their own family and community traditions of work; to help young people discover their work skills and opportunities for a productive working life; and to advance the teaching of work and labor studies in schools and colleges." This mission fits well within to the framework of the Society and merging the LIC's mission into the Society's will provide for a more efficient and cohesive delivery of services.

The Governor believes that the role of government should be limited and efficient. Consequently, he believes that programs that overlap should be combined to provide the most cost effective method of delivering services as possible. To that end the mission of the LIC can, and should most properly, be carried out by the Minnesota Historical Society. The Society is well positioned to present this story in a through and thoughtful manner that is readily accessible to the citizens of Minnesota.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: LABOR INTERPRETIVE CENTER

Program: LABOR INTRPRTVE CTR

Activity: LABOR INTRPRTVE CTR

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	42	43	100	47	0	48	0	(143)	-100.0%
OPERATING EXPENSES	162	131	147	173	0	179	0	(278)	-100.0%
SUBTOTAL STATE OPERATIONS	204	174	247	220	0	227	0	(421)	-100.0%
Total Expenditures	204	174	247	220	0	227	0	(421)	-100.0%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) BASE REDUCTION	GEN				(220)		(227)		
Total Change Items					(220)		(227)		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	204	174	247	220	0	227	0		
Total Financing	204	174	247	220	0	227	0		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
GIFT	1	1	1	0	0	0	0		
Total Revenues Collected	1	1	1	0	0	0	0		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	1.0	1.7	1.7	0.0	1.7	0.0		
Total Full-Time Equivalent	1.0	1.0	1.7	1.7	0.0	1.7	0.0		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **LABOR INTERPRETIVE CENTE**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	213	213	214	214	<1>	<1>	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	6	13	6	13	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	6	13	6	13	0	0	0	0
BASE BUDGET	219	226	220	227	<1>	<1>	0	0

2000-01 Biennial Budget

PERFORMANCE SUMMARY:

AGENCY: Mediation Services, Bureau of (BMS)

MISSION AND VISION:

Mission: To mediate labor disputes and regulate the formal relationships between employers and employee organizations in Minnesota, provide a range of technical support programs to collective bargaining and joint labor-management cooperation programs, and assist public agencies in resolving disputes without litigation. (M.S. Chap. 179 and 179A.)

Vision: To improve the quality of Minnesota's labor-management relationships so that labor disputes are kept to a minimum and constructive relationships contribute to economic development of Minnesota.

KEY SERVICE STRATEGIES:

- Provide contract and grievance mediation, arbitration referral services, and bargaining unit determinations to ensure orderly and constructive labor relations.
- Supervise, conduct, and certify elections for union representation to provide democratic election outcomes.
- Provide training and technical resources to labor relations practitioners for: 1) skill building and 2) dissemination of state of the art information.
- Provide matching grants to Area Labor Management Councils to support joint cooperative labor relations programs and to contribute to the state's economic development.
- Offer training and dispute resolution services to public agencies to assist in preventing or resolving non-labor disputes in a timely, cost-efficient manner without resorting to litigation.

<u>Program Area</u>	<u>F.Y. 1992-93</u>	<u>F.Y. 1994-95</u>	<u>F.Y. 1996-97</u>	<u>F.Y. 1998-99</u>
Labor Mgmt Coop				
New Worksite Committees	30	36	69	80
Council Grants	\$476	\$444	\$444	\$604
# of Grantees	16	17	18	18
Mediation				
# of Disputes	1,708	1,661	1,500	1,530
# of Strikes (public sector)	6	1	1	1
# of Interest-Based Collect Barg. Facilitations	0	4	60	70
Grievance Mediation Settlement Rate	83%	91%	91%	91%
Representation				
# of Petitions Received	914	838	1,054	824
# of Elections	145	158	132	128
Technical Support Services				
# of Training Classes	20	32	115	175
# of Arbitration Lists Ref.	1,401	1,448	1,345	1,170
Alternative Dispute Resol.				
Srvs. # of Cases	48	60	292	362

REVENUES:

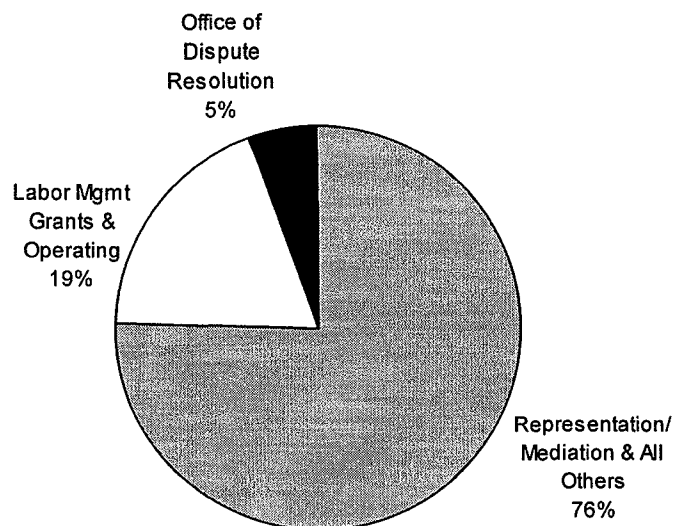
BMS generates non-dedicated, General Fund revenue from Arbitrator renewal applications and Fair Share Challenge Fees (\$2,000 a year is expected in the upcoming biennium). In F.Y. 2000, the Office of Dispute Resolution (ODR) expects to generate \$218,000 in dedicated, Special Revenue Funds from inter-agency agreements with the Department of Human Rights and the Department of Education, Children & Families for mediating human rights and special education disputes. The dispute resolution training program projects dedicated revenue of \$55,000 in F.Y. 2000.

2000-01 Biennial Budget

AGENCY: Mediation Services, Bureau of (BMS)
(Continuation)

EXPLANATION OF AGENCY'S BUDGET PLAN:

The following graphic shows planned spending by program from the bureau's total, base level appropriation (all funds) for the biennium.



Demands for services continue to grow, becoming more diverse and labor-intensive. To respond, we will prioritize services to meet client demands, improve the Bureau's management information system and train parties to become more skilled in preventing/resolving labor and non-labor disputes. The agency will provide additional labor training, interest-based collective bargaining support services, encourage additional labor management worksite committees and promote broader use of collaborative problem-solving by public agencies.

Through the Office of Technology budget, BMS is requesting \$92,000 for improvements and maintenance of information technology systems.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Increased demand for interest-based collective bargaining support services;
- A trend toward greater joint decision-making in labor/management relations at the local, work site level;
- Increased reliance on mediation to resolve individual grievances and other workplace related disputes;
- Greater demand from labor relations practitioners for training and technical resource support from BMS;
- Continued aggressive union organizing efforts in the public sector, coupled with significant employer-driven reorganizations of services and jurisdictions;
- Steadily increasing use of mediation and collaboration as the preferred means of resolving public policy disputes and the increased frequency of state and federal laws to specify their use.

GRANTS:

The BMS administers a labor management committee matching grant program under M.S. 179.82. There are currently 9 operating councils receiving grant funds from BMS. Such councils include a combination of public and private labor organizations and are based on either industry or geographic areas.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MEDIATION SERVICES BUREAU

Program: MEDIATION SERVICES

Activity: MEDIATION SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,410	1,535	1,615	1,600	1,600	1,646	1,646	96	3.0%
OPERATING EXPENSES	513	372	457	450	450	450	450	71	8.6%
SUBTOTAL STATE OPERATIONS	1,923	1,907	2,072	2,050	2,050	2,096	2,096	167	4.2%
LOCAL ASSISTANCE	222	285	319	302	302	302	302	0	.0%
Total Expenditures	2,145	2,192	2,391	2,352	2,352	2,398	2,398	167	3.6%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,964	2,023	2,108	2,130	2,130	2,180	2,180		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	181	169	281	222	222	218	218		
GIFT	0	0	2	0	0	0	0		
Total Financing	2,145	2,192	2,391	2,352	2,352	2,398	2,398		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	178	196	191	218	218	218	218		
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	0	0	2	2	2	2	2		
Total Revenues Collected	178	196	193	220	220	220	220		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MEDIATION SERVICES BUREAU

Program: MEDIATION SERVICES

Activity: MEDIATION SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	22.0	23.1	23.1	23.1	23.1	23.1	23.1
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	22.0	23.3	23.3	23.3	23.3	23.3	23.3

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **MEDIATION SERVICES BUREAU**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	2,296	2,292	2,074	2,074	222	218	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	14	18	14	18	0	0	0	0
2000-01 SAL. & BEN. BASE	44	90	44	90	0	0	0	0
UNIFORM PENSION BILL RED.	<2>	<2>	<2>	<2>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	56	106	56	106	0	0	0	0
BASE BUDGET	2,352	2,398	2,130	2,180	222	218	0	0

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2000-01 Biennial Budget

AGENCY: Public Utilities Commission

AGENCY MISSION:

The Public Utilities Commission is the state agency responsible for establishing the rates and terms of service for electric, gas and telephone services in Minnesota (M.S. § 216A, 216B and 237)

Mission:

- to create a regulatory environment that ensures safe, efficient and reliable telecommunications and utility services at fair and reasonable rates

Vision:

- to fulfill the agency's mission while guiding the transition to competitive markets for electric, gas and telephone services.

KEY SERVICE STRATEGIES:

- Provides disciplined decision-making for resolution of party-to-party disputes and establishment of broad industry policies for electric, natural gas and telecommunications services in Minnesota.
- Provides a forum for close examination of facts and law relating to disputes and policies for the electric, gas and telecommunications operations in Minnesota
- Conducts investigations, holds hearings, prescribes rules and issues orders regarding the provision of electric, gas, and telephone services in Minnesota.

PERFORMANCE SUMMARY:

- Established broad policies governing the development of competition for local telephone services pursuant to tight federal/ state statutory time-lines.
- Approved 70 new local exchange telephone companies to provide services in Minnesota since passage of federal deregulation law.
- Developed first of their kind policies governing use of public rights of way by competing telecommunications providers and public utilities.

- Investigated and prepared detailed report on restructuring of the electric utility industry, which provided background for legislative inquiry.
- Investigating deregulation of natural gas industry.
- Established self evaluation process involving a broad group of stake-holders on Commission's decision-making process.
- Resolved 130 formal disputed matters since July, 1997.
- Completed major research project on effects of currents in the earth on dairy cows.
- Ranked among the top states in terms of number of companies subject to its jurisdiction, but among the lowest in terms of total budget and staff size.
- Ranked lowest among the states in terms of regulatory expenditures per capita.

REVENUES:

This activity generates dedicated and non-dedicated revenue. Nearly all of the Commission's costs are recovered through fees assessed against certified utility companies. In some instances, official parties to proceedings under Chapter 237 may also be subject to assessment, pursuant to Laws of Minnesota, 1998, Chapter 345. 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 percent of gross operating revenues; indirect costs vary: for energy companies, 1/6th of 1 percent of GOR; for telephone companies, 1/8th of 1 percent of GOR.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The Commission is faced with the task of effectively implementing federal and state regulatory reform policies affecting regulated industries.

Three special revenue fund activities (administrative hearings, Extended Area Service, and Telephone Assistance Program) are expected to remain relatively constant or increase slightly over the biennium.

GOVERNOR'S RECOMMENDATION:

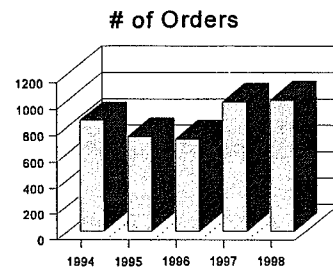
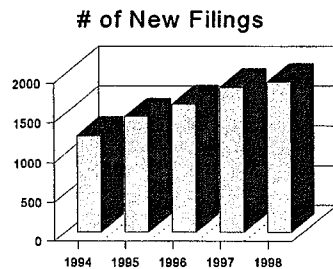
AGENCY: Public Utilities Commission
(Continuation)

The Governor recommends the agency's base budget and a biennial increase in funding of \$188,000 and 2 positions for handling the workload increase attributable to deregulation of the telecommunications industry.

The Governor has also included funding to improve this agency's technology infrastructure in the Small Agency Infrastructure Initiative under the Minnesota Office of Technology.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Dramatic work-load increase due to deregulation of telecommunications industry in 1996 and similar initial movements in electric and natural gas. See graphics.



- Significant increase in cases of first impression; i.e., not only are the number of filings increasing, but the complexity of individual cases has increased as well.
- Greater reliance on the Commission by competing telephone companies for resolution of complaints of anti-competitive behavior.
- Greatly increased need for a wide variety of rule-makings to govern transitions to deregulated markets.
- Growing confusion on the part of consumers about how changes in the industry are affecting them.
- Critical need to develop more sophisticated use of information technologies to stay on par with industries Commission regulates and to provide greater services to public.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC UTILITIES COMM
Program: PUBLIC UTILITIES COMM
Activity: PUBLIC UTILITIES COMM

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,769	2,899	3,002	3,140	3,222	3,235	3,319	640	10.8%
OPERATING EXPENSES	1,148	939	1,266	997	1,011	1,006	1,014	(180)	-8.2%
SUBTOTAL STATE OPERATIONS	3,917	3,838	4,268	4,137	4,233	4,241	4,333	460	5.7%
LOCAL ASSISTANCE	2,041	1,981	2,080	2,080	2,080	2,109	2,109	128	3.2%
Total Expenditures	5,958	5,819	6,348	6,217	6,313	6,350	6,442	588	4.8%
<u>CHANGE ITEMS:</u>									
(B) IMPLEMENT FED & STATE REFORM POLICIES	<u>FUND</u> GEN				96		92		
Total Change Items					96		92		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,663	3,718	3,816	3,685	3,781	3,788	3,880		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	2,295	2,101	2,532	2,532	2,532	2,562	2,562		
Total Financing	5,958	5,819	6,348	6,217	6,313	6,350	6,442		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	2,241	2,121	2,536	2,607	2,607	2,685	2,685		
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	3,287	3,931	4,929	4,182	4,500	4,300	4,493		
Total Revenues Collected	5,528	6,052	7,465	6,789	7,107	6,985	7,178		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC UTILITIES COMM

Program: PUBLIC UTILITIES COMM

Activity: PUBLIC UTILITIES COMM

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	46.2	45.9	44.5	44.5	46.5	44.5	46.5
PART-TIME, SEASONAL, LABOR SER	4.1	2.1	1.7	1.7	1.7	1.7	1.7
OVERTIME PAY	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	50.6	48.0	46.2	46.2	48.2	46.2	48.2

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: PUBLIC UTILITIES COMM

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	6,121	6,151	3,589	3,589	2,532	2,562	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	11	23	11	23	0	0	0	0
2000-01 SAL. & BEN. BASE	89	180	89	180	0	0	0	0
UNIFORM PENSION BILL RED.	<4>	<4>	<4>	<4>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	96	199	96	199	0	0	0	0
BASE BUDGET	6,217	6,350	3,685	3,788	2,532	2,562	0	0

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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 INFORMATION AND OPERATIONS MANAGEMENT	 E-357
 ENERGY	 E-360
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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Public Service, Department of (DPS)

AGENCY MISSION AND VISION:

Mission: To efficiently provide public interest advocacy, enforcement and regulatory services for all Minnesota consumers and expand economic opportunities while improving the environment and our quality of life.

Vision: To regulate industries without respect to specific interests of either the regulated industries or the clients they serve. This requires ensuring that regulatory decisions maximize the net benefits of all residents and businesses in a given area. Promoting the welfare of this broad constituency requires an assessment of significant consequences of a regulatory decision, including effects on consumer costs, reliability of service, the environment, economic development and equity. Without this regulatory balance, decisions could reflect the financial interests of the company or specific consumers of the company's services.

KEY SERVICE STRATEGIES:

- Advocate gas, electric and telephone rate structures and service policies that balance customer need for reliable, affordable and environmentally sound services with the minimum financial resources needed by the utility.
- Promote energy conservation through loans, grants and energy technology research.
- Pursue federal efforts ensuring Minnesota's interests are protected at the federal level.
- Examine commercial weighing and measuring methods and devices to ensure fair measurements for both the buyer and seller.
- Provide accredited Metrology Laboratory services to manufacturing companies that require this accreditation to sell products in the United States and in EEC countries.
- Administer the Telecommunications Access for Communications Impaired Person (TACIP) program to provide telecommunication services and equipment for communications impaired persons that is functionally equivalent to services

available to non-communication impaired persons.

OPERATING ENVIRONMENT:

The gas, electric and telephone regulation environment is a quasi-judicial process involving both public hearings and evidentiary hearings. The DPS, the Public Utilities Commission (PUC), and the Office of Administrative Hearings (OAH) have a major role in this regulatory process.

- OAH conducts both Public and Evidentiary Hearings.
- Ratepayers express their views in public hearings.
- DPS presents, in the evidentiary hearing, formal statistical, financial, economic and technical evidence advocating the broad general public interest of all classes of utility customers and the utility company.
- The utility company and other intervening parties present formal evidence to represent their special interests.
- OAH submits a summary of evidence and recommendations to the PUC.
- PUC makes a quasi-judicial decision based on the formal record.
- DPS enforces the order with respect to the utility and their customers.
- The DPS and PUC are represented throughout the hearing process and in any potential court cases resulting from these proceedings by an agency attorney assigned by the Attorney General's office.

The Weights and Measures program operates in 2 environments, metrology laboratory services and commercial enforcement.

- The National Institute of Standards and Technology (NIST) and International Organization for Standardization (ISO) 9,000 accredited metrology laboratory provides precise mass, volume, length, temperature and density calibration services to private industry.
- The Division's enforcement operations include inspection of all commercial weighing and measuring equipment, petroleum product quality and net content accuracy of packaged consumer and prepackaged products.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Public Service, Department of (DPS)
(Continuation)

The TACIP program has 2 components and is administered by the DPS in a contractual environment.

- One component is a relay service that relays verbal messages from hearing persons to communications impaired persons via Telecommunication Device for the Deaf (TDD) and vice versa.
- The second component is a contract with the Human Services Department which distributes a variety of specialized telecommunications devices to communications impaired person.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER	1.0 fte
Telecommunications Program	10.9 fte
Weight & Measures Program	43.0 fte
Information & Operations Management. Program	22.4 fte
Energy Program	48.2 fte
TACIP program	1.4 fte
6/30/98 TOTAL FTEs 126.9	

GOVERNOR'S RECOMMENDATION:

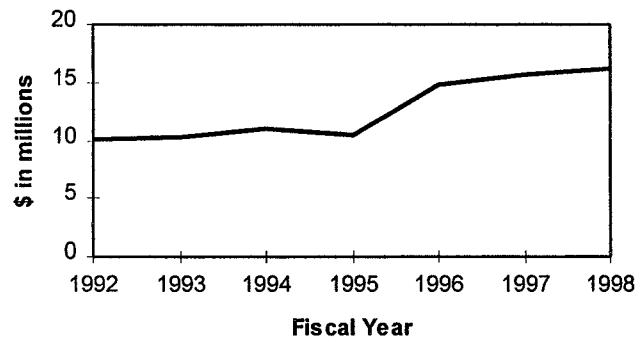
The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments: a biennial increase in funding of \$268,000 and 3 FTE positions to deal with a 71% increase in telephone filings and \$262,000 and 2 FTE positions to enable the department to evaluate electric generation, transmission and distribution system capacity issues. The cost of both of these initiatives will be recovered through fees.

**2000-01 Biennial Budget
Agency Executive Summary**

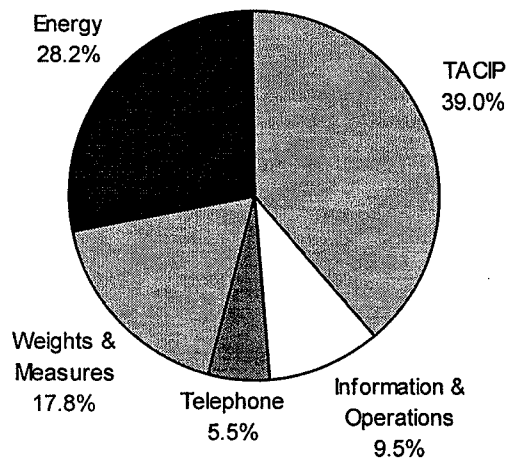
AGENCY: Public Service, Department of (DPS)
(Continuation)

TRENDS AND PERSPECTIVE: B80-agy.ash

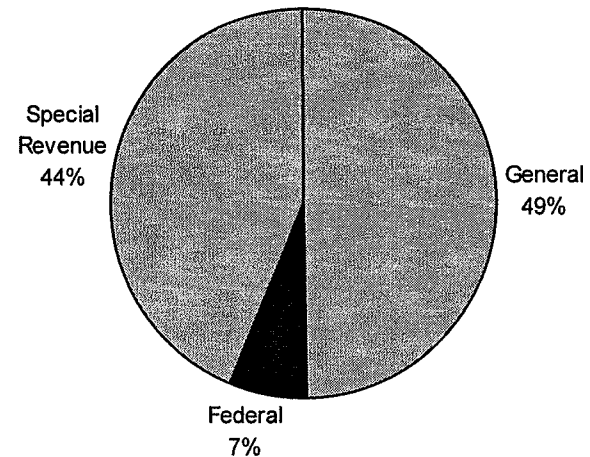
Total Expenditures -- All Funds



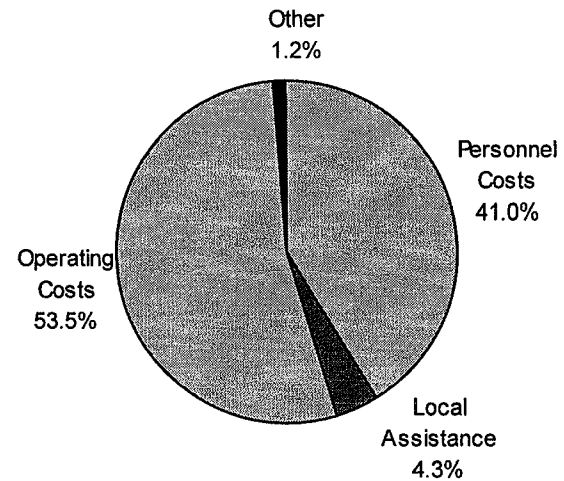
1998-99 Expenditures by Program
Total \$34 million



1998-99 Expenditures by Fund
Total \$34 million



1998-99 Expenditures by Category
Total \$34 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
TELECOMMUNICATIONS	911	908	975	975	1,112	999	1,130	359	19.1%
WEIGHTS & MEASURES	3,017	3,041	3,098	3,138	3,138	3,207	3,207	206	3.4%
INFORMATION & OPERATION MGT	1,638	1,614	1,641	1,682	1,682	1,727	1,727	154	4.7%
ENERGY	4,214	4,126	5,561	7,250	7,383	8,109	8,238	5,934	61.3%
TACIP	5,936	6,547	6,864	6,868	6,868	6,871	6,871	328	2.4%
Total Expenditures	15,716	16,236	18,139	19,913	20,183	20,913	21,173	6,981	20.3%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	8,550	8,189	8,741	9,334	9,604	9,554	9,814
OPEN APPROPRIATIONS:							
GENERAL	0	0	103	736	736	920	920
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	6,323	7,167	7,892	8,453	8,453	9,149	9,149
FEDERAL	843	880	1,403	1,390	1,390	1,290	1,290
Total Financing	15,716	16,236	18,139	19,913	20,183	20,913	21,173

FTE BY EMPLOYMENT TYPE:							
FULL TIME	122.8	124.8	125.8	124.6	129.6	124.6	129.6
PART-TIME, SEASONAL, LABOR SER	2.3	2.0	1.6	1.5	1.5	1.5	1.5
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	125.2	126.9	127.5	126.2	131.2	126.2	131.2

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Public Service, Department of (DPS)

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$9,116	\$9,116	\$18,232
<u>BASE ADJUSTMENT</u>			
Doc. Space Rental/Lease	25	45	70
Statewide Administration Systems	10	10	20
2000-01 Sal. & Ben. Base	193	393	586
Uniform Pension Bill Red.	<u>(10)</u>	<u>(10)</u>	<u>(20)</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$9,334	\$9,554	\$18,888
<u>CHANGE ITEMS</u>			
Electric Capacity Engineering	133	129	262
Telephone Work Load Increase	<u>137</u>	<u>131</u>	<u>268</u>
<u>GOVERNOR'S RECOMMENDATION</u>	\$9,604	\$9,814	\$19,418

Brief Explanation of Budget Decisions:

Base Budget

- The 2000-2001 base budget is distributed as follows: 8.9% to Telecommunications Regulations, 33.6% to Weights and Measures Regulations, 17.0% to Information and Operations Management and 40.5% to Energy Regulation.
- The split between salary and operating expenses is 70.3% and 29.7% respectively.

