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2016-17 Governor's Budget, Minnesota Management and Budget Non-Operating

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<http://www.mn.gov/mmb/>

AT A GLANCE

- Responsible for a wide variety of state activities by maintaining about 125 accounts outside of MMB’s regular statutory operations
- Act as fiscal agent for over \$7.9 million in federal funds
- Collected \$11.5 million in miscellaneous fines, fees, and penalties
- Pensions
- Provided \$55.6 million in direct aid to various local and state pension funds
- Manage an \$11.6 million master lease for vehicles and technology

PURPOSE

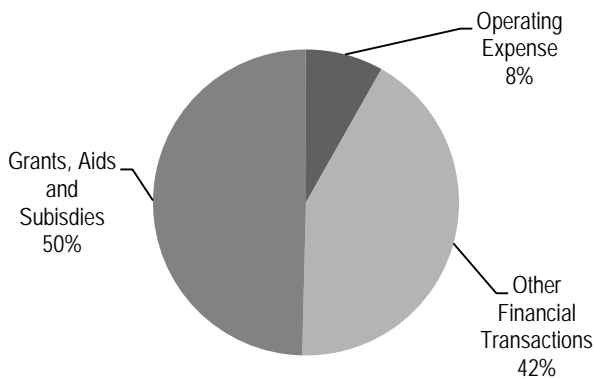
By statute, Minnesota Management & Budget (MMB) manages a number of statewide accounts that are outside of its day-to-day operations. As a group, these accounts are referred to as non-operating activities. These accounts deal with a broad range of subject matters, including debt management, tort claims,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

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

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

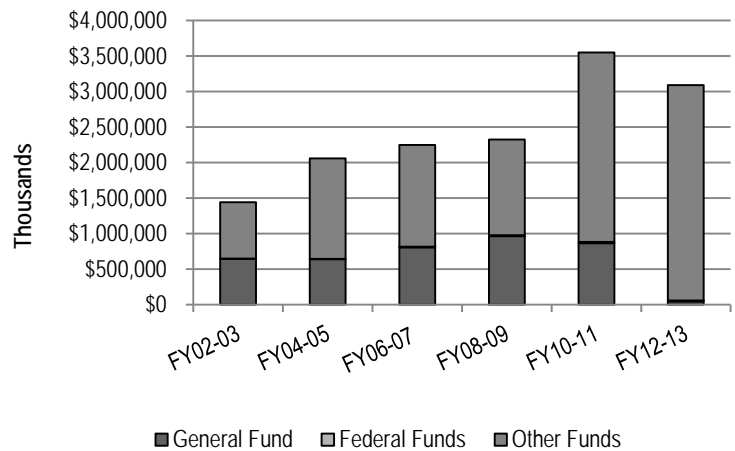
BUDGET

**Spending by Category
FY 13 Actual**



*See footnote below
Source: SWIFT

Historical Spending



Source: Consolidated Fund Statement

* This chart represents the fiscal agent activities under MMB non-operating and does not include the debt service payments administered by this agency. Including debt service payments puts 99.1% of spending in the Grants, Aids and Subsidies category.

STRATEGIES

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

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

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

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

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MnSure Cash Flow Account
- Mn.IT Cash Flow Account

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

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

Pension Aid Accounts: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems incurred when they merged with the Duluth Teachers Retirement fund (TRA), the Minneapolis Teachers Retirement fund (TRA), and the Minneapolis Employees Retirement fund (PERA). The state also provides direct aid to the St. Paul Teachers Retirement fund to help offset unfunded liabilities.

