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↻ Designates that this item is a change item

Agency Purpose

The legislature created the Office of Administrative Hearings (OAH) in 1976 as an independent executive branch agency responsible for providing citizens with administrative hearings whenever state or local laws give them the right to challenge state or local government action that adversely affects them. Over the years, OAH has acquired additional responsibilities, including:

- ◆ ensuring that state agency rulemaking and rulemaking proceedings conform to requirements of the law;
- ◆ conducting workers' compensation benefit hearings and alternative dispute resolution services in its Worker's Compensation Division; and
- ◆ conducting administrative hearings to adjudicate complaints alleging violations of laws regulating election campaign practices.

An executive order in February 2005 also transferred the state's Municipal Boundary Adjustment Unit and its statutory functions from the Department of Administration to OAH.

Core Functions

The agency's two operating divisions and one operating unit provide a variety of dispute resolution services to parties involved with administrative hearings and workers' compensation benefit claims, namely:

- ◆ providing persons adversely affected by state or local government actions with full and fair opportunities to be heard and to challenge those actions;
- ◆ ensuring that agency rules and rulemaking proceedings conform to the law and allowing the widest possible public participation in the formulation of agency rules;
- ◆ providing injured workers, their employers, and workers' compensation insurers with prompt and impartial resolutions of claims for workers' compensation benefits;
- ◆ encouraging and assisting disputing parties to resolve their differences through settlement, arbitration, and mediation; and
- ◆ acting on petitions for orders for creation or dissolution of municipalities or for alterations of municipal boundaries through consolidation, annexation, or detachment of real property.

Operations

The Administrative Law Division meets the administrative hearing needs of most state agencies and an increasing number of local governments. Upon request, OAH also provides arbitration and mediation services to those agencies and political subdivisions. Administrative hearings include such diverse matters as proceedings before the Minnesota Public Utilities Commission, disciplinary proceedings against practitioners brought by various health professional licensing boards, and appeals of sex offender risk level determinations. Administrative law judges also review all proposed agency rules and amendments for legality, necessity, and reasonableness and conduct public rule hearings when required. The legislature has also given the Administrative Law Division the authority and responsibility for conducting proceedings to resolve complaints of violations of Minnesota's Fair Campaign Practices Act.

The Municipal Boundary Adjustment Unit administers the uniform system of municipal boundary adjustments required by M.S. Chapter 414. The Assistant Chief Administrative Law Judge (Administrative Law), under a delegation of authority from the Chief Administrative Law Judge, issues order on petitions for creation or dissolution of municipalities or for alterations of municipal boundaries through consolidation, annexation, or detachment of real property.

At A Glance

Annual Business Processes:

- ◆ Service to more than 80 state agencies and 40 local governmental units.
- ◆ 711 administrative rulemaking and contested case proceedings in FY 2008.
- ◆ 7,358 workers' compensation matters settled per year.
- ◆ 1,949 workers' compensation claim petitions and benefit requests adjudicated per year.
- ◆ 193 municipal boundary adjustments totaling 81,290 acres in 64 different counties.

The compensation judges assigned to the agency’s Workers’ Compensation Division are responsible for conducting most pre-trial and all trial level functions associated with the disposition of claim petitions for workers’ compensation benefits. Those functions include disposing of motions, conducting settlement and pre-trial conferences, conducting trials, and issuing awards and final decisions.

Key Goals

- ◆ Conduct a fourth Judicial Development Program survey of attorneys and litigants to determine satisfaction with performance of OAH Judges. (Minnesota Milestone Indicator 36 – Satisfaction with Government Services; OAH Strategic Plan. ¶ III-C-1-c, “OAH Is Accountable to Public”)
- ◆ Reduce average times for OAH judges to issue their decisions. (Minnesota Milestone Indicator 36 – Satisfaction with Government Services; OAH Strategic Plan. ¶ III-C-1-b, “OAH Provides Parties With Prompt Results”)
- ◆ Provide cost-effective administrative hearing services to more of the state’s political subdivisions. (Minnesota Milestone Indicator 37 – Price of Government; OAH Strategic Plan. IV-C, “Conduct More Local Administrative Hearings”)
- ◆ Improve information available to the public by creating a web-based searchable database of past municipal boundary adjustment transactions. (Minnesota Milestone Indicator 36 – Satisfaction with Government Services)

Key Measures

| | Statutory Standard | <u>2006</u> | <u>2008</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|-------------|
| ◆ Average time for Administrative Law Judges to issue final decisions/recommendations after the record closes. | 90 days | 20.9 days | 20.0 days |
| ◆ Average time for Compensation Judges to issue final decisions after the record closes. | 60 days | 34.5 days | 38.6 days |
| ◆ Average time for Compensation Judges to issue orders on requests for discontinuance of benefits. | 5 days | 3.9 days | 3.1 days |
| ◆ Average time for Compensation Judges to issue orders for medical or rehabilitation requests. | 30 days | 24.7 days | 28.2 days |
| ◆ Percent of attorneys and parties who rated OAH judges as “excellent” or “good” in each of 21 categories. (See OAH web site for more information on this survey.) | NA | 87% | † |

† Last survey conducted in FY 2006. Next survey scheduled for FY 2009.

