State Auditor

Staff Retention

Change Item Title: Staff Retention

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	55	99	99	99
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	55	99	99	99
FTEs	1.5	2.1	2.1	2.1

Recommendation:

The Governor recommends an increase in the State Auditor's General Fund Direct Appropriation to retain current staff. Eighty-seven percent of the Office's expenditures are related to salaries and benefits. Projected salary cost increases continue to put pressure on the Office's ability to keep all current staff within the base budget, and all current staff are essential to meet the mission. This funding recommendation represents a 3.45 percent increase in the General Fund Direct Appropriation for the 2018/2019 biennium.

Rationale/Background:

The State Auditor oversees local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. Eighty-seven percent of the proposed General Fund appropriation pays the salaries and benefits of staff who review documents and financial data, issue financial reports, and review complaints relating to local government finances and legal compliance. Staff also provide training and support to local government staff to help them properly complete their financial reporting requirements, establish proper internal controls to safeguard assets, and investigate reports of financial misfeasance, malfeasance and non-feasance by local government employees and officials.

Projected increases in salary and benefit costs put pressure on the Office's ability to retain all essential staff. This funding will allow the Office to retain the necessary qualified staff to meet the mission.

Proposal:

The Governor proposes an increase of $154,000 in the General Fund appropriation for the 2018/2019 biennium. These funds will be used to pay salaries and benefits of current staff avoid reducing staff by approximately 2 full time equivalents (FTE).

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Local Governments Meeting Reporting Requirements	92.0%	95.3%	2014/2015
Results	CTAS Users Reporting with Exported Files	674	714	2014/2015
Quality	Pension Plans Certified as Eligible to Receive State Aid	99.9%	99.9%	2014/2015
Quantity	Views of Pension Newsletter on Website	14,079	33,709	2014/2015
Quantity	Views of Sample Bylaw Guides on Website	1,383	2,329	2014/2015
Quantity	Views of Pension Statements of Position on Website	9,079	13,400	2014/2015

State Auditor

Technology Staffing

Change Item Title: Technology Staffing

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	109	103	103	103
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	109	103	103	103
FTEs	**1.0**	**1.0**	**1.0**	**1.0**

The Governor recommends an increase of $212,000 in FY2018-2019 in the Office's General Fund appropriation to hire a new programmer/database administrator.

Rationale/Background:

The State Auditor oversees local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. This involves electronically collecting and reviewing financial information from over 4,000 local government entities. The Office also provides training and support to accounting staff in local governments to help them properly complete their reporting requirements.

To accomplish the mission, the office has established electronic tools to collect and review financial information. There are opportunities to establish more electronic processes to help accomplish the mission more efficiently and effectively. Currently the Office has only one staff person working directly on maintaining existing tools and creating new tools.

An additional programmer/database administrator position would help to improve processes and the systems local governments use to report to the Office. They include:

- Making the electronic financial reporting forms easier to complete for over 4,000 local governments by adding real-time feedback on the reporting forms as they are being completed. This will improve the quality and accuracy of the data reported to the Office of the State Auditor (OSA).
- Improving the State Auditor's Form Entry System (SAFES) so users can more easily and securely perform necessary reporting tasks to the OSA such as submitting electronic reporting forms, verifying their reporting status, and retrieving modifications to the forms they have submitted.
- Increasing efficiency by building in some automated data analysis of information reported to the OSA, saving OSA staff time.
- Improving efficiency of notification to form preparers by the OSA to a single click when forms have been modified by OSA and are available to be reviewed in SAFES.
- Improving transparency of over $20 billion spent per year by local governments by updating the State Auditor's 10 year old website to make it mobile compliant and to ensure that the data displayed is in a more modern accessible format.
- Improving efficiency by creating new user friendly electronic reporting tools for processes that are still manual.

Proposal:

The Governor proposes an increase in the Office's General Fund Direct Appropriation by $212,000 for the 2018/2019 biennium to hire one programmer/database administrator. These funds will pay the salary and benefits of a programmer/database administrator. They will also pay for computer equipment and program licenses the administrator will need to perform their work.

The addition of a programmer/database administrator will allow the Office to accelerate development of databases, interfaces, and automated analysis processes. These tools will help the Office achieve its mission more efficiently and effectively on behalf of the taxpayers.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Actions performed in the State Auditor's Form Entry System	92,213	102,289	2014/2015
Results	CTAS Users Reporting with Exported Files	674	714	2014/2015
Quality	Local Governments Meeting Reporting Requirements	92.0%	95.3%	2014/2015
Quantity	Views of Local Government Finance Reports on Website	54,609	40,847	2014/2015
Quantity	Views of Comparison Tools on Website	11,760	10,763	2014/2015
Quality	Pension Plans Certified as Eligible to Receive State Aid	99.9%	99.9%	2014/2015
Quantity	Views of Pension Newsletter on Website	14,079	33,709	2014/2015
Quantity	Views of Sample Bylaw Guides on Website	1,383	2,329	2014/2015
Quantity	Views of Pension Statements of Position on Website	9,079	13,400	2014/2015
Quantity	Views of Avoiding Pitfalls on Website	26,932	30,743	2014/2015
Quantity	Views of Legal/SI Statements of Position on Website	50,201	64,278	2014/2015
Quantity	Views of Investigative Reports and Review Letters on Website	12,911	48,376	2014/2015

Office of the Minnesota Secretary of State

FY18-19 Biennial Budget Change Item

Change Item Title: Election Equipment Grant Funding

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	3,500	3,500	3,500	3,500
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3,500	3,500	3,500	3,500
FTEs	0	0	0	0

Recommendation:

The Governor recommends $3.5 million from the general fund per year from FY2018 through FY2021 to be administered by the Office of the Secretary of State for grants to help replace the state's aging voting equipment. Voting equipment in Minnesota is purchased and owned by counties and municipalities. Costs associated with administering the grants would be absorbed by the Office of the Secretary of State's base budget and no portion of the funds would be allocated to the Office of the Secretary of State.

Rationale/Background:

Following the problems experienced in some states in the 2000 election, the federal government passed the Help America Vote Act of 2002 (HAVA), which provided federal money in excess of $3 billion for the purchase of new voting equipment across the United States. Of this, Minnesota received $35 million in HAVA voting equipment grant funds to purchase new equipment. The enactment of HAVA ushered in an era of modern voting systems with enhanced security, accessibility, accuracy, and reliability. HAVA also required that each polling place contain assistive voting technology in order to allow voters with a disability to cast a ballot independently. Between 2002 and 2006, states, including Minnesota, used these federal funds to purchase new equipment that would bring them into compliance with the federal HAVA requirements. There have been no new federal funds to purchase vote equipment since the enactment of HAVA, and recently the U.S. Congress has made clear that Congress does not intend to allocate any additional federal funds for voting equipment. Voting equipment vendors generally report the equipment has a lifespan of 10 and15 years. The nation's aging voting equipment was identified as an "impending crisis" in a January 2014 bipartisan report by the Presidential Commission on Election Administration and is detailed in a September 15, 2015 report by the Brennan Center for Justice.

As Minnesota's equipment ages and approaches a replacement crisis point, most counties do not have the funds to replace this equipment and there are no additional federal monies expected. Each polling location in Minnesota is required to have an assistive voting device, in addition to the tabulator machine. Currently, these two devices each cost approximately $5,000. The Office of the Secretary of State estimates that over 2,500 precinct tabulators and 3,100 assistive voting devices will need to be purchased by counties over the next five years at a cost of over $28 million. Because most counties do not currently have a reserve for voting equipment replacement costs, the ability of counties to replace aging voting equipment will vary by county. This, in turn, means that a voter's experience at the polls may vary by county. This county-by-county variation was exactly what HAVA was designed to prevent. The failure or inconsistency of voting technology operation in an election can create many problems, including long lines, delayed election results, inability of a voter with disabilities to vote independently, and a loss of public confidence.

Other states have begun to address this issue at the state level. New Mexico, a state with less than half of the population of Minnesota, recently spent $12 million to purchase new voting equipment in 2014. In late 2014, Maryland estimated that the cost to replace the state's tabulators would be approximately $28 million and approved $14 million in state monies to offset the needed equipment replacement. Arkansas has a grant fund that receives $1.5 million per fiscal year that can be used by local

jurisdictions to purchase new equipment. Michigan has not yet addressed this issue but the Michigan State Fiscal Agency estimates that it will cost an estimated $55 to $60 million to replace its state's voting equipment.

The estimated cost for replacing Minnesota's aging mandated voting equipment does not include the costs for additional equipment such as central-count tabulators, which facilitate the tabulation of absentee and mail ballots, or the implementation of electronic rosters (ePollbooks). Central-count tabulators can cost between $70,000 and $100,000 per county, with electronic rosters costing $1,000 to $2,000 per unit.

Proposal:

The Governor proposes $7 million in the FY2018-2019 biennium, and another $7 million in the FY2020-2021 biennium for election equipment grants. The Office of the Secretary of State would administer the grant funds, with awards going to counties to offset the costs of voting equipment replacement. Counties could apply for funds to assist in purchasing new voting equipment including tabulators, assistive voting technology, central-count tabulators, and electronic rosters. To allow counties to apply for the additional voting technologies such as central-count tabulators and electronic rosters, the grant allocations would only cover a portion of the full cost of the equipment.

Grants would be administered with priority given to the replacement of tabulators and assistive voting technology. Grants to purchase other voting technology, such as central-count equipment or electronic rosters, would be a secondary priority. Because of the timeline required to purchase new equipment in advance of an election, the Office anticipates that most jurisdictions would apply in 2017 to purchase new equipment in early 2018, in advance of the 2018 election. Further, according to the Minnesota Association of County Officers, due to the varied use of the equipment across the state (smaller jurisdictions' equipment getting less voter use, for example), it is likely some jurisdictions will choose to delay purchasing new equipment until 2019 for the 2020 election.

The Office of the Secretary of State would bear the administrative costs associated with the new Election Equipment grants. Because the Office no longer oversees the now-depleted HAVA grant programs, the Office would absorb the costs associated with administering the state voting equipment grants.

The grants would impact approximately 3.9 million eligible voters in Minnesota and 3.1 million registered voters who cast their ballot at the polls, by mail, or by absentee.

Equity and Inclusion:

Ensuring that all Minnesotans are voting on accurate and reliable voting equipment will benefit all voters. However, replacing aging voting equipment will have a distinct benefit to voters with disabilities by improving the assistive voting technology in Minnesota's polling places. Currently, 83 counties in Minnesota are using the AutoMark assistive voting technology in the polling place, with the remaining four counties using new assistive voting technology. The AutoMark was designed in 2003 to comply with HAVA's assistive voting technology requirements and was originally deployed in all Minnesota counties. In referencing the need to replace voting equipment generally, the Brennan Center for Justice in its 2015 report made specific observations about the benefits of replacing the HAVA-era assistive voting technology:

> One of the promises of HAVA when it was passed was that voting machines throughout the country would be "accessible for individuals with disabilities, including nonvisual accessibility for the blind and visually impaired, in a manner that provides the same opportunity for access and participation (including privacy and independence) as for other voters" as required by the new law. While there is no question the new requirements made it easier for many voters with disabilities to vote privately and independently for the first time, in many respects the new equipment failed to live up to expectations. Diane Golden, an expert on assistive technology, wrote that there is substantial evidence that "voters with disabilities have significant difficulty using [these] accessible voting systems."
>
> Part of the reason HAVA-era systems are not as simple to use as many had hoped is accessible features were "an afterthought" for previously designed systems, according to Whitney Quesenbery, one of the authors of the *Roadmap for Usability and Accessibility of Next Generation Elections* (the "*Roadmap*") and co-director of the Center for Civic Design.

> States and counties looking to purchase new equipment have an opportunity to correct for this, and to take advantage of the dramatic improvements in assistive technology,126 by purchasing machines that have been designed from the start with accessibility as a consideration. As the authors of the Roadmap note, "voting systems that are designed with accessibility and usability practices in mind have the potential to greatly benefit voters with and without disabilities." In particular, the authors stress, "creating a single system to be used by all voters ensures that accessibility options are available to all who may need them, even if they do not identify as having a disability."

See Brennan Center for Justice, *America's Voting Machines at Risk* (Sept. 15, 2015). Over time, the Office of the Secretary of State has received multiple complaints from both election judges and voters that voters with disabilities are frequently unable to use the AutoMark to cast their ballot independently.

Results:

The goal of the grant program would be to ensure that all Minnesotans are able to cast their ballot on equipment that is secure, accessible, accurate, and reliable. Because the useful life of most voting equipment is between 10 and 15 years, no equipment in use in the state should be more than 15 years of age.

In addition, because new tabulator technology is able to be programmed to accept multiple ballot styles, as a result of the grants the State of Minnesota should see an increase in the number of counties and cities that are able to offer "direct balloting" in the seven days before the election. An increase in "direct balloting" will result in lower absentee balloting administrative costs to counties and reduce the number of voter errors. Finally, we expect to see fewer instances of voters with disabilities being unable to use the assistive voting technology and fewer instances of malfunctioning equipment on Election Day.