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

Expenditures By Fund

| | Actual | | Actual FY14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|---------------|---------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | FY12 | FY13 | | | FY16 | FY17 | FY16 | FY17 |
| 1000 - General | 41,894 | 42,371 | 59,576 | 75,584 | 77,543 | 78,584 | 77,543 | 78,584 |
| 1200 - State Government Special Rev | | | | 400 | 400 | 400 | 400 | 400 |
| 2700 - Trunk Highway | 28 | 15 | 0 | 600 | 600 | 600 | 0 | 0 |
| 2830 - Workers Compensation | | | | 100 | 100 | 100 | 100 | 100 |
| 3000 - Federal | 8,776 | 8,478 | 7,912 | 8,100 | 8,100 | 8,100 | 8,100 | 8,100 |
| 3700 - Debt Service | 250 | 53 | 254 | 161 | 0 | 0 | 0 | 0 |
| 4901 - 911 Revenue Bond Debt Service | 1,410 | 1,410 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5000 - Master Lease | 7,535 | 8,943 | 11,552 | 7,370 | 7,591 | 7,819 | 7,591 | 7,819 |
| 7400 - Pension Building Debt Service | 0 | 116 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8600 - Tobacco Settlement Authority | 609 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 60,501 | 61,385 | 79,294 | 92,315 | 94,334 | 95,603 | 93,734 | 95,003 |
| <i>Biennial Change</i> | | | | 49,723 | | 18,327 | | 17,127 |
| <i>Biennial % Change</i> | | | | 41 | | 11 | | 10 |
| <i>Governor's Change from Base</i> | | | | | | | | (1,200) |
| <i>Governor's % Change from Base</i> | | | | | | | | (1) |

Expenditures by Program

| | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Program: Contingent | 0 | 497 | 0 | 936 | 750 | 750 | 750 | 750 |
| Program: Capital Management | 9,195 | 10,407 | 11,806 | 7,531 | 7,591 | 7,819 | 7,591 | 7,819 |
| Program: State Aid | 41,377 | 41,377 | 55,627 | 69,658 | 63,658 | 63,658 | 63,658 | 63,658 |
| Program: Tort Claim | 28 | 15 | 0 | 922 | 761 | 761 | 161 | 161 |
| Program: Federal Funds | 8,776 | 8,478 | 7,912 | 8,100 | 8,100 | 8,100 | 8,100 | 8,100 |
| Program: Administrative | 1,069 | 612 | 3,949 | 5,160 | 13,474 | 14,515 | 13,474 | 14,515 |
| Program: Misc. Fines, Fees and Penalties | 56 | 0 | 0 | 8 | 0 | 0 | 0 | 0 |
| Total | 60,501 | 61,385 | 79,294 | 92,315 | 94,334 | 95,603 | 93,734 | 95,003 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Expenses | 497 | 1,212 | 1,536 | 3,987 | 4,285 | 5,101 | 3,685 | 4,501 |
| Other Financial Transactions | 8,442 | 8,908 | 11,519 | 7,370 | 7,591 | 7,819 | 7,591 | 7,819 |
| Grants, Aids and Subsidies | 51,563 | 51,265 | 66,239 | 80,958 | 82,458 | 82,683 | 82,458 | 82,683 |
| Total | 60,501 | 61,385 | 79,294 | 92,315 | 94,334 | 95,603 | 93,734 | 95,003 |

(Dollars in Thousands)

1000 - General

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|---------------|---------------|-----------------|------------------|---------------|---------------|------------------------------|---------------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 179 | 780 | 51 | 607 | 10 | 260 | 10 | 260 |
| Direct Appropriation | 661 | 287 | 16,361 | 20,435 | 10,361 | 9,861 | 10,361 | 9,861 |
| Open Appropriation | 41,433 | 41,377 | 43,440 | 58,626 | 66,932 | 67,973 | 66,932 | 67,973 |
| Receipts | 2 | 2 | 1 | 2 | 2 | 2 | 2 | 2 |
| Net Transfers | 551 | 1,624 | (196,909) | (2,506) | 1,919 | 1,919 | 1,919 | 1,919 |
| Cancellations | 153 | 1,688 | 1,508 | 1,421 | 1,421 | 1,421 | 1,421 | 1,421 |
| Expenditures | 41,894 | 42,371 | 59,576 | 75,584 | 77,543 | 78,584 | 77,543 | 78,584 |
| Balance Forward Out | 780 | 10 | 607 | 10 | 260 | 10 | 260 | 10 |
| <i>Biennial Change in Expenditures</i> | | | | 50,896 | | 20,966 | | 20,966 |
| <i>Biennial % Change in Expenditures</i> | | | | 60 | | 16 | | 16 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

1200 - State Government Special Rev

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------|-------|-----------------|------------------|---------------|------------|------------------------------|------------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | | 400 | | 400 | | | | |
| Direct Appropriation | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Receipts | 2,058 | 2,124 | 2,104 | 2,055 | 2,055 | 2,055 | 2,055 | 2,055 |
| Cancellations | 2,058 | 2,924 | 2,104 | 2,455 | 2,055 | 2,055 | 2,055 | 2,055 |
| Expenditures | | | | 400 | 400 | 400 | 400 | 400 |
| Balance Forward Out | 400 | | 400 | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | 400 | | 400 | | 400 |
| <i>Biennial % Change in Expenditures</i> | | | | | | 100 | | 100 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

