

Table of Contents

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

Agency Profile - Minnesota Management and Budget.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Operating Adjustment.....	7
Change Item: Maintain Enterprise Systems.....	8
Change Item: Enhance Enterprise-level Services.....	10
Accounting Services.....	12
Expenditures Overview.....	13
Financing by Fund.....	14
Budget Services.....	15
Expenditures Overview.....	17
Financing by Fund.....	18
Economic Analysis.....	19
Expenditures Overview.....	21
Financing by Fund.....	22
Debt Management.....	23
Expenditures Overview.....	25
Financing by Fund.....	26
Management Analysis and Development.....	27
Expenditures Overview.....	28
Financing by Fund.....	29
Enterprise Human Resources.....	30
Expenditures Overview.....	31
Financing by Fund.....	32
Labor Relations.....	34
Expenditures Overview.....	36
Financing by Fund.....	37
Agency Administration.....	38
Expenditures Overview.....	39
Financing by Fund.....	40
Enterprise Learning and Development.....	41
Expenditures Overview.....	42
Financing by Fund.....	43
State Employee Group Insurance Program.....	44
Expenditures Overview.....	46
Financing by Fund.....	47
Public Employees Insurance Program.....	48
Expenditures Overview.....	50
Financing by Fund.....	51
Internal Service Funds Statements.....	52

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

AT A GLANCE

- Approximately 260 employees manage the financial and employee relations responsibilities of the state
- Coordinate biennial budget process for over 100 agencies, boards, commissions, and the legislative and judicial branches
- Oversee and maintain human resource policy for over 100 state agencies, boards, and councils, including recruitment, retention, talent management, classification, compensation, and training
- Manage \$5.7 billion in state public debt
- Process an average of 54,000 vendor payments per week
- Process approximately 55,000 employee paychecks twice a month
- The State Employee Group Insurance Program manages health benefits for approximately 120,000 employees and dependents
- Responsible for producing twice a year budget and economic forecasts
- Negotiate contracts with nine state employee bargaining units

PURPOSE

Minnesota Management & Budget (MMB) is responsible for managing state finances, payroll and human resources and provides systems for daily business operations and information access and analysis.

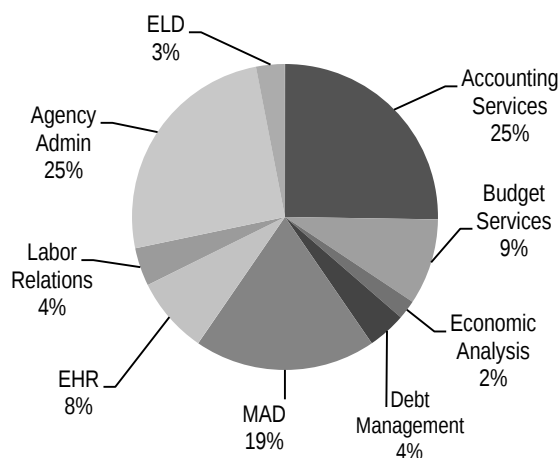
Our mission is to manage state government's financial, workforce and information resources to support effective and efficient services for Minnesotans. MMB is a central service agency, serving the governor, the legislature, over 100 state government entities, 54,000 state employees and the public. The priorities of MMB include:

- Supporting the governor in establishing policies, and proposing and implementing budgets that benefit the people of Minnesota.
- Providing information that is accessible, consistent, objective, timely, and accurate to state agencies, the legislature and citizens.
- Providing financial, human resources, and management expertise to help state government meet its goals and responsibilities in an effective and efficient manner.
- Creating a culture in state government that is supportive, constructive and healthy for our employees.

MMB directly contributes to the statewide outcome of **efficient and accountable government services**.

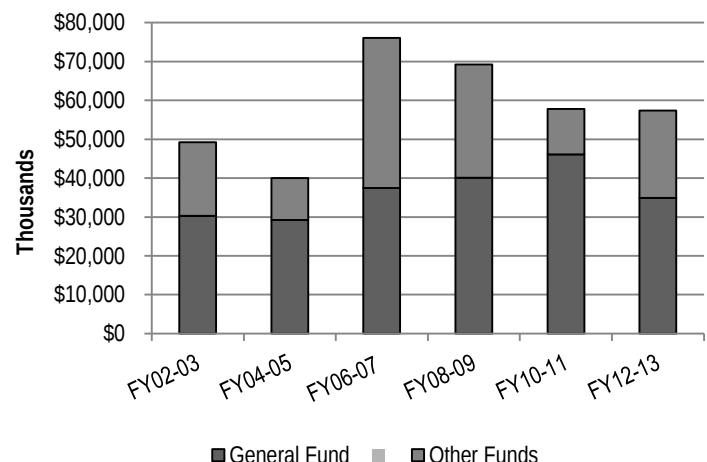
BUDGET

**Spending by Budget Activity
FY 13 Actual**



Source: SWIFT

Historical Spending



*See footnote below

Source: Consolidated Fund Statement

*The fluctuations in general fund spending are the result of the merger of the former Departments of Finance and Employee Relations, and one-time appropriations for system-related projects. The fluctuations in other fund spending are related to the merger (largely tied to SEGIP), the SWIFT Project, and the increase in MMB's enterprise fund activities.

STRATEGIES

MMB employs several strategies across two program areas to deliver its mission and support the statewide outcome of efficient and accountable government services. These include:

- **Statewide systems for** accounting and human resources necessary to support daily activities of the state
- **Information access,** forecasts and analysis to provide information on state activities and anticipate issues
- **Oversight, controls, and compliance outreach** needed to ensure overall integrity of state operations
- **Decision support activities** for budget development and collective bargaining processes
- **Operations management activities** such as cash management transactions, employee health insurance, and management consulting for all agencies, strategic workforce planning and management

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	16,937	17,954	20,063	26,435	20,481	20,873	23,768	26,452
2000 - Restricted Misc Special Rev	43	47	62	73	66	67	66	67
2001 - Other Misc Special Rev	9,374	13,058	11,975	13,448	13,366	13,408	13,366	13,408
4700 - Public Employees Insurance	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552
5200 - Management Analysis	2,644	6,302	8,335	6,078	6,224	6,371	6,224	6,371
5600 - State Employees Insurance	707,036	748,601	754,622	751,217	752,108	754,183	752,108	754,183
6000 - Miscellaneous Agency	30,685	30,726	29,592	30,364	30,389	29,639	30,389	29,639
Total	808,275	863,153	904,822	907,680	902,183	904,092	905,470	909,671
Biennial Change				141,074		(6,227)		2,639
Biennial % Change				8		0		0
Governor's Change from Base								8,866
Governor's % Change from Base								0

Expenditures by Program

Program: Statewide Services	28,998	37,361	40,435	45,740	40,138	40,719	43,425	46,298
Program: Statewide Insurance Programs	779,277	825,792	864,387	861,940	862,045	863,373	862,045	863,373
Total	808,275	863,153	904,822	907,680	902,183	904,092	905,470	909,671

Expenditures by Category

Compensation	24,009	27,044	29,436	24,512	23,230	23,556	25,017	26,135
Operating Expenses	784,120	835,353	875,131	883,085	878,909	880,492	880,409	883,492
Other Financial Transactions	138	184	255	83	44	44	44	44
Grants, Aids and Subsidies	0		0					
Capital Outlay-Real Property	8	572	0					
Total	808,275	863,153	904,822	907,680	902,183	904,092	905,470	909,671

Full-Time Equivalents

	266.7	278.3	297.5	276.2	257.8	257.8	267.8	267.8
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(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		1,702		5,345		196		196
Direct Appropriation	20,888	27,213	37,750	29,578	29,456	29,458	32,743	35,037
Net Transfers	(2,042)	(10,591)	(10,333)	(8,439)	(8,778)	(8,780)	(8,778)	(8,780)
Cancellations	262	371	2,009	344	0		0	
Expenditures	16,937	17,954	20,063	26,435	20,481	20,873	23,768	26,452
Balance Forward Out	1,647		5,345		196		196	
<i>Biennial Change in Expenditures</i>				11,607		(5,144)		3,722
<i>Biennial % Change in Expenditures</i>				33		(11)		8
<i>Gov's Exp Change from Base</i>								8,866
<i>Gov's Exp % Change from Base</i>								21
FTEs	157.7	158.1	168.2	174.2	155.8	155.8	165.8	165.8

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	5	5	5	7				
Receipts	42	48	64	65	66	67	66	67
Expenditures	43	47	62	73	66	67	66	67
Balance Forward Out	5	5	7					
<i>Biennial Change in Expenditures</i>				46		(2)		(2)
<i>Biennial % Change in Expenditures</i>				51		(1)		(1)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

2001 - Other Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	13,956	14,500	12,933	12,698	9,856	7,088	9,856	7,088
Receipts	7,946	9,648	11,577	10,606	10,598	10,604	10,598	10,604
Net Transfers	165	1,094	165					
Expenditures	9,374	13,058	11,975	13,448	13,366	13,408	13,366	13,408
Balance Forward Out	12,692	12,184	12,698	9,856	7,088	4,284	7,088	4,284
<i>Biennial Change in Expenditures</i>				2,991		1,351		1,351
<i>Biennial % Change in Expenditures</i>				13		5		5

(Dollars in Thousands)

2001 - Other Misc Special Rev

Gov's Exp Change from Base							0
Gov's Exp % Change from Base							0
FTEs	40.3	51.9	53.8	24.8	24.8	24.8	24.8

4700 - Public Employees Insurance

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	16,655	19,622	24,058	33,416	35,076	37,252	35,076	37,252
Receipts	44,522	50,217	89,532	81,726	81,725	81,725	81,725	81,725
Net Transfers		0	0	0				
Expenditures	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552
Balance Forward Out	19,620	23,893	33,416	35,076	37,252	39,425	37,252	39,425
Biennial Change in Expenditures				72,217		(1,139)		(1,139)
Biennial % Change in Expenditures				82		(1)		(1)
Gov's Exp Change from Base							0	
Gov's Exp % Change from Base							0	
FTEs	1.5	1.4	1.5	1.5	1.5	1.5	1.5	1.5