Campaign Finance and Public Disclosure Board

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	13	24	24	24
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	13	24	24	24
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $37,000 in the FY2018-2019 biennium to maintain the current level of service delivery at the Campaign Finance and Public Disclosure Board.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Campaign Finance and Public Disclosure Board, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Office of Administrative Hearings
FY18-19 Biennial Budget Change Item

Change Item Title: Salary Increase for Workers' Compensation Judges

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	177	177	177	177
Revenues	177	177	177	177
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $177,000 each year from the Workers' Compensation Fund for increases to workers' compensation judge salaries passed by the 2015 Legislature.

This expenditure is funded through the Special Compensation Fund which funds Minnesota's workers' compensation programs. Each year, the Special Compensation assessment rate is determined based on the liability and the operating expenses in the Workers Compensation Fund. This expenditure change will be included in the FY2018 assessment rate calculation, and each year thereafter.

Rationale/Background:

The Office of Administrative Hearings conducts all workers' compensation hearings in the state. The work is supported by an appropriation from the Workers' Compensation Fund. The salaries of OAH's workers' compensation judges are tied to the salaries of the district court judges, pursuant to Minn. Stat. § 15A.083. In 2015, the Legislature enacted a salary increase for the judges of the judicial branch, 4% for each year of the biennium. As a result, as of July 1, 2015 the salaries of OAH's workers' compensation judges increased 4% and as of July 1, 2016 these salaries increased another 4%.

Proposal:

The Governor recommends a funding increase of $177,000 per year, or a biennial increase of $354,000, to fully fund these existing salary levels into the future. The agency was able to fund the salary increases in the FY2016-2017 biennium through salary savings from retirements.

Office of Administrative Hearings
FY18-19 Biennial Budget Change Item

Change Item Title: Administrative Court Salary Parity

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	360	360	360	360
Revenues	360	360	360	360
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $360,000 each year from the Workers' Compensation Fund to support salary parity for workers' compensation judges at the Office of Administrative Hearings.

This expenditure is funded through the Special Compensation Fund which funds Minnesota's workers' compensation programs. Each year, the Special Compensation assessment rate is determined based on the liability and the operating expenses in the Workers Compensation Fund. This expenditure change will be included in the FY2018 assessment rate calculation, and each year thereafter.

Rationale/Background:

In Minnesota, there are three administrative courts – defined as courts located within the Executive Branch of government: the Tax Court; the Workers' Compensation Court of Appeals (WCCA); and the Office of Administrative Hearings. All three of these administrative courts exist to handle specific types of cases and to keep these cases off the dockets of the Judicial Branch courts. Each of the three administrative courts are managed by a Chief Judge.

Every year, OAH receives more than 6,000 contested workers' compensation matters and more than 1,000 administrative contested cases (all involving challenges to state agency action). With its 34 workers' compensation and administrative law judges, OAH functions as the second largest trial court in the state (after the Fourth Judicial District Court in Hennepin County.

Pursuant to Minn. Stat. § 15A.083, the salaries of all of the judges in the three Executive Branch courts (Tax Court, WCCA, and OAH) are tied to the salaries of the judges in the Judicial Branch. However, there is a lack of parity within the statutory structure with respect to the set salaries of the judges of the three Executive Branch courts, as follows:

- The Tax Court judges and the WCCA judges are paid more than are the OAH judges.
  - A Tax Court judge is paid 98.52% of the salary of a district court judge. (MS 15A.083, subd. 5). At FY16 rates, this calculates to $70.59/hour.
  - A WCCA judge is paid 98.52% of the salary of a district court judge (MS 15A.083, subd. 7). At FY16 rates, this calculates to $70.59/hour.
  - An OAH judge (both an administrative law judge and a workers' compensation judge) are paid 88.67% of the salary of a district court judge. (MS 15A.083, subd. 6a, 7). At FY16 rates, this calculates to $63.53/hour.
- The Chief Judge of the Tax Court and the Chief Judge of the WCCA are paid more than the OAH Chief Judge.
  - The Chief Judge of the Tax Court is paid 98.52% of the salary for a chief district court judge. (MS 15A.083, subd. 5). At FY16 rates, this calculates to $74.52/hour.
  - The Chief Judge of the WCCA is paid 98.52% of the salary for a chief district court judge (MS 15A.083, subd. 7). At FY16 rates, this calculates to $74.52/hour.
  - The Chief Judge of OAH is paid 98.52% of the salary for a district court judge – not for a chief district court judge. (MS 15A.083, subd. 6a). At FY16 rates, this calculates to $70.59/hour.

Proposal:

The Governor proposes a biennial funding increase of $720,000, or $360,000 per year, from the Workers' Compensation Fund (biennial increase of $29,474 for each of OAH's 24 workers' compensation judges plus approximately $12,000 for the Chief Judge salary).

OAH will also seek approval to include an additional $294,740 (biennial increase of $29,474 for each of OAH's 10 administrative law judges) in its next Rate Proposal for approval by MMB, and thereby fund the increased salaries for the administrative law judges paid through the MS 14.54 enterprise fund in FY18 and beyond.

Statutory Change(s): MS 15A.083, subd. 6a and 7.

Office of Administrative Hearings
FY18-19 Biennial Budget Change Item

Change Item Title: Additional Expedited Data Practices Funding

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	12	12	12	12
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	12	12	12	12
FTEs	0	0	0	0

Recommendation:

The Governor recommends $12,000 per year from the general fund to support the work of the Office of Administrative Hearings (OAH) on expedited data practices cases.

Rationale/Background:

With regard to its administrative law division, the Office of Administrative Hearings generally operates as an enterprise fund. It bills state agencies for the value of judicial time spent on their cases, at an hourly billable rate approved annually by Minnesota Management and Budget.

The enterprise funding scheme does not apply to OAH's data practices cases. Under Minn. Stat. § 13.085, the Office of Administrative Hearings conducts expedited hearings involving claims that state agencies have failed to comply with the Data Practices Act. Because these cases are brought by members of the public, not by state agencies, OAH cannot bill any state agency for the cost of these services. Instead, the statute allows OAH to collect a $1000 filing fee in each case. Six years of history has proven that the revenue generated by the $1000 filing fee is insufficient to cover the agency's costs. As a result, OAH has historically requested deficit funding from the legislature. In 2015, the Legislature granted a $12,000 biennial appropriation in support of this work. That too has proven too small an amount to fund the work.

Docket Number	Filing Fees (Total Revenue to OAH)	OAH Hours Required to Resolve	Total Cost to OAH
FY 11 Totals	$4,000.00	4 cases/ 204.00 hours	$23,736.00
FY12 Totals	$3,000.00	4 cases/ 139.25 hours	$19,654.83
FY13 Totals	$3,217.50	4 cases/ 26.4 hours	$3,446.50
FY14 Totals	$1,505.00	5 cases/ 46.20 hours	$7,459.50
FY15 Totals	$2000.00	2 cases/ 41.20 hours	$5,586.00
FY16 Totals	$1,140.50	3 cases/ 133.95 hours	$15,774.50

Fiscal Year	Filing Fees or Income	Total Billed Hours	Total Cost	Program Shortfall
FY 2011 Totals:	$4,000.00	204.00	$23,736.00	($19,736.00)
			Shortfall as of FY2011	($19,736.00)
FY 2012 Totals:	$3,000.00	139.25	$19,654.83	($16,654.83)
			Shortfall as of FY2012 close	($36,390.83)
			FY 2013 Deficiency Appropriation	$36,000.00
			Shortfall after Appropriation	($390.83)
FY 2013 Totals:	$3,217.50	26.4	$3,446.50	($229.00)
			Shortfall as of FY2013 close	($619.83)
FY2014 Totals:	$1,505.00	46.2	$7,459.50	($5,954.50)
			Shortfall as of FY 2014 close	($6,574.33)
FY2015 Totals:	$2,000.00	41.20	$5,586.00	($3,586.00)
			Shortfall as of FY 2015 close	($10,160.33)
			FY 2015 Appropriation	$12,000.00
FY2016 Totals:	$1,140.50	133.95	$15,774.50	($8,634.00)
			FY 2016 Appropriation	$6,000.00
			Shortfall as of FY 2016 close	(794.33)

Proposal:

The Governor proposes an increase of $12,000 per year ($24,000/biennium) from the general fund to support the work of the Office of Administrative Hearings (OAH) on expedited data practices cases.

Office of Administrative Hearings
FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	3	6	6	6
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3	6	6	6
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends additional funding of $9,000 in the FY2018-2019 biennium to maintain the current level of service delivery at the Office of Administrative Hearings.

Rationale/Background:
Each year employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:
The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Office of Administrative Hearings, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

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

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Securing the State

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	22,168	4,778	4,778	4,778
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	22,168	4,778	4,778	4,778
FTEs	18	18	18	18

Recommendation:

The Governor recommends $22.168 million general fund budget increase in FY18 and a $4.778 million increase each fiscal year thereafter to boost cybersecurity defenses. One-time funding will enable MN.IT to consolidate its data center footprint and build more robust, sustainable security into standard technology services. The ongoing portion of this initiative will allow MN.IT to hire more staff with specialized cybersecurity skills to perform monitoring, remediation, forensics and disaster recovery work. This request will also fund deployment of sophisticated software to combat increasingly complex hacker attacks and procure services for continuous security monitoring, penetration tests, and independent security audits.

Rationale/Background:

Entities in both the public and private sector face unprecedented cybersecurity challenges. Every day, attackers use increasingly sophisticated techniques to test the defenses of the State of Minnesota and other entities. The most recent Verizon Data Breach Investigation Report paints a very telling picture: cyber threats today are more numerous, more targeted, and more sophisticated. When hackers launch attacks, unmitigated vulnerabilities frequently lead to system compromises within minutes. And once breached, cascading compromises almost always occur within 24 hours. Organizations that are not advancing their cybersecurity programs are quickly losing ground to well-funded and highly skilled adversaries.

Recent reports by Deloitte Consulting and NASCIO concluded that most state government entities have not made appropriate cyber security investments, and therefore may not be up to the challenge. Government entities are now seeing an increase in embarrassing data breaches that erode citizens' confidence and cost significant dollars. A 2012 breach at the South Carolina Department of Revenue led to the loss of social security numbers and financial data for 3.8 million taxpayers and 1.9 million dependents (more than three-quarters of the state population). The breach has already cost South Carolina over $25 million, with lawsuits continuing to unfold.

Minnesota state agency IT operations grew over time, with each agency managing its own data center operations and hosting environments. MN.IT Services inherited this distributed technology footprint, and the daunting challenge of securing an extremely vast attack surface with inconsistent controls, competing technologies and limited resources. This initiative will move the State forward by creating highly-secure hosting services that can be leveraged by all agencies, with a goal of being both better and more cost effective. This initiative also includes funding to acquire specialized security tools and migrate state agencies to secure datacenters.

Minnesota spends about 2% of its IT budget on cybersecurity, as opposed to 5% or more in the private sector and federal government civilian agencies. This initiative will help MN.IT improve its cybersecurity services and keep pace with advancing threats by increasing the percentage of the IT budget spent on cybersecurity to approximately 3% in FY18 and beyond.

Proposal:

The Governor proposes to leverage this increased general fund support to mitigate the risk of a successful cyber-attack through the following investments and activities:

Reduce the Attack Surface

- Consolidate the foundational elements of state agency IT operations (data centers, hosting environments) into a reduced "enterprise-level" footprint, reducing the risk portfolio and complexity of operations while achieving ROI on space and energy costs
- Integrate physical security, monitoring tools, and vulnerability management solutions into the enterprise environment

Reinforce and Equip the State's Cyber-Security Team

- Develop System Security Plans for new systems under development
- Conduct ongoing security risk assessments of existing agency business systems
- Expand security awareness training for the state workforce
- Improve access management capabilities, including expanded oversight of people with powerful system administrator accounts
- Expand use of multifactor authentication
- Use independent assessors to confirm the adequacy of security controls
- Secure appropriate cyber insurance coverage for the Executive Branch
- Invest in and deploy advanced cybersecurity tools to detect security anomalies faster and mitigate the risk of distributed denial of service attacks
- Improve situational awareness and response times through around the clock monitoring
- Develop and perform ongoing tests of disaster recovery strategies

This request enables the acceleration of existing data center consolidation efforts, upgrades the State's existing cybersecurity toolset, and adds 18 security professionals to the State's enterprise cybersecurity team. The request would also fund the procurement of professional/technical services in the areas of monitoring, vulnerability management, incident response/forensics, risk and compliance, identity management, and state employee security training.

IT Related Proposals:

This request is for ongoing information technology staff support, as well as tools and services including infrastructure, hardware, software and training.

