

Table of Contents

2016-17 Governor's Budget - Administrative Hearings, Office of

Agency Profile – Administrative Hearings, Office of.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Data Practices and Campaign Violations Funding.....	6
Change Item: Operating Adjustment.....	8
Internal Service Funds Statements.....	9

<http://mn.gov/oah/>

AT A GLANCE

- 864 new cases filed; 452 hearings held in cases involving challenges to actions taken by 74 units of government (FY 2014).
- 13,005 new cases filed and 482 hearings held in workers compensation cases (FY 2014).
- Utilized interpreter services in 72 different languages to assure public access in hearing processes.
- Conducted 49 administrative rulemaking cases for 21 state agencies (FY 2014).
- Issued orders for 104 municipal boundary adjustments affecting 17,242 acres in 52 counties (FY 2014).
- With 32 judges and 33 administrative staff, ensured that individual rights were protected and due process provided in all proceedings heard in the agency.

PURPOSE

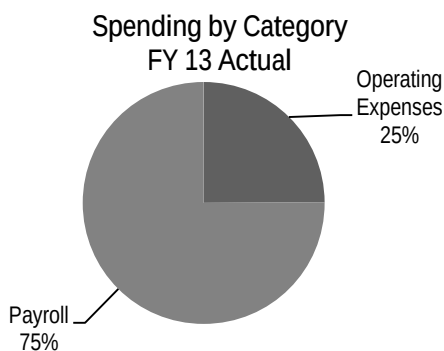
The Office of Administrative Hearings (OAH) administers justice as an independent tribunal within the executive branch. We provide fair and impartial hearings for individuals and residents challenging actions taken by state and local government agencies, and for injured workers and employers in contested workers compensation matters. In addition, OAH conducts rulemaking hearings for state agencies and boundary adjustment proceedings throughout the state, all as a means of guaranteeing the public's access to and participation in their governments' processes.

Because OAH provides due process hearings for Minnesotans challenging state agency actions as specified below, OAH serves a vital role in contributing to the following statewide outcomes:

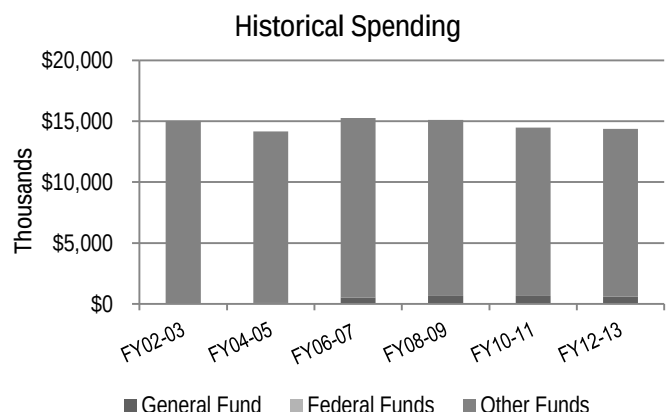
- **Economy** – A thriving economy that encourages business growth and employment opportunities
Licensing hearings for medical boards and other agencies; veteran's preferences cases; public employee discharges.
- **Education** – Minnesotans have the education and skills needed to achieve their goals
Special education hearings related to services provided by school districts; licensing matters from Board of Teaching.
- **Health** – All Minnesotans have optimal health.
Hearings involving nursing home inspections; restaurant and catering administrative penalties.
- **Community** – Strong and stable families and communities.
Child care and adult foster care maltreatment cases; unfair campaign practices cases; boundary adjustment matters.
- **Safety** – People in Minnesota are safe.
Hearings involving community notification ratings for sexual predators being released from confinement.
- **Environment** – A clean, healthy environment with sustainable uses of natural resources.
Hearings involving utility rate setting as well as environmental permits or civil citations.
- **Mobility** – Sustainable options to safely move people, goods, services & information.
Hearings involving routing of utility transmission lines and facilities; enforcement of state contracting requirements.