5200 - Management Analysis

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	789	756	1,823	1,560	1,264	1,171	1,264	1,171
Receipts	2,461	7,142	8,072	5,781	6,131	6,381	6,131	6,381
Expenditures	2,644	6,302	8,335	6,078	6,224	6,371	6,224	6,371
Balance Forward Out	606	1,596	1,560	1,264	1,171	1,181	1,171	1,181
Biennial Change in Expenditures				5,466		(1,817)		(1,817)
Biennial % Change in Expenditures				61		(13)		(13)
Gov's Exp Change from Base							0	
Gov's Exp % Change from Base							0	
FTEs	17.1	19.3	27.2	30.4	30.4	30.4	30.4	30.4

5600 - State Employees Insurance

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	301,532	261,839	243,453	276,578	323,891	371,213	323,891	371,213
Receipts	663,574	722,813	787,762	798,551	799,450	801,651	799,450	801,651
Net Transfers	(10)	(15)	(16)	(21)	(20)	(20)	(20)	(20)

(Dollars in Thousands)

5600 - State Employees Insurance

Expenditures	707,036	748,601	754,622	751,217	752,108	754,183	752,108	754,183
Balance Forward Out	258,060	243,136	276,578	323,891	371,213	418,661	371,213	418,661
<i>Biennial Change in Expenditures</i>				50,202		452		452
<i>Biennial % Change in Expenditures</i>				3		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	50.1	47.6	46.8	45.2	45.2	45.2	45.2	45.2

6000 - Miscellaneous Agency

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	9,468	6,570	4,778	4,399	3,641	2,857	3,641	2,857
Receipts	27,788	28,935	29,213	29,605	29,605	29,605	29,605	29,605
Net Transfers	(3)							
Expenditures	30,685	30,726	29,592	30,364	30,389	29,639	30,389	29,639
Balance Forward Out	6,570	4,778	4,399	3,641	2,857	2,823	2,857	2,823
<i>Biennial Change in Expenditures</i>				(1,455)		73		73
<i>Biennial % Change in Expenditures</i>				(2)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Minnesota Management and Budget

FY16-17 Biennial Budget Change Item

Change Item: Operating Adjustment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	287	579	579	579
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	287	579	579	579
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.

Minnesota Management & Budget

FY16-17 Biennial Budget Change Item

Change Item: Maintain Enterprise Systems

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	2,000	4,000	4,000	4,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	4,000	4,000	4,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$2 million in FY 2016 and \$4 million in FY 2017 for Minnesota Management and Budget (MMB) to maintain the critical statewide business systems that support operations of state government and to keep current on the technological platforms from which they operate.

Rationale/Background:

MMB has developed and maintains critical business systems which are the backbone supporting the financial, procurement, and human resource operations of all state agencies. These systems currently include:

- Accounting and Procurement System: Statewide Integrated Financial Tools (SWIFT)
- Human Resource and Payroll System: Statewide Employee Management Application for Payroll, Human Resources, Insurance, and Reporting (SEMA4)
- Employment Application System: Recruiting Solutions
- Training System: Enterprise Learning Management (ELM)
- Operating Budget System: Budget Planning and Analysis System (BPAS)
- Fiscal Note Tracking System (FNTS)
- Capital Budget System (CBS)

The state must make periodic investments to keep its critical business applications current and to avoid more costly system replacement projects in the future.

In July of 2011, MMB implemented the newest release of the Oracle/PeopleSoft software, version 9.1 for SWIFT and ELM. The vendor's extended support period for these products is scheduled to end in 2017. Ongoing support and maintenance provides the state access to software fixes, bundles, maintenance packs, service packs, and version upgrades and provides access to the Oracle support team to help troubleshoot software issues. Minnesota must upgrade to a supported version prior to 2017 or pay considerably higher ongoing maintenance costs.

In addition, upgrades, patches, bundles and maintenance packs provide needed system functionality to comply with tax changes, accessibility requirements and address software bugs. If the state does not remain current with upgrades, manual workarounds are costly in terms of both staff resources and customizations necessary without the upgrades to the various systems.

Proposal:

As a standard industry practice for statewide technical systems, the state will continuously be in the process of upgrading its enterprise applications. MMB will use the initial funding received through this request to upgrade the SWIFT and ELM applications to the most recent versions of the software during the 2016-17 biennium. In FY2018, funds will be used to replace critical hardware used to support the enterprise applications that will be reaching the end of its life expectancy by 2018. The vendor's extended support period for the SEMA4 and Recruiting Solutions applications is scheduled to end in 2021, which will require those applications to be upgraded to the most recent versions of the software in FY 2019. Ongoing funding is requested to support a continual cycle of upgrades which will again begin with SWIFT and ELM.

The work associated with this proposal will be supplemented with consultants and overseen by existing MMB and MN.IT @ MMB staff. Implementing a continual cycle of upgrades and replacing hardware on a regular basis is critical to ensuring stability of the systems as well as compliance with current laws and industry practices.

IT Related Proposals:

Ongoing funding of \$4 million per year will be used for hardware, software, and consulting services to support multiple projects over time.

Results:

Approval of this request will help to keep enterprise applications operational and ensure that they are functioning with the most up-to-date technology that is available. The performance measures identified below would be used to determine the success of this initiative on an annual basis.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	# of statewide systems upgraded to current versions of software	0	0	
Quality	Hardware platforms supporting optimal system performance	Yes	No	Current life expectancy will expire in 2018
Results	% systems reported to be meeting enterprise business needs		Survey currently in progress	

Statutory Change(s):

Not applicable.

Minnesota Management & Budget

FY16-17 Biennial Budget Change Item

Change Item: Enhance Enterprise-level Services

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	1,000	1,000	1,000	1,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	1,000	1,000
FTEs	10	10	10	10

Recommendation:

The Governor recommends an additional \$1 million in FY 2016 and \$1 million in FY 2017 to MMB's base budget to support key functions within the agency.

Rationale/Background:

As the result of several factors, MMB seeks additional resources to address key issues we face as we serve in our central service agency role across all aspects of state government. These factors include:

- Recent changes in law related to the Veterans Preference Act
- Inability to data mine critical information across multiple divisions in the department
- Loss of critical knowledge bases as agency staff members leave the department via retirement or promotional opportunities
- Compliance with the Americans with Disabilities Act (ADA) and State of Minnesota requirements related to accessibility
- Lack of resources to ensure state and federal government diversity and inclusion standards are met through agency affirmative action plans
- Inability to provide a common enterprise voice on issues that fall under the jurisdiction of our statutory responsibilities
- Several years of a flat or decreased operating budget

Proposal:

The Governor proposes making key investments to enhance MMB efforts in the following ways:

The Veterans Preference Act (VPA). In 2009, the legislature amended the VPA to make it applicable to the State of Minnesota as an employer. This amendment gave all honorably discharged veterans who have been discharged, demoted, or laid off from state service the ability to request a full evidentiary hearing. Since this change was put in place, state agencies have lacked guidance and resources related to these types of hearings. An investment in the VPA area would allow MMB to provide guidance and training to agency staff, research legal issues and independently prepare for and present VPA hearings on behalf of executive branch agencies.

Data Mining. In multiple areas of the department, there is a need for expertise in the collection, reporting, and interpretation of data that can be used to update and improve processes and procedures. One example of the use of data mining would be in the area of improvement in regards to workforce needs. This would include recruitment, selection, and retention of employees with an emphasis on eliminating any potential institutional barriers or symptoms of discrimination based on race, gender, or disability.

Knowledge Base Loss. Like many other areas across state government, MMB has sustained significant losses of knowledge due to retirements and other staff departures. As operating budgets were reduced over the last several years, agencies lacked the ability to have back-ups in place for all critical functions it is charged with performing. An investment in this area would begin to rebuild some knowledge loss we've experienced at MMB.

Accessibility. MMB takes very seriously our statutory responsibility to act as the state's authority and coordinator on the ADA for other state agencies. We also strive to provide fully-accessible materials to the varied customer base we serve. Because of the lack of resources, we have struggled to provide the guidance on the implementation of ADA to all state agencies. As we recently developed our new main website, we struggled throughout the process to address accessibility issues ourselves. The law is clear as outlined in

the ADA, along with guidance issued to state agencies by MN.IT Central. An investment in this area will strengthen our ability to coordinate ADA implementation across state government. It will also ensure we continue to build effective documents, websites, and other electronic resources that meet the requirements outlined in the ADA as well as state policy.

Affirmative Action. MMB's Enterprise Human Resources Division is responsible in assisting state agencies in the recruitment and retention of a diverse workforce in order to maintain competitive in the private and other government sectors and the communities we serve. As the state faces slower labor force growth and talent shortages, it becomes increasingly more important for MMB to provide additional resources to coordinate statewide activities in the areas of recruitment, establishing and auditing statewide affirmative action plans, and ADA compliance and consultation.

Communications. As federal and state laws, policies, and procedures continue to become more and more complex, it's important to speak with a common voice across the enterprise. This would ensure that all agencies are provided the same information as it pertains to all subjects areas within the jurisdiction of MMB.

Results:

Veterans Preference Act. The results of this investment would provide state agencies much-needed guidance and resources related to the VPA hearings. MMB would be able to provide guidance and training to agency staff, research legal issues and independently prepare for and present VPA hearings on behalf of executive branch agencies.

Data Mining. The results of this investment would provide the expertise needed in the collection, reporting, and interpretation of data that can be used to update and improve processes and procedures across MMB. As stated above, an example would be the use of data mining in the area of identifying workforce needs including recruitment, selection, and retention of employees with an emphasis on eliminating any potential institutional barriers or symptoms of discrimination based on race, gender, or disability.

Knowledge Base Loss. An investment in succession planning for critical positions within MMB would result in a more seamless transition as highly-knowledgeable staff members retire or leave MMB for promotional opportunities. An example of this would be in the Budget Services Division which within just a matter of months has lost tremendous pieces of its knowledge base related to state budgets, forecasts, and fund statements.