Results:

Type of Measure	*Name of Measure*	*Current*	*Target*
Quantity	Number of state data centers	28	6
Quality	Average vulnerability score for government computers	N/A	N/A

Change Item Title: Application Accessibility Assessment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	500	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	500	0	0	0
FTEs	0	0	0	0

Recommendation:
The Governor recommends $500,000 in FY 2018 from the General Fund to fund an external assessment of state agency technology applications to determine their level of accessibility when used by individuals with disabilities, as well as to fund the development of remediation plans for major IT systems. This work is not currently budgeted.

Rationale/Background:
In 1998, Congress amended the Rehabilitation Act of 1973 to require federal agencies to make their electronic and information technology accessible to people with disabilities. Minnesota Statutes 16E.03, Subd. 9, requires the State's Chief Information Officer to develop accessibility standards applicable to technology, software and hardware procurement, incorporate section 508 of the Rehabilitation Act and Web Content Accessibility Guidelines 2.0 ("WCAG") into those standards, and require state agencies to adhere to those standards unless an exception is approved. A refresh of Section 508 is expected to take effect in July of 2017 that will incorporate WCAG 2.0, Level AA into Section 508, further aligning state and federal standards.

When Minnesota's 2011 IT consolidation law went into effect, MN.IT Services inherited support of a host of executive branch technology applications that were purchased, customized and/or developed with varying levels of accessibility for users with disabilities. Insufficient levels of accessibility create significant challenges for citizens and state employees with disabilities, who must regularly use executive branch technology applications to utilize government services or perform their work.

While relatively new technology applications are generally more accessible, older applications will require significant levels of investment in order to achieve compliance with technology accessibility standards through upgrade or replacement.

Proposal:
The Governor proposes $500,000 to fund an external accessibility assessment of state agency technology applications and the development of remediation plans for major systems. Through such an assessment, future application upgrade or replacement can be prioritized based on relative levels of accessibility and the scope of the application's use by citizens and state employees. An assessment will also help to inform state agency business leaders on options for remediation of systems that are used by a significant number of citizens or state employees. This assessment would be the first standardized, statewide assessment of application accessibility and would be led by MN.IT's Chief Information Accessibility Officer, in partnership with all Minnesota state agencies. An RFP would be issued in the fall of 2017 and assessment work would be targeted to begin in early 2018.

Equity and Inclusion:
This proposal positively impacts individuals with disabilities by enabling the State to prioritize the upgrade or replacement of applications that are lacking in terms of accessibility, ultimately allowing individuals with disabilities to equally access state government services and state government employment opportunities.

IT Related Proposals:

This request includes funds for information technology professional/technical services but does not include IT project or development funds.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of applications assessed	N/A	N/A	
Quality	Percent of applications deemed sufficiently accessible	N/A	N/A	

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Cash Flow Assistance

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	(110,000)	0	(110,000)	0
Revenues	110,000	0	110,000	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

MNIT requests authorization of cash flow assistance of up to $110 million for the 2018-2019 biennium and repayment with interest by the end of the fiscal year 2019 closing period.

Rationale/Background:

Cash Flow Assistance: Minnesota Management and Budget (MMB) is authorized by Minnesota Statute 16A.129 to provide cash flow assistance to agencies within a budget period. In 2013, MMB was specifically authorized to provide cash flow assistance to MNIT of up to $110 million across fiscal years, within the biennium. (See Laws of 2013, Chapter 142, Article 1, Section 10.)

The assistance was authorized to address working capital needs due to a lengthy cash conversion cycle: the time between MNIT incurring expenses on behalf of agencies (such as procurement and payroll expenses) and receipt of agency payments for those expenses. MN.IT has learned over the past several years that the volume of purchases processed on behalf of larger agencies places significant pressure on the cash flow conversion cycle. The current cash conversion cycle ranges between 60-90 days.

MN.IT is requesting the same cash flow assistance for the 2018-2019 biennium. There is no net cost impact to the general fund since this is a cash assistance that will be repaid with interest.

Proposal:

The proposed cash flow assistance of up to $110 million for the next biennium has been requested in prior years. While this proposal relates to fiscal policy, it does not require any new appropriations. All funds will be returned to MMB on the approved date with interest. This proposal is needed to support MNIT as the sole IT procurement entity for executive branch agencies.

Equity and Inclusion:

The request for cash flow assistance and the amended timelines do not impact equity and inclusion.

IT Related Proposals:

There are no project costs or funding recommendations associated with this proposal.

Statutory Change(s):

The proposal does not require statutory changes.

MN.IT Services

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	96	154	154	154
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	96	154	154	154
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $96,000 in FY2018 and $154,000 each year following to maintain the current level of service delivery at Minnesota IT Services (MN.IT).

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

MN.IT receives a very small fraction of its overall funding from the General Fund. However, services financed with General Fund appropriations, such as computer forensics, provide broad benefits to cities, counties, and other government entities that are outside MN.IT's executive branch customer base. As personnel and software costs rise, it has become increasingly difficult for MN.IT to provide the same level of service with a fixed General Fund appropriation. A base funding adjustment will help MN.IT continue important work, such as computer forensic assistance to other government entities in times of crisis.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For MN.IT this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	714	847	847	847
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	714	847	847	847
FTEs	7.34	7.67	7.67	7.67

Recommendation:

The Governor recommends additional funding of $714 thousand in FY2018 and $847 thousand in each subsequent year to maintain the current level of service delivery at the Department of Administration.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year – or decrease, as is the case at Admin where today's general fund budget is lower than in 2010.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Admin already maintains a number of vacant staff positions throughout the agency in order to make ends meet, yielding service levels lower than might be expected under state law.

For Admin, an erosion of services includes:

- Less oversight over state contracts, including contracts entered into across the enterprise through delegated authority.
- Less staff resource available to negotiate contract savings.
- Less construction project oversight resulting in higher consulting costs for capital improvement projects, and/or greater risks that state funded projects do not reflect the owners' infrastructure needs once completed.
- Failure to provide statutorily required level of oversight of enterprise real property.
- Potential for diminished oversight and support across a wide range of functions, including grants management, data practices, demographic services, continuous improvement, financial management, human resources, and other functions.

Centralized services for key administrative functions is an industry best practice as it brings greater efficiency, transparency, and consistency to customers and business partners. When funded properly, Admin's business units serve state agencies by reducing redundancies; negotiating significant cost savings on purchasing, leasing, and construction; and making business opportunities with the State more open to minority, woman, and veteran-owned businesses.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For Admin, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs, as well as known cost increases in rent and IT services.

Results:

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

Statutory Change(s):

None required

Change Item Title: Enterprise eProcurement System

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	10,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10,000	0	0	0
FTEs	**8**	**0**	**0**	**0**

Recommendation:

The Governor recommends $10 million in FY2018 to begin funding the implementation and maintenance of an enterprise eProcurement system to:

- Modernize procurement and help government agencies simplify purchasing processes
- Improve solicitation of proposals and vendor selection
- Drive purchasing savings with improved data analytics and a reduction in purchasing delays due to the lack of automation
- Promote equity in the state's procurement system and ensure fair and robust competition

Rationale/Background:

Though technological advances have changed much of the way the State works, the technology supporting procurement procedures and processes have not kept up with State needs. As a result, the State lacks sufficient data on what is being purchased, how much, by whom, and from whom -- without expending extensive effort and staff time on manual computations. Likewise, the productivity of purchasing staff across all state agencies is hindered as they are often following paper-based procedures that do not meet the standards of today. Finally, the State is placing a strong emphasis on leveraging our annual spend of approximately $2.9 billion to support minority-, women-, and veteran-owned businesses across the state, thereby bolstering economic growth – but our current technology is limited in helping achieve, track, or report on this goal.

States across the nation are in a similar position, and many are turning to eProcurement solutions to fill data deficiencies, improve productivity, and meet the needs of today's workforce. These eProcurement systems present streamlined certification of targeted-group businesses, re-certification of vendors, deep-level intelligence on available vendors and their specific capabilities, and ultimately allow states to understand how best to leverage the data to negotiate lower prices and deliver better value to taxpayers. In addition, eProcurement is widely accepted as imperative in private sector purchasing.

State agencies have been reaching out to Admin to find an enterprise solution. As time has passed, agencies have begun creating a makeshift patchwork of approaches to this gap. If state agencies stand up their own systems, producing a fragmented and disparate approach to the problem, the enterprise will encounter inconsistent data and implementation of the State's standard policies and procedures.

A new eProcurement system and procedural framework are needed to reform the way the State buys goods and services, and provide actionable and consistent data across the enterprise.

Proposal:

This proposal will allow Admin to capitalize on the work currently being conducted under its eProcurement Assessment, funded in the 2016 legislative session, to determine the best path forward to develop a modern eProcurement system that can provide quick value, ease of use, simplicity of process, in-depth control, and better contract management.

Specifically, this proposal would fund the following eProcurement functionalities:

PHASE ONE (YEARS 1-2):

- Business process improvement, alignment with existing systems, issuance of solicitation
- Enhanced vendor registration and communication (Vendor Enablement)
- Sourcing functionality for use by central procurement and power user agencies (automated creation of RFP's, RFB's, and RFI's)
- Initial deployment of a Catalog Marketplace (Amazon-like shopping experience) to pilot catalogs
- Initial deployment of a Contract Management module to modernize workflow and order solicitation. Limited spend analysis tools and transparency portal
- Initial integration with existing systems

PHASE TWO (ONGOING):

- Rollout of Sourcing module to all agencies
- Expanded Catalog Marketplace (Amazon-like shopping experience) for use by agencies
- Contract management and improved ability to track spend, obligations, and timelines including vendor performance
- Robust spend analysis for tracking, planning, and encouraging spending that is both environmentally friendly and works to mitigate disparities in State spending through the Targeted Group Business Programs. Procure-to-Pay functionality (meaning end-to end automation), including demonstration of need, review, sourcing, receipt, approval, payment, and verification
- Full rollout of complete functionality to agencies and integration with existing systems

Equity and Inclusion:

Funding a modern eProcurement system will allow Admin to make significant enhancements to the eProcurement process for agencies and vendors. In addition, it will bring improved data collection related to the State's Targeted Group, Economically Disadvantaged, and Veteran Owned Business programs. The system will allow an increase in the visibility to diverse suppliers and allow Admin to generate accurate, meaningful reports on diverse spend. The improved data collection will permit Admin to leverage the information to increase supplier diversity.

IT Related Proposals:

Future funding will be required to support ongoing software licensure and support, training, and change management.

Results:

As the State lacks a modern eProcurement system, ready data is not available. However, with this tool the following performance measures will be tracked.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Reduced delays in state purchasing and improved data analytics that drive purchasing savings			
Quality	Promote equity in the state's procurement system and ensure fair and robust competition			

Statutory Change(s):

None needed

Change Item Title: Census 2020

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	190	190	190	190
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	190	190	190	190
FTEs	**1.5**	**1.5**	**1.5**	**1.5**

Recommendation:

The Governor recommends $190 thousand in FY2018, and each year through FY2021, to fund the State Demographic Center's participation in the federal 2020 Census and to meet reporting requirements for the annual American Community Survey (ACS) that is ongoing.

Rationale/Background:

The 2020 Census will determine whether Minnesota retains eight Congressional Seats, as well as provide the population data that will be used to allocate billions of federal grant funds annually over the subsequent decade. As the designated State partner for the federal Census, the State Demographic Center (SDC) is expected to assist with completion of the Census and answer questions related to demographic trends for state agencies and others, including fielding questions related to equity goals and proposals.

The 2020 Census process began earlier this year and will continue through 2021. The SDC assists the Census Bureau with identifying Minnesota specific data sources, verifying the accuracy of geo-coding, and providing other technical assistance essential to achieving the most complete and accurate Census possible. While the SDC will support communications related to completion of the decennial census, and the Census Bureau's ongoing American Community Survey (ACS), the data expertise that SDC provides is different from that of non-profits and community-based organizing efforts supporting the Census.

Full participation in the 2020 Census is important to Minnesota's future, as population counts are used to allocate public resources from the federal government to the states, and complete and accurate population counts also guide private investment in the state and inform diversity and inclusion efforts in the public, private, and non-profit sectors. Ensuring the maximum number of citizens are counted will improve Minnesota's ability retain eight congressional seats.

Over the last two years, the Demographer has experienced a steep increase in the demand for data, technical assistance, and information requests related to the ACS. The SDC is not currently staffed at a level that allows them to respond fully to important requests for analysis and dissemination of data while continuing to meet existing statutory obligations and requests are currently being served as time is available. For example, the office had to decline more than 50 requests for presentations in 2016 as well as participation in multiple interagency working groups due to capacity. Without additional capacity to meet the Census demands, the SDC's ability to respond to information requests will continue to diminish.