As a state agency serving the public, OAH is directly dedicated to serving the outcome of Government - Efficient and accountable government services.

BUDGET



Source: BPAS



Historical Spending does not include OAH internal service fund.

Source: Consolidated Fund Statement

OAH has a total annual budget of approximately \$10.7 million. This budget is primarily funded by receipts for provided services, dedicated funds, and a small general fund appropriation.

The Administrative Law Division is funded by a special revenue revolving fund and receives a biennial appropriation from the general fund to the general account of the state elections campaign fund. The costs for services rendered are assessed to the agency responsible for the action challenged by the public. The Administrative Law Division has an annual budget of \$3.19 million.

The Municipal Boundary Adjustments Unit administers the uniform system for boundary adjustments. In addition to various required filing fees, this unit is funded through an annual appropriation from the general fund in the amount of \$256,000.

The Workers Compensation Division is funded from the Special Compensation Fund through a biennial appropriation. The Workers' Compensation Division has an annual budget of \$7.25 million.

STRATEGIES

Under the authority of MS Chapter 14 and related rules, the Administrative Law Division provides contested case hearings in matters involving the public's challenges to state agency actions. The subject matter of these proceedings varies widely among the 100-plus state and local agencies which bring cases before OAH. The Division is staffed with a highly-experienced team of administrative law judges who preside over contested case hearings and provide mediations and other conflict resolution services throughout the state. The administrative law judges also review all state agency rule submissions for necessity and reasonableness, hear claims of unfair campaign practices in non-statewide elections, and enforce government accountability in accordance with the Minnesota Government Data Practices Act when challenges are filed by members of the public. In all matters, the Division's judges serve as fair and impartial decision-makers and produce legally accurate, easily understandable and timely written decisions.

Pursuant to MS Chapters 115 and 414, the Municipal Boundary Adjustment Unit, acting through administrative law judges, issues orders on petitions for the creation or dissolution of municipalities, alteration of municipal boundaries through consolidation, annexation, or detachment of real property, and the establishment of sanitary districts. Matters are commenced by involved municipal governments and/or affected property owners. As a means of ensuring government accountability and public access, the Division maintains a searchable electronic database of all docketed information including maps of real property included in proceedings.

As regulated by MS Chapter 176 and associated rules, the Workers Compensation Division conducts pretrial and trial functions associated with petitions for workers' compensation benefits. Workers compensation judges rule on motions, conduct settlement and pretrial conferences, preside at trials, and issue awards and final decisions. The judicial staff of the Division consistently provides well-reasoned, fair and neutral decisions in a timely manner in service to injured workers and employers throughout the state.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Average days for workers compensation judge to issue final decision after record close.	38	36	FY12/ FY14
Quality	Average days for an administrative law judge to issue written opinion after record close.	23.7	37	FY12/ FY14
Quality	Number and percent of mediations resulting in settlement	74/64%	95/64%	FY12/ FY14
Quality	Percent of hearings held outside metro area plus percent held by video conferencing.	10% + none	10% + 4%	FY12/ FY14
Quality	Percent of turnover in staff positions	10.4%	8.9%	FY12/FY14

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	269	333	440	296	386	256	445	318
2800 - Environmental	0	0	17	108	50	50	50	50
2830 - Workers Compensation	6,599	7,174	6,801	7,699	7,250	7,250	7,250	7,250
5201 - Administrative Hearings	1,574	1,832	2,184	3,591	3,258	3,209	3,258	3,209
5202 - Workers Comp Transcript	10	8	11	3	3	3	3	3
Total	8,452	9,347	9,453	11,697	10,946	10,769	11,005	10,831
<i>Biennial Change</i>				3,351		565		686
<i>Biennial % Change</i>				19		3		3
<i>Governor's Change from Base</i>								121
<i>Governor's % Change from Base</i>								1

