

A bill for an act

relating to state government finance; establishing the Sunset Advisory Commission; allowing counties to provide an audit performed by a certified public accountant firm; requiring state agencies to carry out agency duties in most cost-effective manner whether by employing state workers or contracting with outside sources; establishing the SAVI program for retained savings; increasing public parking in front of Capitol building; changing provision of performance data required in the budget proposal; implementing zero-based budgeting principles; implementing employee gainsharing system to suggest ways to reduce cost of government; implementing pay for performance pilot program and allowing bond sale for programs proposed; implementing federal offset program for collection of debts owed to state agencies; allowing for independent or private audit for the State Agriculture Society; removing assistant agency head positions; changing provisions for performance appraisal and pay; reducing state workforce; providing early retirement incentives; reducing deputy positions; modifying use of carryforward by the legislative auditor; continuing the employee salary freeze; requiring a job classification consolidation and report; requiring a request for proposals for system to enhance the state's audit and collection activities; requiring dependent eligibility verification audit services for state hospital, medical, and dental services; consolidating information technology services; implementing the federal E-Verify program; requiring request for proposals for recommendations for efficiencies in strategic sourcing; specifying use of federal money under Help America Vote Act; implementing a program to reward employees for efficient use of health care; requiring studies; appropriating money; amending Minnesota Statutes 2010, sections 3.85, subdivision 3; 6.48; 15.06, subdivision 8; 16A.10, subdivisions 1a, 1b, 1c; 16A.103, subdivision 1a; 16A.11, subdivision 3; 16A.28, subdivision 3; 16B.03; 16B.99; 16C.08, subdivision 2; 16C.09; 16E.14, by adding a subdivision; 37.06; 43A.08, subdivision 1; 43A.20; 45.013; 84.01, subdivision 3; 116.03, subdivision 1; 116J.01, subdivision 5; 116J.035, subdivision 4; 174.02, subdivision 2; 241.01, subdivision 2; Laws 2010, chapter 215, article 6, section 4; Laws 2010, chapter 361, article 3, section 8; proposing coding for new law in Minnesota Statutes, chapters 15; 15B; 16A; 16C; 16D; 16E; 43A; proposing coding for new law as Minnesota Statutes, chapter 3D; repealing Minnesota Statutes 2010, sections 16C.085; 43A.047; 179A.23; 197.585, subdivision 5.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

STATE GOVERNMENT APPROPRIATIONS

Section 1. STATE GOVERNMENT APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2012" and "2013" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2012, or June 30, 2013, respectively. "The first year" is fiscal year 2012. "The second year" is fiscal year 2013. "The biennium" is fiscal years 2012 and 2013.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2012</u>	<u>2013</u>

Sec. 2. LEGISLATURE

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>61,651,000</u>	<u>\$</u>	<u>61,651,000</u>
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<u>Appropriations by Fund</u>		
	<u>2012</u>	<u>2013</u>
<u>General</u>	<u>61,523,000</u>	<u>61,523,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Senate</u>	<u>20,068,000</u>	<u>20,068,000</u>
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<u>Subd. 3. House of Representatives</u>	<u>27,874,000</u>	<u>27,874,000</u>
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During the biennium ending June 30, 2013, any revenues received by the house of representatives from voluntary donations to support broadcast or print media are appropriated to the house of representatives.

<u>Subd. 4. Legislative Coordinating Commission</u>	<u>13,709,000</u>	<u>13,709,000</u>
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<u>Appropriations by Fund</u>		
	<u>2012</u>	<u>2013</u>
<u>General</u>	<u>13,581,000</u>	<u>13,581,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>

3.1 From its funds, \$10,000 each year is for
3.2 purposes of the legislators' forum, through
3.3 which Minnesota legislators meet with
3.4 counterparts from South Dakota, North
3.5 Dakota, and Manitoba to discuss issues of
3.6 mutual concern.

3.7	Sec. 3. <u>GOVERNOR AND LIEUTENANT</u>			
3.8	GOVERNOR	\$	3,097,000	\$ 3,097,000

3.9 (a) This appropriation is to fund the Office of
3.10 the Governor and Lieutenant Governor.

3.11 (b) By September 1 of each year, the
3.12 commissioner of management and budget
3.13 shall report to the chairs and ranking
3.14 minority members of the senate State
3.15 Government Budget Division and the
3.16 house of representatives State Government
3.17 Finance Division any personnel costs
3.18 incurred by the Office of the Governor and
3.19 Lieutenant Governor that were supported
3.20 by appropriations to other agencies during
3.21 the previous fiscal year. The Office of the
3.22 Governor shall inform the chairs and ranking
3.23 minority members of the divisions before
3.24 initiating any interagency agreements.

3.25 (c) During the biennium ending June 30,
3.26 2013, the Office of the Governor may not
3.27 receive payments of more than \$670,000
3.28 each fiscal year from other executive
3.29 agencies under Minnesota Statutes, section
3.30 15.53, to support personnel costs incurred
3.31 by the office. Payments received under this
3.32 paragraph must be deposited in a special
3.33 revenue account. Money in the account is
3.34 appropriated to the Office of the Governor.
3.35 The authority in this paragraph supersedes

5.1 \$130,000 in the first year is for the cost
5.2 of considering complaints filed under
5.3 Minnesota Statutes, section 211B.32. Until
5.4 June 30, 2013, the chief administrative
5.5 law judge may not make any assessment
5.6 against a county or counties under Minnesota
5.7 Statutes, section 211B.37. Any amount of
5.8 this appropriation that remains unspent at
5.9 the end of the biennium must be canceled
5.10 to the general account of the state elections
5.11 campaign fund. The base for fiscal year 2014
5.12 is \$130,000, to be available for the biennium,
5.13 under the same terms.