Proposal:

This proposal funds 1.5 FTEs for Admin's "ramp up" related to Minnesota-specific census outreach and technical work that will be required by the Census Bureau for FY2018-2021 and to support the analysis and dissemination of data for public consumption with relation to the ACS.

When implemented, this proposal will allow the SDC to meet its obligations to the 2020 Census and assist the public with understanding demographic data.

Equity and Inclusion:

Minnesota, like all states, is experiencing significant and permanent shifts in its demographic characteristics. As many recent policy discussions have highlighted, equity gaps in household income, health conditions, and other disparities persist. While this request is designed primarily to support completion of the decennial census and ongoing support for the ACS, it is clear that such data, and the SDC's expertise and analytical services play a crucial role in understanding disparities, helping shape policy solutions, and measuring progress toward meeting equity goals.

Additional funding resources would be needed to ensure SDC has the staff capacity to be fully responsive to know demands for assistance from stakeholders and the public.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Minnesota maintains or exceeds 2010 Census participation rate	81%	81% (2nd highest in nation)	2000 / 2010

Statutory Change(s):

None needed

Change Item Title: In Lieu of Rent

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	1,216	1,233	1,233	1,233
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,216	1,233	1,233	1,233
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor requests $1.216 million in FY2018 and $1.233 million each year thereafter to the agency's Fiscal Agent general fund appropriation for In Lieu of Rent (ILR). ILR is used to fund space costs of the legislature, veterans' organizations, ceremonial space, the capitol grounds, and statutorily free space.

Rationale/Background:

The ILR appropriation is essential to the proper stewardship and operation of buildings that are integral to the State's democratic process as well as offices that provide support and advocacy on behalf of Minnesota's veterans, and vocational opportunities for the blind. ILR funds rent, maintenance, and operations in areas that are either ceremonial or where occupants do not directly pay rent.

Each year, just as with agency operating budgets, the cost of maintaining buildings rises. Staffing costs, including employer-paid health care contributions, pension contributions, FICA and Medicare, and other salary and compensation costs increase. Other operating costs like fuel, utility, and IT costs to maintain automated heating and cooling systems grow. Without a corresponding increase in ILR funding, which has been relatively flat since 2003, Admin will not be able to provide the staffing and maintenance necessary to care for many of the State's most valuable real property assets, including the state's recent investment in the restoration of the State Capitol.

Minnesota's $310 million Capitol restoration project is nearing completion and re-opened to the public and government operations. In many areas, the restored Capitol's space functionality has transitioned from office space to ceremonial and public spaces. With significantly more space dedicated to public use, building usage throughout the year is expected to increase. Such a change in space usage is a great benefit, but necessitates additional resources such as increased operating time for building utility systems, more custodial staff, reservations capability, and insurance.

Among the increased expenses supported by this proposal, funding is specifically needed to operate the following new costs associated with the Capitol:

- The restored Capitol will be served by more modern and robust mechanical systems that will need to be maintained.
- Roughly $300 thousand each year to reset Capitol labor staffing to pre-restoration levels to ensure consistent and proper maintenance of the building;
- $175 thousand per year additional funding is needed to perform recommended inspections and related preventative maintenance in accordance with the restored Capitol's maintenance protocol.
- The amount of space covered by the ILR appropriation is increasing by 30,121 square feet.

Proposal:

This proposal will provide funding for the known costs of operating and maintaining spaces utilized by veteran services organizations, the Legislative Branch, Services for the Blind, and the public in interacting with their government. ILR is the only available source of funding for maintenance and operation of these facilities throughout the Capitol Complex.

Equity and Inclusion:

The state has made a conscious decision not to charge for space occupied by veterans' service organizations and State Services for the Blind. These groups require access to state government without having to worry about costs. Failure to fully fund this item may result in a reduction of available space or the level of maintenance of this space for legislatively directed entities.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Veterans Service Organizations feel that they can adequately meet their mission of serving veterans from state provided space	N/A	Baseline to be established as Veterans Services Building space is realigned.	Annually beginning at FY2017 Year End.
Quality	New Capitol public space is able to be reserved and prepared for use as demand dictates	N/A	Baseline to be established by new online reservation system.	Annually beginning at FY2017 Year End.

Statutory Change(s):

None needed

Capitol Area Architectural and Planning Board

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	3	6	6	6
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3	6	6	6
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $9,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Capitol Area Architectural and Planning Board.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Capitol Area Architectural and Planning Board this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Change Item Title: Enterprise Systems Security and Risk Management

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	13,927	4,277	4,277	4,277
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	13,927	4,277	4,277	4,277
FTEs	20	20	20	20

Recommendation:

The Governor recommends a general fund increase of $18,204 in the FY2018-2019 biennium to increase security, support disaster planning and recovery, and ensure optimal operation of the IT systems that support enterprise operations. This includes software, hardware, the people to implement the software, and the people to train thousands of system users across the enterprise. The request also includes one-time funding to put in place disaster recovery for these critical systems.

Rationale/Background:

MMB's enterprise systems, including payroll processing, accounting, and human resource management are critical to providing services required of state government. The state has invested millions of dollars purchasing and implementing these systems. These systems require regular maintenance and upgrades. Without system maintenance, the state risks security and data breaches, and more costly system replacement projects in the future. A poorly performing or broken system also reduces MMB's ability to perform its duties that rely on the wealth of data and information stored within these systems.

In addition to regular maintenance of MMB's systems, the agency must also focus on disaster-preparedness. The agency currently has limited ability to recover its systems to the extent necessary for critical operations. The agency needs data recovery plans and capabilities for its enterprise systems. Many of MMB's services (such as payroll, personnel, and financial) are priority services and must be maintained or quickly resumed after an incident.

Proposal:

The Governor recommends ongoing funding to support MMB's systems, improve accessibility, reduce the risk of security and data breaches, and ensure its ability to bring critical systems up in the event of a disaster. For the FY2018-2019 biennium this includes:

- $8 million to complete the upgrade to SWIFT, the state's online financial, procurement, and reporting system to a newer version that is supported by the software company to avoid higher ongoing maintenance costs, receive accessibility updates, and address software bugs.
- $3.3 million to purchase replacement hardware of specialized design (Oracle Exadata) that provide the necessary capacity to efficiently work with large volumes of data at one time to help make our statewide systems like Statewide Accounting/Procurement and HR/Payroll systems perform at an acceptable level.
- $750,000 to purchase data-stage software to support enterprise reporting by efficiently moving large amounts of data from the source systems to the data warehouse.
- $2.1 million for ongoing software upgrades to keep systems current, reducing risk and future upgrade costs.
- $3.8 million for 20 new FTE to support enterprise systems and conduct regular system repair, maintenance, upgrades, and testing, to provide regular training and materials for more than 8,000 users, to develop and implement a sustainable disaster recovery process and infrastructure, and to support enterprise Continuity of Operations planning and communication.

The funding increase will allow MMB to complete the following projects by:

- SWIFT upgrade complete in FY 2018
- Exadata upgrade complete in FY 2018
- Data Stage implementation complete in FY 2019
- Disaster recovery process and infrastructure complete in FY 2019

IT Related Proposals:

MMB anticipates the ongoing biennial IT costs to be $8 million for system upgrades, software, hardware, and the personnel to complete the work and train system users.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	# of security incidents per quarter	1	1	FYQ3, Q4
Quality	# of unscheduled system interruptions	8	7	FYQ3, Q4

Minnesota Management and Budget
FY18-19 Biennial Budget Change Item

Change Item Title: Address Operating Budget Pressures

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	737	1,361	1,361	1,361
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	737	1,361	1,361	1,361
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $2.098 million for the FY2018-2019 biennium to maintain the current level of service delivery at Minnesota Management and Budget (MMB).

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For MMB, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, severance cost increases as we experience escalating retirements within our staff, and increases in lease costs.

If an operational increase is not provided, the services MMB delivers to Minnesotans will be impacted. Some examples of potential impacts include:

- The state would be subject to an increased risk of financial penalty due to a compromised ability to comply with federal tax and securities laws in regards to the state's debt portfolio and to instruct and guide local units of government and state agencies on the proper use of bond proceeds.
- We would have reduced capacity for timely resolution of issues raised by capital projects funded by the legislature, as well as timely issuance of approvals required by statute, which would result in a slowdown in construction of those projects.
- Release of budgetary-related information such as fund statements and forecast-related documents that are posted to the web would likely be delayed. We may miss statutory deadlines for the release of this information.
- The integrity of our state's financial management practices would be jeopardized. Our ability to monitor and reconcile financial and payroll transactions would be diminished. Inaccurate information reported to the IRS could subject the state to fines and penalties. We also risk overdraft fees if bank accounts are not adequately monitored. Our timeliness in responding to vendor and agency staff inquiries would be greatly reduced. We would also risk not meeting reporting deadlines.

- Diminished capacity to: (1) effectively support agencies in human resources management and oversight, (2) impact positive outcomes of arbitration and veteran's preference hearings, and (3) coach, train, and interpret policies and bargaining agreements with human resources professionals.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For MMB, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs. An increase in MMB's operating funds would be distributed to the general fund supported activities across MMB, addressing the following operating cost areas:

- MMB compensation costs are expected to rise by $1.3 million in the FY18-19 biennium.
- Lease costs are expected to increase by 3% adding an additional cost of $66,000 to MMB's operating budget.

Results:

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

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Enterprise Compliance and Risk Management

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	860	866	866	866
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	860	866	866	866
FTEs	8.75	8.75	8.75	8.75

Recommendation:

The Governor recommends ongoing funding from the general fund for Minnesota Management and Budget (MMB) to regulate compliance measures and mitigate risk in the management of complex enterprise services. The recommendation includes $860,000 in fiscal year 2018, and $866,000 in fiscal year 2019 and beyond.

Rationale/Background:

A substantial portion of MMB's work is ensuring compliance and reducing or eliminating risk across the enterprise. Due to reductions in available operating funds, additional responsibility, or changes in federal or state law, MMB needs additional resources to address current challenges in this arena. This includes:

- The Economic Analysis Unit forecasts state tax revenues in November and February each year. The November Budget & Economic Forecast is the starting point for the state budget and the basis for the Governor's budget. The legislature and the Governor use the February Budget & Economic Forecast to set the budget and ensure that enacted budgets remain on track and in balance. Consequently, budget stability directly depends on revenue forecast accuracy. As revenue sources become more volatile, it is more difficult to produce an accurate revenue forecast. Over the last two decades, the volatility of Minnesota's income tax revenue—the source of half of Minnesota's general fund—has nearly tripled. Without additional resources MMB risks inaccurate forecasts.
- In December 2016, the federal law controlling work hours and overtime (the Fair Labor Standards Act, FLSA) changed. As a result, MMB must review and adjust job classifications and pay ranges on behalf of the enterprise. Hundreds of job classes spanning dozens of pay ranges may be impacted by these changes.
- The Statewide Payroll Services section oversees the payroll processing for approximately 55,000 state employees. Budget reductions in the past 10 years have reduced staffing levels by 14%. These reductions have impacted the section's ability to address ongoing demands to ensure the accuracy and timeliness of the state's payroll processes.
- The Debt Management Division issues debt to support authorized capital projects and programs, and refinances debt when appropriate. This includes complying with Internal Revenue Service (IRS) and Securities and Exchange Commission (SEC) rules and regulations, and state laws. In recent years, the IRS and SEC have increased scrutiny of state and municipal debt issuers, requiring more work of the Debt Management Division including: maintaining robust post-issuance compliance policies and practices, observing arbitrage restrictions, tracking the expenditure of bond proceeds and use of bond financed property, implementing disclosure policies and procedures, more detailed disclosing of state financial and operating data in connection with a bond sale, and ongoing financial and operating data disclosure after bonds sell. Additionally, the legislature has funded more complex projects that raise federal tax issues authorized new types of debt financings. The Debt Management Division spends significant time reacting to these issues, which impacts MMB's ability to proactively manage the various regulatory requirements. These dynamics have increased the risk that the state could face financial penalties or be subject to enforcement actions.
- Despite various laws and executive orders regarding accessibility, there is no centralized office to ensure all state agencies comply with laws and requirements, or provide direction and guidance to the enterprise. The accessibility of

documents, websites, meetings, and facilities varies among agencies, as does the existence of policies, training, communication, and resources. This creates inefficiencies and ultimately different experiences for both employees and those interacting with state government.

Proposal:

1.25 FTE addition to the Economic Analysis Unit. 1 FTE would create a third staff economist to provide back-up to the sole staffer who forecasts the income tax. The new economist will also gradually take over the sales tax forecast. This will free the senior economist to adapt income tax forecast models to the new, more volatile environment, thus improving income tax forecast accuracy and reducing forecast error. In addition, the new economist will help the unit respond to legislative requests for information about uncertainty and risks in our economic and revenue forecasts. The unit would also add a summer intern (.25 FTE) to conduct analyses to improve the accuracy of the forecasting models.