Expenditures by Program

Program: Administrative Hearings	8,452	9,347	9,453	11,697	10,946	10,769	11,005	10,831
Total	8,452	9,347	9,453	11,697	10,946	10,769	11,005	10,831

Expenditures by Category

Compensation	6,441	7,021	7,217	8,098	8,144	8,231	8,147	8,237
Operating Expenses	1,965	2,326	2,197	3,599	2,803	2,538	2,859	2,594
Other Financial Transactions	45	1	39	0	0	0	0	0
Capital Outlay-Real Property	1							
Total	8,452	9,347	9,453	11,697	10,946	10,769	11,005	10,831

Full-Time Equivalents

64.5	65.6	65.6	71.0	71.0	71.0	71.0	71.0
-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

(Dollars in Thousands)

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		115		40				
Direct Appropriation	384	254	482	256	386	256	445	318
Cancellations		36	2					
Expenditures	269	333	440	296	386	256	445	318
Balance Forward Out	115		40					
<i>Biennial Change in Expenditures</i>				134		(94)		27
<i>Biennial % Change in Expenditures</i>				22		(13)		4
<i>Gov's Exp Change from Base</i>								121
<i>Gov's Exp % Change from Base</i>								19
FTEs	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1

2800 - Environmental

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In				58				
Direct Appropriation			0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0
Net Transfers			75	50	50	50	50	50
Expenditures	0	0	17	108	50	50	50	50
Balance Forward Out			58					
<i>Biennial Change in Expenditures</i>				125		(25)		(25)
<i>Biennial % Change in Expenditures</i>						(20)		(20)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

2830 - Workers Compensation

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In		1,251		449				
Direct Appropriation	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250
Net Transfers	600	(6)						
Cancellations		1,321						
Expenditures	6,599	7,174	6,801	7,699	7,250	7,250	7,250	7,250
Balance Forward Out	1,251		449					
<i>Biennial Change in Expenditures</i>				727		0		0

(Dollars in Thousands)

2830 - Workers Compensation

Biennial % Change in Expenditures			5		0		0
Gov's Exp Change from Base							0
Gov's Exp % Change from Base							0
FTEs	52.3	52.8	50.3	50.3	50.3	50.3	50.3

5201 - Administrative Hearings

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	315	342	667	1,163	619	508	619	508
Receipts	1,581	2,084	2,680	3,047	3,147	3,147	3,147	3,147
Expenditures	1,574	1,832	2,184	3,591	3,258	3,209	3,258	3,209
Balance Forward Out	323	594	1,163	619	508	446	508	446
Biennial Change in Expenditures				2,369		691		691
Biennial % Change in Expenditures				70		12		12
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
FTEs	10.0	10.5	13.1	18.6	18.6	18.6	18.6	18.6

5202 - Workers Comp Transcript

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	75	68	63	56	55	55	55	55
Receipts	4	3	3	3	3	3	3	3
Expenditures	10	8	11	3	3	3	3	3
Balance Forward Out	68	63	56	55	55	55	55	55
Biennial Change in Expenditures				(4)		(7)		(7)
Biennial % Change in Expenditures				(21)		(52)		(52)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0
FTEs	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0

Office of Administrative Hearings

FY16-17 Biennial Budget Change Item

Change Item Title: Data Practices and Campaign Violations Funding

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	56	56	56	56
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	56	56	56	56
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$56,000 in FY 2016 and \$56,000 in FY 2017 to increase to the general fund appropriation of the Office of Administrative Hearings (OAH) for funding the Office's mandated activities related to hearing data practices matters and campaign violations complaints.

Rationale/Background:

Data Practices Matters

The 2010 Legislature established an administrative process and remedy for alleged violations of the Minnesota Government Data Practices Act. The dispute process allows those who have been denied access to government data an opportunity to challenge the determination through a contested case at OAH. The cost of those administrative appeals is statutorily required to be borne by the losing party up to a maximum of \$1,000 per case.