5.14 **Sec. 10. OFFICE OF ENTERPRISE**
5.15 **TECHNOLOGY** \$ 4,636,000 \$ 4,636,000

5.16 During the biennium ending June 30, 2013,
5.17 the office must not charge fees to a public
5.18 noncommercial educational television
5.19 broadcast station for access to the state
5.20 information infrastructure.

5.21 **Sec. 11. ADMINISTRATION**

5.22 **Subdivision 1. Total Appropriation** \$ 18,023,000 \$ 18,023,000

5.23 The amounts that may be spent for each
5.24 purpose are specified in the following
5.25 subdivisions.

5.26 **Subd. 2. Government and Citizen Services** 14,736,000 14,736,000

5.27 **Subd. 3. Administrative Management Support** 1,502,000 1,502,000

5.28 **Subd. 4. Public Broadcasting** 1,785,000 1,785,000

5.29 (a) The appropriations under this section are
5.30 to the commissioner of administration for the
5.31 purposes specified.

6.1 (b) \$1,002,000 the first year and \$1,002,000
6.2 the second year are for matching grants for
6.3 public television.

6.4 (c) \$190,000 the first year and \$190,000
6.5 the second year are for public television
6.6 equipment grants. Equipment or matching
6.7 grant allocations shall be made after
6.8 considering the recommendations of the
6.9 Minnesota Public Television Association.

6.10 (d) \$16,000 the first year and \$16,000 the
6.11 second year are for grants to the Twin Cities
6.12 regional cable channel.

6.13 (e) \$278,000 the first year and \$278,000 the
6.14 second year are for community service grants
6.15 to public educational radio stations.

6.16 (f) \$97,000 the first year and \$97,000 the
6.17 second year are for equipment grants to
6.18 public educational radio stations.

6.19 (g) The grants in paragraphs (e) and (f)
6.20 must be allocated after considering the
6.21 recommendations of the Association of
6.22 Minnesota Public Educational Radio Stations
6.23 under Minnesota Statutes, section 129D.14.

6.24 (h) \$202,000 the first year and \$202,000
6.25 the second year are for equipment grants to
6.26 Minnesota Public Radio, Inc.

6.27 (i) Any unencumbered balance remaining the
6.28 first year for grants to public television or
6.29 radio stations does not cancel and is available
6.30 for the second year.

6.31	Sec. 12. <u>CAPITOL AREA</u>			
6.32	<u>ARCHITECTURAL AND PLANNING</u>			
6.33	<u>BOARD</u>	<u>\$</u>	<u>308,000</u>	<u>\$ 308,000</u>

7.1	Sec. 13. <u>MINNESOTA MANAGEMENT AND</u>			
7.2	<u>BUDGET</u>	\$	<u>16,727,000</u>	\$ <u>16,727,000</u>
7.3	Sec. 14. <u>REVENUE</u>			
7.4	<u>Subdivision 1. Total Appropriation</u>	\$	<u>128,231,000</u>	\$ <u>140,046,000</u>
7.5	<u>Appropriations by Fund</u>			
7.6		<u>2012</u>	<u>2013</u>	
7.7	<u>General</u>	<u>123,996,000</u>	<u>135,811,000</u>	
7.8	<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>	
7.9	<u>Highway User Tax</u>			
7.10	<u>Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>	
7.11	<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>	
7.12	<u>The amounts that may be spent for each</u>			
7.13	<u>purpose are specified in subdivisions 2 and 3.</u>			
7.14	<u>To the greatest extent possible, the</u>			
7.15	<u>commissioner must avoid making budget</u>			
7.16	<u>reductions to compliance activities.</u>			
7.17	<u>Subd. 2. Tax System Management</u>		<u>104,991,000</u>	<u>116,806,000</u>
7.18	<u>Appropriations by Fund</u>			
7.19	<u>General</u>	<u>100,756,000</u>	<u>112,571,000</u>	
7.20	<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>	
7.21	<u>Highway User Tax</u>			
7.22	<u>Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>	
7.23	<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>	
7.24	<u>Subd. 3. Debt Collection Management</u>		<u>23,240,000</u>	<u>23,240,000</u>
7.25	Sec. 15. <u>GAMBLING CONTROL</u>	\$	<u>2,740,000</u>	\$ <u>2,740,000</u>
7.26	<u>These appropriations are from the lawful</u>			
7.27	<u>gambling regulation account in the special</u>			
7.28	<u>revenue fund.</u>			
7.29	Sec. 16. <u>RACING COMMISSION</u>	\$	<u>899,000</u>	\$ <u>899,000</u>
7.30	<u>These appropriations are from the racing</u>			
7.31	<u>and card playing regulation accounts in the</u>			
7.32	<u>special revenue fund.</u>			
7.33	Sec. 17. <u>AMATEUR SPORTS COMMISSION</u>	\$	<u>235,000</u>	\$ <u>235,000</u>