Accessibility. An investment in this area will strengthen our ability to coordinate ADA implementation across state government. It will also ensure we continue to build effective documents, websites, and other electronic resources that meet the requirements outlined in the ADA as well as state policy.

Affirmative Action. An investment in affirmative action will give MMB the ability to provide additional resources to coordinate statewide activities in the areas of recruitment, establishing and auditing statewide affirmative action plans, and ASA compliance and consultation.

Communications. An investment in this area of MMB would ensure that all agencies are provided the same information as it pertains to all subjects areas within the jurisdiction of MMB. Agencies would receive the information they need to fully interpret new laws, policies, and procedures to effectively implement change across the enterprise

The investment into these key proposals will result in MMB serving its customers as a central service agency in a more effective way.

Statutory Change(s):

None.

Program: Statewide Services

Activity: Accounting Services

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

AT A GLANCE

- 67,068 employees paid during CY 2013
- 2.8 million payments made to vendors during FY 2014
- 7,874 system users

PURPOSE & CONTEXT

Accounting Services is the foundation that supports the state's financial management operations. It provides the required infrastructure for efficient and effective accounting and payroll services that are conducted throughout the state. Our primary customers are state agencies, other governmental units, and the individuals and organizations that do business with the state.

SERVICES PROVIDED

We provide the following services:

- Establish statewide policies and procedures to safeguard assets and comply with legal requirements.
- Direct the operation of the statewide accounting and payroll systems.
- Process bi-weekly payroll for state employees and issue payments to various types of vendors including individuals, businesses, non-profit organizations, school districts, and other governmental units.
- Train and assist agency staff on the efficient and effective use of the statewide systems.
- Prepare statewide financial reports including the Comprehensive Annual Financial Report (CAFR), Single Audit Report, and Statewide Indirect Cost Allocation Plan.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Payroll checks issued that are voided	.028%	.035%	2013, 2014
Quality	State agency payments issued within 30 days	96.62%	97.29%	2013, 2014
Quality	Payments issued electronically	89.84%	91.20%	2013, 2014
Result	Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion for the Comprehensive Annual Financial Report	Both met	Both met	2012, 2013

The legal authority for MMB's Accounting Services activities comes from M.S. 16A. (<https://www.revisor.mn.gov/statutes/?id=16A>)

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	3,622	3,803	4,255	5,421	4,860	4,920	4,860	4,920
Total	3,622	3,803	4,255	5,421	4,860	4,920	4,860	4,920
<i>Biennial Change</i>				2,251		104		104
<i>Biennial % Change</i>				30		1		1
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	3,520	3,679	4,114	4,731	4,170	4,228	4,170	4,228
Operating Expenses	101	123	138	689	689	691	689	691
Other Financial Transactions	1	1	3	1	1	1	1	1
Total	3,622	3,803	4,255	5,421	4,860	4,920	4,860	4,920

<u>Full-Time Equivalents</u>	42.9	42.4	46.7	54.0	47.0	47.0	47.0	47.0
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Budget Activity: Accounting Services

Budget Activity Financing by Fund

(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		155		12		30		30
Direct Appropriation	6,403	12,741	12,915	12,915	12,910	12,912	12,910	12,912
Net Transfers	(2,373)	(9,071)	(6,652)	(7,163)	(8,020)	(8,022)	(8,020)	(8,022)
Cancellations	253	22	1,996	344	0		0	
Expenditures	3,622	3,803	4,255	5,421	4,860	4,920	4,860	4,920
Balance Forward Out	154		12		30		30	
<i>Biennial Change in Expenditures</i>				2,251		104		104
<i>Biennial % Change in Expenditures</i>				30		1		1
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	42.9	42.4	46.7	54.0	47.0	47.0	47.0	47.0

Program: Statewide Services

Activity: Budget Services

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

AT A GLANCE

- Budget assistance, guidance, instructions, monitoring and oversight provided to 150 agencies for the state's \$65 billion biennial budget
- Annual release of the February and November budget and economic forecast
- 3 new statewide budget systems under development
- 579 fiscal note requests received in 2014
- 16 results conferences convened with state agencies
- 28 internal service fund agency rate reviews and approvals

PURPOSE & CONTEXT

Budget Services works to promote sound fiscal policy in decision-making and helps to ensure the appropriate use of state resources through the provision of accurate and timely information. We improve the efficient and effective use of state resources by establishing statewide oversight for the budget process and work to build the capacity of state agencies to use performance information in the management of state government services. This activity is comprised of three sections: Budget Planning and Operations, Budget Policy and Analysis and Results Management. Our primary customers are the Governor's Office, state agencies, the legislature and citizens

SERVICES PROVIDED

Budget Services provides services to our customers by:

- Creating objective, relevant and accessible information for decision-makers such as the budget and economic forecasts, the Governor's operating and capital budget recommendations, the general fund balance analysis and the consolidated fund statement.
- Articulating fiscal policy issues of statewide importance through services and products such as rating agency presentations, budget decision-support and statewide cash flow analysis.
- Educating and informing by increasing access to budget and fiscal policy information through the provision of statewide guidance and the development of the Budget Planning and Analysis, Fiscal Note Tracking and Capital Budget systems.
- Providing leadership and support for statewide results management in the publication of a statewide dashboard and by convening results conferences focused on population indicators.

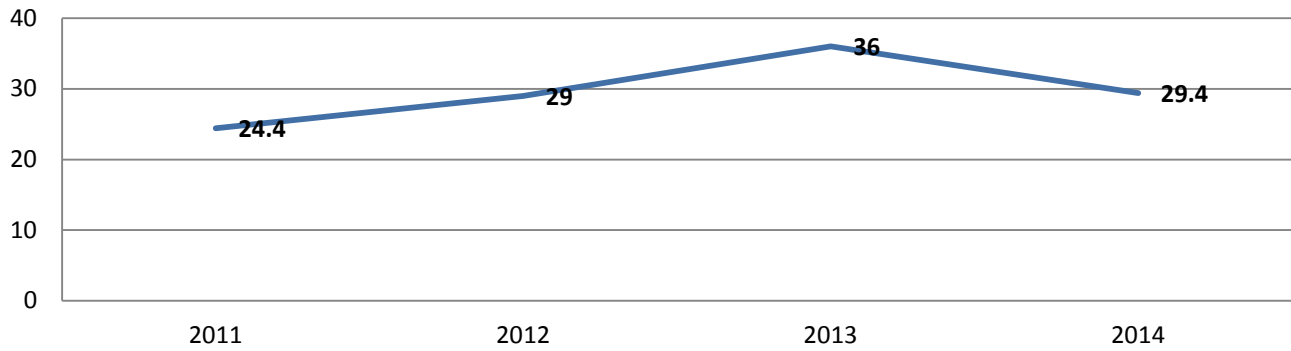
RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percent of survey respondents indicating that the budget system is meeting most or all of their business needs	22.1%	Not yet available*	July 2013
Quality	Percent of results management conference participants reporting the conference was valuable	Not available	100%	2014 YTD

* Follow-up survey planned for post 2015 Legislative Session.

1. **Percent of Fiscal Notes Completed by Date Requested (Measure of Quality).** The Budget Division strives to provide the legislature and the public with prompt fiscal estimates of proposed legislation during the legislative session. Reporting and tracking the timeliness of fiscal notes provided to the legislature determines how well the Budget Division and agencies are doing in meeting legislative requests for information in the time necessary to inform decision making on proposed legislation. In 2012, the Office of the Legislative Auditor issued a report on fiscal notes indicating that the due dates for fiscal notes should be extended to allow additional time to complete fiscal note requests. In 2013, MMB increased the due dates from 5 days to 8 days for non-urgent requests and from 3 to 5 days for urgent requests. Partly for this reason, since 2011 the percent of fiscal notes we provide to legislators and the public by their due dates has increased.

Percent of Fiscal Notes Completed by Date Requested



Notes:

1. 2011 and 2013 are budget year sessions.
2. 2012 and 2014 are non-budget year sessions
3. The 2014 session was significantly shorter than other legislative sessions.

M.S. 3.3005, 3.98, 3.986-989, 16A.04, 16A.06, 16A.095, 16A.10, 16A.103, 16A.11, 16A.122, 16A.1285, 16A.152, and 16A.93-94 provide the legal authority for the work of Budget Services.

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	1,974	2,487	3,417	5,396	3,735	3,735	3,735	3,735
2001 - Other Misc Special Rev	1,041	229	428					
Total	3,016	2,716	3,845	5,396	3,735	3,735	3,735	3,735
<i>Biennial Change</i>				3,510		(1,771)		(1,771)
<i>Biennial % Change</i>				61		(19)		(19)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	2,295	2,330	3,342	3,348	3,501	3,508	3,501	3,508
Operating Expenses	720	384	489	2,047	234	227	234	227
Other Financial Transactions	0	2	14	1	1	1	1	1
Total	3,016	2,716	3,845	5,396	3,735	3,735	3,735	3,735

Full-Time Equivalents

23.2	22.3	30.4	32.8	32.8	32.8	32.8	32.8
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Budget Activity: Budget Services

Budget Activity Financing by Fund

(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		31		2,029				
Direct Appropriation	2,991	2,991	7,303	3,528	3,528	3,528	3,528	3,528
Net Transfers	(982)	(527)	(1,844)	(161)	207	207	207	207
Cancellations	8	8	13					
Expenditures	1,974	2,487	3,417	5,396	3,735	3,735	3,735	3,735
Balance Forward Out	26		2,029					
<i>Biennial Change in Expenditures</i>				4,352		(1,343)		(1,343)
<i>Biennial % Change in Expenditures</i>				98		(15)		(15)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	18.9	22.2	27.3	32.8	32.8	32.8	32.8	32.8

2001 - Other Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	0							
Receipts	1,041	229	428					
Expenditures	1,041	229	428					
<i>Biennial Change in Expenditures</i>				(842)		(428)		(428)
<i>Biennial % Change in Expenditures</i>				(66)		(100)		(100)
FTEs	4.3	0.1	3.1	0	0	0	0	0

Program: Statewide Services

Activity: Economic Analysis

mn.gov/mmb/forecast/

AT A GLANCE

Outputs (# per year)

- Budget & Economic Forecast (2)
- Revenue & Economic Update (4)
- Monthly Revenue Memo (8)
- Budget Reserve Report (1)
- Rating Agency Presentation (3)
- Data for bond sale Official Statemet (2-3)
- Public Speaking Engagemets
- (25+ events, reaching 2500+ individuals)
- Media Contacts (40+)

Resources

- Three FTE
- (2 economists / 1 model programmer)
- Minnesota State Economist
- (under contract with University of Minnesota)

PURPOSE & CONTEXT

Economic Analysis forecasts state tax revenues in November and February each year as required by state law ([M.S. 16A.103](#)). The November *Budget & Economic Forecast* is the starting point for the state budget and the basis for the governor's budget recommendations. In February, we update the forecast with new information. The legislature and the governor use the *February Budget & Economic Forecast* to set the budget and to ensure, through short-term budget adjustments, that enacted budgets remain on track and in balance. Bond rating agencies and other analysts use forecast information to assess the state's economic and financial condition. The media use it to inform the public.

