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**2014-15 Governors Budget - Management and Budget**

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### Mission:

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

Our mission is to increase state government's capacity to manage and utilize financial, human, information and analytical resources to ensure exceptional service and value for Minnesota's citizens.

### Statewide Outcome(s):

Management and Budget supports the following statewide outcome(s).

Efficient and accountable government services.

### Context:

MMB is a central service agency, serving the Governor, the legislature, over 100 state government entities, 53,000 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, the governor's office 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.

### Strategies:

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

- *Accounting and human resources systems* 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
- *State treasury banking* transactions, *employee health insurance*, and *management consulting* for all agencies, strategic workforce planning and management

### Measuring Success:

MMB measures success by how well planning and daily business management systems, processes and information access meets the needs of state agencies, the executive branch, the legislature, and the public.

At the macro level, the impact of MMB activities are reflected by the *overall financial health* of state government as determined through the state bond ratings and evaluation of our financial statements. External stakeholder evaluations measure our planning, budgeting, financial, human resources, and information management activities' contribution to effective state management, and how well they support state decision-making and improvements in state management practices.

**Management and Budget****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds   |
|---|---------------|-------------------|---------------|-------------|
| Current Biennium Expenditures (FY 2012-13)              | \$37,113      | \$1,666,804       |               | \$1,703,916 |
| Current Law Expenditures (FY 2014-15)                   | \$36,898      | \$1,663,374       |               | \$1,700,272 |
| Governor's Recommended Expenditures (FY2014-15)         | \$48,923      | \$1,662,734       |               | \$1,711,657 |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$12,025      | (640)             |               | \$11,385    |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 33%           | 0%                |               | 1%          |

**Management and Budget**  
**Sources and Uses**

(Dollars in Thousands)

|                              | Biennium FY14-FY15 |                    |                    |
|------------------------------|--------------------|--------------------|--------------------|
|                              | General Funds      | Other State Funds  | Federal Funds      |
| BALANCE FORWARD IN           |                    | \$277,790          | \$277,790          |
| REVENUE                      |                    | \$1,645,856        | \$1,645,856        |
| TRANSFERS IN                 | \$434              |                    | \$434              |
| APPROPRIATION                | \$66,456           | \$0                | \$66,456           |
| <b>SOURCES OF FUNDS</b>      | <b>\$66,890</b>    | <b>\$1,923,646</b> | <b>\$1,990,536</b> |
| BALANCE FORWARD OUT          |                    | \$260,843          | \$260,843          |
| TRANSFERS OUT                | \$17,966           | \$26               | \$17,992           |
| EXPENDITURES                 | \$48,923           | \$1,662,734        | \$1,711,657        |
| PAYROLL EXPENSE              | \$28,956           | \$13,479           | \$42,435           |
| OPERATING EXPENSES           | \$19,966           | \$1,649,195        | \$1,669,161        |
| OTHER FINANCIAL TRANSACTIONS | \$1                | \$60               | \$61               |
| <b>USES OF FUNDS</b>         | <b>\$66,889</b>    | <b>\$1,923,603</b> | <b>\$1,990,492</b> |

## Management and Budget

### Governor's Changes

(Dollars in Thousands)

|  | FY 14 | FY 15 | FY 14-15<br>Biennium | FY 16 | FY 17 | FY 16-17<br>Biennium |
|--|-------|-------|----------------------|-------|-------|----------------------|
|--|-------|-------|----------------------|-------|-------|----------------------|

#### SEGIS DDIR Change

The Governor recommends transitioning to the State Employee Group Insurance Program (SEGIS) some of the work currently accomplished by the designated department insurance representatives (DDIRs) in agencies. The responsibilities of about 25 half-time DDIRs could be managed by current staff of SEGIS due to better technology and the efficiencies of a centralized approach. Any reductions to DDIR staff at agencies would be accomplished through attrition.

##### Performance Measures:

SEGIS would continue to transition additional DDIR functions to its operations, which would provide some budget relief to agencies.

|             |                   |          |          |          |          |          |          |
|-------------|-------------------|----------|----------|----------|----------|----------|----------|
| Other Funds | Expenditure       | 0        | 0        | 0        | 0        | 0        | 0        |
|             | <b>Net Change</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

#### Statewide Budget Systems Development

The Governor recommends a \$5.2 million investment to develop a capital budget system, capital budget tracking, and a fiscal note system. The investment will also support full development of the budget and planning system that became operational in August 2012. Additional functionality will include supplemental budget development, legislative tracking, annual spend plan development, monthly revenue reporting, and salary projections.

##### Performance Measures:

Currently the Capital Budget System and Fiscal Note Tracking Systems have a business needs assessment score of 2 and 3 respectively (with 1 being failing and 10 being excellent). This score is based upon the systems serving a critical business need by having a weak technical condition. Once the Capital Budget, Fiscal Note Tracking and Budget Planning and Analysis Systems are replaced and fully developed it is expected that the assessment score for each will be raised to a score of 8 or higher.

|              |                   |              |            |              |            |            |              |
|--------------|-------------------|--------------|------------|--------------|------------|------------|--------------|
| General Fund | Expenditure       | 4,500        | 725        | 5,225        | 725        | 725        | 1,450        |
|              | <b>Net Change</b> | <b>4,500</b> | <b>725</b> | <b>5,225</b> | <b>725</b> | <b>725</b> | <b>1,450</b> |

#### Results Management Initiative

The Governor recommends a general fund investment of \$1 million in the next biennium to build capacity to provide enterprise-wide results management facilitation and coordination. The initiative would provide coordination of outcome and indicator reporting in support of a statewide dashboard; training to agencies focused on results, goal setting, and performance targets; monitoring and public reporting of results; data development and linkage of existing data systems; incorporation of performance metrics and outcomes into budget development and strategic planning initiatives; and communication strategies to ensure transparent reporting of financial, human resource, and performance information.

##### Performance Measures:

The success of this initiative will be measured through the development and expansion of reporting on a statewide dashboard to support results management through outcomes, increased access to information, and expanded business intelligence use by state agencies and stakeholders.

|              |                   |            |            |              |            |            |              |
|--------------|-------------------|------------|------------|--------------|------------|------------|--------------|
| General Fund | Expenditure       | 500        | 500        | 1,000        | 500        | 500        | 1,000        |
|              | <b>Net Change</b> | <b>500</b> | <b>500</b> | <b>1,000</b> | <b>500</b> | <b>500</b> | <b>1,000</b> |

## Management and Budget

### Governor's Changes

(Dollars in Thousands)

|  | FY 14 | FY 15 | FY 14-15<br>Biennium | FY 16 | FY 17 | FY 16-17<br>Biennium |
|--|-------|-------|----------------------|-------|-------|----------------------|
|--|-------|-------|----------------------|-------|-------|----------------------|

#### Sustaining Enterprise Human Resources Capacity

The Governor recommends an investment of \$1.8 million to simplify enterprise business processes, improve recruitment and workforce planning efforts, increase diversity representation in employment, and drive additional human resources change through improved data, analysis, and tools.