2 FTE addition to the Enterprise Human Capital Division dedicated to enterprise FLSA / classification work, including: auditing 1800 job classes and positions within those job classifications; interviewing and meeting with managers/supervisors and their staff; reviewing and rewriting class specifications; updating payroll and human resource systems to create a new category of "exempt by duties but not by salary" and monitoring changes every workweek / pay period; creating a system for monitoring employees with multiple appointments and part-time work that may or may not fall under the restrictions of the new law; and communicating/implementing these changes within the agencies.

1.5 FTE addition to the Statewide Payroll Services Section to assist with strategic activities and provide back up to critical functions, such as employer tax reporting which is currently done by one individual. The additional staff would lead projects to enhance internal controls, strengthen compliance, conduct risk assessments, and improve processes in payroll related functions such as employee timesheet entry, system security, worker classification, and salary projections. Other projects include updating policies and procedures, business continuity plans, and payroll training materials. Staff would also work on the redesign and development of reports needed to support payroll operations for an upgraded payroll system.

1 FTE addition to the Debt Management Division to assist with regulatory compliance measures related to the use of bond proceeds and bond financed property. Currently, the Debt Management Division has only one FTE that tracks state bond financed property, including private use and change in use, approves legal documents so that funded projects can get underway, conducts trainings, and evaluates projects for bond eligibility. Adding an additional staff member will allow the division to better allocate resources to address the following needs: (1) greater ability to issue required approvals of legal documents in a timely manner; (2) additional capacity to conduct legal reviews of proposed projects; (3) increased training capacity to educate key stakeholders, including state agencies and legislative staff; (4) increased audit capacity to monitor whether funded projects are following rules; and (5) potential to develop formal systems for tracking use and location of state bond financed property.

3 FTE addition in a new office of accessibility. One director position to coordinate, develop strategy, and provide direction to the enterprise around all facets of accessibility, from compliance to creating an inclusive and accessible environment for employees, customers, and general public. Two coordinator positions will support the work by creating materials, training, communications, and other assistance.

Results:

Forecast Accuracy:

	Long-term average (FY90-91 to FY14-15)	Recent average (FY10-11 to FY14-15)	Trend in accuracy
1st February forecast (+29 months from actual)	5.4%	4.0%	Improved
2nd February forecast (+17 months from actual)	3.1%	2.7%	Improved
3rd February forecast (+5 months from actual)	0.7%	1.3%	Worse

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	The state's general obligation bond ratings as of July 2014 compared to July 2016. In 2015, Standard & Poor's upgraded the state's economic outlook from stable to positive. In 2016, Fitch upgraded the state's rating from AA+ to AAA. • Moody's • Standard & Poor's • Fitch	 Aa1 (stable) AA+ (stable) AA+ (stable)	 Aa1 (stable) AA+ (positive) AAA (stable)	 July 2014, August 2016
Results	Capital Investment Guidelines • Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) • Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) • General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years)	 2.97% 4.25% 40.5%/70.9%	 2.91% 3.95% 40.3%/71.2%	 February 2014, February 2016 June 30, 2014, June 30, 2016
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 (0.11%)	The state's interest rates were less than the index (0.09%) [1]	August 2014, August 2016

[1] In light of the 2016 rating upgrade to AAA from Fitch, a comparison of the interest rates from year 1 to 10 of the state's 2016 general obligation bonds to a municipal bond index for AAA-rated bonds would show the state's interest rates were 0.04% higher than the AAA index.

Minnesota Management and Budget
FY18-19 Biennial Budget Change Item

Change Item Title: Talent Management System

Fiscal Impact ($70s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	15,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	15,000	0	0	0
FTEs	**3**	**0**	**0**	**0**

Recommendation:

The Governor recommends a one-time $15 million appropriation from the general fund to support his goals of integrating statewide values including equity, diversity, and inclusion into a new talent management system that provides 24/7 access to performance feedback and development planning designed to help every employee achieve their full potential.

Rationale/Background:

The talent management system will improve processes for developing and retaining people with the required skills and aptitude to meet current and future needs of the State. This online system will empower State employees to take a more active role in defining goals to measure their performance and development. Whereas traditional human resource systems focus primarily on transaction processing and the administration of basic human resources processes such as personnel administration, payroll, and time management, a talent management system focuses on providing strategic assistance to organizations in the accomplishment of long-term statewide goals with respect to human capital. Most large employers have an online talent management system whereas the State uses manual paper-based processes housed within each agency.

The talent management system is a web-based technology provided by software vendors that allows employees and managers to complete goal setting, performance appraisals, and career development plans online instead of manually on paper. Employees and managers access online forms to record, update, and maintain employee performance and development information. The talent management system is a tool for both managers and employees that will allow on demand access to employee goals, performance appraisal history, and career development plans and activities.

The State of Minnesota's current approach to talent management and development differs by agency and is not as efficient as possible. According to a 2016 survey by the Center for State & Local Government Excellence, the top public sector talent issues are recruiting qualified talent, talent succession planning, and staff development.

The State of Minnesota, like all other employers, faces a tightening labor market over the next two decades due to retirements and fewer people entering the labor force. It will become increasingly difficult to attract the talent needed to maintain the services that Minnesotans depend on. Last year, the state lost 16,000 years of employee experience through retirements alone. Turnover rates among younger state employees are also rising. Employee turnover costs include vacation and sick payout, employee separation administration, recruiter and supervisor interviewing, training costs, as well as productivity losses while position is open and during new employee learning curve.

Proposal:

To better develop, and retain the talent the state needs, the Governor recommends building capacity to manage talent performance feedback and career development.

- Create enterprise talent processes that integrate statewide values including equity, diversity, and inclusion into goal setting, performance feedback, and career development.

- Deliver consistent training based on common values and priorities that is available to all. Includes new or improved online compliance and diversity training for all. This will help reduce risk by ensuring employees understand laws, policies, and regulations.

Results:

The future performance measures of ETD will include:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	% of development goals achieved	N/A	N/A	
Quantity	% of business goals achieved	N/A	N/A	
Quality	Employee feedback on training	N/A	N/A	
Quality	Employee promotion readiness	N/A	N/A	
Quantity	% of employees with 3+ goals	N/A	N/A	
Quantity	% of employees with completed performance evaluation	N/A	N/A	
Quantity	% of employees who complete compliance/diversity training	N/A	N/A	

Minnesota Management and Budget

FY18-19 Biennial Budget Change Item

Change Item Title: Former Legislators' Enrollment Rights in SEGIP

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	(158)	(168)	(178)	(190)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(158)	(168)	(178)	(190)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends amending M.S. 43A.27 to align the eligibility of former legislators to participate in the State Employee Group Insurance Program (SEGIP) with eligibility provided to retired judges. The proposal would result in a reduction in expenditures from the State Employee Insurance Fund in the FY2018-2019 biennium by $326,000.

Rationale/Background:

Retired judges have a one-time opportunity to enroll in the State Employee Group Insurance Program upon retirement. Currently, former legislators may enroll in the program at any point and for any length of time, and may dis-enroll and return to the program later. This proposal brings the eligibility rights of former legislators into line with those of retired judges.

The ability to enroll and dis-enroll in health insurance coverage at any time creates the possibility of enrolling for one month each year and receiving annual medical and dental services, or only enrolling upon a major medical event. This results in shifting of the costs of health care for former legislators to other state employees.

Proposal:

The Governor recommends amending M.S. 43A.27 so that a former legislator has the same enrollment rights in the State Employee Group Insurance Program as a retired judge. There is no impact on active legislators; this proposal only affects former legislators. This request is anticipated to save the program $326,000 in the FY2018-2019 biennium.

The proposed effective date is July 1, 2017 and will require changes to existing documentation and notice to vendors and affected parties.

Results:

This change is a technical change to an existing program. There is no measurement specific to this technical aspect of the program.

Statutory Change(s):

M.S. 43A.27

Minnesota Management and Budget
FY18-19 Biennial Budget Change Item

Change Item Title: Flexible Offering of a High Deductible Health Plan

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	(121)	(251)	(266)	(283)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(121)	(251)	(266)	(283)
FTEs	0	0	0	0

Recommendation:
The Governor recommends amending M.S.43A.23 subdivision 1(d) so that the commissioner of Minnesota Management and Budget (MMB) has the option, and not the requirement, to offer a health plan compatible with the definition of a high-deductible health plan in section 223 of the United States Internal Revenue Code. This amendment would result in a reduction in expenditures from the State Employee Insurance Fund of $372,000 for the FY2018-2019 biennium.

Rationale/Background:
M.S.43A.23 subdivision 1(d) requires MMB's commissioner to offer a health plan compatible with the definition of a high-deductible health plan (HDHP) in section 223 of the United States Internal Revenue Code to employees covered by the commissioner's plan (43A.18 subdivision 2) and the managerial plan (43A.18 subdivision 3).

The HDHP is offered to the approximately 5,120 employees covered by either the commissioner's or managerial employment plans. However, only approximately 110 employees in any year have elected the HDHP. Despite efforts to make the HDHP more attractive, the program has not gained traction among eligible employees and the participation rate remains at approximately two percent.

The low participation rate makes the administration of the HDHP costly. The administration of the HDHP is anticipated to total approximately $501,000 for the 2018 and 2019 plan years. It costs approximately 40 times as much per participant to administer the HDHP as it does the regular state employee health plan. This high cost is despite aligning the administration of the HDHP with the regular health plan.

Proposal:
The Governor recommends amending M.S. 43A.23 so that the MMB commissioner has the option to provide a HDHP for employees in the commissioner's and managerial employment plans.

This proposal will take effect on August 1, 2017. This will allow sufficient time for currently enrolled members to be notified of the change and be prepared to enroll in the regular Minnesota Advantage Program during the upcoming Open Enrollment for calendar year 2018.

Results:
This change is a technical change to an existing program. There is no measurement specific to this technical aspect of the program.

Minnesota Department of Revenue

FY18-19 Biennial Budget Change Item

Change Item Title: Effective and Efficient Tax Service

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	10,191	15,472	15,472	15,472
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10,191	15,472	15,472	15,472
FTEs	**92.8**	**141.4**	**141.4**	**141.4**

Recommendation:

The Governor recommends funding to provide effective and efficient service to Minnesota taxpayers. DOR administers the tax code for the state, and is responsible for maintaining a fair, equitable, and transparent revenue system. Each year, the department collects over $21 billion in state tax, processes 2.9 million individual income tax returns, issues over 800,000 property tax refunds, and helps 160,000 businesses collect sales tax. Each of these metrics continues to grow each year as the population of Minnesota grows and the economy becomes more diversified.

DOR serves a broad base of customers, from start-ups in garages to Fortune 100 companies, from property tax administrators to first-time income tax filers. Each of DOR's customer sets has specific needs and the department strives to meet all of them. Without adequate funding, the agency cannot meet the complex needs of its customers. This proposal will ensure that DOR continues to deliver the high level of services customers expect.

Rationale/Background

Those who file and pay Minnesota taxes need to be able to trust the system that receives their personal information, that other taxpayers are paying their fair share, and that they will receive the right refund amount in a reasonable amount of time. Increased operational costs have limited the department's ability to provide the level of service DOR customers need and expect, and increased demands on the department have created the need for additional funding.

Increased operational costs

Costs to administer Minnesota's tax system have increased over the last four years and will continue to do so. Cost increases are driven by rising compensation, insurance, pension and retirement cost, lease rates, litigation and legal costs, and MNIT rates.

These increases cannot be avoided. Without additional funding over the current base, DOR would need to absorb the additional costs through attrition of approximately 73 employees in FY18 and an additional 48 employees in FY19. The resulting reduction of 121 FTE will negatively impact both customers and, potentially, the General Fund. Customers will wait longer for refunds, and will have a harder time reaching someone in the department by phone or email to have their questions answered. In addition, DOR will perform fewer educational classes and audits, both of which can translate to a negative effect on the revenue stream.

Effective tax system for all customers

The department strives to make filing tax returns as easy as possible for Minnesotans by providing the latest electronic filing and communications options, clear guidance, accurate information and resources, and readily available education opportunities. There is a growing demand for this type of customer service through DOR's call centers, written guidance, website materials, and education resources that reach the greatest number of customers with consistent information. Customers are also seeking an increased amount of more formal guidance, including rules and revenue notices. Additional resources are needed to meet the broad education and guidance demands of DOR's customers.

To ensure fairness, the department must pursue those furthest from compliance, leveling the playing field for all taxpayers. No company in Minnesota should have an advantage over law-abiding competitors because the department did not have the resources to bring them into compliance. More timely and efficient audits, handled by skilled professionals, will help DOR meet its customers' expressed needs, and support fair and consistent tax administration.