The 2010 Legislature intended that a special \$1,000 filing fee would be sufficient to cover the costs of resolving any such dispute. The OAH's actual cost experience has been very different than originally projected. Contrary to the Legislature's assumption that the data practice disputes presented to OAH would involve clear-cut and easily resolved cases of intransigence by government officials, the filings have instead involved complex and fact-intensive questions of first impression. As the chart below indicates, the \$1,000 filing fee cost-recovery mechanism in Minn. Stat. § 13.085, subd. 6, is not sufficient to cover the costs actually incurred by OAH for providing these legislatively mandated hearings.

	Fees Generated	Costs Incurred
FY14	\$ 2,305	\$ 7,360
FY15 to date (9/30/2014)	\$ 1,000	\$ 2,541
FY 15 extrapolated to full year (from first quarter costs)	\$ 4,000	\$ 10,164
Biennial total (based on extrapolation)	\$ 6,305	\$ 17,524

While OAH received a one-time appropriation of \$36,000 to remedy program shortfalls in fiscal year 2013, the Legislature did not act on a long-term solution to address the program's overall financial structure in either of the past two legislative sessions. As a result, the structural funding insufficiency remains. The current biennial deficiency for Data Practices cases is estimated at \$11,219 [\$17,524 costs to be incurred less \$6,305 fees to be generated]. Because the filing fees are inadequate to cover the OAH costs for hearing the data practices matters, additional funding of \$12,000, or \$6,000 per year, is recommended for the next biennium.

Fair Campaign Practice Act

OAH receives a biennial appropriation of \$130,000 (\$65,000 per fiscal year) from the general fund for its Fair Campaign Practices Act cases. The appropriation language requires that any excess cancels back to the general account of the state elections campaign fund. [See 2013 Laws, Chapter 142, Art. 1, Sec. 9.] In 2013, the Legislature granted OAH a one-time deficiency appropriation of \$60,000 to cover "the FY2013 costs of campaign violations hearings." Even so, the agency was forced to write off \$79,470 in costs incurred for

these cases for which no appropriation was provided. Minnesota Laws 2013, chapter 131, repealed OAH's authority to assess costs associated with resolving complaints arising under the Fair Campaign Practices Act against counties.

The current biennial appropriation of \$130,000 is not sufficient to cover the costs actually incurred by OAH. Although a \$50 filing fee is required in Minn. Stat. § 211B.32, subd. 5, that fee is non-dedicated revenue and therefore does not assist in directly covering costs incurred by OAH. Current estimates project a deficiency of about \$100,000 for the biennium. Based on these estimates, additional funding of \$100,000, or \$50,000 per year, is recommended for the next biennium.

Proposal:

The proposed increase will provide funding to allow OAH to recover its projected costs for data practices cases and campaign violation matters. The recommended funding is allocated as follows:

\$12,000 for Data Practices Cases (rounded up from \$11,219)

+ \$100,000 for Fair Campaign Practice Act Cases

\$112,000 (per biennium)

Statutory Change(s):

None.

Office of Administrative Hearings

FY16-17 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	3	6	6	6
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3	6	6	6
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 1.8% for General Fund compensation costs.

Rationale/Background:

Each year, compensation costs rise due to labor contract settlements, and changes in employer-paid contributions for insurance, FICA, Medicare, retirement, and other factors. Absorbing this increase in compensation costs within existing agency base appropriations results in reduced staffing and/or reduced non-compensation spending.

Proposal:

The Governor recommends increasing agencies' general fund budgets for employee wage and benefit costs by 1.8% per year for FY 2016-17. Agencies were instructed to include a 1.8% increase to total compensation each year in their base budgets, based upon the compound annual compensation spending rate increase per FTE over the last ten years for executive branch employees. This recommendation is intended to allow agencies to maintain their current level of agency operations.

For non-General Fund direct appropriated funds, the Governor's budget recommendations also include an adjustment of 1.8% per year, where the amount can be supported by the source of revenue.

