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Minnesota Management and Budget Non-Operating

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www.mn.gov/mmb/

AT A GLANCE

- Maintain over 125 accounts outside of MMB's regular statutory operations
- Act as fiscal agent for more than \$7.9 million in federal funds annually
- Collected \$10.9 million in miscellaneous fines, fees, and penalties annually
- Provided \$45.7 million in direct aid to various local and state pension funds annually
- Manage an \$13.5 million master lease for vehicles and technology annually

PURPOSE

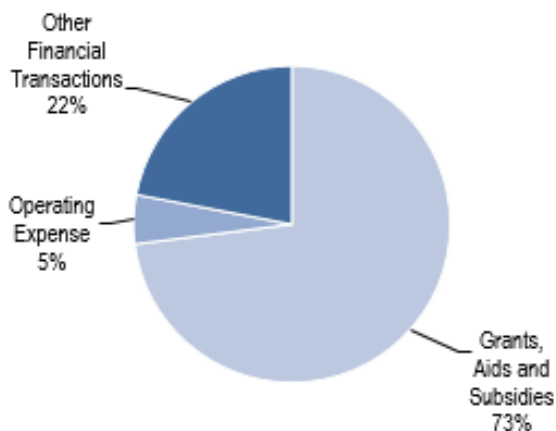
By statute, Minnesota Management & Budget (MMB) manages a number of statewide accounts that are outside of its day-to-day operations. As a group, these accounts are referred to as non-operating activities. These accounts deal with a broad range of subject matters, including debt management, tort claims, contingency accounts, and miscellaneous pension and trust fund items. These responsibilities also include the statutory requirement to receive the state's share of various monies collected by the counties and judicial districts as fees, fines, assessments and surcharges. Finally, the non-operating accounts also serve as a pass-through for federal funding for payments in lieu of taxes to local units of government where national forests are located.

The mission of MMB Non-Operating is to manage state government's financial, workforce, and information resources to support effective and efficient services for Minnesotans.

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

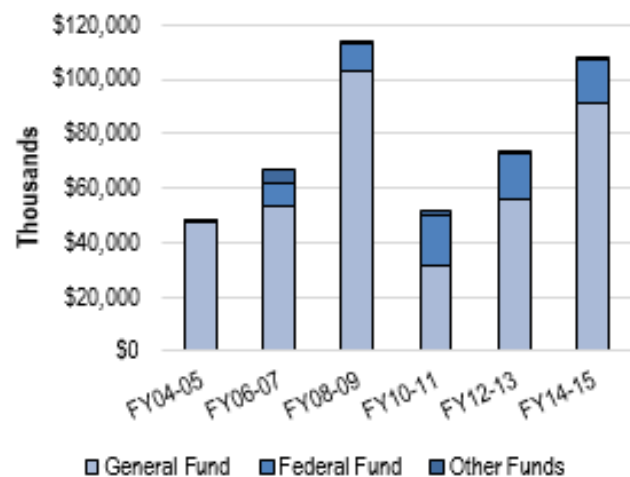
BUDGET

**Spending by Category
FY 15 Actual***



Source: SWIFT

Historical Spending



Source: Consolidated Fund Statement

* This chart represents the fiscal agent activities under MMB non-operating and does not include the debt service payments administered by this agency.

STRATEGIES

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in M.S. 3.736, Subd. 7, a state agency may seek approval from MMB to use money in the MMB non-operating account for tort claims if MMB determines that there is not enough money in the agency's appropriations to cover the tort claim payment.

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

Administrative Accounts: The state administers various trusts and funds on behalf of Minnesotans (including the Children's Trust, the Environmental Trust, and the Permanent School Fund). MMB non-operating houses the accounts used to support the administration of these trusts and funds.

Cash Flow Accounts: On an ongoing or one-time basis, some agencies or programs receive specific legislative authority to use general fund money to cash flow programs or activities during a biennium. These accounts are housed within the MMB non-operating accounts. In FY 2014-15, these accounts included the following:

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MNsure Cash Flow Account
- MN.IT Cash Flow Account

Federal Funds Accounts: The state receives some pass-through federal funding for payments in lieu of taxes to local units of government where national forests are located, like the Chippewa National Forest and Superior National Forest. MMB non-operating accounts house the accounts for these pass-through funds.

