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Minnesota Management and Budget

Minnesota Management and Budget — Agency Profile

https://www.mn.gov/mmb/

AT A GLANCE

- Approximately 270 employees (FTEs) manage the financial and employee relations responsibilities of the state
- Coordinate biennial budget process for more than 100 agencies, boards, commissions, and the legislative and judicial branches
- Produce twice a year budget and economic forecasts
- Manage $8 billion in state public debt
- Process an average of 49,000 vendor payments per week
- Process over 50,000 employee paychecks twice a month
- Oversee and maintain human resources policy for more than 100 state agencies, boards, and commissions, while also providing recruitment, retention, talent management, classification, compensation, and training services
- Negotiate contracts with 10 state employee bargaining units
- The State Employee Group Insurance Program manages health benefits for over 132,000 employees, dependents, and retirees
- Oversee and coordinate the state's systems of internal controls and continuity of operations
- Supported by approximately 66 MNIT employees dedicated to MMB's technology portfolio

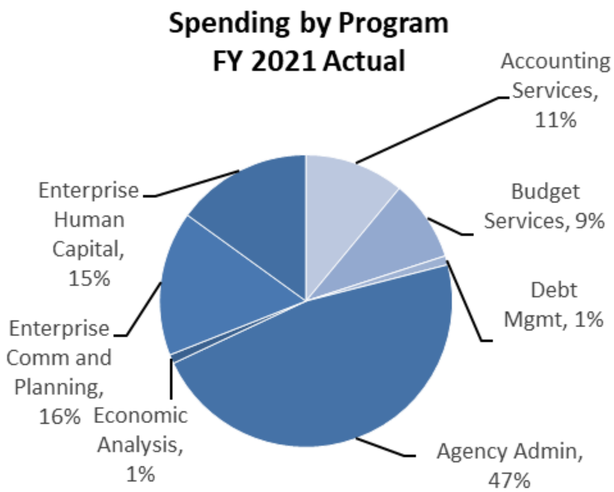
PURPOSE

Minnesota Management and Budget (MMB) is responsible for managing state finances, payroll, human resources, and employee insurance, and provides systems for daily business operations and information access and analysis. MMB is a central service agency, serving the governor, the legislature, more than 100 state government entities, a workforce of 56,000 employees, and the public.

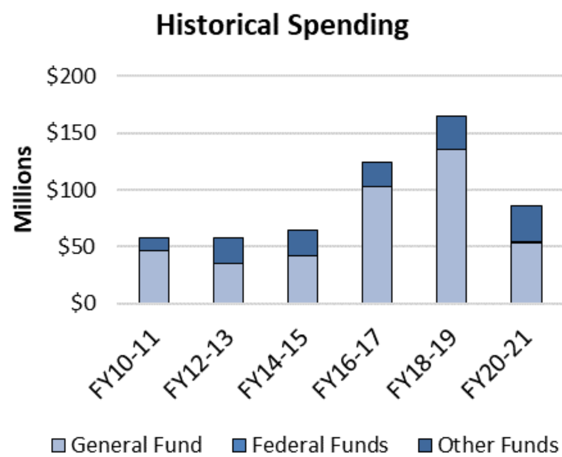
We are stewards of the state's financial and human resources, working together for the people of Minnesota. This mission is at the heart of the services we provide. Our vision is a high-performing and inclusive workforce partnering to deliver effective state services. To achieve our mission and vision, we are driven by the following goals:

- Make decisions based on good data, trusted experts, and community insights
- Modernize state government
- Support and energize a talented workforce and an inclusive workplace
- Engage partners in a collaborative and holistic manner
- Direct and model responsible and transparent fiscal management

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The increase in FY16-17 and FY18-19 spending is the result of one-time funds appropriated to MMB to administer the Health Insurance Premium Subsidy Program, which was established effective fiscal year 2017 and ended in fiscal year 2018. Between fiscal years 2017 and 2018, expenditures for this program totaled $138.1 million. Note that the costs associated with the operation of the State Employees Group Insurance Program (SEGIP) and the Public Employees Insurance Program (PEIP) are not reflected in these charts and graphs. Due to the size of the budget of the insurance programs, their costs are only reflected in their respective budget narratives.

MMB's operating budget is supported by a variety of funding sources. In FY 20-21, $53.4 million in general fund expenditures sustained core agency activities in accounting, budgeting, economic analysis, debt management, enterprise human capital, enterprise communications and planning, and agency administration. $29.2 million was expended in other special revenue funds, with most expenditures occurring in the Statewide Systems Billing account, which helps fund accounting, human resources, and payroll IT systems that serve the state government enterprise. Additionally, $21.8 million was spent in internal service funds by the Enterprise Talent Development (ETD) and Management Analysis and Development (MAD) units. These fee-for-service units provide consulting, management, professional development, and training services to their public sector customers.

While not reflected in this document, in FY 20-21, SEGIP expenditures totaled $2.006 billion and PEIP expenditures totaled $589.4 million. These expenses are primarily driven by health insurance claims, but they also include the programs' operating costs. SEGIP is funded by state agency and employee contributions, and by participant contributions for PEIP.

STRATEGIES

As a central service agency with an enterprise focus, we achieve success by helping our partners meet their missions and goals. Described below are the strategies MMB engages in to contribute to the strategies in bold.

Children and Families: We staff and manage the Minnesota's Children's Cabinet, an interagency partnership charged with taking a data-driven and results-oriented approach to create a state government centered on improving outcomes and aligning resources for all children, youth and families. We also integrate this priority at MMB by centering state agency work on children and families whenever possible, including to align enterprise fiscal decision-making and communication efforts on our shared vision for children and families.

Equity and Inclusion: Enterprise Employee Relations, including the Office of the Chief Inclusion Officer, is housed in MMB. The staff in these areas support a workforce of over 56,000 people. Equity and inclusion are fundamental to our work every day. We work to ensure agency structures support equity and inclusion, to support inclusive organizational structures, to incorporate this priority in organizational systems and operating procedures, and to diversify state leadership.

Thriving Communities: MMB supports all state agencies in providing services to Minnesotans and their communities. Ensuring all communities thrive is at the heart of our collective work. We support this priority by raising funds and helping communities access funding for needed capital investments across Minnesota, assisting with preventing and ending homelessness as a member of the state's interagency council, and leveraging SEGIP's influence as a large provider of health insurance to help reduce health care costs and improve health outcomes for all Minnesotans.

Fiscal Accountability and Measurable Results: MMB manages the state's finances and is the steward of state resources. Supporting fiscal accountability and measurable results is integral to what we do. We ensure public trust by responsibly managing state finances and maintaining or improving the state's credit ratings, communicating the state's fiscal priorities and financial information in a way that is accessible and understandable, conducting impact evaluations and delivering findings that are understood, trusted, and used to guide decision-making, and integrating measurable results into work across MMB.

Minnesota Statutes, Chapters 16A (https://www.revisor.mn.gov/statutes/?id=16A) and 43A (https://www.revisor.mn.gov/statutes/cite/43A) provide the general legal authority for MMB.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	26,778	26,891	28,547	30,732	30,015	30,015	62,834	58,653
2000 - Restrict Misc Special Revenue	72	9	443	375	27	27	27	27
2001 - Other Misc Special Revenue	18,097	13,015	13,544	19,499	18,488	18,488	18,488	18,488
2005 - Opiate Epidemic Response		295	299	301	300	300	300	300
2403 - Gift			1	100	75	75	75	75
3010 - Coronavirus Relief	505	522	62					
3015 - ARP-State Fiscal Recovery			1,606	5,772				
4700 - Public Employees Insurance	261,930	327,601	348,463	350,727	350,727	350,727	350,727	350,727
4925 - Paid Family Medical Leave								
5200 - Management Analysis	12,330	9,942	11,383	13,512	13,512	13,512	13,512	13,512
5600 - State Employees Insurance	974,050	1,032,769	1,090,677	1,120,081	1,121,235	1,121,735	1,121,235	1,121,735
6000 - Miscellaneous Agency	37,159	38,680	38,997	41,411	41,389	41,389	41,389	41,389
Total	**1,330,922**	**1,449,725**	**1,534,023**	**1,582,510**	**1,575,768**	**1,576,268**	**1,608,587**	**1,604,906**
Biennial Change				335,886		35,503		96,960
Biennial % Change				12		1		3
Governor's Change from Base								61,457
Governor's % Change from Base								2
Expenditures by Program								
Statewide Services	57,783	50,674	55,910	70,317	62,421	62,421	83,309	88,993
Employee Insurance	1,273,139	1,399,051	1,478,113	1,512,193	1,513,347	1,513,847	1,513,347	1,513,847
Transition Office For New Children's Agency							11,931	2,066
Total	**1,330,922**	**1,449,725**	**1,534,023**	**1,582,510**	**1,575,768**	**1,576,268**	**1,608,587**	**1,604,906**
Expenditures by Category								
Compensation	30,188	30,549	32,304	32,131	31,183	31,182	43,716	48,638
Operating Expenses	1,300,347	1,419,110	1,501,623	1,550,193	1,544,504	1,545,005	1,564,790	1,556,187
Grants, Aids and Subsidies	10		25	26	4	4	4	4
Capital Outlay-Real Property	79							
Other Financial Transaction	298	66	71	160	77	77	77	77
Total	**1,330,922**	**1,449,725**	**1,534,023**	**1,582,510**	**1,575,768**	**1,576,268**	**1,608,587**	**1,604,906**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Total Agency Expenditures	1,330,922	1,449,725	1,534,023	1,582,510	1,575,768	1,576,268	1,608,587	1,604,906
Internal Billing Expenditures	476	579	921	1,054	1,011	1,011	1,011	1,011
Expenditures Less Internal Billing	**1,330,446**	**1,449,146**	**1,533,102**	**1,581,456**	**1,574,757**	**1,575,257**	**1,607,576**	**1,603,895**
Full-Time Equivalents	**266.25**	**263.99**	**267.40**	**267.40**	**263.83**	**263.83**	**326.08**	**351.33**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In	0	1,240		717				
Direct Appropriation	27,744	27,221	29,319	30,140	30,140	30,140	62,959	58,778
Transfers In	470	2,011	677	815	476	476	476	476
Transfers Out	291	2,144	733	940	601	601	601	601
Cancellations	1	1,436						
Balance Forward Out	1,144		716					
Expenditures	**26,778**	**26,891**	**28,547**	**30,732**	**30,015**	**30,015**	**62,834**	**58,653**
Biennial Change in Expenditures				5,609		751		62,208
Biennial % Change in Expenditures				10		1		105
Governor's Change from Base								61,457
Governor's % Change from Base								102
Full-Time Equivalents	151.07	147.72	149.10	149.10	149.10	149.10	211.35	236.60
2000 - Restrict Misc Special Revenue								
Balance Forward In	13	15	13	9	9	9	9	9
Receipts	74	7	440	375	27	27	27	27
Balance Forward Out	15	13	9	9	9	9	9	9
Expenditures	**72**	**9**	**443**	**375**	**27**	**27**	**27**	**27**
Biennial Change in Expenditures				738		(764)		(764)
Biennial % Change in Expenditures				918		(93)		(93)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			0.58	0.58	0.01	0.01	0.01	0.01
2001 - Other Misc Special Revenue								
Balance Forward In	8,366	5,775	4,988	4,314	3,287	3,269	3,287	3,269
Receipts	13,394	12,482	12,869	18,470	18,470	18,470	18,470	18,470
Transfers In				2				
Transfers Out	450	150						
Balance Forward Out	3,213	5,091	4,313	3,287	3,269	3,251	3,269	3,251
Expenditures	**18,097**	**13,015**	**13,544**	**19,499**	**18,488**	**18,488**	**18,488**	**18,488**
Biennial Change in Expenditures				1,931		3,933		3,933
Biennial % Change in Expenditures				6		12		12

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	34.58	31.99	31.00	31.00	31.00	31.00	31.00	31.00

2005 - Opiate Epidemic Response

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				1				
Direct Appropriation		300	300	300	300	300	300	300
Cancellations		5						
Balance Forward Out			1					
Expenditures		**295**	**299**	**301**	**300**	**300**	**300**	**300**
Biennial Change in Expenditures				305		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents		1.75	3.09	3.09	3.09	3.09	3.09	3.09

2403 - Gift

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				74	74	74	74	74
Receipts			75	75	75	75	75	75
Transfers In				25				
Balance Forward Out			74	74	74	74	74	74
Expenditures			**1**	**100**	**75**	**75**	**75**	**75**
Biennial Change in Expenditures				101		49		49
Biennial % Change in Expenditures						49		49
Governor's Change from Base								0
Governor's % Change from Base								0

3010 - Coronavirus Relief

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In			93					
Direct Appropriation	525	615						
Cancellations	19		30					
Balance Forward Out		93						
Expenditures	**505**	**522**	**62**					

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Biennial Change in Expenditures				(965)		(62)		(62)
Biennial % Change in Expenditures				(94)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		3.18						

3015 - ARP-State Fiscal Recovery

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				2,119				
Direct Appropriation			5,135	3,653	0	0	0	0
Cancellations			1,410					
Balance Forward Out			2,119					
Expenditures			**1,606**	**5,772**				
Biennial Change in Expenditures				7,378		(7,378)		(7,378)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			3.00	3.00				

4700 - Public Employees Insurance

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In	81,810	93,297	95,180	80,729	61,574	42,419	61,574	42,419
Receipts	273,278	329,336	334,013	331,572	331,572	331,572	331,572	331,572
Balance Forward Out	93,158	95,032	80,729	61,574	42,419	23,264	42,419	23,264
Expenditures	**261,930**	**327,601**	**348,463**	**350,727**	**350,727**	**350,727**	**350,727**	**350,727**
Biennial Change in Expenditures				109,659		2,264		2,264
Biennial % Change in Expenditures				19		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.71	1.80	1.81	1.81	1.81	1.81	1.81	1.81

4925 - Paid Family Medical Leave

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation								
Expenditures								
Biennial Change in Expenditures				0		0		0

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

5200 - Management Analysis

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	4,302	2,605	2,175	2,124	2,123	2,122	2,123	2,122
Receipts	9,728	9,452	11,333	13,511	13,511	13,511	13,511	13,511
Balance Forward Out	1,700	2,115	2,124	2,123	2,122	2,121	2,122	2,121
Expenditures	**12,330**	**9,942**	**11,383**	**13,512**	**13,512**	**13,512**	**13,512**	**13,512**
Biennial Change in Expenditures				2,623		2,129		2,129
Biennial % Change in Expenditures				12		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	35.12	33.84	34.06	34.06	34.06	34.06	34.06	34.06

5600 - State Employees Insurance

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	295,071	391,279	479,401	435,004	513,570	590,982	513,570	590,982
Receipts	1,068,608	1,119,872	1,046,336	1,198,647	1,198,647	1,198,647	1,198,647	1,198,647
Transfers In	20,256	2,432	14,939	7,531	2,531	2,531	2,531	2,531
Transfers Out	20,284	2,467	14,995	7,531	2,531	2,531	2,531	2,531
Balance Forward Out	389,601	478,347	435,004	513,570	590,982	667,894	590,982	667,894
Expenditures	**974,050**	**1,032,769**	**1,090,677**	**1,120,081**	**1,121,235**	**1,121,735**	**1,121,235**	**1,121,735**
Biennial Change in Expenditures				203,939		32,212		32,212
Biennial % Change in Expenditures				10		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	43.77	43.71	44.76	44.76	44.76	44.76	44.76	44.76

6000 - Miscellaneous Agency

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	8,205	10,358	9,819	10,489	7,499	5,916	7,499	5,916
Receipts	39,312	38,141	39,666	38,421	39,806	39,806	39,806	39,806
Balance Forward Out	10,358	9,819	10,488	7,499	5,916	4,333	5,916	4,333
Expenditures	**37,159**	**38,680**	**38,997**	**41,411**	**41,389**	**41,389**	**41,389**	**41,389**
Biennial Change in Expenditures				4,569		2,370		2,370
Biennial % Change in Expenditures				6		3		3

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	**30,140**	**30,140**	**30,140**	**60,280**
Forecast Base	**30,140**	**30,140**	**30,140**	**60,280**
Change Items				
Stabilize, Secure, and Sustain the State's ERP Systems		9,479	10,480	19,959
Maintain Current Service Levels		1,966	3,519	5,485
Expanded Financial Leadership and Oversight Capacity		1,888	2,518	4,406
Enterprise Continuity Capacity Investment		973	1,006	1,979
Establish a Statewide Internal Audit Office		466	622	1,088
Enhance Statewide Planning, Strategy, and Performance Management		1,529	3,857	5,386
Sustainable Children's Cabinet		1,000	1,000	2,000
Department of Children, Youth, and Families Created to Coordinate and Improve Program Delivery		11,931	2,066	13,997
Earned Sick and Safe Time		20	3	23
Capital Budget Outreach and Assistance		317	317	634
Office of Addiction and Recovery		750	750	1,500
Collaboration for Data Disaggregation		2,500	2,500	5,000
Total Governor's Recommendations	**30,140**	**62,959**	**58,778**	**121,737**
Fund: 2005 - Opiate Epidemic Response				
FY2023 Appropriations	**300**	**300**	**300**	**600**
Forecast Base	**300**	**300**	**300**	**600**
Total Governor's Recommendations	**300**	**300**	**300**	**600**
Fund: 3015 - ARP-State Fiscal Recovery				
FY2023 Appropriations	**3,653**	**3,653**	**3,653**	**7,306**
Base Adjustments				
All Other One-Time Appropriations		(3,653)	(3,653)	(7,306)
Forecast Base	**3,653**	**0**	**0**	**0**
Total Governor's Recommendations	**3,653**	**0**	**0**	**0**
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	**375**	**27**	**27**	**54**
Forecast Base	**375**	**27**	**27**	**54**
Total Governor's Recommendations	**375**	**27**	**27**	**54**
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	**19,499**	**18,488**	**18,488**	**36,976**

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Forecast Base	19,499	18,488	18,488	36,976
Total Governor's Recommendations	19,499	18,488	18,488	36,976
Fund: 2403 - Gift				
Planned Spending	100	75	75	150
Forecast Base	100	75	75	150
Total Governor's Recommendations	100	75	75	150
Fund: 4700 - Public Employees Insurance				
Planned Spending	350,727	350,727	350,727	701,454
Forecast Base	350,727	350,727	350,727	701,454
Total Governor's Recommendations	350,727	350,727	350,727	701,454
Fund: 5200 - Management Analysis				
Planned Spending	13,512	13,512	13,512	27,024
Forecast Base	13,512	13,512	13,512	27,024
Total Governor's Recommendations	13,512	13,512	13,512	27,024
Fund: 5600 - State Employees Insurance				
Planned Spending	1,120,081	1,121,235	1,121,735	2,242,970
Forecast Base	1,120,081	1,121,235	1,121,735	2,242,970
Total Governor's Recommendations	1,120,081	1,121,235	1,121,735	2,242,970
Fund: 6000 - Miscellaneous Agency				
Planned Spending	41,411	41,389	41,389	82,778
Forecast Base	41,411	41,389	41,389	82,778
Total Governor's Recommendations	41,411	41,389	41,389	82,778
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	375	27	27	54
Total Governor's Recommendations	375	27	27	54
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	18,470	18,470	18,470	36,940
Total Governor's Recommendations	18,470	18,470	18,470	36,940
Fund: 2403 - Gift				

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Forecast Revenues	75	75	75	150
Total Governor's Recommendations	75	75	75	150
Fund: 4700 - Public Employees Insurance				
Forecast Revenues	331,572	331,572	331,572	663,144
Total Governor's Recommendations	331,572	331,572	331,572	663,144
Fund: 5200 - Management Analysis				
Forecast Revenues	13,511	13,511	13,511	27,022
Total Governor's Recommendations	13,511	13,511	13,511	27,022
Fund: 5600 - State Employees Insurance				
Forecast Revenues	1,198,647	1,198,647	1,198,647	2,397,294
Total Governor's Recommendations	1,198,647	1,198,647	1,198,647	2,397,294
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	38,421	39,806	39,806	79,612
Total Governor's Recommendations	38,421	39,806	39,806	79,612
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	23	23	23	46
Total Governor's Recommendations	23	23	23	46

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Stabilize, Secure, and Sustain the State's ERP Systems

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	9,479	10,480	10,480	10,480
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	9,479	10,480	10,480	10,480
FTEs	**3**	**4**	**4**	**4**

Recommendation:

The Governor recommends $9.479 million in FY 2024 and $10.480 million each year thereafter from the general fund to stabilize and secure the state's enterprise resource planning (ERP) systems owned by Minnesota Management and Budget (MMB) and used by all state agencies. ERP systems funding supports the maintenance and operations of the state's accounting and procurement system (SWIFT), human resources, payroll, benefits, and recruiting system (SEMA4), Enterprise Learning Management system (ELM) and the data warehouse reporting system. The proposal eliminates the current technical debt of deferred maintenance on the state's ERP systems, sustains the ongoing operations and maintenance of the systems through the next biennium and provides resources to continue disaster recovery and make critical security enhancements. This proposal also puts the systems on the path toward cloud migration and includes funding to support analysis and planning for the next generation of ERP systems.

