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⇒ Designates that this item is a change item

Dollars in Thousands

	Current FY2010	Current FY2011	Governor Recomm. FY2012	Governor Recomm. FY2013	Biennium 2012-13
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	2,000	0	0	0	0
Recommended	**2,000**	**0**	**0**	**0**	**0**
Change		0	0	0	0
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	21,721	21,600	21,600	21,600	43,200
Recommended	**21,721**	**21,600**	**21,075**	**21,083**	**42,158**
Change		0	(525)	(517)	(1,042)
% Biennial Change from 2010-11					-2.7%
Petroleum Tank Release Cleanup					
Current Appropriation	1,059	1,052	1,052	1,052	2,104
Recommended	**1,059**	**1,052**	**1,052**	**1,052**	**2,104**
Change		0	0	0	0
% Biennial Change from 2010-11					-0.3%
Federal Stimulus					
Current Appropriation	196,753	0	0	0	0
Recommended	**196,753**	**0**	**0**	**0**	**0**
Change		0	0	0	0
% Biennial Change from 2010-11					-100%
Workers Compensation					
Current Appropriation	751	751	751	751	1,502
Recommended	**751**	**751**	**751**	**751**	**1,502**
Change		0	0	0	0
% Biennial Change from 2010-11					0%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	702	1,568	0	0	0
General	19,511	26,251	21,075	21,083	42,158
Petroleum Tank Release Cleanup	655	1,456	1,052	1,052	2,104
Federal Stimulus	55,551	109,965	32,701	2,951	35,652
Workers Compensation	610	892	751	751	1,502
Open Appropriations					
Petroleum Tank Release Cleanup	6,891	11,336	11,336	17,136	28,472
Statutory Appropriations					
State Government Spec Revenue	0	232	0	0	0
Miscellaneous Special Revenue	27,191	35,631	31,460	32,230	63,690
Federal	181,954	175,886	187,683	194,066	381,749
Federal Stimulus	3,879	1,532	300	327	627
Miscellaneous Agency	207	456	200	0	200
Total	**297,151**	**365,205**	**286,558**	**269,596**	**556,154**
Expenditures by Category					
Total Compensation	26,140	30,586	30,328	29,867	60,195
Other Operating Expenses	31,537	47,041	47,476	50,736	98,212
Local Assistance	239,474	287,356	208,754	183,193	391,947
Transfers	0	222	0	5,800	5,800
Total	**297,151**	**365,205**	**286,558**	**269,596**	**556,154**

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Program					
Financial Institutions	9,158	11,256	10,079	10,083	20,162
Petroleum Tank Cleanup Fund	7,546	12,792	12,388	18,188	30,576
Administrative Services	4,798	5,398	5,082	5,082	10,164
Market Assurance	11,930	14,981	23,918	30,530	54,448
Telecommunications	943	1,077	1,010	1,010	2,020
Office Of Energy Security	254,851	309,208	225,159	195,086	420,245
Telecommunications Access Mn	4,933	7,331	5,767	6,462	12,229
Weights & Measures	2,992	3,162	3,155	3,155	6,310
Total	**297,151**	**365,205**	**286,558**	**269,596**	**556,154**
Full-Time Equivalents (FTE)	**301.7**	**334.7**	**330.2**	**323.9**	

Agency Purpose

The Minnesota Department of Commerce (DOC) protects consumers by ensuring secure, stable, reliable and fair commercial and financial transactions in more than 20 industries and utilities. The department accomplishes this through:

- investigating and resolving consumer complaints;
- regulating and licensing business activity to ensure compliance, responsible business conduct, security and stability;
- safeguarding consumers' rights and investments;
- advocating in front of the Public Utilities Commission to ensure equitable and reliable utility services; and
- expanding economic opportunities while working to improve our environment and quality of life.

At a Glance

The department's General Fund spending is estimated to be in excess of $45.8 million for the FY 2010-11 biennium. The all fund spending is estimated to be in excess of $758.9 million over the same period.

Financial Institutions
- Regulates $53 billion in bank, credit union and finance company assets and $246 billion in insurance company assets
- Twelve state banks have failed in recent years
- There have been no failures of Minnesota insurers or credit unions in recent history.

Petroleum Tank Cleanup Fund
- Over $10 million in annual reimbursements
- Approximately $403 million in reimbursements since program inception
- Program sunset date of June 30, 2012

Administrative Services
- Provides leadership and support services to all agency programs
- Manages over $450 million in unclaimed property and returned over $25 million to rightful owners in FY 2010

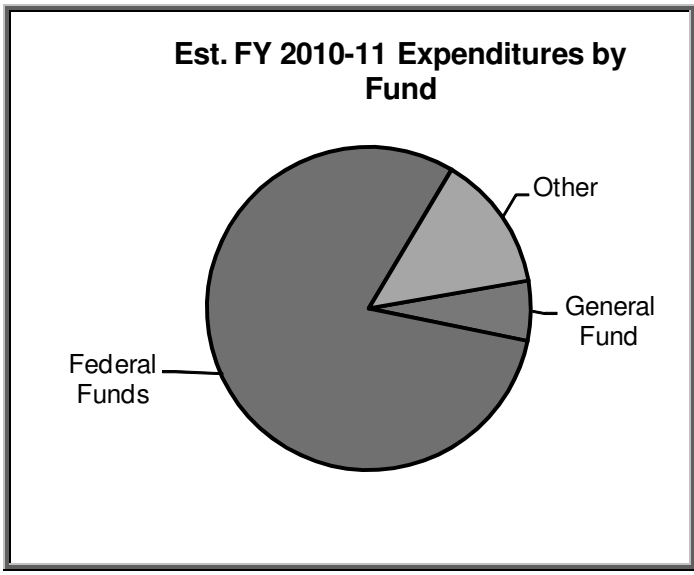
Market Assurance
- Over 4,800 investigation files opened annually
- Recovered $2.7 million in claims payments for consumers
- Licenses over 210,000 individuals and entities
- Receives over 23,000 calls from consumers and over 46,000 license-related calls

Telecommunications
- Regulates almost 100 local telephone companies, over 150 local carriers, and over 300 long distance carriers
- Evaluates and acts on over 1,000 dockets per year

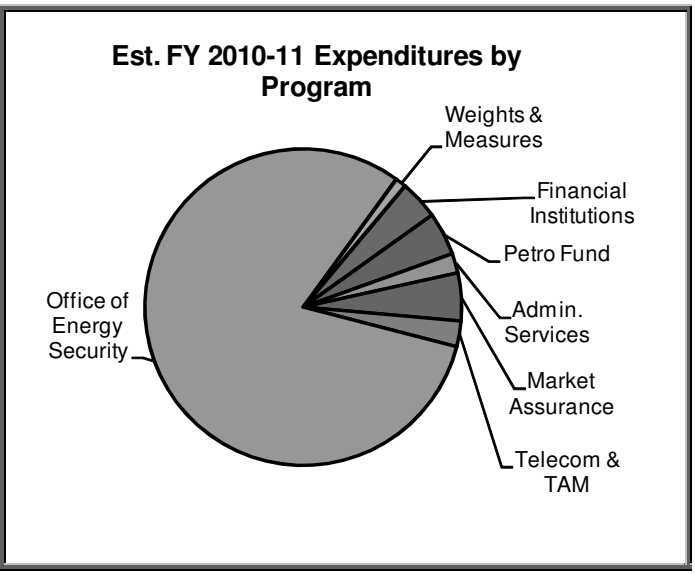
Office of Energy Security
- 165,000 low income households served by LIHEAP and Weatherization
- $140 million of federal funds disbursed to low income households
- 628,000 MWh of electricity saved through CIP
- 1.8 million Mcf of natural gas saved through CIP

Telecommunications Access Minnesota (TAM)
- Provides Minnesota Relay service and the telephone equipment distribution (TED) program
- Minnesota Relay service handles an average of 63,000 calls per month
- TED program distributes an average of 400 assistive telecommunications devices per month

Weights and Measures
- Over 60,000 inspections on an annual basis
- Metrology lab is accredited under the most recently adopted quality standards
- Program funding based on the volume of petroleum product received in Minnesota



Source: Consolidated Fund Statement.



Source: Minnesota Accounting and Procurement System as of 08/31/2010

Strategies

The DOC regulates utilities, financial institutions, licensed businesses, licensed individuals, retail businesses and commercial activity without respect to the specific interests of either the regulated businesses or the clients they serve. The department's regulatory decisions maximize the net benefits to all residents and regulated businesses, while safeguarding the rights of consumers, and protecting policyholders and investors from financial failure.

Operations

The department enforces laws and rules, advocates on behalf of the public, and provides services to promote the financial well being of a broad constituency of individuals and businesses. To carry out its mission, the department must assess the significant consequences of every regulatory decision and enforcement action, including the impact on consumer costs, financial stability, reliability of service, the environment and economic development. This carefully-designed regulatory balance effectively protects the broad financial interests of Minnesota's businesses and consumers.

Financial Institutions Division:

- Licenses, examines and regulates insurance companies, credit unions, state chartered banks, mortgage companies, finance companies and other financial institutions to ensure that they remain safe and financially solvent.

Petrofund:

- Reimburses petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases.
- Contracts to remove abandoned underground petroleum storage banks across Minnesota.

Administration:

- Leads and directs the department, manages day-to-day operations, manages financial and human resources operations.
- Provides unclaimed property reclamation services to the people of Minnesota.
- Provides information management services and technical support to the department.

Market Assurance Division:

- Enforces compliance and responsible business conduct across a broad range of licensed occupations, including insurance agents, stock and investment brokers, and realtors.
- Evaluates insurance policies and rates to ensure fair rates and to ensure compliance with Minnesota law.

- Registers securities sold in Minnesota.
- Licenses businesses and individuals according to Minnesota statutes.