BASE ADJUSTMENTS

- The Documented Space Rental/Lease base adjustment of \$70,000 represents the actual rent increases that are incorporated in previously negotiated leases.
- The Statewide Administrative System base adjustment provides funding to pay for statewide accounting and personnel computer system costs.

- The 2000-01 Salary and Benefit Base increase provides funding for compensation-related adjustments of 3% per year.
- The Uniform Pension Bill reduction of \$20,000 removes previous overfunding for state pension benefits.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base level funding and the following change items which are fee supported.

- Electric Capacity Engineering. 2 engineering positions are needed to evaluate electric generation, transmission and distribution system capacity issues. The bulk power supply system for the central region of the United States is being pressed to its capacity limits by increasing customer demand for electricity and increasing competition in the wholesale marketing of electricity.
- Telephone Workload Increase. Since F.Y. 1995 the number of annual telephone filings has increased from 888 to 1,516 in F.Y. 1998. This increase is due to changing state and federal laws and 3 rate analysts (a 28% increase in staffing) are needed to deal with a 71% increase in filings.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Public Service, Department of (DPS)

REVENUE SOURCES:

The department generates dedicated and non-dedicated revenue from the sources detailed below.

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 except for the Telecommunication receipts which are dedicated for the purpose of establishing a working balance in the Telephone Investigation Revolving account. At the end of the fiscal year the unencumbered balance in the account less a \$25,000 carry-forward, transfer to the General Fund. 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 quarterly. The indirect costs are estimated and billed 30 days in advance for 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 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 Measures program has 2 non-dedicated 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, which is collected by the state Revenue Department, amounts to \$2,700,000 annually and is not reflected in the agency level revenue page or in the 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 Telecommunication Access for Communication Impaired Persons (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 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 \$0.12 will produce an estimated \$5,477,000 in F.Y. 1999. 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. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Allocated Costs	\$1,321	\$1,283	\$1,338	\$1,361

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. The TACIP surcharge was reduced from \$.017 to \$.012 in F.Y. 1999.

FORECAST BASIS:

It is projected that the department will continue to recover approximately 90% of its General Fund appropriations from assessments and fees. DPS anticipates that federal energy funding will stabilize at approximately current level funding. Some smaller "Speciality" grant programs may be eliminated.

CHANGE ITEMS:

The electric capacity engineering initiative is 100% fee funded and will generate non-dedicated revenue of \$133,000 in F.Y. 2000 and \$129,000 in F.Y. 2001. The telephone workload initiative is 100% fee funded and will generate non-dedicated revenue of \$137,000 in F.Y. 2000 and \$131,000 in F.Y. 2001.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	4	0	0	0	0	0	0	0	
CAMBRIDGE DEPOSIT FUND	4,413	5,464	5,201	5,133	5,403	5,185	5,445	183	1.7%
OTHER REVENUES:									
GENERAL	35	106	21	20	20	20	20	(87)	-68.5%
Total Non-Dedicated Receipts	4,452	5,570	5,222	5,153	5,423	5,205	5,465	96	.9%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	8,621	9,140	6,953	7,090	7,090	7,235	7,235	(1,768)	-11.0%
GRANTS:									
FEDERAL	862	859	1,403	1,390	1,390	1,290	1,290	418	18.5%
OTHER REVENUES:									
GENERAL	0	1	0	0	0	0	0	(1)	-100.0%
SPECIAL REVENUE	179	145	148	149	149	140	140	(4)	-1.4%
OTHER SOURCES:									
SPECIAL REVENUE	219	228	200	1,350	1,350	1,565	1,565	2,487	581.1%
Total Dedicated Receipts	9,881	10,373	8,704	9,979	9,979	10,230	10,230	1,132	5.9%
Agency Total Revenues	14,333	15,943	13,926	15,132	15,402	15,435	15,695	1,228	4.1%

**2000-2001 Biennial Budget
Federal Funds Summary
(\$ in Thousands)**

Agency: Public Service, Department of (DPS)

Federal Program	Related State Spending	Primary Purpose	SFY 1998 Revenues	SFY 1999 Revenues	Estimated SFY 2000 Revenues	Estimated SFY 2001 Revenues
State Energy Program (SEP)	Yes	State Operations, Grants - Individuals Grants - Political Subdivisions	674	1,315	950	850
National Industrial Competitiveness (NICE3)	Yes (OEA)	Grant - Individuals	54	0	400	400
Wind Resource Mapping	Yes	State Operations	20	16	0	0
Conservation R&D: Restructuring	Yes	State Operations	8	32	0	0
E85 Refueling Infrastructure	No	Grants to Individuals	65	0	0	0
Energy Code Assistance	Yes	State Operations	40	0	0	0
Council of Great Lakes Governor's Biomass	Yes	Grants - Political Subdivisions Grants - Individuals	19	40	40	40
Agency Total			880	1,403	1,390	1,290

Federal Funds Summary

In 1999, federal funds make up 7.7% of the department's total budget, and 25.2% 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 basic federal energy funding (SEP) will stabilize at approximately current level funding. Some smaller "specialty" grant programs may be added or eliminated as federal energy priorities change. The DPS anticipates that match requirement (state or local) will be continued to be required on all federal grants.

2000-01 Biennial Budget

PROGRAM: Telecommunications

AGENCY: Public Service, Department of (DPS)

PROGRAM PROFILE:

The primary goal of the program is to:

Assure the continued access to reliable, efficient, affordable, and state-of-the-art telecommunication services on a statewide basis.

Telephone regulation in Minnesota involves a quasi-judicial process that includes administrative review of licensing requests, service quality, pricing of services, and the competitive practices of incumbent telephone companies that interact with new entrants in the joint provision of services to citizens.

The program's primary responsibilities are to develop statewide telecommunications policies that promote an orderly development of the telecommunications network in the state and to advocate in the public interest all telecommunications rate structure and service policy matters before the Minnesota Public Utilities Commission.

The program's responsibilities include:

- Advocating for the public interest in all telecommunications rate structure and service policy matters before the Public Utilities Commission.
- Advocating for Minnesota's interests in federal telecommunications proceedings.
- Enforcing the PUC's orders.
- Enforcing selected orders of the Federal Communications Commission (FCC).

STRATEGIES AND PERFORMANCE:

The telecommunications statutes at both the federal and state level continue to evolve from rate-of-return regulation to a more competitive market model of government regulation and oversight. All telephone companies have been allowed

greater freedom to introduce new services and add promotional offerings without receiving prior approval by regulatory agencies. However, statutes still forbid unreasonable restrictions on the use of service, unreasonable price discrimination, and anti-competitive activity on the part of incumbent carriers. Consequently, the number of filings reviewed by the DPS and the complexity of those filings is growing each year.

As technological advancements in telecommunications create opportunities for alternative providers to offer new services to Minnesota citizens, the department's strategies have 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. The department has implemented the following strategies:

- Carefully monitor regulated telephone monopolies so that 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.
- Implement regulatory policies that support and encourage the rapid adoption of telecommunications technology to enhance Minnesota's ability to compete in the global economy.
- Closely monitor costs and services to ensure that regulated monopoly customers are not subsidizing unregulated service and that the costs between state and federal jurisdictions have been properly allocated.
- Develop regulatory policies to capture the cost savings resulting from technological advancements which can be shared between customers and providers without affecting incentives to implement further cost-saving measures.
- Develop regulatory policies which provide incentives to develop competitive entry into state, local and long distance telephone markets.
- Promote policies which encourage major investment in statewide telecommunications infrastructure.
- Actively monitor the quality of service. For example, the department entered into a quality of service settlement agreement with U S WEST that provides for definite time frames for service installation and repair and specific consumer remedies.

2000-01 Biennial Budget

PROGRAM: Telecommunications

AGENCY: Public Service, Department of (DPS)
(Continuation)

Performance Indicators Include:

- Since 1996 the DPS administered \$4.8 million in grants to update communications technology at schools, hospitals and libraries across the state. The grant money came directly from penalties levied upon U S WEST for failing to meet various quality of service standards. DPS selected 49 projects involving over 150 public and private institutions.
- The rate of increase in the average price for local telephone service provided to Minnesota residential and business telephone access lines has on average been from 2.3% to 3.1% less than the rate of change in the consumer price index.
- The bond ratings for the 4 largest regulated telephone companies in F.Y. 1998 exceeded Moody's minimum investment grade rating.
- The percentage of the DPS recommendations accepted by the PUC in F.Y. 1998 was 99%.
- In F.Y. 1997 the proportion of Minnesota households having at least 1 phone was 96.9%. This was the highest rate in the nation.
- The number of public information brochures issued by the DPS telephone unit in F.Y. 1998 was 2.

FINANCING INFORMATION:

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 as 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.

BUDGET ISSUES:

This program has a base budget that includes an inflation increase of 3% each year for salary compensation.

The number of filings for the telephone regulation program has increased from 888 in F.Y. 1995 to 1,516 in F.Y. 1998. This is a 71% increase in regulatory filings. Staffing has remained constant resulting in a backlog in excess of 250 filings.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustment:

A biennial increase in funding of \$268,000 and 3 FTE positions to handle the 71% increase in regulatory filings.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: TELECOMMUNICATIONS

Activity: TELECOMMUNICATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	708	684	704	716	834	745	869	315	22.7%
OPERATING EXPENSES	203	224	271	259	278	254	261	44	8.9%
SUBTOTAL STATE OPERATIONS	911	908	975	975	1,112	999	1,130	359	19.1%
Total Expenditures	911	908	975	975	1,112	999	1,130	359	19.1%
<u>CHANGE ITEMS:</u>									
(B) TELEPHONE WORK LOAD INCREASE	GEN				137		131		
Total Change Items					137		131		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	811	781	805	825	962	849	980		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	100	127	170	150	150	150	150		
Total Financing	911	908	975	975	1,112	999	1,130		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	1,406	1,474	1,476	1,504	1,504	1,537	1,537		
NONDEDICATED									
SPECIAL REVENUE	4	0	0	0	0	0	0		
CAMBRIDGE DEPOSIT FUND	0	0	0	0	137	0	131		
Total Revenues Collected	1,410	1,474	1,476	1,504	1,641	1,537	1,668		

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: TELECOMMUNICATIONS

Activity: TELECOMMUNICATIONS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	11.3	10.9	10.9	10.9	13.9	10.9	13.9
Total Full-Time Equivalent	11.3	10.9	10.9	10.9	13.9	10.9	13.9

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Public Service, Department of (DPS)
PROGRAM: Telecommunications
ACTIVITY: Telecommunications

ITEM TITLE: Telecommunications Workload Increase

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$137	\$131	\$131	\$131
Revenues: (\$000s)				
Cambridge Deposit Fund	\$137	\$131	\$131	\$131

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$137,000 in F.Y. 2000 and \$131,000 in F.Y. 2001 to fund 3 rate analyst positions in the Telecommunications program for enforcement of new state and federal laws that enhance competition.

RATIONALE:

Federal and state regulatory changes have increased the number of regulatory filings from 888 in F.Y. 1996 to 1,516 in F.Y. 1998, a 71% increase. This has created a backlog in excess of 250 filings.

Major legislation in 1996 encourages the development of local competition in telecommunications markets. These initiatives, have caused a rapid and significant increase in both the number and complexity of filings that must be analyzed. The implications for telecommunications consumers will be profound in terms of pricing, quality of service, and deciding which provider is best suited for a particular customer.

Telecommunications services are essential to all citizens. Technological changes, and declining costs of equipment and have allowed citizens to use the telephone network more than ever before. Credit card verification, faxed documents, e-mail messages, and cellular calls are all possible because of the ubiquitous public network.

These new and growing demands for use of the telephone network have occurred as policy makers changed the legal structure of the industry in an attempt to encourage the spread of competition. Legislators and Congress looked to regulatory agencies, such as the Department of Public Service, to administer the new laws so that competition evolved quickly without damaging the reliability of the network or harming customers financially. The result has been a significant increase in: 1) the number of firms requesting authority to operate in Minnesota; 2) the number of price changes enacted by firms that compete here, and; 3) the number of complaints filed by competitors or consumers. Many of the newer complaints compel our staff to participate in expedited contested cases that involve complex or novel analyses.

FINANCING:

The General Fund appropriation for this change item will be recovered by assessing these costs to regulated telecommunication companies.

The base General Fund appropriation for the telecommunications program for F.Y. 2000 is \$825,000. The requested increase of \$137,000 in F.Y. 2000 represents a 17% increase to the base.

OUTCOMES:

The addition of 3 rate analyst positions will give the department the expertise to reduce the backlog to normal levels within 1 year. In addition, these staff members will review filings that are not very complex, freeing senior analysts from those responsibilities. This will improve staff efficiency by allowing senior staff to specialize on very complex, disputed cases.

Long Term Impact: In the long term, as the telecommunications industry continues in its transition to a competitive environment, the need for the expertise of rate analysts will continue to grow. The long term outcome will be continued fair and reasonable rates for consumers, a fair environment for competitors, and a reliable switched network that satisfies the desire of all members of the public.

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2000-01 Biennial Budget

PROGRAM: Weights and Measures Division
AGENCY: Public Service, Department of (DPS)

PROGRAM PROFILE:

The Weights and Measures Division:

- Provides the basis for physical measurement accuracy in Minnesota by maintaining the state standards for mass, length, volume, temperature and density;
- Extends standardization and accuracy to commerce in Minnesota by offering precision calibration services to large and small businesses, and individuals;
- Enforces accuracy in commercial marketplaces by inspecting and testing all commercial weighing and measuring equipment in Minnesota;
- Ensures the net weight and net volume accuracy of consumer commodities by inspecting and testing prepackaged goods in Minnesota;
- Ensures the quality of petroleum products by sampling and testing gasoline, diesel fuel, heating fuels, and other products;
- Enforces statutory gasoline oxygenation requirements by sampling and testing gasoline at all levels of distribution and sale in Minnesota.

STRATEGIES AND PERFORMANCE:

The Weights and Measures Division employs 2 strategies to fulfill its statutory obligations. First, the Division promotes accuracy in basic physical measurement by offering precision calibration services to Minnesota businesses and individuals. Second, the Division employs an enforcement strategy to ensure the accuracy of prepackaged commodities, gas pumps, grocery scales, livestock scales, grain and fertilizer scales, and a broad range of other commercial weighing and measuring equipment in Minnesota. This enforcement strategy is also used to ensure the quality of gasoline, diesel fuel and other petroleum products. The enforcement strategy places a minimal burden on regulated Minnesota businesses. The Division is responsible for finding accuracy problems and requiring businesses to correct them. In a sense, the Division's enforcement program provides an inexpensive quality control service for businesses.

The National Institute of Standards and Technology (NIST) has certified that the DPS metrology laboratory has maintained traceability of the Minnesota standards of mass, length, volume and temperature to national standards.

The DPS metrology laboratory has achieved and maintained accreditation under the ISO 9000 series of quality standards. Additionally, the metrology laboratory meets performance standards set by the NIST/OWM and quality standards set by Military Standard 45662A.

A comparison of measurement process uncertainties with other state and private metrology laboratories demonstrates that the DPS metrology laboratory has maintained the lowest measurement process uncertainties in the United States.

DPS Weights and Measures Division enforcement operations have maintained high compliance rates for commercial weighing and measuring equipment despite the rapid increase in the amount of equipment in use in Minnesota (see compliance rate table in Budget Issues section).

DPS petroleum quality enforcement operations maintained a 98.5% compliance rate for gasoline oxygenation and a 98% compliance rate for gasoline octane.

Both the DPS weights and measures enforcement program and the petroleum quality enforcement program met the goal of fully recovering direct and overhead costs in F.Y. 1998.

DPS is ahead of schedule in meeting the goal of making the metrology laboratory a profit center by F.Y. 2000. In F.Y. 1998, the laboratory recovered 145% of its direct cost, plus overhead.

FINANCING INFORMATION:

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.

2000-01 Biennial Budget

PROGRAM: Weights and Measures Division
AGENCY: Public Service, Department of (DPS)
 (Continuation)

This program is supported by the following revenue:

	Dollars in Thousands			
Type or Revenue:	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Non-Dedicated:				
Cambridge Deposit Fund	\$1,523	\$1,525	\$1,525	\$1,525
Petroleum Inspect. Fees*	<u>2,915</u>	<u>2,700</u>	<u>2,700</u>	<u>2,700</u>
TOTAL	\$4,438	\$4,225	\$4,225	\$4,225

* Fees collected by the Department of Revenue.

BUDGET ISSUES:

This is a base level budget request. The base includes an inflation increase of 3% each year for salary compensation. The following chart provides summary information regarding the base work load.

Base Work Load Projections

	Actual	Actual ¹	Est.	Est.	Est.
	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Gas Pumps in Use	45,000	47,000	50,000	56,000	58,000
Number Inspected	39,310	43,238	45,000	46,000	47,000
Compliance Rate	90%	90%	90%	90%	91%
Retail Scales	14,000	14,250	14,500	14,700	14,900
Number Inspected	10,967	13,105	13,500	13,500	13,500
Compliance Rate	94%	94%	93%	92%	92%
LPG Meters in Use	1,500	1,500	1,500	1,500	1,500
Number Inspected	897	1,251	1,300	1,300	1,300
Compliance Rate ²	92%	92%	92%	92%	92%
Heavy Scales	4,500	4,676	4,750	4,800	4,800
Number Inspected	3,862	4,082	4,100	4,150	4,150
Compliance Rate	80%	80%	80%	80%	80%
Locations to Inspect	1,105	1,105	1,105	1,105	1,105

Package Inspections	626	724	740	750	750
Compliance Rate	76%	76%	77%	78%	78%
Petro Product Tests	16,400	16,400	16,400	16,400	16,400
Compliance Rate	98%	98%	98%	98%	98%
Oxy Gasoline Sold	1.045x10 ⁹	2.093x10 ⁹	2.2x10 ⁹	2.4x10 ⁹	2.5x10 ⁹
Compliance Rate	99.5%	99.5%	99.5%	99.5%	99.5%
Octane Tests	3,500	3,661	3,600	3,600	3,600
Compliance Rate	98%	98%	98%	98%	98%
Petro Tanks Insp.	12,000	12,000	12,000	12,000	12,000
Compliance Rate	99%	99%	99%	99%	99%

Metrology Lab Calibrations

Precision Mass	1,875	1,954	2,000	2,100	2,200
Mass Tolerance	12,250	12,500	12,500	12,700	12,700
Volumetric	332	330	330	330	330
Temperature	120	130	140	150	150
Linear	27	32	25	25	25
Law Enf. Scales	449	460	460	470	480

GOVERNOR'S RECOMMENDATION

The Governor recommends base level funding for this program.

¹ Number inspected is actual. Compliance rate is estimated.

² LPG meter compliance includes meters adjusted by DPS inspectors during the inspections. The compliance rate would be approximately 65% if meters were not adjusted.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: WEIGHTS & MEASURES

Activity: WEIGHTS & MEASURES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,035	2,198	2,276	2,350	2,350	2,439	2,439	315	7.0%
OPERATING EXPENSES	982	783	822	788	788	768	768	(49)	-3.1%
SUBTOTAL STATE OPERATIONS	3,017	2,981	3,098	3,138	3,138	3,207	3,207	266	4.4%
CAPITAL OUTLAY	0	60	0	0	0	0	0	(60)	-100.0%
Total Expenditures	3,017	3,041	3,098	3,138	3,138	3,207	3,207	206	3.4%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	3,017	3,041	3,098	3,138	3,138	3,207	3,207		
Total Financing	3,017	3,041	3,098	3,138	3,138	3,207	3,207		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	1,414	1,523	1,525	1,525	1,525	1,525	1,525		
Total Revenues Collected	1,414	1,523	1,525	1,525	1,525	1,525	1,525		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	40.8	42.9	43.8	43.8	43.8	43.8	43.8		
OVERTIME PAY	0.0	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	40.8	43.0	43.9	43.9	43.9	43.9	43.9		

2000-01 Biennial Budget

PROGRAM: Information and Operations Management

AGENCY: Public Service, Department of (DPS)

PROGRAM PROFILE:

To provide for the efficient operation of the department, facilitate the smooth flow of information among divisions and to the public, and to coordinate department activities with other governmental agencies and the private sector.

This program provides:

- Overall policy direction
- Coordination and development of annual and long-range objectives
- Overall resource allocation
- Program evaluation
- Consumer information
- General support services including accounting, personnel, labor relations, word processing, records management and computer services.

STRATEGIES AND PERFORMANCE:

The program has 2 strategies to accomplish the program's purpose.