The Governor also recommends removing the statutory cap of $10 million per year on interagency billings for the Statewide Systems Account established in Minnesota Statutes Section 16A.1286 beginning in FY 2026. This change will provide a sustainable funding source for the state's ERP systems costs after the FY 2024-25 biennium. Lifting the cap provides the ongoing funding for the ERP systems necessary to keep these critical systems up-to-date, secure, and stable on an ongoing basis.

Rationale/Background:

The state's ERP systems are used by agencies across all three branches of state government. These IT systems provide agencies the necessary tools to conduct their day-to-day business activities, including accounting, procurement, training, reporting, human resources management, payroll, benefits, and recruiting. These systems track, manage, and report on over $45 billion in government revenues and expenditures, make 2.5 million payments to vendors, produce over 740,000 informational reports, post 7,500 job openings, and deliver over 4,000 training classes each year. The systems are used by over 100,000 vendors, 104,000 current and former employees, and 9,000 users who interact with the systems on a frequent basis to conduct the state's core business functions.

It is essential that MMB has adequate resources to regularly upgrade, maintain, and support these ERP systems. However, MMB's appropriations have not kept pace with systems' needs. The most recent enacted change to Minnesota Statutes Section 16A.1286, which sets the limit on how much MMB can bill state agencies for ERP systems costs, occurred in 2011, when the Legislature raised the limit from $7.520 million to $10 million per year effective FY 2014. Annual inflationary pressures as well as the speed of technology changes and advancements—including cyber security, disaster recovery, rapid deployment of upgrades from the software vendor, and changes to compatibility of accessibility-related assistive technology tools—led MMB to make requests for funding needed to support the state's ERP systems. From 2015 through 2022, MMB made five requests to the Legislature for additional funding. The amount of funding ultimately enacted fell short of the request in each instance.

Due to inadequate resources, MMB has prioritized upgrades that address the greatest risks posed to the systems while deferring other critical system projects. As a short-term funding strategy, MMB has relied on the Information and Telecommunications Account (ITA) (also known as "Odyssey Fund") established under Minnesota Statutes Section 16E.21 to fund high-risk system upgrades. Since 2015, MMB and other state agencies have transferred approximately $7.9 million into the account to fund four ERP systems projects. While the Odyssey Fund transfers have partially filled funding gaps, they do not serve as a consistent, reliable funding model and have not provided all the resources necessary to keep the systems fully supported.

The need for sustainable ERP systems funding has been validated by external parties. Notably, in a 2018 report, the Office of the Legislative Auditor (OLA) identified that MMB has needed to rely on unpredictable, one-time funding sources, and the OLA recommended that MMB and the Legislature develop a reliable funding model. After the OLA's report, MMB contracted with the consulting firm BerryDunn, which provided MMB recommendations for a long-term funding strategy. The removal of the $10 million annual limit on Statewide Systems Account interagency billings was a potential solution suggested by the OLA and supported by BerryDunn.

This recommendation for general fund resources eliminates the technical debt for the current ERP systems and provides sufficient funding to meet current system maintenance needs through the FY 2024-25 biennium. This funding also supports critical system needs such as disaster recovery capabilities, enhanced security to protect state data and funds, and begins migration to the cloud.

Long-term, removal of the annual limit on interagency billings for the Statewide Systems Account beginning in FY 2026 will allow MMB to manage ERP systems initiatives in partnership with state agencies. With adequate resources to fund the systems, agencies will no longer have to contend with less-than-optimal business practices or build agency-specific subsystems, which result in inefficiencies and difficulty in data access and reporting. The cap won't be lifted until FY 2026, giving agencies time to transition to the new model and to engage with MMB regarding priorities for the ERP systems and the financial impacts.

Lastly, this recommendation also provides a critical solution to the funding deficit in the Statewide Systems Account. Since FY 2018, the account has been in a structural deficit, with expenditures exceeding the annual $10 million in capped revenues from interagency billings. Because annual billings have been flat since FY 2014, this structural deficit has been necessary to meet the systems' operating and upgrade needs and absorb inflationary pressures. The account's reserves will be depleted in FY 2024, meaning MMB will only have $10 million available to spend each year. Without the additional general fund resources in the near-term and the ability to bill for additional resources in the long-term, MMB will need to cut ERP system spending by approximately $5.2 million in FY 2024 and each year thereafter. System support and maintenance will be reduced below already inadequate levels, which increases the likelihood of system failure and cybersecurity risks. It also puts at risk the funding used to employ MNIT and MMB staff currently dedicated to ERP system operations and maintenance.

Proposal:

This proposal provides additional general fund resources to adequately support the state's ERP systems. The request ensures MMB will not need to drastically cut current levels of investment in the systems effective FY 2024 due to the structural deficit in the Statewide Systems Account. This funding will also support maintaining disaster recovery capabilities, enhanced security for our systems, and modernization through cloud migration and enhanced usability.

The general fund appropriations recommended in this proposal will fund the following items:

- **Keep systems stable and supported:** Twelve additional MNIT@MMB and MMB FTEs in FY 2024-25 to increase capacity demanded by modern IT systems to keep the many software components current, secure, and operating efficiently. Modern software systems require continuous effort to respond to security threats and to keep software in a supported status. The speed at which upgrades and patching are required of each of the state's ERP systems has increased from once every one to two years or longer to once every three months. This requires all systems to be kept current at the same time, which in turn requires additional staffing capacity to handle the additional workload.
- **Maintain Statewide Systems Account operations:** Provides additional resources necessary to prevent the Statewide Systems Account's insolvency effective FY 2024. The Statewide Systems Account is the largest single funding source for the state's ERP systems costs. The account pays for projects, system operating and maintenance costs, and the salaries of MNIT and MMB employees dedicated to system operations and upgrades. This proposal allows MMB to maintain current levels of investments after account reserves are exhausted beginning FY 2024.
- **Enhance Security, Modernization and Usability:** Provides additional resources to improve security and prevent fraud on ERP systems, including continued expansion of multi-factor authentication tools. This funding would also allow for modernization to implement cloud migration where it is feasible and cost effective, which will improve security, support, and reliability for the systems. Finally, this funding will also improve access to information in our systems for state agencies and the Legislature by meeting customer needs and enhancing usability.
- **Support for the Future of ERP Systems:** Funding for an experienced consultant to advise MMB on ERP technology solutions available in the market, including a detailed analysis of what each best-in-breed application brings to modern day business solutions. The consultant would also create and execute a detailed project plan to develop a business case that meets future state ERP goals.

The long-term strategy for addressing growing systems costs is to remove the current limit of $10 million per year on Statewide System Account interagency billings beginning in FY 2026. With the elimination of the interagency billing limit on the Statewide Systems Account, MMB will determine billing amounts in consultation with a state agency advisory group. The state's ERP systems budget and interagency billings amounts will be subject to review and approval under Minnesota Statutes, Section 16A.126. Cost increases for agencies because of increased interagency billings will be accounted for in future requests for operating adjustments presented to the Governor and Legislature.

If this proposal is not enacted, there will be significant negative consequences for the state's ERP systems and state government operations conducted through these systems, including:

- The Statewide Systems Account will be insolvent beginning in FY 2024. MMB will continue to bill up to $10 million in each fiscal year for ERP systems services, but this amount is much less than the amount needed to maintain current operations, as MMB will no longer have reserves in the account to absorb increasing system costs and inflationary pressures. This will result in significant cutbacks to system maintenance, operations, enhancements, and security. The state's ERP systems will increasingly become unstable and unsupported and at increased risk of failure and cybersecurity breaches, thus creating the potential for widescale disruptions to state government operations.
- The state's ERP systems will not meet the needs of state agencies. These systems facilitate the operational work of all state agencies, and as their business needs change, systems should respond to meet these needs. Without adequate funding, updating systems and finding IT solutions to provide modern business processes and increase user satisfaction will be largely deprioritized as resources will need to be repointed to keeping outdated systems secure and running.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*

Quantity	Number of security incidents per quarter among all systems.	3	1	FY2019-FY2021
Quality	Overall average number of versions behind across all systems	-7	-7	FY2019-FY2021
Results	*System risk assessment score – overall average	67	68	FY2019-FY2021

*Risk assessment score is based on a review of the performance, risk and consequences of failure, and technological condition of the systems. Perfect score is 100.

IT Related Proposals:

New initiatives

Category	*FY 2023*	*FY 2024*	*FY 2025*	*FY 2026*	*FY 2027*
Staff costs (MMB)	0	405	540	540	540
Staff costs (MNIT)	0	977	1,515	1,515	1,515
Professional/Technical Contracts	0	1,100	500	1,000	500
Infrastructure	0	0	0	0	0
Hardware	0	1,000	1,950	500	0
Software	0	720	746	1,496	1,496
Training	0	50	0	0	0
Enterprise Services	0	0	0	0	0
Total	**0**	**4,252**	**5,251**	**5,051**	**4,051**
MNIT FTEs	0	6	8	8	8
MMB FTEs	0	3	4	4	4

Category	*FY 2023*	*FY 2024*	*FY 2025*	*FY 2026*	*FY 2027*
Existing Statewide Systems Account operations	0	5,219	5,431	5,631	6,631

Statutory Change(s):

Minnesota Statutes Section 16A.1286: https://www.revisor.mn.gov/statutes/cite/16A.1286
Minnesota Statutes Section 16A.126: https://www.revisor.mn.gov/statutes/cite/16A.126

Change Item Title: Maintain Current Service Levels

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,966	3,519	3,519	3,519
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,966	3,519	3,519	3,519
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends additional funding of $1.966 million in FY 2024 and $3.519 million in each subsequent year from the general fund to maintain the current level of service delivery at Minnesota Management and Budget (MMB).

Rationale/Background:

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

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For MMB, the following efficiencies have been implemented to help offset rising operating costs:

- MMB will reduce its footprint in the Centennial Office Building by approximately 35% beginning in FY 2024. This savings is due to many MMB employees choosing hybrid work, resulting in the ability to convert many individual workstations to shared work spaces.
- MMB continuously seeks efficiencies in our operation of statewide enterprise resource planning systems. MMB was able to implement disaster recovery for our SWIFT (accounting and procurement) system using a shared model with Minnesota Department of Human Services, significantly reducing the cost of the project.
- MMB has implemented a consistent project management methodology which drives efficiencies by using standardized process flows resulting in thoroughly planned project scope and timelines. This means that updated solutions are delivered to stakeholders as soon as practicable, reducing the need to spend additional costs managing outdated technology or business processes.

However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For MMB, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff complement in a challenging labor market, and increasing IT costs. If an operational increase is not provided, MMB would need to reduce our staffing complement from current levels. A decrease in staffing at MMB would result in reduced levels of technical assistance to agencies and increased response times across all of MMB's enterprise functions – including human resources, accounting, budget, and debt management. This would lead to less efficiency across state government and an increased risk of errors.

Proposal:

The Governor recommends increasing agency operating budgets to support maintaining the delivery of current services. For MMB, this funding will cover:

- Expected compensation growth pressures, including performance and step increases for existing employees that are not subject to negotiation. Additionally, this proposal assumes a return to a more normal vacancy rate of 3%.
- MNIT rate increases.
- Growth in severance costs. State agencies have experienced rising severance cost pressures as more long-time state employees retire. This wave has been anticipated given population trends and baby boomers reaching retirement age.

Results:

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

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expanded Financial Leadership and Oversight Capacity

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,888	2,518	2,518	2,518
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,888	2,518	2,518	2,518
FTEs	**12.75**	**17**	**17**	**17**

Recommendation:

The Governor recommends $1.888 million in FY 2024 and $2.518 million each year thereafter from the general fund to provide critical centralized financial leadership, measurement, and oversight capacity. The request responds to growing service demands on Minnesota Management and Budget's (MMB) statewide financial functions due to the increasing complexity of state and federally funded programs and financial regulations. The proposal funds 17 FTE on an ongoing basis for statewide federal funds coordination, budget analysis and monitoring, state investment and program evaluations, banking and payroll services, debt management and regulatory compliance activities.

Rationale/Background:

Over the last decade, state programs have become increasingly complex. For example, the nature and reliability of federal funds have become more volatile, and regulatory compliance requirements have increased. However, as state government has grown in size and complexity, centralized finance, monitoring, and compliance functions have not.

The number of appropriation accounts in the SWIFT accounting system has grown from 6,279 in FY 2012 to 8,039 in FY 2022, an increase of 1,760, or 28 percent. In the same time period, state spending of federal dollars has grown from approximately $8 billion to over $22 billion. Additionally, the number of IRS Form W-2s processed by MMB, a measure of the size of the state workforce as well as turnover, has increased during this period from 65,831 to 68,666.

Simultaneously, due to demographic changes and workforce pressures, state government is losing experienced financial leaders and staff—both at MMB and other state agencies—who understood the intricacies of state programs and statewide financial policies and were able to perform multiple roles due to their long tenure.

The confluence of increased complexity and staff turnover, as well as a growing network of regulatory compliance requirements, has created significant demand enterprise-wide for the financial guidance, technical expertise, monitoring abilities, and centralized services of MMB's Accounting Services, Debt Management and Budget Services Divisions. The Accounting Services Division has contended with increased requests for assistance using the SWIFT accounting and SEMA4 payroll systems, new state and federal tax withholding or filing requirements, and growing demands from state agencies for banking services.

The Debt Management Division performs specialized financial management oversight regarding the State's debt portfolio in compliance with multiple regulatory requirements. The increasing regulatory complexity and greater diversity of debt programs authorized by the legislature in recent years require additional oversight and coordination.

The Budget Services Division has taken on more expansive leadership roles and has become more deeply involved in agency day-to-day financial operations. The Budget Services Division manages increased volume and complexity as state and federal funding formulas become more nuanced, the number of state programs grows, and the controls over specific funding streams become more restrictive. Despite these intense pressures, the division has fewer staff in the Budget Policy and Budget Operations units than it did in the early 2000s.

In addition, MMB lacks the capacity to provide ongoing leadership and coordination of federal funds past the expiration of federal COVID funding. With the passage of major federal spending bills in recent years, there is increased demand for coordination and strategic management of increasing federal dollars. The requested resources would provide necessary capacity to better manage the state's federal dollars to ensure the state is maximizing federal opportunities, tracking federal spending bills, and strategically managing federal resources.

One part of MMB that has grown over the last decade has been the Results Management Unit, which provides critical analysis to ensure state resources are allocated to programs using the best available information. Minnesota has been recognized for its work in multiple nationwide venues. Recently, the Results team has begun conducting rigorous evaluations of state investments. However, those evaluations are limited to specific policy areas, with insufficient resources to evaluate other programs.

Proposal:

Accounting Services Oversight, Regulatory Compliance, and Fraud Prevention Capacity

This proposal funds three additional FTEs in the Accounting Services Division to improve financial oversight, services, compliance, and fraud prevention strategies for state government.

- Two new FTEs in MMB's Statewide Payroll Services Unit to address growing tax compliance demands and increasing requests for assistance from agencies. MMB Statewide Payroll Services sets statewide payroll policies and procedures, operates the SEMA4 payroll system, completes the state's payroll tax filings, implements payroll aspects of state labor contracts and plans, and provides assistance to agencies' payroll staff. The rules for payroll processing are complex; MMB Statewide Payroll Services must implement the provisions of numerous collective bargaining agreements and compensation plans across all three branches of government. Turnover in agency payroll positions has increased in recent years, resulting in increased call and email volumes from agency staff with questions or requests for assistance. Additionally, increased telework opportunities have added to payroll tax complexity. Two additional positions will allow the unit to keep pace with tax payment and filing requirements, meet the demand of agency requests, proactively lead agencies through labor contract implementations, update payroll policies and procedures, and oversee the accuracy of the state's payroll processing. Both positions will provide critical continuity for MMB's leadership roles over the state's payroll and will help provide for accurate payments to and withholdings from state employees.

- One new FTE to establish a Banking Services Director position. MMB provides banking services on behalf of the state enterprise, including establishing and managing banking and financial services contracts, managing bank accounts and transactions, managing cash and reconciliations, issuing state warrants and wire transfers, assisting agencies with new banking services (such as electronic payment processing), and providing regulatory oversight and coordination. MMB's role is expansive: We manage over 600 state bank accounts for the state enterprise. However, MMB's banking functions are dispersed across several units in MMB. This new director will provide centralized oversight of the state's banking services. The position will manage the state enterprise's compliance with banking contracts, state laws, and private industry regulations. The position will also provide new capacity to better meet agencies' service demands through the establishment of banking services guides and protocols and dedicated assistance when agencies are seeking to transition to new banking services. Finally, organizations—and governments in particular—are contending with a fast-evolving fraud and cybersecurity landscape, with fraudsters using increasingly sophisticated tools and methods to target financial accounts and systems. The Banking Services Director will provide dedicated capacity to continuously implement everchanging fraud awareness and prevention strategies to protect state funds.

Additional Debt Management Financial Oversight Capacity

- One additional FTE within the Debt Management Division to improve financial oversight of the State's debt portfolio. MMB is currently responsible for overseeing approximately $8 billion in outstanding state debt, and regularly sells bonds each year for additional capital projects. The Division is responsible for compliance activities set forth in federal tax regulations and federal securities law. Further, the Division is required to produce accurate debt service forecasts, review expenditures of bond proceeds on an ongoing basis, and maintain records relating to debt service owed to bondholders. In performing this work the Division maintains complex tracking spreadsheets and datasets, monitors accounting entries that are set up and maintained by other state agencies, and coordinates financial transactions across multiple groups throughout the enterprise.

  This new FTE will add an important layer of oversight by focusing on stronger internal controls within the Division. The FTE will supervise the day-to-day work of the Division's debt analyst team, will develop and implement plans to improve data monitoring, and will facilitate additional opportunities to strengthen service delivery.

Expanded Budget Analysis and Federal Funds Management Capacity

- Eight additional FTE to add to the Budget Services Division. This funding would make permanent existing staff who oversee and coordinate management of federal funds, but whose work has been supported through one-time, temporary federal resources. It would also add additional capacity for enterprise-wide management and coordination of federal resources. This proposal would also provide additional capacity for budget analysis and monitoring, as well as additional capacity to support agencies' technical budget operations. These staff would allow for more in-depth analysis of agency operations and funding requests. The staff would also support more rigorous monitoring of agency spending trends to ensure efficient use of state resources.

Results Management Analytic Capacity

- Five FTEs to increase the capacity of the Results Management team, including research scientists, analysts, and project managers. This would increase analytical, statistical, and evaluation capacity to improve the efficiency and effectiveness of state investments. Additional analytical capacity would support data-informed interagency work, facilitate evidence-based practices, and conduct impact evaluations. With the additional resources, we will expand our work to implement three-to-four data-driven results reviews in key outcome areas, four-to-five impact evaluations, and two-to-four qualitative evaluations to directly hear from Minnesotans the needs in their communities over the next biennium. The team will be able to respond to the topics of interest from legislators, executives, and community members in addition to areas where there is significant demand for research, including labor force participation, childcare, worker training and retention, mental health services, disability services, and housing.

  The Results Management team can immediately apply this staff to conduct rigorous research and apply the findings to important policy decisions. The team is committed to transparent and accountable government and, will continue to make findings easily accessible to legislators, agencies, Tribal Nations, counties, community partners, and the public for use in making important decisions.

Impact on Children and Families:

This proposal would improve MMB's ability to strategically manage state spending to ensure coordination of resources for children. In addition, improved evaluation and analytical capacity would allow us to evaluate the impact of state investments on children and families. The Budget Services Division partners with the Children's Cabinet to promote interagency collaboration. Additional staffing would allow for greater analysis of state investments for children and enhanced management toward strategic goals.

In addition, the increase in analytical support will help agencies better pair qualitative community insights with quantitative administrative data to drive impactful policy decisions. This mixed-method approach is the most rigorous way to identify and evaluate the impact of programs on the wellbeing of Minnesotans. The analytical, statistical, evaluation, and performance management capacity will work on areas vital to families, including access to affordable and quality childcare and early education; access to mental health supports; and stable housing. When families have increased and stable employment, children are better able to thrive.