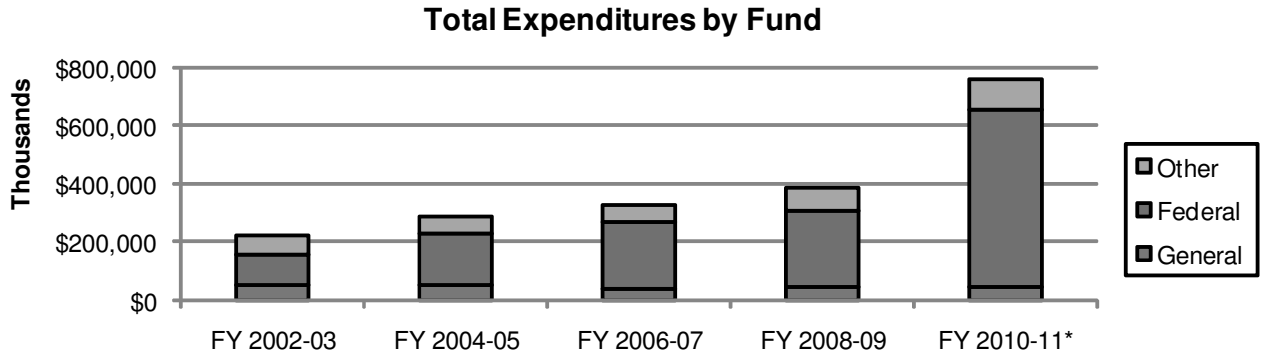
Office of Energy Security:
- Advocates on behalf of consumers and ratepayers in proceedings relating to regulated gas and electric utilities.
- Promotes energy-efficient building, conservation, alternative transportation fuels, and modern energy technologies.
- Oversees conservation improvement programs operated by public, municipal and cooperative utilities.
- Administers the Low Income Home Energy Assistance Program and the Weatherization Assistance Program.

Telecommunications Division:
- Advocates on behalf of consumers and ratepayers in proceedings relating to regulated telecommunications utilities.
- Promotes real competition among telecommunications companies in Minnesota.

Telecommunications Access Minnesota:
- Funds telecommunications access services for Minnesotans with hearing, vision, speech or physical disability.

Weights and Measures Division:
- Ensures accuracy in all transactions based on weight or measure.
- Ensures consistent quality of petroleum products.
- Provides precision mass, temperature, density and volume measurement services to businesses.

Budget Trends Section



** FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Management and Budget consolidated fund statement.*

External Factors Impacting Commerce

There are a number of external factors that have affected the department. Most significantly, the economic downturn has touched all of the major work units in the department.

Market Assurance – The declining housing market has put many appraisers, mortgage, and real estate professionals under financial stress. Unfortunately this has lead to an increase in the number of complaints received, and the number of investigations completed, by our Market Assurance division. For example, in FY 2009 a total of $2.7 million in fines and penalties were assessed against the mortgage industry, up from a previous high of $564,000 in FY 2003.

Financial Exams – State regulated banks and credit unions have also been significantly affected by poor economic conditions. Currently, about 1/3 of the state regulated banks and credit unions are on the department's watch list, up significantly over the past few years.

Office of Energy Security (OES) – [0]The federal government passed the American Reinvestment and Recovery Act (ARRA). This has lead to OES receiving approximately $200 million in energy-related stimulus money. OES's Weatherization program, for example, saw a 13-fold increase in funding. OES has worked hard to scale up stimulus-funded programs and will need to work to scale them back down as we near 2012.

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Dollars in Thousands

	FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2011 Appropriations	**0**	**0**	**0**	**0**
Subtotal - Forecast Base	**0**	**0**	**0**	**0**
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Fund: GENERAL				
FY 2011 Appropriations	**21,600**	**21,600**	**21,600**	**43,200**
Technical Adjustments				
Current Law Base Change		(227)	(219)	(446)
One-time Appropriations		(38)	(38)	(76)
Operating Budget Reduction		(5)	(5)	(10)
Subtotal - Forecast Base	**21,600**	**21,330**	**21,338**	**42,668**
Change Items				
Expediting Regulatory Decision-Making	0	265	265	530
Operating Budget Reduction	0	(520)	(520)	(1,040)
Total Governor's Recommendations	**21,600**	**21,075**	**21,083**	**42,158**
Fund: PETROLEUM TANK RELEASE CLEANUP				
FY 2011 Appropriations	**1,052**	**1,052**	**1,052**	**2,104**
Technical Adjustments				
Program/agency Sunset		0	(1,052)	(1,052)
Subtotal - Forecast Base	**1,052**	**1,052**	**0**	**1,052**
Change Items				
Extension of the Petrofund Sunset	0	0	1,052	1,052
Total Governor's Recommendations	**1,052**	**1,052**	**1,052**	**2,104**
Fund: FEDERAL STIMULUS				
FY 2011 Appropriations	**0**	**0**	**0**	**0**
Subtotal - Forecast Base	**0**	**0**	**0**	**0**
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Fund: WORKERS COMPENSATION				
FY 2011 Appropriations	**751**	**751**	**751**	**1,502**
Subtotal - Forecast Base	**751**	**751**	**751**	**1,502**
Total Governor's Recommendations	**751**	**751**	**751**	**1,502**
Fund: PETROLEUM TANK RELEASE CLEANUP				
Planned Open Spending	**11,336**	**11,336**	**0**	**11,336**
Change Items				
Extension Of The Petrofund Sunset	0	0	17,136	17,136
Total Governor's Recommendations	**11,336**	**11,336**	**17,136**	**28,472**

Dollars in Thousands

	FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	**232**	**0**	**0**	**0**
Total Governor's Recommendations	**232**	**0**	**0**	**0**
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	**35,631**	**31,460**	**32,230**	**63,690**
Total Governor's Recommendations	**35,631**	**31,460**	**32,230**	**63,690**
Fund: FEDERAL				
Planned Statutory Spending	**175,886**	**187,683**	**194,066**	**381,749**
Total Governor's Recommendations	**175,886**	**187,683**	**194,066**	**381,749**
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	**1,532**	**300**	**327**	**627**
Total Governor's Recommendations	**1,532**	**300**	**327**	**627**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**456**	**200**	**0**	**200**
Total Governor's Recommendations	**456**	**200**	**0**	**200**
Revenue Change Items				
Fund: GENERAL				
Change Items				
Expediting Regulatory Decision-Making	0	265	265	530
Fund: PETROLEUM TANK RELEASE CLEANUP				
Change Items				
Extension of the Petrofund Sunset	0	0	26,333	26,333

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
Petroleum Tank Fund				
Expenditures	$0	$18,188	$18,188	$18,188
Revenues	0	26,333	26,333	26,333
Net Fiscal Impact	$0	($8,145)	($8,145)	($8,145)

Recommendation

The Governor recommends amending the repealer date (i.e. 'sunset date') in M.S. 115C.13 from June 30, 2012 to June 30, 2017. This legislation would result in a five-year extension of the Petroleum Tank Release Cleanup Fund (Petrofund) program at the Department of Commerce, as well as provide funding for other programs at the Minnesota Pollution Control Agency and the Department of Employment and Economic Development (separate *Change Item* documents are provided by both of those agencies in their budgets).

Rationale

Federal financial responsibility regulations require that petroleum storage tank owners have at least $1 million of coverage to address contamination from leaking tanks and to pay third-party liability claims. The 'sunset' of the Petrofund, which has served as the tank owners' financial assurance mechanism since 1987, would negatively impact their ability to comply with federal law and would likely result in financial hardships for those tank owners who could not obtain alternative coverage and were obligated to incur the costs related to investigating and cleaning up petroleum contamination on their own. Extension of the 'sunset date' would have no impact on the Department's current operations, since no increases in staffing or annual Petrofund reimbursement program budgets are anticipated. The effective implementation date would be the first day of the extension: July 1, 2012. The new sunset on the PetroFund will be June 30, 2017.

All current and proposed expenditures are fully covered by the Petrofund fee; thus, there is no effect on the General Fund. The Petrofund program's revenue is generated by a fee on gasoline and other petroleum products. Of the $18.2 million is spending each year, $1.052 million each year is for the Petroleum Tank Release Cleanup Board while $11 million is provided in claims.

Key Goals and Measures

The key goal of the Petrofund program is to provide timely financial assistance to those who are cleaning up contaminated soil and groundwater from leaking petroleum storage tanks, with the ultimate goal of helping to protect the public health and welfare and the environment. These objectives go hand-in-hand with the Minnesota Milestones statewide goal regarding water use, which states, in part, "A clean and abundant water supply is essential to economic and human health."

The principal measure for whether or not the Petrofund is providing financial assistance in a timely manner is the 'application backlog'. Minnesota Statute §115C.09 provides that initial applications be reviewed within 60 days of receipt and supplemental applications within 120 days of receipt. The status of the 'application backlog' is assessed weekly by the Petrofund Director and reported to the five-member Petrofund Board at their bi-monthly meetings. The Petrofund staff is currently reviewing applications within the 60-day and 120-day deadlines. The Petrofund has consistently processed reimbursement applications in a timely manner (as illustrated in the following table), and it is anticipated that these high compliance rates will continue into the foreseeable future.

Year	Applications Received	Applications Reviewed Within 60 and 120 Days	Compliance Rate
FY08	807	807	100%
FY09	735	735	100%
FY10	721	681*	94%*

*Short-term lack of compliance due to the departure of one of the three analysts that process applications for reimbursement.

Statutory Change: Change the sunset date contained in M.S. 115C.13 to June 30, 2017

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	$265	$265	$265	$265
Revenues	265	265	265	265
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends increasing the Office of Energy Security appropriation and related assessment of utilities by $265,000 each year. This increase represents an 8.9% increase in general fund spending for the Office of Energy Security.

Rationale

Funding in the Office of Energy Security (OES) has remained flat over the past few years as workload has increased. The number and complexity of utility filings brought before the Public Utilities Commission have increased greatly over the past few years. This workload cannot be controlled internally and is driven by the regulated industries. As an example, in FY 2007 there were three rate cases and during FY 2010 OES worked on nine rate cases. These highly contested cases require thousands of hours of OES staff time; typically, OES work results in millions of dollars of savings for utility customers.

This proposal includes three FTE which will be used to improve the speed by which utility filings are processed. Additional resources will be used to analyze and recommend action on the utility filings to better meet the expectations of the regulated industries.

Key Goals and Measures

One of the key goals stated in the OES mission statement is to provide access to energy that is reliable, reasonably-priced, and environmentally sound. This proposal will help OES meet these stated goals by providing staff and related resources. OES will be able to measure the length of time a standard rate case currently takes to work its way through the system and compare that to the same data after additional staff have been added.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	($520)	($520)	($520)	($520)
Revenues	0	0	0	0
Net Fiscal Impact	($520)	($520)	($520)	($520)

Recommendation

The Governor recommends a reduction of $520,000 in FY 2012 and $520,000 in FY 2013 to the Department of Commerce General Fund operating budget. The Governor intends that the Department of Commerce 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.

This proposal represents a 5% reduction to the Department of Commerce base general fund forecast budget.

Rationale

The Department of Commerce's total Market Assurance and Administrative Services base forecast general fund operating budget is $10.398 million for FY 2012 and $10.398 million for 2013 and includes amounts budgeted for licensing, enforcement, securities registration, rate and form filing, consumer protection, unclaimed property, and general administrative functions. The Department of Commerce is proposing to reduce operating expenditures and positions during the FY 2012-13 biennium. Specifically, Department of Commerce will reduce operating budgets by the following amounts:

- Elimination of two positions in the Market Conduct unit - $150,000
- Elimination of one position on the Consumer Response team - $75,000
- Reduction of general administrative costs in Market Assurance - $91,000
- Elimination of two positions and operational reductions in Administrative Services - $204,000

These reductions will not impact any current employees since these positions are currently vacant. In anticipation of budget reductions, positions have not been filled when employees have left.