- To promote the use of DPS programs
 - Inform the public by reviewing, updating, publishing and distributing over 90 publications annually. Over 195,222 copies were distributed in F.Y. 1998.
 - Educate the public about energy, weights and measures, and telecommunication issues through media (newspaper, television, radio, magazines, specialized newspapers, etc.) exposure. In F.Y. 1998 the DPS made media contact with adult persons an average of 9.93 times per person.

- To provide centralized support services for 127 employees in 5 program areas which include the following services:

- management, leadership and direction
- accounting, budgeting and financial management
- personnel services, labor relations, and affirmative action
- supervision of department training programs
- computer support and computer training
- maintenance of network and website
- centralized document and word processing center
- centralized filing facility for all documents filed with the agency and the Public Utilities Commission
- control of docket cases which are indexed and optically scanned
- centralized receptionist services
- joint staffing of library with Department of Trade and Economic Development

FINANCING INFORMATION:

This program generates dedicated revenue from federal grants for indirect costs.

Approximately 87% of the General Fund appropriation for this program is recovered as an administrative cost to other DPS programs. These other programs add the administrative costs to their program costs and then recover the total cost through either fees or assessments to their clients.

BUDGET ISSUES:

This is a same level of operations budget. The agency plan includes an increase of 3% each year for salary compensation.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base level funding for this program.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: INFORMATION & OPERATION MGT

Activity: INFORMATION & OPERATION MGT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,190	1,238	1,187	1,211	1,211	1,244	1,244	30	1.2%
OPERATING EXPENSES	448	376	454	471	471	483	483	124	14.9%
SUBTOTAL STATE OPERATIONS	1,638	1,614	1,641	1,682	1,682	1,727	1,727	154	4.7%
Total Expenditures	1,638	1,614	1,641	1,682	1,682	1,727	1,727	154	4.7%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	1,513	1,484	1,547	1,584	1,584	1,627	1,627		
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	125	130	94	98	98	100	100		
Total Financing	1,638	1,614	1,641	1,682	1,682	1,727	1,727		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	115	83	98	98	98	100	100		
FEDERAL	0	3	0	0	0	0	0		
NONDEDICATED									
GENERAL	0	3	0	0	0	0	0		
Total Revenues Collected	115	89	98	98	98	100	100		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	24.7	23.4	21.3	21.3	21.3	21.3	21.3		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	24.8	23.4	21.3	21.3	21.3	21.3	21.3		

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2000-01 Biennial Budget

PROGRAM: Energy

AGENCY: Public Service, Department of (DPS)

PROGRAM PROFILE:

The program's primary responsibilities are to develop statewide energy policies, promote the research and development of alternative energy resources, and advocate on behalf of the broad public interest in utility matters before the Minnesota Public Utilities Commission. The DPS also has direct regulatory authority over utility Conservation Improvement Programs (CIP).

In fulfilling its various responsibilities the program's mission is to:

- Assure continuous access to reliable, reasonably priced, efficient and economical energy services to Minnesotans through environmentally responsible energy use.

Included with the program's broad responsibilities are the following functions:

- Participate in all utility regulatory matters before the PUC.
- Analyze and approve utility CIPs.
- Prepare a quadrennial Energy Policy and Conservation Report.
- Advocate for Minnesota's interests in federal proceedings.
- Administer energy conservation loan and grant programs.
- Monitor petroleum supplies and develop allocation plans under emergency conditions.
- Develop energy conservation codes and standards.
- Promote the research, development and implementation of renewable energy resources.
- Maintain a statewide energy data base.

STRATEGIES AND PERFORMANCE:

Advocate for meeting the state's energy needs at the lowest social cost.

- Use the Integrated Resource Planning (IRP) process to conduct detailed analyses of utilities' expansion plans and recommend a mix of new generation resources and conservation projects that minimize the total social cost to Minnesotans.

- Use CIP proceedings to promote CIP projects that are cost-effective from a societal perspective.

Ensure the safe and timely storage of nuclear waste and decommissioning of nuclear power plants.

- Participate in the Nuclear Waste Strategy Coalition to address and resolve the federal government's failure to meet its legal and contractual obligations to remove and dispose of waste from civilian nuclear power reactors.
- Utilize the regulatory process to ensure that Northern States Power Company (NSP) will collect and put aside sufficient funds to safely decommission its nuclear power plants.

Promote competition in energy sector whenever robust and fair competition is possible, while maintaining or improving regulatory protections and other governmental intervention when necessary to protect the public interest.

- Organize workshops with stakeholders to discuss and explore strategies to increase competition (customer choice) as a method of lowering costs to consumers.
- Promote policies that ensure that competition is robust and fair, and does not allow one or more providers to exercise excessive market power to the detriment of consumers.
- Promote policies that ensure competition does not jeopardize universal service or reliability, and does not impose unacceptable rate impacts on small customers.
- Promote policies that ensure utilities do not unfairly subsidize their unregulated activities through regulated services.
- Substitute Performance Based Regulation (PBR) plans for traditional rate-of-return regulation of utilities' monopolistic gas and electric services.
- Provide a forum for and actively participate in stakeholder groups charged with assessing ways of allowing small customers to purchase gas from suppliers other than their local gas utilities.
- Improve the competitive bidding process for the acquisition of new generation resources to ensure that utilities acquire the best resources based on their cost, reliability and environmental impacts.
- Assist gas utility companies in developing PBR plans that provide financial incentives for utility companies to lower costs and share the resulting savings with their customers.

2000-01 Biennial Budget

PROGRAM: Energy

AGENCY: Public Service, Department of (DPS)
(Continuation)

Ensure that the regional bulk-power infrastructure is adequate to meet the state's growing energy needs and is operated and planned in the best interests of the entire region.

- Continue the DPS initiative with major stakeholders in the Upper Midwest to improve the bulk-power infrastructure by exploring ways to move away from piecemeal state-by-state processes toward regional, one-stop forums for decision-making that maximize benefits to the region as a whole.
- Develop gas and electric distribution reliability standards and provide financial incentives for utilities to improve their quality of service.
- Participate in and support the Mid-Continent Area Power Pool efforts to assume new or modified responsibilities to ensure and promote reliable and efficient use of the regional bulk power system.
- Participate actively in the Environmental Quality Board's evaluation of Northern States Power's and Dairyland Power's request to upgrade and expand the transmission system in eastern Minnesota and western Wisconsin. Improve the efficiency of Minnesota's energy use.
- Promote through Conservation Improvement Programs the use of new technologies in lighting, heating, cooling and electric motor operations that offer great potential for energy savings.
- Reduce energy cost through the DPS operated Energy Investment Loan Program for public schools, cities and counties. These loans finance energy conservation activities that pay for themselves within 10 years or less.
- Promote energy conservation, health and safety by advancing and promulgating the state Energy Code.

Promote the development of renewable and other alternative energy resources, with the goal of eventually allowing these resources to compete effectively with traditional energy resources without subsidies.

- Provide the most advanced and detailed wind energy data in the nation by improving measuring equipment, expanding the number of sites and employing state-of-the-art mapping technology.

- Promote the development of green power programs, through which customers can voluntarily decide to purchase renewable electric energy.
- Continue expansion of the AFV program that can benefit Minnesota's future economy and environment, especially the use of E85 fuel and vehicles.
- Continue involvement in good renewable energy demonstration projects and research that help educate people and advance these new technologies.

PERFORMANCE INDICATORS:

- The DPS analyzed 10 Integrated Resource Plans in F.Y. 1998, which resulted in modifying the Demand-Side Management load projection affecting the size, cost and construction schedules for proposed generating facilities.
- Investor-owned utilities exceeded required CIP spending levels by 39.5% in F.Y. 1998.
- The CIP program saved 487,149,000 kilowatt-hours (kWh) of electricity and 1,002,000 thousand cubic feet of gas (Mcf) in F.Y. 1997.
- The DPS supported electric industry competition by organizing five workshops for major stakeholders, which discussed approaches to promote customer choice of service vendor as a way of lowering costs to consumers.
- DPS played a key role in developing a competitive bidding process that resulted in the purchase of 100 megawatts (MW) of wind resources at 3/5 of the cost that was originally projected by the company.
- The DPS assisted the state's largest gas company to develop an innovative Performance Based Regulation Plan that generated \$13,000,000 in estimated consumer benefits during the first 2 years of the program.
- The DPS helped launch 4 regional symposia with major bulk-power stakeholders in the Upper Midwest. The primary goal is to explore ways of improving the current piecemeal, state-by-state bulk power planning process. One promising possibility is the development of regional, one-stop forums for decision-making that maximize benefits to the regions as a whole.
- The DPS Energy Investment Loan Program has made over \$51,000,000 in loans to 230 public schools, cities and counties, producing an estimated \$8,000,000 per year in energy cost savings with over \$42,000,000 in accrued savings since the program began.
- As required by Minnesota Statutes, DPS adopted by rule the most stringent and most cost effective building code in the nation. The code provides standards for insulation and home ventilation that will improve energy efficiency and mitigate indoor moisture and air quality problems that have resulted from modern building materials and construction techniques.
- The DPS has developed the most detailed wind data in Minnesota and is among the most advanced in the nation.

2000-01 Biennial Budget

PROGRAM: Energy

AGENCY: Public Service, Department of (DPS)
(Continuation)

In support of expanded use of alternative fuels the DPS:

- assisted state fleets in meeting federal Alternative Fuel Vehicle (AFV) mandates,
 - assisted in financing E85 fueling infrastructure statewide,
 - assisted in funding AFV research at Mankato State University,
 - assisted in financing several AFV demonstration projects, and
 - promoted AFV education and policy development through a group called Clean Fuels Minnesota.
-
- In F.Y. 1997 Minnesota utilities' average interest rate was 6.24%, while the national average interest rate was 6.97%. Consequently, the interest rate for Minnesota utilities is 11.7% cheaper than the national average.
 - The DPS, which was one of 3 states that founded the Nuclear Waste Strategy Coalition, won a federal lawsuit which requires the Federal Department of Energy to act on its responsibility to accept nuclear waste for permanent storage.
 - Minnesota consumers pay lower average rates for electricity and natural gas than consumers in bordering states.
 - Gross renewable energy consumption in Minnesota has increased by 130% since 1992.

FINANCING INFORMATION:

This program generated 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.

Two new incentive programs were authorized by the legislature that went 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. No payments have been made or are projected in the future for qualified hydro-power facilities. Payments of \$103,000 are projected in F.Y. 1999 for qualified wind-energy facilities. The projections for these wind facilities are \$736,000 in F.Y. 2000 and \$920,000 in F.Y. 2001.

BUDGET ISSUES:

This program has a base that includes a 3% inflation increase each year for salary compensation. Increasing competition in the electric industry, which requires a greater emphasis on regional cooperation and input into generation, transmission and distribution planning issues has resulted in a major change in workload. Engineers are needed to provide sound, technical analyses of the need for system modifications and upgrades. At the same time, increasing consumer demand is straining the ability of the existing bulk-power system in the Upper Midwest to ensure reliable electric service. Consequently, there will be more Certificate of Need and siting filings before the Public Utilities Commission and Environmental Quality Board. The department also needs engineers to develop electric service-quality standards to ensure that competitive pressures do not jeopardize reliability.

The following table summarizes the base workload for the gas and electric regulation function.

2000-01 Biennial Budget

PROGRAM: Energy

AGENCY: Public Service, Department of (DPS)

(Continuation)

Energy Base Workload

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>
General Rate Cases	2	0	2
Tariff Changes	83	103	68
Service Areas	32	41	24
Resource Plans	6	2	10
Cons. Imp. Programs(CIP)	58	26	28
Rule Making	4	2	1
Affiliated Interest	6	15	21
Certificate of Need	2	0	1
Depreciation Studies	12	12	16
Property Acquisitions	8	4	3
Fuel Clause Adj./Ref.	213	232	227
Security Issuances	10	10	9
PUC Investigations	1	6	9
DPS Investigations	2	1	0
Complaints	2	2	1
Other Filings	2	8	3
Total Filings	450	464	423

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels for this program and a biennial increase in funding of \$262,000 and 2 FTE positions to enable the department to evaluate electric generation transmission and distribution system capacity issues.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: ENERGY

Activity: ENERGY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	2,557	2,733	2,888	2,889	3,009	3,004	3,128	516	9.2%
OPERATING EXPENSES	1,405	829	1,405	1,709	1,722	1,873	1,878	1,366	61.1%
OTHER EXPENSES	84	9	362	1,206	1,206	2,006	2,006	2,841	765.8%
TRANSFERS	0	0	0	588	588	588	588	1,176	
SUBTOTAL STATE OPERATIONS	4,046	3,571	4,655	6,392	6,525	7,471	7,600	5,899	71.7%
LOCAL ASSISTANCE	168	555	906	858	858	638	638	35	2.4%
Total Expenditures	4,214	4,126	5,561	7,250	7,383	8,109	8,238	5,934	61.3%

CHANGE ITEMS:	FUND				
(B) ELECTRIC CAPACITY ENGINEERING	GEN			133	129
Total Change Items				133	129

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
GENERAL	3,209	2,883	3,291	3,787	3,920
OPEN APPROPRIATIONS:					
GENERAL	0	0	103	736	736
STATUTORY APPROPRIATIONS:					
SPECIAL REVENUE	162	363	764	1,337	1,337
FEDERAL	843	880	1,403	1,390	1,390
Total Financing	4,214	4,126	5,561	7,250	7,383

REVENUE COLLECTED:					
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State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: ENERGY

Activity: ENERGY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
DEDICATED							
GENERAL	0	1	0	0	0	0	0
SPECIAL REVENUE	283	290	250	1,401	1,401	1,605	1,605
FEDERAL	862	856	1,403	1,390	1,390	1,290	1,290
NONDEDICATED							
GENERAL	35	103	21	20	20	20	20
CAMBRIDGE DEPOSIT FUND	2,999	3,941	3,676	3,608	3,741	3,660	3,789
Total Revenues Collected	4,179	5,191	5,350	6,419	6,552	6,575	6,704
FTE BY EMPLOYMENT TYPE:							
FULL TIME	44.3	46.2	48.0	46.8	48.8	46.8	48.8
PART-TIME, SEASONAL, LABOR SER	2.3	2.0	1.6	1.5	1.5	1.5	1.5
Total Full-Time Equivalent	46.6	48.2	49.6	48.3	50.3	48.3	50.3

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Public Service, Department of (DPS)
PROGRAM: Energy
ACTIVITY: Energy

ITEM TITLE: Electric Capacity Planning

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$133	\$129	\$129	\$129
Revenues: (\$000s)				
Cambridge Deposit Fund	\$133	\$129	\$129	\$129

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$133,000 in F.Y. 2000 and \$129,000 in F.Y. 2002 to support DPS regulatory and restructuring efforts relative to regional electrical generation, transmission, and distribution issues.

RATIONALE:

The DPS needs to acquire engineering expertise to analyze electric generation, transmission and distribution issues created by increasing customer demand on the bulk-power supply transmission system and increasing competition in the wholesale energy marketing system.

Congress and the Minnesota Legislature, through its Legislative Electric Energy Task Force, are currently evaluating the restructuring of the nation's electric utility

industry. The Federal Energy Regulatory Commission (FERC) has aggressively promoted increased competition in the market for wholesale electricity. These initiatives, and a general trend toward competition in the industry, have caused an extremely rapid growth in wholesale energy marketing and bulk power transfers over the regional transmission network. The impact of these trends on Minnesota consumers will be profound in terms of cost, reliability and environmental impacts of electric service.

High voltage transmission lines and power generating units are the basic physical assets that provide the foundation for cost effective and reliable electric service to Minnesota citizens. Transmission lines and generating units cost hundreds of millions of dollars. The costs are paid by Minnesota energy consumers. Hot weather that occurred during July of 1998 clearly demonstrated that there are severe constraints on the electric transmission system in the central region of the nation. There is desperate need for effective regional planning. The Department of Public Service has been aware of these constraints and needs. The department has organized several regional symposia to address transmission system problems, and to begin to work toward a system of regional oversight for transmission planning and construction.

As a result of these significant changes in the nature of utility planning and regulation, the department is now required to plan and deal with technical issues involved in electrical transmission and distribution. The department has no electrical engineering expertise. The need of such expertise is immediate. It will be prohibitively costly and time-consuming to hire consultants to deal with these issues.

The department asked the 1998 Minnesota Legislature to fund 2 engineering positions. The request was approved by the House and Senate. The request was included in a large funding bill that was subsequently vetoed. This request is to ensure that the department will have the expertise it needs to effectively represent the financial interests and reliability needs of Minnesota energy consumers.

FINANCING:

The General Fund appropriation for this change item will be recovered by assessing the costs to regulated electric companies and depositing the receipts as non-dedicated revenue in the General Fund.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Public Service, Department of (DPS)
PROGRAM: Energy
ACTIVITY: Energy

ITEM TITLE: Electric Capacity Planning
(Continuation)

The General Fund base for the energy program electric regulation unit for F.Y. 2000 is \$984,000. The change item increase for \$133,000 in F.Y. 2000 represents a 13.5% increase in funding for the electric regulation unit.

LONG TERM IMPACT:

As the utility industry continues its long term transition to a competitive environment, and as FERC orders continue to cause utility services to outgrow local regulatory processes and become more regionalized, the need for engineering expertise will continue. The long term outcome will be continued fair and reasonable utility rates for Minnesota citizens. There will be no net impact on the General Fund because the cost of this initiative will be recovered through fees paid by the utility companies.

OUTCOMES:

This initiative will give the department the technical expertise to: Analyze electrical generation and transmission issues; Better advocate for the public interest in utility rate proceedings before the Public Utilities Commission; Advocate for the public interest in certificate of need proceedings before the PUC; Advocate for ratepayer interests in utility siting proceedings before the Environmental Quality Board; and, Participate in state and regional transmission and generation planning forums.

2000-01 Biennial Budget

PROGRAM: Telecommunications Access for Communication
Impaired Persons (TACIP)

AGENCY: Public Service, Department of (DPS)

PROGRAM PROFILE:

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.

The TACIP program has 2 components and is administered by the DPS in a contractual environment.

- One component is a relay service that relays verbal messages from hearing persons to communications impaired persons via TDD and vice versa.
- The second component is a contract with the Human Services Department which distributes a variety of specialized telecommunications devices to communications impaired persons.

STRATEGIES AND PERFORMANCE:

The strategy is to promote and administer the program by contracting the relay and equipment distribution services. The statute requires that these services be provided by contract.

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 equipment.

- The relay service is provided through a contract with the Communications Services for the Deaf organization.
- The telephone service is provided through a contract with Sprint.
- Services include local and long distance telephone service, caller ID and call branding.
- The number of relay calls for 1998 was 2,281,790.

- The relay service far exceeded FCC call answering performance standards by answering over 95% of incoming calls in 3 rings or less.

The Equipment Distribution Program provides specialized telecommunications equipment to eligible hearing, speech and mobility impaired persons, enabling them to access the telephone network.

- The Equipment Distribution Program is administered through a contract with the State Department of Human Services, Deaf and Hard of Hearing Division.
- This program provides specialized telecommunications equipment to eligible hearing, speech and mobility-impaired persons, enabling them to access the telephone network.
- Division staff assess client needs and provide equipment at the Deaf and Hard of Hearing Regional Service Centers to provide statewide coverage.
- The types of equipment provided includes Telecommunication Devices for the Deaf (TDD), telephone amplifiers, telephone ring signalers (visual, tactile or amplified), TTYs with large visual displays, Braille TTYs, and Hand Free Speaker Phones.
- The Equipment Distribution Program distributed 2,424 assistive equipment devices in F.Y. 1998.

FINANCING INFORMATION:

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 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 \$0.12 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.

PROGRAM: Telecommunications Access for Communication
 Impaired Persons (TACIP)
 (Continuation)

Under the 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.

BUDGET ISSUES:

The base workload for the Minnesota Relay Service (MRS) continues to grow significantly as shown in the following chart:

MSRS Base Workload	Incoming Calls	Outgoing Calls	Total Calls	% Change
F.Y. 1996	867,606	999,799	1,867,405	
F.Y. 1977	866,996	1,287,600	2,215,596	18.6
F.Y. 1998	918,993	1,362,797	2,281,790	29.9

The base workload for the Equipment Distribution Program(EDP) continues to grow moderately as shown below.

EDP Base Workload	Applications Filed	Individuals Served	Devices Distributed	% Change
Calendar 1995	1,874	1,755	2,290	
Calendar 1996	1,193	1,782	2,352	2.7
Calendar 1997	2,019	1,881	2,424	3.1

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: PUBLIC SERVICE DEPT

Program: TACIP

Activity: TACIP

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	105	93	108	112	112	115	115	26	12.9%
OPERATING EXPENSES	5,831	6,454	6,756	6,756	6,756	6,756	6,756	302	2.3%
SUBTOTAL STATE OPERATIONS	5,936	6,547	6,864	6,868	6,868	6,871	6,871	328	2.4%
Total Expenditures	5,936	6,547	6,864	6,868	6,868	6,871	6,871	328	2.4%
<u>FINANCING BY FUND:</u>									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	5,936	6,547	6,864	6,868	6,868	6,871	6,871		
Total Financing	5,936	6,547	6,864	6,868	6,868	6,871	6,871		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
SPECIAL REVENUE	7,215	7,666	5,477	5,586	5,586	5,698	5,698		
Total Revenues Collected	7,215	7,666	5,477	5,586	5,586	5,698	5,698		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.7	1.4	1.8	1.8	1.8	1.8	1.8		
Total Full-Time Equivalent	1.7	1.4	1.8	1.8	1.8	1.8	1.8		

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

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**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Historical Society

AGENCY MISSION AND VISION:

Mission: To foster an awareness of Minnesota history, so that people 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
- Encouraging and doing research in Minnesota history

Vision: To serve as an educational institution providing a variety of historical programs and services. Through these activities we help people gain meaning for their lives. The Society is a creative and dynamic institution, documenting life in Minnesota and offering programs that are at once educational, engaging, and entertaining.

KEY SERVICE STRATEGIES:

According to its legislative charter of 1849, amended in 1856, the Minnesota Historical Society is governed by an Executive Council of 30 members and its officers. The Executive Council also performs duties mandated by the legislature under M.S. Chapter 138 and appropriate session laws.

In support of its charter, mission statement and statutory requirements, the Minnesota Historical Society delivers services to the citizens of Minnesota in a variety of ways.

- Operating the Minnesota History Center
- Operating the state's Historic Sites Network of 32 sites across the state
- Preservation of cultural resources
- Supporting local historical organizations

OPERATING ENVIRONMENT:

Funding and salary issues: State funding for salaries has not kept pace with negotiated increases. This has resulted in service reductions and hours that Historic Sites are open to the public.

Information Technology: Public expectation regarding the availability of and access to digital historical information has increased radically in recent years.