##### Performance Measures:

The success of this initiative will be measured by the enterprise human resources division meeting goals of its strategic plan through delivery of unmet needs in state agencies.

|              |                   |            |            |              |            |            |              |
|--------------|-------------------|------------|------------|--------------|------------|------------|--------------|
| General Fund | Expenditure       | 900        | 900        | 1,800        | 900        | 900        | 1,800        |
|              | <b>Net Change</b> | <b>900</b> | <b>900</b> | <b>1,800</b> | <b>900</b> | <b>900</b> | <b>1,800</b> |

#### Develop and Deploy Enterprise Talent Management System

The Governor recommends a one-time investment of \$4 million for planning, development, and implementation of an enterprise-wide integrated system for human resources information and to re-engineer the state's hiring process. A new system would improve system reliability, provide better reporting capability to improve the hiring process, and reduce processing time because less manual intervention would be required.

##### Performance Measures:

The success of this initiative will be measured by increasing the capacity that exists within state government to meet the demands of a changing workforce and technology through reducing the time needed to assess qualifications, improving access to diverse populations and candidates, enhancing timely and effective communication, improving customer satisfaction, automating interview scheduling and notices, and reducing turnover by more effective selection processes.

|              |                   |              |          |              |          |          |          |
|--------------|-------------------|--------------|----------|--------------|----------|----------|----------|
| General Fund | Expenditure       | 4,000        | 0        | 4,000        | 0        | 0        | 0        |
|              | <b>Net Change</b> | <b>4,000</b> | <b>0</b> | <b>4,000</b> | <b>0</b> | <b>0</b> | <b>0</b> |

|                         |                   |              |              |               |              |              |              |
|-------------------------|-------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Net All Change<br>Items | General Fund      | 9,900        | 2,125        | 12,025        | 2,125        | 2,125        | 4,250        |
|                         | Other Funds       | 0            | 0            | 0             | 0            | 0            | 0            |
|                         | <b>Net Change</b> | <b>9,900</b> | <b>2,125</b> | <b>12,025</b> | <b>2,125</b> | <b>2,125</b> | <b>4,250</b> |

**Management and Budget**  
**All Funds FTE by Activity**

|  | Current        | Forecast Base  | Governor's<br>Recommendation |
|--|----------------|----------------|------------------------------|
| <b>Activity</b>                                  | <b>FY 2013</b> | <b>FY 2015</b> | <b>FY 2015</b>               |
| Budget Activity: Accounting Services             | 73.1           | 73.1           | 73.1                         |
| Budget Activity: Budget Services                 | 21.4           | 21.4           | 21.4                         |
| Budget Activity: Economic Analysis               | 2.7            | 2.7            | 2.7                          |
| Budget Activity: Treasury                        | 10.3           | 10.3           | 10.3                         |
| Budget Activity: Management Analysis & Devlpmnt  | 14.7           | 14.7           | 14.7                         |
| Budget Activity: Human Resource Management       | 24.1           | 24.1           | 33.1                         |
| Budget Activity: Labor Relations                 | 8.2            | 8.2            | 8.2                          |
| Budget Activity: Agency Administration           | 84.6           | 84.6           | 87.6                         |
| Budget Activity: State Employee Group Ins Pgrm   | 49.9           | 49.9           | 46.9                         |
| Budget Activity: Public Employees Insurance Pgrm | 1.5            | 1.5            | 1.5                          |
| <b>Management and Budget</b>                     | <b>290.6</b>   | <b>290.6</b>   | <b>299.6</b>                 |

**Management and Budget****Revenue Summary**

(Dollars in Thousands)

|               |                       | Biennium FY14-15 |                   |               |                  |
|---------------|-----------------------|------------------|-------------------|---------------|------------------|
|               |                       | General Fund     | Other State Funds | Federal Funds | All Funds        |
| Non Dedicated | ALL OTHER             | 80               |                   |               | 80               |
|               | Subtotal              | 80               |                   |               | 80               |
| Dedicated     | FEDERAL GRANTS        |                  | 518               |               | 518              |
|               | DEPARTMENTAL EARNINGS |                  | 1,900             |               | 1,900            |
|               | INVESTMENT INCOME     |                  | 4,786             |               | 4,786            |
|               | ALL OTHER             |                  | 1,638,652         |               | 1,638,652        |
|               | Subtotal              |                  | 1,645,856         |               | 1,645,856        |
| <b>Total</b>  |                       | <b>80</b>        | <b>1,645,856</b>  |               | <b>1,645,936</b> |



# Management and Budget Accounting Services

<http://www.mmb.state.mn.us>

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## Statewide Outcome(s):

Accounting Services supports the following statewide outcome(s).

Efficient and accountable government services.

## Context:

Accounting Services provides financial management systems and services that support state operations in the areas of: accounting, payroll, and financial reporting. This activity provides functional support for the accounting and payroll modules of the of the Statewide Administrative Systems which includes the new Statewide Integrated Financial Tools (SWIFT) system that went live on July 1, 2011.

## Strategies:

The Accounting Services activity provides direction and support at a statewide level to help agencies meet their financial transaction and information needs. This includes establishing policies to ensure the necessary internal controls are in place to safeguard assets and to comply with appropriate financial principles, policies, and legal requirements.

- **Set statewide accounting and payroll policies and procedures.** This activity establishes statewide policies, procedures and guidelines on which agencies can base their accounting and payroll operations. Instructions take the form of written policies, system design, and instruction on best practices. The activity strives to balance the tension between agency needs for flexibility and statewide needs for consistency and accountability.
- **Provide training and assistance to agencies on the state's financial systems.** This activity provides training and assistance to agency staff on the effective and efficient use of the statewide systems to meet their objectives. This includes educating agency staff in accounting and payroll system functionality as well as individualized assistance when problems arise.
- **Direct and maintain the integrity of the accounting and payroll systems.** This activity is responsible for directing the operation of the statewide accounting and payroll systems and maintaining the integrity of the information contained in the systems. These systems provide the actual payment of state obligations to vendors and employees by either issuing a warrant (check) or an electronic funds transfer. Program controls assure the integrity of the data and of the internal operations of the accounting and payroll systems.
- **Prepare statewide financial reports.** This activity prepares the state's Comprehensive Annual Financial Report (CAFR). The CAFR is an audited report of all state activities and is prepared in accordance with generally accepted accounting principles. This activity also acts as the state lead in the preparation of the state's portion of the federal single audit report, reporting for federal cash management activities, indirect cost allocations, and other statewide compliance monitoring and reporting.

## Results:

| Performance Measures   | Previous | Current  | Trend     |
|--|----------|----------|-----------|
| Payroll Accuracy   | 0.028%   | 0.029%   | Stable    |
| Prompt Payment   | 91.95%   | 93.34%   | Improving |
| Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion | Both met | Both met | Stable    |
| Statewide Financial System Performance   | 36.2     | 23.8     | Improving |

### Performance Measures Notes:

1. Payroll accuracy overall is measured by tracking the percent of total payments voided due to errors in processing. The previous measure reflects FY 2011 and the current measure reflects FY 2012.

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2. Prompt payment is an indicator of financial system efficiency. The previous measure is FY 2012 performance which had declined as a result of the new accounting system implementation and the July 2011 state government shutdown. The current measure is September 2012 and is improved.
  3. Financial Reporting Performance is measured by receipt of the annual Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA) and maintaining an annual unqualified audit opinion from the Office of the Legislative Auditor. The department has achieved both for the last 27 years for its work on Minnesota's CAFR. The previous measure reflects FY 2010 and the current measure reflects FY 2011.
  4. Statewide financial system performance is a weighted average of on-line budget check processing times, in seconds. The previous measure is February 2012, the earliest available. The current measure is October 2012.