In addition to the twice-yearly forecasts, we prepare a quarterly *Revenue & Economic Update* in January, April, July and October of each year. The *Revenue & Economic Update* compares actual revenue collections for the current year to the most recent revenue forecast and reports changes in the national and state economic outlook.

Economic Analysis produces objective research and analysis related to Minnesota's economy and revenues. This research is used to improve the reliability of existing economic and revenue forecasting models and to inform state and local government policymakers, the academic and business communities, the media, and the general public about Minnesota's economic and financial condition.

SERVICES PROVIDED

Description of Primary Services:

- Credible and timely forecasts of major state general fund revenue sources, including taxes on personal income, general sales, corporate income, deed transfers and mortgage registries, insurance gross receipts, and other sources.
- Quarterly and monthly comparisons of forecast revenue with actual collections for major state general fund sources.
- Clear and timely information about the state economy, including forecasts of employment, income, and other measures of economic activity.
- Analysis of the volatility of major state revenue sources and their components; used to estimate the appropriate size for a state rainy day fund as required by state law ([M.S. 16A.152](#)).

RESULTS

A forecast error—the difference between the level of revenues forecast and the amount actually collected—can be a gauge of forecast accuracy. Actual collections never *precisely* match the forecast, in part because we cannot fully anticipate how unforeseen changes in the national economy or in federal tax laws will affect state revenues. Moreover, uncertainty about the revenue impacts of changes in state tax laws can produce added forecast errors. Nonetheless, revenue forecast errors provide a base performance measure for the primary activities of Economic Analysis.

Since accuracy in forecasting a single biennium's revenues should improve the closer we get to the end of the two-year period, we calculate separate errors for each time a biennium is part of the February forecast: 29, 17 and 5 months from closing. The results show, as expected, that our accuracy in forecasting a single biennium improves over time.

To determine whether our accuracy is *generally* improving, we compare the average forecast errors from the most recent three biennia to the errors over the longer term. We make this comparison for each of the three February forecasts. We find that the accuracy of the first February revenue forecast (29 months from closing) has **improved** modestly compared to the long-term trend. The accuracy of the second February forecast (17 months out) has remained **stable** relative to long-term trend. Finally, the accuracy of the third February revenue forecast (5 months out) has **worsened** compared to the long-term trend.

Economic Analysis Performance Measures

MMB's Net Non-Dedicated Revenue Forecast Errors								CBO Comparable* (FY90-91 to FY12-13)	
Long-Term Trend (FY90-91 to FY12-13)			Short-Term Trend (Absolute % Error vs. Actual)			Statistic Condition			
	RMSE	MAE	FY08-09	FY10-11	FY12-13	MAE		RMSE	MAE
1 st February Forecast (+29 months from Actual/Closing)	6.6%	5.4%	6.8%	1.9%	5.0%	4.6%	Improved	7.5%	6.0%
2 nd February Forecast (+17 months from Actual/Closing)	3.6%	3.2%	2.8%	1.5%	4.6%	3.0%	Stable	4.1%	3.3%
3 rd February Forecast (+5 months from Actual/Closing)	0.8%	0.7%	0.5%	1.0%	1.4%	1.0%	Worse	1.1%	0.9%

Technical Note: Economic Analysis uses two statistics to measure forecast accuracy. The mean-absolute error (MAE) is calculated by averaging the differences between the level of revenues forecast and the amount actually collected. The root-mean-square error (RMSE) is calculated by squaring the forecast errors and taking the square root of the average of the squared errors. Both measures ignore the signs of individual differences, so that positive and negative errors will not cancel each other out to produce a misleadingly small error. The RMSE penalizes revenue forecasts with large errors. The MAE weights small errors and large errors equally.

* Comparable revenue forecast error statistics for the Congressional Budget Office (CBO) are estimated by MMB.

CBO Benchmark: Because the Congressional Budget Office (CBO) produces objective, nonpartisan, and timely revenue projections and economic forecasts for the United States government, their forecast accuracy provides a useful benchmark to ours. We constructed comparable performance measures for CBO over the same years and forecast horizons as used in our analysis. The results show that Economic Analysis' forecasts are more accurate, as measured by long-term forecast errors, than CBO's.

The legal authority for MMB's Economic Analysis activities comes from [M.S. 16A.103](#) and [M.S. 16A.152](#) (<https://www.revisor.mn.gov/statutes/?id=16A>)

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	423	462	473	592	447	452	447	452
Total	423	462	473	592	447	452	447	452
<i>Biennial Change</i>				180		(165)		(165)
<i>Biennial % Change</i>				20		(16)		(16)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	257	286	308	320	285	290	285	290
Operating Expenses	166	176	165	272	162	162	162	162
Total	423	462	473	592	447	452	447	452

<u>Full-Time Equivalents</u>	3.0	3.0	3.0	3.0	2.6	2.6	2.6	2.6
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Budget Activity: Economic Analysis

Budget Activity Financing by Fund

(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		12		36		3		3
Direct Appropriation	475	476	450	450	450	450	450	450
Net Transfers	(44)	(21)	59	106				
Cancellations		5						
Expenditures	423	462	473	592	447	452	447	452
Balance Forward Out	8		36		3		3	
<i>Biennial Change in Expenditures</i>				180		(165)		(165)
<i>Biennial % Change in Expenditures</i>				20		(16)		(16)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	3.0	3.0	3.0	3.0	2.6	2.6	2.6	2.6

Program: Statewide Services

Activity: Debt Management

<http://www.mn.gov/mmb/treasury-bonding>

AT A GLANCE

- The State currently carries bond ratings on its general obligation bonds of Aa1/AA+/AA+ with Moody's, Standard & Poor's and Fitch rating agencies.
- In CY 2014, the State issued \$975 million in general obligation debt to finance authorized capital projects and \$542 million in appropriation bonds to finance the public portion of the Vikings stadium and the legislative office facility.
- In CY 2014, the State has financed \$2.5 million in technology and \$8.2 million for fleet services through the Master Lease Program.
- With the additional debt, the State is in compliance with the Capital investment guidelines.

PURPOSE & CONTEXT

The Debt Management Division is responsible for both debt management and capital budget implementation and the compliance associated with each. Both of these functions seek to increase state government's capacity to manage our resources to ensure exceptional service and value for Minnesota citizens. We serve state agencies, local government grantees, bondholders, the Governor, the legislature and their staff, and citizens.

SERVICES PROVIDED

Capital budget process: We assist agencies and local governments in implementing capital budget appropriations, both through bonding and cash appropriations, in accordance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and MMB's policies and procedures.

Debt management process: We work with financial advisors, legal counsel, rating and state agencies, underwriters and investors, to bring bonds or other debt instruments to market to obtain the most favorable interest rates to the state and remain in compliance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and policies and procedures, including the capital investment guidelines.

RESULTS

While no single entity or circumstance can claim to be responsible for Minnesota's outstanding debt position, having timely, relevant, accurate and objective information available from Debt Management helps decision makers to effectively make decisions affecting the state's debt position.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Bond Rating. This tracks what the state's general obligation bond ratings were as of July 2012 compared to July 2014. In 2013, Moody's placed the state on a stable outlook from the negative outlook it currently had prior to 2013. • Moody's • Standard & Poor's • FITCH	Aa1 (neg outlook) AA+ AA+	Aa1 AA+ AA+	July 2012 to August 2014

Type of Measure	Name of Measure	Previous	Current	Dates
Results	Capital Investment Guidelines 1. Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) 2. Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) 3. General obligation bonds scheduled to mature within five years (40%)/within 10 years (70%)	2.44% 3.99% 35.6%/67.89%	2.97% 4.25% 40.5%/70.9%	February 2012 to February 2014 June 30, 2012 to June 30, 2014
Results	A comparison of the interest rates from year 1 to 10 of State general obligation bonds sold compared to a municipal bond index for similarly rated bonds.	The State's interest rates were less than the index (0.18%)	The State's interest rates were less than the index (0.11%)	August 2012 to August 2014

The legal authority for MMB's Debt Management activities comes from M.S. 16A. (<https://www.revisor.mn.gov/statutes/?id=16A>)

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	1,744	1,343	1,059	459	459	459	459	459
Total	1,744	1,343	1,059	459	459	459	459	459
Biennial Change				(1,569)		(600)		(600)
Biennial % Change				(51)		(40)		(40)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Compensation	944	831	895	443	443	443	443	443
Operating Expenses	799	503	164	15	15	15	15	15
Other Financial Transactions	1	2	1	1	1	1	1	1
Capital Outlay-Real Property	0	6						
Total	1,744	1,343	1,059	459	459	459	459	459
Full-Time Equivalents	11.3	9.2	9.3	4.0	3.9	3.9	3.9	3.9

Budget Activity: Debt Management

Budget Activity Financing by Fund

(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		2		191				
Direct Appropriation	1,981	1,981	1,620	1,620	1,620	1,620	1,620	1,620
Net Transfers	(236)	(621)	(369)	(1,352)	(1,161)	(1,161)	(1,161)	(1,161)
Cancellations		18						
Expenditures	1,744	1,343	1,059	459	459	459	459	459
Balance Forward Out	1		191					
<i>Biennial Change in Expenditures</i>				(1,569)		(600)		(600)
<i>Biennial % Change in Expenditures</i>				(51)		(40)		(40)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	11.3	9.2	9.3	4.0	3.9	3.9	3.9	3.9

Program: Statewide Services

Activity: Management Analysis & Development

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

AT A GLANCE

In fiscal year 2014, MAD's 16 staff consultants provided more than 14,000 hours of consulting services on 96 projects for 24 client agencies.