Public Demand: The public's demand for MHS services including History Day, school programs at the History Center and the need for a new Minnesota history textbook cannot be met with current resources.

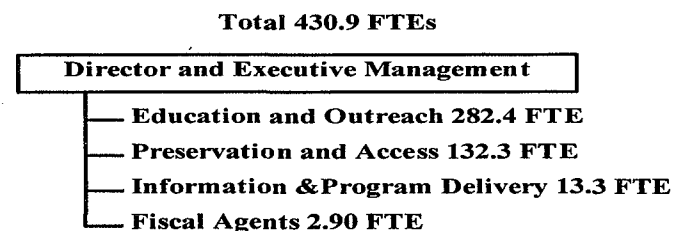
Education: The Society is the state's oldest educational institution and is expected to provide broad-based programs on Minnesota's heritage.

Sustainability of Historic Sites Network: Many facilities included in the Historic Sites Network are over 100 years old, and require extraordinary care.

Care of Collections and Exhibits: The irreplaceable nature of the Society's vast collections requires expert care. Exhibits at the History Center and at Historic Sites need to be updated and maintained to ensure their appeal and drawing power.

Heritage Tourism and Economic Development: Studies show that Historic Sites and museums rank very highly as tourist destinations. Aggressive promotion of the Society's attractions contributes significantly to Minnesota's \$6.8 billion tourist industry.

ORGANIZATION/PROGRAM STRUCTURE:



**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Historical Society
(Continuation)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget and the following initiatives.

- **Salary Supplement:** The 1998 legislature, in its First Special Session, provided assistance for the Society's salary needs; these funds were one-time appropriations. However, salary dollars create an ongoing commitment. The Governor recommends an additional \$1,142,000 for salary expenses in order to continue the Society's current level of programs.
- **Information Technology:** \$736,000 to build upon the technology infrastructure and programmatic foundation now in place, in order to serve the education needs of the next century.
- **Statewide Asset Preservation and Repair:** An additional \$50,000 is recommended to protect the public's investment in state owned historic sites and facilities.
- **Labor Interpretative Mission:** An additional \$110,000 is recommended to merge the mission of the Labor Interpretive Center into the Society's mission.

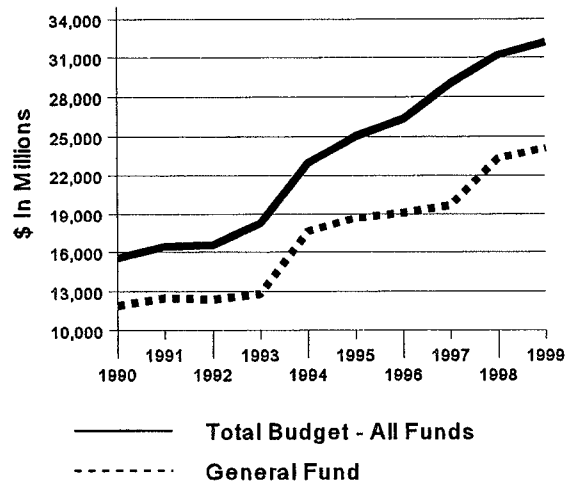
The Governor makes no recommendation regarding the LCMR projects put forward by the Society.

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Minnesota Historical Society
(Continuation)

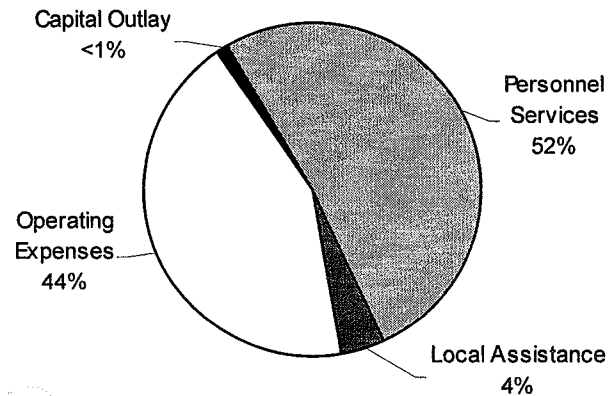
TRENDS AND PERSPECTIVE:

Total Budget



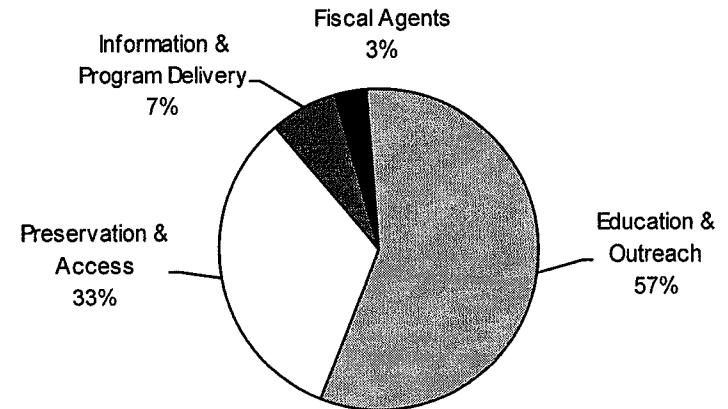
F.Y. Expenditures by Category

Total \$63.367 million



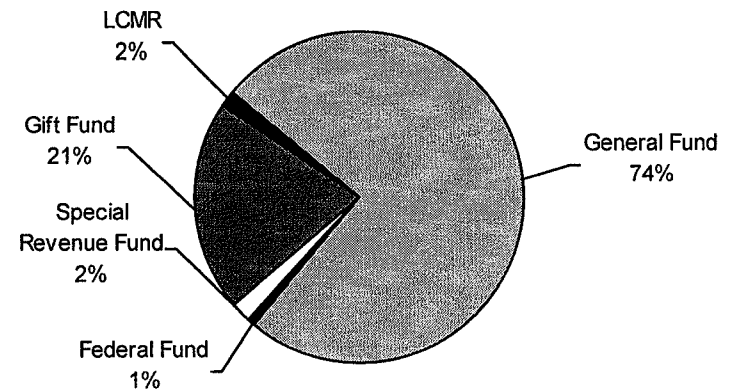
F.Y. 1998-99 Expenditures by Program

Total \$63.367 million



F.Y. 1998-99 Expenditures by Fund

Total \$63.367 million



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
EDUCATION & OUTREACH	17,856	17,662	18,579	18,152	18,931	18,375	18,903	1,593	4.4%
PRESERVATION & ACCESS	9,470	10,240	10,706	10,646	11,016	10,807	11,057	1,127	5.4%
INFO & PROGRAM DELIVERY	965	2,026	2,158	2,142	2,519	2,156	2,575	910	21.7%
FISCAL AGENTS	623	1,243	753	521	996	473	473	(527)	-26.4%
Total Expenditures	28,914	31,171	32,196	31,461	33,462	31,811	33,008	3,103	4.9%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
ENVIRONMENT & NATURAL RESOURCE	0	67	266	0	213	0	212
GENERAL	19,679	23,312	24,121	23,973	25,026	24,323	25,308
MINNESOTA RESOURCES	677	369	386	0	735	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	544	601	601	601	601	601	601
FEDERAL	256	238	238	238	238	238	238
GIFT	7,758	6,584	6,584	6,649	6,649	6,649	6,649
Total Financing	28,914	31,171	32,196	31,461	33,462	31,811	33,008

FTE BY EMPLOYMENT TYPE:							
FULL TIME	230.7	237.9	238.0	237.6	244.9	237.6	246.7
PART-TIME, SEASONAL, LABOR SER	175.2	193.0	197.0	175.0	204.0	174.2	205.3
Total Full-Time Equivalent	405.9	430.9	435.0	412.6	448.9	411.8	452.0

**2000-01 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Minnesota Historical Society

Fund: General

	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>Biennium</u>
<u>BASE-YEAR (F.Y. 1999)</u>			
Appropriations (F.Y. 1999)	\$24,121	\$24,121	\$48,242
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(796)	(796)	1,592
Biennial Appropriations	48	0	48
Capital Project Operating Costs	23	23	46
2000-01 Salary and Benefit Base	385	783	1,168
Documented Space Rental	<u>192</u>	<u>192</u>	<u>384</u>
<u>BASE LEVEL (for 2000 and 2001)</u>	\$23,973	\$24,323	\$48,296
<u>CHANGE ITEMS</u>			
Salary Supplement/Base Adjustment	571	571	1,142
Information Technology	347	389	736
Statewide Asset Preservation and Repair	25	25	50
Labor Interpretative Mission	<u>110</u>	<u>-0-</u>	<u>110</u>
GOVERNOR'S RECOMMENDATION	\$25,026	\$25,308	\$50,334

Brief Explanation of Budget Decisions:

Base Adjustments:

- One-time Appropriations were removed: \$571,000 Salary Supplement; \$75,000 Hmong Archives; and \$150,000 Sesquicentennial.
- The Capital Projects Operating Costs is an increase of \$23,000 to the capital improvements made at Split Rock Lighthouse as authorized by the Legislature.
- Base adjustments have been made for 3% annual salary and benefit costs and for rent.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget and the following initiatives.

- **Salary Supplement:** The 1998 legislature, in its First Special Session, provided assistance for the Society's salary needs; these funds were one-time appropriations. However, salary dollars create an ongoing commitment. The Governor recommends an additional \$1,142,000 for salary expenses in order to continue the Society's current level of programs.
- **Information Technology:** \$736,000 to build upon the technology infrastructure and programmatic foundation now in place, in order to serve the education needs of the next century.
- **Statewide Asset Preservation and Repair:** An additional \$50,000 is recommended to protect the public's investment in state owned historic sites and facilities.
- **Labor Interpretative Mission:** An additional \$110,000 is recommended to merge the mission of the Labor Interpretive Center into the Society's mission.

The Governor makes no recommendation regarding the LCMR projects put forward by the Society.

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**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Minnesota Historical Society

REVENUE SOURCES:

The Society is able to supplement its state appropriation for historic programs through:

- | | |
|--------------------------------------|-----------------------------|
| ■ Historic Sites admission fees | ■ Society memberships |
| ■ Parking fees at the History Center | ■ Sales of MHS publications |
| ■ Restaurant revenues | ■ Program fees |
| ■ Retail operations | ■ Fee-for-service contracts |
| ■ Gifts from donors | ■ Endowment |
| ■ Building Rental | ■ Government grants |

During F.Y. 1998 support and revenue from the above sources totaled \$7.423 million. These revenues not only cover all costs of the parking, stores and restaurant operations in the History Center, but they also support the direct operating costs of the following:

- Historic Sites Network (salaries of 180 seasonal interpreters)
- Publications Department (printing)
- Exhibit development and installation (planning and fabrication)
- Museum operations (salaries of education staff)
- Acquisition and conservation of artifacts, manuscripts and other significant documents

Without these significant nonstate revenues the Society's impact and effectiveness would be severely diminished. Specifically, operating schedules (open days and hours of operation) within the Historic Sites Network would need to be cut; History Center and sites exhibits would not be interactive and contemporary in their design and presentation; teachers and 109,000 schoolchildren would be on their own when visiting the History Center; and the recently discovered 1823 map of Fort Snelling would not have become part of the Society's collections.

FEE STRUCTURE:

The unique aspect of the Society's fee structure is that everyone who partakes of the Society's services does so voluntarily; participants want to learn more about the history of their state and are willing to pay for the experiences offered in the History Center, at living history sites and via MHS books.

- The Society enjoys the support of the largest membership of any state historical society with over 15,000 members.
- More than 686,000 visitors to the Historic Sites produced \$1,774,164 in admissions and retail sales.
- Approximately 392,000 visitors to the History Center produced \$1,118,333 in parking, restaurant, shops and special events revenue. Admission is free.
- 77,756 copies of MHS publications were sold in F.Y. 1998.

RECENT CHANGES:

Admission fees at Historic Sites were recently raised by \$1/person and \$2/family. This increase was done to offset unfunded increases in seasonal historians' salaries. Parking fees at the History Center were also increased slightly.

FORECAST BASIS:

Fees are established by the Society's Board of Trustees. No fee increases at Historic Sites are projected for the 2000-01 biennium.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
GENERAL	87	80	0	0	0	0	0	(80)	-100.0%
Total Non-Dedicated Receipts	87	80	0	0	0	0	0	(80)	-100.0%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
SPECIAL REVENUE	541	601	601	601	601	601	601	0	.0%
GRANTS:									
FEDERAL	256	238	238	238	238	238	238	0	.0%
OTHER REVENUES:									
GENERAL	7	0	0	0	0	0	0	0	
GIFT	7,758	6,584	6,584	6,649	6,649	6,649	6,649	130	1.0%
Total Dedicated Receipts	8,562	7,423	7,423	7,488	7,488	7,488	7,488	130	.9%
Agency Total Revenues	8,649	7,503	7,423	7,488	7,488	7,488	7,488	50	.3%

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Historical Society
PROGRAM:
ACTIVITY:

ITEM TITLE: Salary Supplement Base Adjustment

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$571	\$571	\$571	\$571
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends continuing funding that was originally provided as a one-time salary appropriation.

RATIONALE:

During the 1998 Special Session the legislature provided the Society with a one-time salary supplement of \$571,000. While salary dollars are customarily appropriated as ongoing expenditures, these appropriations were one-time.

FINANCING:

The funding for this change item will pay for ongoing salary adjustments mandated by the Commissioner's Plan for the current biennium. This plan covers Society staff, as required by M.S. 138.01.

<u>Program</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Education and Outreach	\$316	\$316
Preservation and Access	225	225
Information and Program Delivery	<u>30</u>	<u>30</u>
Total	\$571	\$571

OUTCOMES:

Funding of this Change Item will enable the Society to maintain salary levels without cutting high demand services.

2000-01 Biennial Budget

PROGRAM: Education and Outreach
AGENCY: Minnesota Historical Society

PROGRAM PROFILE:

The Minnesota Historical Society is the state's oldest educational institution. The Society's education and outreach program is carried out through:

- Exhibits
- Historic Sites Network
- Living history programs
- MHS Press
- Library
- State historic preservation office

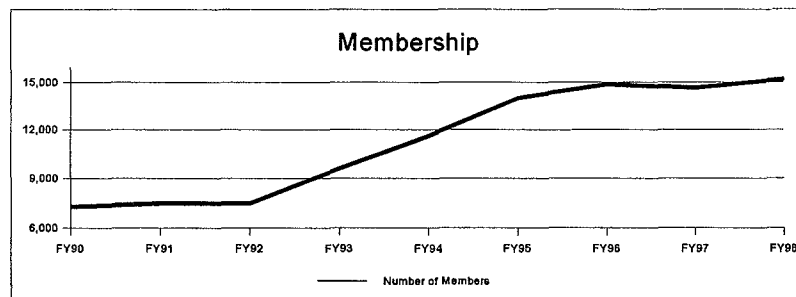
STRATEGIES AND PERFORMANCE:

Demand for services in the Education and Outreach program continues to be strong. The Society has met this demand with the resources of the History Center, the state's Historic Sites Network and a variety of public programs for people of all ages.

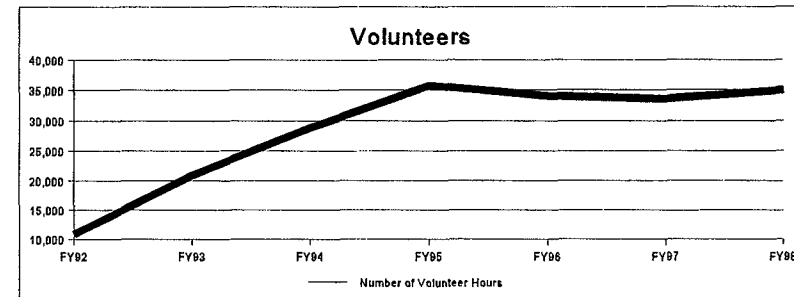
During F.Y. 1998 the Society served:

- 392,000 visitors to the History Center, including 47,000 in structured public programs
- 686,670 visitors to Historic Sites statewide including 154,000 schoolchildren
- 20,500 student/participants in History Day statewide
- 15,202 members of the Society, each receiving *Member News* and the quarterly scholarly journal *Minnesota History*.

Since the opening of the Minnesota History Center in 1992, membership has more than doubled.



Volunteers are essential in supporting the Society's work. More than 1,500 volunteers contributed more than 34,900 hours of service to the Society last year. While volunteers add much to the quality of Society programs, volunteer recruitment and supervision require a great deal of staff time.



FINANCING INFORMATION:

State operating appropriations for the Education and Outreach Program are from the General Fund. These funds support the bulk of the Society's programming and educational initiatives for more than 1 million citizens and visitors.

BUDGET ISSUES:

The population of Minnesota is expected to grow significantly in the next 10 to 20 years. The Society will continue to deliver successful programs for school groups, family and individual visitors, as well as provide programs through technology. High demand services and programs, including hours of Library operation, museum hours, education and family programming, and advice to local and regional historical organizations would be significantly reduced or even discontinued if state funding were to decline.

LCMR FUNDS:

Historic Land Acquisition: \$175,000 appropriation from the Minnesota Future Resources Fund to the Society to purchase land adjacent to the Lower Sioux Agency, Jeffers Petroglyphs, and Liver Kelley Farm sites to protect the historic resources. Allocation of dollars between the three sites will be determined based on the willingness of sellers and reasonable purchase prices at the respective sites.

2000-01 Biennial Budget

PROGRAM: Education and Outreach
AGENCY: Minnesota Historical Society
(Continuation)

This appropriation is available until June 30, 2002, at which time the project must be completed and final products delivered, unless an earlier date is specified in the work program.

Using National Register Properties to Interpret Minnesota History: \$90,000 appropriation from the Minnesota Future Fund to the Society to create interactive, mini-documentaries in Internet format using the National Register properties to interpret selected themes in Minnesota history.

Documenting Traditional Cultural Properties in Minnesota: \$50,000 appropriation from the Minnesota Future Resources Fund to the Society to identify and protect traditional cultural places of Minnesota Indian people. The Society must request matching funds from non-state sources and report results back to the Legislative Commission on Minnesota Resources.

Traverse des Sioux Site Development: \$250,000 appropriation from the Minnesota Future Resources Fund to the Society to improve public access to state historic site Tracerse des Sioux including trails, interpretive markers, and basic visitor amenities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget and that the Society's mission be revised to include the story of workers in Minnesota from past to present as currently told by the Labor Interpretive Center. The Governor makes no recommendation regarding the LCMR projects put forward by the Society.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: EDUCATION & OUTREACH

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
HIST SITES, MUSMS, & ST SERV	14,735	14,488	15,354	14,819	15,598	15,042	15,570	1,326	4.4%
HISTORY CENTER BLDG/DEBT	3,121	3,174	3,225	3,333	3,333	3,333	3,333	267	4.2%
Total Expenditures	17,856	17,662	18,579	18,152	18,931	18,375	18,903	1,593	4.4%

CHANGE ITEMS:	FUND				
(A) SALARY SUPPLEMENT	GEN			316	316
(B) HISTORIC SITE LAND ACQUISITION	EVT			88	87
(B) LABOR INTERPRETATIVE MISSION	GEN			110	
(B) NATIONAL REGISTER PROPERTIES	MNR			90	
(B) TRADITIONAL CULTURAL PROPERTIES	MNR			50	
(B) TRAVERSE DES SIOUX SITE DEVELOPMENT	EVT			125	125
Total Change Items				779	528

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
ENVIRONMENT & NATURAL RESOURCE	0	67	266	0	213	0	212
GENERAL	11,225	11,763	12,393	12,273	12,699	12,496	12,812
MINNESOTA RESOURCES	332	19	106	0	140	0	0
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	544	601	601	601	601	601	601
FEDERAL	256	238	238	238	238	238	238
GIFT	5,499	4,974	4,975	5,040	5,040	5,040	5,040
Total Financing	17,856	17,662	18,579	18,152	18,931	18,375	18,903

FTE BY EMPLOYMENT TYPE:							
FULL TIME	127.1	126.3	128.4	128.0	128.0	128.0	128.0
PART-TIME, SEASONAL, LABOR SER	144.5	156.1	148.6	135.1	147.1	134.3	146.3
Total Full-Time Equivalent	271.6	282.4	277.0	263.1	275.1	262.3	274.3

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2000-01 Biennial Budget

BUDGET ACTIVITY: Historic Sites, Museums and Statewide Services
PROGRAM: Education and Outreach
AGENCY: Minnesota Historical Society

ACTIVITY PROFILE:

This activity includes several functions that 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."

- *Historic Sites Network.* Mandated by M.S. 138.661-669, the Historic Sites Network will soon celebrate its 35th anniversary. By providing visitors with the unique experience of learning about history where it happened, the Network has added richness to the educational and recreational life of Minnesotans and out-of-state visitors. In addition, the Historic Sites Network stimulates heritage tourism.
- *Exhibits.* Through exhibits at the History Center and throughout the Historic Sites Network, visitors can learn about Minnesota's past in meaningful, memorable ways; costumed guides, interactive multi-media installations and "hands-on" artifacts.

"More fun than history should be"
- 10th Grade Student

- *Education Department.* As a central part of the Society's mission, the Education Department provides public programs for learners of all ages. These include lectures, 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 material in *Northern Lights*, the Minnesota history curriculum developed by the Society and widely used in the state's schools.

One rapidly growing Society-coordinated educational program is History Day, which began with just over 100 participants less than 10 years ago. More than 20,000 students now participate in this annual program, in which junior and senior high school students undertake original research projects, developing a variety of essential communications skills. It is expected that History Day will continue to grow, in part due to its applicability to meeting Graduation Rule Standards.

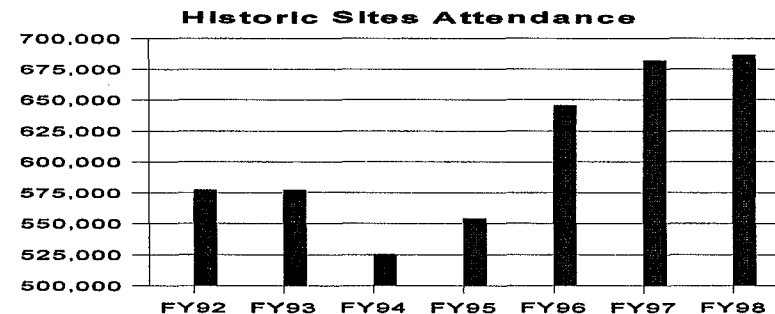
- *MHS Press and Research Department.* The Minnesota Historical Society Press, the oldest publisher in the state, helps to fulfill the Society's mission by providing materials for readers interested in Minnesota's past. Through popular scholarly titles the MHS Press not only encourages research, but it also helps a wider audience learn about Minnesota history. The number of units shipped by the Publications Division (books, tapes, CD's, posters) rose 24% from F.Y. 1992 to F.Y. 1998.

