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2016-17 Governor's Budget, Minnesota Management and Budget Non-Operating

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<http://www.mn.gov/mmb/>

AT A GLANCE

- Responsible for a wide variety of state activities by maintaining about 125 accounts outside of MMB's regular statutory operations
- Act as fiscal agent for over \$7.9 million in federal funds
- Collected \$11.5 million in miscellaneous fines, fees, and penalties
- Pensions
- Provided \$55.6 million in direct aid to various local and state pension funds
- Manage an \$11.6 million master lease for vehicles and technology

PURPOSE

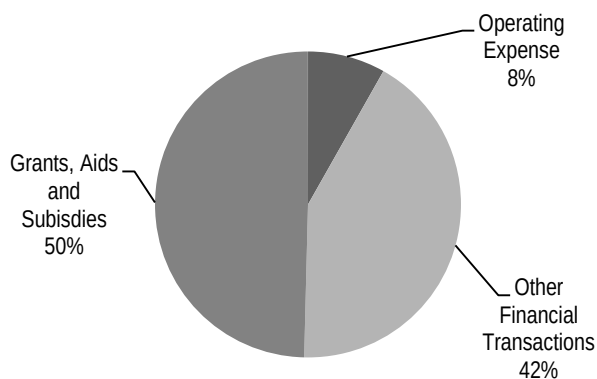
By statute, Minnesota Management & Budget (MMB) manages a number of statewide accounts that are outside of its day-to-day operations. As a group, these accounts are referred to as non-operating activities. These accounts deal with a broad range of subject matters, including debt management, tort claims, contingency accounts, and miscellaneous pension and trust fund items. These responsibilities also include the statutory requirement to receive the state's share of various monies collected by the counties and judicial districts as fees, fines, assessments and surcharges. Finally, the non-operating accounts also serve as a pass-through for federal funding for payments in lieu of taxes to local units of government where national forests are located.

The mission of MMB Non-Operating is to manage state government's financial, workforce and information resources to support effective and efficient services for Minnesotans.

MMB Non-Operating directly contributes to the statewide outcome of efficient and accountable government services.

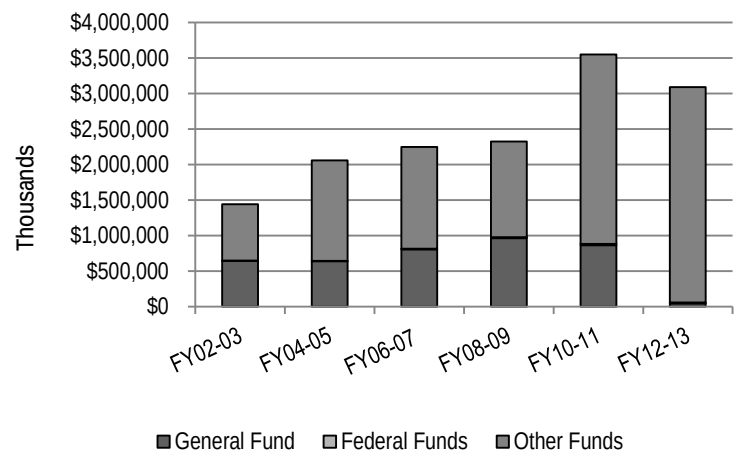
BUDGET

Spending by Category
FY 13 Actual



*See footnote below
Source: SWIFT

Historical Spending



Source: Consolidated Fund Statement

* This chart represents the fiscal agent activities under MMB non-operating and does not include the debt service payments administered by this agency. Including debt service payments puts 99.1% of spending in the Grants, Aids and Subsidies category.

STRATEGIES

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in MS 3.736, Subd. 7, a state agency may seek approval from MMB to use money in the MMB non-operating account for tort claims if MMB determines that there is not enough money in the agency's appropriations to cover the tort claim payment.

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

Administrative Accounts: The state administers various trust and funds on behalf of Minnesotans (including the Children's Trust, the Environmental Trust, and the Permanent School Fund). The accounts used to support the administration of these trusts and funds are housed within MMB non-operating.

Cash Flow Accounts: Some agencies or programs, on an ongoing or one-time basis, are given specific legislative authority to use general fund cash to cash flow certain programs or activities during a biennium. These accounts are housed within the MMB non-operating accounts. In FY 2014-15, these accounts included the following:

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MnSure Cash Flow Account
- Mn.IT Cash Flow Account

Federal Funds Accounts: The state receives some pass-through federal funding for payments in lieu of taxes to local units of government where national forests, like the Chippewa National Forest and Superior National Forest, are located. The accounts for these pass-through funds are housed within the MMB non-operating accounts.