**Budget Activity: Accounting Services****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$7,775       | \$33,340          |               | \$41,115  |
| Current Law Expenditures (FY 2014-15)                   | \$7,544       | \$0               |               | \$7,544   |
| Governor's Recommended Expenditures (FY2014-15)         | \$7,544       | \$0               |               | \$7,544   |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$0           | \$0               |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 0%            | 0%                |               | 0%        |

**Budget Activity: Accounting Services****Sources and Uses**

(Dollars in Thousands)

| Biennium FY14-FY15      |                 |                   |               |                 |
|-------------------------|-----------------|-------------------|---------------|-----------------|
|                         | General Funds   | Other State Funds | Federal Funds | Total Funds     |
| APPROPRIATION           | \$25,487        | \$0               |               | \$25,487        |
| <b>SOURCES OF FUNDS</b> | <b>\$25,487</b> | <b>\$0</b>        |               | <b>\$25,487</b> |
| TRANSFERS OUT           | \$17,942        |                   |               | \$17,942        |
| EXPENDITURES            | \$7,544         | \$0               |               | \$7,544         |
| PAYROLL EXPENSE         | \$7,094         |                   |               | \$7,094         |
| OPERATING EXPENSES      | \$450           | \$0               |               | \$450           |
| <b>USES OF FUNDS</b>    | <b>\$25,486</b> | <b>\$0</b>        |               | <b>\$25,486</b> |

# Management and Budget

## Budget Services

<http://www.mmb.state.mn.us>

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### Statewide Outcome(s):

Budget Services supports the following statewide outcome(s).

Efficient and accountable government services.

### Context:

Budget Services seeks to ensure that objective and relevant fiscal information is readily available for decision makers throughout the year but especially when budget decisions are being made. Budget Services promotes sound fiscal policy in decision-making and a statewide view in the management of state resources. The primary customers for Budget Services are the Governor, state agencies, the legislature and citizens. This activity is funded through general fund appropriations.

### Strategies:

The work of Budget Services can be divided into three broad categories:

- **Budget Process** - Coordinating the development of the governor's biennial, capital and supplemental budget recommendations, including providing instructions to agencies
- **Information and Analysis** - Developing and publishing budgetary and financial information for use by decision-makers, staff, and citizens
- **Oversight** - Providing oversight and monitoring of budget implementation by agencies and the state's cash flow position.

Each of these functions helps to improve the efficient and effective use of state resources and prudent management of state resources.

### Results:

While no single entity can claim to be responsible for Minnesota's budget and financial position, having timely, relevant and objective budget information available to decision makers is fundamental to having a financially well managed state. Minnesota Management & Budget monitors a number of broad statewide financial management indicators to help track our goals. Budget Services also evaluates performance based on whether data is provided to decision makers in a timely manner and the level of business needs met through the budget systems. The determination of meeting business needs is assessed through the analysis of business value as compared to the system's technical condition.

| Performance Measures  | Previous | Current | Trend     |
|---|----------|---------|-----------|
| Fiscal Notes Complete                                       | 90%      | 93%     | Improving |
| Average Number of Days to Complete Fiscal Note              | 10       | 9       | Improving |
| Fiscal Note Tracking System Business Needs Assessment Score | 4        | 3       | Worsening |
| Capital Budget System Business Needs Assessment Score       | 4        | 2       | Worsening |

#### Performance Measures Notes:

1. Fiscal note data compares 2009-2010 legislative session (previous) to 2011-2012 legislative session (current). Data excludes fiscal notes that were inactivated by the requestor.
2. Fiscal Note Tracking and Capital Budget System assessment scores are on a scale of one (failing) to ten (excellent). The assigned scores indicate the need to replace the systems based on each system having a critical business value and a weak technical condition. Previous data is from 2008, current data is from 2012.

**Budget Activity: Budget Services****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$4,231       | \$1,698           |               | \$5,930   |
| Current Law Expenditures (FY 2014-15)                   | \$6,397       | \$0               |               | \$6,397   |
| Governor's Recommended Expenditures (FY2014-15)         | \$11,622      | \$0               |               | \$11,622  |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$5,225       | \$0               |               | \$5,225   |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 82%           | 0%                |               | 82%       |

**Budget Activity: Budget Services****Sources and Uses**

(Dollars in Thousands)

|                         | Biennium FY14-FY15 |                   |               | Total Funds     |
|-------------------------|--------------------|-------------------|---------------|-----------------|
|                         | General Funds      | Other State Funds | Federal Funds |                 |
| TRANSFERS IN            | \$414              |                   |               | \$414           |
| APPROPRIATION           | \$11,207           | \$0               |               | \$11,207        |
| <b>SOURCES OF FUNDS</b> | <b>\$11,621</b>    | <b>\$0</b>        |               | <b>\$11,621</b> |
| EXPENDITURES            | \$11,622           | \$0               |               | \$11,622        |
| PAYROLL EXPENSE         | \$6,778            |                   |               | \$6,778         |
| OPERATING EXPENSES      | \$4,844            | \$0               |               | \$4,844         |
| <b>USES OF FUNDS</b>    | <b>\$11,622</b>    | <b>\$0</b>        |               | <b>\$11,622</b> |

# Management and Budget

## Economic Analysis

<http://www.mmb.state.mn.us>

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### Statewide Outcome(s):

Economic Analysis supports the following statewide outcome(s).

Efficient and accountable government services.

### Context:

The Economic Analysis activity prepares periodic forecasts of state revenues as required by state law. These forecasts provide the governor and the legislature with a starting point for decisions on the biennial budget as well as the information needed for deciding whether mid-course corrections are necessary. Economic Analysis also provides ongoing information to the public and interested parties on the performance of the state's economy and on the general economic outlook. This activity is funded through a general fund appropriation.

### Strategies:

Sound, professional revenue forecasts make government more efficient and effective by reducing the uncertainty faced by public sector managers and by reducing the size and number of short term adjustments that must be made due to unanticipated declines in state revenues. The Economic Analysis revenue forecasts are prepared with the assistance of the Revenue Research Division of the Department of Revenue. The expenditure side of the forecast is prepared by Minnesota Management & Budget's (MMB's) Budget Services staff and state agency staff.

### Results:

Revenue forecasts by their very nature will always be wrong and the size of the error is not necessarily a good performance indicator for the activity. Unanticipated changes in the national economic outlook or in federal tax laws, as well as changes in state tax law can produce substantial shifts in revenues that cannot be forecast. Measures of short term differences between forecast and actual receipts are particularly inappropriate since small variances in one year may be offset by a larger variance the following year. MMB economists have constructed a history of biennial revenue forecast errors since FY 1990-1991, adjusted for subsequent legislation enacted after the first February forecast. It shows a root mean square error of 6.7 percent between the first February revenue forecast and the close of a biennium. The mean absolute error for those +29 month forecasts from the close is 5.5 percent. Both the root mean square error and the mean absolute error were less than those of the Congressional Budget Office (CBO) for the same period. The comparable root mean square error for CBO's +29 month forecast is estimated to be 7.2 percent; the mean absolute error, 6.0 percent.

| Performance Measures   | Previous <sup>1</sup> | Current <sup>2</sup> | Trend  |
|--|-----------------------|----------------------|--------|
| Root mean square error 1 <sup>st</sup> February forecast (+29 months from close) | 7.0%                  | 6.7%                 | Stable |
| Mean absolute error 1 <sup>st</sup> February forecast (+29 months from close)    | 5.8%                  | 5.5%                 | Stable |

#### Performance Measures Notes:

The root mean square error and mean absolute error statistics are used in place of a simple average to eliminate the possibility of positive and negative variances cancelling each other out and producing a misleadingly small average error. The root mean square error statistic penalizes forecasts with large forecast errors. The mean absolute error statistic weights small errors and large errors equally. Forecast errors depend on the length of the forecast horizon with the largest errors occurring in forecasts made before the biennium begins. Forecasts made during the biennium, particularly in the second year of the biennium, have much smaller average errors.