Equity and Inclusion:

Responsible management of public resources is crucial to promoting equity and inclusion. These funds would enable MMB to better direct limited funds to programs and services that reduce racial and ethnic disparities. Additional staff capacity would enable the Budget Services Division to better analyze beneficiaries of current state funding streams and determine whether there are opportunities to improve racial equity.

The Results Management Unit is committed to integrating considerations of equity at the outset and in each step of analysis and evaluation. Community perspective and experience plays an important role in shaping research questions, measures of impact, and how to apply the findings. Wherever possible, staff will disaggregate administrative data by race/ethnicity, geography, sex/gender, disability, veteran status, and other relevant areas. Importantly, this staffing will give us additional resources to perform insight-generating qualitative and quantitative work alongside impacted communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

Type of Measure	*Name of Measure*	*Current Value*	*Date*	*Projected Value (without)*	*Projected Value (with)*	*Date*
Quantity	# of impact evaluations completed	7	2021-2022	8	12	2023-2024
Quality	$ to new evidence-based services in final enacted biennium budget	$63M	2022-2023	$63M	$75M	2024-2025
Quality	Number of corrected W-2S issued	TBD	TBD			
Quality	Number of paychecks issued that are subsequently voided	TBD	TBD			

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Enterprise Continuity Capacity Investment

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	973	1,006	756	756
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	973	1,006	756	756
FTEs	3	3	3	3

Recommendation:

The Governor recommends expanding the executive branch's business continuity capacity by implementing a comprehensive business continuity software solution and a centralized mass notification system, and by providing enhanced support across the enterprise for workplace violence prevention and continuity of operations planning.

Rationale/Background:

Per Executive Order 19-23, MMB is the lead agency for continuity planning and program coordination. Employee safety and agency preparedness for any incident that could threaten to disrupt critical government services is a top priority. The nature and extended duration of multiple continuity incidents, such as the COVID-19 pandemic and civil unrest of 2020, have shown a need for greater coordination and consistency across the enterprise. The absence of enterprise systems is a major gap in MMB's continuity support. In addition, general trends and best practices in both the public and private sectors raise expectations among agency leaders and employees for more modern and centralized software solutions for planning and communication. Lastly, trends indicate a rise in potential workplace violence incidents, which dictates the need for more education, training, and planning around preparedness and response.

Approximately four years ago the Minnesota Department of Employment and Economic Development (DEED) began using business continuity management software. As they shared that experience within the continuity community, other agencies became interested in using software tools as well. Currently, a group of four state agencies are partnering to implement continuity software. This pilot project is assessing opportunities to meet individual agency continuity planning needs while simultaneously developing an enterprise lens of standardized language, approaches, templates, and reporting that could be shared among participating agencies.

There are five different mass notification systems in use across the executive branch. Currently, each state agency implements its own internal notification tool independent of centralized coordination. These tools do not interoperate among each other, and there is no mechanism to send employee notifications across agencies or geographic regions. Nearly half of state agencies have no mass notification tool at all.

MMB regularly surveys agencies through course evaluations and after-action reporting, and has identified the following areas for programmatic improvement:

- Address the lack of staffing and resource capacity available to support agencies during a large-scale incident.
- Streamline planning processes through proactive planning, continuity software, and expanded participation to create more robust plans and response activities.

- Offer individualized consulting and feedback after agency submittal of continuity information and data, and expand education, training, and exercises across the enterprise.
- Address timely enterprise communication needs through communication management, including receiving timely informational and directive messages in the event of large-scale incidents, civil unrest, unpermitted protests, and other types of spontaneous gatherings of large crowds near ingress and egress to state facilities, or within communities.
- Create more resource documents for agencies and update outdated materials pertaining to continuity and workplace violence prevention and response. This involves not only keeping the content itself current but also ensuring materials are released in accordance with current State of Minnesota accessibility standards.

Proposal:
The Governor recommends expanding the executive branch's business continuity capacity by implementing a comprehensive business continuity software solution and a centralized mass notification system, and by providing enhanced support across the enterprise in the areas of workplace violence prevention and continuity of operations planning. Establishing these new capabilities furthers the programmatic effort to build a culture of preparedness and resilience across agencies so that the State of Minnesota can effectively respond to emergencies of all sizes and can communicate important safety information quickly and equitably to all employees.

The recommendation includes funding for two new business continuity "software as a service" (SaaS) applications and two FTE to support these new systems. Because there are startup costs and volume discounts involved, it is more cost-effective to coordinate purchasing across the enterprise. Smaller agencies typically cannot afford to procure software independently. MMB will fund the enterprise implementation and software costs to offer these systems and support services to all executive branch state agencies.

In addition, this proposal includes funding for a workplace violence prevention and response coordinator. This position would provide support and consultation to the enterprise for all workplace violence prevention and response planning, lead enterprise training and exercise programming, and work collaboratively internally and externally to provide timely information and support to agency leadership during critical incidents.

Outcomes of this recommendation include improved business continuity and safety through:

- Increased efficiency of enterprise continuity reporting and analysis.
- Better and faster support to agencies.
- Modern enterprise software tools for agencies.
- Consistent and timely communications with employees across agencies, locations, and devices.
- Greater capacity in workplace violence prevention and response.

This proposal is carefully designed to complement work that agencies conduct. While MMB serves as the lead agency for overall continuity planning and program coordination, each agency is individually accountable for its internal planning. Greater capacity and centralized software solutions will allow for a more modern and dynamic process within agencies and across the enterprise.

Impact on Children and Families:
Continuity planning is one vital way MMB supports the enterprise. Agencies are challenged to think through not just how to ensure that priorities for children and families are addressed today but also how to ensure sustainability no matter what hazard may cause a disruption tomorrow.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs

Category	***FY 2024***	***FY 2025***	***FY 2026***	***FY 2027***	***FY 2028***	***FY 2029***
Payroll						
Professional/Technical Contracts						
Infrastructure						
Hardware						
Software	454	396	396	396	396	396
Training						
Enterprise Services						
Staff costs (MNIT or agency)	250	250	0	0	0	0
Total	**704**	**646**	**396**	**396**	**396**	**396**
MNIT FTEs	2.5	2.5	0	0	0	0
Agency FTEs	2	2	0	0	0	0

Results:
MMB's continuity programming currently tracks the percent of continuity of operations plans that are refreshed and agencies that meet enterprise exercise expectations. While this has established a minimum standard of expectations, agencies have expressed need for further support. In addition, the rollout of HR/LR Policy #1444 Workplace Violence Prohibited created new demand for agency planning services.

The main results from this investment include:

- Capability to implement and support continuity planning software
- Capability to implement and support mass notification software
- Dedicated support for workplace violence prevention and response planning
- Improved quality and accessibility of crisis communications and continuity documentation
- More concrete resources for agencies, including templates, checklists, guides, and workshops
- Timely and accurate updates for state employees on the Be Ready MN website

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Establish a Statewide Internal Audit Office

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	466	622	622	622
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	466	622	622	622
FTEs	**5**	**5**	**5**	**5**

Recommendation:

The Governor recommends funding of $466,000 in FY 2024 and $622,000 in FY 2025 and each subsequent year to add five FTEs to the Internal Control and Accountability (ICA) team at Minnesota Management and Budget (MMB) to establish and operate a Statewide Internal Audit Office (SIAO). The new office would focus on protecting taxpayer dollars and ensuring that state government works as efficiently and effectively as possible to improve the lives of Minnesotans. This team's statewide audit plans would be decided by an audit committee made up of senior leaders from multiple state agencies.

Rationale/Background:

In conjunction with a recommendation to expand the statutory authority for the Department of Administration's Office of Grants Management to enhance their capacity for creating, distributing, and training on grant best practices, increasing capacity within ICA can serve a related but distinct function of enhancing internal controls activities across the enterprise. This strategy would increase internal efforts to improve agency operations and prevent problems before they happen.

Minnesota Statutes section 16A.057, subdivision 4 charges ICA to administer a program for sharing internal auditors among executive agencies that lack their own internal auditors and for assembling interagency teams of internal auditors as necessary. With an SIAO, the ICA could not only deploy auditors for individual agencies' needs but also carry out statewide audit plans directed by a senior level, multi-agency audit committee.

Proposal:

The Governor recommends creating a five-person SAIO team to add an additional layer of oversight of state government processes and operations. Under direction of the audit committee, the SIAO would provide independent, objective oversight and consulting activities. It would help the State accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. The recommendation will help reduce opportunities for fraud, waste, and abuse of state resources by improving the control systems in state agency business processes.

Impact on Children and Families:

This proposal will ensure funding that is designated for children and families is spent as it is intended.

Equity and Inclusion:
N/A

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
This proposal would reduce opportunities for fraud, waste, and abuse of state resources by improving the internal controls in state agency business processes. The SAIO would identify operational and financial risks and work with agencies to ensure risks are mitigated appropriately.

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Enhance Statewide Planning, Strategy, and Performance Management

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,529	3,857	3,978	3,978
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,529	3,857	3,978	3,978
FTEs	**10**	**30**	**30**	**30**

Recommendation:

The Governor recommends $5.4 million in FY 2024-25 and $8.0 million in FY 2026-27 to establish an Enterprise Planning, Strategy, and Performance Unit within Minnesota Management and Budget (MMB). These funds would enable the state to create a new division, led by a deputy commissioner, to lead planning and inter-agency coordination for the state. Funds appropriated would pay for staff compensation and associated overhead necessary to support this new function.

Rationale/Background:

The greatest issues facing Minnesota – such as climate change, water, educational disparities, and workforce - do not live cleanly within the statutory jurisdiction of one state agency or unit of government. Tackling these broad and complex issues requires careful planning, coordination, and analysis. Currently, there is not a single state entity with the responsibility to coordinate these efforts around major state policy and strategic objectives.

Since the reduction of the state's strategic planning function in 2003, Minnesota state government's efforts to create smart long-term policy has become more isolated, short term, and issue specific. By creating this new team, the state would have a central coordinator for strategic planning efforts, cross-agency policy analysis, and planning around core long term problems facing Minnesota.

The approach of housing planning and performance management activities in a state management and budget agency is similar to how some other states organize their work and would amplify existing state agency planning efforts. Examples of states with similar functions to the proposed approach include Connecticut and North Carolina.

Proposal:

This proposal provides funding to establish an Enterprise Strategy and Performance team within MMB. This team is envisioned as a new focal point for cross-agency work across the enterprise. This interdisciplinary, research informed approach is critical at a time when our most critical needs cross more than one program or agency.

The proposal would specifically fund:

- Additional capacity for cross-agency policy analysis and coordination
- Staff and resources to conduct long range planning
- Support to agency strategic planning including alignment with enterprise-wide strategic objectives

Portions of this work occurs across the enterprise, but the consolidation of this effort in one office is a new initiative within MMB. This activity would work closely with the Office of the State Demographer, cross-agency policy teams, the State Economist, and external researchers.

This proposal assumes hiring of new staff will take place over the course of fiscal year 2024, with a full complement being in place by July 1, 2024.

The insights of strategic planning are significant and large organizations recognize that dedicated resources are needed to be sure that work doesn't get pushed aside by other urgent issues. This proposal would complement and connect agency strategic planning, policy analysis and long-range planning. With centralized resources, we'll be able to speed up data gathering and elevate analysis and policy insights. This group will also be able to nurture and sustain connections with academic researchers.

Impact on Children and Families:

This proposal builds more opportunities for data informed policy development and long-range planning which will build better understanding of trends and issues that will face children in coming decades.

Equity and Inclusion:

This unit would enable statewide review of policies and programs and their impact on racial equity. For example, this unit would be able to support a statewide review of differences in how racial and ethnic data are defined and used to build practices that enable better, more community specific policy options.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

The performance of this office will be largely qualitative, based on the value and recognition of the work done in this office. The ultimate results should appear in other state agencies where policy and strategy changes would occur. However, there are several performance metrics that will be monitored:

- Number of policy and long-range reports created
- Number of state agencies supported in strategic planning process
- Percentage of reports utilized for policymaking

Change Item Title: Sustainable Children's Cabinet

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,000	1,000	1,000	1,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	1,000	1,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $1 million annually in dedicated funding for the Children's Cabinet to align the funding model with best practices of other states. The funding would support ongoing efforts to provide coordination among agencies and engagement with Minnesotans on issues impacting children, including: education strategies from birth onward; early education and child care; mental health; older youth, parent, family, and community supports; and workforce strategies in child- and youth-settings.

Rationale/Background:

Consistent ongoing funding is a standard characteristic among interagency coordinating bodies for children's services at state and local levels. The National's Governor's Association recommended the state create dedicated funding in 2018 as did the Early Childhood Governance Report published in 2021 by Management Analysis and Development, a nationally recognized fee-for-service management consulting group. Further, this funding would sustain core coordination and strategic plan activities currently funded through the federal Preschool Development Grant, which expires in 2023.

Proposal:

The dedicated funding creates a sustainable platform for coordination, which is a core data-driven best practice recommended by the National Governor's Association.

While the Children's Cabinet has been in statute (M.S. 4.045) since 1993, it does not receive dedicated state funding. Child and youth advocates emphasize that, unlike other states, Minnesota lacks ongoing sustainable funding for coordination in these key areas. The funding provides modest sustainability for the Children's Cabinet structure, continuity of streamlined capacity of Preschool Development Grant, and a funding source for the cross-agency coordination, action and engagement that have become a necessary part of the state agency leadership structure and engagement process.

The proposal will fund a continued interagency team focused on coordinating services, actions and oversight of children and family programs. It would lead to updated staffing structures and leverage learnings from the Preschool Development Grant. This funding will help sustain the existing team and programming including:

- 7 FTEs – Executive Director, Policy Director, Program Director, Program Manager (1-2), Coordinators (including tribal liaison and communication supports)
- Equipment, training, and administrative support resources

The funding would provide an opportunity to build on existing work but do it in a new, more impactful way, with a continued focused on partnership and accountability across agencies. This proposal would decrease current agency billing that funds some aspects of the needed coordinated strategies.

The impact of the Children's Cabinet is demonstrated in more aligned programs, policies, and engagement with Minnesotans through state agencies. This can be measured over time through the state's budget and fiscal map, and improvements to state governance.

Impact on Children and Families:

This proposal builds on and aligns innovations from other public, private, and Tribal agencies to increase equity and helps bridge the opportunity gap for children, youth, and families through a sustainable structure specifically focused on Minnesota children, youth, and families – and how they are served by government.

Equity and Inclusion:

Children and younger generations are our future – and a more diverse population than Minnesota as a whole. The workforce supporting, caring for and educating children is also more diverse than the general population. Further, the work focuses on children of color, indigenous children, children in lower income families, children in Greater Minnesota, and children who have disabilities.

Continuing coordination allows this focus to be more sustainable and creates a center post for ongoing community engagement and inclusion, as well as feedback loops that lift up and center Minnesotans.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

The Children's Cabinet partners with the Results Team, also at MMB, to convene and align around results-based accountability strategies in areas prioritized through community engagement. This includes evaluation of how programs are implemented, administrative capacity used, and outcomes experienced by Minnesotans.

Measures include coordination and referral of eligible services for families; access to affordable, quality child care and early education; coordinated economic supports for families; food access across programs (and through the education system); children experiencing housing instability; availability and access to mental health services; and educational outcomes among others.

An example of the cross-agency impact includes: Children's Cabinet leading efforts to partner DHS and MDE in leveraging Medicaid data to certify children as eligible for the USDA school meals program. The state identified more than 490,000 children enrolled in Medicaid who met the income threshold and requirements for direct certification for free-reduced meals, yet nearly 87,000 were not receiving free or reduced lunch last year. Data sharing enabled the state to lift the burden off families by connecting 10 percent of the state's children to the school nutrition program — an essential support that also relieves other fees for families and increases aid to schools serving lower-income families.

Additionally, the Children's Cabinet team tracks engagements and impact, changes based on partnerships, and coordinated impacts.

Statutory Change(s):

The Children's Cabinet proposes that the language and allocation of these funds is included in the state government budget and allocated directly to MMB.

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Department of Children, Youth, and Families Created to Coordinate and Improve Program Delivery

Fiscal Impact ($000s)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
General Fund				
Minnesota Management and Budget Expenditures	$11,931	2,066	0	0
Department of Children, Youth, and Families Expenditures	823	3,521	3,521	3,521
Human Services Expenditures	2,000			
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	
Net Fiscal Impact = (Expenditures – Revenues)	$14,754	5,587	3,521	3,521
FTEs	**24**	**30**	**17**	**17**

Recommendation:

The Governor recommends $20,341,000 from the general fund in FY 2024-25 and $7,042,000 from the general fund in FY 2026-27 to support the creation of a new state agency, the Department of Children, Youth, and Families (DCYF), starting July 1, 2024. This includes:

- $3,997,000 for a two-year planning and implementation team and $10 million for a transition appropriation in FY 2024-25 to fund the dedicated capacity to successfully transition and support the new agency in transfer of programs and costs associated with one-time set-up of systems, analysis, engagement, and implementation processes.
- $4,344,000 in FY 2024-25 and $7,042,000 in FY 2026-27 to fund the executive team of the new agency (assuming $3,521,000 annually beginning in fourth quarter FY2024 with $823,000).
- $2,941,000 in one-time appropriation in FY 2024 to Department of Human Services to upgrade the cost allocation plan to leverage federal resources and execute knowledge transfer related to cost allocation, systems account management, compliance, and core functions necessary for oversight in new agency. The expenditures generate federal matching funds which result in a net cost of $2,000,000 to the general fund.

Minnesota Management and Budget (MMB), through a new implementation office and the leadership of the Children's Cabinet, will provide the coordination and capacity for the budget, policy, and administrative planning to transfer programs and associated finances and administrative operational functions from current state agencies to the new agency. These functions will be joined by the new executive team in late FY 2024, leading into FY 2025 and the implementation team will continue to support this work as the new agency begins receiving core programs.

Rationale/Background:

The vitality of our state now and in the future depends on opportunities for the state's children, youth, and families to learn, grow, and thrive. It is imperative that our state programs and systems are highly functional, coordinated, and accessible so that children and families can access the services that help them meet their full potential and that policy and resources can respond to Minnesota child and youth needs now and in the future.

The Minnesota Children's Fiscal Map illustrates a web of 415 programs that serve children and families across 15 state agencies. Coordination is essential to provide efficient and effective funding, policy, and prioritization; to create alignment, ease barriers and streamline service delivery by local providers, and ultimately to make Minnesota the best state for children to grow up. Feedback from families over many years, advocacy, and research in our state and across the nation has led to a call to enhance coordination across our programs and create a clearer access point for Minnesotans – including legislators, local service providers, and families – to lead efforts to improve efficiency and effectiveness for services.

Enhancing coordination and more seamless access to services for families is achieved through a variety of system improvements and structures, including governance. "Governance is the organizational structure that states use to establish and place authority and accountability for decisions about programs, policy, management, financing, and implementation[1]." Minnesota, through the Children's Cabinet structure, currently takes a "coordinated approach," reflecting the fact that Minnesota has programs and services for children and families administered by several state agencies, and no agency with a focus solely on children and families. Creating a Cabinet-level agency focused on children, youth, and families means there will be a commissioner and team are focused on children and families, providing a better pathway to coordination of programs and services for children and elevation of budget and policy needs in the executive branch and at the legislature. It also will provide consolidated connections and communications for service providers (especially early childhood and older youth providers), local governments and Tribes, advocates, and community organizations supporting children, youth, and families.

This proposal would support a transition fund and implementation office necessary to consolidate the core programs from the Departments of Human Services (DHS), Education (MDE), Health (MDH), and Public Safety (DPS) into a new Cabinet-level state agency focused solely on children, youth, and families. The core of the new agency is Children and Family Services, an area of the Department of Human Services, with smaller components of other agencies joining this new cabinet-level agency. The new agency would also include Minnesota IT Services (MNIT) staff from agencies listed above. Programs from other areas at these agencies – and other agencies – will be reviewed and considered for alignment over the course of the transition period and beyond, leveraging existing administrative authority to transfer them where necessary.

The proposal also includes funding directly to DHS to set up the necessary knowledge transfer and cost allocation plans related to federal funding and core function transfer from the Department of Human Services. With the core of the new agency as an elevation of Children and Family Services area of DHS, this allows for leveraging of federal funds from day one of programs being transferred and provides the necessary compliance functions.

The recommendation is built on engagement with advocates, legislators, and families and communities over several years, back to the Early Childhood Systems Reform Report and through the Preschool Development Grant and informed by the Office of Legislative Auditor Report and Early Childhood Governance Report.