Miscellaneous Fines, Fees, and Penalties Accounts: The state charges fees for various activities (including obtaining marriage licenses, using seatbelts, and engaging in adoptions) and assesses fines and penalties when the citizens of Minnesota are out of compliance. These receipts are often dedicated to more than one activity across multiple agencies, therefore MMB is tasked with acting as an intermediary between the collecting entity and the receiving entity. The accounts used for this purpose are housed within the MMB non-operating accounts.

Pension Aid Accounts: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems incurred when they merged with the Duluth Teachers Retirement fund (TRA), the Minneapolis Teachers Retirement fund (TRA), and the Minneapolis Employees Retirement fund (PERA). The state also provides direct aid to the St. Paul Teachers Retirement fund to help offset unfunded liabilities.

M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB.

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	41,894	42,371	59,576	76,151	76,056	76,991	76,056	76,991
2700 - Trunk Highway	28	15	0	600	600	600	0	0
3000 - Federal	8,776	8,478	7,912	8,100	8,100	8,100	8,100	8,100
3700 - Debt Service	250	53	254	161	0	0	0	0
4901 - 911 Revenue Bond Debt Service	1,410	1,410	0	0	0	0	0	0
5000 - Master Lease	7,535	8,943	11,552	7,370	7,591	7,819	7,591	7,819
7400 - Pension Building Debt Service	0	116	0	0	0	0	0	0
8600 - Tobacco Settlement Authority	609	0	0	0	0	0	0	0
Total	60,501	61,385	79,294	92,382	92,347	93,510	91,747	92,910
Biennial Change				49,790		14,180		12,980
Biennial % Change				41		8		8
Governor's Change from Base								(1,200)
Governor's % Change from Base								(1)

Expenditures by Program

Program: Contingent	0	497	0	436	250	250	250	250
Program: Capital Management	9,195	10,407	11,806	7,531	7,591	7,819	7,591	7,819
Program: State Aid	41,377	41,377	55,627	69,658	63,658	63,658	63,658	63,658
Program: Tort Claim	28	15	0	922	761	761	161	161
Program: Federal Funds	8,776	8,478	7,912	8,100	8,100	8,100	8,100	8,100
Program: Administrative	1,069	612	3,949	5,727	11,987	12,922	11,987	12,922
Program: Misc. Fines, Fees and Penalties	56	0	0	8	0	0	0	0
Total	60,501	61,385	79,294	92,382	92,347	93,510	91,747	92,910

Expenditures by Category

Operating Expenses	497	1,212	1,536	4,054	2,298	3,008	1,698	2,408
Other Financial Transactions	8,442	8,908	11,519	7,370	7,591	7,819	7,591	7,819
Grants, Aids and Subsidies	51,563	51,265	66,239	80,958	82,458	82,683	82,458	82,683
Total	60,501	61,385	79,294	92,382	92,347	93,510	91,747	92,910

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	179	780	51	607	10	260	10	260
Direct Appropriation	661	287	16,361	20,435	10,361	9,861	10,361	9,861
Open Appropriation	41,433	41,377	43,440	59,193	65,445	66,380	65,445	66,380
Receipts	2	2	1	2	2	2	2	2
Net Transfers	551	1,624	(196,909)	(4,074)	500	500	500	500
Cancellations	153	1,688	1,508	2	2	2	2	2
Expenditures	41,894	42,371	59,576	76,151	76,056	76,991	76,056	76,991
Balance Forward Out	780	10	607	10	260	10	260	10
<i>Biennial Change in Expenditures</i>				51,463		17,319		17,319
<i>Biennial % Change in Expenditures</i>				61		13		13
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

1200 - State Government Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		400		400		400		400
Direct Appropriation	400	400	400	400	400	400	400	400
Receipts	2,058	2,124	2,104	2,055	2,055	2,055	2,055	2,055
Cancellations	2,058	2,924	2,104	2,855	2,055	2,855	2,055	2,855
Balance Forward Out	400		400		400		400	

2000 - Restricted Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	1,809	1,799	1,093					
Direct Appropriation	0	0	0	0	0	0	0	0
Receipts	9,624	8,992	9,509	8,805	8,667	8,503	8,667	8,503
Net Transfers	(9,634)	(9,741)	(10,602)	(8,805)	(8,667)	(8,503)	(8,667)	(8,503)
Balance Forward Out	1,799	1,050						