Statutory Change: Not Applicable.

Program at a Glance

- In FY 2010, the Financial Institutions Division regulated
  - $53 billion in bank, credit union, and finance company assets
  - $246 billion in insurance company assets
- Twelve state banks have failed in recent years, but mergers have been arranged with no losses to depositors.
- There have been no failures of Minnesota insurers or credit unions in recent history.

Program Description

The Financial Institutions Division licenses and regulates financial institutions, insurance companies and other entities that provide financial products and services. Specifically, the Bank and Credit Union unit licenses and regulates state-chartered banks, trust companies, credit unions, certificate investment companies, thrift companies, consumer credit companies, and debt management and debt settlement companies. The Insurance component licenses and monitors the solvency of all insurance companies that operate in Minnesota. The Division also licenses and examines mortgage companies that operate in Minnesota. The objectives include assuring a competitive market for a broad range of financial services with minimal failures and losses to citizens.

Population Served

The Financial Institutions Division serves all Minnesota consumers and businesses that rely on banks, credit unions, finance companies and insurance companies for financial products and services.

Services Provided

Bank and Credit Union Unit

The unit licenses and conducts on-site examinations at all state-chartered banks, trust companies, credit unions and certificate investment companies on a 12 to 18 month cycle. There is much cooperation and collaboration with federal counterparts. Many examinations are conducted jointly and examination findings are shared with the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank and the National Credit Union Administration (NCUA). On-site examinations focus on various financial factors with particular emphasis on loan portfolio quality. Oversight also includes ongoing monitoring of quarterly financial reports.

The unit also licenses and examines consumer credit companies. Examinations are generally conducted on an 18-month cycle. Examinations focus on compliance issues rather than solvency or safety and soundness. There is no comparable federal regulation of the nonbank consumer credit industry. Examinations often result in significant refunds of overcharges to consumers.

The unit also licenses residential mortgage loan origination and servicing companies. Recent legislation authorizes Minnesota's federally mandated participation in the National Mortgage Licensing System (NMLS) which will screen and license natural persons who engage in mortgage origination. An on-site mortgage company examination program was authorized by the legislature in 2007 and the exam program commenced in 2008. The mortgage unit is currently gearing up for participation in NMLS.

The unit also licenses currency exchanges, payday lenders, money transmitters and debt management services providers. The Division's 2008 legislative proposal mandated licensing of Internet payday lenders and compliance with Minnesota's conservative fee schedule.

The Division encourages the growth of state-chartered financial institutions. Healthy competition ensures numerous choices for consumers and business and drives down the cost of financial services. Several new financial products originated in state-chartered institutions and have spread nationwide.

Insurance Company/Actuarial Unit

A major focus is on oversight of insurers headquartered in Minnesota. The unit's primary focus is to ensure the financial soundness and solvency of every insurance company doing business in Minnesota. If an insurance company headquartered in Minnesota is financially troubled, it is the Division's responsibility to formulate a plan to effect correction. If an insurer headquartered in another state falters, the Division would restrict the business that

it conducts in Minnesota. If an insurance company failure is unavoidable, the Division manages the transition to minimize any negative impact on Minnesota policyholders.

While there are discussions about a federal regulator for insurance, insurance regulation continues to be a state responsibility. Insurers today are large, multi-state and multi-jurisdictional concerns, but regulation rests at the state level. The recent Dodd/Frank federal legislation establishes a federal entity to track insurance issues; however, there is no federal regulation of the insurance industry.

The Insurance unit also participates in the proceedings of the National Association of Insurance Commissioners (NAIC). The NAIC recommends model laws and regulatory standards for each state to adopt and encourages nationwide uniformity. Model acts are often tailored to conditions unique to Minnesota. The Division's 2010 legislative initiative included strengthening oversight of fraternal life insurers which are not covered by the guaranty fund safety net. The Minnesota fraternal law has become the model for legislative initiatives in other states.

The unit performs two types of examinations – the desk audit and the on-site field examination. Desk audits are based on periodic financial reports submitted by insurance companies. Analysts evaluate information, and develop a financial profile of every company doing business in Minnesota. On-site examinations of Minnesota-based insurers are conducted every five years. Examiners review insurance company books and records at the company headquarters and conduct a full and complete review of financial condition. Examinations are completed by staff or by contract examiners (generally accounting firms). Additionally, the unit employs an actuarial staff to calculate and verify the adequacy of insurance company reserves and various workers' compensation issues. The Division also conducts periodic examinations of health maintenance organizations (HMOs) via a contract with the Department of Health.

The Division also oversees the operations of the two insurance "guaranty funds," which are the safety net mechanism to protect policyholders from losses in the event of an insurance company failure.

Historical Perspective

While Minnesota's diversified and comparatively resilient economy is reflected in the generally satisfactory financial condition of state banks and credit unions, the severe economic downturn beginning in 2007 has taken its toll. Twelve state banks have failed between 2007 and mid-2010 and "watch lists" remain at high levels. Financial stress will continue to adversely affect Minnesota's financial institutions. The 12 state bank failures have all been resolved by merger, with no loss to depositors and minimal inconvenience. While some "shotgun weddings" have been arranged, there have been no outright credit union failures since 1984. There have been no failures of Minnesota-headquartered insurance companies in many, many years.

Key Program Goals & Measures

Goals

Continue to monitor the health of Minnesota's state banks, credit unions and insurance companies, initiate timely corrective actions where appropriate, and resolve failures with minimal losses to citizens.

Continue to lead the nation in risk-focused insurance regulation, which emphasizes critical factors rather than "bean counting," and reduces the cost of insurance regulation.

Stay current with the statutory schedule for examinations of banks, credit unions, insurance companies and finance companies.

Maintain the accreditation (peer review quality control) with both the Conference of State Bank Supervisors (CSBS) for banks and the National Association of Insurance Commissioners (NAIC) for insurance.

Assure a competitive marketplace for financial services, but with minimal failures.

Financial Examinations related activities (FY2007-10):

Banks, Credit Unions and Consumer Credit	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
State banks	330	327	321	306
Branch offices	515	535	535	524
Examinations conducted	132	120	108	110
Bank assets ($ in billions)	$36.3	$38.6	$39.5	$39.6
State credit unions	98	96	94	94
Consumer credit companies	174	183	185	194
Examinations conducted	150	157	135	160
Credit union assets ($ in billions)	$3.8	$4.1	$4.0	$6.8

Insurance Companies	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Licensed insurance companies	1,409	1,422	1,402	1,436
New company licenses issued	39	32	40	34
Domestic insurance companies	79	77	77	77
Financial reviews conducted (desk audit)	1,479	1,470	1,425	1,485
On-site examinations	26	16	12	17
Township Mutual exams (beginning 2008)		9	11	32

Program Funding

With respect to insurance companies, the program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the insurance examination revolving fund. The balance of the revolving fund cancels at the end of every fiscal year to the General Fund. Revenues generated by this program consist of examination fees, registration and filing fees, licensing fees, and transaction fees.

With respects to banks, credit unions, and finance companies, the program is funded by a General Fund appropriation, but all costs are recovered by assessments and examination fees charged to the regulated entities. The assessment is billed at the beginning of a fiscal year at 103% of operating, agency indirect and Attorney General cost. Examination fees are based on hourly charges for examiner time and cover the costs of the examination program. Fees are also charged for applications relating to charter and license activity.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	7,038	6,899	6,899	6,899	13,798
Technical Adjustments					
Current Law Base Change			(123)	(119)	(242)
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	7,038	6,899	6,774	6,778	13,552
Total	**7,038**	**6,899**	**6,774**	**6,778**	**13,552**
Expenditures by Fund					
Direct Appropriations					
General	5,964	7,960	6,774	6,778	13,552
Statutory Appropriations					
Miscellaneous Special Revenue	3,194	3,296	3,305	3,305	6,610
Total	**9,158**	**11,256**	**10,079**	**10,083**	**20,162**
Expenditures by Category					
Total Compensation	5,422	6,595	6,221	6,225	12,446
Other Operating Expenses	3,736	4,661	3,858	3,858	7,716
Total	**9,158**	**11,256**	**10,079**	**10,083**	**20,162**
Expenditures by Activity					
Financial Institutions	9,158	11,256	10,079	10,083	20,162
Total	**9,158**	**11,256**	**10,079**	**10,083**	**20,162**
Full-Time Equivalents (FTE)	**64.4**	**67.1**	**67.1**	**67.1**	

Program at a Glance

- Approximately $403 million has been provided in reimbursements since 1987.
- Funding has covered corrective actions at approximately 13,000 leaksites.

Program Description

The Petroleum Tank Release Cleanup Fund (Petrofund) contributes to a cleaner environment and helps to prevent the pollution of Minnesota's soil and water by providing eligible applicants reimbursement for a portion of their costs to investigate and cleanup contamination from leaking petroleum storage tanks.

Population Served

The Petrofund directly serves owners and operators of petroleum storage tanks, owners of properties where a petroleum tank release has occurred, and anyone else who has been requested or ordered by the Minnesota Pollution Control Agency (MPCA) to investigate or clean up a petroleum release. The program indirectly serves all Minnesotans by providing the financial assistance that is typically necessary to get these cleanup projects done, resulting in a cleaner environment for everyone.

Services Provided

The Petrofund

- provides reimbursement to eligible applicants for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks in the most cost-effective manner possible;
- contracts for the removal of a limited number of abandoned underground petroleum storage tanks each year;
- provides reimbursement for a portion of the costs to replace PVC piping with metal piping on home heating oil tanks to help avoid the release of fuel oil;
- passes through funds to the MPCA for administration of the petroleum remediation, the underground storage tank, and the emergency response programs, as well as to pay for state-financed investigation and cleanup projects where no viable responsible person is available; and
- annually approves the use of funds by the Department of Employment and Economic Development (DEED) for the administration of the contamination cleanup and investigation grant Pprogram.

Historical Perspective

The Petrofund was created in 1987 in response to federal legislation requiring owners of underground petroleum storage tanks to have up to $1 million of financial assurance to cover costs associated with investigating and cleaning up contamination in the event that their tanks leak. Minnesota, along with 47 other states, established a state-financed reimbursement program to assist tank owners and operators in meeting their financial obligations. Since its inception, the Petrofund has reimbursed a total of approximately $403 million for corrective actions performed at approximately 13,000 leak sites. The Petrofund is currently scheduled to 'sunset' on June 30, 2012.