2000 - Restricted Misc Special Rev

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|----------------------|---------|---------|-----------------|------------------|---------------|---------|------------------------------|---------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 1,809 | 1,799 | 1,093 | | | | | |
| Direct Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipts | 9,624 | 8,992 | 9,509 | 8,805 | 8,667 | 8,503 | 8,667 | 8,503 |
| Net Transfers | (9,634) | (9,741) | (10,602) | (8,805) | (8,667) | (8,503) | (8,667) | (8,503) |
| Balance Forward Out | 1,799 | 1,050 | | | | | | |

(Dollars in Thousands)

2001 - Other Misc Special Rev

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|---------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Net Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

2200 - Game And Fish (Operations)

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|---------------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 134 |
| Receipts | 0 | | | | | | | |
| Balance Forward Out | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 134 |

2360 - Health Care Access

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|----------------------|--------|-------|-----------------|------------------|---------------|-----------|------------------------------|-----------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Direct Appropriation | 0 | 0 | 116,550 | 0 | 0 | 0 | 0 | 0 |
| Net Transfers | | | (116,550) | (25,332) | (91,341) | (106,545) | (91,341) | (106,545) |

2700 - Trunk Highway

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|-----------|-----------|-----------------|------------------|---------------|------------|------------------------------|----------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | | 572 | | 600 | | | | |
| Direct Appropriation | 600 | 600 | 600 | 600 | 600 | 600 | 0 | 0 |
| Net Transfers | 4,258 | 2,987 | 3,115 | 3,355 | 3,355 | 3,355 | 3,355 | 3,355 |
| Cancellations | 4,258 | 4,143 | 3,115 | 3,955 | 3,355 | 3,355 | 3,355 | 3,355 |
| Expenditures | 28 | 15 | 0 | 600 | 600 | 600 | 0 | 0 |
| Balance Forward Out | 572 | | 600 | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | 557 | | 600 | | (600) |
| <i>Biennial % Change in Expenditures</i> | | | | 1,291 | | 100 | | (100) |
| <i>Gov's Exp Change from Base</i> | | | | | | | | (1,200) |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | (100) |

2800 - Environmental

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|----------------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Direct Appropriation | 0 | 14 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Transfers | | (14) | | | | | | |

(Dollars in Thousands)

2830 - Workers Compensation

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------|-------|-----------------|------------------|---------------|------------|------------------------------|------------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | | 100 | | 100 | | | | |
| Direct Appropriation | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Cancellations | | 200 | | 100 | | | | |
| Expenditures | | | | 100 | 100 | 100 | 100 | 100 |
| Balance Forward Out | 100 | | 100 | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | 100 | | 100 | | 100 |
| <i>Biennial % Change in Expenditures</i> | | | | | | 100 | | 100 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

3000 - Federal

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------------|--------------|-----------------|------------------|---------------|--------------|------------------------------|--------------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 4 | 11 | 19 | 19 | 19 | 19 | 19 | 19 |
| Receipts | 8,783 | 8,485 | 7,912 | 8,100 | 8,100 | 8,100 | 8,100 | 8,100 |
| Expenditures | 8,776 | 8,478 | 7,912 | 8,100 | 8,100 | 8,100 | 8,100 | 8,100 |
| Balance Forward Out | 11 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| <i>Biennial Change in Expenditures</i> | | | | (1,241) | | 188 | | 188 |
| <i>Biennial % Change in Expenditures</i> | | | | (7) | | 1 | | 1 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

3700 - Debt Service

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|------------|-----------|-----------------|------------------|---------------|----------|------------------------------|----------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 253 | 123 | 70 | 1 | | | | |
| Open Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipts | | | 255 | 255 | | | | |
| Net Transfers | | | (70) | | | | | |
| Expenditures | 250 | 53 | 254 | 161 | 0 | 0 | 0 | 0 |
| Balance Forward Out | 3 | 70 | 1 | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | 112 | | (415) | | (415) |
| <i>Biennial % Change in Expenditures</i> | | | | 37 | | (100) | | (100) |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