2001 - Other Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Net Transfers	0	0	0	0	0	0	0	0

(Dollars in Thousands)

2200 - Game And Fish (Operations)

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	134	134	134	134	134	134	134	134
Receipts	0							
Balance Forward Out	134	134	134	134	134	134	134	134

2360 - Health Care Access

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	0	0	116,550	0	0	0	0	0
Net Transfers			(116,550)	(26,634)	(44,577)	(59,079)	(45,617)	(59,079)

2700 - Trunk Highway

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		572		600				
Direct Appropriation	600	600	600	600	600	600	0	0
Net Transfers	4,258	2,987	3,115	4,606	4,606	4,606	4,606	4,606
Cancellations	4,258	4,143	3,115	5,206	4,606	4,606	4,606	4,606
Expenditures	28	15	0	600	600	600	0	0
Balance Forward Out	572		600					
<i>Biennial Change in Expenditures</i>				557		600		(600)
<i>Biennial % Change in Expenditures</i>				1,291		100		(100)
<i>Gov's Exp Change from Base</i>								(1,200)
<i>Gov's Exp % Change from Base</i>								(100)

2800 - Environmental

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	0	14	0	0	0	0	0	0
Net Transfers		(14)						

2830 - Workers Compensation

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		100		100		100		100
Direct Appropriation	100	100	100	100	100	100	100	100

(Dollars in Thousands)

2830 - Workers Compensation

Cancellations	200	200	200	200
Balance Forward Out	100	100	100	100

3000 - Federal

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	4	11	19	19	19	19	19	19
Receipts	8,783	8,485	7,912	8,100	8,100	8,100	8,100	8,100
Expenditures	8,776	8,478	7,912	8,100	8,100	8,100	8,100	8,100
Balance Forward Out	11	19	19	19	19	19	19	19
<i>Biennial Change in Expenditures</i>				(1,241)		188		188
<i>Biennial % Change in Expenditures</i>				(7)		1		1
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3700 - Debt Service

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	253	123	70	1				
Open Appropriation	0	0	0	0	0	0	0	0
Receipts			255	255				
Net Transfers			(70)					
Expenditures	250	53	254	161	0	0	0	0
Balance Forward Out	3	70	1					
<i>Biennial Change in Expenditures</i>				112		(415)		(415)
<i>Biennial % Change in Expenditures</i>				37		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3800 - Permanent School

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	6,109	6,089	5,955	5,954	5,954	5,954	5,954	5,954
Receipts	24,272	24,576	23,741	25,520	26,064	26,608	26,064	26,608
Net Transfers	(24,294)	(24,867)	(23,741)	(25,520)	(26,064)	(26,608)	(26,064)	(26,608)
Balance Forward Out	6,088	5,798	5,954	5,954	5,954	5,954	5,954	5,954

(Dollars in Thousands)

4901 - 911 Revenue Bond Debt Service

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	6,827	8,440	12,089	15,861	39,122	62,383	39,122	62,383
Net Transfers	3,022	5,059	3,772	23,261	23,261	23,261	23,261	23,261
Expenditures	1,410	1,410	0	0	0	0	0	0
Balance Forward Out	8,440	12,089	15,861	39,122	62,383	85,644	62,383	85,644
<i>Biennial Change in Expenditures</i>				(2,820)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5000 - Master Lease

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	2	35	0					
Net Transfers	7,568	8,909	11,552	7,370	7,591	7,819	7,591	7,819
Expenditures	7,535	8,943	11,552	7,370	7,591	7,819	7,591	7,819
Balance Forward Out	35							
<i>Biennial Change in Expenditures</i>				2,444		(3,512)		(3,512)
<i>Biennial % Change in Expenditures</i>				15		(19)		(19)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

6000 - Miscellaneous Agency

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	7,226	7,529	7,765	7,963	7,965	7,967	7,965	7,967
Receipts	820	743	682	632	632	632	632	632
Net Transfers	(513)	(500)	(484)	(630)	(630)	(630)	(630)	(630)
Balance Forward Out	7,532	7,771	7,963	7,965	7,967	7,968	7,967	7,968

6400 - Disbursements Clearing

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	0	0	0	0	0	0	0	0

7400 - Pension Building Debt Service

(Dollars in Thousands)