Key Program Goals & Measures

The key goal of the Petrofund program is to provide timely financial assistance to those who are cleaning up contaminated soil and groundwater from leaking petroleum storage tanks, with the ultimate goal of helping to protect the public health and welfare and the environment. These objectives go hand-in-hand with the Minnesota Milestones statewide goal regarding water use, which states, in part, "A clean and abundant water supply is essential to economic and human health."

The principal measure for whether or not the Petrofund is providing financial assistance in a timely manner is the 'application backlog'. M. S. 115C.09 provides that initial applications be reviewed within 60 days of receipt and supplemental applications within 120 days of receipt. The status of the 'application backlog' is assessed weekly by the Petrofund director and reported to the five-member Petrofund board at their bi-monthly meetings. The Petrofund staff is currently reviewing applications within the 60-day and 120-day deadlines. As the following table illustrates, the Petrofund has consistently processed reimbursement applications in a timely manner.

Year	Applications Received	Applications Reviewed Within 60 and 120 Days	Compliance Rate
FY08	807	807	100%
FY09	735	735	100%
FY10	721	681*	94%*

*Short-term lack of compliance due to the departure of one of the three analysts that process applications.

Another measure of the Petrofund's efforts to protect economic and human health is the number of abandoned underground storage tanks that have been identified and removed by the program. Since 2004, the Petrofund has removed over 200 abandoned tanks from nearly 150 sites and recovered over 70,000 gallons of fuel/sludge/contaminated water from the tanks that could have otherwise been released into the environment. To date, a total of 88 new releases have been identified and reported as part of the abandoned tank removal activities, an important first step in the cleanup and possible redevelopment of those impacted properties.

Program Funding

The Petrofund program is completely funded by an appropriation from the Petrofund, which derives its revenue from a fee on petroleum products paid by the first licensed distributors receiving the products in Minnesota. The fee is imposed at a rate of $20 per 1,000 gallons of product, rounded to the nearest 1,000 gallons, but is typically referred to as a $.02 per gallon fee. The fee is collected by the Department of Revenue only when the unencumbered balance of the fund falls below $4 million and only after imposition of the fee has been authorized by the Board (see M.S. 115C.08). After four months, the fee automatically turns off. Revenue is also received from investment earnings on the fund balance.

Contact

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Petroleum Tank Release Cleanup Fund
85 7th Place East, Suite 500
Saint Paul, Minnesota 55101
Phone: (651) 215-1775 or (800) 638-0418
Email: petrofund.commerce@state.mn.us

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
Petroleum Tank Release Cleanup					
Current Appropriation	1,059	1,052	1,052	1,052	2,104
Technical Adjustments					
Program/agency Sunset			0	(1,052)	(1,052)
Subtotal - Forecast Base	1,059	1,052	1,052	0	1,052
Governor's Recommendations					
Extension of the Petrofund Sunset		0	0	1,052	1,052
Total	**1,059**	**1,052**	**1,052**	**1,052**	**2,104**
Expenditures by Fund					
Direct Appropriations					
Petroleum Tank Release Cleanup	655	1,456	1,052	1,052	2,104
Open Appropriations					
Petroleum Tank Release Cleanup	6,891	11,336	11,336	17,136	28,472
Total	**7,546**	**12,792**	**12,388**	**18,188**	**30,576**
Expenditures by Category					
Total Compensation	498	793	643	643	1,286
Other Operating Expenses	7,048	11,999	11,745	11,745	23,490
Transfers	0	0	0	5,800	5,800
Total	**7,546**	**12,792**	**12,388**	**18,188**	**30,576**
Expenditures by Activity					
Petroleum Tank Cleanup Fund	7,546	12,792	12,388	18,188	30,576
Total	**7,546**	**12,792**	**12,388**	**18,188**	**30,576**
Full-Time Equivalents (FTE)	**6.3**	**6.8**	**6.8**	**6.8**	

Program at a Glance

Provides leadership and support services to the program delivery areas within the department. In addition, the Unclaimed Property unit resides in Administrative Services.

- Provides human resource and staffing expertise.
- Manages agency finances including budgeting, accounting, and payroll processing.
- Implement internal control procedures.
- Provides secure and efficient technology solutions for all department staff.
- Manages over $450 million in unclaimed property, and returned over $25 million to rightful owners in FY 2010.

Program Description

Administrative Services includes the commissioner's office, human resources, information technology services, accounting and financial services, the record information center and the unclaimed property unit. We ensure that all department operations are managed and implemented in a manner consistent with state and federal laws and with the goals of the administration.

Population Served

- Administrative Services serves Minnesotans who do business with the Department of Commerce (DOC).
- Central management and support functions facilitate the operations of the department's main programs.
- Unclaimed property serves owners of abandoned property received by the state from banks, former employers, retailers, and other businesses.

Services Provided

Administrative Support

- leads, manages, and directs the department to ensure efficient operations;
- develops and directs implementation of annual and long range objectives;
- manages department finances and develops budgets;
- provides personnel management according to Minnesota statutes, rules, and policies;
- provides administrative support services to all programs within the department;
- ensures that the business units are supported by the necessary technology and information systems;
- provides website management, project management, application development and support, network operations and security, and desktop support for all staff;
- facilitates productive relationships with regulated businesses and individuals;
- coordinates department activities with other government agencies, private sector businesses, and the public; and
- provides consumer information to Minnesotans.

Unclaimed Property

- The program began in 1969 following the enactment of Minnesota's uniform disposition of unclaimed property act.
- Unclaimed property includes money from savings and checking accounts, wages, insurance proceeds, safe deposit box contents, stocks, bonds, and dividends.
- Banks, insurance companies, corporations, and government agencies operating in Minnesota are statutorily required to report, and turn over, abandoned property.
- The unclaimed property operation acts as the custodian of all abandoned property it receives until the rightful owner claims it.
- Any tangible property from safe deposit boxes held by the department for more than one year is eligible to be sold at a public auction. Unclaimed stock is also held for one year before it is liquidated. Proceeds from both an auction and stock sale are deposited in the General Fund until claimed by the rightful owner.

Key Program Goals & Measures

Administrative Services provide support services to all areas of the department and indirectly support a number of statewide strategic goals. All goals can be linked to the Minnesota Milestone related to satisfaction with government services.

Financial Management

Administrative Services ensures that financial transactions, such as paying outstanding invoices, are completed according to state law and statewide policy. The unit measure performance by reviewing monthly prompt payment

reports to verify compliance with the statewide policy that requires 98% of all payments be paid within the 30 days.

Fiscal Year	Prompt Payment Percent
2008	98.95%
2009	99.01%
2010	98.55%

Information Technology Services
One of its goals is to ensure that each business unit has what it needs to complete their work on time, accurately, and cost effectively. Administrative Services has a goal of 99% system availability for all computer systems and the unit measure total downtime against that goal.

Fiscal Year	System Availability
2008	99.2%
2009	96.4%
2010	97.5%

Unclaimed Property
The unit is working to increase unclaimed property holder compliance and to increase the rate at which property is returned to the rightful owner.

Unclaimed Property	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**
Number of Unclaimed Property Holders	13,500	13,500	13,500	13,300	12,700
Number of Property Inquiries-phone and email	33,000	32,000	31,000	32,000	32,000
Unclaimed Property Remitted to Commerce	$113.1M	$56M	$50M	$62.7M	$53M
Unclaimed Property Returned to Owners	$24.5M	$20.5M	$18.4M	$21.3M	$25.3M

Program Funding
Administrative Services is funded by a General Fund appropriation and an agency indirect cost account. Funding in the indirect cost account comes from the application of our approved indirect cost rate on federal accounts.

Contact
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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	4,137	4,077	4,077	4,077	8,154
Technical Adjustments					
Operating Budget Reduction			(1)	(1)	(2)
Subtotal - Forecast Base	4,137	4,077	4,076	4,076	8,152
Governor's Recommendations					
Operating Budget Reduction		0	(204)	(204)	(408)
Total	**4,137**	**4,077**	**3,872**	**3,872**	**7,744**
Expenditures by Fund					
Direct Appropriations					
General	3,826	4,388	3,872	3,872	7,744
Statutory Appropriations					
Miscellaneous Special Revenue	972	1,010	1,210	1,210	2,420
Total	**4,798**	**5,398**	**5,082**	**5,082**	**10,164**
Expenditures by Category					
Total Compensation	3,467	3,731	3,688	3,698	7,386
Other Operating Expenses	1,331	1,667	1,394	1,384	2,778
Total	**4,798**	**5,398**	**5,082**	**5,082**	**10,164**
Expenditures by Activity					
Administrative Services	4,798	5,398	5,082	5,082	10,164
Total	**4,798**	**5,398**	**5,082**	**5,082**	**10,164**
Full-Time Equivalents (FTE)	**44.1**	**44.9**	**42.9**	**42.9**	

Program at a Glance

During FY 2009 and FY 2010, the Division
- regulated 22 industries and occupations; and
- reviewed and analyzed over 5,900 insurance form and rate filings.

During FY 2009, the Division
- recovered $2.7 million in additional claims payments for consumers;
- imposed $11 million in fines; and
- took over 430 disciplinary actions.

On an annual basis the Division
- reviews over 10,000 securities and franchise offerings;
- opens over 4,800 investigation files per year;
- receives over 23,000 calls from consumers and over 46,000 license related calls; and
- licenses or renews over 210,000 individual or entity licenses.

Program Description

The Market Assurance Division protects consumers by licensing, regulating and investigating complaints in five distinct operations:

The **Consumer and Industry Services** unit responds to individual consumer complaints to determine whether regulated businesses or individuals have violated laws or rules. A sub unit, the Consumer Response Team (CRT), handles consumer inquiries over the phone and works to informally resolve disputes between consumers and the regulated industries.

The **Enforcement** unit investigates the practices of regulated entities to determine whether their practices are consistent with Minnesota Law. The majority of cases and complaints handled by the unit fall into the following categories: Abstractors, collection agencies, real estate agents, brokers and appraisers, residential mortgage originators and servicers, securities brokers, dealers and agents, wire transfer agencies (money transmitters) and insurance.

The **Insurance Product Form Filing and Securities Registration** units review insurance forms to ensure compliance with Minnesota statutes. The unit also registers certain securities sold in the state of Minnesota. The unit ensures reasonable insurance rates, reviews financial offerings to ensure stable capital markets, and reviews the financial condition of companies that self-insure. This unit also registers over 20,000 securities broker-dealers, agents and investment advisers.

The **Insurance Fraud Investigation** unit investigates fraudulent claims filed against insurance companies. The unit's staff of investigators works to reduce insurance premium costs by reducing the number and frequency of fraudulent insurance claims filed in Minnesota.