(Dollars in Thousands)

3800 - Permanent School

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|---------------------|----------|----------|-----------------|------------------|---------------|----------|------------------------------|----------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 6,109 | 6,089 | 5,955 | 5,954 | 5,954 | 5,954 | 5,954 | 5,954 |
| Receipts | 24,272 | 24,576 | 23,741 | 26,320 | 26,981 | 27,642 | 26,981 | 27,642 |
| Net Transfers | (24,294) | (24,867) | (23,741) | (26,320) | (26,981) | (27,642) | (26,981) | (27,642) |
| Balance Forward Out | 6,088 | 5,798 | 5,954 | 5,954 | 5,954 | 5,954 | 5,954 | 5,954 |

4901 - 911 Revenue Bond Debt Service

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------------|--------------|-----------------|------------------|---------------|--------|------------------------------|--------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 6,827 | 8,440 | 12,089 | 15,861 | 39,122 | 62,383 | 39,122 | 62,383 |
| Net Transfers | 3,022 | 5,059 | 3,772 | 23,261 | 23,261 | 23,261 | 23,261 | 23,261 |
| Expenditures | 1,410 | 1,410 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance Forward Out | 8,440 | 12,089 | 15,861 | 39,122 | 62,383 | 85,644 | 62,383 | 85,644 |
| <i>Biennial Change in Expenditures</i> | | | | (2,820) | | 0 | | 0 |
| <i>Biennial % Change in Expenditures</i> | | | | (100) | | 0 | | 0 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

5000 - Master Lease

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------------|--------------|-----------------|------------------|---------------|--------------|------------------------------|--------------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 2 | 35 | 0 | | | | | |
| Net Transfers | 7,568 | 8,909 | 11,552 | 7,370 | 7,591 | 7,819 | 7,591 | 7,819 |
| Expenditures | 7,535 | 8,943 | 11,552 | 7,370 | 7,591 | 7,819 | 7,591 | 7,819 |
| Balance Forward Out | 35 | | | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | 2,444 | | (3,512) | | (3,512) |
| <i>Biennial % Change in Expenditures</i> | | | | 15 | | (19) | | (19) |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

6000 - Miscellaneous Agency

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|---------------------|--------|-------|-----------------|------------------|---------------|-------|------------------------------|-------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | 7,226 | 7,529 | 7,765 | 7,963 | 7,965 | 7,967 | 7,965 | 7,967 |
| Receipts | 820 | 743 | 682 | 632 | 632 | 632 | 632 | 632 |
| Net Transfers | (513) | (500) | (484) | (630) | (630) | (630) | (630) | (630) |
| Balance Forward Out | 7,532 | 7,771 | 7,963 | 7,965 | 7,967 | 7,968 | 7,967 | 7,968 |

6000 - Miscellaneous Agency

6400 - Disbursements Clearing

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|----------------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Direct Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

7400 - Pension Building Debt Service

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|--------|------------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Receipts | 0 | 145 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditures | 0 | 116 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance Forward Out | | 29 | | | | | | |
| <i>Biennial Change in Expenditures</i> | | | | (116) | | 0 | | 0 |
| <i>Biennial % Change in Expenditures</i> | | | | (100) | | 0 | | 0 |
| <i>Gov's Exp Change from Base</i> | | | | | | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | | | | | | 0 |

8000 - Housing Finance Agency

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|---------------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Balance Forward In | | | | 5 | | | | |
| Receipts | 51 | 54 | 40 | 40 | 40 | 40 | 40 | 40 |
| Net Transfers | (51) | (54) | (35) | (45) | (40) | (40) | (40) | (40) |
| Balance Forward Out | | | 5 | | | | | |

8250 - Rural Finance Administration

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|----------------------|--------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Direct Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

8600 - Tobacco Settlement Authority

| | Actual | | Actual FY 14 | Estimate FY15 | Forecast Base | | Governor's Recommendation | |
|--|------------|-------|-----------------|------------------|---------------|------|------------------------------|------|
| | FY12 | FY 13 | | | FY16 | FY17 | FY16 | FY17 |
| Direct Appropriation | 636,354 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Transfers | (635,745) | | | | | | | |
| Expenditures | 609 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Biennial Change in Expenditures</i> | | | | (609) | | 0 | | 0 |

(Dollars in Thousands)