Miscellaneous Fines, Fees, and Penalties Accounts: The state charges fees for various activities (including obtaining marriage licenses, using seatbelts, and engaging in adoptions) and assesses fines and penalties when the citizens of Minnesota are out of compliance with state law. These receipts are often dedicated to more than one activity across multiple agencies, therefore MMB is tasked with acting as an intermediary between the collecting entity and the receiving entity. The accounts used for this purpose are housed within the MMB non-operating accounts.

Pension Aid Accounts: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems incurred when they merged with the Duluth Teachers Retirement fund (TRA), the Minneapolis Teachers Retirement fund (TRA), and the Minneapolis Employees Retirement fund (PERA). The state also provides direct aid to the St. Paul Teachers Retirement fund to help offset unfunded liabilities. These funds are appropriated to the commissioner of Minnesota Management and Budget and reside in accounts at MMB Non-Operating.

M.S. 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) provides the legal authority for MMB.

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
1000 - General	59,576	74,225	57,878	60,456	69,301	69,478	73,801	73,978
1200 - State Government Special Rev	0	0	0	400	0	0	0	0
1201 - Health Related Boards	0	0	0	400	400	400	400	400
2700 - Trunk Highway	0	14	0	0	0	0	0	0
2830 - Workers Compensation	0	0	0	200	100	100	100	100
3000 - Federal	7,912	7,836	7,901	7,902	7,902	7,902	7,902	7,902
3700 - Debt Service	254	160	326	325	325	325	325	325
5000 - Master Lease	11,552	13,263	13,545	0	0	0	0	0
Total	79,294	95,498	79,650	69,683	78,028	78,205	82,528	82,705
Biennial Change				(25,459)		6,899		15,899
Biennial % Change				(15)		5		11
Governor's Change from Base								9,000
Governor's % Change from Base								6

Expenditures by Program

Program: Contingent	0	0	0	1,298	1,000	500	1,000	500
Program: Teachers Aid	55,627	69,658	45,658	45,658	55,658	55,658	60,158	60,158
Program: Tort Claim	0	14	0	272	161	161	161	161
Program: Federal Funds	7,912	7,836	7,901	7,902	7,902	7,902	7,902	7,902
Program: Administrative	3,949	4,558	12,220	14,229	12,982	13,659	12,982	13,659
Program: Debt Management	11,806	13,424	13,871	325	325	325	325	325
Program: Misc. Fines, Fees & Penalties	0	8	0	0	0	0	0	0
Total	79,294	95,498	79,650	69,683	78,028	78,205	82,528	82,705

Expenditures by Category

Operating Expenses	1,536	2,041	2,379	5,315	3,392	3,254	3,392	3,254
Other Financial Transactions	11,519	13,263	13,512					
Grants, Aids and Subsidies	66,239	80,194	63,759	64,368	74,636	74,951	79,136	79,451
Total	79,294	95,498	79,650	69,683	78,028	78,205	82,528	82,705

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	51	607	0	409	0	0	0	0
Direct Appropriation	16,361	70,435	111,076	19,744	18,698	18,513	39,986	23,013
Open Appropriation	43,440	58,027	44,410	40,292	50,564	50,926	50,564	50,926
Receipts	1	1	0	0	0	0	0	0
Net Transfers	(196,909)	(52,710)	(108,738)	1,800	1,825	1,825	(14,963)	1,825
Cancellations	1,508	2,136	2,062	1,787	1,785	1,785	1,785	1,785
Expenditures	59,576	74,225	57,878	60,456	69,301	69,478	73,801	73,978
Balance Forward Out	607	0	409	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(15,467)		20,445		29,445
<i>Biennial % Change in Expenditures</i>				(12)		17		25
<i>Gov's Exp Change from Base</i>								9,000
<i>Gov's Exp % Change from Base</i>								6

1200 - State Government Special Rev

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	400	0	400	0	0	0	0
Direct Appropriation	400	400	400	0	0	0	0	0
Receipts	2,104	2,338	2,314	2,106	2,106	2,106	2,106	2,106
Cancellations	2,104	3,138	2,314	2,106	2,106	2,106	2,106	2,106
Expenditures	0	0	0	400	0	0	0	0
Balance Forward Out	400	0	400	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				400		(400)		(400)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

1201 - Health Related Boards

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	0	0	0	400	400	400	400	400
Expenditures	0	0	0	400	400	400	400	400
<i>Biennial Change in Expenditures</i>				400		400		400
<i>Biennial % Change in Expenditures</i>						100		100