PURPOSE & CONTEXT

The Management Analysis & Development (MAD) unit is the State's management consulting organization. We offer a wide range of consulting services to all state and other public sector organizations. Our staff consultants have worked on hundreds of projects for state agencies, boards and councils, the governor, the legislature, local units of government, K–12

schools and higher education institutions. We operate on a fee-for-service basis in a competitive market. Our clients have the option of contracting with private sector consultants or using their own, in-house staff. The direct customers are public sector managers and executives; however, the ultimate beneficiaries are the state agencies, other public entities, and the people who benefit from improved services.

SERVICES PROVIDED

Our staff consultants provide problem-solving assistance and information to help leaders and managers make and implement better decisions. Specific services include organizational effectiveness assessment and improvement, meeting design and facilitation, process mapping and service redesign, performance measurement, legislative studies, service quality improvement, program evaluation, grant writing, surveys, strategic planning and transition services.

We provide these services to improve efficiency and ensure the effective use of state resources.

RESULTS

Agencies that contract with us see improvements such as increased productivity, clearer direction, better working relationships, additional grant income, better data for decision making, and increased cooperation and consensus with stakeholders and partners. We evaluate performance based on client surveys. The survey focuses on three main questions:

- Whether the project had a positive impact on the client organization
- How satisfied the client was (rated on a 5-point scale, with 1 equaling "very dissatisfied" and 5 equaling "very satisfied")
- How likely the client is to engage with MAD again (rated on a 5-point scale, with 1 equaling "very unlikely" and 5 equaling "very likely")

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Organizations improved due to MAD's work	99%	100%	2012, 2014
Quality	Customer satisfaction with MAD projects	4.7	4.8	2012, 2014
Quality	Customers likelihood of engaging with MAD again	4.6	4.8	2012, 2014

The legal authority for MMB's MAD activity is provided under M.S. 43A.55 <https://www.revisor.mn.gov/statutes/?id=43A.55>.

Budget Activity: Management Analysis &
Devlpmnt

Budget Activity Expenditures Overview

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	310	210						
2001 - Other Misc Special Rev	91	74	143	64	0	0	0	0
5200 - Management Analysis	1,901	5,231	6,448	4,621	4,653	4,686	4,653	4,686
Total	2,302	5,515	6,591	4,685	4,653	4,686	4,653	4,686
<i>Biennial Change</i>				3,459		(1,937)		(1,937)
<i>Biennial % Change</i>				44		(17)		(17)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	1,386	1,601	1,766	1,822	1,855	1,888	1,855	1,888
Operating Expenses	916	3,904	4,649	2,863	2,799	2,799	2,799	2,799
Other Financial Transactions	1	9	177					
Total	2,302	5,515	6,591	4,685	4,653	4,686	4,653	4,686

<u>Full-Time Equivalents</u>	15.8	17.1	18.0	20.4	20.4	20.4	20.4	20.4
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Budget Activity: Management Analysis
& Devlpmnt

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		0						
Direct Appropriation	323	323	0	0	0	0	0	0
Net Transfers	(13)	(113)						
Cancellations		0						
Expenditures	310	210						
Balance Forward Out	0							
<i>Biennial Change in Expenditures</i>				(520)				
<i>Biennial % Change in Expenditures</i>				(100)				
FTEs	3.8	2.4	0	0	0	0	0	0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		74	2	44				
Receipts			20	20	0	0	0	0
Net Transfers	165		165					
Expenditures	91	74	143	64	0	0	0	0
Balance Forward Out	74		44					
<i>Biennial Change in Expenditures</i>				42		(207)		(207)
<i>Biennial % Change in Expenditures</i>				25		(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5200 - Management Analysis

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	572	448	1,202	1,165	545	242	545	242
Receipts	1,682	5,895	6,412	4,000	4,350	4,600	4,350	4,600
Expenditures	1,901	5,231	6,448	4,621	4,653	4,686	4,653	4,686
Balance Forward Out	354	1,112	1,165	545	242	156	242	156
<i>Biennial Change in Expenditures</i>				3,937		(1,730)		(1,730)
<i>Biennial % Change in Expenditures</i>				55		(16)		(16)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	12.0	14.7	18.0	20.4	20.4	20.4	20.4	20.4

Program: Statewide Services

Activity: Enterprise Human Resources

mn.gov/mmb/employee-relations/

AT A GLANCE

- Enterprise Human Resources (EHR) processes over 10,000 applications for state jobs each month
- Since 2012, the number of minorities hired into state government positions has increased by 5.29%

PURPOSE & CONTEXT

Enterprise Human Resources provides tools and infrastructure to our state agency human resources partners to help agency management recruit and retain a workforce to meet business goals. EHR develops and promotes sound policies in decision-making and a statewide view in the management of human resources.

SERVICES PROVIDED

- Deliver innovative and strategic human resource solutions that align with business needs and contribute to the delivery of exceptional public services.
- Monitor changes in laws that affect human resource operations in state agencies; research and develop policies and training to provide guidance to agencies to ensure that they are in compliance.
- Provides consultation and auditing assistance to ensure that agencies continue to comply with all legal authority.
- Develop and maintain systems to manage, store and retrieve human resource records and resources. These systems include application processing, learning management, and employee record management and payroll.
- Manage and provide oversight and consultation to the state's compensation, classification, selection, pay equity, and talent strategy programs.
- Provide program management, auditing and compliance monitoring, and direction to the state's equal opportunity, diversity, and inclusion program so the state government's workforce is representative of the community it serves.
- Provide employment law consultation to ensure agencies act within the scope of the laws that govern.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity/Quality	% problematic agency audit results addressed	*Not available	100%	FY2014
Quantity	% of increase of protected group individuals hired, promoted, and retained in state employment	*Not available	*Not available	*Not available
Quality	% of key partners ranking EHR effectiveness at 4 or 5 on customer survey	*Not available	*Not available	*Not available
Quality	% of legislative bills influenced to support enterprise HR goals	*Not available	*Not available	*Not available
Quantity	% of employees receiving yearly performance feedback	78%	98%	FY2012, FY2014

*Most measures are new in fiscal year 2015. Actual measurement will be reflected in next biennium's narrative.

[M.S. 43A](#) on state personnel management provides legal authority for this budget activity.

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	1,964	2,180	3,685	5,135	3,121	3,191	3,121	3,191
2000 - Restricted Misc Special Rev	43	47	62	73	66	67	66	67
2001 - Other Misc Special Rev	10	6	33	60	0	0	0	0
Total	2,017	2,233	3,780	5,267	3,187	3,258	3,187	3,258
<i>Biennial Change</i>				4,798		(2,603)		(2,603)
<i>Biennial % Change</i>				113		(29)		(29)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	1,855	2,038	2,673	3,687	2,937	3,007	2,937	3,007
Operating Expenses	158	185	1,100	1,575	245	246	245	246
Other Financial Transactions	3	10	6	5	5	5	5	5
Capital Outlay-Real Property			0					
Total	2,017	2,233	3,780	5,267	3,187	3,258	3,187	3,258

Full-Time Equivalents

	21.3	22.0	26.5	45.3	33.5	33.5	33.5	33.5
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Budget Activity: Enterprise Human Resources

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In		28		1,972		35		35
Direct Appropriation	2,335	2,335	7,156	3,156	3,156	3,156	3,156	3,156
Net Transfers	(344)	(126)	(1,498)	6				
Cancellations		57						
Expenditures	1,964	2,180	3,685	5,135	3,121	3,191	3,121	3,191
Balance Forward Out	27		1,972		35		35	
<i>Biennial Change in Expenditures</i>				4,676		(2,509)		(2,509)
<i>Biennial % Change in Expenditures</i>				113		(28)		(28)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	21.2	21.9	26.4	45.3	33.5	33.5	33.5	33.5

2000 - Restricted Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	5	5	5	7				
Receipts	42	48	64	65	66	67	66	67
Expenditures	43	47	62	73	66	67	66	67
Balance Forward Out	5	5	7					
<i>Biennial Change in Expenditures</i>				46		(2)		(2)
<i>Biennial % Change in Expenditures</i>				51		(1)		(1)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

2001 - Other Misc Special Rev

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	10	123	146	148	88	88	88	88
Receipts	35	33	35	0	0	0	0	0
Net Transfers	88	(6)						
Expenditures	10	6	33	60	0	0	0	0
Balance Forward Out	123	144	148	88	88	88	88	88
<i>Biennial Change in Expenditures</i>				77		(93)		(93)
<i>Biennial % Change in Expenditures</i>				481		(100)		(100)
<i>Gov's Exp Change from Base</i>								0

Budget Activity: Enterprise Human
Resources

Budget Activity Financing by Fund

(Dollars in Thousands)

2001 - Other Misc Special Rev

<i>Gov's Exp % Change from Base</i>				0
FTEs	0.0			

6000 - Miscellaneous Agency

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	46	46	46	46	46	46	46	46
Balance Forward Out	46	46	46	46	46	46	46	46

Program: Statewide Services

Activity: Labor Relations

<http://mn.gov/mmb/employee-relations/labor-relations/>

AT A GLANCE

- The State of Minnesota is the state's largest employer with approximately 52,000 employees.
- Negotiated 9 labor agreements covering 38,000 employees.
- Directed review and resolution of 889 contract grievances covering July 1, 2011 through June 30, 2014.
- Trained approximately 900 state managers, supervisors and human resources professionals in the areas of labor relations.