Results:

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

Statutory Change(s):

Not Applicable.

Office of Administrative Hearings

Administrative Hearings - 5201
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues:				
Net Sales	2,680	3,047	3,147	3,147
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	2,680	3,047	3,147	3,147
Gross Margin				
Operating Expenses:				
Purchased Services	562	1,076	823	820
Salaries and Fringe Benefits	1,547	2,296	2,296	2,296
Claims				
Depreciation				
Amortization				
Supplies and Materials	51	164	84	38
Indirect Costs	18	21	21	21
Other Expenses	7	35	35	35
Total Operating Expenses	2,185	3,592	3,259	3,210
Operating Income (Loss)	495	(545)	(112)	(63)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	495	(545)	(112)	(63)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	495	(545)	(112)	(63)
Net Assets, Beginning as Reported		495	(50)	(162)
Net Assets, Ending	495	(50)	(162)	(225)
Rate increase/(decrease)	0	0	0	0
Full Time Equivalents	13.1	18.6	18.6	18.6

Office of Administrative Hearings

Administrative Hearings - 5201

Net Assets

(Dollars in Thousands)

	Actual 2014	Projected 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Investments		
Accounts Receivable		
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	0	0
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	0	0
LIABILITIES		
Current Liabilities:		
Accounts Payable		
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable		
Total Current Liabilities	0	0
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable		
Other Liabilities		
Total Noncurrent Liabilities	0	0
Total Liabilities	0	0
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted		
Total Net Assets	0	0

Office of Administrative Hearings

Administrative Hearings - 5201

Brief Narrative

Background:

Administrative Hearings - 5201, an enterprise fund, provides publishing and retail services to state agencies, publishes fair and impartial hearings for individuals challenging actions taken by state and local government agencies, including those related to campaign practices and data practices.

Detail of any loans from the general fund, including dollar amounts:

None.

Proposed investments in technology or equipment of \$100,000 or more:

The Office of Administrative Hearings plans to make technology improvements in the future to support e-filing.

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

None.

Explain any reasons for rate changes:

None.

Impact of rate changes on affected agencies:

None.

Office of Administrative Hearings

Workers' Compensation Transcript - 5202
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues:				
Net Sales	3	3	3	3
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	3	3	3	3
Gross Margin				
Operating Expenses:				
Purchased Services	3			
Salaries and Fringe Benefits	8	3	3	3
Claims				
Depreciation				
Amortization				
Supplies and Materials				
Indirect Costs				
Other Expenses				
Total Operating Expenses	11	3	3	3
Operating Income (Loss)	(8)	0	0	0
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	(8)	0	0	0
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	(8)	0	0	0
Net Assets, Beginning as Reported		(8)	(8)	(8)
Net Assets, Ending	(8)	(8)	(8)	(8)
Rate increase/(decrease)	0	0	0	0
Full Time Equivalents	0.09	0.04	0.04	0.04

Office of Administrative Hearings
Office of Administrative Hearings
Worker's Compensation Transcript - 5202
Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	63	55
Investments		
Accounts Receivable		
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	63	55
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	63	55
LIABILITIES		
Current Liabilities:		
Accounts Payable		
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable		
Total Current Liabilities	0	0
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable		
Other Liabilities		
Total Noncurrent Liabilities	0	0
Total Liabilities	0	0
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	63	55
Total Net Assets	63	55

Office of Administrative Hearings

Workers' Compensation Transcript -5202
Brief Narrative

Background:

The Workers' Compensation Transcript revenues are dedicated to the purposes of maintaining record of hearing conducted and preparation of transcript of those hearings for appeals to the Workers' Compensation Court of Appeals. Additional revenue is generated through filing fees.

Detail of any loans from the general fund, including dollar amounts:

None.

Proposed investments in technology or equipment of \$100,000 or more:

None.

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

None.

Explain any reasons for rate changes:

None.

Impact of rate changes on affected agencies:

None.