8.1	Sec. 18. <u>COUNCIL ON BLACK</u>			
8.2	<u>MINNESOTANS</u>	\$	<u>261,000</u>	\$ <u>261,000</u>
8.3	Sec. 19. <u>COUNCIL ON CHICANO/LATINO</u>			
8.4	<u>AFFAIRS</u>	\$	<u>246,000</u>	\$ <u>246,000</u>
8.5	Sec. 20. <u>COUNCIL ON ASIAN-PACIFIC</u>			
8.6	<u>MINNESOTANS</u>	\$	<u>227,000</u>	\$ <u>227,000</u>
8.7	Sec. 21. <u>INDIAN AFFAIRS COUNCIL</u>	\$	<u>413,000</u>	\$ <u>413,000</u>
8.8	Sec. 22. <u>EXPLORE MINNESOTA TOURISM</u>	\$	<u>8,269,000</u>	\$ <u>8,269,000</u>
8.9	<u>(a) Of this amount, \$12,000 each year is for a</u>			
8.10	<u>grant to the Upper Minnesota Film Office.</u>			
8.11	<u>(b)(1) To develop maximum private sector</u>			
8.12	<u>involvement in tourism, \$500,000 the first</u>			
8.13	<u>year and \$500,000 the second year must</u>			
8.14	<u>be matched by Explore Minnesota Tourism</u>			
8.15	<u>from nonstate sources. Each \$1 of state</u>			
8.16	<u>incentive must be matched with \$3 of private</u>			
8.17	<u>sector funding. Cash match is defined as</u>			
8.18	<u>revenue to the state or documented cash</u>			
8.19	<u>expenditures directly expended to support</u>			
8.20	<u>Explore Minnesota Tourism programs. Up</u>			
8.21	<u>to one-half of the private sector contribution</u>			
8.22	<u>may be in-kind or soft match. The incentive</u>			
8.23	<u>in the first year shall be based on fiscal</u>			
8.24	<u>year 2011 private sector contributions. The</u>			
8.25	<u>incentive in the second year will be based on</u>			
8.26	<u>fiscal year 2012 private sector contributions.</u>			
8.27	<u>This incentive is ongoing.</u>			
8.28	<u>(2) Funding for the marketing grants is</u>			
8.29	<u>available either year of the biennium.</u>			
8.30	<u>Unexpended grant funds from the first year</u>			
8.31	<u>are available in the second year.</u>			
8.32	<u>(3) Unexpended money from the general</u>			
8.33	<u>fund appropriations made under this section</u>			

9.1 does not cancel but must be placed in a
9.2 special marketing account for use by Explore
9.3 Minnesota Tourism for additional marketing
9.4 activities.

9.5 (c) \$325,000 the first year and \$325,000 the
9.6 second year are for the Minnesota Film and
9.7 TV Board. The appropriation in each year
9.8 is available only upon receipt by the board
9.9 of \$1 in matching contributions of money or
9.10 in-kind contributions from nonstate sources
9.11 for every \$3 provided by this appropriation,
9.12 except that each year up to \$50,000 is
9.13 available on July 1 even if the required
9.14 matching contribution has not been received
9.15 by that date.

9.16 (d) A portion of the appropriation in this
9.17 section may be used for the film production
9.18 jobs program under Minnesota Statutes,
9.19 section 116U.26.

9.20 **Sec. 23. MINNESOTA HISTORICAL**
9.21 **SOCIETY**

9.22	<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>19,764,000</u>	<u>\$</u>	<u>19,662,000</u>
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9.23 The amounts that may be spent for each
9.24 purpose are specified in the following
9.25 subdivisions.

9.26	<u>Subd. 2. Education and Outreach</u>		<u>11,109,000</u>		<u>11,109,000</u>
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9.27 Notwithstanding Minnesota Statutes, section
9.28 138.668, the Minnesota Historical Society
9.29 may not charge a fee for its general tours at
9.30 the Capitol, but may charge fees for special
9.31 programs other than general tours.

9.32	<u>Subd. 3. Preservation and Access</u>		<u>8,337,000</u>		<u>8,337,000</u>
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9.33 **Subd. 4. Fiscal Agent**

10.1	<u>(a) Minnesota International Center</u>	<u>38,000</u>	<u>38,000</u>
10.2	<u>(b) Minnesota Air National Guard Museum</u>	<u>14,000</u>	<u>-0-</u>
10.3	<u>(c) Minnesota Military Museum</u>	<u>88,000</u>	<u>-0-</u>
10.4	<u>(d) Farmamerica</u>	<u>112,000</u>	<u>112,000</u>
10.5	<u>(e) \$66,000 the first year and \$66,000 the</u>		
10.6	<u>second year are for a grant to the city of</u>		
10.7	<u>Eveleth to be used for the support of the</u>		
10.8	<u>Hockey Hall of Fame Museum provided</u>		
10.9	<u>that it continues to operate in the city. This</u>		
10.10	<u>grant is in addition to and must not be</u>		
10.11	<u>used to supplant funding under Minnesota</u>		
10.12	<u>Statutes, section 298.28, subdivision 9c. This</u>		
10.13	<u>appropriation is added to the society's budget</u>		
10.14	<u>base.</u>		
10.15	<u>(f) Balances Forward</u>		
10.16	<u>Any unencumbered balance remaining in</u>		
10.17	<u>this subdivision the first year does not cancel</u>		
10.18	<u>but is available for the second year of the</u>		
10.19	<u>biennium.</u>		
10.20	<u>Subd. 5. Fund Transfer</u>		
10.21	<u>The Minnesota Historical Society may</u>		
10.22	<u>reallocate funds appropriated in and between</u>		
10.23	<u>subdivisions 2 and 3 for any program</u>		
10.24	<u>purposes and the appropriations are available</u>		
10.25	<u>in either year of the biennium.</u>		
10.26	<u>Sec. 24. BOARD OF THE ARTS</u>		
10.27	<u>Subdivision 1. Total Appropriation</u>	<u>\$ 6,672,000</u>	<u>\$ 6,672,000</u>
10.28	<u>The amounts that may be spent for each</u>		
10.29	<u>purpose are specified in the following</u>		
10.30	<u>subdivisions.</u>		
10.31	<u>Subd. 2. Operations and Services</u>	<u>504,000</u>	<u>504,000</u>
10.32	<u>Subd. 3. Grants Program</u>	<u>4,266,000</u>	<u>4,266,000</u>