1. FY 1990-1991 to FY 2008-2009
2. FY 1990-1991 to FY 2010-2011



**Budget Activity: Economic Analysis****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$868         |                   |               | \$868     |
| Current Law Expenditures (FY 2014-15)                   | \$951         |                   |               | \$951     |
| Governor's Recommended Expenditures (FY2014-15)         | \$951         |                   |               | \$951     |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$0           |                   |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 0%            |                   |               | 0%        |

**Budget Activity: Economic Analysis****Sources and Uses**

(Dollars in Thousands)

| Biennium FY14-FY15      |               |                   |               |              |
|-------------------------|---------------|-------------------|---------------|--------------|
|                         | General Funds | Other State Funds | Federal Funds | Total Funds  |
| APPROPRIATION           | \$952         |                   |               | \$952        |
| <b>SOURCES OF FUNDS</b> | <b>\$952</b>  |                   |               | <b>\$952</b> |
| EXPENDITURES            | \$951         |                   |               | \$951        |
| PAYROLL EXPENSE         | \$608         |                   |               | \$608        |
| OPERATING EXPENSES      | \$343         |                   |               | \$343        |
| <b>USES OF FUNDS</b>    | <b>\$951</b>  |                   |               | <b>\$951</b> |

# Management and Budget Treasury

<http://www.mmb.state.mn.us>

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## Statewide Outcome(s):

Treasury supports the following statewide outcome(s).

Efficient and accountable government services.

## Context:

Treasury Division is responsible for three functional areas: cash management, debt management, and capital budget implementation. Each of these functions helps to improve the efficient and effective use of state resources and ensure prudent financial management. The activities of Treasury are funded through general fund appropriations. The primary customers for Treasury are the Governor, legislators and their staff agencies and local governments, bond holders, and citizens.

## Strategies:

The work of the Treasury Division can be divided into the following categories:

- **Cash Management Process** – Working with the State Board of Investment, agencies, state banking partners, and Minnesota Management & Budget (MMB) divisions, account for all receipts and deposits, provide accurate and prompt daily settlements to maximize investments, and make timely debt service payments.
- **Capital Budget Process** – Assisting state agencies and local governments in implementing capital budget appropriations in accordance with the Minnesota Constitution, state statutes and laws, and federal rules and regulations.
- **Debt Issuance Process** – Working with financial advisors, bond counsel, agencies, and sometimes underwriters, bring saleable bonds or other debt instruments to market to obtain the most favorable interest rates to the state and remain in compliance with the capital investment guidelines.
- **Information and Analysis** – Developing information on the capital budget and debt issuance process and policies related to for use by decision-makers, staff, and citizens.
- **Compliance** – Providing oversight and monitoring of the expenditures of bond and lease proceeds by agencies as well as following federal regulations, including arbitrage compliance and continuing disclosure.

## Results:

While no single entity or circumstance can claim to be responsible for Minnesota's cash and debt position, having timely, relevant, accurate and objective information available from Treasury helps decision makers to effectively manage our cash and debt position. Treasury monitors a number of indicators to help track our goals.

| Performance Measures   | Previous          | Current                         | Trend     |
|--|-------------------|---------------------------------|-----------|
| Bond Rating <ul style="list-style-type: none"><li>• Moody's</li><li>• S&amp;P</li><li>• Fitch</li></ul>  | Aa1<br>AAA<br>AAA | Aa1 (neg outlook)<br>AA+<br>AA+ | Worsening |
| In Compliance with Capital Investment Guidelines   |                   |                                 |           |
| 1. Total tax-supported principal outstanding as a percent of state personal income (Target: not greater than 3.35%)                                  | 2.45%             | 2.44%                           | Stable    |
| 2. Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (Target: not greater than six percent) | 4.02%             | 3.99%                           | Stable    |
| 3. GO bonds scheduled to mature within five years (40%)/GO bond scheduled to mature within ten years (70%).  | 40%/70.1%         | 40%/70.1%                       | Stable    |

| Performance Measures  | Previous        | Current          | Trend     |
|---|-----------------|------------------|-----------|
| Interest rates on Minnesota GO Bonds compared to the Municipal Market data (MMD) scale.   | -8 basis points | -18 basis points | Improving |
| Percent of Payments made by Outgoing Electronic Fund Transfers (Payments are made by both warrants and electronic fund transfers) | 84.91%          | 85.79%           | Improving |

Performance Measures Notes:

Items we are tracking:

1. Bond Rating: This tracks what the state's GO bond rating was before July 2011 and what the current ratings are. Fitch downgraded the state's bond rating from AAA to AA+ in July 2011, S&P downgraded the state's bond rating from AAA to AA+ in September of 2011, and Moody's put the state on negative watch in August of 2011.
2. Capital investment guidelines: This is updated with every debt capacity forecast in February and November. The previous is based on the debt capacity forecast for November 2011 and the current is based on the debt capacity forecast for February 2012.
3. Interest Rate Spreads: Yields on the state's general obligation bonds – various purpose (fixed-rate, tax-exempt bonds) are benchmarked against the MMD scale for the sale date to determine how the Minnesota transaction compared to the MMD scale. Following a sale, yields for each maturity will be compared to the same day yields reported by MMD for comparably rated bonds (i.e., AA to AA) to determine the variances by maturity. The average basis point variance for the first 10 years, the non-callable bonds, will be calculated for the issue as well as the proxy, for comparison purposes. The previous is measured from the September 2011 sale and the current is measured from the August 2012 sale.
4. Percent of payments being made by outgoing electronic fund transfers (versus warrants). Electronic fund transfers are more efficient than processing warrants. Date for the previous is pulled from FY 2009 and date for current is pulled from FY 2010.

**Budget Activity: Treasury****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$3,358       |                   |               | \$3,358   |
| Current Law Expenditures (FY 2014-15)                   | \$3,961       |                   |               | \$3,961   |
| Governor's Recommended Expenditures (FY2014-15)         | \$3,961       |                   |               | \$3,961   |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$0           |                   |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 0%            |                   |               | 0%        |

**Budget Activity: Treasury****Sources and Uses**

(Dollars in Thousands)

| Biennium FY14-FY15      |                |                   |               |                |
|-------------------------|----------------|-------------------|---------------|----------------|
|                         | General Funds  | Other State Funds | Federal Funds | Total Funds    |
| APPROPRIATION           | \$3,962        |                   |               | \$3,962        |
| <b>SOURCES OF FUNDS</b> | <b>\$3,962</b> |                   |               | <b>\$3,962</b> |
| EXPENDITURES            | \$3,961        |                   |               | \$3,961        |
| PAYROLL EXPENSE         | \$2,659        |                   |               | \$2,659        |
| OPERATING EXPENSES      | \$1,302        |                   |               | \$1,302        |
| <b>USES OF FUNDS</b>    | <b>\$3,961</b> |                   |               | <b>\$3,961</b> |

# Management and Budget Management Analysis & Development

<http://www.mad.state.mn.us>

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## Statewide Outcome(s):

Management Analysis & Development supports the following statewide outcome(s).