PURPOSE & CONTEXT

The mission of the Labor Relations Unit is to promote harmonious and productive relationships with labor organizations representing specific groups of state employees ("exclusive representatives") while balancing needs of management to provide efficient and accountable government services.

Our service population and clientele include the states 38,000 employees covered by collective bargaining agreements and the Commissioner's and Managers Plan, as well human resources, supervisory and managerial staff in the state's approximately 100 agencies and boards.

SERVICES PROVIDED

Collective Bargaining

- Develop labor relations policies, objectives, and strategies
- Represent the State in negotiations for collective bargaining agreements and the State Employee Group Insurance Program (SEGIP)
- Represent the State in contract mediation and interest arbitration where necessary to reach agreements
- Ensure that negotiated labor agreements maintain maximum degree of flexibility for management and contain economic settlements that are within the desires of the Governor and the state's ability to pay

Administration of Collective Bargaining Agreements

- Provide advice and counsel to State agencies on contract administration, including contract interpretation, employee misconduct investigations, employee discipline, and employee performance management
- Ensure there are consistent policies and practices across the enterprise and that management rights are not compromised
- Assist State agencies in review of grievances alleging violations of labor agreements, including evaluation of settlement options and potential impacts to the operations or work environment
- Provide employee training on such topics as labor relations concepts, grievance processing, discipline and discharge, ethics, and managing employee leaves

Representation and Advocacy

- Represent the State in grievance mediation and settlement negotiations
- Investigate, prepare for and provide representation for the State in grievance arbitrations
- Represent the State on Labor/Management Committees and Meet and Confer projects
- Represent the State in all bargaining unit determinations and unit clarification proceedings
- Propose or respond to legislation affecting the State as an employer

RESULTS

Strategies are working if:

- A voluntary labor agreement is negotiated with the exclusive representative in a timely manner
- Labor agreements receive approval from the Legislative Subcommittee on Employee Relations and the full legislature
- Interest arbitration awards affirm the State's bargaining decisions and strategies

- Positive feedback is received from agencies on assistance provided in the day-to-day administration of labor contracts
- Grievances are avoided or resolved at the agency level
- Grievance arbitration awards uphold agency actions and decision-making in the areas of contract interpretation and employee misconduct
- State labor management committees, including the Joint Labor Management Committee on Health Insurance, contribute to positive and productive working relationships between the state and labor unions
- Training curriculum and delivery receives positive course evaluations

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of contracts that result in voluntary negotiated settlements consistent with State's ability to pay.	100%	80%	July 1, 2011 to June 30, 2014
Results	Negotiate 5% cost sharing with employees who have single coverage health insurance.	No	Yes	June 28, 2013
Results	Grievance arbitration awards upholding the state's position.	Unknown	22	July 1, 2011 to June 30, 2014

M.S. 43A <https://www.revisor.mn.gov/statutes/?id=43A> and M.S. 179 <https://www.revisor.mn.gov/statutes/?id=179> provide the legal authority for MMB's Labor Relations Unit.

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	864	917	882	1,289	1,067	1,067	1,067	1,067
2001 - Other Misc Special Rev	358	357	309	254	254	254	254	254
Total	1,222	1,274	1,191	1,543	1,321	1,321	1,321	1,321
<i>Biennial Change</i>				238		(91)		(91)
<i>Biennial % Change</i>				10		(3)		(3)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	847	897	866	1,258	1,036	1,036	1,036	1,036
Operating Expenses	375	377	324	283	283	283	283	283
Other Financial Transactions		0	1	2	2	2	2	2
Total	1,222	1,274	1,191	1,543	1,321	1,321	1,321	1,321

Full-Time Equivalents

9.0	9.0	7.6	8.0	9.0	9.0	9.0	9.0
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Budget Activity: Labor Relations

Budget Activity Financing by Fund

(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		6		319				
Direct Appropriation	851	851	1,184	1,184	1,067	1,067	1,067	1,067
Net Transfers	19	69	17	(214)				
Cancellations		9						
Expenditures	864	917	882	1,289	1,067	1,067	1,067	1,067
Balance Forward Out	6		319					
<i>Biennial Change in Expenditures</i>				390		(37)		(37)
<i>Biennial % Change in Expenditures</i>				22		(2)		(2)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	9.0	9.0	7.6	8.0	9.0	9.0	9.0	9.0

2001 - Other Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	0	5	13	6	6	6	6	6
Receipts	359	363	302	254	254	254	254	254
Net Transfers	4							
Expenditures	358	357	309	254	254	254	254	254
Balance Forward Out	5	11	6	6	6	6	6	6
<i>Biennial Change in Expenditures</i>				(152)		(55)		(55)
<i>Biennial % Change in Expenditures</i>				(21)		(10)		(10)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Program: Statewide Services
Activity: Agency Administration

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

AT A GLANCE

- Completed 172 requests for services in the Internal Control and Accountability unit in fiscal year 2014
- Agency human resources staff worked with managers and supervisors to fill 102 vacant positions
- Fiscal Services staff processed over 4,500 payments and over 97% of them were paid within 30 days
- 100% of major financial publications were published on time—governor's budget recommendations, February and November economic forecasts, federally mandated financial reports

PURPOSE & CONTEXT

Agency Administration is a compilation of functions within the scope of the work of MMB, managed by the deputy commissioner. Several of these functions are internal to MMB—such as administrative and fiscal services, human resources, communications, and strategic planning. These areas serve all employees at MMB. Other functions are critical to state government as a whole—such as the work in the areas of internal control and continuity of government. These functions are integral parts of the department's mission and vision as described in the agency profile.

SERVICES PROVIDED

- Provide internal control and accountability consultation across state government to improve internal controls
- Provide consultation in Continuity of Government (COG) planning or in response to all hazards, including terrorism and catastrophic disasters. Act as the statewide lead in an event that disrupts services within state government.
- Manage the department's financial operations to maintain compliance with established policies and procedures
- Manage multiple websites, internal and external communications, as well as coordination of communication on relevant issues that affect all or most of state government operations
- Support and manage about 260 employees by ensuring compliance with statewide and departmental human resources policies and procedures
- Produce several key documents including the governor's budgets, economic forecasts, and the state's Comprehensive Annual Financial Report (CAFR)

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percent of commissioners and agency heads that submit a required annual internal control certification by completing a control environment self-assessment	100%	96%	FY 13 and FY14
Quality	Percent of employee position descriptions that are current	53%	60%	5/31/14 and 6/30/14
Results	Conduct COG planning exercises with members of executive, judicial, and legislative branch representatives	N/A	100% participation	Fiscal year 2014
Results	Percent of OLA financial audit findings with a status of "fully resolved" within the executive branch	57%	61%	1/1/11—12/31/12 and 1/1/13—9/15/14

M.S. chapter 16A <https://www.revisor.mn.gov/statutes/?id=16A> provides the legal authority for MMB's Agency Administration budget activity.

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	6,036	6,552	6,291	7,850	6,792	7,049	10,079	12,628
2001 - Other Misc Special Rev	7,873	12,393	11,063	13,070	13,112	13,154	13,112	13,154
Total	13,909	18,945	17,354	20,920	19,904	20,203	23,191	25,782
<i>Biennial Change</i>				5,420		1,833		10,699
<i>Biennial % Change</i>				16		5		28
<i>Governor's Change from Base</i>								8,866
<i>Governor's % Change from Base</i>								22

Expenditures by Category

Compensation	8,171	10,640	10,344	4,126	4,145	4,214	5,932	6,793
Operating Expenses	5,616	7,596	6,965	16,743	15,748	15,978	17,248	18,978
Other Financial Transactions	114	144	46	50	11	11	11	11
Capital Outlay-Real Property	7	566						
Total	13,909	18,945	17,354	20,920	19,904	20,203	23,191	25,782

Full-Time Equivalents

83.5	99.7	98.6	52.0	51.8	51.8	61.8	61.8
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Budget Activity: Agency Administration

Budget Activity Financing by Fund

(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		1,468		785		128		128
Direct Appropriation	5,529	5,515	7,122	6,725	6,725	6,725	10,012	12,304
Net Transfers	1,932	(181)	(45)	340	196	196	196	196
Cancellations		250						
Expenditures	6,036	6,552	6,291	7,850	6,792	7,049	10,079	12,628
Balance Forward Out	1,425		785		128		128	
<i>Biennial Change in Expenditures</i>				1,552		(300)		8,566
<i>Biennial % Change in Expenditures</i>				12		(2)		61
<i>Gov's Exp Change from Base</i>								8,866
<i>Gov's Exp % Change from Base</i>								64
FTEs	47.5	48.0	47.9	27.2	27.0	27.0	37.0	37.0

2001 - Other Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	13,945	14,299	12,772	12,501	9,762	6,994	9,762	6,994
Receipts	6,511	9,023	10,792	10,332	10,344	10,350	10,344	10,350
Net Transfers	(92)	1,100	0					
Expenditures	7,873	12,393	11,063	13,070	13,112	13,154	13,112	13,154
Balance Forward Out	12,492	12,029	12,501	9,762	6,994	4,190	6,994	4,190
<i>Biennial Change in Expenditures</i>				3,867		2,133		2,133
<i>Biennial % Change in Expenditures</i>				19		9		9
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	36.0	51.7	50.7	24.8	24.8	24.8	24.8	24.8

Program: Statewide Services

Activity: Employee Learning & Development

mn.gov/mmb/eld/

AT A GLANCE

- ELD generated \$1.7 million in revenue in FY14
- 2,800 state government employees participated in skills based open enrollment classes
- 411 new supervisors completed Supervisory Development Core
- 167 new managers completed Managerial Development Core
- 60 participants graduated from the Emerging Leaders Institute
- 30 participants graduated from the Senior Leadership Institute
- 90% of participants rated their overall satisfaction with learning at 4.0 or higher on a 5 point scale

PURPOSE & CONTEXT

Enterprise Learning & Development (ELD) builds skills, cultivates careers, and develops leaders in Minnesota state government. The agency's mission is served by planning for and development of a skilled workforce equipped for today's careers and tomorrow's leadership challenges. Courses and programs are available to all state government employees and employees of local units of government on a fee-for service basis.