The tax system is under attack from those seeking to steal General Fund dollars and refunds from unsuspecting taxpayers. One of the department's most important duties is to make sure taxpayer refunds stay out of the hands of criminals. As DOR continues to combat the increase in identity theft related tax refund fraud, new patterns are being observed, including fraud committed by tax preparers, putting taxpayer money and the state's General Fund at risk. The vast majority of tax preparers are professionals who serve their clients well; a few are actually defrauding their clients. One recent example of large-scale tax preparer fraud cost the state over $1.6 million in tax revenue over four years. Through the work of a DOR audit and investigation, this tax preparer is currently serving a 46 month prison sentence.

The Governor recognizes the unique legal relationship between the State of Minnesota and the Minnesota Tribal Nations. It is DOR's goal to maintain a respectful relationship with each Tribal Government so the agency can effectively serve Minnesota's Tribal Nations, their members, and businesses. There are ten existing State-Tribal Tax Agreements that were last negotiated over 20 years ago. The agreements are in need of comprehensive review and updating.

Proposal:
This proposal restores and sustains DOR's administration of the tax system to an appropriate level by supporting the existing level of services and making new investment to address new demands.

The Governor recommends the funding to sustain DOR's current level of service to its customers, without reducing staff through attrition.

- This proposal covers DOR's increased costs to deliver existing services in FY18 and FY19. The additional funds will effectively keep the department's tax administration services at FY17 levels by covering known cost increases for people, court-related legal services and professionals, building leases, training demands, and essential technology software and hardware. Without this funding, the department must reduce 121 FTE over the biennium through attrition. This attrition will negatively impact customers by reducing DOR's ability to answer questions, provide information, and conduct timely and efficient audits. It will also negatively impact taxpayers who must compete with those who the department would lack capacity to bring into compliance.

Additional funds and increased staffing levels (20 FTEs per year) are necessary to meet the level of service and new demands customers are asking for from DOR. This proposal will support a fair, efficient, consistent, and transparent tax system in Minnesota.

- This proposal will allow DOR to provide customers with the guidance they need to comply with the law. Funding will be used to ensure that appropriate guidance is provided across all taxpayer groups, including expanding plain language efforts and issuing formal guidance such as rules and revenue notices more frequently. These efforts serve DOR's broad base of diverse customers, ensuring that all taxpayers get clear consistent information.
- To ensure fairness, the department will use funds to support appropriate audit coverage for a more level playing field for all taxpayers. Additional resources will help provide more timely and efficient audits, handled by skilled professionals to help DOR meet it's customers' expressed needs, and support fair and consistent tax administration.
- The additional funding will help protect consumers against direct threats from identity theft related tax refund fraud and fraud committed by tax preparers. These funds will allow the department to continue to fight new and ever-changing schemes related to fraud by: funding the ongoing costs for software; training for additional staff; adding staff to identify patterns of fraud or non-compliance; and protecting innocent taxpayers from fraudsters. These efforts can also lead to criminal prosecution which has the added benefit of deterring others who learn about the prosecutions. These improvements will allow the agency to serve tax filers on a timely basis, clearly communicate with taxpayers, and help protect Minnesota's financial resources.
- This proposal will ensure that DOR has capacity to engage with each of the 11 Minnesota Tribal Nations, maintain updated revenue sharing agreements, and provide Tribal Governments, individual American Indians, and Tribal- or

Indian-owned businesses the information, education, and services they need to meet mutually beneficial revenue obligations.

Equity and Inclusion:

This initiative supports a fair, transparent, and equitable revenue system in Minnesota. DOR serves a broad base of customers and has a responsibility to deliver services to them all. The funding in this proposal will allow the department to continue to focus resources on outreach and education targeting low-income Minnesotans, people new to Minnesota, the elderly and others who are underserved or are particularly vulnerable to those who seek to steal from unsuspecting customers. Without these funds, the department will need to divert resources away from serving people with greater needs toward fixed costs that cannot be avoided. This proposal also fosters consistent communication and equal treatment under Minnesota tax laws, and focuses resources on services and information that DOR's entire broad, diverse customer base can understand and use to file returns, pay what they owe, or receive the right refund.

IT Related Proposals:

DOR may have project-related costs on both the operational business area and the technology development and implementation area. DOR will work with MN.IT to contract the technology services and products needed.

Results:

With adequate investment, DOR will maintain the ability to meet its mission of funding Minnesota's future. The vision of "everyone reports, pays, and receives the right amount: no more, no less" will be realized with the appropriate funds to serve DOR's broad customer base and meet growing needs. These investments will help DOR provide excellent customer service while realizing efficiencies whenever possible.

Statutory Change(s):

None.

Minnesota Department of Revenue

FY18-19 Biennial Budget Change Item

Change Item Title: Board of Assessors Operations

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(35)	(35)	(35)	(35)
Other Funds				
Expenditures	96	98	102	105
Revenues	98	100	105	108
Net Fiscal Impact = (Expenditures – Revenues)	33	33	32	32
FTEs	**1.5**	**1.5**	**1.5**	**1.5**

Recommendation:

The Governor recommends funding to adequately fund the Minnesota State Board of Assessors (Board). The Board is administered by the Department of Revenue (DOR). Current fee revenue and the associated appropriation does not cover the costs to administer these programs. Without additional funds, the department cannot sustain this statutorily required program at an adequate level of service to ensure appropriate oversight.

Rationale/Background:

The Board is established in M.S. 270.41. The Board establishes qualifications, coordinates education, and regulates assessor licensure. The Board is an independent body that is "housed within" DOR.

Statute requires the Board to propose fees sufficient to cover all planned expenditures (M.S. 214.06.) Although the Board collects fees from assessors for licensure, those fees are currently deposited into the General Fund, under M.S. 270.45, with no corresponding appropriation for the Board's use. Even if the amount of the fees were available to the Board, the current fee amounts are not adequate to cover Board costs. DOR currently subsidizes all of the costs of the Board's operations with its tax system management appropriation. The board passed a motion in 2016 in support of increasing its fees, but legislative action is required.

Proposal:

The proposal increases assessor license fees and adds an annual statutory adjustment. The proposal deposits the fee revenue into the Special Revenue Fund and appropriates that revenue directly to DOR for board expenses, including maintaining 1.5 FTEs. It also gives the board the authority to issue refunds in cases of overpayment.

This proposal adjusts funding of the Board to ensure the integrity of Property Tax Administration in Minnesota and comply with state law. There are three components to this request:

- Adjust licensing fees in M.S. 270.44 to meet increased expenses.
- Deposit fee receipts to the Special Revenue Fund and make appropriation to DOR for expenses associated with the Board's operating costs.
- Authorize the Board to issue refunds. Without it, assessors who overpay cannot receive a refund.

Equity and Inclusion:

This proposal affects Minnesotans across all racial and ethnic groups. Funding for the Board provides all who pay property tax, regardless of background, a fair and equitable valuation of their property.

IT Related Proposals:

DOR may have project-related costs on both the operational business area and the technology development and implementation area. DOR will work with MN.IT to contract the technology services and products needed.

Results:

An increase in Board of Assessor fees ensures compliance with state law and adequately funds board activities that contribute to fair and equitable property tax administration in Minnesota. It will fill the gap between expenses and revenue.

Statutory Changes:

MS 270.44 – Charges for Courses, Examinations or Materials
MS 270.45 – Disposition of Fees and Fines
MS 270.XX – Refunds of Fees

Gambling Control Board

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	45	80	80	80
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	45	80	80	80
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $125,000 from the special revenue fund to maintain the current level of service delivery at the Gambling Control Board.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Gambling Control Board, an erosion of services may include reduced regulation of lawful gambling activities and participants.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Gambling Control Board, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Gambling Control Board
FY18-19 Biennial Budget Change Item

Change Item Title: Conversion to MN.IT Services

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	53	53	56	56
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	53	53	56	56
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends $106,000 from the special revenue fund for the Gambling Control Board (GCB) to pay for the full range of services that will be provided by MN.IT starting in FY 2018. The cost for initial MN.IT services was $55,000 in FY 2016.

Rationale/Background:
GCB will be transitioning to a full range of MN.IT services in FY 2018.

Proposal:
Currently GCB Licensing staff manages local area network (LAN) services, e-mail, firewall, and server hosting on site. MN.IT will take over these tasks. MN.IT will be responsible for all system maintenance and security including workstation and mobile device management currently handled by GCB staff. GCB staff will continue to handle database management.

The current MN.IT plan is to take over all application maintenance and workstation management by FY2018.

This proposal covers both the additional services to be provided by MN.IT and approved rate increases for those services.

IT Related Proposals:
These costs are estimated at $118,000 for the FY 2020-21 biennium.

Results:
This recommendation is not expected have an impact on the quantity or quality of the Gambling Control Board's services, but it will help ensure a consistent statewide approach to information technology services and maintaining necessary cybersecurity.

Statutory Change(s):
N.A.

Minnesota Racing Commission

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	10	18	18	18
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10	18	18	18
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of $28,000 to maintain the current level of service delivery at the Minnesota Racing Commission.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Minnesota Racing Commission, an erosion of services may include a reduction in the level of monitoring racing activities and their participants and interested parties.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Minnesota Racing Commission, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Amateur Sports Commission

FY18-19 Biennial Budget Change Item

Change Item Title: James Metzen Mighty Ducks Grant Program

Fiscal Impact ($000s)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General Fund					
Expenditures	(7,166)	7,166	0	0	0
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends extending the availability of the James Metzen Mighty Duck Grant Program appropriation beyond the June 30, 2017 end date. The $10.0 million dollar appropriation is for grants to ice arenas for the purpose of improving indoor air quality in arenas or eliminating R-22 refrigerant.

Rationale/Background:

- The James Metzen Mighty Duck Grant Program legislation was initiated and passed with the intent of improving indoor air quality in arenas and to provide financial assistance/grants to local communities with this process and assisting arenas in meeting the 2020 R22 regulations.
- Due to the financial cost of these types of projects, the match requirement and local government's limited budgets, the intent of awarding the total $10.0 million in FY17 is not possible and thus will not be able to fully serve the intended use of the grant program funds.
- Additional time is required for future grant rounds for communities to meet the grant requirement guidelines and to secure proper funding to receive funds from the grant program.
- The original intent of this program was to assist and benefit as many arenas statewide as possible while maintaining the integrity of the Mighty Duck Grant Program.

Proposal:

The extension of the availability of the James Metzen Mighty Duck Grant Program appropriation will allow more communities to participate and receive financial assistance for the purpose of improving indoor air quality at their local arena(s). Applicants have the opportunity to apply for and receive up to:

1) $200,000 for indoor air quality improvements with a minimum of 1:1 dollar match from non-state sources.
2) $400,000 to replace an existing R-22 direct refrigeration with a minimum of 1:1 dollar match from non-state sources.
3) $50,000 to replace an existing R-22 indirect refrigeration system with a minimum 1:1 dollar match from non-state sources.

Grant awards are reviewed and allocated with the intent of equal distribution statewide using congressional district provisions.

Statutory Change(s):

N.A.

Amateur Sports Commission

FY18-19 Biennial Budget Change Item

Change Item Title: Additional Administrative FTE

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	85	85	85	85
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**1.0**	**1.0**	**1.0**	**1.0**

Recommendation:

The Governor recommends an annual general fund increase of $85,000 to the Minnesota Amateur Sports Commission (MASC) base budget to hire an additional full-time staff person to perform administrative planning and analysis work in amateur sport facility/program development and implementation.

Rationale/Background:

- The MASC has a record of generating economic impact for Minnesota and providing healthy sport recreational activity and opportunities for Minnesotans on an annual basis. The MASC staff work with communities and sport organizations statewide to develop and support a network of quality amateur sport facilities. In addition, staff work to develop and secure major amateur sporting events. These major events attract out-of-state visitors to Minnesota generating sport tourism dollars. The activity of developing new events, bidding for national sporting events, constructing new amateur sport facilities while providing oversight of the National Sports Center, is labor intensive yet beneficial to its user groups who are from a variety of social and economic demographics.
- This additional funding will allow for the hiring of an additional full-time staff person that will assist with the agency's day-to-day activities that would allow for continued growth in the promotion and development of amateur sport programs and facilities statewide.

Proposal:

The Governor recommends increasing the MASC budget by $85,000 per year to hire an additional staff person, which will allow for MASC staff to focus its time and energies on the MASC's core mission. It will also help to improve the agency's ability to meet and exceed the expectations of the amateur sport community and local governing bodies while providing the potential for increased sport opportunities, facility/program management and development and improved relationships with its user groups, local business and governing units. This will increase sport tourism and economic growth as well improving the quality of life for Minnesotans.

Results:

- Maintaining and increasing the annual economic impact of sports tourism in Minnesota.
- Increasing the number of annual participants and attendees of the eleven statewide facilities.
- Increasing amateur sport opportunities and the number of amateur sport participants statewide.

Amateur Sports Commission

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	4	7	7	7
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	4	7	7	7
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of $11,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Amateur Sports Commission.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Amateur Sports Commission, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Council for Minnesotans of African Heritage

FY18-19 Biennial Budget Change Item

Change Item Title: Program Expansion

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	100	100	100	100
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	100	100	100	100
FTEs	1	1	1	1

Recommendation:

The Governor recommends a biennial general fund base increase of $200,000 for the Council for Minnesotans of African Heritage to operate part-time offices in the cities of Duluth, Saint Cloud, Mankato or Rochester.