The **Licensing** unit issues or renews licenses of professionals primarily in insurance, real estate and collection agencies.

Population Served

The Market Assurance Division serves
- all Minnesota individuals and corporations that need insurance, have mortgages, buy or sell real estate, make investments, or otherwise do business with any of the industries licensed or regulated by the division;
- regulated individuals and businesses; and
- other government and self-regulatory organizations, both in and out-state, that engage in similar regulatory activity or interact with the regulated industries

Services Provided

The **Consumer and Industry Services** unit responds to complaints in the following areas:

- insurance companies
- insurance adjusters
- athletic agents
- insurance agents and brokers
- third party administrators and self insurers

The unit also is responsible for educating consumers on insurance topics.

The **Enforcement** unit examines the behavior of regulated entities in the marketplace to determine whether prohibited behavior constitutes a pattern of practice. Three teams investigate complaints in the following areas:

- currency exchanges
- collection agencies
- cigarette vendors
- viatical settlements
- real estate agents and brokers
- abstractors
- subdivided lands
- notaries
- insurance agents and brokers
- below-cost gas pricing
- wire transfer agencies (money transmitters)
- investment advisers
- residential mortgage originators and servicers
- real estate appraisers
- securities brokers, dealers and agents
- franchises

Insurance Fraud Investigation unit

- researches insurance data to look for patterns of fraud;
- investigates potential insurance fraud cases; and
- initiates criminal charges against individuals who commit insurance fraud

Insurance Product Form Filing and Securities Registration unit

- reviews insurance policies and investment documents to determine whether they comply with applicable statutes and rules;
- registers securities and franchise offerings;
- registers securities broker-dealers, agents, investment advisers and viatical settlement providers;
- develops and implements policies and procedures to expedite compliance with registration requirements;
- promotes development and use of electronic registration and filing systems;
- reviews rates charged for insurance products to ensure that rates are not excessive; and
- reviews the applications of employers and employer groups to self-insure, and monitors their financial performance

Licensing unit issues or renews licenses of approximately 192,000 professionals primarily in insurance, real estate and collection agencies, and reviews and approves over 2,500 education courses each year.

Historical Perspective

During the last biennium, the enforcement activities for the division have evolved from primarily disciplinary proceedings to investigations of criminal behavior. As a result of this evolution, while case numbers have remained relatively flat, the amount of man hours needed to handle those cases has increased. In addition to that qualitative change, the following trends will affect both the workload and performance of the division:

- As the economy continues to lag, we will see an increase in the number of complaints.
- Notwithstanding the tightening of the mortgage lending market, we continue to see increased mortgage fraud referrals.
- Stock market volatility increases complaints about securities and insurance issues.
- Continued uniformity (e.g., Interstate Compact) and other “speed-to-market” initiatives will impact the mission and duties of our Insurance Product Form Filing and Securities Registration unit.
- Our examinations of an insurer’s overall behavior typically require multi-state investigations and other industries (e.g., examination of mortgage insurance has an impact on insurers and potentially lenders).
- The movement of the baby boom generation into retirement will mean more “suitability” complaints in both insurance and securities.
- Workforce planning needs for the Division may impact the organization.

Key Program Goals & Measures

The Division's work supports the Minnesota Milestone Goal that "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them."

The division's work supports three of the department's strategic goals:

- Protect Minnesota consumers in a variety of commercial and financial transactions.
- Provide excellent service to business and industry.
- Provide increased emphasis on consumer outreach and education.

Market Assurance implemented a significant technology upgrade that allowed increased automation and web access for its licensing and complaint customers. The licensing unit implemented the requirement of finger printing of applicants for insurance producers and adjusters.

In 2009, the insurance fraud unit referred 45 cases to prosecuting authorities and expects that the number of referrals will increase in the future.

The division will be looking at additional reorganization efforts to support the Enterprise Lean initiative. The division held a successful Kaizen even in the insurance product form filing and securities registration unit. A Kaizen event is one of the tools of the Enterprise Lean initiative. http://www.lean.state.mn.us/index.htm

Program Funding

The Market Assurance division is funded through direct appropriations, the assessment of regulated industries and the collection of dedicated revenues.

Direct appropriations from the General Fund and the workers' compensation fund are used to fund a large portion of the division work. The Enforcement unit, in some cases, is authorized to recover the cost of investigation. The funds received from cost recovery, along with funds received through the collection of licensing revenue and fines and penalties, are deposited in the General Fund as non-dedicated revenue.

The Insurance Fraud Investigation unit is authorized to assess regulated entities for the cost of operation as established in statute. Funds collected from the assessment are directly used to pay for future operating costs.

The Auto Theft Prevention program receives funding through the collection of a tax on automobile insurance policies written in Minnesota. These policies contain a $.50 tax for every six months of insurance written. The money is collected and used to fund automobile theft prevention programs across the state.

Commerce has applied for and is planning to receive federal funds for the planning and implementation of the state's health care insurance exchange. Commerce will work with state agencies and other stakeholders as progress is made on the insurance exchange, which will allow insurers and individuals to view and purchase health care plans.

Contact

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Email: general.commerce@state.mn.us

Consumer Concerns
Phone: (651) 296-2488 or (800) 657-3602 (MN only, outside of the metro area)
Fax: (651) 296-4328 Email: market.assurance@state.mn.us

Licensing
Phone: (651) 296-6319 (8am – 4:15pm)

Dollars in Thousands

	Current FY2010	Current FY2011	Governor Recomm. FY2012	Governor Recomm. FY2013	Biennium 2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	6,396	6,624	6,624	6,624	13,248
Technical Adjustments					
Current Law Base Change			(104)	(100)	(204)
One-time Appropriations			(38)	(38)	(76)
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	6,396	6,624	6,480	6,484	12,964
Governor's Recommendations					
Operating Budget Reduction		0	(316)	(316)	(632)
Total	**6,396**	**6,624**	**6,164**	**6,168**	**12,332**
Workers Compensation					
Current Appropriation	751	751	751	751	1,502
Subtotal - Forecast Base	751	751	751	751	1,502
Total	**751**	**751**	**751**	**751**	**1,502**
Expenditures by Fund					
Direct Appropriations					
General	5,540	7,467	6,164	6,168	12,332
Workers Compensation	610	892	751	751	1,502
Statutory Appropriations					
Miscellaneous Special Revenue	5,573	5,836	6,133	6,111	12,244
Federal	0	330	10,670	17,500	28,170
Miscellaneous Agency	207	456	200	0	200
Total	**11,930**	**14,981**	**23,918**	**30,530**	**54,448**
Expenditures by Category					
Total Compensation	6,919	8,046	8,601	8,970	17,571
Other Operating Expenses	3,709	5,271	13,656	19,921	33,577
Local Assistance	1,302	1,664	1,661	1,639	3,300
Total	**11,930**	**14,981**	**23,918**	**30,530**	**54,448**
Expenditures by Activity					
Market Assurance	11,930	14,981	23,918	30,530	54,448
Total	**11,930**	**14,981**	**23,918**	**30,530**	**54,448**
Full-Time Equivalents (FTE)	**86.9**	**92.9**	**97.7**	**101.7**	

Program at a Glance

The Division
- advocates on behalf of the public interest on telecommunications issues; and
- enforces state and federal laws and regulations with respect to:
  - Almost 100 incumbent local telephone companies
  - Over 150 competitive local carriers
  - More than 300 companies offering long distance services
- In FY 2009 the division evaluated and acted on over 1,000 individual dockets filed.

Program Description

The Telecommunications Division investigates telephone company filings; enforces the statutes (Minn. Stat. § 237), rules and orders of the Public Utilities Commission (PUC) and Federal requirements that have been delegated to states; and advocates the public interest in settlement discussions with companies and before the PUC.

Population Served

The Division serves
- all of Minnesota's residential, small business and large business consumers of telecommunication services by ensuring service is reliable, efficient, affordable and is provided in compliance with application rules and regulations; and
- all providers of telecommunications services by processing applications and filings; advocating policies that promote fair competitive practices; and ensuring financial soundness for companies operating under rate of return regulation

Services Provided

The Telecommunications Division implements statewide telecommunications policies and provides a broad range of regulatory and other services, such as
- advocating on behalf of the public interest for statewide telecommunications policies that promote an orderly development of the telecommunications network and telecommunications competition in the state;
- enforcing Minnesota Statutes, orders and rules of the Minnesota Public Utilities Commission, and certain orders of the Federal Communications Commission'
- investigating company filings and telecommunications matters that may not be in compliance with Minnesota requirements; and
- administrative review of certification requests, service quality, pricing of services, and the competitive practices of incumbent and competitive telecommunications companies that interact with each other in the joint provision of services to customers.

Key Program Goals & Measures

Minnesota Milestone—Indicator 37: Price of Government

Goal: Government in Minnesota will be cost efficient and services will be designed to meet the needs of the people that use them.
- Certain functions of the Telecommunications Division are fully assessed to and paid by the telecommunications providers in the State. As such, these functions do not contribute to the net price of Government and instead are paid by "the people who use them."

Minnesota Milestone—Indicator 38: Growth in Gross State Product

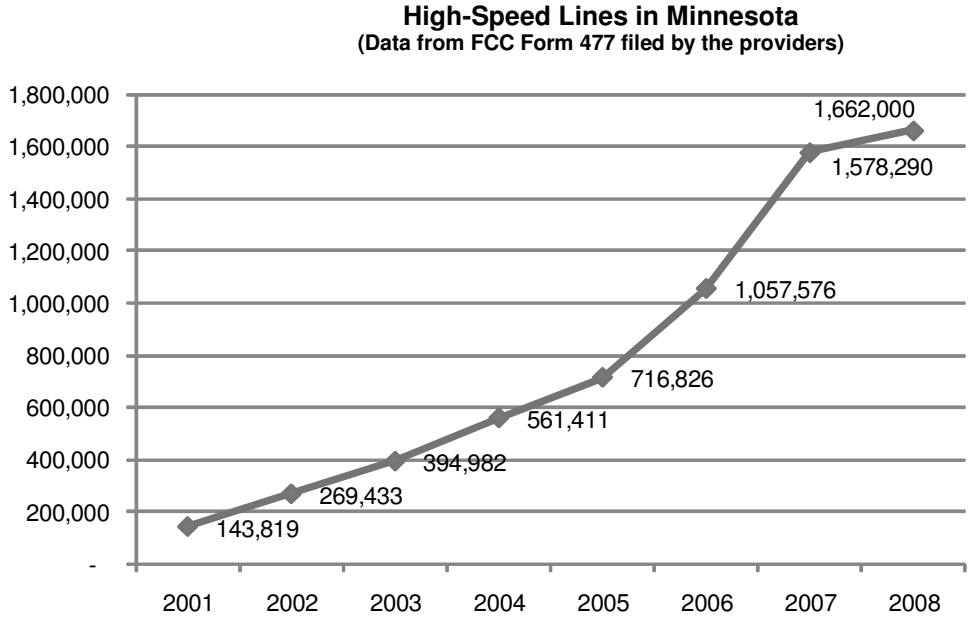
Goal: Minnesota will have sustainable, strong economic growth.
- The Telecommunications Division oversees the development of the telecommunications infrastructure and the development of competition in the provision of telecommunications. Good infrastructure and strong competition in the telecommunications marketplace will assist in sustainable and strong economic growth.