Budget

OAH currently maintains a staff of 80.4 full-time equivalent positions, and its FY 2008-09 biennial budget totals \$19.2 million. The Administrative Law Division has a \$4.4 million biennial budget, which is funded by a special revenue revolving fund. Deposits into that fund are collected from state agencies and local governments through hourly charges for administrative law judges and staff attorneys. That division also receives a \$65,000 annual appropriation from the general fund to the general account of the state elections campaign fund. The Municipal Boundary Adjustment Unit currently receives a \$290,000 annual appropriation from the general fund. The Workers’ Compensation Division has a \$14.8 million biennial budget funded by an appropriation by the legislature from the state’s workers’ compensation special compensation fund.

Contact

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ADMINISTRATIVE HEARINGS

Agency Overview

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---------------------------------------------|--------------|---------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 283 | 290 | 290 | 290 | 580 |
| Recommended | 283 | 290 | 275 | 275 | 550 |
| Change | | 0 | (15) | (15) | (30) |
| % Biennial Change from 2008-09 | | | | | -4% |
| Workers Compensation | | | | | |
| Current Appropriation | 7,773 | 7,250 | 7,250 | 7,250 | 14,500 |
| Recommended | 7,773 | 7,250 | 7,250 | 7,250 | 14,500 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -3.5% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 250 | 323 | 275 | 275 | 550 |
| Miscellaneous Special Revenue | 4 | 0 | 0 | 0 | 0 |
| Workers Compensation | 7,099 | 7,924 | 7,250 | 7,250 | 14,500 |
| Statutory Appropriations | | | | | |
| General | 21 | 65 | 65 | 65 | 130 |
| Administrative Hearings | 1,977 | 2,294 | 2,193 | 2,374 | 4,567 |
| Workers Comp Transcript | 1 | 105 | 6 | 6 | 12 |
| Total | 9,352 | 10,711 | 9,789 | 9,970 | 19,759 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 7,607 | 8,183 | 8,097 | 8,258 | 16,355 |
| Other Operating Expenses | 1,724 | 2,463 | 1,627 | 1,647 | 3,274 |
| Transfers | 21 | 65 | 65 | 65 | 130 |
| Total | 9,352 | 10,711 | 9,789 | 9,970 | 19,759 |
| <u>Expenditures by Program</u> | | | | | |
| Administrative Hearings | 9,352 | 10,711 | 9,789 | 9,970 | 19,759 |
| Total | 9,352 | 10,711 | 9,789 | 9,970 | 19,759 |
| Full-Time Equivalent (FTE) | 80.3 | 80.7 | 78.1 | 76.6 | |

ADMINISTRATIVE HEARINGS

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|-----------------------------------------|--------------|--------------------|--------------|---------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 290 | 290 | 290 | 580 |
| Subtotal - Forecast Base | 290 | 290 | 290 | 580 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (15) | (15) | (30) |
| Total Governor's Recommendations | 290 | 275 | 275 | 550 |
| Fund: WORKERS COMPENSATION | | | | |
| FY 2009 Appropriations | 7,250 | 7,250 | 7,250 | 14,500 |
| Subtotal - Forecast Base | 7,250 | 7,250 | 7,250 | 14,500 |
| Total Governor's Recommendations | 7,250 | 7,250 | 7,250 | 14,500 |
| Fund: GENERAL | | | | |
| Planned Statutory Spending | 65 | 65 | 65 | 130 |
| Total Governor's Recommendations | 65 | 65 | 65 | 130 |
| Fund: ADMINISTRATIVE HEARINGS | | | | |
| Planned Statutory Spending | 2,294 | 2,193 | 2,374 | 4,567 |
| Total Governor's Recommendations | 2,294 | 2,193 | 2,374 | 4,567 |
| Fund: WORKERS COMP TRANSCRIPT | | | | |
| Planned Statutory Spending | 105 | 6 | 6 | 12 |
| Total Governor's Recommendations | 105 | 6 | 6 | 12 |

ADMINISTRATIVE HEARINGS

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(15) | \$(15) | \$(15) | \$(15) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(15) | \$(15) | \$(15) | \$(15) |

Recommendation

The Governor recommends a reduction of \$15,000 in FY 2010 and \$15,000 in FY 2011 to the general fund operating budget of the Office of Administrative Hearings. The Governor intends that Administrative Hearings should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

Administrative Hearings' operating budget of \$290,000 per fiscal year includes amounts budgeted for the municipal boundary adjustments program.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the agency's general fund budget.

Key Goals and Measures

The Office of Administrative Hearing's goal for the operating reduction is to have the least amount of negative impact on Minnesota's cities and townships, which are the unit's primary customers.

The budget submitted for Administrative Hearings seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through reduced supplies purchase and salary savings. The resulting budget will focus on new ways to operate the department's core functions.

Statutory Change: Not Applicable

ADMINISTRATIVE HEARINGS

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|--------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 28 | 29 | 29 | 29 | 58 |
| Total Non-Dedicated Receipts | 28 | 29 | 29 | 29 | 58 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| Administrative Hearings | 1,989 | 2,280 | 2,225 | 2,380 | 4,605 |
| Workers Comp Transcript | 6 | 6 | 6 | 6 | 12 |
| Total Dedicated Receipts | 1,995 | 2,286 | 2,231 | 2,386 | 4,617 |
| Agency Total Revenue | 2,023 | 2,315 | 2,260 | 2,415 | 4,675 |