Efficient and accountable government services.

## Context:

The Management Analysis & Development (MAD) division is the state's management consulting organization. MAD offers a wide range of consulting services to all state and other public sector organizations. MAD staff consultants have worked on hundreds of projects for all state agencies, many boards and councils, the governor, the legislature, local units of government, and higher education institutions. MAD operates on a fee-for-service basis in a competitive market. MAD's 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 whose services are improved.

## Strategies:

MAD 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, contingency planning, legislative studies, service quality improvement, program evaluation, grant writing, surveys, strategic planning, and transition services

## Results:

Agencies that contract with MAD 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. MAD evaluates performance based on client surveys. The survey asks if the project had a positive impact on the client's organization and asks the client to rate their satisfaction on a one-to-five scale, with one equaling "very dissatisfied" and five equaling "very satisfied."

| Performance Measures                     | Previous | Current | Trend  |
|--|----------|---------|--------|
| Organizations improved due to MAD's work | 99%      | 99%     | Stable |
| Customer satisfaction with MAD projects  | 4.7      | 4.7     | Stable |

### Performance Measures Notes:

1. The first measure represents the percent of MAD projects in which clients said the organization was improved due to MAD's work, based on post-project surveys of MAD's clients. The previous period is FY 2009-2010, and the current period is FY 2011-2012.
2. The second measure reflects the average client response to the post-project survey question: "How would you rate your satisfaction with our work, using (a five-point) scale?" The previous period is FY 2009-2010, and the current period is FY 2011-2012.

**Budget Activity: Management Analysis & Devlpmnt**  
**Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$520         | \$4,721           |               | \$5,241   |
| Current Law Expenditures (FY 2014-15)                   | \$646         | \$5,330           |               | \$5,976   |
| Governor's Recommended Expenditures (FY2014-15)         | \$646         | \$5,330           |               | \$5,976   |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$0           | \$0               |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 0%            | 0%                |               | 0%        |



**Budget Activity: Management Analysis & Devlpmnt****Sources and Uses**

(Dollars in Thousands)

|                         | Biennium FY14-FY15 |                   |                |
|-------------------------|--------------------|-------------------|----------------|
|                         | General Funds      | Other State Funds | Federal Funds  |
|                         |                    |                   | Total Funds    |
| BALANCE FORWARD IN      |                    | \$1,019           | \$1,019        |
| REVENUE                 |                    | \$4,889           | \$4,889        |
| APPROPRIATION           | \$646              | \$0               | \$646          |
| <b>SOURCES OF FUNDS</b> | <b>\$646</b>       | <b>\$5,908</b>    | <b>\$6,554</b> |
|                         |                    |                   |                |
| BALANCE FORWARD OUT     |                    | \$579             | \$579          |
| EXPENDITURES            | \$646              | \$5,330           | \$5,976        |
| PAYROLL EXPENSE         | \$639              | \$2,785           | \$3,424        |
| OPERATING EXPENSES      | \$7                | \$2,545           | \$2,552        |
| <b>USES OF FUNDS</b>    | <b>\$646</b>       | <b>\$5,909</b>    | <b>\$6,555</b> |

# Management and Budget

## Enterprise Human Resources

<http://www.mmb.state.mn.us>

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### Statewide Outcome(s):

Enterprise Human Resources (EHR) supports the following statewide outcome(s).

Efficient and accountable government services.

### Context:

Enterprise Human Resources delivers innovative and strategic human resources (HR) solutions through our agency partners that align with business needs and contribute to the delivery of exceptional public services by our state employees. EHR promotes sound HR policies in decision-making and a statewide view in the management of human resources. Our primary customers are state government managers, supervisors, and HR staff. This activity is funded through general fund appropriations and fee-for-services. The Enterprise Learning, Development, and Talent Strategy unit collects fees for training it conducts.

### Strategies:

The work of EHR contributes to efficient and accountable government services through the following strategies:

- **HR Systems:** the EHR operates centralized systems of records to store and retrieve statewide human resource information (Employee Learning management, SEMA4 and Applicant Tracking).
- **Compliance and Oversight:** the EHR function provides oversight and monitoring of enterprise application and implementation of state's HR policy framework, which includes classification, compensation, compliance, and selection.
- **Agency and Applicant Services:** the EHR provides technical assistance to agency HR departments in application and implementation of human resources practices framework.
- **Information and Analysis:** the EHR develops and publishes HR information for use by decision-makers, staff, and citizens.
- **Enterprise Learning, Development, and Talent Strategy:** the EHR provides training in competency-based leadership development, professional development, employee skills enhancement, talent leadership, career development planning services, and workforce planning services to agencies and individuals.

Each of these functions helps to improve the efficient and effective management of state human resources with the activities described under each segment.

### Results:

The state of Minnesota is able to acquire, develop, engage, and retain a diverse workforce with the skills needed to deliver exceptional services to Minnesota citizens.

| Performance Measures   | Previous | Current           | Trend     |
|--|----------|-------------------|-----------|
| 1. Percentage of customers who stated that they value MMB as a resource or expert on HR or Labor Relations                                 | N/A      | 44%               | N/A       |
| 2. Percentage of customers who stated that EHR was effective in developing, overseeing and maintaining the human resource policy framework | N/A      | 63%               | N/A       |
| 3. Percentage of state employees who are receiving a required formal annual performance evaluation.  | N/A      | 78%               | Improving |
| 4.a. Participant feedback surveys indicate effectiveness of the leadership courses.  | N/A      | Not yet available | N/A       |
| 4.b. Completion of 360 ° feedback tool   | N/A      | 95                | N/A       |

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Performance Measures Notes:

1. Stakeholder survey was conducted in summer of 2012 to assess satisfaction with MMB services by division. Periodic surveys to be conducted in the future.
2. See #1.
3. EHR has begun an annual survey of state agencies to determine adherence to required performance evaluations. While the first survey was conducted in FY 2012, the number of evaluations has increased since the initiative began in March of 2012. Annual surveys are planned in future years.
4.
  - a. ELD began initiatives in recent years to address the need for leadership development. In FY 2012, ELD started a senior leadership institute. Participation in this leadership course and the course for emerging leaders is increasing. Aggregate feedback is not available at this time, but will be available by the end of FY 2013.
  - b. ELD entered into a contract to offer an extraordinary leadership 360° feedback tool for managers and supervisors in line with our performance management development strategies. Since the tool was introduced in June 2012, 95 individuals have participated.