Proposal:

This proposal:

- Creates an implementation office and transition appropriation at Minnesota Management and Budget to initiate and plan for the creation of DCYF. The Children's Cabinet will help lead this work.
- Establishes the DCYF in statute – effective July 1, 2024.
- Resources the executive team at the new agency.
- Provides a process for "core" programs at DHS, MDE, MDH and DPS to begin operating at DCYF when transferred between July 1, 2024 and July 1, 2025, and a process to extend or cancel the timeline for programs moving based on transition evaluation.

[1] *State-level governance for early childhood programs in Minnesota.* Management Analysis and Development, January 2022.

- Upgrades the cost allocation plan to ensure DHS and DCYF are prepared to best leverage federal dollars and funds knowledge transfer from DHS. Upgrades the cost allocation plan to ensure DHS and DCYF are prepared to best leverage federal dollars and funds knowledge transfer from DHS.

Details of these elements are described below.

<u>Implementation Office and Transition Appropriation</u>
The implementation office will be housed at MMB. The implementation office will be supported by an investment of $3,997,000 for the salaries, fringe, and overhead for one director, five managers, and up to seven staff (or contract support) over 24 months. This is a onetime appropriation to the Commissioner of MMB. The implementation office will be responsible for leading the planning and establishment of DCYF, including timeline for the transition of programs to the new agency, and elements related budget, finance, legal, human resources, IT, policy, public engagement, and project management skills.

This proposal also includes a transition appropriation of $10 million for the purposes of implementation team needs, building the shell of a new agency, planning costs to best leverage federal funding, and onetime transition costs at existing agencies. This is a onetime transition appropriation to the Commissioner of MMB in FY 2024. The commissioner of MMB may transfer the funds held in the transition account to other agencies. The transition appropriation will fund costs associated with: engagement (travel, contract support, and IT); management, hiring support, and change management expertise; administrative costs (equipment; mailing, supplies); equity analysis; occupancy costs; IT (one-time set up costs for new agency and implementation team needs); and funds to support the bridge in transfer of base operating funds.

<u>Create New Agency</u>
DCYF will be effective July 1, 2024 and will have a commissioner appointed by the governor and starting that day. The agency will be able to start receiving new programs as soon as it opens but will have 12 months to complete the transfer of the core programs described below.

The proposal includes funds for an executive team commensurate with agencies of similar size, annually beginning in the final quarter of fiscal year 2024. This includes a Commissioner, Deputy Commissioner, Assistant Commissioners, Budget Director, Accounting Manager, Tribal Office Director, General Council, Compliance Officer, and other key roles.

<u>Transfer responsibilities to new agency</u>
Starting no later than July 1, 2025, the “core” programs listed below will operate from the new department, along with related administrative operational functions. Additional programs may be considered during the 2023 session and, if passed, would be added to the core programs.

Responsibilities that are not listed below may be transferred using the processes described in MS 16B.37. This proposal requires a Revisor bill and potentially other conforming changes to be considered in the 2024 session.

With the creation of a new agency, Minnesota Statutes section 16B.37 could be leveraged to execute administrative reorganization orders between departments that improve efficiency and avoid duplication in government, including transfer of personnel, powers, and duties from a state agency to the newly created state agency.

Base programs under consideration for first wave "core" that would be transferred to DCYF by July 1, 2025:

Currently at DHS – Children & Family Services

- Oversight of Federal Child Care & Development Block Grant
- Child Care Assistance Programs
- Child Care Service Grants
- Child Care Resource and Referral Program
- Family Services and Community-Based Collaboratives
- Child Development Services
    - Child Care Service Grants
    - Child Care Resource and Referral Program
    - Quality Rating System
    - Migrant Child Care Program
    - Child Care Improvement Grants
    - Retaining Early Educators Through Attaining Incentives Now (REETAIN) Grant Program
    - Teacher Education And Compensation Helps (TEACH)
    - Child care professional development and training system
- Early Childhood Learning and Child Protection Facilities Program
- SNAP (including)
    - SNAP E&T
    - SNAP Outreach
    - SNAP-Education
- The Emergency Food Assistance Program
- Minnesota Food Assistance Program
- P-EBT
- MFIP/TANF
- Diversionary Work Program
- Whole Family Systems
- Resettlement Programs
- Community Action Programs
- Child Protection
- Family Preservation
- Child Welfare Prevention
- Continuous Quality Improvement
- Research and Evaluation
- SSIS
- Northstar Care for Children (encompasses foster care, adoption, and kinship care)
- Title IV-E
- Adolescent Services
- African American Well Being unit
- American Indian Well Being unit
- Child Welfare Training Academy
- Child Support

Currently at DHS – OIG

- Licensure Of Child Care, Foster Care
- Certification Of License-Exempt Child Care Centers
- Program Integrity/Fraud Related To CCAP, MFIP, and SNAP

Currently at MDE

- Programs within Early Learning Services Division
    - Head Start Program / Early Head Start
    - Early Childhood Health and Developmental Screening
    - Early Learning Scholarships
        - Part C Early Intervention Services
- Preschool Development Grant (PDG)
    - Mixed Delivery Pre-K (2023 Governor's Budget Proposal with full implementation starting in 2026. Consolidates existing Voluntary PreK, School Readiness Plus and Pathway II Early Learning Scholarship funds)
    - Early Childhood Family Education
    - School Readiness
- After-School Community Learning Grant Program (2023 Governor's Budget Proposal)

Currently at DPS

- Youth Justice Office
    - Juvenile Justice Advisory Committee
    - Youth Intervention Program grant

Currently at MDH

- Help Me Connect (2023 Governor's Budget Proposal)

Appropriation to Department of Human Services

The proposal includes funding for a Public Assistance Cost Allocation Plans (PACAP) contract analysis necessary to ensure all federal funds are leveraged at both the new agency and DHS and upgrades the existing platform to create a new platform for the cost allocation system at both agencies by July 1, 2024.

The proposal also includes resources for training related to knowledge transfer of cost allocation, systems account management, compliance, and core functions to provide controls and oversight in new agency necessary to best leverage federal resources for more effective and efficient systems.

Impact on Children and Families:

The mission of the proposed new agency will be to make Minnesota the best place for children to grow up by prioritizing children and youth in state government, and by providing coordinated, whole-family-focused services that improve the lives of children and families through efficient, effective governance. This budget proposal builds on the work of the Children's Cabinet to convene, align, coordinate, and drive action toward the goal in Executive Order 19-34 to center children and family in state government and make Minnesota the best place for each and every child to grow up.

This change provides an opportunity to better prioritize children in our state government systems, especially our children who face barriers to opportunities and access to services, focused on culturally relevant services, including children of color and indigenous children, lower income children and children in rural areas. The new agency will provide a consolidated and sustainable structure to drive action toward improved outcomes for children and youth, specifically through consolidation of key early childhood programs, programs that support family basic needs, and creating platform for a transformational programming for children and youth. For instance, a main goal of DCYF is to consolidate and better coordinate early childhood programs to streamline and improve services and outcomes for children, families, and the early childhood workforce. Building off existing early childhood system coordination efforts, the Great Start for All Minnesota Children Task Force, Office of Legislative Auditor Report 2018, and feedback from providers and early childhood advocates that support consolidation, the DCYF will allow for more seamless implementation and further development of plans and implementation timelines to improve the early childhood system including (not limited to):

- Simplifying navigation, application and eligibility for early childhood programs;
- Building off existing IT improvements, creating a more seamless registration, payment and licensing and regulatory services for child care providers; and
- Implementing and aligning recruitment, training and retention activities to better support and grow the early care and education workforce.

Similarly, creating an agency with a focus on prevention and support for youth will create a more integrated approach and provide opportunity to better elevate needs and increase funding for youth by:

- Consolidating where several state youth grant programs are administered – creating a unified platform for new community opportunities– reducing the burden and streamlining connection and communication with youth-serving programs;
- Building on existing cross-agency efforts to better align state strategies to support youth, especially those who are involved with multiple state systems (e.g., child welfare and justice systems); and
- Elevating youth voice, priorities, and needs through more youth-focused leadership and governance structure.

This proposal is based on years of discussion and engagement with families, advocates, service providers, tribes, local partners, national organizations, and other states. The proposal is informed by the Early Childhood Governance report and engagement issued in January 2022, consolidation efforts centered on children, youth and families in other states, and the family and partner engagement across state systems and structures (Preschool Development Grant, Title V, Early Childhood Systems Reform, Child Care and Development Fund Plan, Children's Cabinet Advisory Councils, etc.). In each of these engagements, families and partners have said they wanted increased service and program coordination and simpler service navigation. The proposed process also creates the DCYF to allow for continued input from the community, as core services transition over two years, and other services are considered for future inclusion. This process, led and supported by a fully resourced implementation office, will also help to minimize disruption in services.

Based on research, governance experts, engagement with stakeholders, and lessons from other states that have consolidated programs into a child-focused agency, the Early Childhood Governance Report included the following provisions on what needs to happen for successful consolidation of programs into a new state agency focused on children:

- Start with key challenges (raised through engagement with families, communities, and agency staff and programs).
- Plan for governance change, using dedicated staff, resources, time (proposed in this budget item).
- Engage with leaders and secure buy-in (ongoing, and an underpinning of the proposal).
- Figure out the nuts and bolts of business systems (funded through the transition process).
- Factor in and sort out the implications of a governance change for local service providers and state-local roles (funded through the transition process).
- Determine the funding and resources needed to advance the state's childhood efforts (ongoing).

This proposal provides the resources, capacity, and time necessary to follow this advice to help ensure a successful launch of the new DCYF. Experience in other states has demonstrated that consolidation of key state programs for children, youth, and families helps to center children in state government and create a clear focus on improving outcomes for children. As a county-administered state with tribes also administering programs, careful consideration for local level service delivery in transition and implementation will be important.

Equity and Inclusion:

The new agency will aim to reduce and eliminate inequities, improve service access and coordination, and increase and maximize funding for effective interventions. These efforts will include a focus on services and interventions that are culturally relevant/affirming for children of color and indigenous children, children with disabilities, children and families experiencing trauma, LGTBQIA+, families where English is not the primary language, and the workforce that serves them, as well as other protected classes. The new agency will center equity in its decision-making and work to amplify and include voices of these key groups at the center of their engagement and decision processes. The new agency structure allows for a centering in policymaking, creating opportunity for new, coordinated investment to reduce inequities. The implementation office will conduct an equity analysis and provide it to the new commissioner.

Creating a new agency through consolidation of existing programs is disruptive and has risks not only for the State, but also for the key partners the programs fund and provide services. Some potential negative impacts include staffing and capacity challenges (unwinding existing agency staffing and administrative structures), confusion and communication challenges for key partners (e.g., not knowing where to go for support), and impeding progress on existing coordination efforts. A new agency can also create confusion and additional channels for tribes, counties, and service providers, yet these result from additional opportunity for investment. This proposal is designed to mitigate these challenges through the transition process and leadership of the implementation team. This should minimize disruption on state staff, local government and community partners, and, most importantly, children, youth, and families who access programs, especially those in these identified groups.

This proposal is built upon high-level engagement through numerous cross-agency venues/tables including:

- the Children's Cabinet Advisory Council and State Advisory Council for Early Education and Care (convened together)
- the cross-agency federal Preschool Development Grant (families, providers, and community leaders)

- discussions and interviews with 100+ community stakeholders and early childhood advocates as part of the Early Childhood Governance Report
- discussions with leaders in other states with consolidated child-focused agencies, and input from current and past state agency leaders.

More specific conversations are needed with unions, local government and nonprofit program administrators, child and youth advocates, and other community leaders and families.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes
☐No

All 11 Minnesota Tribal Nations will need to engage with a new agency for key programs that some of them administer and all have children and families who access, and thus will be impacted, and potentially some more than others (e.g., Tribes that administer state programs that will be moved to the new agency). Administration leaders have shared this proposal with tribal leaders at the Minnesota Indian Affairs Council, weekly tribal leader calls, and through individual outreach, where possible. Further engagement and dialogue is ongoing and an important priority as the proposal moves forward.

Representatives from tribes were included in engagement where governance changes were discussed including through the development of the Early Childhood Governance Report, Preschool Development Grant engagement, and the Children's Cabinet Advisory Councils conversation on governance changes. Based on discussion with the Executive Director of Tribal Relations, tribal consultation was not essential as it is related to state government administration, however, early and ongoing tribal engagement will be necessary to ensure the needs of indigenous families are prioritized and positively impacted and consultation will be a component of new agency.

Specific Tribes have not indicated this as a priority, though the need for a child and youth-oriented agency has been lifted up in discussions with tribes and tribal organizations. For example, representatives on the Tribal Nation Education Committee (TNEC) have expressed support for consolidation of early childhood programs into one agency. Through feedback and relationships, tribal leaders have shared a desire for more funding and resources oriented to youth opportunity and family economic needs; centering these programs outside of systems aligns with this feedback.

More engagement is necessary to understand the Tribes' perspectives and considerations. Coordination on the communication plan will occur through Tribal Relations leadership in the Governor's office and with their feedback. The Tribal and Urban Indian Health Directors group, coordinated jointly by the Minnesota Department of Health (Office of American Indian Health) and Minnesota Department of Human Services (Office of American Indian policy) will be consulted at a future meeting. This group would be able to provide feedback including perspective and considerations as this proposal advances. The Tribal Nation Education Committee (TNEC) and Minnesota Tribal Resources for Early Childhood Care (MNTRECC) were consulted for the Early Childhood Governance report and will continue to be key groups to engage.

Results:

The statute creating the Department of Children, Youth, and Families will require the commissioner to develop program objectives as well as performance measures for evaluating progress toward achieving such objectives. The commissioner must identify the objectives, performance measures, and current status of achieving these measures in a biennial report to the chairs and ranking minority members of relevant legislative committees and divisions. The report is due January 15th every other year.

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Earned Sick and Safe Time

Fiscal Impact ($000s)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
General Fund				
DLI Expenditures	1,445	2,209	1,899	1,899
MMB Expenditures	20	3	3	3
Revenues	(104)	(207)	(207)	(207)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,361	2,005	1,695	1,695
FTEs	**10.8**	**13.6**	**13.6**	**13.6**

Recommendation:

The Governor recommends requiring employers to provide employees one hour of earned sick and safe time for every 30 hours worked up to a required maximum of 48 hours per year. This earned sick and safe time could be used for the employee's own health condition or to care for an ill family member, or for certain absences due to domestic abuse, sexual assault, or stalking. The Governor recommends $1.361 million in FY 2024, $2.005 million in FY 2025, and $1.695 million each year after for enforcement and compliance activities as well as to fund outreach and engagement efforts. Enforcement actions may require the Department of Labor and Industry (DLI) to penalize employers that will not comply. DLI estimates penalty revenue at $104,000 the first year and $207,000 the following years.

The Labor Standards budget is currently $3,630,000, including budgets for Labor Standards, Wage Theft, Nursing Mothers and Prevailing Wage. $1,445,000 would be a 39.8% increase to the budget.

Rationale/Background:

Working Minnesotans need paid time off to care for themselves or a loved one when they get sick. In 2016, over 900,000 working Minnesotans did not have job-protected paid time off, nearly one third of working people in the state. Many workers can't afford to take unpaid time off work to care for themselves or a sick child and may feel forced to go to work sick, putting customers at risk of also falling ill. The COVID-19 pandemic has demonstrated now more than ever Minnesotans need paid time off.

Paid sick time laws have already passed in fourteen states, plus Washington D.C., and four Minnesota cities – Minneapolis, St. Paul, Duluth, and most recently, Bloomington – have passed ordinances requiring earned sick and safe time. A statewide law will ensure all Minnesota employees have the right to paid sick time regardless of where they live or work, supporting health and economic wellbeing. The proposal also benefits employers through improved employee recruitment and retention, improved employee morale, fewer workplace injuries, and a healthier workplace.

Proposal:

This proposal requires employers to enable covered employees to accrue a minimum of one hour of earned sick and safe time for every 30 hours worked. Sick time begins to accrue at the start of employment and may be used as soon as it is accrued. The proposal applies to employers with one or more employees and employees who work at least 80 hours in a year. Accrued paid time off may be used for:

- certain health conditions of the employee or the employee's family member(s);
- certain absences due to domestic abuse, sexual assault, or stalking of the employee or employee's family member;
- certain weather or public emergencies; or
- certain exposure to communicable disease.

As with all changes to labor laws, outreach and education of the new requirements is critical for implementation and compliance. The Department will communicate the new requirements through various social media and print efforts to inform employers of their responsibilities and employees of their rights. DLI anticipates an increase in the number of inquiries it currently receives from employers, workers and the public related specifically to this new right to paid sick time, and it assumes that it will receive complaints from workers alleging that their employers did not provide the paid time off, either by failing to allow employees to accrue the time, or by failing to allow employees to use the time off for the reasons stated above.

DLI will be responsible for investigating allegations of noncompliance which would require intake; complainant interviews; worker and witness interviews of those identified by the complainant; collection and review of documents provided by the complainant or workers and other witnesses identified by the complainant; preparation for onsite workplace investigation; interviews of employers and management employees and other workers at the workplace; review of payroll records and other relative documents; determination of violations; calculation of back wages owed; preparation of appropriate documentation and communications; and engagement in efforts to informally resolve the violations found. Penalties will be issued if non-compliance continues.

This 13.6 FTEs in this proposal include 9.6 investigators, 1 state program director, 1 state program administrator, and 2 office administrative support staff. The investigators will perform the investigatory actions outlined in the paragraph above, while the program director and state program administrator, and 2 office administrative support staff will be necessary to conduct outreach and lead and provide support to an investigative team of this size.

Impact on Children and Families:

Children and families would benefit from the proposal in multiple ways. Parents would be able to afford to take time off work to take care of themselves or their children when they are ill, to attend medical appointments, or obtain medical attention or services related to domestic abuse, sexual assault, or stalking. The proposal would also allow employees to use accrued paid time off to care for a child when school has been closed due to inclement weather, supporting child health and wellbeing. Public health would be improved by taking away a financial disincentive for ill employees to remain in the workplace or to send an ill child to daycare or school. Access to paid time off supports greater economic security for Minnesota families.

Equity and Inclusion:

Low-wage workers, workers of color, and workers in the service industry are more likely to lack paid sick time. Statewide earned sick and safe time improves equitable access to a basic workplace benefit so all Minnesotans can afford to take care of themselves and their family members when they are sick without risking losing their jobs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs

Category	*FY 2024*	*FY 2025*	*FY 2026*	*FY 2027*	*FY 2028*	*FY 2029*
Payroll						
Professional/Technical Contracts						
Infrastructure						
Hardware						
Software	$21	$8	$8	$8	$8	$8
Training						
Enterprise Services						
Staff costs (MNIT or agency)						
Total						
MNIT FTEs						
Agency FTEs						

Results:

DLI will perform intake counts on type of calls/emails/stakeholder inquiries we receive will be communicated via our annual statistics summaries. Often these reports are shared with the legislature, the governor's office, and other interested parties. Outreach numbers will be communicated in our annual outreach report. Press releases will go out on notable successful compliance cases and outreach campaigns.

Type of Measure	*Name of Measure*	*Current Value*	*Date*	*Projected Value (without)*	*Projected Value (with)*	*Date*
Quantity	Employee Inquiries	N/A	N/A			
Quantity	Employer Inquiries	N/A	N/A			
Quantity	Outreach Activities	N/A	N/A			
Results	Number of employees with	N/A	N/A			

Statutory Change(s):

Minnesota Statutes 177.27, 181.942

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Paid Family and Medical Leave Insurance

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures				
MMB Non-Operating	0	0	75	5,824
DHS				199
Transfer Out	668,321	0	0	0
GF Net Fiscal Impact =	**668,321**	**0**	**75**	**6,023**
Paid Family Medical Leave Fund				
Expenditures				
DEED	41,659	36,492	64,657	92,640
MMB	0	0	43	44
Commerce	367	316	128	128
DLI	601	480	646	646
DHS	2,649	0	530	530
Supreme Court	0	0	20	0
Legislature	0	0	11	0
Court of Appeals	0	0	0	5,600
Benefits	0	0	0	1,038,531
Transfer In	668,321	0	0	0
Revenues	0	0	0	1,219,808
All Funds Net Fiscal Impact = (Expenditures – Revenues)	**45,276**	**37,288**	**66,110**	**(75,666)**
FTEs	**39.5**	**65.5**	**241.75**	**410.5**

Recommendation:

The Governor recommends $668.321 million from the general fund in FY 2024-25 and $6.098 million in FY 2026-27. The Governor also recommends applying a 0.6% premium rate to employee wages beginning on July 1, 2026, to establish a Paid Family and Medical Leave Insurance program and that employee contributions comprise one-half of the premium rate.