11.1	Subd. 4. <u>Regional Arts Councils</u>		<u>1,902,000</u>		<u>1,902,000</u>
11.2	Sec. 25. <u>MINNESOTA HUMANITIES</u>				
11.3	<u>CENTER</u>	\$	<u>225,000</u>	\$	<u>225,000</u>
11.4	Sec. 26. <u>SCIENCE MUSEUM OF</u>				
11.5	<u>MINNESOTA</u>	\$	<u>1,009,000</u>	\$	<u>1,009,000</u>
11.6	Sec. 27. <u>TORT CLAIMS</u>	\$	<u>161,000</u>	\$	<u>161,000</u>
11.7	<u>These appropriations are to be spent by the</u>				
11.8	<u>commissioner of management and budget</u>				
11.9	<u>according to Minnesota Statutes, section</u>				
11.10	<u>3.736, subdivision 7. If the appropriation for</u>				
11.11	<u>either year is insufficient, the appropriation</u>				
11.12	<u>for the other year is available for it.</u>				
11.13	Sec. 28. <u>MINNESOTA STATE RETIREMENT</u>				
11.14	<u>SYSTEM</u>				
11.15	Subdivision 1. <u>Total Appropriation</u>	\$	<u>472,000</u>	\$	<u>481,000</u>
11.16	<u>The amounts that may be spent for each</u>				
11.17	<u>purpose are specified in the following</u>				
11.18	<u>subdivisions.</u>				
11.19	<u>During the biennium ending June 30, 2013,</u>				
11.20	<u>payments for retirement allowances for</u>				
11.21	<u>former legislators and surviving spouses</u>				
11.22	<u>must be made from the legislators retirement</u>				
11.23	<u>fund created under Minnesota Statutes,</u>				
11.24	<u>section 3A.03, subdivision 3, and not from</u>				
11.25	<u>the general fund.</u>				
11.26	Subd. 2. <u>Constitutional Officers</u>		<u>472,000</u>		<u>481,000</u>
11.27	<u>Under Minnesota Statutes, section 352C.001,</u>				
11.28	<u>if an appropriation in this section for either</u>				
11.29	<u>year is insufficient, the appropriation for the</u>				
11.30	<u>other year is available for it.</u>				
11.31	Sec. 29. <u>MERF DIVISION ACCOUNT</u>	\$	<u>22,750,000</u>	\$	<u>22,750,000</u>

12.1	<u>These amounts are estimated to be needed</u>			
12.2	<u>under Minnesota Statutes, section 353.505.</u>			
12.3	Sec. 30. <u>TEACHERS RETIREMENT</u>			
12.4	<u>ASSOCIATION</u>	\$	<u>15,454,000</u>	\$ <u>15,454,000</u>
12.5	<u>The amounts estimated to be needed are as</u>			
12.6	<u>follows:</u>			
12.7	<u>(a) Special direct state aid. \$12,954,000 the</u>			
12.8	<u>first year and \$12,954,000 the second year</u>			
12.9	<u>are for special direct state aid authorized</u>			
12.10	<u>under Minnesota Statutes, section 354A.12,</u>			
12.11	<u>subdivisions 3a and 3c.</u>			
12.12	<u>(b) Special direct state matching aid.</u>			
12.13	<u>\$2,500,000 the first year and \$2,500,000</u>			
12.14	<u>the second year are for special direct state</u>			
12.15	<u>matching aid authorized under Minnesota</u>			
12.16	<u>Statutes, section 354A.12, subdivision 3b.</u>			
12.17	Sec. 31. <u>ST. PAUL TEACHERS</u>			
12.18	<u>RETIREMENT FUND</u>	\$	<u>2,827,000</u>	\$ <u>2,827,000</u>
12.19	<u>The amounts estimated to be needed for</u>			
12.20	<u>special direct state aid to first class city</u>			
12.21	<u>teachers retirement funds authorized under</u>			
12.22	<u>Minnesota Statutes, section 354A.12,</u>			
12.23	<u>subdivisions 3a and 3c.</u>			
12.24	Sec. 32. <u>DULUTH TEACHERS</u>			
12.25	<u>RETIREMENT FUND</u>	\$	<u>346,000</u>	\$ <u>346,000</u>
12.26	<u>The amounts estimated to be needed for</u>			
12.27	<u>special direct state aid to first class city</u>			
12.28	<u>teachers retirement funds authorized under</u>			
12.29	<u>Minnesota Statutes, section 354A.12,</u>			
12.30	<u>subdivisions 3a and 3c.</u>			
12.31	Sec. 33. <u>STATE LOTTERY</u>			
12.32	<u>Notwithstanding Minnesota Statutes, section</u>			
12.33	<u>349A.10, subdivision 3, the operating budget</u>			

13.1 must not exceed \$29,000,000 in fiscal year
13.2 2012 and \$29,000,000 in fiscal year 2013.

13.3 Sec. 34. **GENERAL CONTINGENT**
13.4 **ACCOUNTS** \$ 600,000 \$ 500,000

13.5	<u>Appropriations by Fund</u>		
13.6		<u>2012</u>	<u>2013</u>
13.7	<u>General</u>	<u>100,000</u>	<u>-0-</u>
13.8	<u>State Government</u>		
13.9	<u>Special Revenue</u>	<u>400,000</u>	<u>400,000</u>
13.10	<u>Workers'</u>		
13.11	<u>Compensation</u>	<u>100,000</u>	<u>100,000</u>

13.12 (a) The appropriations in this section
13.13 may only be spent with the approval of
13.14 the governor after consultation with the
13.15 Legislative Advisory Commission pursuant
13.16 to Minnesota Statutes, section 3.30.

13.17 (b) If an appropriation in this section for
13.18 either year is insufficient, the appropriation
13.19 for the other year is available for it.

13.20 (c) If a contingent account appropriation
13.21 is made in one fiscal year, it should be
13.22 considered a biennial appropriation.