8600 - Tobacco Settlement Authority

| | | | |
|--|-------|---|---|
| <i>Biennial % Change in Expenditures</i> | (100) | 0 | 0 |
| <i>Gov's Exp Change from Base</i> | | | 0 |
| <i>Gov's Exp % Change from Base</i> | | | 0 |

Minnesota Management & Budget Non-Operating

FY16-17 Biennial Budget Change Item

Change Item: Expand Operating Budget Carry-Forward Authority

| Fiscal Impact (\$000s) | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|---------|---------|---------|---------|---------|
| General Fund | | | | | |
| Expenditures | \$7,500 | 0 | \$7,500 | 0 | \$7,500 |
| Revenues | | 0 | 0 | 0 | 0 |
| Other Funds | | | | | |
| Expenditures | | 0 | 0 | 0 | 0 |
| Revenues | | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | \$7,500 | 0 | \$7,500 | 0 | \$7,500 |
| FTEs | 0 | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends modifying Minnesota Statutes 16A.28 to allow agencies to uniformly carry-forward unexpended non-grant operating appropriations for the second year of a biennium into the next beginning in FY 2015. This is being proposed as an improvement to current financial management practices – to increase state agencies budget management flexibility to deal with planned and unplanned cost increases and cost pressures.

The budget impact of this proposal will reduce forecast general fund cancellations in the second year of each biennium by an estimated \$7.5 million, based on historical analysis of actual year-end cancellations. Because this recommendation includes FY 2015 cancellations, the total cost of the FY 2016-17 recommendation is \$15 million.

Rationale/Background:

State agencies are generally authorized in M.S. 16A.28 to balance forward unexpended and unencumbered *non-grant* operating balance from the first to the second year of the biennium, while unspent operating appropriations for the second year (the end of a biennium) generally cancel back to the originating fund.

This requirement, however, is not uniform. Appropriations to the legislature, higher education systems, and selective appropriations to various state agencies are exempt, or are provided specific carry-forward authority in law. The current requirement to cancel unspent operating funds is generally perceived as a “use it or lose it” disincentive for agencies that increases year-end spending and reduces the ability to manage year-end and following year costs in the most effective, strategic way.

In 2003 and 2005, the legislature provided one-time authorities to balance forward funds from one biennium to the next. These authorities were granted to provide agencies flexibility in managing budget reductions. In 2007, one-time authority was provided to carry-forward up to \$5.8 million of unspent operating funds, but with the use limited to technology investments.

Uniformly extending carry-forward authority of operating balances at the end of the biennium to all agencies will increase agencies’ flexibility to better utilize resources to manage costs such as increases related to general operating expenses or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. This proposal is strongly supported by executive branch agencies’ chief financial officers.

Proposal:

Extend carry-forward authority at the end of the biennium to all agencies and the court systems for all direct appropriated funds. But, require that funds be used to manage one-time costs related to general operating costs or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. In addition, agencies would be able to use this authority for long-term budget planning allowing carry-forward dollars to be used to defray operating cost increases. It should be include a requirement that agencies report on the amount and use of carried forward funds.

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|--------------------------|
| Results | Biennial report : Carried forward amounts and use by agency | | TBD | FY 16-17 biennial budget |

Statutory Change(s):

M.S. 16A.28

Minnesota Management & Budget Non-Operating

FY16-17 Biennial Budget Change Item

Change Item Title: Tort Claim Appropriation

| Fiscal Impact (\$000s) | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| MMB Expenditures | (600) | (600) | (600) | (600) |
| MnDOT Expenditures | 600 | 600 | 600 | 600 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends the amount appropriated to Minnesota Management and Budget (MMB) for the payment of MnDOT tort claims be appropriated directly to MnDOT.

Rationale/Background:

Under 2013 Laws, Ch117, Art 1 Sec 6 an amount of \$600,000 is appropriated to MMB for the payment of tort claims owed by MnDOT. After these claims are processed and approved by MnDOT's Chief Counsel, they are submitted to MMB for payment. MMB pays the claims based on MnDOT's approval. MMB and MnDOT both support moving this appropriation to MnDOT. This will result in slightly faster payments and a more efficient administrative process.

Proposal:

This proposal would move the Tort Claims appropriation from MMB to MN/DOT.

Results:

The result of this change would be to improve the administrative efficiency of both agencies.

Statutory Change(s):

None.