**Budget Activity: Human Resource Management**  
**Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$4,305       | \$2,764           |               | \$7,070   |
| Current Law Expenditures (FY 2014-15)                   | \$4,670       | \$4,337           |               | \$9,007   |
| Governor's Recommended Expenditures (FY2014-15)         | \$10,470      | \$4,337           |               | \$14,807  |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$5,800       | \$0               |               | \$5,800   |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 124%          | 0%                |               | 64%       |

**Budget Activity: Human Resource Management****Sources and Uses**

(Dollars in Thousands)

|                              | Biennium FY14-FY15 |                   |               |                 |
|------------------------------|--------------------|-------------------|---------------|-----------------|
|                              | General Funds      | Other State Funds | Federal Funds | Total Funds     |
| BALANCE FORWARD IN           |                    | \$668             |               | \$668           |
| REVENUE                      |                    | \$4,514           |               | \$4,514         |
| APPROPRIATION                | \$10,470           | \$0               |               | \$10,470        |
| <b>SOURCES OF FUNDS</b>      | <b>\$10,470</b>    | <b>\$5,182</b>    |               | <b>\$15,652</b> |
| <br>BALANCE FORWARD OUT      |                    | \$802             |               | \$802           |
| EXPENDITURES                 | \$10,470           | \$4,337           |               | \$14,807        |
| PAYROLL EXPENSE              | \$6,900            | \$1,600           |               | \$8,500         |
| OPERATING EXPENSES           | \$3,570            | \$2,737           |               | \$6,306         |
| OTHER FINANCIAL TRANSACTIONS | \$1                |                   |               | \$1             |
| <b>USES OF FUNDS</b>         | <b>\$10,470</b>    | <b>\$5,139</b>    |               | <b>\$15,609</b> |

# Management and Budget Labor Relations

<http://www.mmb.state.mn.us>

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## Statewide Outcome(s):

Labor Relations supports the following statewide outcome(s).

Efficient and accountable government services.

## Context:

The Labor Relations program represents the executive branch in its role as the employer in the collective bargaining framework established by the Public Employees Labor Relations Act, MS Chap. 179A. This program seeks to promote a harmonious and productive relationship with the exclusive representatives (unions) of state employees while balancing the needs of management to provide efficient and accountable government services. The primary customers of this program are agency management, human resources offices, exclusive representatives (unions) and state executive branch employees. This program is funded through general fund appropriations.

## Strategies:

- Negotiating labor contracts that balance the needs of the employees and the needs of management.
- Advising agencies on the day-to-day administration of the labor contracts, including employment investigations, employee discipline, labor contract interpretation and employee performance management so as to uphold management rights and promote harmonious relationships with exclusive representatives and employees.
- Training managers and supervisors so that they are able to implement the labor contract and uphold management rights while promoting harmonious relationships with exclusive representatives and employees.
- Working with the exclusive representatives to resolve labor/management issues.
- Representing the employer in labor arbitration proceedings to maintain management rights.
- Continuity of Operations planning to prepare for anticipated and unanticipated disruptions in government services such as weather emergencies, labor strikes, government shutdowns, etc.

Key partners include Governor's Office, all Minnesota Management & Budget (MMB) divisions, and human resources personnel throughout the executive branch, MN.IT business analysts, and management representatives in all agencies.

## Results:

Strategies are working if:

- A voluntary labor contract is negotiated with the exclusive representatives in a timely manner.
- Positive feedback is received from agencies on the assistance provided in the day-to-day administration of the labor contracts.
- Grievances are avoided or resolved at the agency level.
- Arbitration awards uphold the employer's actions.

| Performance Measures  | Previous          | Current           | Trend             |
|---|-------------------|-------------------|-------------------|
| 1. Number of voluntary labor contracts negotiated   | 9                 | 0                 | Worsening         |
| 2. Percentage of surveyed key partners ranking MMB's effectiveness at 4 or 5 on: <ul style="list-style-type: none"><li>• Interpreting bargaining agreements and pay plans</li><li>• Setting/maintain statewide policies for management's relationships with labor</li><li>• Advising state agency management in their relationships with exclusive representatives.</li></ul> | N/A<br>N/A<br>N/A | 76%<br>59%<br>51% | N/A<br>N/A<br>N/A |

| Performance Measures                               | Previous | Current | Trend     |
|--|----------|---------|-----------|
| 3. Unresolved grievances that go to arbitration    | 31       | 24      | Improving |
| 4. Arbitration awards upholding employer's actions | 27       | 19      | Worsening |

Performance Measures Notes:

1. The previous measure reflects FY 2010-2011, and the current measure reflects FY 2012-2013.
2. MMB management survey of key stakeholders will be conducted every two years. Survey questions, response and results may be viewed at [http://www.state.mn.us/mgmt\\_survey](http://www.state.mn.us/mgmt_survey).
3. The previous measure covers July 1, 2008 through June 30, 2010, and the current measure covers July 1, 2010, through June 30, 2012.
4. The previous measure covers July 1, 2008 through June 30, 2010, and the current measure covers July 1, 2010 through June 30, 2012.

**Budget Activity: Labor Relations****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$1,739       | \$812             |               | \$2,551   |
| Current Law Expenditures (FY 2014-15)                   | \$1,702       | \$909             |               | \$2,611   |
| Governor's Recommended Expenditures (FY2014-15)         | \$1,702       | \$909             |               | \$2,611   |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$0           | \$0               |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 0%            | 0%                |               | 0%        |



**Budget Activity: Labor Relations****Sources and Uses**

(Dollars in Thousands)

|                         | Biennium FY14-FY15 |                   |                |
|-------------------------|--------------------|-------------------|----------------|
|                         | General Funds      | Other State Funds | Federal Funds  |
| BALANCE FORWARD IN      |                    | \$4               | \$4            |
| REVENUE                 |                    | \$907             | \$907          |
| APPROPRIATION           | \$1,702            | \$0               | \$1,702        |
| <b>SOURCES OF FUNDS</b> | <b>\$1,702</b>     | <b>\$911</b>      | <b>\$2,613</b> |
| BALANCE FORWARD OUT     |                    | \$2               | \$2            |
| EXPENDITURES            | \$1,702            | \$909             | \$2,611        |
| PAYROLL EXPENSE         | \$1,664            |                   | \$1,664        |
| OPERATING EXPENSES      | \$38               | \$909             | \$947          |
| <b>USES OF FUNDS</b>    | <b>\$1,702</b>     | <b>\$911</b>      | <b>\$2,613</b> |

# Management and Budget Agency Administration

<http://www.mmb.state.mn.us>

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## Statewide Outcome(s):

Agency Administration supports the following statewide outcome(s).

Efficient and accountable government services.

## Context:

Agency Administration provides leadership and operational support to the department. These activities include: administrative and technical support, human resources, fiscal services, communications, agency strategic direction and leadership through the commissioner's office. In addition, the internal control and accountability unit that promotes effective internal controls throughout state government is part of this division. Until the comprehensive information technology (IT) consolidation across state government occurred on July 1, 2012, the Information Services section was a large part of the Agency Administration Division. Their work is now under the direction of MN.IT Services.

Typical work performed within this division includes fiscal, human resource, and strategic planning for the agency. This division also manages the production of several key documents including the Governor's budget, economic forecasts, and the state's Comprehensive Annual Financial Report (CAFR). In addition, our communications unit works with all state agencies and the Governor's office on relevant issues as well as providing internal communications within Minnesota Management & Budget (MMB). Most members of the Agency Administration Division work with both internal and external customers across all aspects of state government including the Governor, the legislature, and the media.

This division is funded primarily through a general fund appropriation. A small portion of additional funding is provided by a special revenue fund for those costs associated with the support of the Statewide Employees Group Insurance Plan (SEGIP) unit within MMB.