The transfer of $668.321 million from the general fund provides funds necessary to cash flow the program to enable benefit payments to commence simultaneously with tax collections. It will also support the development of an IT system for collecting premiums and paying benefits, initial staffing and administrative resources required to implement and operate this program at the Department of Employment and Economic Development and other state agencies and branches of government.

Rationale/Background:

Most Minnesotans will need Paid Family and Medical Leave at some point in their lives – whether due to illness, a new child, or family caretaking. But today, approximately 26 percent of all family and medical leaves do not include any wage replacement. According to the “Paid Family & Medical Leave Insurance: Options for Designing and Implementing a Minnesota Program” released in February 2016, around 10% of Minnesota workers take a family or medical leave in any given year. Fifty-nine percent (59%) of current leaves in Minnesota are for own-health reasons (other than pregnancy), 17 percent are for bonding/parental leave (including pregnancy disability), and 24 percent of leaves are for caretaking a seriously ill family member.

Low-wage employees, certain minority groups, younger workers, and less educated populations are much more likely to lack access to paid leave. For many low-income Minnesotans, taking leave with little or no pay can create significant economic instability for their families, often during some of the most challenging times. Additionally, Minnesota workers are generally less likely to receive compensation during leave for their own serious health condition or family care than for pregnancy or parental (bonding/maternity/paternity) leave.

Without a comprehensive state paid family and medical leave program, Minnesotans are missing out on the economic stability and economy-boosting effects of keeping people employed while welcoming a new family member, caring for a sick loved one, or recovering from an illness or injury. Paid Family and Medical Leave is a critical tool towards enhancing Minnesota's economic competitiveness and building a more stable and resilient workforce.

Proposal:

The Governor recommends creating a new Minnesota Family and Medical Leave Program administered by DEED. This program will provide wage replacement for family and medical leaves and will provide job protections for recipients, so they are assured of continued employment with their employer upon their return. Premiums collected will fund program benefits and ongoing administrative costs.

Appropriations from the general fund will allocate:

- $519.266 million from the general fund in FY 2024-25 will fund a reserve balance in the Paid Family and Medical Leave (PFML) Fund. This will provide adequate cash flow to permit initiation of benefits simultaneously with the start of premium collections on July 1, 2026.
- An additional transfer of $149.055 million from the general fund in FY 2024-25 will fund start up costs for administration of the program to be appropriated from the PFML Fund.
- $5.899 million in FY 2026-27 will be provided to Minnesota Management and Budget Non-Operating to offset employer-paid premium costs in the general fund for state executive and judicial branch agencies and offset the costs to agencies for obtaining notice acknowledgments from employees.
- $199 thousand in FY 2026-27 for the Department of Human Services for nursing facility employee compensation costs.

Proposed appropriations from the new PFML Fund include:

- $78.151 million in FY 2024-25 and $157.297 million in FY 2026-27 for the Department of Employment and Economic Development will support the creation of business process design, a premium collection system, benefits payment system, user interface development, and program administration.
- $87 thousand in FY 2026-27 for Minnesota Management and Budget will fund state executive branch employee workplace notice costs as well as upgrades to the state's payroll system necessary for the collection of premiums.
- $683 thousand in FY 2024-25 and $256 thousand in FY 2026-27 for the Department of Commerce will fund development of private plan rules and approvals.
- $1.081 million in FY 2024-25 and $1.292 million in FY 2026-27 for the Department of Labor and Industry will fund oversight and compliance costs related to the program as well as IT systems upgrades.
- Starting in FY 2027, $5.6 million per year would fund costs related to appeals filed with the Court of Appeals for denied benefit claims.
- $11 thousand in FY 2026-27 for the Legislature-LCC will support onetime payroll system updates.
- $20 thousand in FY 2026-27 for the Supreme Court will support onetime system updates.
- $2.649 million in FY 2024-25 and $1.060 million in FY 2026-27 for the Department of Human Services to make systems modifications necessary for the implementation of the program.

Impact on Children and Families:
Similar programs in other states have shown improvements in economic stability for families and positive impacts for children. Societal benefits include retaining more women in the labor force, reductions in the need and associated costs for nursing home and other institutional care, reductions in the need for public assistance when a new baby arrives, and less infant care shortages.

Equity and Inclusion:
According to the 2016 report, while almost three-quarters of Minnesota workers received at least some pay when they were out of work for family or medical reasons, low-wage (46%); black (42%); or Hispanic (39%); younger (39%); part-time (38%) or less educated (38%) workers are much more likely to manage leaves without any pay. This proposal is intended to help address that inequality and the economic impacts that that inequality has on these workers.

IT Related Proposals:
This recommendation includes funding for IT costs to create a system for collecting premiums from employers and paying program benefits to recipients. The development of the Paid Family and Medical Leave system will be a multi-year project. The total cost to build the system between FY 2024 and FY 2028 is anticipated to be approximately $80.4 million, plus approximately $6.0 million in staff costs.

Results:
Department of Employment and Economic Development will track the following:

- Amount of leave taken
- Amount of benefit payments made to recipients
- Employer opt-outs
- Employee opt-ins
- Program tax collections and balance
- Customer satisfaction

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Capital Budget Outreach and Assistance

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	317	317	317	317
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	317	317	317	317
FTEs	**2**	**2**	**2**	**2**

Recommendation:

The Governor recommends funding $317 thousand annually from the general fund to support Capital Budget Outreach and Assistance. These funds would pay for staff compensation and associated overhead necessary to increase Budget Division and Debt Management Division capacity to provide technical assistance to communities that have traditionally not participated in the state capital budget process. Further, this recommendation will allow MMB to proactively raise awareness about the capital budget and the requirements associated with applying for and receiving capital budget funding.

Rationale/Background:

The state's capital budget process has historically been shaped following a statutory process to fund projects owned by state agencies and political subdivisions that are generally eligible to receive state general obligation bonds. In recent years, the Governor and the Legislature have expressed interest and have funded projects owned by non-profit organizations and Tribal governments that serve a public purpose but may not be familiar with the state's capital budget process, timeline, or requirements. Additionally, stakeholders have recognized that some political subdivisions may not be aware of the state's capital budget process or may submit projects intermittently. Additional outreach to increase awareness and to share educational materials about the process would help ensure that the state is funding the most needed projects that serve communities across the state, and not only projects from entities that are already familiar with the capital budget process.

Additionally, as projects are initially developed and updated, and then implemented after inclusion in an enacted capital investment bill, many questions can arise around the state's requirements for different funding sources, for capital projects, for how grant agreements and use agreements may work, etc. Many of these matters require detailed analysis of a project and knowledge of the related requirements and resources. Additional technical assistance for these matters would benefit the state by helping to ensure that projects, particularly projects owned by non-profits and Tribal governments and projects that are owned by political subdivisions that do not frequently work through the state's process, have dedicated staff at MMB to help point them in the right direction and offer technical assistance so that projects are developed with awareness of state laws and requirements, and are successful and timely.

Proposal:
This proposal provides funding to expand MMB's capacity to provide capital budget outreach and assistance. The proposal would fund the following activities with a particular focus on projects owned by non-profits and political subdivisions that do not already participate in the capital budget process:

- Additional outreach and educational resources for the capital budget process
- Additional technical assistance and resources around the requirements associated with receiving capital budget funding for the development and implementation of capital projects

This proposal assumes hiring new staff: two FTEs starting in fiscal year 2024. This proposal is ongoing.

Impact on Children and Families:
This proposal may increase the number of projects that are considered for capital investment funding at the state that serve children and families.

Equity and Inclusion:
This proposal is designed to expand the number of projects that are considered for capital investment funding at the state from non-profits, Tribal governments, and political subdivisions.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs
This recommendation does not have an impact on IT costs via MNIT.

Results:
The results of this proposal will be largely quantitative, however, there are several performance metrics that will be monitored, including the number of non-profit, Tribal government, and political subdivision entities:

- Contacted for awareness of the capital budget process and timeline
- That received capital budget training

Statutory Change(s):
This proposal will not require any statutory changes.

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Office of Addiction and Recovery

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	750	750	750	750
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	750	750	750	750
FTEs	**4**	**4**	**4**	**4**

Recommendation:

The Governor recommends ongoing annual funding of $750,000 starting in FY 2024 for an Office of Addiction and Recovery (OAR) to work across the state government to align efforts and break down barriers to substance use disorder (SUD) services and recovery. The funds will resource the Addiction and Recovery Director (ARD), provide staff for the OAR to conduct data and policy analysis and public engagement, and provide funding for build out and maintenance of an all-SUD funds database. The OAR staffs both the Governor's Subcabinet on Opioids, Substance Use, and Addiction as well as the Governor's Advisory Council on Opioids, Substance Use, and Addiction.

Rationale/Background:

Substance Use Disorder, including alcohol and opioids, affects every community in Minnesota. According to the Kaiser Family Foundation, 6.1% of Minnesota adults and 1.7% of adolescents reported having an alcohol use disorder in 2018-2019. Additionally, during that same period, 2.7% of Minnesota adults and 3.4% of adolescents reported an illicit drug use disorder. These numbers have likely only increased since the pandemic. According to the Centers for Disease Control (CDC), nearly 1,500 Minnesotans lost their lives to drug overdoses in 2021, more than twice as many as in 2018. Fentanyl, a synthetic opioid much more potent than other narcotics, was involved in nearly 60% of those overdoses. The 881 fentanyl deaths represent more than a fourfold increase since 2018. Black and Native American populations are disproportionately impact by SUD, particularly in overdoses. Native Minnesotans are more than nine times as likely to die of an overdose and Black Minnesotans more than three times as likely to die as their white counterparts.

In response to this crisis, the Governor and Legislature created an Addiction and Recovery Director (ARD) to lead a subcabinet consisting of 8 state agencies and to lead an advisory council on Opioids, Substance Use, and Addiction [Minn Stat. 4.046]. The legislation creating this subcabinet and position also called for the Director to propose to the legislature a permanent Office of Addiction and Recovery.

Currently Minnesota's SUD prevention, treatment, and recovery system is fragmented across the multiple governmental and non-governmental entities including numerous state agencies, the Opioid Epidemic Response Advisory Committee (OERAC), counties and local governments, and others. The OAR will serve as a statewide SUD planning and policy office that looks across the enterprise and multiple actors and works to coordinate and align efforts. The OAR will enhance coordination between agencies and other actors, look for new interagency opportunities, promote innovative programs, conduct robust public engagement, provide oversight of programs, and maintain a database of relevant program spending and evidence-based practices.

Proposal:
This dedicated funding creates a sustainable platform for coordination, innovation, data sharing, and public engagement around opioids and other substance use disorders. This funding will support a core team including 4 FTEs (a Director, Deputy Director, and two coordinators) as well as fund and maintain an all-SUD funds database that will track addiction and substance use disorder spending statewide.

This funding will allow the OAR to build and maintain strong interagency and intergovernmental partnerships, work directly with impacted communities, and increase the effectiveness and accountability of SUD prevention, treatment, and recovery programs.

Impact on Children and Families:
Substance use disorder has a tremendous impact on youth and families. SUD is a significant factor in out of home placements, and studies have shown can lead to unmet developmental needs, impaired attachment, economic hardship, legal problems, emotional distress, and sometimes violence.

Equity and Inclusion:
Black and Native American populations are disproportionately impact by SUD, particularly in overdoses. Native Minnesotans are more than nine times as likely to die of an overdose and Black Minnesotans more than three times as likely to die as their white counterparts.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
The Office of Addiction and Recovery is working with MMB to develop enterprise-wide metrics to track progress. The Governor’s Advisory Council on Opioids, Substance Use, and Addiction and other public engagement strategies will be utilized to help inform that process and those metrics.

Statutory Change(s): N/A

Minnesota Management and Budget

FY 2024-25 Biennial Budget Change Item

Change Item Title: Collaboration for Data Disaggregation

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	2,500	2,500	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,500	2,500	0	0
FTEs	**4**	**4**	**0**	**0**

Recommendation:

The Governor recommends funding to establish a cross-agency workgroup to develop minimal data collection standards for race, ethnicity, gender identity, and disability status and to develop a roadmap and timeline for implementation of these data standards.

Quality data provides insights and illuminates paths to improve services. This investment will enable a cross-agency effort to collaborate and seek community input to create data standards. Key steps for this project are to create the following: (1) standards for collection of race, ethnicity, gender identity, and disability status; (2) an inventory of current data collection practices across each agency's key datasets; (3) strategies to address barriers (policy, technology, culture, etc.) associated with collection of this information; and (4) methods and costs to update datasets and to the extent possible, to begin this work.

Rationale/Background:

Although many agencies collect race data, they are less likely to collect ethnicity data, often limiting ethnicity data collection to Hispanic/Latino ethnicity. Many organizations, including the American Medical Association, the American Public Health Association, and the Robert Wood Johnson Foundation, have called for race data to be disaggregated by ethnicity to better address social and health inequities. State agencies, practitioners, policymakers, and the public need to disaggregate race by ethnicity to measure the impact of inequities and interventions consistently, equitably, and reliably across all populations. Furthermore, outside of definitions that relate to participation in specific programs or gender identity, agencies frequently lack agreement on how to identify or consistently define disability status. We also know that some groups are more affected by social and health disparities than others, so data disaggregation is required to target programs and support these populations.

Fully disaggregating the data helps expose hidden trends. It can enable the identification of vulnerable groups within a large category, help establish the scope of the problem, and make susceptible groups more visible to state agencies and policymakers to better serve the community. Accurate data disaggregation will make it easier to target resources where they are most needed, in areas where the burdens of inequality are highest. To ensure that we serve all Minnesotans well, it is important that state agencies develop interagency agreements on what categories to collect when we are collecting demographic data. We need to understand the different strengths, needs, and quality of life of various groups in our communities.

The lack of demographic data standards hampers meaningful improvement in the lives of communities most impacted by inequities, especially because there is a great deal of diversity within a racial group. For example, even within the same race, some ethnic groups have better outcomes than others. For example, if we know that a person is a multigenerational Black Minnesotan, a third-generation Hmong Minnesotan, or a newly arrived Karen refugee, we will have a better understanding of how to support their health and well-being through programs, services, and supports. In a 2019 survey in Minnesota, for example, approximately 56% of Asian American students reported not having Adverse Childhood Experiences (ACEs). However, a further breakdown of this data by ethnicity revealed that the majority of students who experienced zero ACEs (72%) identified as Korean, while 27% of those identifying as Karen/Burmese expressed experiencing one ACE; approximately 18% of those identifying as Lao expressed experiencing two ACEs, and 14.9% of those identifying with multiple Asian races expressed experiencing three or more ACEs. The intersection of race or ethnicity with disability status or having certain gender identities can also create even greater challenges and disparities.

Proposal:

This proposal promotes equity in state agencies' data practices by: (1) developing minimum standards for the collection of race, ethnicity, gender identity, and disability status; (2) identifying agencies' current demographic data collection in their core datasets; (3) identifying barriers and challenges (legal, policy, procedure, culture, technology, etc.) associated with demographic data collection; and (4) planning for the implementation of agreed upon standards through updates in agencies' information technology and beginning to pilot this work.

Establish and convene a cross-agency workgroup. The goal is to develop minimum data standards for race, ethnicity, gender identity, and disability status, review those standards with the community, and identify shared and unique barriers to implementing those standards in agencies, including projecting costs for the implementation of the final standards. Minnesota Management and Budget (MMB) would be the project lead, facilitating workgroup decisions, providing support to agency leads, and tracking progress but the expertise will come from other agencies. The state demographer's office will provide input on population trends and experience in demographic data collection, including any new developments around demographic data collection at the federal level. The Minnesota Department of Health (MDH) – given its experience in community engagement around demographic data collection – will facilitate additional community listening sessions to discuss proposed data standards and provide feedback to the interagency workgroup. Funding will be used for 2.0 FTE at MMB to facilitate this work. Additionally, funding appropriated to MMB can be transferred to participating agencies in the cross-agency workgroup to support their participation. The FTEs reflected in the summary include specific funding for resources at MMB, MDH, and Minnesota IT Services (MNIT).

Conduct agency level inventories of current data sets. Each participating agency will conduct a thorough inventory of their core datasets to determine baseline collection of races, ethnicity, gender identity, and disability status. This data inventory will allow state agencies to gain a greater understanding of the data sets we possess, the types of demographic information collected by each agency, and necessary to project costs of upgrading to the minimal data standard. This proposal includes funding that can be transferred to each agency to compensate for this work.

Community Listening Sessions. Representatives from diverse communities, including people of color, American Indians, LGBTQ people, and people living with disabilities will be included in discussions about the "minimum" required demographic categories. A total of 12 community listening sessions will be held; community input will be summarized, documented, and incorporated into the decision-making process for demographic data collection. As noted above, coordination of these community engagement sessions will be handled by a 1.0 FTE based at MDH. This proposal also includes costs of travel, space rental, and stipends for community listening sessions.

Support Information Technology (IT) Infrastructure. This proposal contains funding for MNIT to work with each agency to identify steps needed to implement the agreed upon data standards. One FTE based at MNIT would coordinate the work with the IT infrastructure.

Develop a roadmap and timeline for implementation and begin the work on a pilot basis. There is unique power in convening a diverse group of state agencies to discuss this major equity issue. By working together, we can develop a roadmap to disaggregate data that will equip us to better address the needs of all Minnesotans. Therefore, a portion of the proposed funding the cross-agency workgroup will develop a roadmap for implementation, along with policy and budget recommendations, based on the assessment conducted and lessons learned from this project. Additionally, to the extent funds are available, the appropriation to MMB could be transferred to agencies to begin modifying data systems to conform with the newly developed minimum data standards.

Impact on Children and Families:

Data disaggregation improves our understanding of each subgroup's context and experience and our responsiveness to the needs of children, families, and communities. Disaggregating data by race, ethnicity, gender identity and disability status helps identify vulnerable children and understand their vulnerabilities, identifying who is falling behind and preventing shortfalls toward the One Minnesota goal of making Minnesota the best place for children. It helps identify strengths and areas for improvement, ensures Minnesota's children and families receive quality, equitable, and outcome-driven government services, and enables better resource allocation decision-making to improve children's and families' lives. By disaggregating data and considering systemic and structural factors that explain differences, we can move beyond population averages to unpack the particular experiences of historically marginalized and under-resourced children and families.

This proposal will afford the historic opportunity to close the gap in equitable and inclusive state data practices and better understand the lived experiences of those who continue to face inequities and bias by aligning Minnesota state enterprise’s collection, analysis, and dissemination of disaggregated data.

Equity and Inclusion:

Collecting and reporting disaggregated racial, ethnic, gender identity and disability data is an important, practical step toward building a more diverse, equitable, and inclusive society. This proposal would provide individuals the opportunity to select a more specific, self-identified racial or ethnic identity, and to self-identify their gender identity and their disability status. This would promote a culture of inclusion and counters the sense of invisibility that many communities feel about current representation in state data reporting. It serves as an acknowledgment of a small community in the larger fabric of demographic categories.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes
☐No

Results:

Type of Measure	*Name of Measure*	*Current*	*Future*	*Dates*
Result	Number of data set inventories conducted	0	12	FY 2024-25
Quantity	Number of community listening sessions conducted	0	12	FY 2024-25
Quantity	Number of working group meetings conducted	0	8	FY 2024-25
Result	Roadmap and implementation timeline developed	0		FY 2024-25
Quality	Barriers to data disaggregation identified	No current baseline		FY 2024-25

Statutory Change(s):

None

Program: Statewide Services
Activity: Accounting Services

https://www.mn.gov/mmb/

AT A GLANCE

- Supports state operations in the areas of accounting, financial reporting, payroll, and treasury
- Provides functional support of two statewide enterprise resource planning systems: Statewide Integrated Financial Tools (SWIFT) and the Statewide Employee Management System (SEMA4)
- Resolves accounting and payroll issues and establishes statewide financial policies
- Over 50,000 employees paid during calendar year 2021
- 2.5 million payments made to vendors during fiscal year 2022
- Nearly 7,500 users of the SWIFT and SEMA4 systems and over 104,000 users of the Self-Service system as of August 2022

PURPOSE AND CONTEXT

Accounting Services is the foundation that supports the state's financial management operations. We provide the required infrastructure for efficient and effective accounting, payroll, and other financial services that are conducted throughout the state. The primary customers are state agencies, state employees, and the individuals and organizations that do business with the state. Accounting Services consists of three sections: Statewide Accounting, Statewide Payroll Services, and SWIFT System Support.