1201 - Health Related Boards

Gov's Exp Change from Base				0
Gov's Exp % Change from Base				0

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	1,093	0	35	0	0	0	0	0
Receipts	9,509	9,377	8,512	8,460	8,478	7,698	8,478	7,698
Net Transfers	(10,602)	(9,342)	(8,546)	(8,460)	(8,478)	(7,698)	(8,478)	(7,698)
Balance Forward Out	0	35	0	0	0	0	0	0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Net Transfers	0	0	0	0	0	0	0	0

2200 - Game And Fish (Operations)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	134	134	134	134	134	134	134	134
Balance Forward Out	134	134	134	134	134	134	134	134

2360 - Health Care Access

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	116,550	26,332	78,841	166,113	122,000	122,000	122,000	122,000
Net Transfers	(116,550)	23,668	(78,841)	(166,113)	(122,000)	(122,000)	(122,000)	(122,000)
Cancellations	0	50,000	0	0	0	0	0	0

2700 - Trunk Highway

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	600	0	0	0	0	0	0
Direct Appropriation	600	600	0	0	0	0	0	0

2700 - Trunk Highway

Net Transfers	3,115	3,355	3,454	3,658	3,658	3,658	3,658	3,658
Cancellations	3,115	4,541	3,454	3,658	3,658	3,658	3,658	3,658
Expenditures	0	14	0	0	0	0	0	0
Balance Forward Out	600	0	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(14)				
<i>Biennial % Change in Expenditures</i>				(100)				

2830 - Workers Compensation

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	100	0	100	0	0	0	0
Direct Appropriation	100	100	100	100	100	100	100	100
Cancellations	0	200	0	0	0	0	0	0
Expenditures	0	0	0	200	100	100	100	100
Balance Forward Out	100	0	100	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				200		0		0
<i>Biennial % Change in Expenditures</i>						0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3000 - Federal

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	19	19	25	32	38	45	38	45
Receipts	7,912	7,842	7,908	7,909	7,909	7,909	7,909	7,909
Expenditures	7,912	7,836	7,901	7,902	7,902	7,902	7,902	7,902
Balance Forward Out	19	25	32	38	45	51	45	51
<i>Biennial Change in Expenditures</i>				56		1		1
<i>Biennial % Change in Expenditures</i>				0		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3700 - Debt Service

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	70	1	2	0	0	0	0	0

3700 - Debt Service

Receipts	255	161	324	325	325	325	325	325
Net Transfers	(70)	0	0	0	0	0	0	0
Expenditures	254	160	326	325	325	325	325	325
Balance Forward Out	1	2	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				237		(1)		(1)
<i>Biennial % Change in Expenditures</i>				57		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3800 - Permanent School

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	5,955	5,861	6,574	7,333	7,983	8,234	7,983	8,234
Receipts	23,741	26,353	28,522	30,763	31,513	32,262	31,513	32,262
Net Transfers	(23,741)	(25,639)	(27,763)	(30,113)	(31,263)	(32,012)	(31,263)	(32,012)
Balance Forward Out	5,954	6,574	7,333	7,983	8,234	8,484	8,234	8,484

4901 - 911 Revenue Bond Debt Service

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	12,089	15,861	5,990	11,038	16,087	21,136	16,087	21,136
Net Transfers	3,772	(10,201)	5,048	5,049	5,049	5,049	5,049	5,049
Balance Forward Out	15,861	5,660	11,038	16,087	21,136	26,184	21,136	26,184

5000 - Master Lease

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	0	0	0	0	0	0	0
Net Transfers	11,552	13,263	13,545	0	0	0	0	0
Cancellations	0	0	0	0	0	0	0	0
Expenditures	11,552	13,263	13,545	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(11,270)		(13,545)		(13,545)
<i>Biennial % Change in Expenditures</i>				(45)		(100)		(100)

6000 - Miscellaneous Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	7,765	7,976	8,408	9,355	10,930	12,509	10,930	12,509
Receipts	687	922	1,474	2,094	2,094	2,094	2,094	2,094
Net Transfers	(484)	(482)	(526)	(518)	(514)	(514)	(514)	(514)
Balance Forward Out	7,969	8,416	9,355	10,930	12,509	14,088	12,509	14,088