- *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, the office conducts reviews of applications for the various competitive, matching grant programs administered by the Society, and it helps to coordinate the Society's contact with each of the state's 450 county and local historical organizations. Through matching requirements, state funds are leveraged to accomplish projects with minimal state investment.

**"The History Center is a teacher's dream, a family's dream,
a kid's dream." -6th Grade Teacher**

STRATEGIES AND PERFORMANCE:

Since most of the Society's programs and services are used voluntarily by the public, a key indicator is general usage of these services. In the case of Historic Sites and History Center usage, trend lines have been on the rise in recent years.



2000-01 Biennial Budget

BUDGET ACTIVITY: Historic Sites, Museums and Statewide Services
PROGRAM: Education and Outreach
AGENCY: Minnesota Historical Society
 (Continuation)

"This is a really cool place where you can learn about things you never knew existed."
 -7th Grade Student

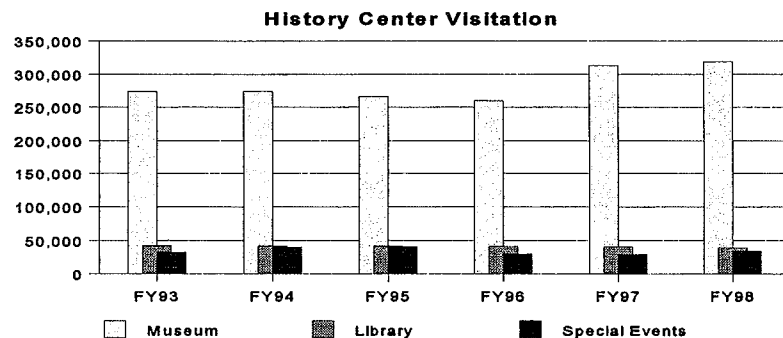
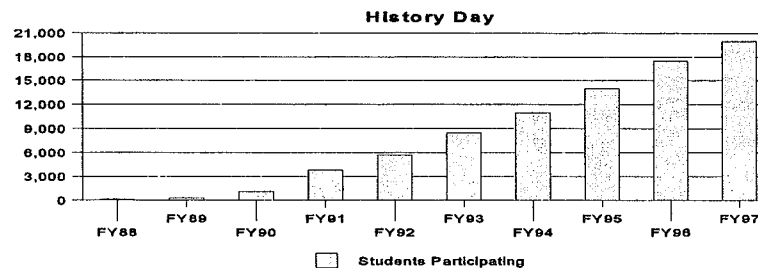
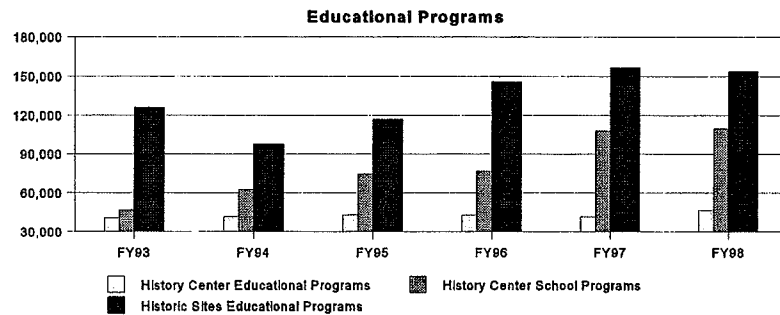
FINANCING INFORMATION:

State operating appropriations for the Historic Sites, Museums and Statewide Services Activity are from the General Fund.

BUDGET ISSUES:

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. Since the 1960s the Society and the state have invested more than \$60 million 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. Additionally, the Society's historic preservation staff is able to optimize 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 unmet public demand.

"History doesn't have to be learned boringly anymore."
 - 7th Grade Student



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: EDUCATION & OUTREACH
Activity: HIST SITES, MUSMS, & ST SERV

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	9,073	9,419	9,933	9,901	10,282	10,173	10,489	1,419	7.3%
OPERATING EXPENSES	4,834	4,615	4,727	4,474	4,519	4,425	4,425	(398)	-4.3%
SUBTOTAL STATE OPERATIONS	13,907	14,034	14,660	14,375	14,801	14,598	14,914	1,021	3.6%
CAPITAL OUTLAY	237	19	192	17	17	17	17	(177)	-83.9%
LOCAL ASSISTANCE	591	435	502	427	780	427	639	482	51.4%
Total Expenditures	14,735	14,488	15,354	14,819	15,598	15,042	15,570	1,326	4.4%

CHANGE ITEMS:	FUND				
(A) SALARY SUPPLEMENT	GEN			316	316
(B) HISTORIC SITE LAND ACQUISITION	EVT			88	87
(B) LABOR INTERPRETATIVE MISSION	GEN			110	
(B) NATIONAL REGISTER PROPERTIES	MNR			90	
(B) TRADITIONAL CULTURAL PROPERTIES	MNR			50	
(B) TRAVERSE DES SIOUX SITE DEVELOPMENT	EVT			125	125
Total Change Items				779	528

FINANCING BY FUND:					
DIRECT APPROPRIATIONS:					
ENVIRONMENT & NATURAL RESOURCE	0	67	266	0	213
GENERAL	8,104	8,589	9,168	8,940	9,366
MINNESOTA RESOURCES	332	19	106	0	140
STATUTORY APPROPRIATIONS:					
SPECIAL REVENUE	544	601	601	601	601
FEDERAL	256	238	238	238	238
GIFT	5,499	4,974	4,975	5,040	5,040
Total Financing	14,735	14,488	15,354	14,819	15,598

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Activity: HIST SITES, MUSMS, & ST SERV

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>REVENUE COLLECTED:</u>							
DEDICATED							
SPECIAL REVENUE	541	601	601	601	601	601	601
FEDERAL	256	238	238	238	238	238	238
Total Revenues Collected	797	839	839	839	839	839	839
<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	127.1	126.3	128.4	128.0	128.0	128.0	128.0
PART-TIME, SEASONAL, LABOR SER	144.5	156.1	148.6	135.1	147.1	134.3	146.3
Total Full-Time Equivalent	271.6	282.4	277.0	263.1	275.1	262.3	274.3

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Historical Society
PROGRAM: Education and Outreach
ACTIVITY: Historic Sites, Museums and Statewide Services

ITEM TITLE: Labor Interpretive Mission

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: (\$000s)				
General Fund				
- State Operations	\$110	\$-0-	\$-0-	\$-0-
- Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No

If yes, statutes(s) affected: Ch 138 and Ch 138A

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Labor Interpretive Center (LIC), as established in MS 138A.01 to MS 138.06, be terminated and its purposes and function be combined with those of the Minnesota Historical Society. To accomplish this transition the Governor recommends an appropriation of \$110,000 for the Society, in F.Y. 2000 to pay associated costs.

RATIONALE:

The mission of the Society is to foster an awareness of Minnesota history, so that people may draw strength and perspective from the past and find purpose for the future. The Society carries out this mission, in part, by providing opportunities for people of all ages to learn about the history of Minnesota. The Society also serves as an educational institution providing a variety of historical programs and services. The Society's role in preservation and interpretation of Minnesota's historical heritage inherently must include the contribution of working people.

The Mission of the Labor Interpretive Center (MS 138A.01 subd. 2) is to "...celebrate the contribution of working people to the past, present, and future of Minnesota; to spur an interest among the people of Minnesota in their own family and community traditions of work; to help young people discover their work skills and opportunities for a productive working life; and to advance the teaching of work and labor studies in schools and colleges." This mission fits well within the framework of the Society and merging the LIC's mission into the Society's will provide for a more efficient and cohesive delivery of services.

The Governor believes that the role of government should be limited and efficient. Consequently, he believes that programs that overlap should be combined to provide the most cost effective method of delivering services as possible. To that end the mission of the LIC can, and should be carried out by the Minnesota Historical Society. The Society is well positioned to present this story in a through and thoughtful manner that is readily accessible to the citizens of Minnesota.

FINANCING:

The Society will receive a one-time general fund appropriation to fund the transfer of these duties from the LIC.

OUTCOMES:

The Labor Interpretive Center's mission would merge with that of the Minnesota Historical Society so that a more cost effective and efficient method of delivering services will be achieved.

2000-01 Biennial Budget

BUDGET ACTIVITY: History Center Building/Debt
PROGRAM: Education and Outreach
AGENCY: Minnesota Historical Society

ACTIVITY PROFILE:

This activity is divided between the Education and Outreach and Preservation and Access programs on the basis of the space each program occupies in the History Center. This activity exists to provide climate controls, grounds keeping, custodial, maintenance, repair and security services at the History Center; it also pays 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 Complex. The History Center is open to the public 16 hours per day, 362 days per year. The care and preservation of the Society's vast collections require that temperature and humidity be controlled within very narrow ranges and that 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 of Minnesota that are housed there.

STRATEGIES AND PERFORMANCE:

The History Center has been open to the public since October 1992 and has exceeded all attendance expectations. The History Center functions not only as the headquarters of the Minnesota Historical Society but also as a gathering place for Minnesotans who use it as a setting for making their own history; family reunions, weddings, memorial services, receptions and various kinds of meetings.

FINANCING INFORMATION:

The Department of Administration provides maintenance, custodial and building systems support services for the History Center, which is funded through this activity. Debt service for the state-funded part of the History Center is also included in this Activity. Administration calculates the cost of these services and it becomes part of the Society's budget request. The Society then pays the Department of Administration for the services provided and for the current portion of the debt.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: EDUCATION & OUTREACH
Activity: HISTORY CENTER BLDG/DEBT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
OPERATING EXPENSES	3,121	3,174	3,225	3,333	3,333	3,333	3,333	267	4.2%
SUBTOTAL STATE OPERATIONS	3,121	3,174	3,225	3,333	3,333	3,333	3,333	267	4.2%
Total Expenditures	3,121	3,174	3,225	3,333	3,333	3,333	3,333	267	4.2%
FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	3,121	3,174	3,225	3,333	3,333	3,333	3,333		
Total Financing	3,121	3,174	3,225	3,333	3,333	3,333	3,333		

2000-01 Biennial Budget

PROGRAM: Preservation and Access
AGENCY: Minnesota Historical Society

PROGRAM PROFILE:

A significant part of the Society's mission involves the collection, conservation and preservation of the state's cultural heritage and governmental records. Equally important is making these collections available to the public. The Society acquires nearly all of these materials by donation from the people of Minnesota and the state's governmental entities. The Society employs staff who are recognized as experts in 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.

STRATEGIES AND PERFORMANCE:

The Society annually serves the following number of customers through the Preservation and Access Program:

- 41,500 in-person inquiries at the History Center's Library
- 23,400 inquiries by telephone
- 3,120 inquiries by mail
- 375 cubic feet of manuscripts were acquired

In the past 2 years the Society has answered the call to assist the public with disaster recovery in the Red River Valley floods of 1997 and the tornadoes in southern Minnesota in 1998. Through on-site staff assistance, as well as dissemination of information through the web site, Society conservation and historic preservation staff were able to provide expert advice on preservation of historic buildings and family heirlooms such as books and photographs.

FINANCING INFORMATION:

State operating appropriations for the Preservation and Access Program are from the General Fund.

BUDGET ISSUES:

This program faces increasing demands on 2 fronts; first, greater volumes of materials need preservation including government records, newspapers and artifacts from throughout the state. Second, as more Minnesotans become interested in exploring the past, whether doing house history, genealogy, or scholarly research, the History Center Library will continue to face heavier demands. In addition, as improved technological research methods give greater access to the collections, there will be greater interest in the collections, resulting in more new visitors.

Requests for information as well as interest in how to use the collections and how to access collections related information have 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.

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, by definition, continue to grow.

LCMR PROJECTS:

Utilization of Historic Timberland Survey Records: \$120,000 appropriation from the Minnesota Future Resources Fund to the Society to digitize and distribute historic timberland survey records.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget. Additional funding is recommended for the Society's base for repair and replacement of state assets and facilities. This recommendation is part of a multi-agency initiative to reduce facility repair and replacement needs by approximately 5% in each agency. The Governor makes no recommendation regarding the LCMR projects put forward by the Society.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Program: PRESERVATION & ACCESS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY ACTIVITY:									
COLLECTION SERVICES	7,023	7,752	8,177	8,033	8,403	8,194	8,444	918	5.8%
HISTORY CTR BLDG/DEBT	2,447	2,488	2,529	2,613	2,613	2,613	2,613	209	4.2%
Total Expenditures	9,470	10,240	10,706	10,646	11,016	10,807	11,057	1,127	5.4%

CHANGE ITEMS:	FUND				
(A) SALARY SUPPLEMENT	GEN			225	225
(B) GIS UTILIZATION OF HISTORIC TIMBERLAND	MNR			120	
(B) STATEWIDE ASSET PRESERVATION AND REPAIR	GEN			25	25
Total Change Items				370	250

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	8,072	8,661	9,128	9,068	9,318	9,229	9,479
MINNESOTA RESOURCES	0	0	0	0	120	0	0
STATUTORY APPROPRIATIONS:							
GIFT	1,398	1,579	1,578	1,578	1,578	1,578	1,578
Total Financing	9,470	10,240	10,706	10,646	11,016	10,807	11,057

FTE BY EMPLOYMENT TYPE:							
FULL TIME	102.6	101.6	101.6	101.6	101.6	101.6	101.6
PART-TIME, SEASONAL, LABOR SER	27.8	30.7	32.7	25.0	32.7	25.0	32.7
Total Full-Time Equivalent	130.4	132.3	134.3	126.6	134.3	126.6	134.3

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2000-01 Biennial Budget

BUDGET ACTIVITY: Collection Services
PROGRAM: Preservation and Access
AGENCY: Minnesota Historical Society

ACTIVITY PROFILE:

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 paper, artifacts and other media that document Minnesota history.

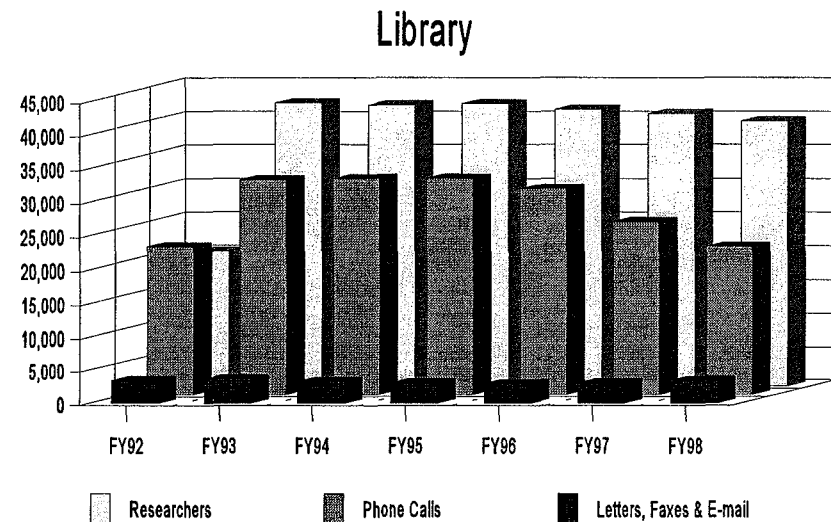
- *Library.* History Center library makes accessible written, visual, and oral materials relating to Minnesota's past to more than 60,000 patrons each year.
- *State Archives.* Statutorily responsible for evaluating the historical importance of all Minnesota's governmental records and arranging for their permanent preservation or disposal. This activity has experienced constant growth, and is continuing to examine how best to handle records that are increasingly more complex and varied in their form.
- *Processing and Conservation.* Materials selected for inclusion in the Society's collections are organized, cataloged and treated to ensure their long-term stability and usability.
- *Repair and Replacement.* Since many of the Society's buildings are more than 100 years old, caring for them presents unique, and usually costly, challenges. The Collection Services Activity provides for ordinary but necessary repairs for structures in the Historic Sites Network.
- *Archaeology.* The Archaeology Department provides help to the public and other departments of the Society. Recent work has included assistance with Historic Sites capital projects such as the Sibley Historic Site, and an exploratory project at the Falls of St. Anthony in Minneapolis.

STRATEGIES AND PERFORMANCE:

The Society currently holds for and makes accessible to the people of Minnesota:

- 405,000 books, pamphlets and periodicals
- 35,000 cubic feet of manuscripts and 5,400 reels of microfilm
- 52,000 cubic feet of government records and 9,500 reels of microfilm
- 21,000 maps and atlases
- 500,000 photographs, albums and collections
- 6,000 works of art
- Nearly 1 million archaeological artifacts
- 4 million issues of 4,000 newspapers on 66,037 reels of microfilm
- 228,000 historical artifacts

Since the opening of the History Center in 1990, a consistent number of patrons have used the resources available through the Library and Museum Collections.



2000-01 Biennial Budget

BUDGET ACTIVITY: Collection Services
PROGRAM: Preservation and Access
AGENCY: Minnesota Historical Society
(Continuation)

FINANCING INFORMATION:

State operating appropriations for the Collection Services Activity are from the General Fund.

In addition, nonstate sources help to augment state funds. 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 the cost of operating parking, the restaurant, special events and the shops in the History Center and throughout the Historic Sites Network.

BUDGET ISSUES:

Collecting, processing, conserving and disseminating the information and records of the state is an essential function of the Society. Funding for this activity 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 would 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 have great difficulty accomplishing 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.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: PRESERVATION & ACCESS
Activity: COLLECTION SERVICES

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	5,313	5,763	6,110	6,143	6,368	6,326	6,551	1,046	8.8%
OPERATING EXPENSES	1,687	1,986	2,024	1,887	1,887	1,865	1,865	(258)	-6.4%
SUBTOTAL STATE OPERATIONS	7,000	7,749	8,134	8,030	8,255	8,191	8,416	788	5.0%
CAPITAL OUTLAY	19	0	0	0	25	0	25	50	
LOCAL ASSISTANCE	4	3	43	3	123	3	3	80	173.9%
Total Expenditures	7,023	7,752	8,177	8,033	8,403	8,194	8,444	918	5.8%

CHANGE ITEMS:	FUND				
(A) SALARY SUPPLEMENT	GEN			225	225
(B) GIS UTILIZATION OF HISTORIC TIMBERLAND	MNR			120	
(B) STATEWIDE ASSET PRESERVATION AND REPAIR	GEN			25	25
Total Change Items				370	250

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	5,625	6,173	6,599	6,455	6,705	6,616	6,866
MINNESOTA RESOURCES	0	0	0	0	120	0	0
STATUTORY APPROPRIATIONS:							
GIFT	1,398	1,579	1,578	1,578	1,578	1,578	1,578
Total Financing	7,023	7,752	8,177	8,033	8,403	8,194	8,444

FTE BY EMPLOYMENT TYPE:							
FULL TIME	102.6	101.6	101.6	101.6	101.6	101.6	101.6
PART-TIME, SEASONAL, LABOR SER	27.8	30.7	32.7	25.0	32.7	25.0	32.7
Total Full-Time Equivalent	130.4	132.3	134.3	126.6	134.3	126.6	134.3

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Minnesota Historical Society
PROGRAM: Preservation and Access
ACTIVITY: Collections Services

ITEM TITLE: Statewide Asset Preservation and Repair

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$25	\$25	\$25	\$25
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ___ No X

If yes, statutes(s) affected:

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase of \$50,000 to the Society's base budget for repair and replacement of state assets and facilities. This recommendation is part of a statewide, multi-agency initiative to reduce facility repair and replacement needs by approximately 5% in each agency.

RATIONALE:

Historic sites are recognized by statute as important public resources worth preserving. The "Minnesota Historic Sites Act" (M.S. 138.661-138.669), confers upon the Minnesota Historical Society the control and responsibility for preserving, developing, interpreting and maintaining the sites for public use and benefit.

The state historic sites network is now in its third decade of heavy use by patrons, making preservation of its structures even more critical. Limited financial resources have forced the deferral of important restoration activities. Heavy public use (averaging nearly 600,000 visitors for the past few years) coupled with ongoing

environmental factors have created visible and substantive wear and tear on the structures comprising the state historic sites system.

The steady stream of patrons - school children, families, tourists, and senior citizens - who visit the historic sites take a toll not only on structures, but also on exhibits, audio-visual equipment and artifacts. So does age. Exhibits require periodic restoration and refurbishing to keep them presentable for public use. If not regularly refurbished, they become dirty, damaged, unsightly, and unacceptable to an increasingly sophisticated viewing public. In addition, irreplaceable artifacts are endangered.

FINANCING:

Funding necessary to maintain the state's historic resources has not been dependable through the capital budgeting process or CAPRA. Increasing the Society's operating R&R base will create a higher level of predictability and will better enable the Society to fulfill its statutory mandate.

OUTCOMES:

This funding would allow the Society the financial ability to proactively manage building maintenance; it will help to reduce the deterioration of state buildings ultimately saving tax dollars; it will aid in "melting the capital iceberg" and regaining the structural integrity of state-owned buildings; and it will reduce the Society's backlog of deferred maintenance, respond to increased user demand, and create safer, more user-friendly facilities.

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2000-01 Biennial Budget

BUDGET ACTIVITY: History Center Building/Debt
PROGRAM: Preservation and Access
AGENCY: Minnesota Historical Society

ACTIVITY PROFILE:

This activity is divided between the Education and Outreach and Preservation and Access programs on the basis of the space each program occupies in the History Center. This activity exists to provide climate controls, grounds keeping, custodial, maintenance, repair and security services at the History Center; it also pays 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 Complex. The History Center is open to the public 16 hours per day, 362 days per year. The care and preservation of the Society's vast collections require that temperature and humidity be controlled within very narrow ranges and that 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 of Minnesota that are housed there.

STRATEGIES AND PERFORMANCE:

The History Center has been open to the public since October 1992 and has exceeded all attendance expectations. The History Center functions not only as the headquarters of the Minnesota Historical Society but also as a gathering place for Minnesotans who use it as a setting for making their own history; family reunions, weddings, memorial services, receptions and various kinds of meetings.

FINANCING INFORMATION:

The Department of Administration provides maintenance, custodial and building systems support services for the History Center, which is funded through this activity. Debt service for the state-funded part of the History Center is also included in this Activity. Administration calculates the cost of these services and it becomes part of the Society's budget request. The Society then pays the Department of Administration for the services provided and for the current portion of the debt.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: PRESERVATION & ACCESS
Activity: HISTORY CTR BLDG/DEBT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
OPERATING EXPENSES	2,447	2,488	2,529	2,613	2,613	2,613	2,613	209	4.2%
SUBTOTAL STATE OPERATIONS	2,447	2,488	2,529	2,613	2,613	2,613	2,613	209	4.2%
Total Expenditures	2,447	2,488	2,529	2,613	2,613	2,613	2,613	209	4.2%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	2,447	2,488	2,529	2,613	2,613	2,613	2,613		
Total Financing	2,447	2,488	2,529	2,613	2,613	2,613	2,613		

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2000-01 Biennial Budget

PROGRAM: Information and Program Delivery

AGENCY: Minnesota Historical Society

PROGRAM PROFILE:

The Society is one of the state's largest repositories of historic and governmental information. Information collection, documentation and retrieval is an integral function of the Society. Technological advances are changing the way in which information is stored and made accessible. Technology is also making possible new experiences not previously imagined. The "virtual tour" of Historic Sites and exhibits, access to the Society's collections via the web, and interactive workshops could all be achieved with sufficient levels of funding.