13.23 Sec. 35. **PROBLEM GAMBLING APPROPRIATION.**

13.24 \$225,000 in fiscal year 2012 and \$225,000 in fiscal year 2013 are appropriated from
13.25 the lottery prize fund to the Gambling Control Board for a grant to the state affiliate
13.26 recognized by the National Council on Problem Gambling. The affiliate must provide
13.27 services to increase public awareness of problem gambling, education and training for
13.28 individuals and organizations providing effective treatment services to problem gamblers
13.29 and their families, and research relating to problem gambling. These services must be
13.30 complementary to and not duplicative of the services provided through the problem
13.31 gambling program administered by the commissioner of human services. Of this
13.32 appropriation, \$50,000 in fiscal year 2012 and \$50,000 in fiscal year 2013 are contingent
13.33 on the contribution of nonstate matching funds. Matching funds may be either cash or
13.34 qualifying in-kind contributions. The commissioner of management and budget may
13.35 disburse the state portion of the matching funds in increments of \$25,000 upon receipt

14.1 of a commitment for an equal amount of matching nonstate funds. These are onetime
14.2 appropriations.

14.3 Sec. 36. **APPROPRIATION; REIMBURSEMENT OF RECOUNT COSTS.**

14.4 \$322,000 is appropriated from the general fund to the secretary of state in fiscal year
14.5 2011 for the reimbursement of costs of recounts during the 2010 general election, to be
14.6 paid to counties consistent with the cost survey of the counties previously conducted
14.7 by the secretary of state and for reimbursement to the secretary of state costs in those
14.8 recounts already paid by the secretary of state to the counties. This appropriation remains
14.9 available until December 31, 2011.

14.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.11 Sec. 37. **SAVINGS; APPROPRIATION REDUCTIONS.**

14.12 (a) The commissioner of management and budget must reduce general fund
14.13 appropriations to executive agencies for agency operations for the biennium ending
14.14 June 30, 2013, by \$94,875,000. The Minnesota State Colleges and Universities is not
14.15 an executive agency for purposes of this section. To the greatest extent possible, these
14.16 savings must come from the reforms, efficiencies, and cost-savings measures contained in
14.17 this act, including:

- 14.18 (1) reduction in the number of full-time equivalent employees;
14.19 (2) salary freeze;
14.20 (3) elimination of deputy and assistant commissioner positions;
14.21 (4) consolidation of responsibilities for executive branch information technology
14.22 systems;
14.23 (5) efficiencies and cost savings in contracting; and
14.24 (6) verification of dependent eligibility for state group insurance coverage.

14.25 (b) The commissioner of management and budget must determine savings to funds
14.26 other than the general funds resulting from the reforms, efficiencies, and cost-savings
14.27 measures in this act. To the extent permitted by law, the commissioner must reduce
14.28 appropriations from those other funds by the amount of those savings, and transfer the
14.29 amount of the reductions to the general fund.

14.30 Sec. 38. **ENTERPRISE REAL PROPERTY CONTRIBUTIONS.**

14.31 On or before June 1, 2011, the commissioner of administration shall determine
14.32 the amount to be contributed by each executive agency to maintain the enterprise real
14.33 property technology system for the fiscal years 2012 and 2013. On or before June 15,

2011, each executive agency shall enter into an agreement with the commissioner of administration setting forth the manner in which the executive agency shall make its contribution to the enterprise real property system, either from uncommitted fiscal year 2011 funds or by contributing from fiscal year 2012 and fiscal year 2013 funds to the real property enterprise system and services account to fund the total amount of \$399,000 for the biennium. Funds contributed under this section must be credited to the enterprise real property technology system and services account.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 2

MILITARY AFFAIRS AND VETERANS AFFAIRS

Section 1. **APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund and are available for the fiscal years indicated for each purpose. The figures "2012" and "2013" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2012, or June 30, 2013, respectively. "The first year" is fiscal year 2012. "The second year" is fiscal year 2013. "The biennium" is fiscal years 2012 and 2013.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2012</u>	<u>2013</u>

Sec. 2. **MILITARY AFFAIRS**

Subdivision 1. <u>Total Appropriation</u>	<u>\$ 22,371,000</u>	<u>\$ 19,371,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <u>Maintenance of Training Facilities</u>	<u>6,660,000</u>	<u>6,660,000</u>
Subd. 3. <u>General Support</u>	<u>2,363,000</u>	<u>2,363,000</u>
Subd. 4. <u>Enlistment Incentives</u>	<u>13,348,000</u>	<u>10,348,000</u>

\$3,000,000 the first year is for additional costs of enlistment incentives.

16.1 If appropriations for either year of the
16.2 biennium are insufficient, the appropriation
16.3 from the other year is available. The
16.4 appropriations for enlistment incentives are
16.5 available until expended.

16.6 **Sec. 3. VETERANS AFFAIRS**

16.7	Subdivision 1. Total Appropriation	\$	57,795,000	\$	58,595,000
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16.8 Appropriations by Fund

16.9	2012	2013
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16.10	General	57,695,000	58,595,000
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16.11	Special Revenue	100,000	-0-
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16.12 The amounts that may be spent for each
16.13 purpose are specified in the following
16.14 subdivisions.

16.15	Subd. 2. Veterans Services	13,879,000	13,779,000
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16.16 \$100,000 in the first year is from the
16.17 "Support Our Troops" account established
16.18 under Minnesota Statutes, section 190.19,
16.19 subdivision 2a, for a grant to the Minnesota
16.20 Assistance Council for Veterans. This is a
16.21 onetime appropriation.

16.22 \$100,000 each year is for the costs of
16.23 administering the Minnesota GI Bill program
16.24 under Minnesota Statutes, section 197.791.