Accounting Services supports fiscal accountability and measurable results by responsibly managing and reporting on state finances. We indirectly support the other priorities by managing systems and processes that enable other state agencies to achieve their results.

SERVICES PROVIDED

- Establish statewide policies and procedures for financial management to safeguard assets and comply with legal requirements.
- Maintain and direct the operation and use of the statewide accounting and payroll systems.
- Process bi-weekly payroll for state employees and issue payments to individuals, businesses, nonprofit organizations, and other governmental units.
- Prepare statewide financial reports including the Annual Comprehensive Financial Report (ACFR), Single Audit Report, and Statewide Indirect Cost Allocation Plan.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Achieve Certificate of Excellence in Financial Reporting and unqualified audit opinion for the Annual Comprehensive Financial Report	Both met	Both met	2020,2021
Quality	State agency payments issued within 30 days	98.36%	98.22%	2021, 2022
Quality	Payments issued electronically	89.32%	94.57%	2020, 2022
Quality	Employee timesheets processed electronically	96.52%	96.84%	2021, 2022

Minnesota Statutes, Chapter 16A (https://www.revisor.mn.gov/statutes/?id=16A) provides the legal authority for MMB's Accounting Services activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	5,136	5,550	6,918	7,392	7,053	7,053	8,129	8,744
Total	**5,136**	**5,550**	**6,918**	**7,392**	**7,053**	**7,053**	**8,129**	**8,744**
Biennial Change				3,624		(204)		2,563
Biennial % Change				34		(1)		18
Governor's Change from Base								2,767
Governor's % Change from Base								20
Expenditures by Category								
Compensation	5,011	5,414	5,684	5,205	5,205	5,205	6,325	6,940
Operating Expenses	125	137	1,234	2,187	1,848	1,848	1,804	1,804
Total	**5,136**	**5,550**	**6,918**	**7,392**	**7,053**	**7,053**	**8,129**	**8,744**
Full-Time Equivalents	**45.81**	**48.99**	**49.05**	**49.05**	**49.05**	**49.05**	**52.05**	**54.05**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		62						
Direct Appropriation	5,187	5,552	6,581	6,581	6,581	6,581	7,657	8,272
Transfers In			338	811	472	472	472	472
Transfers Out		64						
Cancellations		0						
Balance Forward Out	51		0					
Expenditures	**5,136**	**5,550**	**6,918**	**7,392**	**7,053**	**7,053**	**8,129**	**8,744**
Biennial Change in Expenditures				3,624		(204)		2,563
Biennial % Change in Expenditures				34		(1)		18
Governor's Change from Base								2,767
Governor's % Change from Base								20
Full-Time Equivalents	45.81	48.99	49.05	49.05	49.05	49.05	52.05	54.05

Program: Statewide Services
Activity: Budget Services

https://www.mn.gov/mmb/

AT A GLANCE

- Provide budget assistance, guidance, instructions, monitoring, implementation, and oversight to more than 100 agencies for the state's $111 billion biennial budget
- Develop and present to the Legislature the governor's operating and capital budget recommendations
- Annually release February and November budget and economic forecasts
- Conduct research on the effectiveness and impact of state programs to promote the wellbeing of residents, and facilitate use of data and information in decision-making

PURPOSE AND CONTEXT

Budget Services works to promote sound fiscal policy in decision-making and helps to ensure the appropriate use of state resources through the provision of accurate and timely information. We support fiscal accountability and measurable results by establishing statewide oversight for the budget process and work to build the capacity of state agencies to use performance information in the management of state government services. This activity is comprised of three sections: Budget Planning and Operations, Budget Policy and Analysis, and Results Management. Our primary customers are the Governor's Office, state agencies, the Legislature, and Minnesotans.

SERVICES PROVIDED

Budget Services meets customer needs by:

- Creating objective, relevant, and accessible information for decision-makers, such as the budget and economic forecasts, the governor's operating and capital budget recommendations, the general fund balance analysis, reports on the evidence of effectiveness of government-funded programs, and the consolidated fund statement.
- Articulating fiscal policy issues of statewide importance through services and products such as rating agency presentations, budget decision-support, and statewide cash flow analysis.
- Increasing access to budget and fiscal policy information through the provision of statewide guidance and the development and maintenance of the Budget Planning and Analysis and Capital Budget Systems.
- Providing leadership and support for informed policymaking and results management through identification and use of evidence-based practices as part of the Results First program, strategic performance management, impact evaluation, and ad hoc analysis.

RESULTS

Type of Measure	*Name of Measure*	*2017*	*2019*	*2021*
Quality	Percentage of survey respondents indicating overall satisfaction with the budget systems (Budget Planning & Analysis System – BPAS, Appropriation Maintenance Application – AMA, Capital Budget System – CBS)	BPAS – 79% AMA – 95% CBS – 93%	BPAS – 95% AMA – 96% CBS – 97%	BPAS – 94% AMA – 93% CBS – 97%
Quality	Proportion of policy maker survey respondents who used Results First's information about program effectiveness in their decision-making.	44%	53%	49%

Minnesota Statutes, Chapters 3 (https://www.revisor.mn.gov/statutes/?id=3) and 16A (https://www.revisor.mn.gov/statutes/?id=16A) provide the legal authority for MMB's Budget Services activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	4,094	4,250	4,341	4,566	4,560	4,560	8,268	11,423
2001 - Other Misc Special Revenue	186							
2005 - Opiate Epidemic Response		295	299	301	300	300	300	300
Total	**4,280**	**4,545**	**4,640**	**4,867**	**4,860**	**4,860**	**8,568**	**11,723**
Biennial Change				682		213		10,784
Biennial % Change				8		2		113
Governor's Change from Base								10,571
Governor's % Change from Base								109
Expenditures by Category								
Compensation	4,110	4,380	4,422	4,390	4,390	4,390	8,103	11,258
Operating Expenses	90	165	219	477	470	470	465	465
Other Financial Transaction	80	0						
Total	**4,280**	**4,545**	**4,640**	**4,867**	**4,860**	**4,860**	**8,568**	**11,723**
Total Agency Expenditures	4,280	4,545	4,640	4,867	4,860	4,860	8,568	11,723
Internal Billing Expenditures		56	16	32	32	32	32	32
Expenditures Less Internal Billing	**4,280**	**4,489**	**4,624**	**4,835**	**4,828**	**4,828**	**8,536**	**11,691**
Full-Time Equivalents	**36.29**	**37.27**	**35.81**	**35.81**	**35.81**	**35.81**	**57.56**	**80.81**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

1000 - General

	FY20	FY21	FY22	FY23	FY24	FY25	Gov FY24	Gov FY25
Balance Forward In		638		6				
Direct Appropriation	4,436	4,088	4,160	4,560	4,560	4,560	8,268	11,423
Transfers In	290	207	187					
Transfers Out		658						
Cancellations	0	26						
Balance Forward Out	632		6					
Expenditures	**4,094**	**4,250**	**4,341**	**4,566**	**4,560**	**4,560**	**8,268**	**11,423**
Biennial Change in Expenditures				564		213		10,784
Biennial % Change in Expenditures				7		2		121
Governor's Change from Base								10,571
Governor's % Change from Base								116
Full-Time Equivalents	34.39	35.48	32.72	32.72	32.72	32.72	54.47	77.72

2001 - Other Misc Special Revenue

	FY20	FY21	FY22	FY23	FY24	FY25	Gov FY24	Gov FY25
Balance Forward In	186							
Expenditures	**186**							
Biennial Change in Expenditures				(186)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	1.90	0.04						

2005 - Opiate Epidemic Response

	FY20	FY21	FY22	FY23	FY24	FY25	Gov FY24	Gov FY25
Balance Forward In				1				
Direct Appropriation		300	300	300	300	300	300	300
Cancellations		5						
Balance Forward Out			1					
Expenditures		**295**	**299**	**301**	**300**	**300**	**300**	**300**
Biennial Change in Expenditures				305		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents		1.75	3.09	3.09	3.09	3.09	3.09	3.09

Program: Statewide Services
Activity: Economic Analysis

https://www.mn.gov/mmb/

AT A GLANCE

Provide revenue forecasts and report changes in the national and state economic outlook to state leaders and the public through the regular publication of reports and through speaking engagements and press interviews, as described below (with the number of outputs each year in parentheses):

- Budget and Economic Forecast (2)
- Quarterly Revenue and Economic Update (4)
- Monthly Revenue Memo (8)
- Budget Reserve Report (1)
- Revenue Forecast Uncertainty Report (2)
- Rating Agency Presentation (3)
- Data for bond sale Official Statement (2-3)
- Public speaking engagements (20+ events, reaching 1,000+ individuals)
- Media contacts (30+)

PURPOSE AND CONTEXT

Economic Analysis forecasts state tax revenues in November and February each year as required by state law. The *November Budget and Economic Forecast* is the starting point for the state budget and the basis for the governor's budget recommendations. In February, we update the forecast with new information. The Legislature and the governor use the *February Budget and Economic Forecast* to set the budget for future years and to ensure that the budgets already enacted remain on track and in balance. Bond rating agencies and other analysts use forecast information to assess the state's economic and financial condition. The media use it to inform the public.

In addition to the twice-yearly forecasts, we prepare a quarterly *Revenue and Economic Update* in January, April, July, and October of each year. The *Revenue and Economic Update* compares actual revenue collections for the current year to the most recent revenue forecast and reports changes in the national and state economic outlook.

Economic Analysis produces objective research and analysis related to Minnesota's economy and revenues. This research improves the reliability of existing economic and revenue forecasting models and informs state and local government policymakers, the academic and business communities, the media, and the general public about Minnesota's economic and financial condition. The Economic Analysis Unit is led by the State Economist, whose services are provided by contract with the University of Minnesota.

SERVICES PROVIDED

- Credible and timely forecasts of major state general fund revenue sources. This includes taxes on personal income, general sales, corporate income, deed transfers and mortgage registries, insurance gross receipts, and other sources.
- Quarterly and monthly comparisons of forecast revenue with actual collections for major state general fund sources.
- Clear and timely information about the state economy, including forecasts of employment, income, and other measures of economic activity.
- Analysis of the volatility of major state revenue sources and their components. Through this analysis, we estimate the appropriate size for a state's budget reserve.

- Analysis of uncertainty in Minnesota's revenue projections.

RESULTS

Accurate forecasts reduce disruption from short-term budget adjustments and contribute to the state's financial stability. A forecast error—the percentage difference between the level of revenues forecast and the amount actually collected—can be a gauge of forecast accuracy. Actual collections never precisely match the forecast, in part because we cannot fully anticipate how unforeseen changes in the national economy or in federal tax laws will affect state revenues. Moreover, uncertainty about the revenue impacts of changes in state tax laws can add to forecast errors. Nonetheless, revenue forecast errors provide a base performance measure for the primary activities of Economic Analysis.

A biennium is part of the February forecast three times: 29, 17, and five months from the time the biennium closes. We focus our error calculations on the first February forecast (29 months before closing), because that is the forecast on which the original budget for the biennium is based. To determine whether our accuracy is generally improving over time, we compare the average percentage errors from the most recent three biennia to the errors over the longer term.

Type of measure	***Name of Measure***	***Long-term average forecast error (FY90-91 to FY20-21)***	***Recent average forecast error (FY16-17 to FY20-21)***	***Trend in accuracy***
Quality	1st February forecast error (+29 months from actual)	4.8%	2.2%	Improved

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Minnesota Statutes, Sections 16A.103 (https://www.revisor.mn.gov/statutes/cite/16A.103) and 16A.152 (https://www.revisor.mn.gov/statutes/cite/16A.152) provide the legal authority for MMB's Economic Analysis activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	591	562	605	532	526	526	557	585
Total	**591**	**562**	**605**	**532**	**526**	**526**	**557**	**585**
Biennial Change				(17)		(85)		5
Biennial % Change				(1)		(8)		0
Governor's Change from Base								90
Governor's % Change from Base								9
Expenditures by Category								
Compensation	361	334	358	210	210	210	244	272
Operating Expenses	231	229	248	322	316	316	313	313
Total	**591**	**562**	**605**	**532**	**526**	**526**	**557**	**585**
Full-Time Equivalents	**3.01**	**2.82**	**3.01**	**3.01**	**3.01**	**3.01**	**3.01**	**3.01**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		0		6				
Direct Appropriation	591	562	526	526	526	526	557	585
Transfers In	1		85					
Transfers Out		0						
Balance Forward Out	0		6					
Expenditures	**591**	**562**	**605**	**532**	**526**	**526**	**557**	**585**
Biennial Change in Expenditures				(17)		(85)		5
Biennial % Change in Expenditures				(1)		(8)		0
Governor's Change from Base								90
Governor's % Change from Base								9
Full-Time Equivalents	3.01	2.82	3.01	3.01	3.01	3.01	3.01	3.01

Program: Statewide Services
Activity: Debt Management and Internal Controls

https://www.mn.gov/mmb/

AT A GLANCE

- Current bond ratings: Aaa/AAA/AAA with Moody's, S&P Global, and Fitch
- $6.6 billion of general obligation bonds currently outstanding, including $876 million issued in calendar year 2021 and $588 million issued in calendar year 2022 (inclusive of refinancings)
- $1.5 billion of other tax-supported debt currently outstanding, including $130 million issued in calendar year 2021 and an anticipated $127 million issued in calendar year 2022
- $5 million of revenue bonds currently outstanding
- $37 million outstanding balance in Master Lease Programs that finance technology and fleet services
- Debt managed to established Capital Investment Guidelines and to meet federal tax and securities law requirements
- Trained 970 new supervisors and managers on effective internal controls across 18 training modules in 2019 and 2020

PURPOSE AND CONTEXT

Debt Management is responsible for both debt management and capital budget implementation and the compliance associated with each. Both functions seek to increase state government's capacity to manage our fiscal resources to ensure exceptional service and value for Minnesotans. We serve state agencies, local government grantees, bondholders, the governor, the Legislature, and the public.

The bonds and other debt we sell finance and refinance capital projects and programs authorized in law. When selling bonds, Debt Management works to minimize cost and risk to the state. Obtaining high credit ratings is important for achieving low interest rates, and we maintain active relationships with the national credit rating agencies. The current debt portfolio continues to comply with the established Capital Investment Guidelines.

Debt Management oversees compliance with all applicable Internal Revenue Service and Securities and Exchange Commission rules and regulations, and all applicable state laws relating to municipal bonds and the capital projects they finance. We maintain policies and procedures regarding regulatory compliance, for example a statewide operating policy on the prohibition of the purchase of state bonds by state entities as investments.

Internal Controls is responsible for coordinating the design, implementation, and maintenance of an effective system of internal controls and internal auditing for all executive agencies in order to safeguard public funds and assets and minimize incidences of fraud, waste, and abuse.

SERVICES PROVIDED

Debt management process: We support fiscal accountability by responsibly managing Minnesota's debt obligations and accessing capital markets in a manner that is most advantageous to the state. We work with financial advisors, legal counsel, rating agencies, state agencies, and underwriters and investors to bring bonds or other debt instruments to market and obtain the most favorable interest rates. We work to remain in compliance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and policies and procedures, including the capital investment guidelines.

Capital budget process: We contribute to thriving communities by helping deliver critical infrastructure and necessary investments throughout Minnesota. We advise stakeholders on financing mechanisms for delivering more energy efficient infrastructure. We assist recipients of capital appropriations—including state agencies, local governments, and their nonprofit partners—navigate processes to understand requirements for receiving and accessing project funds. We complete this work in accordance with the Minnesota Constitution, state statutes and laws, federal rules and regulations, and MMB's policies and procedures.

Internal controls: Provide consultation, resources, and information to improve the system of internal controls across state government. This includes coordinating requirements for agencies to document controls and risks through annual self-assessment, monitoring of audit findings and corrective actions, and leading internal control roundtable conversations and trainings.

RESULTS

While no single entity or circumstance can claim to be responsible for Minnesota's excellent debt position, having timely, relevant, accurate, and objective information available from Debt Management helps decision-makers effectively influence the state's debt position.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	The state's general obligation bond ratings as of July 2020 compared to July 2022. In 2021, S&P Global affirmed the AAA and assigned a stable outlook to the rating. In 2022, Moody's upgraded the state's rating from Aa1 to Aaa. • Moody's • S&P Global • Fitch	Aa1 (stable) AAA (negative) AAA (stable)	Aaa (stable) AAA (stable) AAA (stable)	July 2020, July 2022
Results	Capital Investment Guidelines • Total tax-supported principal outstanding as a percent of state personal income (target: not greater than 3.25%) • Total amount of principal (both issued, and authorized but unissued) as a percent of state personal income (target: not greater than 6.0%) • General obligation bonds scheduled to mature quickly (target: 40% within five years and 70% within 10 years)	2.27% 3.57% 42.2%/74.0%	2.20% 3.60% 42.2%/74.3 %	February 2020, February 2022 June 30, 2020, June 30, 2022
Results	A comparison of the interest rates from year 1 to 10 of state general obligation bonds sold compared to a municipal bond index for AAA-rated bonds.	The state's interest rates matched the index	The state's interest rates were slightly higher than the index (2.2%)	August 2020, August 2022
Quality	Percent of agency heads that submitted the annual internal control certification	98.7%	100%	FY2020, FY2021

Minnesota Statutes, Chapter 16A (https://www.revisor.mn.gov/statutes/?id=16A) provides the legal authority for MMB's Debt Management and Internal Control activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	580	612	601	609	605	605	1,294	1,568
Total	**580**	**612**	**601**	**609**	**605**	**605**	**1,294**	**1,568**
Biennial Change				19		0		1,652
Biennial % Change				2		(0)		136
Governor's Change from Base								1,652
Governor's % Change from Base								137
Expenditures by Category								
Compensation	569	603	578	575	575	575	1,265	1,539
Operating Expenses	11	8	23	34	30	30	29	29
Total	**580**	**612**	**601**	**609**	**605**	**605**	**1,294**	**1,568**
Full-Time Equivalents	**3.98**	**4.00**	**3.70**	**3.70**	**3.70**	**3.70**	**9.70**	**9.70**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In	0	4		4				
Direct Appropriation	570	611	605	605	605	605	1,294	1,568
Transfers In	9							
Transfers Out		3						
Balance Forward Out			4					
Expenditures	**580**	**612**	**601**	**609**	**605**	**605**	**1,294**	**1,568**
Biennial Change in Expenditures				19		0		1,652
Biennial % Change in Expenditures				2		(0)		136
Governor's Change from Base								1,652
Governor's % Change from Base								137
Full-Time Equivalents	3.98	4.00	3.70	3.70	3.70	3.70	9.70	9.70

Program: Statewide Services
Activity: Enterprise Employee Resources

https://www.mn.gov/mmb/

AT A GLANCE

- Supported an increasingly diverse workforce and inclusive culture through enhanced training, employee engagement, evidence-based retention strategies, and enhanced communications
- Provided support and guidance to agency human resource and labor relations, with an emphasis on workforce planning strategies, recruiting and compensation assistance in a challenging labor market
- Supported employee development and career advancement with targeted programs for supervisors, managers, emerging leaders, and senior leaders
- Substantially increased access to diversity and inclusion training for all employees, including supervisors and managers
- Substantially increased access to employee development resources for 10,000 employees via LinkedIn Learning
- Negotiated ten labor agreements covering 35,000 employees in 2021 through 2022
- Completed the second bi-annual enterprise employee engagement and inclusion surveys and follow-up activities
- Continued guidance to agencies in response to the COVID-19 pandemic, including guidance on relevant policies, paid employee leave, telework and workplace safety, as well as maintain increased and frequent communications with labor unions to keep them informed of management actions

PURPOSE AND CONTEXT

Enterprise Employee Resources (EER) includes Statewide Human Resources Management, Labor Relations, Enterprise Talent Development, Classification and Compensation, Employee Experience, and the Office of Inclusion.

Statewide Human Resources Management develops and maintains tools and infrastructure for state agency human resources partners to recruit and retain the workforce needed to meet business goals. Labor Relations helps provide efficient and accountable government services by promoting productive relationships with labor organizations representing state employees while integrating the needs of management. Enterprise Talent Development delivers training and development courses to sharpen employee skills in current roles, develop potential for advancement, and elevate leadership effectiveness. Classification and Compensation supports agency human resources teams and the collective bargaining process by providing guidance and review of employee classification and compensation questions, including job audits and providing workforce data. They also support the external pay equity process. Employee Experience is responsible for creating strategies that can be used across the enterprise to recruit, engage and retain employees. The Office of Inclusion leads the crucial work of advancing equity and inclusion practices within statewide human resource policies and operations.

Our service population and clientele include the state's 35,000 employees throughout the executive branch. We also serve human resources, supervisory, and managerial staff in over 100 state agencies, boards, and commissions.