## Strategies:

With the recent introduction of new statewide systems like Statewide Integrated Financial Tools (SWIFT) and Budget Planning and Analysis System (BPAS), MMB has re-examined the department's strategies to ensure we continue to strive to provide the most efficient and accountable services within MMB as well as across state government. One example involves the development of the CAFR, which will utilize a completely new process this year as SWIFT provides a different approach to its production. Another example involves the production of the Governor's FY 2014-15 budget using BPAS for the first time. In addition, the department has undertaken a significant strategic planning process that provides us with direction for additional actions over the next few years that will continue to build on the efficiencies we deploy both in-house as well as across all of state government. The resulting strategies are:

- Maintain and enhance statewide systems to promote efficiency and improved decision making.
- Develop an agency-wide culture of collaboration that fosters relationship building, mutual understanding and common-voice communications that result in better served customers. Specifically, seek out and identify opportunity for division/work units to partner/collaborate on projects that serve common departmental interests and customers, and promote the activity.
- Determine data/information most critical to our mission/customers, conduct an audit of data/analysis and set priorities and policy for data access and delivery.
- Lead a workgroup of state agency partners and other stakeholders to create a model recruitment and retention plan for state employees.

Other existing strategies in place for Agency Administration include:

- Communication needs are met timely across state government, the legislature, and media
- Performance reviews take place on an annual basis
- Major information products are released on time
- Fiscal transactions are processed on a timely basis and in accordance with statewide standards
- Human Resources functions are performed within existing policies and procedures

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## Results:

Expected results from our new strategies include:

- Statewide systems are optimized for improved efficiencies
- Collaborative partnerships expanded across all areas of the department as applicable
- Critical data points established through analysis and prioritization
- Create model recruitment and retention plan

Results from other existing strategies include:

- Consistent communication needs are met
- Annual performance reviews are all up-to-date
- Major documents are produced on time and within budget
- Fiscal and human resources functions are performed within established parameters

| Performance Measures  | Previous | Current | Trend     |
|---|----------|---------|-----------|
| Percentage of MMB performance reviews completed annually      | <50%     | 100%    | Improving |
| Major information documents produced timely and within budget | 100%     | 100%    | Stable    |
| Employee retention percentage                                 | 85-90%   | 85%     | Stable    |

Performance Measures Notes:

1. The previous measure reflects calendar year 2011, and the current measure reflects 2012. Significant effort throughout the department resulted in over 95 percent of performance reviews completed within established guidelines. Any remaining performances reviews at that time have now been completed, ensuring an 100 percent rate for calendar year 2012.
2. This measure reflects the timely and within budget production of the Governor's budget recommendations, two economic forecast documents (November and February), and the state's Comprehensive Annual Financial Report (CAFR). The previous measure reflects fiscal year 2011, and the current measure reflects fiscal year 2012. MMB has a long-standing history of producing all of these documents on-time and within the planned budget.
3. This measure reflects the percentage of MMB employees retained. The previous measure reflects calendar year 2011, and the current measure reflects calendar year 2012 (estimated). Historically, MMB has a higher turnover rate compared to state government as a whole. We attribute that to the work we perform at the enterprise level that makes our staff very attractive to other state agencies, or other governmental entities. As we explore statewide options for a model recruitment and retention plan, we expect to deploy those tools within MMB in an effort to reduce or retention rate.
4. As we deploy activities across the department related to our recent strategic planning efforts, we expect to expand our use of performance measures within the next 24 months.

**Budget Activity: Agency Administration****Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              | \$14,316      | \$21,367          |               | \$35,683  |
| Current Law Expenditures (FY 2014-15)                   | \$11,026      | \$19,688          |               | \$30,714  |
| Governor's Recommended Expenditures (FY2014-15)         | \$12,026      | \$19,688          |               | \$31,714  |
| \$ Change from FY 2014-15 Current Law to Governor's Rec | \$1,000       | \$0               |               | \$1,000   |
| % Change from FY 2014-15 Current Law to Governor's Rec  | 9%            | 0%                |               | 3%        |

**Budget Activity: Agency Administration****Sources and Uses**

(Dollars in Thousands)

|                         | Biennium FY14-FY15 |                   |                 |
|-------------------------|--------------------|-------------------|-----------------|
|                         | General Funds      | Other State Funds | Federal Funds   |
| BALANCE FORWARD IN      |                    | \$6,109           | \$6,109         |
| REVENUE                 |                    | \$20,998          | \$20,998        |
| TRANSFERS IN            | \$20               |                   | \$20            |
| APPROPRIATION           | \$12,030           | \$0               | \$12,030        |
| <b>SOURCES OF FUNDS</b> | <b>\$12,050</b>    | <b>\$27,107</b>   | <b>\$39,157</b> |
| BALANCE FORWARD OUT     |                    | \$7,419           | \$7,419         |
| TRANSFERS OUT           | \$24               |                   | \$24            |
| EXPENDITURES            | \$12,026           | \$19,688          | \$31,714        |
| PAYROLL EXPENSE         | \$2,614            | \$1,288           | \$3,902         |
| OPERATING EXPENSES      | \$9,412            | \$18,400          | \$27,812        |
| <b>USES OF FUNDS</b>    | <b>\$12,050</b>    | <b>\$27,107</b>   | <b>\$39,157</b> |

# Management and Budget

## State Employee Group Insurance Plan (SEGIP)

<http://www.mmb.state.mn.us>

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### Statewide Outcome(s):

SEGIP supports the following statewide outcome(s).

Efficient and accountable government services.

Minnesotans are healthy.

### Context:

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 coverage, as well as pre-tax accounts. This activity covers over 120,000 individuals statewide, and is funded through premiums collected from state agencies and other participating groups, and from employees and retirees. In general, these are pass-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 groups.

The key issue addressed by SEGIP centers on the provision of cost-effective, high quality insurance benefits for members; 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 effectiveness and efficiency in term of administrative and service costs, as well as choice/flexibility for members. SEGIP strives for measurable outcomes for the state and the medical providers in the Advantage Health Plan.
- SEGIP's key partners are the health plans participating in SEGIP, state agencies, and the unions representing state employees.
- By providing efficient and affordable care, SEGIP contributes to the state's goals of healthy Minnesotans and efficient and accountable government services.
- A comprehensive audit of all SEGIP programs and vendors was completed in 2011. The purpose of the audit was to identify gaps in care, coordinate services, and increase quality and satisfaction while controlling costs. Targets have been established for participation and completion of programs across all vendors. Tools have been created for enhanced measurement of program targets and outcomes which demonstrate vendor accountability and health improvement. Chronic diseases are being addressed by programming and measurement to improve outcomes and reduce costs.
- SEGIP has a comprehensive Employee Assistance Program (EAP) in which employees and their families have 24/7 confidential access to EAP counselors. Tools have been developed to measure utilization, outcomes and accessibility of services.
- The Advantage health plan makes available all provider groups within the state of Minnesota and surrounding communities.

### 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 is 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 recently completed a dependent eligibility verification audit to ensure that only eligible dependents are covered under the SEGIP health plans.

| Performance Measures   | Previous | Current             | Trend     |
|--|----------|---------------------|-----------|
| 1. Plan administration costs (projected at 4.9 percent in 2013) will stay below the industry norm of 8 percent                                       | N/A      | 4.9%<br>(projected) | N/A       |
| 2. Plan medical claims costs (projected at 5.9 percent for 2013) will stay below the current industry standard of 2-9 percent for national programs. | N/A      | 5.9%<br>(projected) | N/A       |
| 3. 85 percent of plan participants will seek care from high quality/low cost providers   | 60%      | 85%<br>(projected)  | Improving |

Performance Measures Notes:

1. The time frame for the projected performance is Plan Year 2013, January 1 – December 31, 2013.
2. The time frame for the projected performance is Plan Year 2013, January 1 – December 31, 2013.
3. The time frame for the projected performance is Plan Year 2013, January 1 – December 31, 2013. The previous measure reflects performance for 2002.