Minnesota Milestone—Indicator 49: Counties Losing Population
Minnesota Milestone—Indicator 50: Net Gain in Business
Minnesota Milestone—Indicator 51: Regional Disparity in Unemployment

Goal: Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.

- Telecommunications infrastructure and a competitive telecommunications marketplace, both overseen by the Telecommunications division, play an increasingly important role in ensuring that rural areas, small cities and urban neighborhoods are economically viable places for people to live and work.

Telecommunications Infrastructure Deployment
The Department of Commerce (DOC) continues to work toward ensuring that broadband service is available to every state resident. Telephone companies provide high-speed service primarily through digital subscriber line (DSL) technology although there is increasing deployment of fiber to the home (FTTH). The department served on the Governor's Ultra High Speed Broadband Task Force, which submitted its report in November 2009. The Commissioner of Commerce has established a Broadband Advisory Council to assist in tracking progress towards reaching the broadband availability and penetration goals established in the 2010 legislative session (M.S. Chapter 237.012; 2010 Session Laws, Chapter 277). The department is also working on the continued development of maps showing where broadband is available in Minnesota (see www.connectmn.org).



Program Funding

All direct and indirect costs related to telecommunications regulation are assessed back to the regulated companies. Telecommunications carriers have only an indirect assessment, with the exception of new authority applications where there is a $570 fee. Indirect costs are estimated and billed 30 days in advance of each quarter. Indirect costs are prorated to regulated companies based on their gross Minnesota jurisdictional revenues. Estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. Receipts include recovery of the department's administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

Contact

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Dollars in Thousands

	Current FY2010	Current FY2011	Governor Recomm. FY2012	Governor Recomm. FY2013	Biennium 2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	1,010	1,010	1,010	1,010	2,020
Subtotal - Forecast Base	1,010	1,010	1,010	1,010	2,020
Total	**1,010**	**1,010**	**1,010**	**1,010**	**2,020**
Expenditures by Fund					
Direct Appropriations					
General	943	1,077	1,010	1,010	2,020
Total	**943**	**1,077**	**1,010**	**1,010**	**2,020**
Expenditures by Category					
Total Compensation	792	915	848	848	1,696
Other Operating Expenses	151	162	162	162	324
Total	**943**	**1,077**	**1,010**	**1,010**	**2,020**
Expenditures by Activity					
Telecommunications	943	1,077	1,010	1,010	2,020
Total	**943**	**1,077**	**1,010**	**1,010**	**2,020**
Full-Time Equivalents (FTE)	**8.7**	**8.5**	**8.5**	**8.5**	

Program at a Glance

- Administers $164 million in federal Energy Assistance Program funds to 165,000 of Minnesota's low-income households.
- Administers $132 million in federal ARRA Weatherization Program funds and $8 million in regular Weatherization funds to Minnesota's low-income households.
- Utilities have filed certificate of need (CN) requests to built new energy facilities. OES analyzed two requests in 2005 and 11 requests in 2010.
- Utilities file rate cases for authority to increase rates to energy consumers. OES will analyze eight cases in 2010. In 1999, there were zero rate cases.
- Regulatory services costs are charged to energy service providers.
- OES administers approximately $30 million for energy efficiency and technology programs.
- In 2009, approximately $133 million was spent on Conservation Improvement Program activities that saved approximately:
  - 628,000 MWh hours of electricity
  - 1.8 million Mcf of natural gas

Program Description

In January 2008, Governor Pawlenty created the Minnesota Office of Energy Security (OES) by renaming and refocusing the energy-related functions of the Energy and Telecommunications Division. OES provides energy-related services to the citizens of the State by advocating on behalf of the public interest in regulated utility matters, administering Minnesota's Low-Income Heating Assistance and Weatherization Programs, assisting viable new energy technologies to enter the commercial market, overseeing utilities' conservation improvement programs, assisting the Public Utilities Commission with siting and permitting large energy facilities, and distributing information to individual energy users on actions they can take to reduce energy usage.

Population Served

The Minnesota Office of Energy Security serves all of Minnesota's residential, small business and large business consumers as well as investors and providers of energy services.

Services Provided

OES implements statewide energy policies and provides a broad range of regulatory and consumer services.

The Low Income Heating and Energy Assistance Program (LIHEAP) provides financial assistance to help Minnesota's low income residents pay their energy bills, avoid shutoffs and refusals to deliver fuel as well as repair and replace furnaces

Energy Regulation, Facilities Permitting and Planning

- advocates for the public interest in energy utility matters before the Minnesota Public Utilities Commission, the Federal Energy Regulatory Commission, and in other national and regional forums;
- manages and orchestrates the facilities permitting process and writes the environmental impact documents for the siting or routing of large energy facilities--currently managing 16 projects;
- participates as the consumer advocate designee in the development and operation of the regional electric transmission operating entity that operates the electric power grid in Minnesota and other midwestern states;
- performs and participates in fact-finding, legislatively-mandated or other studies, proceedings or communications regarding the reliable provision of energy service; and
- analyzes certificate of need (CN), integrated resource plans (IRP) and rate cases to ensure that utilities charge businesses and consumers reasonable rates for reliable energy service.

The State Energy Office

- administers the U.S. Department of Energy regular and ARRA Weatherization Assistance Program, providing energy conservation to over 17,000 households in Minnesota and creating over 450 jobs;
- promotes clean, renewable energy resources such as E85, biodiesel, wind, solar, geothermal, and smart grid through consumer education, technical assistance, grants, and other deployment activities;
- provides direct consumer education on energy conservation and renewable energy technologies through a toll-free telephone service and its website, and participation in trade shows, energy fairs, and school functions;
- administers the U.S. Department of Energy's State Energy Program, the Public Buildings Enhanced Energy Efficiency Program, the Renewable Energy Production Incentive, the Solar Rebate Program, the E85 Grant Program, and the Conservation Improvement Program's (CIP) Research & Development Grant Program; and

- administers, analyzes, and tracks the state's Conservation Improvement Program for technical feasibility and cost effectiveness in addition to making recommendations for improvements to the Deputy Commissioner for consideration when approving utility conservation plans.

Key Program Goals & Measures

Minnesota Milestone—Indicator 37: Price of Government

Goal: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.

- Certain Office of Energy Security functions are fully assessed to and paid by the utilities and companies that benefit from the function. As such, these functions do not contribute to the net price of Government and, instead, are paid by "the people who use them."

Minnesota Milestone—Indicator 40: Energy Efficiency of the Economy

Rationale: Improving the energy efficiency of Minnesota's economy is an important step in maintaining the long-term economic growth while minimizing cost and environmental impact.

- The Office of Energy Security's conservation improvement program and energy efficiency programs squarely meet this milestone.
- All energy regulatory proposals are investigated with an eye toward being reliable, reasonably-priced and environmentally-sensitive for the economic benefit of Minnesota and the public interest.

Minnesota Milestone—Indicator 56: Renewable Energy Sources

Rationale: The percentage of energy that Minnesota derives from local, clean and renewable sources directly affects the state's long-term economic and environmental stability and security because much of the state's fuel is currently imported.

- The OES is seeing a large increase in requests to build wind-powered electric generation facilities. OES will examine each request to ensure that it will provide clean energy and contribute to "the state's long-term economic and environmental stability and security."
- Energy utilities and the industry agree that the present energy delivery system is not substantial enough to support an expanding state economy in the decades to come nor will it be able to deliver all of the energy slated to be generated by all of the renewable energy projects currently being planned or constructed in the foreseeable future. As such, utilities have also filed certificate of need requests for hundreds of miles of large power lines across the state. These facilities must be built to achieve this milestone.
- In addition, Minnesota leads the nation in the number of E85 fueling stations, with approximately 350.

Minnesota Milestone—Indicator 25: Nearby Support

Rationale: People in need will receive support that helps them live as independently as they can.

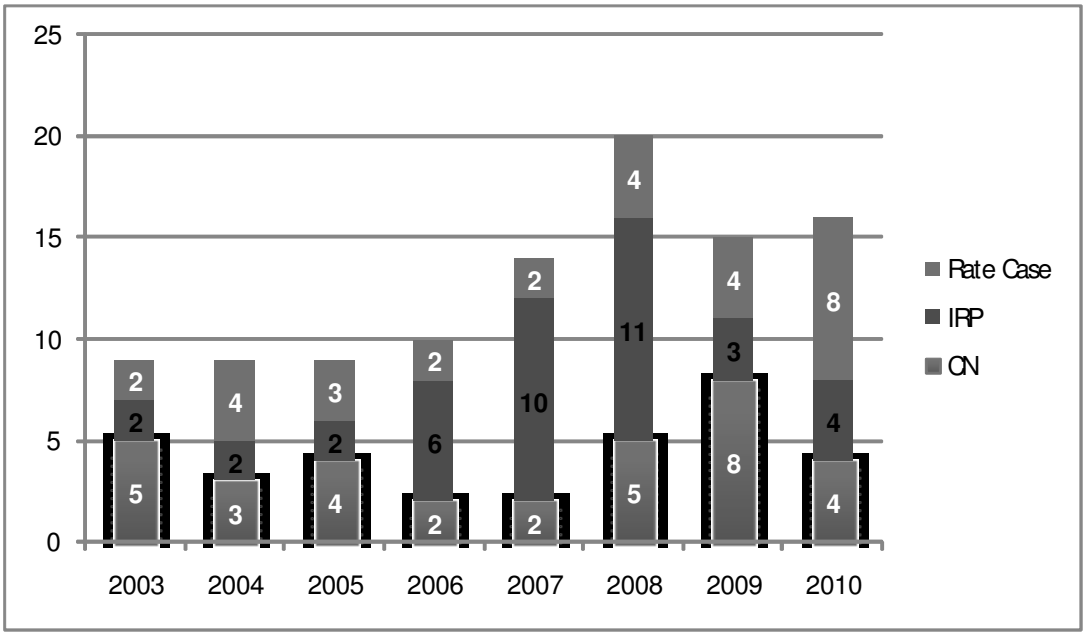
- OES provides LIHEAP and Weatherization services predominantly through the statewide community action agency network, ensuring that while funding may be from federal sources, the service is local and immediate.