Rationale/Background:

The Minnesota Legislature created the Council on Black Minnesotans (Council) in 1980 to ensure that people of African heritage fully and effectively participate in and equitably benefit from the political, social, and economic resources, policies and procedures of the State of Minnesota. In 2015, the Council for Minnesotans of African Heritage was created out of the restructuring of the state's ethnic councils.

The Council for Minnesotans of African Heritage:

- Serves as a liaison between state government and organization that serve the constituency of the council.
- Performs or contracts for the performance of studies designed to suggest solutions to the problems faced by that constituency in the areas of education, employment, human rights, health, housing, social welfare and other related issues.
- Reports on the measurable outcomes achieved in the council's strategic plan to meet its legally mandated duties.

Today, approximately 320,000 Minnesotans indicate that their race is Black alone or Black along with another race. There are more than 76,400 Black immigrants living in Minnesota representing 23 African nations. When the first significant number of Blacks arrived in the free state of Minnesota, they essentially had nothing. Today, Minnesotans of African heritage contribute the following assets to our great state:

- Strong cultural diversity,
- $3 billion in consumer spending power,
- Operate more than 12,000 business enterprises with almost a billion dollars in sales, employing 10,000 people and generating annual payrolls of $258 million,
- Pay almost a half billion in state and local taxes annually,
- Export almost $200 million to African Countries annually, and
- Expect to generate lifetime earnings of an estimated $388 billion with projected total tax payments in Minnesota of $28 billion over their lifetime.

The Council for Minnesotans of African Heritage has conducted formal and anecdotal research on its operations, strengths and challenges. That research shows:

- The council was relatively unknown in outstate Black communities but the purpose of the council was strongly supported,
- Outstate Black communities want the council presence day to day in their communities,
- The council did not have the staffing or financial capacity to fulfil its duties with outstate communities,
- The council had strong support for its policy advocacy but constituency throughout the state wanted to see the advocacy increased,
- The council administrative operations needs a better and reliable social media approach, and
- The council governance body needs to develop a strategic planning and action approach that could be employed in the fast pace every changing sociopolitical and socioeconomic environment it operates.
- Many outstate residents within our constituency have shared that they feel disconnected and unsupported by the council at a time when needs are expanding and communities are becoming increasingly diverse.

Proposal:

The Governor recommends additional funding for the council to operate part-time offices in the cities of Duluth, Saint Cloud, Mankato, or Rochester. This funding will allow the council to contribute more effectively to the statewide outcome to ensure strong and stable families and communities, respond to our constituency desire to have our presence day to day in outstate Black communities, and meet our statutory mandates.

Results:

The Council for Minnesotans of African Heritage achieves its mission by utilizing community driven research, decision-making and engagement to develop and employ a strategic action plan to fulfil our mandates. Recent achievements include:

- Sponsoring community forums, one in particular on police-community relations and the other on issues of education, housing, economic disparities and human rights
- Working with other organizations to create the United Black Legislative Agenda, which, during the previous session secured $35 million in funding for training and business development for African heritage residents, increased state penalties for hate crimes, stopped the opening of a private prison and obtained funding for Somali youth job training programs
- Holding own meetings across the state for arts funding development for African heritage and other people of color
- Co-sponsoring a networking event with KMOJ, an African heritage radio station, and other organizations
- Appointing a new executive director and welcoming several new board members

Council for Minnesotans of African Heritage

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	3	6	6	6
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3	6	6	6
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding $9,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Council for Minnesotans of African Heritage.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For Council for Minnesotans of African Heritage this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Minnesota Council on Latino Affairs

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	92	109	109	109
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	92	109	109	109
FTEs	1	1	1	1

Recommendation:

The Governor recommends additional funding of $201,000 from the general fund for FY18-19 to maintain the current level of service delivery at the Minnesota Council on Latino Affairs (MCLA).

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

In the 2015 legislative session, the Legislature decided to restructure the three ethnic councils. As a result of the restructuring, the mission, duties, and powers of the councils were clarified. New state law mandates the councils to advise and inform the legislature and the executive branch to ensure the advancement and equity of Latinos in all sectors. Equity and inclusion has become a focus of the Governor's Office and state government. This is an area that the council with 4 FTEs can continue support. In state committees and work groups the council has been the only Latino voice and representative.

MCLA seeks to have the resources necessary to be able to address its statutory mandate of advising and informing the state legislature, Governor's Office, and the statewide Latino community.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Minnesota Council on Latino Affairs this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases, and employer-paid pension costs.

The council now has a strong focus on research and reporting on Latino Minnesotans. MCLA has also shown significant gains in its community engagement efforts by growing its outreach base by over 250% in 9 months. With a larger base the council now receives more community input as well as requests, which requires having a full staff of 4th FTE in order to address the requests in a timely manner. In addition, the council has created partnerships with Latino led non-profits and other Latino leaders throughout the state, increasing its capacity beyond 4 FTE's. However, the need to establish and maintain working partnerships rests on the capacity of its 4FTE's.

Equity and Inclusion:

All of the council's work is done with an equity and inclusion lens. The Latino population is young; about 50% of the population is under the age of 25 and about 90% of the youth under 18 years old are native born, but the majority have at least 1 parent who is an immigrant to this state. Mixed status families have been underserved by state government, an issue that the council is tasked with correcting.

This proposal would support the council in addressing its statutory mandate that states, "A council must work for the implementation of economic, social, legal and political equality for its constituency". This proposal will allow it to maintain the resources it currently has and continue to address disparities in the Latino community. The council is in direct communication with Latino stakeholders from across the state and has consulted and collaborated with them when appropriate. The council intends to draft and support legislation and policies that will reduce and eliminate disparities the Latino community face every day. It will continue to work with state departments in their efforts to address disparities.

The council is consistently sought out by stakeholders to assist in addressing issues of importance to the Latino community. Although only 1/3 of the Latino population lives in greater Minnesota, the need seems to be much higher there, which is why the council works with these communities as much as possible.

Results:

The intended results of this recommendation include:

- Original research and reporting that will advise and inform legislators, Governor's Office, and community on Minnesota's Latino community and issues they confront.
- Provide research-based solutions to the state of Minnesota in addressing Minnesota's Latino needs.
- Increase and diversify strategic partnerships with Latino Minnesotans, community-based organizations, businesses, the Governor's Office, and the state legislature.
- Increase Latino civic and community engagement outreach statewide.

The Council uses the following to track its performance in implementing its strategies:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality and Quantity	Legislative bills: testified, position statement, and/or advised and inform legislators	17	39	2015, 2016
Quality and Quantity	Policy making process: Advise and inform in existing statues and new legislation	5	11+	2015, Jan-Oct 2016
Quantity	Direct constituency communication: Email database / Social media followers	367 / 315	637+/922+	2015, Jan-Oct 2016
Quantity	Community participants reached at forums/presentations	150+	340+	2015, Jan-Oct 2016

Council on Asian Pacific Minnesotans

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	94	101	101	101
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	94	101	101	101
FTEs	.26	.38	.38	.38

Recommendation:

The Governor recommends additional funding of $195,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Council on Asian Pacific Minnesotans.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

In 2015, the Legislature restructured the ethnic councils. As a result of the restructuring, the mission, duties, and powers of the ethnic councils were clarified. In the new enabling statute, the Legislature mandates that the ethnic councils work with the legislative and executive branches of government to ensure equality for Minnesotans of Asian descent. These duties include working with the Legislature to pass legislation on behalf of this community. A successful Council, therefore, needs a team that individually and collectively has the ability and capacity to deliver on the Council's goals:

- Strengthen and streamline internal administrative activities
- Develop projects that align with our statutory duties
- Advance legislation on behalf of Asian Pacific Minnesotans
- Actively engage our stakeholders

The Council's staff team currently consists of four policy-oriented and community-driven individuals serving in the following capacities:

- Executive Director: Manages all operations and projects and develops and implements strategic and well-informed plans for the Council.
- Research Analyst: Conducts original research and regularly produces research reports to inform the Legislature in its policy-making process.
- Legislative Liaison: Educates, informs, and engages the Asian Pacific Minnesotan population on issues such as health and human services, K-12 education, higher education, gender based violence, jobs, economic development and housing; assists in developing policy positions and legislative initiatives that benefit the Asian Pacific Minnesotan Population; and maintains close connection between the Council and other stakeholders.

- Office Manager: Manages the office of the Council; administers and monitors the Council budget; assists with supervision of agency's support staff; and performs and coordinates numerous administrative functions as the assistant to the Executive Director.

To ensure strategic, effective, and efficient use of its small, but dedicated team of employees, the Council overhauled its staff team in 2014. All position descriptions were audited to ensure that the Council staff have strong policy, administrative, and non-partisan political skills that will allow them to navigate state government. The Council staff serve as bridge builders into our many diverse communities. Our staff also help all of our communities become more effective in speaking for themselves. Specifically, the Council has and will continue to:

- Publish original research/community-issues reports
- Recommend and advise on legislative actions during the session
- Be present in our community
- Facilitate and coordinate community/government interactions

With this proposal, the Council seeks to improve its capacity to perform in a manner that reflects our status as the state agency charged with advising the Legislature and the Governor. The Council will continue to advocate on behalf of Minnesota's Asian Pacific community. The Council will continue to facilitate and build relationships between many stakeholders, particularly between the executive and legislative branches of government and our various communities.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Council on Asian Pacific Minnesotans this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Equity and Inclusion:

The Asian Pacific Minnesotan community is descended from more than 40 nations and is arguably the most diverse community in the state. Many in our community are highly educated, native born, and have personal, family, business wealth, and a high percentage of home ownership. However, Minnesotans of Hmong, Vietnamese, Lao, Cambodian, Bhutanese, and Karen heritage make Minnesota's Asian Pacific community different from those in any other state – ours is a majority refugee experienced community. This majority refugee experience brings a completely different experience and story to the table. Minnesota is home to the largest Karen community outside of Burma and the second largest Hmong community in the nation. These refugee experienced communities do not have generations of family wealth and stability, a tradition of higher education, homeownership, and established support networks. Many are experiencing formal education for the first time with its structural and institutional barriers and challenges. Their realities include facts such as:

- 47% of Cambodian Minnesotans identify as Limited English Proficient (LEP)
- 72% of Vietnamese Minnesotans have less than a bachelor's degree
- 27% of Hmong Minnesotan families with children live in poverty
- 18% of Burmese (Karen) own their homes

The State's policies have to reflect these multiple realities of the Asian Pacific Minnesotan community, not just echo the convenient "model minority myth." The perpetuation of this myth within government policies and hiring corporate practices has led to a highly-qualified, highly-educated South- and East-Asian workforce, which is significantly underrepresented in managerial and executive positions. In addition, current data does not reflect the significant diversity of Asian communities. Disaggregated data reveals significantly lower educational attainment levels in Southeast Asian populations, compared to mainstream Minnesota residents. Yet, these ethnic groups are misidentified and underserved with the continuation of the model minority myth.

The Council has striven to inform the legislative and executive branches of the realities of our communities. The Council also has worked with state government to promote a more equitable form of access and distribution of government resources to our communities. Without this change item request, the Council will not be able to maximize into the next biennium the significant ground work that we have put in place over the last four years.

Our staff and our board members are in regular communication with our communities. State legislators have had significantly more interactions in our communities because of the actions of our staff, our board, and increasingly, the broader community. The opportunity for a transformational shift in how our state functions requires that we seize this moment and continue the momentum. Recently, the Council hosted the first three of its strategic planning community forums with our communities. The forum with Minnesota's emerging refugee communities yielded an unprecedented large turnout from the Karen, Bhutanese, and Karenni communities. These community members stated that despite their growing confidence in their own ability to interact with state government, they appreciate and depend on the Council to provide ongoing assistance and guidance.

The intended results of this proposal include:

- Continued production of original community-issues reports that inform legislators and community about issues confronting Minnesota's Asian Pacific community.
- Increased engagement of community members in efforts to influence legislative and administrative decisions.
- Increased and diverse strategic partnerships with Asian Pacific Minnesotans, community-based organizations, businesses, the Governor's Office, and the state legislature.

Our partners will continue to be our community members, community-based organizations, educational institutions, small businesses, and state and local governments.

This is an exciting time for the Council. We have positioned ourselves to continue the dramatic increase in communication between Minnesota's Asian Pacific communities and government.