**Budget Activity: State Employee Group Ins Pgrm**  
**Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds   |
|---|---------------|-------------------|---------------|-------------|
| Current Biennium Expenditures (FY 2012-13)              |               | \$1,519,002       |               | \$1,519,002 |
| Current Law Expenditures (FY 2014-15)                   |               | \$1,550,313       |               | \$1,550,313 |
| Governor's Recommended Expenditures (FY2014-15)         |               | \$1,549,673       |               | \$1,549,673 |
| \$ Change from FY 2014-15 Current Law to Governor's Rec |               | (640)             |               | (640)       |
| % Change from FY 2014-15 Current Law to Governor's Rec  |               | 0%                |               | 0%          |



**Budget Activity: State Employee Group Ins Pgrm****Sources and Uses**

(Dollars in Thousands)

| Biennium FY14-FY15           |               |                    |               |                    |
|------------------------------|---------------|--------------------|---------------|--------------------|
|                              | General Funds | Other State Funds  | Federal Funds | Total Funds        |
| BALANCE FORWARD IN           |               | \$250,373          |               | \$250,373          |
| REVENUE                      |               | \$1,531,472        |               | \$1,531,472        |
| <b>SOURCES OF FUNDS</b>      |               | <b>\$1,781,845</b> |               | <b>\$1,781,845</b> |
| <br>BALANCE FORWARD OUT      |               | \$232,146          |               | \$232,146          |
| TRANSFERS OUT                |               | \$26               |               | \$26               |
| EXPENDITURES                 |               | \$1,549,673        |               | \$1,549,673        |
| PAYROLL EXPENSE              |               | \$7,322            |               | \$7,322            |
| OPERATING EXPENSES           |               | \$1,542,297        |               | \$1,542,297        |
| OTHER FINANCIAL TRANSACTIONS |               | \$54               |               | \$54               |
| <b>USES OF FUNDS</b>         |               | <b>\$1,781,845</b> |               | <b>\$1,781,845</b> |

## Management and Budget

### Employee Insurance Division/Public Employees Insurance Program (PEIP)

<http://www.mmb.state.mn.us>

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#### Statewide Outcome(s):

Employee Insurance Division supports the following statewide outcome(s).

Efficient and accountable government services.

Minnesotans are healthy.

#### Context:

PEIP 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. This population includes 84 public employer groups: 47 school districts, 25 cities and townships, three counties and nine other units of government. The average number of employees per group is 59, with groups ranging in size from one to more than 1,200. PEIP is funded by employer group premiums. Premiums collected in excess of expenses are used to minimize the rate charges to employer groups. Premium investment income is used to offset administrative expenses.

The key issue addressed by PEIP centers on the provision of cost-effective, high quality insurance benefits for members; PEIP is a demanding buyer that sets clear specifications for providers, buys selectively and holds providers accountable for value-based results.

#### Strategies:

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

#### Results:

- One hundred percent of PEIP's membership is enrolled in the highly successful Minnesota Advantage Health Plan.
- PEIP provided more than 200 local units of government and their 60,000 employees with quotes for coverage during FY 2011 and 2012.
- 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, approximately 10,500 employees, retirees and dependents are covered under PEIP, the most to every have participated in the program.
- Following on SEGIP activities for the Advantage Health Plan, PEIP groups benefit from the following:
  - A comprehensive audit of all SEGIP programs and vendors was completed in 2011. The purpose of the audit was to identify gaps in care, coordinate services, and increase quality and satisfaction while controlling costs. Targets have been established for participation and completion of programs across all vendors. Tools have been created for enhanced measurement of program targets and outcomes which demonstrate vendor accountability and health improvement. Chronic diseases are being addressed by programming and measurement to improve outcomes and reduce costs.
  - 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.

- As the program grows, PEIP's contracts with its medical, dental, and pharmacy carriers will contain performance metrics focused on three primary areas: cost management; health outcomes; and provider network management and operational performance. The dollars available for incentive (where appropriate) or forfeiture is based on a percentage of the administrative fee paid by SEGIP to the carrier.

| Performance Measures   | Previous | Current             | Trend     |
|--|----------|---------------------|-----------|
| 1. Contingency reserve level   | 39.9%    | 31.2%               | Stable    |
| 2. Plan medical claim costs (projected at 5.9 percent) for 2013 will stay below the current industry standard of 2-9 percent for national programs | N/A      | 5.9%<br>(projected) | N/A       |
| 3. 85 percent of plan participants will seek care from high quality/low cost providers   | 60%      | 85%<br>(projected)  | Improving |

Performance Measures Notes:

- A program of this size, combined with the inherent fluctuation of voluntary membership requires a contingency reserve equal to 20 percent - 40 percent of annual premium. The previous measure reflects the contingency reserve level on 6/30/11 and the current measure reflects the reserve level on 6/30/12.
- The time frame for the projected performance is Plan Year 2013, January 1 – December 31, 2013.
- The time frame for the projected performance is Plan Year 2013, January 1 – December 31, 2013. The previous measure reflects performance for 2002.

**Budget Activity: Public Employees Insurance Pgrm**  
**Current, Base and Governor's Recommended Expenditures**

(Dollars in Thousands, Biennial Totals)

|   | General Funds | Other State Funds | Federal Funds | All Funds |
|---|---------------|-------------------|---------------|-----------|
| Current Biennium Expenditures (FY 2012-13)              |               | \$83,098          |               | \$83,098  |
| Current Law Expenditures (FY 2014-15)                   |               | \$82,798          |               | \$82,798  |
| Governor's Recommended Expenditures (FY2014-15)         |               | \$82,798          |               | \$82,798  |
| \$ Change from FY 2014-15 Current Law to Governor's Rec |               | \$0               |               | \$0       |
| % Change from FY 2014-15 Current Law to Governor's Rec  |               | 0%                |               | 0%        |

**Budget Activity: Public Employees Insurance Pgrm****Sources and Uses**

(Dollars in Thousands)

| Biennium FY14-FY15           |               |                   |               |                  |
|------------------------------|---------------|-------------------|---------------|------------------|
|                              | General Funds | Other State Funds | Federal Funds | Total Funds      |
| BALANCE FORWARD IN           |               | \$19,617          |               | \$19,617         |
| REVENUE                      |               | \$83,076          |               | \$83,076         |
| <b>SOURCES OF FUNDS</b>      |               | <b>\$102,693</b>  |               | <b>\$102,693</b> |
| BALANCE FORWARD OUT          |               | \$19,895          |               | \$19,895         |
| EXPENDITURES                 |               | \$82,798          |               | \$82,798         |
| PAYROLL EXPENSE              |               | \$484             |               | \$484            |
| OPERATING EXPENSES           |               | \$82,308          |               | \$82,308         |
| OTHER FINANCIAL TRANSACTIONS |               | \$6               |               | \$6              |
| <b>USES OF FUNDS</b>         |               | <b>\$102,693</b>  |               | <b>\$102,693</b> |