16.25 \$353,000 each year is for grants to the
16.26 following congressionally chartered veterans
16.27 service organizations, as designated by the
16.28 commissioner: Disabled American Veterans,
16.29 Military Order of the Purple Heart, the
16.30 American Legion, Veterans of Foreign Wars,
16.31 Vietnam Veterans of America, AMVETS,
16.32 and Paralyzed Veterans of America. This
16.33 funding must be allocated in direct proportion

17.1 to the funding currently being provided by
17.2 the commissioner to these organizations.

17.3 Subd. 3. Veterans Homes 43,916,000 44,816,000

17.4 **Veterans Homes Special Revenue Account.**

17.5 The general fund appropriations made to
17.6 the department may be transferred to a
17.7 veterans homes special revenue account in
17.8 the special revenue fund in the same manner
17.9 as other receipts are deposited according
17.10 to Minnesota Statutes, section 198.34, and
17.11 are appropriated to the department for the
17.12 operation of veterans homes facilities and
17.13 programs.

17.14 **Fergus Falls Veterans Home.** Of the
17.15 general fund appropriation, \$738,000 in
17.16 fiscal year 2013 is for operation of a new
17.17 21-bed specialty care/Alzheimer's unit at the
17.18 Minnesota Veterans Home in Fergus Falls.
17.19 Base funding for this program is \$842,000 in
17.20 fiscal years 2014 and 2015.

17.21 **Minneapolis Veterans Home.** Of the
17.22 general fund appropriation, \$162,000 in
17.23 fiscal year 2013 is for operation of a new
17.24 adult day care program at the Minnesota
17.25 Veterans Home in Minneapolis. Base
17.26 funding for this program is \$232,000 in fiscal
17.27 years 2014 and 2015.

17.28 **Veterans Homes Service Redesign.**
17.29 \$551,000 in fiscal year 2012 and \$801,000 in
17.30 fiscal year 2013, generated from additional
17.31 nongeneral fund revenue and cost savings
17.32 from operating efficiencies, are to be used to
17.33 support the operational needs of the five state
17.34 veterans homes.

18.1 Sec. 4. Laws 2010, chapter 215, article 6, section 4, is amended to read:

18.2 Sec. 4. **VETERANS HOMES**

18.3 Of the appropriation in Laws 2009, chapter
18.4 94, article 3, section 2, subdivision 3, or from
18.5 funds carried forward from fiscal year 2009:

18.6 (1) ~~\$1,000,000~~ \$800,000 in fiscal year 2011
18.7 is for operational expenses related to the
18.8 21-bed addition at the Fergus Falls Veterans
18.9 Home; and

18.10 (2) ~~\$113,000~~ \$313,000 in fiscal year 2011 is
18.11 for start-up expenses related to the opening of
18.12 an adult daycare facility at the Minneapolis
18.13 Veterans Home.

18.14 An appropriation in this section that is
18.15 unspent at the end of fiscal year 2011 carries
18.16 forward and is available in fiscal year 2012.

18.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.18 Sec. 5. **REPEALER.**

18.19 Minnesota Statutes 2010, section 197.585, subdivision 5, is repealed.

18.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.21 **ARTICLE 3**

18.22 **STATE GOVERNMENT OPERATIONS**

18.23 Section 1. Minnesota Statutes 2010, section 3.85, subdivision 3, is amended to read:

18.24 Subd. 3. **Membership.** The commission consists of ~~five~~ seven members of the
18.25 senate appointed by the Subcommittee on Committees of the Committee on Rules and
18.26 Administration and ~~five~~ seven members of the house of representatives appointed by
18.27 the speaker. No more than five members from each chamber may be from the majority
18.28 caucus in that chamber. Members shall be appointed at the commencement of each regular
18.29 session of the legislature for a two-year term beginning January 16 of the first year of the
18.30 regular session. Members continue to serve until their successors are appointed. Vacancies
18.31 that occur while the legislature is in session shall be filled like regular appointments. If the

19.1 legislature is not in session, senate vacancies shall be filled by the last Subcommittee on
19.2 Committees of the senate Committee on Rules and Administration or other appointing
19.3 authority designated by the senate rules, and house of representatives vacancies shall be
19.4 filled by the last speaker of the house, or if the speaker is not available, by the last chair of
19.5 the house of representatives Rules Committee.

19.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.
19.7 Within ten days of the effective date of this section, the appointing authorities must
19.8 appoint additional members to the commission, as required by this section.

19.9 Sec. 2. **[3D.01] SHORT TITLE.**

19.10 This chapter may be cited as the "Minnesota Sunset Act."

19.11 Sec. 3. **[3D.02] DEFINITIONS.**

19.12 Subdivision 1. **Scope.** The definitions in this section apply to this chapter.

19.13 Subd. 2. **Advisory committee.** "Advisory committee" means a committee, council,
19.14 commission, or other entity created under state law whose primary function is to advise
19.15 a state agency.

19.16 Subd. 3. **Commission.** "Commission" means the Sunset Advisory Commission.

19.17 Subd. 4. **State agency.** "State agency" means an agency expressly made subject
19.18 to this chapter.

19.19 Sec. 4. **[3D.03] SUNSET ADVISORY COMMISSION.**

19.20 Subdivision 1. **Membership.** (a) The Sunset Advisory Commission consists of 12
19.21 members appointed as follows:

19.22 (1) five senators and one public member, appointed according to the rules of the
19.23 senate, with no more than three senators from the majority caucus; and

19.24 (2) five members of the house of representatives and one public member, appointed
19.25 by the speaker of the house, with no more than three of the house members from the
19.26 majority caucus.

19.27 (b) The first members of the Sunset Advisory Commission must be appointed before
19.28 September 1, 2011, for terms ending the first Monday in January 2013.