Results:

The Council uses the following to track its performance in implementing its strategies:

Type of Measure	Name of Measure	Past – Jan. 2015 to Dec. 2015	Current – Jan. 2016 to Dec. 2016
Quality	Publication of Community-Issues Reports	1	0 – We will publish our "Emerging Communities" report in 2017.
Quantity and Quality	Legislative Actions During the Session	90	80
Quantity	Presence in Community	58	50
Quantity	Facilitation and Coordination	30	25

The Council collects this data and maintains it in-house. Pursuant to M.S. §15.0145, the Council shares highlights in its annual report, and when requested.

Statutory Change(s):

N.A.

Indian Affairs Council

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	5	10	10	10
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5	10	10	10
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of $15,000 in the FY2018-2019 biennium to maintain the current level of service delivery at the Indian Affairs Council.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Indian Affairs Council, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Minnesota State Arts Board

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	6	12	12	12
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	6	12	12	12
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of $18,000 in FY18-19 to maintain the current level of service delivery at the Arts Board.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Arts Board, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Minnesota Humanities Center

FY18-19 Biennial Budget Change Item

Change Item Title: Grant Administration Accounting and General Office Support

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	25	25	25	25
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	25	25	25	25
FTEs	0	0	0	0

Recommendation:

The Governor recommends increasing general funds by $25,000 a year to cover staffing expenses for new state programs administered by the Minnesota Humanities Center (MHC).

Rationale/Background:

With increased financial support, MHC will be able to improve the services it provides to the Healthy Eating Program and Legacy grantees and better support the needs of its own programs. MHC has increased the number of events and participants served, and increased the number of Legacy grants it administers. Over the last year, MHC programs have served more than 11,000 people as it works to build a thoughtful, literate and engaged society by working in partnership with schools, colleges, cultural organizations and state agencies.

Current programs include:

- Minnesota Education Strategy, which served more than 1,200 Minnesota educators through a variety of programs and online access to the Absent Narratives Resource Collection
- Veterans' Voices programs that draw on the power of the humanities to call attention to the stories and contributions of Veterans. In FY16 this initiative reached more than 400 Minnesotans through six public events, including plays, a dance performance, and facilitated conversations that amplified, honored and recognized the stories and contributions of Minnesota Veterans. In addition, twenty-five Veterans across the state were honored at the 2016 Veterans' Voices Award Ceremony for their work going above and beyond to make exceptional, positive contributions that improve the lives of Minnesotans.
- Traveling Exhibits –
  - *Why Treaties Matter: Self-Government in the Dakota and Ojibwe Nations* reached more than 8,400 Minnesotans who learned how treaties with the U.S. government affected the lands and lifeways of the Indigenous peoples of the place now called Minnesota and why these binding agreements between nations still matter today.
  - MHC launched ***Water/Ways,*** a traveling exhibition and community engagement initiative of the Smithsonian Institution's Museum on Main Street program. The exhibit will tour six communities in greater Minnesota.

Proposal:

The Governor proposes increasing MHC's general fund appropriation by $25,000 per year for MHC programs to continuously evolve to support the needs of Minnesota communities so they remain vital and continue to include the multiple voices and peoples now in our state.

State support is the foundation of funding for MHC and it leverages other sources of funding from the National Endowment for the Humanities and numerous private sources. The funds also support the operation of MHC's event center – one of only two state humanities councils in the nation with such a facility. This enables MHC to generate business income and serve as a safe

convening space for the civic discussion of difficult topics, such as war, the future of education, the sovereign nation status of the Ojibwe and Dakota peoples, the significance of Military culture, Water Ways and more.

Staff impact: Increased state operating funds enables MHC to add a part-time position to assist with general operating support and administrative functions so it can offer a high quality service level as it continues to expand programming throughout Minnesota. The salary and benefit cost to add a ½ time FTE will be $25,000.

Equity and Inclusion:

MHC was established by the state in 1971 and affiliated with the National Endowment for the Humanities. MHC focuses on bringing the unique resources of the humanities to the challenges and opportunities of our times. The mission of the Humanities Center is to build a thoughtful, literate, and engaged society without limitation or exclusion. MHC values in-depth engagement and involvement of communities, partners and supporters. Our goals are to: Offer meaningful resources to bring the humanities into the lives of all Minnesotans, building relationships, active engagement, and connections; Strengthen our transformational work in advancing educational excellence and access for students and learners through the humanities; Expand our collaborative and partnership work with individuals, groups, and organizations to engage multiple perspectives in order to build a more inclusive Minnesota. It meets real needs by creating original literature and content in partnership with many diverse cultures and communities throughout Minnesota and co-creates programs with multiple peoples and cultures.

Results:

MHC has no regulatory authority; no one is required or obligated to use any of its programs or services. One key measure of success is demand: do people and communities use MHC's programs and services and is there continuing and increased demand? Do partners and participants experience a new level of engagement in their communities, classrooms, and organizations as a result of working with MHC? The answer is yes – trends indicate increased usage and in-depth involvement.

MHC values in-depth engagement over time more than spectacular numbers but weak involvement. MHC's education strategy involves extensive in-depth involvement over time, leading to new content, books, online resources, and professional development approaches.

MHC's Veterans' Voices is a primary indicator of its significance. External funding continues to grow through committed partner organizations and collaborating on programing and raising public awareness and engagement for the program.

MHC's Water/Ways exhibition is another outreach in greater MN than has generated partnerships and external funding by committed partner organizations that have collaborated on programming, public awareness and engagement.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Education Strategy Professional Development Offerings (# of events / # of participants	21/584	24/666	FY15, FY16
Quantity	Community/Public Offerings (# of Events / # of participants)	20/1,159	26/1,270	FY15, FY16
Quantity	Grants Awarded to Other Agencies (# of grants / # of dollars awarded)	6/$1,145,500	18/$1,901,480	FY15, FY16

Board of Accountancy

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	6	11	11	11
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	6	11	11	11
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of $17,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Board of Accountancy.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Board of Accountancy this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience and Interior Design

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	8	14	14	14
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	8	14	14	14
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding $22,000 from the general fund in FY18-19 to maintain the current level of service delivery at the Board of Architecture and Engineering.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Board of Architecture and Engineering this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

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

Statutory Change(s):

N.A.

Cosmetologist Examiners, Board of

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	127	140	140	140
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	127	140	140	140
FTEs	0	0	0	0

Request:

The Governor recommends additional funding of $267,000 from the general funds for the Board of Cosmetologist Examiners ("Board") to sustain the current operations and support statewide initiatives to keep Minnesotans safe and provide efficient and accountable government services.

Rationale/Background:

- Annual rent increases: The Board's current lease imposes an annual increase of $5,000 per year.
- Employee development: The Board will be comprised of approximately 23 staff next biennium in addition to the 7 board members. The Board is a small agency with limited resources. The Board wishes to offer more employee development opportunities to professional and support staff.
- Meetings and Travel: The Board has grown and more staff are required to travel both in-state and out of state to participate in national meetings, obtain necessary certifications, stay current with emerging regulatory trends and participate at the national regulatory level.
- Compensation increases
- Administrative Services Unit (ASU): The Board contracts with ASU for services such as purchasing, human resources and accounting. The need for services has increased due to the additional staffing at the Board which results in an increase in ASU's billable rate. Further, ASU has annual salary increases and intends to hire an accounting officer. Those costs are directly billed back to the board.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Board this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

This increase will allow the Board to meet rent, employee development, training, national presence, and salary increase expenses.

Statutory Change(s):

No statutory changes.

Cosmetologist Examiners, Board of
FY18-19 Biennial Budget Change Item

Change Item Title: IT Cost Increase

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	70	70	70	70
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	70	70	70	70
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends an increase of $140,000 in the FY2018-2019 biennium to the Board of Cosmetologist Examiners ("Board") to sustain current information technology services and support centralized information technology.

Rationale/Background:

- Centralized Information Technology: The board has increased costs for centralized services to sustain its information technology operations. This includes both known rate increases and unknown rate increases billed to the board.
- Centralized MNIT Staff: The Board shares information technology services with 18+ health and non-health licensing boards.

Proposal:

The Governor recommends additional funding to allow the Board to sustain current information technology operations and support centralized IT.

Barber Examiners, Board of

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	11	13	13	13
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	11	13	13	13
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends an additional $24,000 from the general fund in FY18-19 to the Board of Barber Examiners to support statewide initiatives to keep Minnesotans safe and provide efficient and accountable government services. Specifically, this funding will support ongoing administrative activities related to recent legislative changes, to enhance education and outreach efforts, and revise outdated rules.

Rationale/Background:

The Board requires a small agency increase to address the increasing costs of administrative services, including rent, equipment replacement, and support services in addition to salary increases and increased board travel. The Board has undergone recent legislative changes; it is anticipated that these changes will result in additional registrations which in turn will increase the cost of program administration. The members of the Minnesota Board of Barber Examiners are active in the National Association of Barber Boards of America (NABBA). Members travel to attend NABBA conferences to participate in the ongoing development of national standards in barbering. As we move into FY 2018 and FY 2019 the Board is preparing to conduct a detailed evaluation and revision of its rules in support of current national practice standards.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Board of Barber Examiners this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

Type of Measure	*Name of Measure*	*Previous FY2015*	*Current FY2016*	*Dates*
Quantity	Number of Barber Registrations	3252	2905	6/30/2014 6/30/2015
Quality	Average time from receipt of completed application to certificate issue	2 days	2 days	6/30/2014 6/30/2015
Results	Number of satisfactory inspections completed	407	695	6/30//2014 6/30/2015

Statutory Change(s):

N.A.

Barber Examiners, Board of
FY18-19 Biennial Budget Change Item

Change Item Title: IT Annual Expenditure Increase

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	6	6	6	6
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	6	6	6	6
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends a general fund increase of $12,000 for the FY2018-2019 biennium for the Board of Barber Examiners to offset the cost of information technology services provided by MNIT.

Rationale/Background:
The Board will incur new annual information technology charges in FY 2018 for:

- MNIT 'switch' equipment annual fees
- MNIT desktop services rates

The Board anticipates increases to the following MNIT fees annually:

- MNIT Service Level Agreement rates.
- Annual Maintenance of Licensing Data Base and online services

Proposal:
The Governor recommends increasing funding for the Board to cover increases in MN.IT rates charged to agencies.

Results:

Type of Measure	*Name of Measure*	*Previous FY2015*	*Current FY2016*	*Dates*
Quantity	Number of Barber Registrations	3252	2905	6/30/2014 6/30/2015
Quality	Percent of license renewals completed online	8%	12%	6/30/2014 6/30/2015

Barber Examiners, Board of

FY18-19 Biennial Budget Change Item

Change Item Title: Fee Increase

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	33	33	33	34
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	33	33	33	34
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends fee increases for the Minnesota Board of Barber Examiners to increase revenues used to offset the Board's General Fund appropriation and expenditures.

Rationale/Background:

The numbers of barbers and barber shops in Minnesota have been declining in recently, resulting in lower revenue while the Board's operating costs continued to rise. The Board recently changed registration requirements by reducing total hours to become a registered barber from 3000 hours to 1500 hours, eliminating the apprentice barber registration and practice requirements. Remaining requirements continue to protect the public and the reduction in hours required eliminates barriers to employment for Minnesota's barbers. The Board anticipates that the number of barbers will increase in coming years.

The fees represented in this request were last increased in 2010.

Proposal:

The Governor recommends changing the fees according to the table below.

Fee	Current	Proposed	Difference	# FY 2018	Revenue	# FY 2019	Revenue
Examination and certificate registered barber	$85	$100	$15	200	$3,000	200	$3,000
Retake of written examination	$10	$25	$15	10	$150	10	$150
Examination and certificate instructor	$180	200	$20	3	$60	3	$60
Renewal of registration registered barber	$80	$90	$10	1,800	$18,000	2000	$20,000
Renewal of registration instructor	$80	$90	$10	22	$220	25	$250
Renewal of temporary teacher permit	$65	$80	$15	1	$15	1	$15
Student permit	$45	$50	$5	150	$750	200	$1,000
Renewal of student permit	$25	$30	$5	20	$100	20	$100
Initial shop registration	$85	$100	$15	30	$450	45	$675
Initial school registration	$1030	$1,500	$470	1	$470	1	$470
Renewal shop registration	$85	$90	$5	650	$3,250	845	$4,225
Renewal school registration	$280	$300	$20	7	$140	7	$140
Restoration of registered barber registration (includes renewal)	$95	$125	$30	150	$4,500	75	$2,250

Fee	Current	Proposed	Difference	# FY 2018	Revenue	# FY 2019	Revenue
Restoration of shop registration (includes renewal)	$105	$125	$20	100	$2,000	50	$1,000
Change of ownership or location	$55	$60	$5	25	$125	25	$125
Total New Revenue					$33,230		$33,460

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Barber Registrations	3252	2905	6/30/2014 6/30/2015
Quality	Average time from receipt of completed application to certificate issue	2 days	2 days	6/30/2014 6/30/2015
Results	Number of satisfactory inspections completed	407	695	6/30//2014 6/30/2015

Statutory Change(s):
Minnesota Statute 154.003 Fees