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F. Potential Adjustments:

Question:

The current budget process limits responses to requests for upward adjustments. Please identify how your agency would adjust your budget with a zero to 10 percent downward adjustment. You are expected to examine your proposals, as well as your existing operations, areas where adjustments can be made and the amount of those adjustments. This should be outlined in writing, with sufficient explanation as to how these adjustments will be accomplished.

Response:

Assuming that a potential 10 percent reduction in the base budget also means that the Staff Retention and Information Technology change items would not be included in the final appropriation bill, the impact to the Office of the State Auditor (OSA) would be a reduction of five FTEs or 25 percent of the positions paid by the General Fund.

1. Not funding the Staff Retention change item – will result in a reduction of two FTEs, requiring the OSA to eliminate all intern positions. Interns are an affordable way to support division work, gives real experience to college students who are studying finance or accounting, and assists the OSA to keep our costs down. They are paid an hourly wage, but not benefits. Interns learn the work of the OSA, build their resume, and sometimes become permanent staff in the OSA if there is an opening. Interns work in the Government Information and Pension divisions. Losing the Interns will make it more difficult to get our statutory work completed, and will cause delay in transparency of local government finance.
2. Not funding the Information Technology (IT) Staff Position change item - the OSA has been very tightly staffed for over a decade. We have used technology to greatly increase efficiencies to continue to get our statutory work done on behalf of the taxpayers of Minnesota. Since moving away from paper, over 4,000 units of local government and consultants currently report electronically to the OSA. We have some important projects planned that would increase transparency of over \$20 billion for the taxpayers and others that would continue to increase efficiency for our staff and for local officials who report to the OSA from around the state. Not getting this change item will diminish transparency for the taxpayers of Minnesota. The very limited staff in IT is not able to accomplish the work this FTE would have supported, so building in efficiencies is hampered.

3. Base cut of 10% - The OSA has had very limited staffing for over a decade. A base cut of 10% will result in a reduction of three FTEs and means that issuing reports on local government finances will be delayed because less staff would be available to analyze the finances of over 4,000 units of local government in the Government Information Division (GID). This will delay transparency of over \$20 billion spent per year by our local governments. The OSA is the only place with audited, analyzed and published data on all local governments in Minnesota. The data is used by the legislative research staff, by state agencies that need the data to complete their work, by the public and the media.

Local government officials, especially those in Greater Minnesota, will receive less or delayed help with financial issues or questions from GID staff. GID staff spends a lot of time contacting local governments to remind them of their mandatory financial reporting requirements. With less staff in GID, fewer local governments will successfully report, and our annual finance reports, which provide transparency of over \$20 billion in local government spending, will be less complete. This base reduction of 10% will result in diminished transparency and accountability of taxpayer dollars.

Local government officials from small cities and townships in Greater Minnesota will also receive less or delayed support for the Small City and Town Accounting System (CTAS), the accounting software issued and supported by the OSA and used by approximately 1,200 townships and small cities in Greater Minnesota. The staff members in the Government Information Division who currently provide support for CTAS will have a greater workload due to the loss of interns and a staff position, so they will have less time to answer questions and provide support. This will have an impact on the quality of financial records at the local level, will probably result in more cities and towns not completing their statutory financial reporting to the OSA, and will diminish transparency. Over 1,200 small cities and townships purchased CTAS with the understanding that support would be provided by the OSA staff. The support provided will be diminished or delayed, which will have an impact on the condition of local government financial records, especially in Greater Minnesota.

Also, the loss of interns/staff will probably also increase the number of cities who do not receive their local government aid. The Government Information Division certifies to the Department of Revenue cities that are eligible to receive their local government aid (LGA). The cities that are certified have successfully completed the OSA annual financial reporting form and have had their audit completed and submitted to the OSA. The smaller Greater Minnesota cities tend to need more help, reminders and support from OSA staff in the Government Information Division. The 10% base cut will have a financial impact on Greater Minnesota cities in terms of lost LGA, and the only unknown is how big the impact will be.

The Pension Division works extensively with about 700 Volunteer Fire Relief Associations around the state. The staff provides support and answer a lot of questions in regards to service pension issues and the filing of the required annual financial reporting form and required audits. The smaller volunteer fire reliefs in Greater Minnesota tend to require more support. The Division also certifies Volunteer Fire Reliefs for the fire state aid. With the loss of an intern, the remaining staff will have a greater workload and the

number of reliefs getting answers to their questions, and being certified for fire state aid will probably drop, having an impact on the Volunteer Fire Service in Minnesota.

G. Other Information - if applicable

Question:

1. Please indicate if the agency is engaged or planning any rulemaking activities.

Response:

Not applicable.

Question:

2. Please indicate any future federal funding the agency is planning to apply for in the next two years, and any competitive grant opportunities (public/private).

Response:

Not applicable.

Question:

3. Please detail any internal financial transfers that took place during the current biennium.

Response:

There were not financial transfers between appropriations during the current biennium.

Question:

4. Please detail the agency's use of state-owned vehicles and provide the Committee with a description of how the vehicles are utilized by the agency and the assignment of vehicle, if any are utilized by the agency. In addition, please submit seven-year information including the number vehicles utilized by each department or section of the agency and the assignment of vehicles to employees.

Response:

Not applicable.

Question:

5. Please detail any pending lawsuits against the agency or any lawsuits initiated by the agency, including union grievances. Provide a description of the lawsuit, a list of the

parties of each lawsuit, the Court jurisdiction, any timelines, and the estimated cost of each lawsuit.

Response:

Following is a summary of the pending litigation to which the Office of the State Auditor is a party:

1. Rebecca Otto, in her official capacity as State Auditor of the State of Minnesota, v. Wright County, Becker County, and Ramsey County
 - Parties: See above.
 - Description: This is a lawsuit seeking a declaratory judgment regarding the constitutionality of Minnesota Statutes Section 6.481, which was passed as part of the 2015 State Government Finance Omnibus Bill. The State Auditor seeks a declaration that the statute must be interpreted in a manner that preserves the full constitutional authority of the State Auditor to exercise her core function of auditing Minnesota counties. If the statute cannot be construed to preserve this core function, the State Auditor seeks a declaration that the statute violates Minn. Const. art. III and V by usurping a core function of the Constitutional Executive Office of the State Auditor. Additionally, the State Auditor seeks a declaration that the State Government Finance Omnibus Bill violates Minn. Const. art. IV, § 17 (the Single Subject Clause) by impermissibly combining a multitude of dissimilar topics into a single bill.
 - Jurisdiction: The suit was filed and heard in Ramsey County District Court and is now pending before the Minnesota Court of Appeals.
 - Timeline: Briefing before the Minnesota Court of Appeals is expected to be complete by mid-February. Oral argument will be scheduled by the Court after that.
 - Cost: Since the inception of the litigation (the Complaint was filed in February 2016), the Office of the State Auditor has expended \$251,787.80. Because the Office has negotiated an agreement with the law firm representing it that caps the law firm's fees for the appeal before the Minnesota Court of Appeals, no further legal expenses are anticipated for the duration of this appeal.