8000 - Housing Finance Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	5	0	43	44	45	44	45
Receipts	40	51	43	44	44	44	44	44
Net Transfers	(35)	(57)	0	(43)	(43)	(43)	(43)	(43)
Balance Forward Out	5	0	43	44	45	45	45	45

Minnesota Management & Budget Non-Operating

FY18-19 Biennial Budget Change Item

Change Item Title: Capital Investment Bill Debt Service and Cash

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	28,986	43,392	62,535	66,382
Trunk Highway Fund				
Expenditures	291	2,024	3,557	3,662
State Airports Fund				
Expenditures	9,202	0	0	0
Special Revenue Fund				
Expenditures	1,000	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	39,479	45,416	66,092	70,044
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$84.9 million in FY 2018-2019 to support his 2017 capital budget recommendations. Of this total:

- \$72.4 million is from the general fund to pay for cash-financed projects and debt service on \$1.5 billion in general obligation bonds and \$102.5 million in appropriation bonds,
- \$2.3 million provides for debt service for \$40 million in trunk highway bonds,
- \$9.2 million finances three projects in the airports fund, and
- \$1 million funds a rail service improvement project in the special revenue fund.

Rationale/Background:

- The Governor released his 2017 capital budget recommendations in January 2017. The initial debt service cost to support those recommendations was based on the November 2016 budget and economic forecast.
- The Governor's revised recommendation reflects repriced debt service costs based on the February 2017 budget and economic forecast.
- The Governor recommended \$1.8 billion in capital projects. Both cash and debt service are needed to finance these projects.

Proposal:

- More information about the Governor's 2017 capital budget recommendations can be found in the "Current Capital Budget" section of MMB's website.

Results:

- This recommendation will allow the state to meet its financial obligations with respect to debt service and financing of capital projects.

Minnesota Management & Budget Non-Operating

FY18-19 Biennial Budget Change Item

Change Item Title: PERA Police and Fire Plan Direct Aid

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	4,500	4,500	9,000	9,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	4,500	4,500	9,000	9,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase direct aid to the Public Employee Retirement Association's (PERA) Police and Fire retirement plan. The increase in aid complements and enhances a comprehensive pension funding package approved by the PERA board.

Rationale/Background:

The PERA Police and Fire plan serves over 24,000 active and retired local government police officers, fire fighters, and paramedics. As of June 30, 2016 PERA Police and Fire held over \$8 billion in assets invested by the State Board of Investments. PERA Police and Fire paid nearly \$500 million in retirement and disability benefits each year.

The PERA Police and Fire's board supports a reduction of the investment return/discount rate assumption to 7.5%. Adoption of that change creates a contribution deficiency and downward projection of funded status that requires additional funding.

Proposal:

To achieve a positive funding trajectory, the Governor recommends \$9 million in FY18-19 and \$18 million in FY20-21 of direct state aid to the PERA Police and Fire plan.

The recommended increase in aid is in addition to the board proposed funding package which also includes:

- An increase in employer contributions of 1.5% to 17.7%;
- An increase in employee contributions of 1.0% to 11.8%;
- a re-amortization of payments on unfunded liabilities from a 18 year period to a 30 year period; and
- the removal of triggers which would automatically increase COLAs to 2.5% once the fund achieves a 90% funded ratio for two consecutive years.

The Governor also recommends lowering the assumed rate of return on investments/discount rate to 7.5%.

Results:

The proposed funding package eliminates the contribution deficiency for the PERA Police and Fire plan, and puts the plan on a trajectory to reach 100% funded within 30 years.

Statutory Change(s):

§ 353. Public Employees Retirement Association

§ 356. Retirement Systems, Generally

§ 356.215 Actuarial Valuations and Experience Studies.

FY 2018-19 Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY2016 Actuals	FY2017 Budget	FY2018 Base	FY2019 Base	Required State Match or MOE?	FTEs
US Dept of Forestry 10665	Chippewa Natl Forest	N	708	708	708	708	N	0
US Dept of Forestry 10665	Superior Natl Forest	N	1,462	1,462	1,462	1,462	N	0
US Dept of Forestry 10665	Superior Natl Forest	N	5,732	5,732	5,732	5,732	N	0
	Federal Fund – Agency Total		7902	7902	7902	7902		

Narrative:

The state receives federal pass-through funds for payments in lieu of taxes to local units of government where the following national forests are located: Chippewa National Forest and Superior National Forest.