Other statewide goals—The Next Generation Act of 2007's Energy Policy Goals

- 25 percent of the total electricity used in the state to be derived from renewable energy resources by 2025
- Reduce retail sales of energy 1.5 percent per year through utilities' conservation improvement programs

All program measures in OES target the state's energy policy goals of reliable, clean, affordable energy and to meet the milestones and laws listed above. Energy utilities and the industry recognize that substantial infrastructure must be built in the next decade to ensure Minnesota's continued strong economy for decades to come. Ensuring reliable energy service and promoting energy efficiency are important ways to minimize cost and environmental impacts. There has been significant growth in the renewable energy industry resulting in a large number of controversial certificates of need. In addition, there has been an increase in the number and complexity of integrated resource plans and rate cases.

Regulatory Cases Analyzed by the Office of Energy Security



Note: On average, each rate case requires eight staff over a 15 month period, integrated resource plans (IRP) require five staff over a six month period and certificate of need (CN) require four staff over a five-month period.

Program Funding

All direct and indirect costs related to energy utility rates and services regulation and facilities permitting are assessed back to the regulated companies or the permittees. Direct energy utility costs are billed to regulated companies semi-annually. Indirect costs are estimated and billed 30 days in advance of each quarter. Indirect costs are prorated to regulated companies based on their gross Minnesota jurisdictional revenues. Estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. Receipts include recovery of the department's administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General, the Reliability Administrator, and the Legislative Energy Commission.

The cost of some operations within the Energy Division is supported by federal funds.

- LIHEAP operates almost entirely on funds provided by the U.S. Department of Health and Human Services.
- Funds for the Weatherization Assistance Program come primarily from the U.S. Departments of Energy and Health and Human Services.
- The State Energy Office programs are funded through a combination of federal, state, and nonpublic funds, including oil overcharge funds, competitive grant awards, and energy utility program funds.

Contact

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Website: http://www.energy.mn.gov

Dollars in Thousands

	Current FY2010	Current FY2011	Governor Recomm. FY2012	Governor Recomm. FY2013	Biennium 2012-13
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	2,000	0	0	0	0
Subtotal - Forecast Base	2,000	0	0	0	0
Total	**2,000**	**0**	**0**	**0**	**0**
General					
Current Appropriation	3,140	2,990	2,990	2,990	5,980
Subtotal - Forecast Base	3,140	2,990	2,990	2,990	5,980
Governor's Recommendations					
Expediting Regulatory Decision-Making		0	265	265	530
Total	**3,140**	**2,990**	**3,255**	**3,255**	**6,510**
Federal Stimulus					
Current Appropriation	196,753	0	0	0	0
Subtotal - Forecast Base	196,753	0	0	0	0
Total	**196,753**	**0**	**0**	**0**	**0**
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	702	1,568	0	0	0
General	3,238	5,359	3,255	3,255	6,510
Federal Stimulus	55,551	109,965	32,701	2,951	35,652
Statutory Appropriations					
State Government Spec Revenue	0	232	0	0	0
Miscellaneous Special Revenue	9,527	14,996	11,890	11,987	23,877
Federal	181,954	175,556	177,013	176,566	353,579
Federal Stimulus	3,879	1,532	300	327	627
Total	**254,851**	**309,208**	**225,159**	**195,086**	**420,245**
Expenditures by Category					
Total Compensation	6,723	8,058	7,872	7,024	14,896
Other Operating Expenses	9,956	15,236	10,194	6,508	16,702
Local Assistance	238,172	285,692	207,093	181,554	388,647
Transfers	0	222	0	0	0
Total	**254,851**	**309,208**	**225,159**	**195,086**	**420,245**
Expenditures by Activity					
Office Of Energy Security	254,851	309,208	225,159	195,086	420,245
Total	**254,851**	**309,208**	**225,159**	**195,086**	**420,245**
Full-Time Equivalents (FTE)	**60.3**	**83.5**	**76.2**	**65.9**	

Program at a Glance

Minnesota Relay:
- Provided free of charge
- Operates 24/7
- Handles an average of 63,000 relay calls per month
- Offers 40 custom calling features
- Conducted 386 outreach activities reaching 22,773 Minnesotans in 2009

TED Program:
- Distributes an average of 400 assistive telecommunications devices per month
- Conducted 151 outreach activities reaching 4,532 Minnesotans in 2009
- Provides services via six regional offices

Program Description

The Telecommunications Access Minnesota (TAM) program administers the TAM Fund, Minnesota Relay, and the Telephone Equipment Distribution (TED) Program. The purpose of the TAM program is to ensure equal access to the telecommunications network for persons with a hearing, speech, vision or physical disability.

Minnesota Relay is a federally mandated Telecommunications Relay Services (TRS) and must be in full compliance with the requirements and intent of Title IV of the Americans with Disabilities Act of 1990, 47 U.S.C. § 225, and Federal Communications Commission (FCC) regulations at 47 C.F.R. §§ 64.601 through 64.606.

The state procedures and requirements regulating Minnesota Relay, the Telephone Equipment Distribution Program and the TAM Fund fall under M.S. 237.50-237.56 and Minnesota Rules, Chapter 8775.

Population Served

TAM serves Minnesotans who have hearing, vision, speech or physical disabilities that make it difficult or impossible to use standard telecommunications services and equipment. The program also serves persons who wish to contact these individuals.

Services Provided

TAM serves Minnesota consumers through a vendor contract and various interagency agreements:

Minnesota Relay and associated outreach services are provided under contract with Communication Service for the Deaf. Outreach services include educating the public about TRS and the Minnesota Relay, training consumers on how to use relay services, and receiving and resolving consumer complaints.

The TED Program and Rural Real-time Captioning program are provided under interagency agreements with the Department of Human Services. The TED program distributes assistive telecommunications devices to income-eligible Minnesotans and provides training in the use of specialized telecommunications devices. Available equipment includes text telephones (TTYs), amplified telephones, telephone ring signalers (visual, tactile or auditory), remote control speaker phones, TTYs with large visual displays, Braille TTYs, captioned telephones (CapTel™), voice carry over and hearing carry over phones. Rural Real-time Captioning provides real-time, closedcaptioning of certain local television news programs for people who are deaf, hard of hearing or deaf/blind.

The Accessible News for the Blind (ANB) program is provided under an interagency agreement with the Department of Employment and Economic Development. ANB provides accessible electronic information (news and other timely information) for people who are blind and disabled.

The Commission of Deaf, DeafBlind and Hard of Hearing Minnesotans (MCDHH) receives an annual direct appropriation from the TAM fund for operational expenses. MCDHH is a governor-appointed commission that advocates for equality of opportunity for Minnesotans who are deaf, deaf/blind, and hard of hearing.

Historical Perspective

In 1987, the Minnesota Legislature passed legislation creating the Telecommunications Access for Communication Impaired Persons Board for the purpose of enabling people who have difficulty hearing or speaking on the telephone to talk to standard voice telephone users. Two programs were established to accomplish this goal: the Minnesota Relay, which began service on March 1, 1989; and the Equipment Distribution Program, which began as a pilot program on October 1, 1988.

In 2005, the Minnesota Legislature passed legislation that created two new state programs, Accessible News for the Blind and Rural Real-time Captioning that are funded via the TAM surcharge. In 2006, the Minnesota Legislature passed legislation for an annual appropriation from the TAM Fund to the Commission of Deaf, DeafBlind and Hard of Hearing Minnesotans.

Key Program Goals & Measures

Goal- To provide people with hearing, speech, vision or mobility loss with telecommunications equipment and services that advance at the same rate, have the same level of quality, and provide the same features and options as telecommunications services available to consumers without communications disabilities.

- Minnesota Relay exceeds FCC call answering performance standards. On average, incoming relay calls are answered within one second.
- In 2009, Minnesota Relay handled 755,825 calls and the TED Program distributed 4,837 assistive telecommunications devices.
- New forms of relay services and enhancements are added to the Minnesota Relay platform, and new telecommunications equipment is added to the TED Program as technology advances.

Goal- To provide Minnesotans with education, training and support regarding TRS and specialized telecommunications equipment.

- In 2009 Minnesota Relay conducted 386 outreach activities and the TED Program conducted 151 outreach activities.
- TAM received complaints on less than 1 percent of Minnesota Relay calls.

Program Funding

TAM programs are funded by a surcharge (currently $0.10) on all wired and wireless telephone access lines in Minnesota. The surcharge is required by M.S. Chapter 237.52, Subd. 2. Funds from the surcharge are paid into an interest-bearing, dedicated special revenue account that funds:

- the facility, equipment, operations and outreach for Minnesota Relay;
- administration of TAM and the TED Program;
- assistive telecommunications devices distributed by the TED Program;
- Accessible News for the Blind program;
- Rural Real-Time Captioning program;
- operational expenses for the Commission of Deaf, DeafBlind and Hard of Hearing Minnesotans; and
- one-time appropriations for various other programs/activities.

The Public Utilities Commission (PUC) approves the TAM annual budget and sets the surcharge at a level that will generate sufficient revenue to fund the programs. TAM fund anticipates $7.6M of revenue and $8.2 million of expenditures in fiscal year 2011. TAM is required to balance revenue and expenditures over time. A deficit has been proposed for FY2011 to off-set the over collection of funds in prior fiscal years. The expenditures are broken down for these purposes:

- two percent for TAM program administration;
- 63 percent for Minnesota Relay (including outreach);
- 20 percent for the TED program; and
- 15 percent for other programs.

Contact

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85 7th Place East, Suite 600
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Phone: (651) 297-8941
Minnesota Relay (http://www.mnrelay.org/)
TED Program (http://www.tedprogram.org/)
Accessible News for the Blind
(http://www.positivelyminnesota.com/JobSeekers/Blind_or_Visually_Impaired/Braille,_Books_News_Services/News_By_Telephone.aspx)
Commission of Deaf, DeafBlind and Hard of Hearing Minnesotans (http://www.mncdhh.org/)

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	4,933	7,331	5,767	6,462	12,229
Total	**4,933**	**7,331**	**5,767**	**6,462**	**12,229**
Expenditures by Category					
Total Compensation	76	78	85	89	174
Other Operating Expenses	4,857	7,253	5,682	6,373	12,055
Total	**4,933**	**7,331**	**5,767**	**6,462**	**12,229**
Expenditures by Activity					
Tam	4,933	7,331	5,767	6,462	12,229
Total	**4,933**	**7,331**	**5,767**	**6,462**	**12,229**
Full-Time Equivalents (FTE)	**1.1**	**1.1**	**1.1**	**1.1**	

Program at a Glance

- Weights and Measures affects more than $32 billion in Minnesota commerce each year.
- In FY 2010, the division's 13 petroleum and scale investigators tested and inspected:
  - 44,459 gas pumps
  - 7,723 light-capacity scales
  - 882 vehicle tank meters
  - 260 package inspections
  - 882 high-volume meters
- In FY 2010, the division's six heavy-capacity scale investigators tested and inspected:
  - 1,392 vehicle scales
  - 755 grain and fertilizer scales
  - 925 other heavy capacity scales
- In FY 2010, the Petroleum Lab processed:
  - 2,259 distillate tests
  - 2,515 other fuel tests
- Receives approximately 3,500 complaints on below cost gas pricing on an annual basis.
- The metrology laboratory is accredited under ISO 17025. It is one of the most highly-regarded measurement laboratories in the nation.
- During FY 2010, 14,086 artifacts were calibrated. This was a significant increase from FY 2007.