SERVICES PROVIDED

- Deliver strategic human resources solutions and guidance that align with business needs and contribute to the delivery of exceptional public services.
- Monitor changes in laws that affect human resource operations in state agencies. Research, develop, and deploy comprehensive policies, and provide training and guidance to ensure agencies comply.
- Develop and maintain systems to record, manage, and retrieve human resources data and information. These systems include employment application processing, learning management, employee record management, and employee benefits.
- Design and deliver learning initiatives to sharpen skills in current roles, develop advancement potential and elevate leadership effectiveness. Enhance leadership effectiveness in a collaborative, hybrid, or virtual work environment.
- Provide diversity, equity, and inclusion learning opportunities that encourage conversations, foster a more respectful work environment, and promote an anti-racism culture.
- Manage enterprise-wide classification system with over 1,800 job classifications, coordinating class studies and creating new classes/career paths as dictated by agency or enterprise needs.
- Develop and maintain job audit resources to assist Human Resources staff in appropriately describing work and selecting candidates.
- Continuous evaluation of and adjustments to employee compensation, driven by data and analysis of recruiting, retention, turnover, and market data.
- Evaluate HR data and create data visualization tools to assist agency HR partners and other agency leaders in making strategic decisions related to employee staffing and engagement.
- Work closely with 3,000 local jurisdictions annually to review pay equity and develop solutions to address identified issues.
- Represent the state in negotiations and contract mediation for collective bargaining agreements, including interest arbitration. Ensure that negotiated labor agreements maintain flexibility for management and contain economic settlements that are within the state’s ability to pay.
- Provide advice and counsel to state agencies on contract administration, including contract interpretation, employee misconduct investigations, employee discipline, and employee performance management.
- Assist state agencies in review of grievances, including representation of the State in grievance mediation, arbitrations, and settlement negotiations.
- Provide employee training on topics such as labor relations concepts, grievance processing, discipline and discharge, and investigations.
- Advance equity and inclusion practices within statewide human resource policies and operations.
- Support state agency leadership and staff who are charged with carrying out essential responsibilities in the areas of diversity and inclusion, equal employment opportunity, affirmative action, the Americans with Disabilities Act, Olmstead implementation, and elimination of racial disparities in state government through assessments, trainings and coaching, employee resource groups, and other organizational design and change management tools.
- Coordinate the work of the state agency Diversity, Equity and Inclusion Liaisons to create department equity change plans and an enterprise-wide strategic equity plan.
- Lead the One Minnesota Council and staff the Community Council, with a focus on the development and implementation of state enterprise strategies to achieve the goals of hiring and retaining a diverse workforce and advancing racial equity throughout state government employment and contracting practices.
- Develop evidence-based recruitment, engagement, and retention initiatives for deployment across the enterprise.
- Create recruitment initiatives that are community-based, resulting in more diverse applicant pools.
- Develop programs aimed at enhanced employee retention, including mentoring and career advancement.

- Support the work of eight enterprise Employee Resource Groups that offer programming and dialogue opportunities for diverse, under-represented and marginalized employee groups.
- Redesign processes such as employee onboarding to be focused on ongoing engagement, as well as diversity, equity and inclusion.
- Host the recruitment community of practice and agency engagement and inclusion champions to support the work being conducted in individual agencies.
- Coordinate three pipeline programs in partnership with the cities of St. Paul and Minneapolis.

Results

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Continued efforts to hire and retain a diverse workforce. Current Staffing: • Females • BIPOC • Individuals with disabilities • Veterans	50.3% 14.4% 7.4% 7.4%	50.3% 15.1% 9.5% 7.2%	FY 2020, FY 2022
Quantity	New Hires, by Protected Group • BIPOC • Individuals with Disabilities • Veterans	18.5% 8.5% 6.7%	18.7% 11.7% 7.2%	FY 2019, FY 2021
Quantity	Number of diversity and inclusion training courses offered by Enterprise Talent Development and completed by state employees	7,151	16,517	FY 2021, FY 2022
Quality	Percentage of state employees who say that would recommend working in state government	N/A	76%	FY 2019
Quality	Percentage of cabinet agency employees receiving yearly performance feedback	88.9 %	90.79%	FY 2019 FY 2020
Quality	Percentage of contract negotiations that result in voluntary negotiated settlements consistent with State's ability to pay	90%	88%	2018, 2020
Quality	Ratified labor agreements receiving approval by full Legislature	100%	90%	2020, 2022

Minnesota Statutes, Chapters 43A (https://www.revisor.mn.gov/statutes/cite/43a) and 179 (https://www.revisor.mn.gov/statutes/cite/179) provide the legal authority for MMB's Enterprise Employee Relations activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	3,696	4,038	4,782	5,014	4,898	4,898	5,447	5,841
2001 - Other Misc Special Revenue	1,628	1,021	886	1,757	1,687	1,687	1,687	1,687
5200 - Management Analysis	3,845	2,664	2,595	3,511	3,511	3,511	3,511	3,511
6000 - Miscellaneous Agency			25	26	4	4	4	4
Total	**9,169**	**7,723**	**8,288**	**10,308**	**10,100**	**10,100**	**10,649**	**11,043**
Biennial Change				1,704		1,604		3,096
Biennial % Change				10		9		17
Governor's Change from Base								1,492
Governor's % Change from Base								7

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Compensation	5,710	5,649	6,361	6,563	6,563	6,563	7,116	7,513
Operating Expenses	3,357	2,073	1,884	3,702	3,516	3,516	3,512	3,509
Grants, Aids and Subsidies	10		25	26	4	4	4	4
Other Financial Transaction	92	0	19	17	17	17	17	17
Total	**9,169**	**7,723**	**8,288**	**10,308**	**10,100**	**10,100**	**10,649**	**11,043**
Total Agency Expenditures	9,169	7,723	8,288	10,308	10,100	10,100	10,649	11,043
Internal Billing Expenditures	75	117	113	128	128	128	128	128
Expenditures Less Internal Billing	**9,095**	**7,606**	**8,176**	**10,180**	**9,972**	**9,972**	**10,521**	**10,915**
Full-Time Equivalents	**49.90**	**48.49**	**51.98**	**51.98**	**51.98**	**51.98**	**52.98**	**52.98**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		195		116				
Direct Appropriation	3,889	4,261	4,898	4,898	4,898	4,898	5,447	5,841
Transfers In		137						
Transfers Out		554						
Balance Forward Out	193		116					
Expenditures	**3,696**	**4,038**	**4,782**	**5,014**	**4,898**	**4,898**	**5,447**	**5,841**
Biennial Change in Expenditures				2,062		0		1,492
Biennial % Change in Expenditures				27		0		15
Governor's Change from Base								1,492
Governor's % Change from Base								15
Full-Time Equivalents	31.04	30.47	35.41	35.41	35.41	35.41	36.41	36.41
2001 - Other Misc Special Revenue								
Balance Forward In	378	151	113	180	93	76	93	76
Receipts	1,400	885	953	1,670	1,670	1,670	1,670	1,670
Balance Forward Out	150	15	180	93	76	59	76	59
Expenditures	**1,628**	**1,021**	**886**	**1,757**	**1,687**	**1,687**	**1,687**	**1,687**
Biennial Change in Expenditures				(5)		731		731
Biennial % Change in Expenditures				(0)		28		28
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.91	4.06	2.77	2.77	2.77	2.77	2.77	2.77
5200 - Management Analysis								
Balance Forward In	2,686	924	289					
Receipts	1,353	2,029	2,306	3,511	3,511	3,511	3,511	3,511
Balance Forward Out	193	289						
Expenditures	**3,845**	**2,664**	**2,595**	**3,511**	**3,511**	**3,511**	**3,511**	**3,511**
Biennial Change in Expenditures				(403)		916		916
Biennial % Change in Expenditures				(6)		15		15
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	14.95	13.96	13.80	13.80	13.80	13.80	13.80	13.80

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
6000 - Miscellaneous Agency								
Balance Forward In	46	46	46	22				
Receipts			0	4	4	4	4	4
Balance Forward Out	46	46	22					
Expenditures			**25**	**26**	**4**	**4**	**4**	**4**
Biennial Change in Expenditures				51		(43)		(43)
Biennial % Change in Expenditures						(84)		(84)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Statewide Services
Activity: Agency Administration

https://www.mn.gov/mmb/

AT A GLANCE

- Provided oversight and managed processes and transactions totaling $2.8 billion in operating, non-operating, and debt service expenditures in FY 2020 and FY2021
- Manage and ensure the consistent operation of seven enterprise IT systems annually
- Through a shared service model with Department of Administration, provide Human Resources management for over 274 MMB employees.
- Provide nearly $532,000 through annual payroll deductions from State of Minnesota employees to Minnesota charitable organizations in the Combined Charities Campaign

PURPOSE AND CONTEXT

Agency Administration provides oversight, management, and support to all MMB operations. It also consists of a compilation of functions within the scope of the work of MMB. Several of these functions provide internally facing services to MMB employees, such as administrative services, fiscal services, and human resources. Other functions within Agency Administration provide services to the state government enterprise, local governments, the Legislature, and the public, including legislative and intergovernmental affairs, legal services, the administration of the Minnesota Children's Cabinet, and the Combined Charities Campaign. Additionally, the Agency Administration activity oversees the operations of the seven enterprise IT systems, including the state's accounting, budgeting, and human resources systems.

SERVICES PROVIDED

- Manage the department's financial operations, including the processing of MMB's operating, non-operating, and debt service expenses and revenues.
- Support and manage about 274 employees by providing administrative and human resources support and ensuring compliance with statewide and departmental human resources policies and procedures.
- Coordinate legislative initiatives for MMB, which includes conducting legislative outreach, providing agency committee testimony, completing fiscal notes, monitoring relevant proposed changes to the law, and responding to legislative inquiries.
- Provide advice on legal compliance and litigation management to MMB and the Governor's Office and provide employment law advice to human resources staff and management across the executive branch.
- Manage the publication of several high-profile documents, including the Governor's Biennial Budget, Budget and Economic Forecasts, and the state's Annual Comprehensive Financial Report (ACFR).
- Provide administrative support to the Combined Charities Campaign, which allows State of Minnesota employees to make donations to Minnesota charitable organizations through payroll deductions.
- Develop the strategic direction and overall business technology roadmap in support of state agencies in all three branches of government to conduct their essential daily business functions.
- Support the administration and management of Minnesota's Children's Cabinet, an interagency partnership charged with aligning state systems and services for children and families, including coordination of policy and administrative strategies, convening leadership, and engaging state and external stakeholders.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Percent of MMB staff who self-report as minority race or ethnicity	18%	19%	2020, 2022
Quality	Percent of MMB staff who self-report as having a disability	9%	10%	2020, 2022
Quality	Percent of MMB staff retained for at least two years	89%	85%	2019, 2022
Results	Percent of MMB staff who would recommend MMB as a place to work	N/A	78%	2018
Quality	Percent statewide system user survey respondents reporting overall satisfaction with the system at neutral or above (Note: system satisfaction results for the state's budget systems can be found in the Budget Services Budget Activity Narrative): -SEMA4 (HR and Payroll System) -Enterprise Learning Management (ELM) -Statewide Integrated Financial Tools (SWIFT) (excluded from 2019 survey due to system upgrades) -Data Warehouse (DW)	 87% 75% N/A 81%	 88% 60% 87% 84%	2019, 2021

Minnesota Statutes, Chapters 16A (https://www.revisor.mn.gov/statutes/?id=16A) 43A (https://www.revisor.mn.gov/statutes/cite/43A) provide the legal authority for MMB's Agency Administration budget activity.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General	10,697	11,038	10,289	11,673	11,427	11,427	25,917	26,982
2000 - Restrict Misc Special Revenue	72	9	443	375	27	27	27	27
2001 - Other Misc Special Revenue	16,283	11,994	12,657	17,742	16,801	16,801	16,801	16,801
2403 - Gift			1	100	75	75	75	75
3010 - Coronavirus Relief	505	522	62					
3015 - ARP-State Fiscal Recovery			1,606	5,772				
4925 - Paid Family Medical Leave								
Total	**27,557**	**23,563**	**25,058**	**35,662**	**28,330**	**28,330**	**42,820**	**43,885**
Biennial Change				9,600		(4,060)		25,985
Biennial % Change				19		(7)		43
Governor's Change from Base								30,045
Governor's % Change from Base								53
Expenditures by Category								
Compensation	5,337	6,014	6,184	6,678	5,730	5,729	10,145	10,401
Operating Expenses	22,180	17,577	18,827	28,933	22,549	22,550	32,624	33,433
Capital Outlay-Real Property	0							
Other Financial Transaction	39	(28)	47	51	51	51	51	51
Total	**27,557**	**23,563**	**25,058**	**35,662**	**28,330**	**28,330**	**42,820**	**43,885**
Total Agency Expenditures	27,557	23,563	25,058	35,662	28,330	28,330	42,820	43,885
Internal Billing Expenditures	174	181	409	493	450	450	450	450
Expenditures Less Internal Billing	**27,383**	**23,382**	**24,649**	**35,169**	**27,880**	**27,880**	**42,370**	**43,435**
Full-Time Equivalents	**46.28**	**50.46**	**50.79**	**50.79**	**47.22**	**47.22**	**61.72**	**61.72**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		202		585				
Direct Appropriation	10,862	11,281	11,607	12,028	12,028	12,028	26,518	27,583
Transfers In		1,667						
Transfers Out	28	701	733	940	601	601	601	601
Cancellations	0	1,410						
Balance Forward Out	137		585					
Expenditures	**10,697**	**11,038**	**10,289**	**11,673**	**11,427**	**11,427**	**25,917**	**26,982**
Biennial Change in Expenditures				227		892		30,937
Biennial % Change in Expenditures				1		4		141
Governor's Change from Base								30,045
Governor's % Change from Base								131
Full-Time Equivalents	17.51	19.39	18.98	18.98	18.98	18.98	33.48	33.48
2000 - Restrict Misc Special Revenue								
Balance Forward In	13	15	13	9	9	9	9	9
Receipts	74	7	440	375	27	27	27	27
Balance Forward Out	15	13	9	9	9	9	9	9
Expenditures	**72**	**9**	**443**	**375**	**27**	**27**	**27**	**27**
Biennial Change in Expenditures				738		(764)		(764)
Biennial % Change in Expenditures				918		(93)		(93)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			0.58	0.58	0.01	0.01	0.01	0.01
2001 - Other Misc Special Revenue								
Balance Forward In	7,802	5,624	4,875	4,134	3,194	3,193	3,194	3,193
Receipts	11,994	11,596	11,916	16,800	16,800	16,800	16,800	16,800
Transfers In				2				
Transfers Out	450	150						
Balance Forward Out	3,063	5,077	4,133	3,194	3,193	3,192	3,193	3,192
Expenditures	**16,283**	**11,994**	**12,657**	**17,742**	**16,801**	**16,801**	**16,801**	**16,801**
Biennial Change in Expenditures				2,122		3,203		3,203
Biennial % Change in Expenditures				8		11		11

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	28.77	27.89	28.23	28.23	28.23	28.23	28.23	28.23

2403 - Gift

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				74	74	74	74	74
Receipts			75	75	75	75	75	75
Transfers In				25				
Balance Forward Out			74	74	74	74	74	74
Expenditures			**1**	**100**	**75**	**75**	**75**	**75**
Biennial Change in Expenditures				101		49		49
Biennial % Change in Expenditures						49		49
Governor's Change from Base								0
Governor's % Change from Base								0

3010 - Coronavirus Relief

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In			93					
Direct Appropriation	525	615						
Cancellations	19		30					
Balance Forward Out		93						
Expenditures	**505**	**522**	**62**					
Biennial Change in Expenditures				(965)		(62)		(62)
Biennial % Change in Expenditures				(94)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		3.18						

3015 - ARP-State Fiscal Recovery

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				2,119				
Direct Appropriation			5,135	3,653	0	0	0	0
Cancellations			1,410					
Balance Forward Out			2,119					
Expenditures			**1,606**	**5,772**				

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Biennial Change in Expenditures				7,378		(7,378)		(7,378)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			3.00	3.00				

4925 - Paid Family Medical Leave

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation								
Expenditures								
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Statewide Services
Activity: Enterprise Communications and Planning

https://www.mn.gov/mmb/

AT A GLANCE

- Support internal and external stakeholders in effectively and efficiently executing financial, human resources, and other key enterprise activities, through coordinated communications, strategic planning, consistent branding, plain language, accessibility, and improved digital formats
- Provided over 18,000 hours of consulting services on 146 projects for 39 client agencies in fiscal year 2021
- Ensure state agencies have procedures and communicate information that allows state government to continue its critical operations in case of a catastrophic event, emergency, or continuity situation

PURPOSE & CONTEXT

Enterprise Communications and Planning provides critical services to the enterprise to ensure employees, agencies, and agency leaders have the tools and information they need to effectively do their work. Members of the team focus their work on proactive and inclusive strategies to create a culture of collaboration, communication, and information-sharing throughout our agency and the enterprise. These functions are also integral in achieving MMB's mission and vision as described in the agency profile.

This division is made up of three groups, all of which play key roles in ensuring strategic planning and communications to and on behalf of the entire enterprise: Management Analysis and Development (MAD), Business Continuity, and Communications.

SERVICES PROVIDED

- Communicate key initiatives and information to MMB, the enterprise, and to the public using all communication channels while promoting a uniform brand.
- Provide consultation in Continuity of Operations (COOP) planning or in response to all hazards, including violent events, catastrophic disasters, and emergencies. Act as the statewide lead in events that disrupt services within state government, such as the COVID-19 pandemic.
- Provide problem-solving assistance and information to help leaders and managers make decisions that improve efficiency and effectively use state resources.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Organizations improved due to Management Analysis and Development (MAD) work, according to post-engagement client feedback questionnaires	97%	100%	FY 2020, FY 2021
Quantity	Demand for Management Analysis and Development services • Total consulting hours • Number of projects • Number of agencies served	 18,000 140 41	 18,350 146 39	FY 2020, FY 2021
Quality	Percent of continuity of operations plans refreshed annually	100%	100%	CY 2020, CY 2021
Quality	Percent of continuity exercises completed according to schedule (agency and enterprise)	100%	100%	CY 2020, CY 2021
Quality	Engagement rate from email communication campaigns designed to build employee/public awareness. Engagement rate shows how many of our email (GovDelivery) subscribers are interacting with our content and responding to our communication efforts over time.	69%	62%	FY 2020, FY 2021

Minnesota Statutes, Chapters 16A (https://www.revisor.mn.gov/statutes/cite/16A) and 43A (https://www.revisor.mn.gov/statutes/cite/43A) provide the legal authority for MMB's Enterprise Communications and Planning activities.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	1,216	841	1,010	946	946	946	1,291	1,444
5200 - Management Analysis	8,484	7,278	8,788	10,001	10,001	10,001	10,001	10,001
Total	**9,700**	**8,119**	**9,798**	**10,947**	**10,947**	**10,947**	**11,292**	**11,445**
Biennial Change				2,926		1,149		1,992
Biennial % Change				16		6		10
Governor's Change from Base								843
Governor's % Change from Base								4
Expenditures by Category								
Compensation	3,529	3,244	3,474	3,309	3,309	3,309	3,386	3,448
Operating Expenses	6,007	4,784	6,320	7,637	7,637	7,637	7,905	7,996
Capital Outlay-Real Property	79							
Other Financial Transaction	86	92	5	1	1	1	1	1
Total	**9,700**	**8,119**	**9,798**	**10,947**	**10,947**	**10,947**	**11,292**	**11,445**
Total Agency Expenditures	9,700	8,119	9,798	10,947	10,947	10,947	11,292	11,445
Internal Billing Expenditures			104	115	115	115	115	115
Expenditures Less Internal Billing	**9,700**	**8,119**	**9,694**	**10,832**	**10,832**	**10,832**	**11,177**	**11,330**
Full-Time Equivalents	**29.37**	**26.19**	**26.49**	**26.49**	**26.49**	**26.49**	**29.49**	**29.49**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In	0	2						
Direct Appropriation	1,045	865	942	942	942	942	1,287	1,440
Transfers In	171		67	4	4	4	4	4
Transfers Out		26						
Expenditures	**1,216**	**841**	**1,010**	**946**	**946**	**946**	**1,291**	**1,444**
Biennial Change in Expenditures				(101)		(64)		779
Biennial % Change in Expenditures				(5)		(3)		40
Governor's Change from Base								843
Governor's % Change from Base								45
Full-Time Equivalents	9.20	6.31	6.23	6.23	6.23	6.23	9.23	9.23

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
5200 - Management Analysis								
Balance Forward In	1,617	1,682	1,886	2,124	2,123	2,122	2,123	2,122
Receipts	8,375	7,423	9,027	10,000	10,000	10,000	10,000	10,000
Balance Forward Out	1,507	1,826	2,124	2,123	2,122	2,121	2,122	2,121
Expenditures	**8,484**	**7,278**	**8,788**	**10,001**	**10,001**	**10,001**	**10,001**	**10,001**
Biennial Change in Expenditures				3,027		1,213		1,213
Biennial % Change in Expenditures				19		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	20.17	19.88	20.26	20.26	20.26	20.26	20.26	20.26

Program: Employee Insurance

https://mn.gov/mmb/segip/

AT A GLANCE

- Provide insurance benefits to over 132,000 state employees, dependents, and retirees annually in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies.
- Innovative tiered benefit design encourages members to use the most efficient health care providers. In 2022, 91.4% of SEGIP members were enrolled in primary care clinics assigned to the lowest cost levels.
- 7,629 state employees or adult family members lost more than 60,400 pounds through an innovative diabetes prevention program between the program launch in calendar year 2015 through 2021.
- Collected $1.12 billion in insurance premiums and administrative fees from state agencies, employees/retirees, and other participating groups in fiscal year 2021.
- Health insurance accounted for approximately 90% of expenses in fiscal year 2021, while all other benefits combined accounted for the remaining 10%.
- Public Employees Insurance Program (PEIP) provides insurance benefits to 46,000 active employees, dependents, and retirees in 382 public sector employer groups (127 school districts, 153 cities and townships, 18 counties, and 84 other local units of government)
- COVID-19 has had several enduring effects on SEGIP and PEIP. Medical utilization and claims costs have returned approximately to pre-pandemic trends, but the proportion of that care provided through virtual care or telehealth has greatly increased, particularly for behavioral health. Federal coverage of COVID-19 testing and vaccination is expected to eventually end and SEGIP will assume responsibility for those costs.