Through an extensive institution-level long-range planning process and with the direction provided by an oversight committee, strategic directions for the Society's use of technology have been identified. The results of the planning process have helped focus and clarify the information resources challenges facing the Society.

Building on the infrastructure created during 1998-99 biennium, the Society is now prepared to move to the next phase of delivering information through:

- *Infrastructure.* This component will incrementally add to the framework already in place, and will maintain the foundation (web support, hardware, database creation and staff support) upon which additional services demanded by the Society's patrons will be provided.
- *Improved MHS Services.* This component addresses the demand for expanded electronic access to the Society's collections (Library, artifacts, photographs), historical information, and exhibits (virtual tours).
- *Assistance to Other Organizations.* This component enables the Society to assist other organizations in utilizing the historical information resources held by the Society and others.

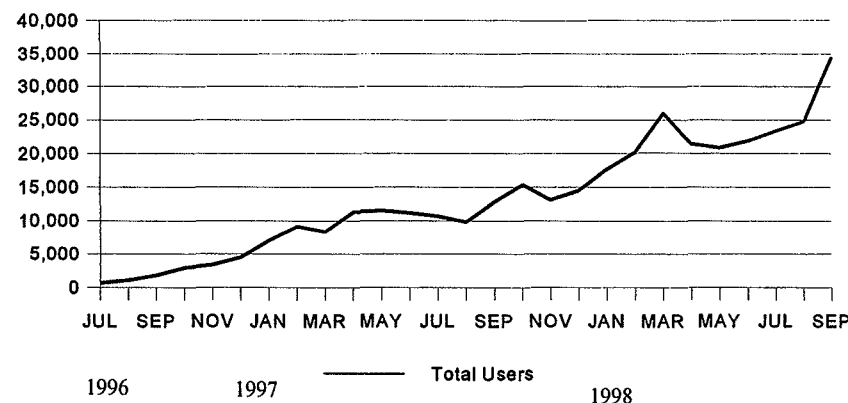
STRATEGIES AND PERFORMANCE:

The \$4.1 million technology appropriation for the 1998-99 biennium allowed:

- Network the History Center and 17 Historic Sites; update desktop computers and software; establish an initial infrastructure.

- Develop and implement enterprise-wide information technology policies, procedures and standards.
- Develop enterprise conceptual and logical data models that will provide the basis for ongoing systems design and enhancement.
- Provide more than 500 technology training courses to Society staff.
- Expand and redesign the Society's web site at www.mnhs.org.
- Begin to use technology to organize and manage 228,000 historical artifacts.
- Begin a State Archives project to develop standards and guidelines for the management of electronic records in state government.
- Begin making the Society's collections and merchandize available via the web.
- Migrate to Year 2000 compliance.

Web Site Users



One indication of the value of technology to the Society and its constituents is the rapid growth in usage of the Society's web site, www.mnhs.org. Additionally, 40% of the visits to the web site are made during non-work hours, indicating the personal convenience provided by this medium.

FINANCING INFORMATION:

State appropriation grew from \$104,000 in F.Y. 1997 to \$4.1 million for 1998-99. State operating appropriations are from the General Fund.

2000-01 Biennial Budget

PROGRAM: Information and Program Delivery

AGENCY: Minnesota Historical Society

(Continuation)

BUDGET ISSUES:

The 1998-99 appropriation allowed the Society to begin to implement its long range information technology plan. Continued funding at the base level would allow the Society to maintain the advances made during the previous biennium. The Society would like to build upon the foundation put in place by this initial appropriation. The infrastructure is readily scaleable to meet project changes.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget and additional funding to build upon the Society's technology infrastructure so that it can better respond to the public's requests for information.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY
Program: INFO & PROGRAM DELIVERY
Activity: INFORMATION DELIVERY

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	182	443	848	842	1,103	856	1,194	1,006	77.9%
OPERATING EXPENSES	783	1,583	1,310	1,300	1,416	1,300	1,381	(96)	-3.3%
SUBTOTAL STATE OPERATIONS	965	2,026	2,158	2,142	2,519	2,156	2,575	910	21.7%
Total Expenditures	965	2,026	2,158	2,142	2,519	2,156	2,575	910	21.7%
<u>CHANGE ITEMS:</u>									
(A) SALARY SUPPLEMENT	GEN				30		30		
(B) INFORMATION TECHNOLOGY	GEN				347		389		
Total Change Items					377		419		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	104	1,995	2,127	2,111	2,488	2,125	2,544		
STATUTORY APPROPRIATIONS:									
GIFT	861	31	31	31	31	31	31		
Total Financing	965	2,026	2,158	2,142	2,519	2,156	2,575		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	1.0	10.0	8.0	8.0	15.3	8.0	17.1		
PART-TIME, SEASONAL, LABOR SER	0.0	3.3	12.7	11.9	21.2	11.9	23.3		
Total Full-Time Equivalent	1.0	13.3	20.7	19.9	36.5	19.9	40.4		

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HISTORICAL SOCIETY

IT Change Item: INFORMATION TECHNOLOGY

ITEM DESCRIPTION AND PURPOSE:

The Minnesota Historical Society holds an immense and valuable amount of information on the history of the state and its citizens. It is our mission to collect, preserve and interpret this information on behalf of its owners, the citizens of the State of Minnesota. These historical information resources are made accessible to researchers through a variety of tools, and this change item is an opportunity to greatly expand and enhance these tools.

Advances in technology are changing drastically the way in which information is stored and accessed. Technology also is making available new visitor and patron experiences not previously imagined. World Wide Web technology will enable virtual tours of the Historic Sites Network and exhibits, enhance access to the historic photographs in our collections through the photo database and develop other databases useful to Minnesotans. Sufficient levels of funding will allow the Society to build on this already successful program.

FUNDING:

Funding Distribution	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Facilities	15	0	0	0	0	0
Grants	0	0	0	0	0	0
Hardware	35	36	14	0	0	0
Personnel	231	308	427	427	427	427
Services	53	37	96	0	0	0
Software	6	3	38	0	0	0
Supplies	3	3	0	0	0	0
Training	4	2	8	0	0	0
Total	347	389	583	427	427	427

The project builds off the technology framework the Society put in place with the IT appropriation for F.Y. 98-99. Further funding for the project will enable the Society to continue the successful programs already in place and to build the foundation necessary to continue to increase the public's access to the Society's archives, artifact collections, Historic Sites, educational programs, exhibits, and publications.

RATIONALE:

There are two major components to this project:

1. **ENHANCED MINNESOTA HISTORICAL SOCIETY SERVICES TO THE PUBLIC.** The Society will be able to increase the availability and accessibility of information about the history of Minnesota and its citizens. The History Learning Network, a piece of this component, will create engaging interpretive learning experiences about Minnesota history to audiences throughout the state using a combination of curriculum for schools, exhibits, and tours of Historic Sites.
2. **INFRASTRUCTURE MAINTENANCE.** This component builds on the newly created technology framework to support the existing successful programs and new projects. By improving the infrastructure, the Society will be able to serve as a better steward of the historical resources entrusted to the Society's care.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2000-01 Biennium		2002-03 Biennium		2004-05 Biennium	
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Development	X	X	X	X		
Operations	X	X	X	X	X	X
Modification	X	X	X	X	X	X
Retirement						

Information technology infrastructure, database development and web-based service delivery at the Minnesota Historical Society have been unified within a single data architecture and are proceeding on schedule. In November of 1997 the Society's conceptual data model for the enterprise was adopted. At each step of the predesign, planning, operations and management process, the Society's Information Technology Coordinating Committee has adjusted the plan to maintain quality outcomes and stay within resources. As the network was built two years ago and database applications are still being delivered, the retirement phase is not applicable.

F.Y. 2000-2001 Information Technology New Funding

AGENCY: HISTORICAL SOCIETY
IT Change Item: Information Technology
(Continuation)

OFFICE OF TECHNOLOGY ANALYSIS:

The society is committed to information resource management and is implementing its comprehensive technology plan. The society is attempting to make its collections of Minnesota history available to citizens online.

OT Master Plan: Goal 1-Technically literate and competent society, Goal 2-Efficient and effective government, Goal 3-Easy and affordable access, Goal 4-Stimulate economic development, Goal 5-Improved quality of life. This project would continue efforts previously started to make available vast amounts of web-based, historical collections information, including virtual site tours, digital photographs, and thousands of state documents. Recommendation: Proceed as planned. OT supports this project.

GOVERNOR'S RECOMMENDATION:

The Governor recommends additional funding to build upon the Society's technological infrastructure so that it can better respond to the public's requests for information.

2000-01 Biennial Budget

PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society

PROGRAM PROFILE:

The Minnesota Historical Society serves as fiscal agent for certain organizations determined by the Minnesota Legislature.

■ PROJECT 120 - STUDENTS EXPERIENCING GOVERNMENT

Project 120 conducts a series of 5 day seminars at the Minnesota State Capitol complex during the legislative session. These seminars focus on understanding state government through first hand observation and personal involvement. The primary goal of Project 120 is to educate and encourage young people to be active and informed citizens.

The seminars offered during the 1999 legislative session will include 7 seminars open to all students in grades 9-12, a seminar for Native American high school students to study state and tribal government and 2 seminars for new Americans, adults and students who have lived in the United States less than 5 years.

The program has received funding, \$110,000 per year, from the Minnesota state legislature for the previous biennium. The funding request for 2000-01 remains the same. Funds from the state are used for program support and student scholarships. In 1998, 234 students from 83 Minnesota communities attended Project 120. 40% of these participants required financial assistance. In addition to the state appropriation, Project 120 receives funding from corporations, foundations and student fees.

■ MINNESOTA INTERNATIONAL CENTER (MIC)

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. In the past year MIC has reached out around the state to provide learning opportunities to students, teachers, families, business people and community leaders.

MIC brought international speakers from 39 countries into classrooms and communities throughout Minnesota last year. Over 125 teachers and 5,400 school children participated in 450 international presentations.

MIC helps Minnesotans interpret world events through public forums on international issues. Almost 4,000 participants attended 26 programs last year on topics ranging from the UNICEF Progress of Nations Report to U.S.-Japan relations.

In the past year MIC has fostered cultural understanding through dinner visits and programs that give Minnesotans a chance to meet face to face with international visitors. MIC members hosted 215 dinners in their homes for more than 450 international visitors.

MIC collaborates with the United States Information Agency to bring international professionals to Minnesota to meet with their colleagues in business, agriculture, education and government. Last year, 387 international professionals and leaders came to Minnesota to share ideas with Minnesotans.

■ THE SIBLEY HOUSE ASSOCIATION

The Sibley House Association (SHA) is a ladies' volunteer organization that has managed Minnesota's first public history site, the Sibley House, since 1910. The 6-acre historic house museum preserves key structures of Henry Sibley's American Fur Company post on its original site at the Minnesota-Mississippi river intersection. Historically a multi cultural meeting place, today the museum is also the official polling place for Mendota.

During its 6 month public season, regular guided tours, K-12 educational tours, special events, and cultural programs are offered to diverse audiences. Interpretation spans Minnesota's pre-territorial, territorial and early statehood periods as the site was the fulcrum for significant regional changes between 1834 and 1862. Within the site's 6 original structures are preserved an important and wide ranging object collection assembled by the SHA. Rare archaeological resources are intact underground.

On 5-21-96, the SHA conveyed the property to the state of Minnesota, to be under the general administration of its fiscal agent, the Minnesota Historical Society. On that date, the Society entered into a 5 year management agreement with the SHA, due to expire in F.Y. 2001. The SHA and the Society have begun discussions regarding the terms and conditions of transfer of operations to the state.

2000-01 Biennial Budget

PROGRAM: Fiscal Agents

AGENCY: Minnesota Historical society
(Continuation)

For the last 2 decades the SHA has been able to operate the Sibley Historic site only by supplementing its minimal state appropriation with a dwindling base of private funds. Despite contributing \$13,000 in private funds per fiscal year in the F.Y. 1998-1999 biennium, the combined operating budget leaves this historic site grossly under funded. Support for staff is minimal, and compensation is chronically substandard. The growing popularity of heritage tourism, the site's central metropolitan location and its present level of operation, the Sibley Historic Site is barely able to accommodate this increase in public visitation.

MINNESOTA MILITARY MUSEUM

The Minnesota Military Museum, located at Camp Ripley, 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 and on the home front in time of peace and war from Minnesota's early years to the present. Exhibits and publications are intended to foster awareness and understanding of how armed conflicts and military institutions have shaped our state and national experience. The museum also functions as a major repository in Minnesota for historical military artifacts and records.

The museum is fulfilling an important niche statewide. Nowhere else in Minnesota is military history so fully explained. Visitors consistently praise the high quality of exhibits, and much has been achieved with limited resources, but the museum is in a financial quandary. It receives no funds from the military nor from local government, and private fund-raising is hampered because (due to its location) the public presumes it to be a government-supported military activity. Gift shop sales, investment income, and contributions from veterans' organizations and individuals account for about 75% of our operating revenue, but an increase in state support is absolutely essential.

At a glance:

- 14,200 visitors per year
- 70 tours per year
- 7,800 of catalogued artifacts
- 4,900 books in reference library
- 160 archives in linear feet
- 10,000 photographs
- 1,750 volunteer hours worked last year
- \$57,400 operating budget for F.Y. 1998
- 25% of budget from government sources
- \$105,660 building fund, investments, endowment F.Y. 1998

■ MINNESOTA CENTER FOR COMMUNITY LEGAL EDUCATION

These funds help support 3 programs that develop citizenship skills among Minnesota children:

- *Project Citizen* helps middle school students learn how to express their opinions, how to study public problems and decide what levels of government and which agencies are most appropriate for dealing with problems they identify, and how to influence policy decision at that level.
- *We the People* promotes civic awareness and responsibility among elementary and secondary students through the study of the foundations of democracy, the struggles for freedom and quality, and the skills needed to participate in our democracy. It is closely tied to the national civics standards and the Minnesota Profile of Learning and fosters attitudes that are necessary for students to participate as effective, responsible citizens in their communities; and
- *The Minnesota Youth Summit on Violence Prevention* builds citizenship skills among middle and high school students by engaging them in the lawmaking process around issues related to violence prevention. The students study an actual bill, develop an understanding of the problem from multiple perspectives and analyze the impact of the bill on their communities. They share their findings with interested legislators.

■ MINNESOTA AIR NATIONAL GUARD (MNAG) MUSEUM

The Minnesota ANG Historical Foundation (Museum) is a nonprofit corporation located on the grounds of the 133rd Airlift Wing, MSP IAP; it is dedicated to displaying and preserving aircraft flown by the Minnesota Air Guard, and the artifacts of its history.

2000-01 Biennial Budget

PROGRAM: Fiscal Agents
AGENCY: Minnesota Historical Society
(Continuation)

The following are specific uses of funding grants under the current program; they are based on 1997 levels of expense:

Salary (sole paid administrator)	\$29,206
Electricity & Gas	5,688
Facility maintenance & housekeeping	3,158
Administration expenses	2,168
Mail, postage, equipment & services	1,716
Insurance	2,879
Total Expenditures	\$44,905

These are the basic funds necessary to operate the museum. A 4% increase in wages over the next biennium is anticipated. The only reliable source of funds to the museum are the biennial state of Minnesota appropriation and the interest from a designated trust fund. All other income depends on public donations and are used for artifact maintenance and repair.

The museum is seeking funding from the state of Minnesota in the amount of \$20,000 to assist in the payment of the foregoing expenditures.

■ MINNESOTA AGRICULTURAL INTERPRETIVE CENTER (Farmamerica)

The mission of Farmamerica is to tell Minnesota's agriculture story - past, present and future. To help accomplish this mission, we held four annual festivals during the summer. These events were held the second Sunday of each month in June, July, August and September. Over 3,500 visitors participated.

This year we have improved our morning attendance with the mini parade with antique vehicles, horse drawn vehicles, etc. at 11:30 a.m. on the festival days. At our Harvest Festival we presented a Tractor Jamboree with over 97 antique tractors participating in the parade and also the tractor demonstrations. At our Fall Fair in September we had a similar event with draft workhorses instead of tractors.

We have also added a 1910 steam engine to our working displays. This steam engine was donated to us by the Ramsey County Historical Society. It is a wonderful addition.

Through a grant provided by the Prairie Lake Regional Arts Council from funds appropriated by the Minnesota State Legislature we have added musical entertainment to our festivals. In August we had a fiddler and in September we were entertained by a national known polka band. The Minnesota State Arts Board recommended the polka band.

Another way Farmamerica educates is through school tours (approximately 1,500 students). Schools are invited to tour Farmamerica during the spring and fall of the year. Our tours continue to expand with schools reserving dates a year in advance. Schools are scheduling Farmamerica as part of their yearly curriculum. We have been lucky enough to request and obtain transportation grants from local agencies to partially fund bus transportation for schools to come to Farmamerica.

Farmamerica publishes a newsletter called, "Over the Fence Post", twice during the year. We are also continually expanding our Farmamerica Ambassadors who promote Farmamerica in their individual communities.

■ LCMR PROJECTS:

Gibbs Farm Museum Interpretation: \$150,000 appropriation from the Minnesota Future Resources Fund to the Society for an agreement with Ramsey County Historical Society to build and furnish replicated structures of historic lifestyles and land use of the Dakota and pioneers.

Minnesota River Watershed Ecology and History Exhibit: \$90,000 appropriation from the Minnesota Future Resources Fund to the Society for an agreement with Joseph R. Brown Heritage Society to design and construct exhibits at the Joseph R. Brown Minnesota River Center.

Murphy's Landing Improvements to Prairie, Accessable Trail and Ferry Landing: \$110,000 appropriation from the Minnesota Future Resources Fund to the Society for an agreement with Murphy's Landing for prairie restoration, and construction of boat and ferry landings and lookout at Historic Murphy's Landing on the Minnesota River. This appropriation must be matched by at least \$75,000 in non-state money.

Old Wadena Historic Site Development: \$250,000 appropriation from the Minnesota Future Resources fund to the Society for an agreement with Wah De Nah Historic and Environmental Learning Project to develop a footbridge, archaeological survey, and educational programs. This appropriation must be matched by at least \$6,000 in non-state money.

2000-01 Biennial Budget

PROGRAM: Fiscal Agents

AGENCY: Minnesota Historical Society
(Continuation)

Pickwick Mill Machine Restoration: \$100,000 appropriation is from the Minnesota Future Resources fund to the Society for an agreement with Pickwick Mill Inc. For the second biennium to continue the restoration of the machinery of Pickwick Mill. This appropriation must be matched by at least \$25,000 of nonstate money.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Society's base budget. The Governor makes no recommendation regarding the LCMR projects put forward.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Program: FISCAL AGENTS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
SIBLEY HOUSE ASSOCIATION	88	88	88	88	88	88	88	0	.0%
MN INTERNATIONAL CENTER	50	50	50	50	50	50	50	0	.0%
MN AIR NATIONAL GUARD MUSEUM	0	19	0	19	19	0	0	0	.0%
PROJECT 120	90	110	110	110	110	110	110	0	.0%
MN MILITARY MUSEUM	0	29	0	29	29	0	0	0	.0%
FARMAMERICA	50	150	150	150	150	150	150	0	.0%
BEMIDJI HISTORICAL MUSEUM	0	50	0	0	0	0	0	(50)	-100.0%
WINONA COUNTY HISTORICAL	0	75	0	0	0	0	0	(75)	-100.0%
HUMPHREY MUSEUM	0	50	0	0	0	0	0	(50)	-100.0%
GRIMM FARMHOUSE	0	75	0	0	0	0	0	(75)	-100.0%
PERPICH MEMORIAL	0	100	0	0	0	0	0	(100)	-100.0%
CITIZENSHIP PROGRAMS	0	75	75	75	75	75	75	0	.0%
FISHING MUSEUM	0	22	0	0	0	0	0	(22)	-100.0%
POND DAKOTA MISSION	270	0	0	0	0	0	0	0	
JOSEPH R BROWN INTER	75	0	0	0	0	0	0	0	
NATIVE AMER PERSPEC	0	0	60	0	0	0	0	(60)	-100.0%
PUBLIC ACCESS ARCHAEOLOGY	0	200	0	0	0	0	0	(200)	-100.0%
PICKWICK MILL	0	150	0	0	0	0	0	(150)	-100.0%
VERMILLION LAKE IND RES	0	0	100	0	0	0	0	(100)	-100.0%
MISSISSIPPI RIVER MILL SITE	0	0	120	0	0	0	0	(120)	-100.0%
GIBBS FARM MUSEUM INTERPRE	0	0	0	0	150	0	0	150	
OLD WADENA HISTORIC SITE DEVEL	0	0	0	0	25	0	0	25	
MURPHY'S LANDING IMPROVEMENTS	0	0	0	0	110	0	0	110	
PICKWICK MILL MACHINE RESTORAT	0	0	0	0	100	0	0	100	
MN RIVER WATERSHED ECOLOGY	0	0	0	0	90	0	0	90	
Total Expenditures	623	1,243	753	521	996	473	473	(527)	-26.4%

CHANGE ITEMS:	FUND		
(B) GIBBS FARM MUSEUM INTERPRETATION	MNR	150	
(B) MN RIVER WATERSHED ECOLOGY	MNR	90	
(B) MURPHY'S LANDING IMPROVEMENTS	MNR	110	
(B) OLD WADENA HISTORIC SITE DEVELOPMENT	MNR	25	
(B) PICKWICK MILL MACHINE RESTORATION	MNR	100	
Total Change Items		475	

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: HISTORICAL SOCIETY

Program: FISCAL AGENTS

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	278	893	473	521	521	473	473
MINNESOTA RESOURCES	345	350	280	0	475	0	0
Total Financing	623	1,243	753	521	996	473	473
FTE BY EMPLOYMENT TYPE:							
PART-TIME, SEASONAL, LABOR SER	2.9	2.9	3.0	3.0	3.0	3.0	3.0
Total Full-Time Equivalent	2.9	2.9	3.0	3.0	3.0	3.0	3.0

2000-01 Biennial Budget

AGENCY: Minnesota Municipal Board

AGENCY DESCRIPTION:

The Minnesota Municipal Board was created to provide a uniform system of municipal boundary adjustments to facilitate the efficient and economical delivery of municipal services throughout the state. The board acts through its decision-making authority at public hearings and meetings, contested case hearings, and rule-making hearings. The board issues orders for the creation or dissolution of municipalities, or alteration of municipal boundaries through consolidation, merger, annexation or detachment of land.