Program Description

The *Weights and Measures Division* protects consumers by enforcing accuracy in commercial marketplaces by inspecting and testing all commercial weighing and measuring equipment in Minnesota.

The Division

- provides the basis for physical measurement accuracy in Minnesota by maintaining the state standards for mass, length, volume, temperature and density;
- extends standardization and accuracy to commerce in Minnesota by offering precision calibration services to large and small businesses, and individuals;
- ensures the quality of petroleum products by sampling and testing gasoline, diesel fuel, biodiesel, E85, heating fuels and other products. Since FY 2007, the investigators test on site for octane and biodiesel content;
- enforces statutory gasoline oxygenation requirements and ethanol and biodiesel mandates by sampling and testing at all levels of distribution and sale in Minnesota;
- enforces below cost gas pricing and bill of lading for correct fuel deliveries and biodiesel content;
- ensures the net weight and net volume accuracy of consumer commodities by inspecting and testing prepackaged goods in Minnesota; and
- monitors all liquefied petroleum gas (LPG) devices tested and approved by privately licensed LPG inspectors.

Population Served

The Weights and Measures Division serves almost every person and business in Minnesota, including

- Minnesota citizens and businesses that buy or sell goods or services based on a measured quantity, like gasoline or food;
- businesses and individuals needing International Organization for Standardization (ISO) accredited calibration services to enable them to provide materials or services to other businesses in the United States, and throughout the world, and to enable them to compete in European Union nations; and
- motor fuel, heating fuel and aviation fuel consumers.

Services Provided

The division

- promotes accuracy in basic physical measurement by offering precision calibration services to Minnesota businesses and individuals;
- enforces Minnesota's weights and measures statutes to ensure the accuracy of gas pumps, meters used at the terminals, refineries and airports, grocery scales, prepackaged commodities, livestock scales, railway track scales, grain and fertilizer scales, and a broad range of other commercial weighing and measuring devices; and
- ensures the quality of gasoline, diesel fuel, heating fuel and other petroleum products.

Historical Perspective

The Weights and Measures Division is one of the oldest continuously-operating units of Minnesota government. The division formally commenced operations in 1885 as part of the Railroad and Warehouse Commission.

The division has noted a continuing upward trend in the number of gasoline pumps in commercial use in Minnesota. The number has increased from approximately 21,000 in 1981 to 62,000 in 2010. Fuel consumption, which declined in the 1970s and 1980s, held steady in the 1990s, increased through 2007, and has since declined.

Key Program Goals & Measures

Weights and Measures works with the Department of Agriculture (DOA) to achieve the biodiesel mandates for 2009, 2012 and 2015 established by the Governor Pawlenty's alternative fuel initiatives. The division has expanded the petroleum lab responsibilities with additional equipment and staff to meet the challenges of new fuel products/blends and the requirements associated with these products.

The division's metrology laboratory has achieved and maintained accreditation under ISO 17025, the most recently-adopted quality standards. Additionally, the metrology laboratory meets performance standards set by the National Institute of Standards and Technology (NIST)/National Voluntary Laboratory Accreditation Program and the NIST Office of Weights and Measures.

The inspection operations unit has maintained high compliance rates for commercial weighing and measuring devices despite the increase in the number of weighing and measuring devices. For example, the unit tested 44,459 of the approximately 62,000 gas pumps in Minnesota during FY 2010. The unit continues to upgrade our testing equipment to improve inspection intervals. The unit has seen a large increase in jewelry scales with the price of precious metals continuing to rise.

Petroleum quality enforcement operations maintained a 98.0% compliance rate for gasoline octane and oxygenation.

Program Funding

The Weights and Measures Division is funded by a petroleum inspection fee. For every 1,000 gallons of petroleum products received in Minnesota, $0.81 cents is collected at the Department of Revenue and transferred to Weights and Measures to fund program operations.

Contact

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Weights and Measures Division
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http://www.state.mn.us/portal/mn/jsp/home.do?agency=Weightsandmeasures

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Miscellaneous Special Revenue	2,992	3,162	3,155	3,155	6,310
Total	**2,992**	**3,162**	**3,155**	**3,155**	**6,310**
Expenditures by Category					
Total Compensation	2,243	2,370	2,370	2,370	4,740
Other Operating Expenses	749	792	785	785	1,570
Total	**2,992**	**3,162**	**3,155**	**3,155**	**6,310**
Expenditures by Activity					
Weights & Measures	2,992	3,162	3,155	3,155	6,310
Total	**2,992**	**3,162**	**3,155**	**3,155**	**6,310**
Full-Time Equivalents (FTE)	**29.9**	**29.9**	**29.9**	**29.9**	

Narrative

The Office of Energy Security (OES) receives federal grants from the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Energy (USDOE).

HHS funds the Low Income Heating Assistance Program (EAP), which is the largest program in OES. The program helps eligible households meet their energy needs by providing grants to reduce their energy burden and in crisis situations, providing limited funds for furnace repair or replacement and helping with outreach and referral. FFY2010 total allocation was $160 million. In FFY2011, Minnesota has received $150 million to date. Contingency and leveraging funds that Minnesota will receive are still unknown.

In 2009 USDOE provided funds not only for its formula grants for the Weatherization Assistance Program (WAP) and the State Energy Program (SEP) but it also provided over $200 million in American Recovery and Reinvestment Act (ARRA) funds for WAP, SEP, the Energy Efficiency and Conservation Block Grant, an Appliance Rebate Program and funds for state energy assurance planning. ARRA funds should be spent down by early 2012.

The formula grants for WAP ($7.2 million) and SEP ($573,000) continue at historic low levels for both programs; federal funding is currently under a congressional Continuing Resolution.

The Market Assurance division will begin to receive funding from the U.S. Department of Health and Human Services (HHS) for planning and implementation of the health insurance exchange. The health insurance exchange will allow individuals and companies to view and purchase health insurance products.

Table

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Low Income Home Energy Assistance Program	**No**	**No**	**No**	**$170,463**	**$165,925**	**$165,000**	**$165,000**
The Energy Assistance Program (EAP) helps pay home heating costs. Households with the lowest incomes and highest energy costs receive the greatest benefit.							
Weatherization Assistance for Low Income Persons	**No**	**No**	**No**	**$11,057**	**$8,919**	**$8,243**	**$7,850**
The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households.							
State Energy Program (SEP) and SEP Special Programs	**No**	**Yes**	**No**	**$434**	**$671**	**$3,751**	**$3,716**
The State Energy Program provides technical assistance, financial assistance, education and training ,as well as data for energy efficiency and renewable energy.							

		Required state match/MOE? Yes/No					
EPA Clean Energy	**No**	**No**	**No**	**$0**	**$41**	**$19**	**$0**
Funds supported clean energy training and education activities.							
Insurance Exchange	**Yes**	**No**	**No**	**$0**	**$330**	**$10,670**	**$17,500**
Grant funds support the planning and implementation of a health insurance exchange to assist insurers and individuals view and purchase health care plans.							
American Recovery and Reinvestment Act (ARRA) funding							
Weatherization Assistance for Low Income Persons	**No**	**No**	**No**	**$46,818**	**$76,207**	**$13,500**	**$0**
The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households.							
State Energy Program	**No**	**No**	**No**	**$8,601**	**$30,000**	**$15,399**	**$0**
Funds support public buildings retrofits, residential energy financing, renewable energy programs, energy education, training and workforce development, data collection, emerging technologies							
Energy Efficiency and Conservation Block Grant	**No**	**No**	**No**	**$132**	**$3,758**	**$3,802**	**$2,951**
Funds support energy efficiency grants with local units of governments.							
Appliance Rebate Program	**No**	**No**	**No**	**$3,829**	**$1,180**	**$0**	**$0**
Funds established a MN Energy Star appliance rebate programs that provided rebates to citizens throughout the state.							
Energy Assurance Planning	**No**	**No**	**No**	**$2**	**$50**	**$300**	**$327**

		Required state match/MOE? Yes/No					
Funds will support development of greater capacity within Office of Energy Security and other agencies to strengthen and expand State and local government energy assurance planning and resiliency efforts and build in-house State and local government energy assurance expertise.							
Save Energy Now	**No**	**No**	**No**	**$48**	**$302**	**$0**	**$0**
Grant funds support a full package of industrial energy efficiency resources to assist MN business and industry to implement energy efficient technologies and practices in order to realize energy savings. This was a grant that had been delayed but went ahead due to additional ARRA resources.							
Total				**$241,384**	**$287,383**	**$220,684**	**$197,344**

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Non Dedicated Revenue:					
Departmental Earnings:					
General	100,820	92,856	93,121	93,121	186,242
Petroleum Tank Release Cleanup	0	0	0	26,000	26,000
Other Revenues:					
General	389	26	26	26	52
Petroleum Tank Release Cleanup	244	332	332	332	664
Other Sources:					
General	2	1	1	1	2
Petroleum Tank Release Cleanup	75	1	1	1	2
Total Non-Dedicated Receipts	**101,530**	**93,216**	**93,481**	**119,481**	**212,962**
Dedicated Receipts:					
Departmental Earnings:					
Miscellaneous Special Revenue	28,406	29,392	27,742	27,680	55,422
Grants:					
Federal	181,954	175,886	187,683	194,066	381,749
Federal Stimulus	59,430	111,497	33,001	3,278	36,279
Other Revenues:					
Miscellaneous Special Revenue	1,940	1,577	1,532	1,482	3,014
Miscellaneous Agency	52	-53	0	0	0
Gift	1	2	2	2	4
Other Sources:					
Miscellaneous Special Revenue	1,596	900	250	200	450
Miscellaneous Agency	97	391	200	0	200
Total Dedicated Receipts	**273,476**	**319,592**	**250,410**	**226,708**	**477,118**
Agency Total Revenue	**375,006**	**412,808**	**343,891**	**346,189**	**690,080**