PURPOSE AND CONTEXT

Minnesota Management and Budget administers two distinct programs, the State Employee Group Insurance Program (SEGIP), and the Public Employees Insurance Program (PEIP), both are under the legislative authority provided in Minnesota Statutes 43A.

The State Employee Group Insurance Program (SEGIP) offers a set of comprehensive insurance benefits to ensure the State of Minnesota, Minnesota State Colleges and Universities, and certain quasi-state agency employees and their families have access to high-quality services at an affordable cost. These benefits include health, dental, life, and vision, long and short-term disability and pre-tax accounts for medical and dental care, dependent care, and transit expenses. The benefits also feature initiatives that promote employee health and well-being including an Employee Assistance Program that provides confidential counseling and daily life concierge services designed to help balance work/life responsibilities. Insurance benefits and employee well-being are valuable components of compensation that helps the state attract and retain a talented workforce while keeping employees and their families healthy.

The Public Employees Insurance Program (PEIP) provides voluntary health, dental, and life insurance benefits to employees of local units of government and their families. PEIP provides public employers access to a high-quality, cost-effective benefits package that will attract and retain outstanding employees and help contain costs.

Minnesota Management and Budget is one of Minnesota's largest employer purchaser of health care. Together, SEGIP and PEIP use purchasing strategies designed to contain cost and provide access to high quality care to employees and their family members.

SERVICES PROVIDED

- SEGIP's and PEIP's health insurance plans, the Minnesota Advantage Health Plan and PEIP Advantage Health Plans, are self-insured plans. They have a tiered network design that encourages members through cost sharing to choose primary care clinics that are the most cost-efficient while still allowing access to higher-cost clinics. Because the state is such a large purchaser of health care, this benefit design also enables the state to obtain better prices from providers that wish to be placed in the most favorable cost tiers which attract the most members. SEGIP and PEIP's tiered network allows for a broad choice of providers while also containing cost growth.
- SEGIP's and PEIP's contracts with medical, dental, and pharmacy administrators include incentives related to cost management, health outcomes, provider network management, and operational performance.
- SEGIP and PEIP support expanded use of value-based payment arrangements between health care providers and our health plan administrators. Compared to traditional fee for service payments, value-based payment arrangements include stronger incentives related to cost containment and quality.
- SEGIP promotes employee health and well-being, which supports employee recruitment and retention efforts and population health. SEGIP's well-being program offers financial incentives for employees who earn points by engaging in physical activity, complete online programs, or pursue other wellbeing activities. Other prevention initiatives include a successful diabetes prevention and management program and annual flu shot clinics. SEGIP's health plan administrators also identify and engage members with conditions like diabetes, asthma, back pain, and depression in order to better manage their conditions and improve health.
- SEGIP health plan members diagnosed with diabetes have access to the Advantage Value for Diabetes (AVD) benefit which reduces out-of-pocket costs for certain high-value medical services, prescription drugs, and testing supplies. Advantage Value for Diabetes encourages members to receive appropriate care to manage their diabetes to help prevent or delay the onset of costly complications. The AVD pilot began January 1, 2018.

RESULTS

Type of Measure	***Name of Measure***	***Previous Measure, Period***	***Current Measure, Period***
Quality	Percent of SEGIP medical expenditures made through value-based payment methods	56.4% (2019)	54.4% (2021)
Quality	Percent of SEGIP plan participants enrolled in primary care clinics at the two lowest cost levels	90.9% (2021)	91.4% (2022)
Results	Cumulative number of SEGIP prediabetes program participants who have reduced their risk by 50% or more	2,132 (2015 – 2019)	2,231 (2015 – 2021)

Type of Measure	*Name of Measure*	*Previous Measure, Period*	*Current Measure, Period*
Results	PEIP net medical claims cost (per member per month) growth per measurement period. PEIP's goal is for these costs to trend closely to SEGIP's		
	• PEIP	-2.54% (07/01/19 – 06/30/20)	9.61% (07/01/20 – 06/30/21)
	• SEGIP	-5.92% (07/01/19 – 06/30/20)	9.85% (07/01/20 – 06/30/21)

Minnesota Statutes, Chapter 43A (https://www.revisor.mn.gov/statutes/cite/43A) provides the legal authority for the State Employee Group Insurance Program and the Public Employees Insurance Program.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
4700 - Public Employees Insurance	261,930	327,601	348,463	350,727	350,727	350,727	350,727	350,727
5600 - State Employees Insurance	974,050	1,032,769	1,090,677	1,120,081	1,121,235	1,121,735	1,121,235	1,121,735
6000 - Miscellaneous Agency	37,159	38,680	38,972	41,385	41,385	41,385	41,385	41,385
Total	**1,273,139**	**1,399,051**	**1,478,113**	**1,512,193**	**1,513,347**	**1,513,847**	**1,513,347**	**1,513,847**
Biennial Change				318,116		36,888		36,888
Biennial % Change				12		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Activity								
State Employee Group Ins Pgrm	1,011,209	1,071,449	1,129,650	1,161,466	1,162,620	1,163,120	1,162,620	1,163,120
Public Employees Insurance Pgrm	261,930	327,601	348,463	350,727	350,727	350,727	350,727	350,727
Total	**1,273,139**	**1,399,051**	**1,478,113**	**1,512,193**	**1,513,347**	**1,513,847**	**1,513,347**	**1,513,847**
Expenditures by Category								
Compensation	4,812	4,912	5,244	5,201	5,201	5,201	5,201	5,201
Operating Expenses	1,268,327	1,394,137	1,472,869	1,506,901	1,508,138	1,508,638	1,508,138	1,508,638
Other Financial Transaction	0	2	0	91	8	8	8	8
Total	**1,273,139**	**1,399,051**	**1,478,113**	**1,512,193**	**1,513,347**	**1,513,847**	**1,513,347**	**1,513,847**
Total Agency Expenditures	1,273,139	1,399,051	1,478,113	1,512,193	1,513,347	1,513,847	1,513,347	1,513,847
Internal Billing Expenditures	227	225	279	286	286	286	286	286
Expenditures Less Internal Billing	**1,272,912**	**1,398,826**	**1,477,834**	**1,511,907**	**1,513,061**	**1,513,561**	**1,513,061**	**1,513,561**
Full-Time Equivalents	**45.48**	**45.51**	**46.57**	**46.57**	**46.57**	**46.57**	**46.57**	**46.57**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
4700 - Public Employees Insurance								
Balance Forward In	81,810	93,297	95,180	80,729	61,574	42,419	61,574	42,419
Receipts	273,278	329,336	334,013	331,572	331,572	331,572	331,572	331,572
Balance Forward Out	93,158	95,032	80,729	61,574	42,419	23,264	42,419	23,264
Expenditures	**261,930**	**327,601**	**348,463**	**350,727**	**350,727**	**350,727**	**350,727**	**350,727**
Biennial Change in Expenditures				109,659		2,264		2,264
Biennial % Change in Expenditures				19		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.71	1.80	1.81	1.81	1.81	1.81	1.81	1.81
5600 - State Employees Insurance								
Balance Forward In	295,071	391,279	479,401	435,004	513,570	590,982	513,570	590,982
Receipts	1,068,608	1,119,872	1,046,336	1,198,647	1,198,647	1,198,647	1,198,647	1,198,647
Transfers In	20,256	2,432	14,939	7,531	2,531	2,531	2,531	2,531
Transfers Out	20,284	2,467	14,995	7,531	2,531	2,531	2,531	2,531
Balance Forward Out	389,601	478,347	435,004	513,570	590,982	667,894	590,982	667,894
Expenditures	**974,050**	**1,032,769**	**1,090,677**	**1,120,081**	**1,121,235**	**1,121,735**	**1,121,235**	**1,121,735**
Biennial Change in Expenditures				203,939		32,212		32,212
Biennial % Change in Expenditures				10		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	43.77	43.71	44.76	44.76	44.76	44.76	44.76	44.76
6000 - Miscellaneous Agency								
Balance Forward In	8,159	10,312	9,773	10,467	7,499	5,916	7,499	5,916
Receipts	39,312	38,141	39,666	38,417	39,802	39,802	39,802	39,802
Balance Forward Out	10,312	9,773	10,467	7,499	5,916	4,333	5,916	4,333
Expenditures	**37,159**	**38,680**	**38,972**	**41,385**	**41,385**	**41,385**	**41,385**	**41,385**
Biennial Change in Expenditures				4,519		2,413		2,413
Biennial % Change in Expenditures				6		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General							11,931	2,066
Total							**11,931**	**2,066**
Biennial Change				0		0		13,997
Biennial % Change								
Governor's Change from Base								13,997
Governor's % Change from Base								
Transition Office For New Children's Agency							11,931	2,066
Total							**11,931**	**2,066**
Compensation							1,931	2,066
Operating Expenses							10,000	
Total							**11,931**	**2,066**
Full-Time Equivalents							**13.00**	**13.00**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation							11,931	2,066
Expenditures							**11,931**	**2,066**
Biennial Change in Expenditures				0		0		13,997
Biennial % Change in Expenditures								
Governor's Change from Base								13,997
Governor's % Change from Base								
Full-Time Equivalents							13.00	13.00

Minnesota Management and Budget

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Budget	FY 2024 Base	FY 2025 Base	Required State Match or MOE?	FTEs
US Department of the Treasury CFDA 21.019	**Single Audit Costs:** Federal COVID funding received to cover the costs of the federal single audit for use of those funds. [**Coronavirus Relief Fund (3010 Fund)]**	$ 62	$ -	$ -	$ -	No	-
	Coronavirus Relief Fund [3010 Fund] – Agency Total	**$ 62**	**$ -**	**$ -**	**$ -**		-
US Department of the Treasury CFDA 21.027	**State Employee COVID Testing Site:** Testing facility in the St. Paul area to provide weekly COVID-19 testing of state employees that are required to work on-site and are unable or unwilling to attest to being fully vaccinated against COVID-19.	$ 934	$ -	$ -	$ -	No	-
US Department of the Treasury CFDA 21.027	**COVID-19 Response Accountability Office Funding:** The office provides critical auditing, reporting, internal controls, and financial management functions to ensure state and local government agencies are accountable for the COVID-19 funds they receive and that Minnesota meets federal reporting requirements.	$ 671	$ 911	$ -	$ -	No	3
US Department of the Treasury CFDA 21.027	**Enterprise Resource Planning (ERP) Systems Risk Reduction:** Funds will be used to reduce or delay immediate risks to the stability of the state's ERP systems.	$ -	$ 4,653	$ -	$ -	No	-
US Department of the Treasury CFDA 21.027	**Increased Capacity for Enterprise Leadership:** Increased capacity for enterprise leadership during the COVID-19 pandemic in the areas of emergency planning, continuity of government, communications, budgeting and financial management, data driven decision-making, and state employee human resources and labor relations.	$ -	$ 133	$ -	$ -	No	-
US Department of the Treasury CFDA 21.027	**Single Audit Costs:** To cover the costs of the federal single audit for use of those funds.		$ 75	$ -	$ -	No	-
	America Rescue Plan - State Fiscal Recovery [3015 Fund] – Agency Total	**$ 1,606**	**$ 5,772**	**$ -**	**$ -**		**3**
	Total Agency Federal Funds	**$ 1,668**	**$ 5,772**	**$ -**	**$ -**		**3**

Minnesota Management and Budget

Statewide Services - Enterprise Communications and Planning

Management Analysis (5200) Fund

Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
Operating Revenues:				
Net Sales				
Rental and Service Fees	9,049	10,000	10,000	10,000
Insurance Premiums				
Other Income	2,287	3,511	3,511	3,511
Total Operating Revenues	11,336	13,511	13,511	13,511
Gross Margin	11,336	13,511	13,511	13,511
Operating Expenses:				
Purchased Services	7,561	9,183	9,183	9,183
Salaries and Fringe Benefits	3,914	3,977	3,977	3,977
Claims				
Depreciation				
Amortization				
Supplies and Materials	73	77	77	77
Indirect Costs	245	261	261	261
Repairs and Maintenance	6	8	8	8
Grants, Aids and Subsidies	0			
Other Expenses	1	6	6	6
Total Operating Expenses	11,799	13,512	13,512	13,512
Operating Income (Loss)	(463)	(1)	(1)	(1)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	(463)	(1)	(1)	(1)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	(463)	(1)	(1)	(1)
Net Assets, Beginning as Reported	463	0	(1)	(2)
Net Assets, Ending	0	(1)	(2)	(3)
Rate increase/(decrease)				
Full Time Equivalents (FTE)	35.0	33.0	34.0	34.0

Minnesota Management and Budget

Statewide Services - Enterprise Communications and Planning

Management Analysis (5200) Fund

Net Assets

(Dollars in Thousands)

	Actual FY 2022	Projected FY 2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	1,366	1,829
Investments		
Accounts Receivable	1,984	2,000
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	3,350	3,829
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	3,350	3,829
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,192	1,200
Interfund Payables		
Unearned Revenue		
Loans Payable		
Compensated Absences Payable		
Total Current Liabilities	1,192	1,200
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable		
Other Liabilities		
Total Noncurrent Liabilities	0	0
Total Liabilities	1,192	1,200
NET ASSETS	2,159	2,629
Invested in Capital Assets, Net of Related Debt		
Unrestricted	2,621	2,625
Total Net Assets	(463)	4

Minnesota Management and Budget

Statewide Services - Enterprise Communications and Planning

Management Analysis (5200) Fund

Brief Narrative

Background:
The 5200 fund includes both Management Analysis and Development (MAD) and Enterprise Talent & Development (ETD). MAD provides consulting services projects for client agencies. ETD supports the professional development of the state's talented work force.

Detail of any loans from the general fund, including dollar amounts:
Not Applicable

Proposed investments in technology or equipment of $100,000 or more:
Not Applicable

Explanation of changes in net assets (formerly retained earnings increases, operating losses):
Change in ETD's net assets is a result of updated rate changes for upfront billing to agencies and modifications to our Rate Schedule to support strategic initiatives for diversity, equity and inclusion as well as new service options for virtual, hybrid and on-premisis work environments resulting from the COVID19 experience. Any future rate changes for MAD would be based on an approved business plan.

Explain any reasons for rate changes:
Any ETD rate changes for the upcoming biennium will be the result of changes in strategic direction or inflationary impacts for services procured. Any future rate changes for MAD would be based on an approved business plan.

Impact of rate changes on affected agencies:
ETD Client Agencies will see small adjustments to rates as required by market adjustments to the economy. State agencies use MAD based on their needs and budget.

Minnesota Management and Budget

Employee Insurance

State Employees Insurance (5600) Fund

Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
Operating Revenues:				
Net Sales				
Rental and Service Fees	0	0	0	0
Insurance Premiums	1,036,297	1,152,208	1,201,322	1,201,322
Other Income	8,606	8,814	9,078	9,078
Total Operating Revenues	1,044,903	1,161,022	1,210,400	1,210,400
Gross Margin	1,044,903	1,161,022	1,210,400	1,210,400
Operating Expenses:				
Purchased Services	91,467	94,211	97,037	97,037
Salaries and Fringe Benefits	2,748	4,891	5,037	5,037
Claims	997,533	1,062,658	1,121,105	1,121,105
Depreciation	0			
Amortization	0			
Supplies and Materials	21	22	23	23
Repairs and Maintenance	2	3	3	3
Indirect Costs	310	321	330	330
Other Expenses	380	392	403	403
Total Operating Expenses	1,092,462	1,162,498	1,223,938	1,223,938
Operating Income (Loss)	(47,559)	(1,476)	(13,538)	(13,538)
Nonoperating Revenues (Expenses):				
Investment Income	1,855	1,859	1,863	1,863
Interest and Financing Costs				
Other Nonoperating Expenses				
Gain (Loss) on Disposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	1,855	1,859	1,863	1,863
Income (Loss) Before Transfers and Contributions	(45,704)	383	(11,675)	(11,675)
Capital Contributions				
Transfers in	0			
Transfers out	(56)	(63)	(63)	(63)
Change in Net Assets	(45,760)	320	(11,738)	(11,738)
Net Assets, Beginning as Reported	424,618	378,858	379,178	367,440
Net Assets, Ending	378,858	379,178	367,440	355,702
Rate increase/(decrease)				
Full Time Equivalents (FTE)	44.0	44.0	44.0	44.0

Minnesota Management and Budget

Employee Insurance

State Employees Insurance

Net Assets

(Dollars in Thousands)

	Actual FY 2022	Projected FY 2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	456,453	452,890
Investments		
Accounts Receivable	37,923	39,319
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	494,376	492,209
Noncurrent Assets:		
Deferred Costs		
Deferred Pension Outflows	1,774	1,774
Deferred Other Postemploymnt Ben Outflws	47	47
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	1,821	1,821
Total Assets	496,197	494,030
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,195	17,569
Interfund Payables		
Unearned Revenue	5,558	5,514
Loans Payable		
Claims Payable	91,201	94,246
Compensated Absences Payable	71	71
Total Current Liabilities	113,025	117,400
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	583	583
Other Postemployment Benefits	307	307
Net Pension Liability	80	80
Other Liabilities (Deferred Inflows)	3,346	3,346
Total Noncurrent Liabilities	4,316	4,316
Total Liabilities	117,341	121,716
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	$ 378,856	$ 372,314
Total Net Assets	378,856	372,314

Minnesota Management and Budget

Employee Insurance

State Employees Insurance

Brief Narrative

Background:
SEGIP administers insurance benefits for over 129,000 employees and retirees and their dependents. Medical and Dental insurance are self insured with the remaining insurance benefits provided on a fully insured basis. Insurance benefits are administered on a calendar year basis. During FY22, Medical Insurance Premiums represented 88% of the Premiums collected by SEGIP.

Detail of any loans from the general fund, including dollar amounts:

None

Proposed investments in technology or equipment of $100,000 or more:

None

Explanation of changes in net assets (formerly retained earnings increases, operating losses):

The decrease in Net Assets in FY22 primarily reflects net loss in the Medical Plan (-$47,782,000) due to reduced income. SEGIP held a Premium Holiday specifically to reduce income and claims were lower than projected. SEGIP expereinced an increased income in the Administrative Fees plan ($2,294,000) due to lower Salary & Fringe expense because of Net Pension adjustments by Financial Reporting.

Explain any reasons for rate changes:
Increases in Premiums reflect a composite change in the cost of insurance benefits. Changes are implemented on a Plan (calendar) Year basis. The increase in Medical Premiums is based on a projected 6.9% increase in Medical Claim costs paid by SEGIP during the 2022 to 2024 Plan Years.

Impact of rate changes on affected agencies:

Insurance benefits paid by agencies are projected to increase by 2.14% during PY 23, and 5.65% during PY 24.