SERVICES PROVIDED

- Deliver open enrollment courses and programs to develop workplace skills, expand professional capacity for supervisors, managers, and human resources, to improve performance in current jobs and increase potential for future roles.
- Deliver leadership development programs; assess leadership skills through competency based 360 assessments; and conduct performance and career coaching.
- Customize courses for specific content and agency needs.
- Deliver workforce planning consultation, technical assistance and workshop facilitation.
- Deliver training in succession planning and knowledge transfer.
- Inform talent management strategies.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous FY11</i>	<i>Current FY14</i>	<i>Dates (comparison)</i>
Quantity	Courses offered	27	77	FY11:FY14
Quantity	Contracts for services	29	102	FY11:FY14
Quantity	Participants served	1,229	2,800	FY11:FY14
Quantity	Revenue generated	\$534,946	\$1,705,316	FY11:FY14

M.S. 16A.21 (<https://www.revisor.mn.gov/statutes/?id=43A.21>) provides the legal authority for ELD's budget activity.

Budget Activity: Enterprise Learning and Development

Budget Activity Expenditures Overview

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12 FY13		Actual FY14	Estimate FY15	Forecast Base FY16 FY17		Governor's Recommendation FY16 FY17	
5200 - Management Analysis	743	1,071	1,887	1,457	1,571	1,685	1,571	1,685
Total	743	1,071	1,887	1,457	1,571	1,685	1,571	1,685
<i>Biennial Change</i>				1,530		(87)		(87)
<i>Biennial % Change</i>				84		(3)		(3)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	364	353	698	814	828	842	828	842
Operating Expenses	379	716	1,184	641	741	841	741	841
Other Financial Transactions		1	5	3	3	3	3	3
Grants, Aids and Subsidies	0		0					
Total	743	1,071	1,887	1,457	1,571	1,685	1,571	1,685
<u>Full-Time Equivalents</u>	5.1	4.6	9.2	10.0	10.0	10.0	10.0	10.0

Budget Activity: Enterprise Learning
and Development

Budget Activity Financing by Fund

(Dollars in Thousands)

5200 - Management Analysis

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	217	308	621	395	719	929	719	929
Receipts	779	1,246	1,660	1,781	1,781	1,781	1,781	1,781
Expenditures	743	1,071	1,887	1,457	1,571	1,685	1,571	1,685
Balance Forward Out	252	483	395	719	929	1,025	929	1,025
<i>Biennial Change in Expenditures</i>				1,530		(87)		(87)
<i>Biennial % Change in Expenditures</i>				84		(3)		(3)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	5.1	4.6	9.2	10.0	10.0	10.0	10.0	10.0

Program: Employee Insurance

Activity: State Employee Group Insurance Plan

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

AT A GLANCE

- Provide employee benefits to over 50,000 state employees (including 7,000 pre-65 retirees), and 75,000 dependents for a total of 125,000 covered lives.
- 68% of state employees completed the Personal Health Assessment.
- Vaccinated over 14,000 state employees at flu shot clinics across the state.
- Advantage medical plan consistently has lower medical claim cost increases (trend) annually than those projected for SEGIP by our health plan administrators. Estimated average annual savings 2004 - 2013 = \$28 million.
- Over 82% of state employees sought care from cost level 1 and 2 providers which are low cost/high quality and are the most cost-effective for SEGIP members and for the state.

PURPOSE & CONTEXT

The State Employee Group Insurance Plan (SEGIP) provides benefits to eligible employees, retirees and dependents in all three branches of state government, Minnesota State Colleges and Universities (MnSCU), and certain quasi-state agencies. These insurance benefits include health, dental, life, long and short-term disability, long-term care insurance, and pre-tax accounts. Further, we have a dynamic health solutions team offering programs and services that enhance the health and well-being of state employees and their dependents. Health solutions also includes a worksite wellness program that has health "advocates" in many state agencies working to improve employee health in their respective agencies.

In general, SEGIP operates by passing through funds to insurance carriers, third party administrators, and other vendors. SEGIP's administrative revenues are collected primarily through direct, per employee charges to state agencies and other participating groups.

The key issue addressed by SEGIP centers on the provision of cost-effective, high quality insurance benefits for members. This ultimately leads to cost containment, improved employee and dependent health and well-being, and income and asset protection in the case of disability or death. SEGIP is a demanding buyer that sets clear specifications for providers, buys selectively, and holds providers accountable for value-based results.

STRATEGIES

- SEGIP strives for administrative and service fees that are low cost but provide quality service. Our goal is for our administrative fees to be lower than the national average of 10% of overall medical costs. SEGIP also aims for provider choice and flexibility for members. Further SEGIP strives for health results that can be measured; both for the state and the medical providers in the Advantage Health Plan. In this regard we strive annually to beat the national average for medical claims cost growth. This ensures that our medical program is meeting the goals of improving member health and being affordable.
- SEGIP's key partners are the health plans participating in the plan, state agencies, and the unions representing state employees.
- By providing affordable and effective health care to state employees and their dependents, SEGIP contributes to the state's goals of healthy Minnesotans and efficient and accountable government services. We annually strive to have over 80% of participating members enrolled with the most efficient providers (those in Cost Levels 1 and 2).
- SEGIP has a comprehensive Employee Assistance Program (EAP) in which employees and their families have 24/7 confidential access to EAP counselors that can help with emotional, financial and caregiving concerns, among others. We have developed tools to measure EAP usage, outcomes and ease of accessing the services offered.
- The Advantage health plan includes all health care provider groups within the State of Minnesota and surrounding communities.
- SEGIP offers an online Personal Health Assessment (PHA) to all benefit-eligible employees. This Health assessment questionnaire is a key element in helping employees identify and manage their health conditions. This questionnaire is available throughout the year, but if completed during the annual open enrollment period by the employee, the employee and all eligible dependents receive a reduction in their office visit copay each time they see a doctor during that calendar year. Our annual goal is for our percentage of enrolled employees taking the Personal Health Assessment to exceed our wellness vendor's (StayWell) book of business average of 47%.

RESULTS

- SEGIP's contracts with its medical, dental, and pharmacy carriers contain performance metrics focused on three primary areas: Cost management; Health Outcomes; Provider Network Management and Operational Performance. The dollars available for incentive (where appropriate) or forfeiture are based on a percentage of the administrative fee paid by SEGIP to the carrier.
- SEGIP encourages its medical carriers to enter into contracting arrangements with providers that engage the provider in new approaches to how the payer and provider work together. Such agreements change incentives for payment to high quality cost-effective care (right time, right place, right care) rather than paying for the amount of services provided. Providers are rewarded financially if the care is both cost-effective and of high quality.
- SEGIP verifies the eligibility of each new dependent enrolled in the plan to ensure they are eligible for benefits. The goal is to ensure only those dependents eligible for insurance are in the program. This process enhances the financial stewardship of SEGIP.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Result	Percentage points below national average for medical claims cost growth	4.1%	7.5%	2012, 2013
Quality	Percentage points below national average for annual medical plan administration costs.	4.8%	5.3%	2012, 2013
Result	Percent of plan participants who seek care from high quality/low cost providers	86.3%	82.3%	2012, 2013
Quality	Percent of enrolled employees that complete Personal Health Assessment	68%	68%	2012, 2013

M.S. 42A.22-315 provides authority for state employee benefits managed by MMB. Specifically see M.S. 43A.22 <https://www.revisor.mn.gov/statutes/?id=43A.22>.

Budget Activity: State Employee Group Ins
Pgrm

Budget Activity Expenditures Overview

(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	0	0	0	294	0	0	0	0
5600 - State Employees Insurance	707,036	748,601	754,622	751,217	752,108	754,183	752,108	754,183
6000 - Miscellaneous Agency	30,685	30,726	29,592	30,364	30,389	29,639	30,389	29,639
Total	737,720	779,327	784,213	781,875	782,497	783,822	782,497	783,822
<i>Biennial Change</i>				49,041		231		231
<i>Biennial % Change</i>				3		0		0
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	4,217	4,236	4,272	3,802	3,868	3,935	3,868	3,935
Operating Expenses	733,484	775,076	779,938	778,056	778,612	779,870	778,612	779,870
Other Financial Transactions	19	14	3	17	17	17	17	17
Capital Outlay-Real Property			0					
Total	737,720	779,327	784,213	781,875	782,497	783,822	782,497	783,822

Full-Time Equivalents

50.1	47.6	46.8	45.2	45.2	45.2	45.2	45.2
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Budget Activity: State Employee Group
Ins Pgrm

Budget Activity Financing by Fund

(Dollars in Thousands)

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Expenditures	0	0	0	294	0	0	0	0
<i>Biennial Change in Expenditures</i>				294		(294)		(294)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

5600 - State Employees Insurance

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	301,532	261,839	243,453	276,578	323,891	371,213	323,891	371,213
Receipts	663,574	722,813	787,762	798,551	799,450	801,651	799,450	801,651
Net Transfers	(10)	(15)	(16)	(21)	(20)	(20)	(20)	(20)
Expenditures	707,036	748,601	754,622	751,217	752,108	754,183	752,108	754,183
Balance Forward Out	258,060	243,136	276,578	323,891	371,213	418,661	371,213	418,661
<i>Biennial Change in Expenditures</i>				50,202		452		452
<i>Biennial % Change in Expenditures</i>				3		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	50.1	47.6	46.8	45.2	45.2	45.2	45.2	45.2

6000 - Miscellaneous Agency

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	9,422	6,524	4,732	4,354	3,595	2,811	3,595	2,811
Receipts	27,788	28,935	29,213	29,605	29,605	29,605	29,605	29,605
Net Transfers	(3)							
Expenditures	30,685	30,726	29,592	30,364	30,389	29,639	30,389	29,639
Balance Forward Out	6,524	4,732	4,354	3,595	2,811	2,777	2,811	2,777
<i>Biennial Change in Expenditures</i>				(1,455)		73		73
<i>Biennial % Change in Expenditures</i>				(2)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

Program: Statewide Insurance

Activity: Public Employees Insurance Program

www.mn.gov/mmb/segip/peip/

AT A GLANCE

- As of July 2014, 101 public sector employer groups in Minnesota participated in PEIP. These include 67 school districts, 22 cities and townships, five counties, and seven other units of government (watershed districts, housing redevelopment authorities, etc.).
- A total of more than 20,000 active employees, their dependents, as well as retirees receive their coverage from PEIP.
- The average number of employees per group is 88, with groups ranging from one to more than 2,300.