The board assists local governments, property owners, planning authorities, governmental agencies, and state associations with data, sample documents and staff consultations regarding issues and procedures about municipal boundary adjustment.

PERFORMANCE SUMMARY:

In F.Y. 1998 the board responded to 339 petitions and requests for municipal boundary adjustments dealing with a total of 70,376 acres:

- 161 annexations by ordinances;
- 114 Municipal Board decisions/orders as follows:
 - 4 annexations (city expansion)
 - 108 joint agreements for annexations (city expansion)
 - 4 detachments (township expansion)
 - 5 concurrent detachment/annexations (between cities)
 - 1 incorporation (creation of a city).
- The board assisted in the creation of cooperative agreements between cities and townships that plan for future boundaries, delivery of services, and related matters of mutual concern; and
- The board worked with all parties from contested cases for the eventual development of local agreements among the cities of Sartell and Sauk Rapids and Sauk Rapids Township; Baytown Township and the city of Lake Elmo; and for resolving environmental issues in Spring Lake Township. Consolidation studies are pending.

REVENUES:

The Municipal Board generates non-dedicated revenue to the General Fund. A petition for a boundary adjustment must be accompanied by a fee based on the type of petition and acreage. Fees for local agreements for orderly annexation, consolidation and merger are lower than those assessed for incorporation or other annexations of unincorporated land, a reflection of board policy. Most fees are paid by individual property owners. The board has discretion to waive or transfer a fee due to hardship.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The agency plan includes a salary and benefit base allowable adjustment of 3% in F.Y. 2000 and 6.1% in F.Y. 2001; as well as a 3% base adjustment for operational expenses. A base adjustment is made to reflect the transfer to Minnesota Planning effective 12-31-99.

ISSUES AFFECTING THE AGENCY'S OPERATIONS:

Pursuant to Laws 1997, Ch.202, Art.5, Sect.8, the Municipal Board will sunset effective 12-31-99 and all duties, responsibilities, staff and assets will transfer to the Office of Strategic and Long Range Planning.

In June of 1998, the Advisory Council of the Community Base Planning Act, passed a resolution that the sunset of Municipal Board be postponed for several years until a comparative study and analysis is conducted.

The board has an unpredictable workload; it does not control the number of petitions filed or the number of petitions that are contested.

GOVERNOR'S RECOMMENDATION:

Under current law, the functions of the board transfer to the Office of Strategic and Long-Range Planning on 12-31-99. The Governor believes an independent Municipal Board applies statewide standards to municipal boundary-setting decisions in an effective and efficient manner. On this basis, the Governor does not concur with current law.

In developing the budget, the Municipal Board's budget was reduced and the budget for the Office of Strategic and Long-Range Planning was increased. The Governor recommends repealing the law requiring this adjustment and restoring base funding for the Municipal Board. There is no net impact on the General Fund.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: MUNICIPAL BOARD

Program: MUNICIPAL BOARD

Activity: MUNICIPAL BOARD

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	225	232	248	127	254	0	260	34	7.1%
OPERATING EXPENSES	95	59	83	35	69	0	67	(6)	-4.2%
SUBTOTAL STATE OPERATIONS	320	291	331	162	323	0	327	28	4.5%
Total Expenditures	320	291	331	162	323	0	327	28	4.5%
<u>CHANGE ITEMS:</u>	<u>FUND</u>								
(B) INDEPENDENT MUNICIPAL BOARD	GEN				161		327		
Total Change Items					161		327		
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	320	291	331	162	323	0	327		
Total Financing	320	291	331	162	323	0	327		
<u>REVENUE COLLECTED:</u>									
NONDEDICATED									
CAMBRIDGE DEPOSIT FUND	39	38	45	23	45	0	45		
Total Revenues Collected	39	38	45	23	45	0	45		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	4.0	4.0	4.0	4.0	4.0	0.0	4.0		
Total Full-Time Equivalent	4.0	4.0	4.0	4.0	4.0	0.0	4.0		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: MUNICIPAL BOARD

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	315	315	315	315	0	0	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	2	0	2	0	0	0	0	0
2000-01 SAL. & BEN. BASE	6	12	6	12	0	0	0	0
PROGRAM/AGENCY SUNSET	<161>	<327>	<161>	<327>	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	<153>	<315>	<153>	<315>	0	0	0	0
BASE BUDGET	162	0	162	0	0	0	0	0

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Municipal Board
PROGRAM:
ACTIVITY:

ITEM TITLE: Independent Municipal Board

	<u>2000-01 Biennium</u>		<u>2002-03 Biennium</u>	
	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$161	\$327	\$327	\$327
Revenues: (\$000s)				
General Fund	\$22	\$45	\$45	\$45

Statutory Change? Yes X No ____

If yes, statutes(s) affected: Laws of 1997, Chap. 202, Art. 5, Sec. 8

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Municipal Board retain its independence and remain an entity separate from the Office of Strategic and Long-Range Planning. The Laws of 1997, Chapter 202, Article 5, Section 8 should be repealed.

RATIONALE:

The Office of Strategic and Long-Range Planning provides technical assistance and advice to local governments engaged in comprehensive planning. Success depends on local government's confidence in the process. The Municipal Board is a hearing and decision-making body and is called upon to make controversial decisions. These 2 functions are not compatible and their combination would make it difficult for the Office of Strategic and Long-Range Planning to continue to help local government make complex planning decisions.

FINANCING:

Base funding restored to the Municipal Board.

OUTCOMES:

The Municipal Board retains its independent status. The Office of Strategic and Long-Range Planning continues to work with local government to help make planning decisions independent of functions that would negatively impact the process.

2000-01 Biennial Budget

AGENCY: Black Minnesotans, Council on (CBM)

AGENCY DESCRIPTION:

The Council on Black Minnesotans (CBM) addresses the need for people of African descent to participate fully and effectively in the state's political, social and economic life.

To achieve this mission, the CBM advises the governor and the legislature on matters relating to Black Minnesotans, and works as a catalyst for bringing organizations together to identify problems and implement solutions.

In recent years, the CBM has increasingly come to serve as the resource of first resort for organizations and agencies interested in coordinating private and public efforts to address issues of particular concern for Minnesotans of African descent. Both the scope and the scale of the CBMs cooperative involvement with other state agencies on particular issues has also increased significantly.

Established by the legislature in 1980, the CBMs specific duties and functions are set forth at M.S. Sect. 3.9225.

PERFORMANCE SUMMARY:

- Established and administers African Resource Center, a clearinghouse of organizations addressing African immigrant issues.
- Developed and administers community-based youth violence prevention and intervention pilot program, including grant support.
- Convened many community education and information events on issues such as education, policy processes, and affirmative action.
- Coordinates and presents Minnesota's annual Martin Luther King holiday observance.
- Responds and organizes constructive community solutions to discrimination and race relations problems throughout the state.
- Organizes and supports community approaches to issues such as child welfare, health care, housing and community corrections.

KEY SERVICE STRATEGIES:

- Help develop and coordinate the energies and resources or organizations that serve Minnesotans of African descent.

- Link community resources and idea with public processes.
- Advise the governor, legislature and state agencies on issues of special concern to Black Minnesotans.

REVENUES: None

EXPLANATION OF AGENCY'S BUDGET PLAN:

In recent years, the CBMs operating budget has allowed for a full-time staff of 4 persons, including the Executive Director. Currently, 2 additional professional staff positions are supported by program-specific legislative appropriations which will expire in June 1999. Primary areas for CBM attention in the 2000-2001 biennium include education, violence prevention, African immigrants' issues, health and human services, child welfare, and crime and corrections.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Rapid Increase of Minnesota's Black population. The 1980 Census reported a Black population in the state of about 56,000. In 1990, this figure grew to about 97,000, but current estimates of African descendants in Minnesota range from 140,000 to 170,000. In other words, the state's Black population has approximately tripled in less than 20 years. This rapid increase, concentrated in the inner-city areas of Minneapolis and St. Paul, has resulted in an exponential increase in the demand of CBMs advice and support in finding private and public solutions to the common challenges facing this community, including an estimated 30,000 recent immigrants from Africa.

Shifts in state policy approaches. Now more than ever, new legislation and state government philosophy reflect a growing awareness that the best policy initiatives on many issues involve cooperation between public, private and nonprofit organizations and resources. Such policy areas as education, corrections, human services, and violence and crime prevention rely very heavily upon non-state actors to develop and implement decentralized programs with state advice and support. In policy areas of special concern to youth, low-income people, and communities of color, the CBM-sometimes by direct legislative reference-often helps shape policy and link organizations' programs with state resources.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget and a biennial increase in funding of \$50,000 for costs associated with the Martin Luther King, Jr. holiday.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: BLACK MINNESOTANS COUNCIL

Program: COUNCIL ON BLACK MINN

Activity: COUNCIL ON BLACK MINN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY CATEGORY:									
STATE OPERATIONS									
PERSONAL SERVICES	248	256	272	211	211	217	217	(100)	-18.9%
OPERATING EXPENSES	147	167	230	94	119	97	122	(156)	-39.3%
SUBTOTAL STATE OPERATIONS	395	423	502	305	330	314	339	(256)	-27.7%
LOCAL ASSISTANCE	19	8	0	0	0	0	0	(8)	-100.0%
Total Expenditures	414	431	502	305	330	314	339	(264)	-28.3%

CHANGE ITEMS:	FUND				
(B) MARTIN LUTHER KING DAY	GEN			25	25
Total Change Items				25	25

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	247	276	291	295	320	304	329
STATUTORY APPROPRIATIONS:							
GENERAL	155	141	195	0	0	0	0
FEDERAL	8	0	0	0	0	0	0
GIFT	4	14	16	10	10	10	10
Total Financing	414	431	502	305	330	314	339

REVENUE COLLECTED:							
DEDICATED							
GENERAL	155	261	0	0	0	0	0
FEDERAL	6	0	0	0	0	0	0
GIFT	0	20	3	10	10	10	10
Total Revenues Collected	161	281	3	10	10	10	10

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: BLACK MINNESOTANS COUNCIL

Program: COUNCIL ON BLACK MINN

Activity: COUNCIL ON BLACK MINN

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE BY EMPLOYMENT TYPE:							
FULL TIME	5.4	5.4	5.5	4.0	4.0	4.0	4.0
PART-TIME, SEASONAL, LABOR SER	0.1	0.0	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	5.6	5.4	5.5	4.0	4.0	4.0	4.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **BLACK MINNESOTANS COUNC**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	296	296	286	286	10	10	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	3	6	3	6	0	0	0	0
2000-01 SAL. & BEN. BASE	6	12	6	12	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	9	18	9	18	0	0	0	0
BASE BUDGET	305	314	295	304	10	10	0	0

2000-01 Biennial Budget

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 legislature on the nature of issues confronting Chicano Latino people in this state, such as the unique problems encountered by Chicano Latino migrant agricultural workers;
- advise the governor and 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 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 Chicano Latino people of this state;
- perform or contract for the performance of studies designated to suggest solutions to problems of social welfare, education, employment, and other related issues;
- 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.

PERFORMANCE SUMMARY:

- Role during legislative session includes: testimony at hearings, coordinating the testimony of Chicano Latino organization and individuals, and presenting statistical and anecdotal evidence regarding Chicano Latino Affairs.
- Educate the Chicano Latino community regarding how to access state government through the newsletter, *AL DIA*, public speaking engagements and a Spanish television program, *AL GRANO*.
- Organize and sponsor the Latino Youth Conference.

REVENUES:

None.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Because the Chicano Latinos will be the largest ethnic minority in the United States by year 2000, the council's workload is expected to increase significantly.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: CHICANO LATINO AFFAIRS COUNCIL

Program: CHICANO LATINO AFFAIRS

Activity: CHICANO LATINO AFFAIRS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	144	159	178	183	183	188	188	34	10.1%
OPERATING EXPENSES	168	137	206	162	162	167	167	(14)	-4.1%
SUBTOTAL STATE OPERATIONS	312	296	384	345	345	355	355	20	2.9%
Total Expenditures	312	296	384	345	345	355	355	20	2.9%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
GENERAL	287	262	343	314	314	324	324		
STATUTORY APPROPRIATIONS:									
FEDERAL	7	0	0	0	0	0	0		
GIFT	18	34	41	31	31	31	31		
Total Financing	312	296	384	345	345	355	355		
<u>REVENUE COLLECTED:</u>									
DEDICATED									
FEDERAL	7	0	0	0	0	0	0		
GIFT	9	32	31	31	31	31	31		
Total Revenues Collected	16	32	31	31	31	31	31		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	3.3	3.6	4.0	4.0	4.0	4.0	4.0		
OVERTIME PAY	0.0	0.1	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	3.3	3.7	4.1	4.1	4.1	4.1	4.1		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **CHICANO LATINO AFFAIRS CO**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	336	336	305	305	31	31	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	4	9	4	9	0	0	0	0
2000-01 SAL. & BEN. BASE	5	10	5	10	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	9	19	9	19	0	0	0	0
BASE BUDGET	345	355	314	324	31	31	0	0

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2000-01 Biennial Budget

AGENCY: Asian-Pacific Minnesotans, Council on

AGENCY DESCRIPTION:

The Council on Asian-Pacific Minnesotans was created by the Minnesota State Legislature in 1985 pursuant to M.S. 3.9226, subd. 1, with the primary mission to serve Asian-Pacific Minnesotans in the following ways: assist in their incorporation into the governmental and policy making process; help them gain better access to state government services; ensure that their talents and resources are used and promoted; and act as a bridge between them and non-Asian-Pacific peoples.

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 council serves over 40 communities of Asian-Pacific origins, including people from: Afghanistan, Australia, Bangladesh, Bhutan, Brunei, Cambodia, China, Fiji, Gilbert Islands, Guam, Hawaiian Islands, Hong Kong, India, Indonesia, Japan, Kiribati, Korea, Laos, Macau, Malaysia, Maldives Islands, Mariana Islands, Marshall Islands, Mongolia, Myanmar, Nepal, New Zealand, Okinawa, Pakistan, Palau, Papua, New Guinea, Philippines, Samoa, Singapore, Sri Lanka, Tahiti, Taiwan, Thailand, Tibet, Tonga, Vanuatu, and Vietnamese (partial list).

PERFORMANCE SUMMARY:

To fulfill our mission, the council has collaborated with the public and private sectors to highlight, promote, and incorporate Asian-Pacific Minnesotans into the social, educational, economic, and political life of the state.

- Increased involvement of Asian-Pacific people in making public policy. This past biennium the council hosted a number of community forums on the issues of the media and crime, education, health, youth, welfare reform. Approximately 150 people participated in each activity.

- Clear voice on legislative issues confronting the community. The council was successful in passing key legislation on important issues confronting the community - the development of 2 community development corporations, citizenship classes and literacy for adults, welfare legislation that eased the transition from welfare to work to name a few.
- Promotion and commemoration of Asian-Pacific Heritage Month in May of each year. The council organized Asian-Pacific Day at the Capitol, workshops, presentations, award ceremonies and banquets. Approximately 2,000 people participated. More Minnesotans are being educated about the talents and resources of the Asian-Pacific community. This year the council published an educational booklet about the history of the Asian-Pacific people in Minnesota. The booklet was distributed to 4,000 individuals.

REVENUES: None

EXPLANATION OF AGENCY'S BUDGET PLAN:

The agency will:

- Promote the Asian-Pacific Heritage month activities.
- Develop goals for improvement and measurement of student achievement.
- Provide public arena leadership training.
- Conduct training and forums on citizenship issues.
- Promote a plan to build an Asian Community Center.
- Promote better delivery of mental health services to Asian-Pacific people.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Dramatic increase in the Asian-Pacific community through secondary migration and undercount of the population the U.S. Census.
- Citizenship and language barriers continues to affect the community's access to state services and benefits.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: ASIAN-PACIFIC COUNCIL

Program: CNCL ASIAN PACIFIC

Activity: CNCL ASIAN PACIFIC

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	161	200	204	188	188	194	194	(22)	-5.4%
OPERATING EXPENSES	59	89	245	99	99	102	102	(133)	-39.8%
SUBTOTAL STATE OPERATIONS	220	289	449	287	287	296	296	(155)	-21.0%
LOCAL ASSISTANCE	0	23	0	0	0	0	0	(23)	-100.0%
Total Expenditures	220	312	449	287	287	296	296	(178)	-23.4%

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	203	245	296	277	277	286	286		
STATUTORY APPROPRIATIONS:									
GENERAL	0	0	10	0	0	0	0		
FEDERAL	15	58	65	0	0	0	0		
GIFT	2	9	78	10	10	10	10		
Total Financing	220	312	449	287	287	296	296		

REVENUE COLLECTED:									
DEDICATED									
GENERAL	0	0	10	0	0	0	0		
FEDERAL	8	55	44	0	0	0	0		
GIFT	7	0	10	10	10	10	10		
Total Revenues Collected	15	55	64	10	10	10	10		

FTE BY EMPLOYMENT TYPE:									
FULL TIME	3.8	4.9	4.8	4.0	4.0	4.0	4.0		
Total Full-Time Equivalent	3.8	4.9	4.8	4.0	4.0	4.0	4.0		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **ASIAN-PACIFIC COUNCIL**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	279	279	269	269	10	10	0	0
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	3	6	3	6	0	0	0	0
2000-01 SAL. & BEN. BASE	5	11	5	11	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	8	17	8	17	0	0	0	0
BASE BUDGET	287	296	277	286	10	10	0	0

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2000-01 Biennial Budget

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 sovereignty, governmental operations and the continuing identification of issues and concerns that impact the American Indian population throughout the state. Included are health, education, welfare, housing, economic development, protection of the environment, other available resource areas of support and protection of tribal and sovereign rights.

The Minnesota Indian Affairs Council (MIAC) is:

- the official liaison between the state and tribal governments, clarifying for the Legislature and state agencies, the nature of tribal governments and the relationship of tribal governments to the Indian people of Minnesota,
- 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,
- responsible for the protection and repatriation of American Indian remains in cooperation with the state Archaeologist's office,
- advisor on legislation that will benefit the statewide Indian population,
- liaison and/or educator between state, local and national units of government in the delivery of services to the Indian population of Minnesota.

The council is composed of the 11 elected tribal chairs of the reservations throughout the state; 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: Children, Families & Learning, Human Services, Natural Resources, Health, Human Rights, Trade and Economic Development, Corrections, Minnesota Housing Finance Agency, and Iron Range Resources and Rehabilitation; 3 members from the House of Representatives 3 members from the Senate.

PERFORMANCE SUMMARY:

The Minnesota Indian Reburial project was undertaken in 1990. During the past 8 years, 2,002 individual American Indian remains have been identified and have been or are ready for reburial. Nearly 30-40 new cases of human remains representing approximately 50-60 individuals are investigated each year with funding provided by the council's budget. Before the reburial project was undertaken, 157 individual remains had been reburied during the years of 1978 through 1989.

REVENUES:

- Federal Economic Development grant of \$60,000.
- Indian Business Loan program receives revenue from severed mineral interests and the interest and repayment of loans of about \$198,000 per year.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The development of state policy in support of Indian affairs 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 numerous 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 U. S. Constitution under the Commerce and Treaty Clauses. Only Congress has the authority to formulate the federal government's Indian policies and programs to which state laws have to conform. The protection of the laws and rights of Indian people is a primary objective of the MIAC.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The Council and the Leech Lake Reservation now have the responsibility for the design, construction and maintenance of the Battle Point Cultural and Education Center. This agency has also been the fiscal agent for special federally funded projects dealing with the new welfare reform laws and how they will impact various communities of Indian people in the state.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: INDIAN AFFAIRS COUNCIL

Program: INDIAN AFFAIRS COUNCIL

Program Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY ACTIVITY:</u>									
INDIAN_AFFAIRS_COUNCIL-OPERATI	400	499	559	551	551	567	567	60	5.7%
INDIAN_BUSINESS_LOANS-SPECIAL	74	192	81	198	198	199	199	124	45.4%
REBURIAL_OF_INDIAN_REMAINS&SIT	113	0	0	0	0	0	0	0	
CHEMICAL HEALTH SERVICE	5	55	95	0	0	0	0	(150)	-100.0%
MN INDIAN ECONOMIC-FED	58	74	60	62	62	60	60	(12)	-9.0%
CRIMINAL JUSTICE	9	0	0	0	0	0	0	0	
NAGPRA-FEDERAL	69	0	73	0	0	0	0	(73)	-100.0%
Total Expenditures	728	820	868	811	811	826	826	(51)	-3.0%

<u>FINANCING BY FUND:</u>							
DIRECT APPROPRIATIONS:							
GENERAL	513	554	654	551	551	567	567
STATUTORY APPROPRIATIONS:							
SPECIAL REVENUE	74	192	81	198	198	199	199
FEDERAL	141	74	133	62	62	60	60
Total Financing	728	820	868	811	811	826	826

<u>FTE BY EMPLOYMENT TYPE:</u>							
FULL TIME	7.1	8.0	8.0	8.0	8.0	8.0	8.0
Total Full-Time Equivalent	7.1	8.0	8.0	8.0	8.0	8.0	8.0

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: INDIAN AFFAIRS COUNCIL

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	795	794	535	535	198	199	62	60
BASE ADJUSTMENTS								
SMALL AGENCY OPERATIONAL EXPE	6	12	6	12	0	0	0	0
2000-01 SAL. & BEN. BASE	10	20	10	20	0	0	0	0
SUBTOTAL BASE ADJUSTMENTS	16	32	16	32	0	0	0	0
BASE BUDGET	811	826	551	567	198	199	62	60

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2000-01 Biennial Budget

AGENCY: Workers' Compensation Court of Appeals

AGENCY DESCRIPTION:

The Workers' Compensation Court of Appeals was 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 Workers' 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.

PERFORMANCE SUMMARY:

The court has attempted to produce decisions which are consistent and which bring predictability to the resolution of workers' compensation disputes. We believe that this goal has been achieved to a large extent and has been a factor in reducing the amount of litigation in the workers' compensation system. During F.Y. 1996, a total of 441 appeals or petitions to vacate were submitted to the court. During F.Y. 1997-98, the total number of matters referred were reduced to 386 and 340, respectively. Based on the level of recent referrals, it appears that the number of

filings with the court for F.Y. 1999 will be similar in 1998. In addition, compared to F.Y. 1996, the rate and number of appeals to the Minnesota Supreme Court from decisions of this court in 1997 and 1998 have been reduced. We do not believe this trend will continue but expect it to stabilize in 1999.