19.29 Subd. 2. **Public member restrictions.** An individual is not eligible for appointment
19.30 as a public member if the individual or the individual's spouse is:

19.31 (1) regulated by a state agency that the commission will review during the term for
19.32 which the individual would serve;

20.1 (2) employed by, participates in the management of, or directly or indirectly has
20.2 more than a ten percent interest in a business entity or other organization regulated by a
20.3 state agency the commission will review during the term for which the individual would
20.4 serve; or

20.5 (3) required to register as a lobbyist under chapter 10A because of the person's
20.6 activities for compensation on behalf of a profession or entity related to the operation of
20.7 an agency under review.

20.8 Subd. 3. **Removal.** (a) It is a ground for removal of a public member from the
20.9 commission if the member does not have the qualifications required by subdivision 2
20.10 for appointment to the commission at the time of appointment or does not maintain the
20.11 qualifications while serving on the commission. The validity of the commission's action is
20.12 not affected by the fact that it was taken when a ground for removal of a public member
20.13 from the commission existed.

20.14 (b) Except as provided in paragraph (a), a public member may be removed only as
20.15 provided in section 15.0575, subdivision 4.

20.16 Subd. 4. **Terms.** Legislative members serve at the pleasure of the appointing
20.17 authority. Public members serve two-year terms expiring the first Monday in January of
20.18 each odd-numbered year.

20.19 Subd. 5. **Limits.** Members are subject to the following restrictions:

20.20 (1) after an individual serves four years on the commission, the individual is not
20.21 eligible for appointment to another term or part of a term;

20.22 (2) a legislative member who serves a full term may not be appointed to an
20.23 immediately succeeding term; and

20.24 (3) a public member may not serve consecutive terms, and, for purposes of this
20.25 prohibition, a member is considered to have served a term only if the member has served
20.26 more than one-half of the term.

20.27 Subd. 6. **Appointments.** Appointments must be made before the second Monday of
20.28 January of each odd-numbered year.

20.29 Subd. 7. **Legislative members.** If a legislative member ceases to be a member
20.30 of the legislative body from which the member was appointed, the member vacates
20.31 membership on the commission.

20.32 Subd. 8. **Vacancies.** If a vacancy occurs, the appointing authority shall appoint a
20.33 person to serve for the remainder of the unexpired term in the same manner as the original
20.34 appointment.

20.35 Subd. 9. **Officers.** The commission shall have a chair and vice-chair as presiding
20.36 officers.

21.1 Subd. 10. **Quorum; voting.** Seven members of the commission constitute a
21.2 quorum. A final action or recommendation may not be made unless approved by a
21.3 recorded vote of at least seven members. All other actions by the commission shall be
21.4 decided by a majority of the members present and voting.

21.5 Subd. 11. **Compensation.** Each public member shall be reimbursed for expenses
21.6 as provided in section 15.0575. Compensation for legislators is as determined by the
21.7 members' legislative chamber.

21.8 Sec. 5. **[3D.04] STAFF.**

21.9 The Legislative Coordinating Commission shall provide staff and administrative
21.10 services for the commission.

21.11 Sec. 6. **[3D.05] RULES.**

21.12 The commission may adopt rules necessary to carry out this chapter.

21.13 Sec. 7. **[3D.06] AGENCY REPORT TO COMMISSION.**

21.14 Before September 1 of the odd-numbered year before the year in which a state
21.15 agency is sunset, the agency commissioner shall report to the commission:

21.16 (1) information regarding the application to the agency of the criteria in section
21.17 3D.10;

21.18 (2) a priority-based budget for the agency;

21.19 (3) an inventory of all boards, commissions, committees, and other entities related
21.20 to the agency; and

21.21 (4) any other information that the agency commissioner considers appropriate or that
21.22 is requested by the commission.

21.23 Sec. 8. **[3D.07] COMMISSION DUTIES.**

21.24 Before January 1 of the year in which a state agency subject to this chapter and its
21.25 advisory committees are sunset, the commission shall:

21.26 (1) review and take action necessary to verify the reports submitted by the agency;
21.27 and

21.28 (2) conduct a review of the agency based on the criteria provided in section 3D.10
21.29 and prepare a written report.

21.30 Sec. 9. **[3D.08] PUBLIC HEARINGS.**

22.1 Before February 1 of the year a state agency subject to this chapter and its advisory
22.2 committees are sunset, the commission shall conduct public hearings concerning but not
22.3 limited to the application to the agency of the criteria provided in section 3D.10.

22.4 Sec. 10. **[3D.09] COMMISSION REPORT.**

22.5 By February 1 of each even-numbered year, the commission shall present to the
22.6 legislature and the governor a report on the agencies and advisory committees reviewed.

22.7 In the report the commission shall include:

- 22.8 (1) its findings regarding the criteria prescribed by section 3D.10;
22.9 (2) its recommendations based on the matters prescribed by section 3D.11; and
22.10 (3) other information the commission considers necessary for a complete review
22.11 of the agency.

22.12 Sec. 11. **[3D.10] CRITERIA FOR REVIEW.**

22.13 The commission and its staff shall consider the following criteria in determining
22.14 whether a public need exists for the continuation of a state agency or its advisory
22.15 committees or for the performance of the functions of the agency or its advisory
22.16 committees:

22.17 (1) the efficiency and effectiveness with which the agency or the advisory committee
22.18 operates;

22.19 (2) an identification of the mission, goals, and objectives intended for the agency or
22.20 advisory committee and of the problem or need that the agency or advisory committee
22.21 was intended to address and the extent to which the mission, goals, and objectives have
22.22 been achieved and the problem or need has been addressed;

22.23 (3) an identification of any activities of the agency in addition to those granted by
22.24 statute and of the authority for those activities and the extent to which those activities
22.25 are needed;

22.26 (4) an assessment of authority of the agency relating to fees, inspections,
22.27 enforcement, and penalties;