PURPOSE & CONTEXT

The Public Employees Insurance Program (PEIP) is a statewide health, dental, and life insurance pool managed by Minnesota Management & Budget (MMB) and offered to local units of government. The program is defined in M.S. 43A.316 and provides Minnesota's public employers with the option to purchase an affordable, uniform package of health care and other benefits for employees, their dependents, and retirees.

PEIP is available to local units of government within Minnesota including counties, cities, townships, school districts, and other jurisdictions.

SERVICES PROVIDED

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible. Since July 1, 2014, all public school districts, with few exceptions, are required to obtain an insurance bid from PEIP. PEIP offers public sector employers and their employees a choice of health plans wherever possible - unlike the majority of employers in the state that contract with a single carrier or health plan for health insurance.

STRATEGIES

- We strive for effectiveness and efficiency in term of administrative and service costs, as well as choice/flexibility for members.
- Our key partners are public employers in Minnesota, and the health plans participating in PEIP.
- By providing efficient and affordable care, we contribute to the State's goals of healthy Minnesotans and efficient and accountable government services.

RESULTS

- PEIP's membership is provided with plans similar to the highly successful Minnesota Advantage Health Plan provided to state employees.
- PEIP is considered a "benchmark" plan for public employers in Minnesota: effective July 1, 2014, with few exceptions, all Minnesota public school districts are required to obtain an insurance quote from PEIP, to be used for comparison and negotiations purposes.
- PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates. At present, more than 20,000 employees, retirees, and dependents are covered under PEIP, the most to ever have participated in the program.

Type of Measure	Name of Measure	Previous	Current	Dates
Results	<i>Contingency reserve level</i> A program of this size, combined with the inherent fluctuation of voluntary membership requires a contingency reserve equal to 20% - 40% of annual premium.	39.4%	27.9%	6/30/13 & 6/30/14
Results	<i>Medical claims costs (per member per month)</i> . PEIP's goal is for these costs to increase at or below the current industry standard of 2 – 9 % for national programs.	-2.1%	-2.6%	6/30/13 & 6/30/14
Results	<i>PEIP's administrative expenses, as a percent of income</i> . PEIP's goal is to stay below the industry norm of 8%.	6.6%	7.3%	6/30/12 & 6/30/13

Minn.Stat. 43A.316 (<https://www.revisor.mn.gov/statutes/?id=43A.316>) provides the legal authority for the Public Employees Insurance Program.

Budget Activity: Public Employees Insurance
Pgrm

Budget Activity Expenditures Overview
(Dollars in Thousands)

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
4700 - Public Employees Insurance	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552
Total	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552
<i>Biennial Change</i>				72,217		(1,139)		(1,139)
<i>Biennial % Change</i>				82		(1)		(1)
<i>Governor's Change from Base</i>								0
<i>Governor's % Change from Base</i>								0

Expenditures by Category

Compensation	152	153	158	161	164	167	164	167
Operating Expenses	41,405	46,312	80,016	79,902	79,382	79,382	79,382	79,382
Other Financial Transactions				3	3	3	3	3
Total	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552

Full-Time Equivalents

1.5	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
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Budget Activity: Public Employees
Insurance Pgrm

Budget Activity Financing by Fund

(Dollars in Thousands)

4700 - Public Employees Insurance

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	16,655	19,622	24,058	33,416	35,076	37,252	35,076	37,252
Receipts	44,522	50,217	89,532	81,726	81,725	81,725	81,725	81,725
Net Transfers		0	0	0				
Expenditures	41,557	46,465	80,174	80,066	79,549	79,552	79,549	79,552
Balance Forward Out	19,620	23,893	33,416	35,076	37,252	39,425	37,252	39,425
<i>Biennial Change in Expenditures</i>				72,217		(1,139)		(1,139)
<i>Biennial % Change in Expenditures</i>				82		(1)		(1)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs	1.5	1.4	1.5	1.5	1.5	1.5	1.5	1.5

Minnesota Management and Budget
State Employee's Group Insurance Program
SEGIP
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues:				
Net Sales				
Rental and Service Fees				
Insurance Premiums	779,950	806,000	846,300	888,615
Other Income	7,260	7,623	8,004	8,404
Total Operating Revenues	787,210	813,623	854,304	897,019
Gross Margin				
Operating Expenses:				
Purchased Services	74,950	78,698	82,632	86,764
Salaries and Fringe Benefits	4,246	4,322	4,400	4,479
Claims	681,154	715,212	750,972	788,521
Depreciation				
Amortization				
Supplies and Materials	29	30	32	34
Repairs and Maintenance	11	12	12	13
Indirect Costs	5	5	6	6
Other Expenses	4,233	4,445	4,667	4,900
Total Operating Expenses	764,628	802,724	842,721	884,717
Operating Income (Loss)	22,582	10,899	11,583	12,303
Nonoperating Revenues (Expenses):				
Investment Income	1,388	1,400	1,400	1,400
Federal Grants	3,490			
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	4,878	1,400	1,400	1,400
Income (Loss) Before Transfers and Contributions	27,460	10,899	11,583	12,303
Capital Contributions				
Transfers in				
Transfers out	(16)	(16)	(16)	(16)
Change in Net Assets	27,444	10,883	11,567	12,287
Net Assets, Beginning as Reported	174,745	202,189	213,072	224,639
Net Assets, Ending	202,189	213,072	224,639	236,926
Rate increase/(decrease)				
Full Time Equivalents	50.3	45.2	45.2	45.2

Minnesota Management and Budget
State Employee's Group Insurance Program
SEGIP
Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	262,698	275,349
Investments	14,795	15,535
Accounts Receivable	10,680	12,000
Accrued Investment/Interest Income	60	65
Inventories		
Deferred Costs		
Total Current Assets	288,233	302,949
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	288,233	302,949
LIABILITIES		
Current Liabilities:		
Accounts Payable	80,292	84,307
Interfund Payables		
Unearned Revenue	5,238	5,000
Loans Payable		
Compensated Absences Payable	47	60
Total Current Liabilities	85,577	89,367
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	442	470
Other Postemployment Benefits	25	40
Other Liabilities		
Total Noncurrent Liabilities	467	510
Total Liabilities	86,044	89,877
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	202,189	213,072
Total Net Assets	202,189	213,072

Minnesota Management and Budget
State Employee's Group Insurance Program
SEGIP
Brief Narrative

Background:

The Minnesota State Legislature created the Employee Insurance Fund (internal service fund), administered by the State Employee Group Insurance Program (SEGIP), to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. The fund type used to account for SEGIP fiscal activities is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

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):

Increases in the change in net assets are maintained for the contingency reserve needed for fluctuations in expenditures.

Explain any reasons for rate changes:

None

Impact of rate changes on affected agencies:

None

Minnesota Management and Budget
MAD and ELD
MAD Fund
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues:				
Net Sales	6,581	4,000	4,350	4,600
Rental and Service Fees				
Insurance Premiums				
Other Income	1,804	1,781	1,800	1,800
Total Operating Revenues	8,385	5,781	6,150	6,400
Gross Margin				
Operating Expenses:				
Purchased Services	5,200	3,266	3,366	3,466
Salaries and Fringe Benefits	2,530	2,636	2,683	2,730
Claims				
Depreciation				
Amortization				
Supplies and Materials	213	18	18	18
Repairs and Maintenance	2	1	1	1
Indirect Costs	1	52	52	52
Other Expenses	2	96	96	96
Total Operating Expenses	7,948	6,069	6,216	6,363
Operating Income (Loss)	437	(288)	(66)	37
Nonoperating Revenues (Expenses):				
Grant and Subsidies	5			
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses	(156)			
Gain (Loss) on Disposal of Capital Assets	(1)			
Total Nonoperating Revenues (Expenses)	(152)	0	0	0
Income (Loss) Before Transfers and Contributions	285	(288)	(66)	37
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	285	(288)	(66)	37
Net Assets, Beginning as Reported	1,226	1,511	1,223	1,157
Net Assets, Ending	1,511	1,223	1,157	1,194
Rate increase/(decrease)				
Full Time Equivalents	30.4	30.4	30.4	30.4

Minnesota Management and Budget
MAD and ELD
MAD Fund
Net Assets
(Dollars in Thousands)

	Actual 2014	Projected 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	1,083	895
Investments		
Accounts Receivable	982	890
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	2,065	1,785
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	(1)	
Total Noncurrent Assets	(1)	0
Total Assets	2,064	1,785
LIABILITIES		
Current Liabilities:		
Accounts Payable	265	250
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	25	32
Total Current Liabilities	290	282
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	248	260
Net OPEB Obligation	15	20
Other Liabilities		
Total Noncurrent Liabilities	263	280
Total Liabilities	553	562
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted		
Total Net Assets	1,511	1,223

Minnesota Management & Budget
Management Analysis and Development and Enterprise Learning
Management Analysis
Brief Narrative

Background:

Management Analysis & Development (MAD) and Enterprise Learning, Development, and Talent Strategy (ELD) are two separate business entities that operate within the Management Analysis Fund.

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):

MAD has experienced an increase in its business as a result of consultation work with the Health Insurance Exchange. This work will end in the FY14-15 biennium, their business will return to a level in line with FY12. The change in net assets is expected to decrease in the next biennium and will be managed to get back to a two-month working capital level. ELD is in a growth mode as well but their expenditures will increase at near the same level resulting in very little change to their net assets.

Explain any reasons for rate changes:

Not Applicable

Impact of rate changes on affected agencies:

None