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.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The court is committed to achieving its legislative mandate with its current level of funding adjusted for inflation at 3% for F.Y. 2000 and 6.1% for F.Y. 2001. The court reduced its personnel complement by 3 positions due to a reduction in caseload. Unless caseloads increase as a result of changes in the workers' compensation statute, economic conditions or other factors, this budget will provide the flexibility for the court to properly manage its operations.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The primary factors influencing program policy and service delivery continue to be the number of work-related injuries sustained and the extent of litigation in such matters. Related factors include workplace safety, new legislation, insurance costs, medical costs, and economic conditions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: WORKERS COMP COURT OF APPEALS

Program: WORKERS COMP CT OF APPEALS

Activity: WORKERS COMP CT OF APPEALS

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,194	1,102	1,256	1,284	1,284	1,315	1,315	241	10.2%
OPERATING EXPENSES	256	217	387	259	259	270	270	(75)	-12.4%
SUBTOTAL STATE OPERATIONS	1,450	1,319	1,643	1,543	1,543	1,585	1,585	166	5.6%
Total Expenditures	1,450	1,319	1,643	1,543	1,543	1,585	1,585	166	5.6%
<u>FINANCING BY FUND:</u>									
DIRECT APPROPRIATIONS:									
WORKERS COMPENSATION	1,450	1,319	1,643	1,543	1,543	1,585	1,585		
Total Financing	1,450	1,319	1,643	1,543	1,543	1,585	1,585		
<u>FTE BY EMPLOYMENT TYPE:</u>									
FULL TIME	18.5	16.5	16.5	16.5	16.5	16.5	16.5		
PART-TIME, SEASONAL, LABOR SER	1.5	1.4	1.4	1.4	1.4	1.4	1.4		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	20.1	17.9	17.9	17.9	17.9	17.9	17.9		

State of Minnesota
2000-2001 Biennial Budget
BASE RECONCILIATION REPORT
(Dollars in Thousands)

Agency: **WORKERS COMP COURT OF A**

	All Funds		General Fund		Other State Funds		Federal Funds	
	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01	F.Y. 00	F.Y. 01
F.Y. 99 BUDGETED	1,498	1,498	0	0	1,498	1,498	0	0
BASE ADJUSTMENTS								
DOC. SPACE RENTAL/LEASE	5	5	0	0	5	5	0	0
SMALL AGENCY OPERATIONAL EXPE	6	13	0	0	6	13	0	0
2000-01 SAL. & BEN. BASE	34	69	0	0	34	69	0	0
SUBTOTAL BASE ADJUSTMENTS	45	87	0	0	45	87	0	0
BASE BUDGET	1,543	1,585	0	0	1,543	1,585	0	0

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2000-01 Biennial Budget
PROGRAM STRUCTURE/INDEX

AGENCY: Iron Range Resources and Rehabilitation Board (IRRRB)	PAGE
Agency Executive Summary	E-440
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PROGRAMS, BUDGET ACTIVITIES, AND CHANGE ITEMS	
AGENCY ADMINISTRATION	E-445
TOURISM DEVELOPMENT	E-448
COMMUNITY DEVELOPMENT	E-451
BUSINESS DEVELOPMENT	E-453

**2000-01 Biennial Budget
Agency Executive Summary**

AGENCY: Iron Range Resources and Rehabilitation, Board of (IRRRB)

AGENCY MISSION AND VISION:

First, to be careful custodians of the public money entrusted to us. Second, to enhance the economic vitality of the Taconite Tax Relief Area (TTRA) through value driven, cost effective projects and programs designed for the long-range benefit of the region.

The IRRRB 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:

- promotion of economic development and tourism;
- reclamation, restoration and enhancement of those areas that are affected by environmentally damaging operations involved in mining taconite and iron ore and those that are not otherwise provided for by state law; and
- 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.

KEY SERVICE STRATEGIES:

The agency has adopted a "Partnerships That Work" philosophy in all operations as a key strategy in carrying out its mission. This strategy has allowed for increased participation in all program areas by effective leveraging of our financial resources. The agency's budget plan focuses on economic diversification and job creation, including the promotion of tourism.

OPERATING ENVIRONMENT:

While economic development of the TTRA through loans and grants to businesses and local governments is the IRRRB's main focus, the agency also owns and

operates 2 tourism facilities, the Giants Ridge Golf and Ski Resort in the town of White near Biwabik and the Ironworld complex in Chisholm. Giants Ridge has been a quality alpine and Nordic Skiing facility since 1984; however, with the opening of its new 18-hole golf course in June 1997, it became a year round resort. Ironworld is a historical theme park which preserves and celebrates Iron Range history and culture. The complex includes the Iron Range Research and Interpretative Centers, a railroad system, a festival park with a miniature golf course and various other entertainment facilities. Ironworld is also home to the IRRRB's Mineland Reclamation division, which undertakes safety, environmental and economic development projects on abandoned minelands of the pre-taconite era, often in cooperation with adjacent communities. Each year, IRRRB Mineland Reclamation grows and plants 300,000 containerized seedlings on the Mesabi, Vermilion and Cuyuna iron ranges.

The IRRRB also funds tourism promotional activities in cooperation with the Northern Lights Tourism Alliance. The agency constructs and grooms snowmobile and other trails to enhance tourism and quality of life, and operates a Building Demolition program that razes dilapidated structures to make room for new development and enhancement of the local tax base. For the past 6 years, our commissioner chaired the Governor's Task Force on Mining and Minerals, a group charged with recommending actions that will sustain and enhance the long-term viability of mining in the region and the state. The task force has issued reports to the governor and legislature each year since 1993.

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER AND EXECUTIVE MANAGEMENT	
Agency Administration	36.8 fte
Tourism Development	70.9 fte
Community Development	7.8 fte
Fiscal Services & MIS	7.8 fte

GOVERNOR'S RECOMMENDATION:

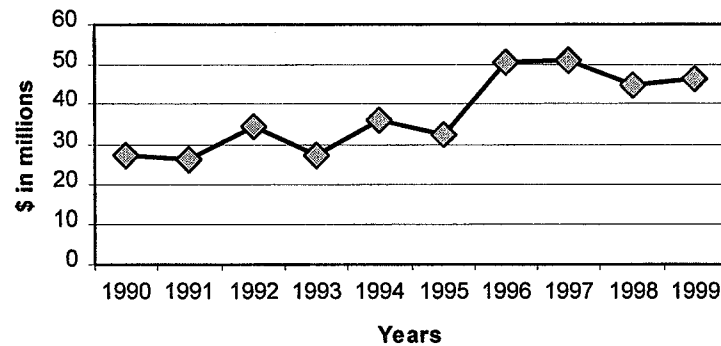
The Governor recommends the agency's base budget.

**2000-01 Biennial Budget
Agency Executive Summary**

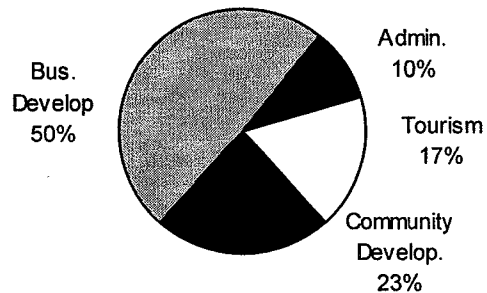
AGENCY: Iron Range Resources and Rehabilitation, Board of (IRRRB)
(Continuation)

TRENDS AND PERSPECTIVE:

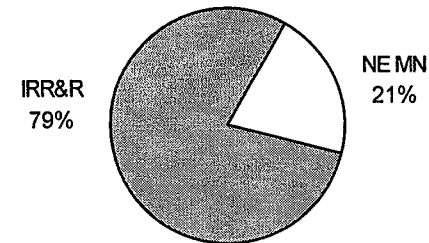
Ten Year History - All Funds



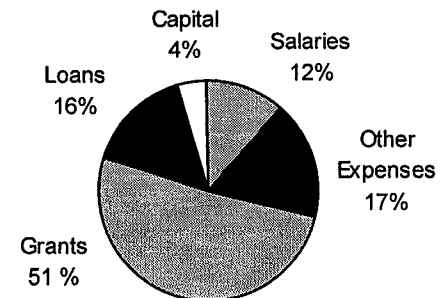
**1998-99 Expenditures by Program
Total \$91.180 Million**



**1998-99 Expenditures by Fund
Total \$91.180 Million**



**1998-99 Expenditures by Category
Total \$91.180 Million**



State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: IRON RANGE RESOURCES & REHAB

Agency Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
EXPENDITURES BY PROGRAM:									
AGENCY ADMINISTRATION	3,100	5,651	3,282	3,337	3,337	3,391	3,391	(2,205)	-24.7%
TOURISM DEVELOPMENT	8,980	7,857	7,910	7,989	7,989	8,070	8,070	292	1.9%
COMMUNITY DEVELOPMENT	6,835	10,444	10,680	8,690	8,690	8,700	8,700	(3,734)	-17.7%
BUSINESS DEVELOPMENT	32,257	20,698	24,658	22,373	22,373	21,900	21,900	(1,083)	-2.4%
Total Expenditures	51,172	44,650	46,530	42,389	42,389	42,061	42,061	(6,730)	-7.4%

FINANCING BY FUND:							
DIRECT APPROPRIATIONS:							
GENERAL	890	0	0	0	0	0	0
OPEN APPROPRIATIONS:							
GENERAL	0	0	0	668	668	668	668
IRON RANGE RESOURCES & REHAB	422	652	668	0	0	0	0
STATUTORY APPROPRIATIONS:							
IRON RANGE RESOURCES & REHAB	34,968	38,130	33,029	30,875	30,875	30,534	30,534
NE MN ECONOMIC PROTECTION	14,873	5,868	12,833	10,846	10,846	10,859	10,859
GIFT	19	0	0	0	0	0	0
Total Financing	51,172	44,650	46,530	42,389	42,389	42,061	42,061

FTE BY EMPLOYMENT TYPE:							
FULL TIME	115.7	116.1	98.3	98.3	98.3	98.3	98.3
PART-TIME, SEASONAL, LABOR SER	7.4	6.2	18.4	18.4	18.4	18.4	18.4
OVERTIME PAY	1.8	0.9	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	124.9	123.2	116.7	116.7	116.7	116.7	116.7

**2000-01 Biennial Budget
Agency Level Revenue Summary**

AGENCY: Iron Range Resources and Rehabilitation Board (IRRRB)

REVENUE SOURCES:

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Taconite Production Taxes	\$30,880	\$31,597	\$31,754
Interest on Short Term Investments	5,439	5,439	5,439
Loan Repayments and Interest	2,090	2,090	2,090
Other Miscellaneous	<u>4,301</u>	<u>4,301</u>	<u>4,301</u>
TOTAL	\$42,710	\$43,427	\$43,584

FEE STRUCTURE:

Departmental earnings for Giants Ridge Golf and Ski Resort and the Ironworld Discovery Center are set according to prevailing market rates.

RECENT CHANGES:

The agency has diversified its investment of cash revenues into a more balanced portfolio including a stock and bond fund. These funds are administered and managed by the State Board of Investment.

FORECAST BASIS:

Taconite production tax estimates were provided by the Department of Revenue. Ironworld and Giants Ridge Golf and Ski Resort are mature operations, with same level revenues forecast for the biennium.

Investment earnings may fluctuate over the short term but are budgeted at base level over the biennium.

CHANGE ITEMS:

None.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: IRON RANGE RESOURCES & REHAB

Summary of Agency Revenues	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
NON-DEDICATED REVENUE:									
OTHER REVENUES:									
NE MN ECONOMIC PROTECTION	0	522	0	0	0	0	0	(522)	-100.0%
TAXES:									
GENERAL	88	175	0	0	0	0	0	(175)	-100.0%
Total Non-Dedicated Receipts	88	697	0	0	0	0	0	(697)	-100.0%
DEDICATED RECEIPTS:									
DEPARTMENTAL EARNINGS:									
IRON RANGE RESOURCES & REHAB	2,358	3,435	4,301	4,301	4,301	4,301	4,301	866	11.2%
OTHER REVENUES:									
IRON RANGE RESOURCES & REHAB	2,835	3,409	2,404	2,404	2,404	2,404	2,404	(1,005)	-17.3%
NE MN ECONOMIC PROTECTION	5,220	5,362	3,868	3,868	3,868	3,868	3,868	(1,494)	-16.2%
GIFT	18	0	0	0	0	0	0	0	
OTHER SOURCES:									
IRON RANGE RESOURCES & REHAB	3,881	184	134	134	134	134	134	(50)	-15.7%
NE MN ECONOMIC PROTECTION	1,374	1,519	1,123	1,123	1,123	1,123	1,123	(396)	-15.0%
TAXES:									
IRON RANGE RESOURCES & REHAB	26,457	28,987	26,604	26,297	26,297	26,554	26,554	(2,740)	-4.9%
NE MN ECONOMIC PROTECTION	5,324	5,296	4,276	5,300	5,300	5,200	5,200	928	9.7%
Total Dedicated Receipts	47,467	48,192	42,710	43,427	43,427	43,584	43,584	(3,891)	-4.3%
Agency Total Revenues	47,555	48,889	42,710	43,427	43,427	43,584	43,584	(4,588)	-5.0%

2000-01 Biennial Budget

PROGRAM: Agency Administration

AGENCY: Iron Range Resources and Rehabilitation Board (IRRRB)

PROGRAM PROFILE:

Agency Administration includes the office of the commissioner, Personnel, Accounting, Purchasing, state indirect costs (including the costs of a Special Assistant Attorney General assigned to 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 *Resourcer*, an employee newsletter published quarterly, and *RangeView*, an award-winning tabloid featuring the people, resources and opportunities of northeastern Minnesota (published 6 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.

STRATEGIES AND PERFORMANCE:

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 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.

FINANCING INFORMATION:

Dedicated receipts credited to this activity include taconite production taxes, interest reimbursement, loan repayments and miscellaneous revenue. Taconite production taxes for the Board account and the Taconite Area Environmental Protection Fund are credited to this activity.

Revenues-Dedicated	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Taconite Production Taxes	\$21,495	\$22,510	\$23,153
Interest Reimbursements	2,376	2,376	2,376
Loan Repayments	165	165	165
Miscellaneous Revenue	732	732	732
TOTAL	\$24,768	\$25,783	\$26,426

Expenditures	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Salaries and Benefits	\$1,824	\$1,879	\$1,933
Other Operating	1,458	1,458	1,458
TOTAL	\$3,282	\$3,337	\$3,391

BUDGET ISSUES:

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 3% per year base adjustments for salary inflation within the program.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: IRON RANGE RESOURCES & REHAB

Program: AGENCY ADMINISTRATION

Activity: GENERAL SUPPORT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	1,582	1,787	1,824	1,879	1,879	1,933	1,933	201	5.6%
OPERATING EXPENSES	1,129	1,248	1,398	1,398	1,398	1,398	1,398	150	5.7%
SUBTOTAL STATE OPERATIONS	2,711	3,035	3,222	3,277	3,277	3,331	3,331	351	5.6%
CAPITAL OUTLAY	389	522	60	60	60	60	60	(462)	-79.4%
LOCAL ASSISTANCE	0	2,094	0	0	0	0	0	(2,094)	-100.0%
Total Expenditures	3,100	5,651	3,282	3,337	3,337	3,391	3,391	(2,205)	-24.7%

FINANCING BY FUND:									
STATUTORY APPROPRIATIONS:									
IRON RANGE RESOURCES & REHAB	2,823	5,396	3,282	3,337	3,337	3,391	3,391		
NE MN ECONOMIC PROTECTION	277	255	0	0	0	0	0		
Total Financing	3,100	5,651	3,282	3,337	3,337	3,391	3,391		

REVENUE COLLECTED:									
DEDICATED									
IRON RANGE RESOURCES & REHAB	23,739	22,951	20,492	20,483	20,483	21,226	21,226		
NE MN ECONOMIC PROTECTION	5,441	5,440	4,276	5,300	5,300	5,200	5,200		
Total Revenues Collected	29,180	28,391	24,768	25,783	25,783	26,426	26,426		

FTE BY EMPLOYMENT TYPE:									
FULL TIME	33.4	35.6	36.8	36.8	36.8	36.8	36.8		
PART-TIME, SEASONAL, LABOR SER	1.6	1.2	1.7	1.7	1.7	1.7	1.7		
OVERTIME PAY	0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	35.3	36.8	38.5	38.5	38.5	38.5	38.5		

2000-01 Biennial Budget

PROGRAM: Tourism Development

AGENCY: Iron Range Resources and Rehabilitation Board (IRRRB)

PROGRAM PROFILE:

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 (TTRA). The program consists of major budget activities: Tourism Activities and Tourism Facilities.

Tourism Activities:

- **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.
- **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 Golf and Ski Resort 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.
- **Trails:** The Trails program provides financial assistance, technical assistance and equipment for trail development and maintenance in the TTRA. 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 Trails program also will partner with the Department of Natural Resources (DNR) in the development of an off-highway recreational area.
- **Mineland Reclamation:** The program's first and continuing priority is safety. Unsafe abandoned mine sites have been fenced, protective berms or earth constructed, pit walls sloped and shaped, vegetation and trees planted to reduce erosion and open mine shafts filled or "capped" with gravel, concrete and recently with polyurethane foam.

Since its inception, the division has planted trees on publicly owned mine lands. Several million seedlings, grown in the division's growth chamber, are greening the once brownish-red mining areas from Ely to Crosby-Ironton. Mineland Reclamation has also worked closely with civic groups, organizations, municipalities and townships, schools and private industry to assist with tree planting projects across the Iron Range.

- **Facility Construction:** This activity funds the debt service payment for bonds issued to finance the golf course construction. Debt service payments are approximately \$473,000 per year for the biennium.

STRATEGIES AND PERFORMANCE:

- 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.
- Cost-effective management will receive a high priority for the Ironworld Discovery Center and the Giants Ridge Golf and Ski Resort.
- 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 TTRA.

Tourism Activities:

- Over the last 2 years, the NLTA has continued its successful "Wild North" advertising campaign and heritage tourism program. Research indicates the following:
 - Every dollar invested by the NLTA produced a return of \$149 of economic impact to the area.
 - By the fall of 1998, a total of 51 cities will be identified as heritage sites throughout the TTRA. Heritage tourism is among the top five activities of travelers. Each heritage traveler spends approximately \$195 more per trip than other tourists. Each of these 51 sites will have a unique economic opportunity.
- Mineland Reclamation has established many partnerships including:
 - White-Pine, public-private partnership to protect native White Pine.

2000-01 Biennial Budget

PROGRAM: Business Development

AGENCY: Iron Range Resources and Rehabilitation Board (IRRRB)

PROGRAM PROFILE:

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 (TTRA). 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.

STRATEGIES AND PERFORMANCE:

- Work with partners in the TTRA to promote and market northeastern Minnesota.
- Conduct diligent analysis of the needs of existing businesses and be responsive to those needs.
- Offer marketing research assistance to businesses throughout the TTRA.
- Develop, design and monitor a combination of programs that address the needs of business.
- Expand current programs to include communications infrastructure as an element of traditional infrastructure funding available to projects.

- Continue to partner with Tourism and Community Development programs of the agency to increase leverage of other sources of funds.

These strategies have produced the following results to date:

- Business lending investments of \$8 million leveraged, \$19 million in private lending over the last biennium.
- The current loan portfolio of 102 loans has created/retained 2,068 jobs.

FINANCING INFORMATION:

This program generates dedicated revenue.

Revenues:

	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Interest Earnings	\$3,068	\$3,068	\$3,068
Loan Repayments	1,922	1,922	1,922
TEDF Taxes	<u>9,385</u>	<u>9,087</u>	<u>8,601</u>
TOTAL	\$14,375	\$14,077	\$13,591

Expenditures:

	Dollars in Thousands		
	F.Y. 1999	F.Y. 2000	F.Y. 2001
Salaries	\$441	\$454	\$467
Other Operating Costs	562	562	562
Loans	11,350	9,350	9,350
Grants	<u>12,305</u>	<u>12,007</u>	<u>11,521</u>
TOTAL	\$24,658	\$22,373	\$21,900

BUDGET ISSUES:

- The budget includes a 3% per year increase for salaries.
- The budget includes a reduction in base year funding of \$2 million from the business development reserve.
- Funding for taconite assistance activities (grants) is based upon projected revenues generated from production taxes.

State of Minnesota
2000-2001 Biennial Budget
(Dollars in Thousands)

Agency: IRON RANGE RESOURCES & REHAB

Program: BUSINESS DEVELOPMENT

Activity: BUSINESS DEVELOPMENT

Budget Activity Summary	Actual F.Y. 1997	Actual F.Y. 1998	Budgeted F.Y. 1999	F.Y. 2000		F.Y. 2001		Biennial Change 2000-01 Gov / 1998-99	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>EXPENDITURES BY CATEGORY:</u>									
STATE OPERATIONS									
PERSONAL SERVICES	316	411	441	454	454	467	467	69	8.1%
OPERATING EXPENSES	348	455	562	562	562	562	562	107	10.5%
OTHER EXPENSES	12,017	3,118	11,350	9,350	9,350	9,350	9,350	4,232	29.3%
SUBTOTAL STATE OPERATIONS	12,681	3,984	12,353	10,366	10,366	10,379	10,379	4,408	27.0%
CAPITAL OUTLAY	3	1,200	0	0	0	0	0	(1,200)	-100.0%
LOCAL ASSISTANCE	19,573	15,514	12,305	12,007	12,007	11,521	11,521	(4,291)	-15.4%
Total Expenditures	32,257	20,698	24,658	22,373	22,373	21,900	21,900	(1,083)	-2.4%

FINANCING BY FUND:									
DIRECT APPROPRIATIONS:									
GENERAL	890	0	0	0	0	0	0		
STATUTORY APPROPRIATIONS:									
IRON RANGE RESOURCES & REHAB	16,785	15,085	11,825	11,527	11,527	11,041	11,041		
NE MN ECONOMIC PROTECTION	14,582	5,613	12,833	10,846	10,846	10,859	10,859		
Total Financing	32,257	20,698	24,658	22,373	22,373	21,900	21,900		

REVENUE COLLECTED:									
DEDICATED									
IRON RANGE RESOURCES & REHAB	9,456	9,674	9,385	9,087	9,087	8,601	8,601		
NE MN ECONOMIC PROTECTION	6,475	6,737	4,991	4,991	4,991	4,991	4,991		
NONDEDICATED									
NE MN ECONOMIC PROTECTION	0	522	0	0	0	0	0		
Total Revenues Collected	15,931	16,933	14,376	14,078	14,078	13,592	13,592		