7400 - Pension Building Debt Service

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Receipts	0	145	0	0	0	0	0	0
Expenditures	0	116	0	0	0	0	0	0
Balance Forward Out		29						
<i>Biennial Change in Expenditures</i>				(116)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

8000 - Housing Finance Agency

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In				5				
Receipts	51	54	40	40	40	40	40	40
Net Transfers	(51)	(54)	(35)	(45)	(40)	(40)	(40)	(40)
Balance Forward Out			5					

8250 - Rural Finance Administration

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	0	0	0	0	0	0	0	0

8600 - Tobacco Settlement Authority

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Direct Appropriation	636,354	0	0	0	0	0	0	0
Net Transfers	(635,745)							
Expenditures	609	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(609)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Minnesota Management & Budget Non-Operating

FY16-17 Biennial Budget Change Item

Change Item: Expand Operating Budget Carry-Forward Authority

Fiscal Impact (\$000s)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund					
Expenditures	\$7,500	0	\$7,500	0	\$7,500
Revenues		0	0	0	0
Other Funds					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	\$7,500	0	\$7,500	0	\$7,500
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends modifying Minnesota Statutes 16A.28 to allow agencies to uniformly carry-forward unexpended non-grant operating appropriations for the second year of a biennium into the next beginning in FY 2015. This is being proposed as an improvement to current financial management practices – to increase state agencies budget management flexibility to deal with planned and unplanned cost increases and cost pressures.

The budget impact of this proposal will reduce forecast general fund cancellations in the second year of each biennium by an estimated \$7.5 million, based on historical analysis of actual year-end cancellations. Because this recommendation includes FY 2015 cancellations, the total cost of the FY 2016-17 recommendation is \$15 million.

Rationale/Background:

State agencies are generally authorized in M.S. 16A.28 to balance forward unexpended and unencumbered *non-grant* operating balance from the first to the second year of the biennium, while unspent operating appropriations for the second year (the end of a biennium) generally cancel back to the originating fund.

This requirement, however, is not uniform. Appropriations to the legislature, higher education systems, and selective appropriations to various state agencies are exempt, or are provided specific carry-forward authority in law. The current requirement to cancel unspent operating funds is generally perceived as a “use it or lose it” disincentive for agencies that increases year-end spending and reduces the ability to manage year-end and following year costs in the most effective, strategic way.

In 2003 and 2005, the legislature provided one-time authorities to balance forward funds from one biennium to the next. These authorities were granted to provide agencies flexibility in managing budget reductions. In 2007, one-time authority was provided to carry-forward up to \$5.8 million of unspent operating funds, but with the use limited to technology investments.

Uniformly extending carry-forward authority of operating balances at the end of the biennium to all agencies will increase agencies' flexibility to better utilize resources to manage costs such as increases related to general operating expenses or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. This proposal is strongly supported by executive branch agencies' chief financial officers.

Proposal:

Extend carry-forward authority at the end of the biennium to all agencies and the court systems for all direct appropriated funds. But, require that funds be used to manage one-time costs related to general operating costs or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. In addition, agencies would be able to use this authority for long-term budget planning allowing carry-forward dollars to be used to defray operating cost increases. It should be include a requirement that agencies report on the amount and use of carried forward funds.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Biennial report : Carried forward amounts and use by agency		TBD	FY 16-17 biennial budget

Statutory Change(s):

M.S. 16A.28

Minnesota Management & Budget Non-Operating

FY16-17 Biennial Budget Change Item

Change Item Title: Tort Claim Appropriation

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
MMB Expenditures	(600)	(600)	(600)	(600)
MnDOT Expenditures	600	600	600	600
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Request:

The Governor recommends the amount appropriated to Minnesota Management and Budget (MMB) for the payment of MnDOT tort claims be appropriated directly to MnDOT.

Rationale/Background:

Under 2013 Laws, Ch117, Art 1 Sec 6 an amount of \$600,000 is appropriated to MMB for the payment of tort claims owed by MnDOT. After these claims are processed and approved by MnDOT's Chief Counsel, they are submitted to MMB for payment. MMB pays the claims based on MnDOT's approval. MMB and MnDOT both support moving this appropriation to MnDOT. This will result in slightly faster payments and a more efficient administrative process.

Proposal:

This proposal would move the Tort Claims appropriation from MMB to MN/DOT.

Results:

The result of this change would be to improve the administrative efficiency of both agencies.

Statutory Change(s):

None.