22.28 (5) whether less restrictive or alternative methods of performing any function that
22.29 the agency performs could adequately protect or provide service to the public;

22.30 (6) the extent to which the jurisdiction of the agency and the programs administered
22.31 by the agency overlap or duplicate those of other agencies, the extent to which the agency
22.32 coordinates with those agencies, and the extent to which the programs administered by the
22.33 agency can be consolidated with the programs of other state agencies;

23.1 (7) the promptness and effectiveness with which the agency addresses complaints
23.2 concerning entities or other persons affected by the agency, including an assessment of the
23.3 agency's administrative hearings process;

23.4 (8) an assessment of the agency's rulemaking process and the extent to which the
23.5 agency has encouraged participation by the public in making its rules and decisions and
23.6 the extent to which the public participation has resulted in rules that benefit the public;

23.7 (9) the extent to which the agency has complied with federal and state laws and
23.8 applicable rules regarding equality of employment opportunity and the rights and privacy
23.9 of individuals, and state law and applicable rules of any state agency regarding purchasing
23.10 guidelines and programs for historically underutilized businesses;

23.11 (10) the extent to which the agency issues and enforces rules relating to potential
23.12 conflicts of interest of its employees;

23.13 (11) the extent to which the agency complies with chapter 13 and follows records
23.14 management practices that enable the agency to respond efficiently to requests for public
23.15 information; and

23.16 (12) the effect of federal intervention or loss of federal funds if the agency is
23.17 abolished.

23.18 Sec. 12. **[3D.11] RECOMMENDATIONS.**

23.19 (a) In its report on a state agency, the commission shall:

23.20 (1) make recommendations on the abolition, continuation, or reorganization of each
23.21 affected state agency and its advisory committees and on the need for the performance of
23.22 the functions of the agency and its advisory committees;

23.23 (2) make recommendations on the consolidation, transfer, or reorganization of
23.24 programs within state agencies not under review when the programs duplicate functions
23.25 performed in agencies under review; and

23.26 (3) make recommendations to improve the operations of the agency, its policy body,
23.27 and its advisory committees, including management recommendations that do not require
23.28 a change in the agency's enabling statute.

23.29 (b) The commission shall include the estimated fiscal impact of its recommendations
23.30 and may recommend appropriation levels for certain programs to improve the operations
23.31 of the state agency.

23.32 (c) The commission shall have drafts of legislation prepared to carry out the
23.33 commission's recommendations under this section, including legislation necessary
23.34 to continue the existence of agencies that would otherwise sunset if the commission
23.35 recommends continuation of an agency.

24.1 (d) After the legislature acts on the report under section 3D.09, the commission shall
24.2 present to the legislative auditor the commission's recommendations that do not require
24.3 a statutory change to be put into effect. Subject to the legislative audit commission's
24.4 approval, the legislative auditor may examine the recommendations and include as part
24.5 of the next audit of the agency a report on whether the agency has implemented the
24.6 recommendations and, if so, in what manner.

24.7 Sec. 13. **[3D.12] MONITORING OF RECOMMENDATIONS.**

24.8 During each legislative session, the staff of the commission shall monitor legislation
24.9 affecting agencies that have undergone sunset review and shall periodically report
24.10 to the members of the commission on proposed changes that would modify prior
24.11 recommendations of the commission.

24.12 Sec. 14. **[3D.13] REVIEW OF ADVISORY COMMITTEES.**

24.13 An advisory committee, the primary function of which is to advise a particular state
24.14 agency, is subject to sunset on the date set for sunset of the agency unless the advisory
24.15 committee is expressly continued by law.

24.16 Sec. 15. **[3D.14] CONTINUATION BY LAW.**

24.17 During the regular session immediately before the sunset of a state agency or an
24.18 advisory committee that is subject to this chapter, the legislature may enact legislation
24.19 to continue the agency or advisory committee for a period not to exceed 12 years. This
24.20 chapter does not prohibit the legislature from:

24.21 (1) terminating a state agency or advisory committee subject to this chapter at a date
24.22 earlier than that provided in this chapter; or

24.23 (2) considering any other legislation relative to a state agency or advisory committee
24.24 subject to this chapter.

24.25 Sec. 16. **[3D.15] PROCEDURE AFTER TERMINATION.**

24.26 Subdivision 1. **Termination.** Unless otherwise provided by law:

24.27 (1) if after sunset review a state agency is abolished, the agency may continue in
24.28 existence until June 30 of the following year to conclude its business;

24.29 (2) abolishment does not reduce or otherwise limit the powers and authority of the
24.30 state agency during the concluding year;

24.31 (3) a state agency is terminated and shall cease all activities at the expiration of
24.32 the one-year period; and

25.1 (4) all rules that have been adopted by the state agency expire at the expiration of
25.2 the one-year period.

25.3 Subd. 2. **Funds of abolished agency or advisory committee.** (a) Any unobligated
25.4 and unexpended appropriations of an abolished agency or advisory committee lapse on
25.5 June 30 of the year after abolishment.

25.6 (b) Except as provided by subdivision 4 or as otherwise provided by law, all money
25.7 in a dedicated fund of an abolished state agency or advisory committee on June 30 of the
25.8 year after abolishment is transferred to the general fund. The part of the law dedicating
25.9 the money to a specific fund of an abolished agency becomes void on June 30 of the year
25.10 after abolishment.

25.11 Subd. 3. **Property and records of abolished agency or advisory committee.**
25.12 Unless the governor designates an appropriate state agency as prescribed by subdivision 4,
25.13 property and records in the custody of an abolished state agency or advisory committee
25.14 on June 30 of the year after abolishment must be transferred to the commissioner of
25.15 administration. If the governor designates an appropriate state agency, the property and
25.16 records must be transferred to the designated state agency.

25.17 Subd. 4. **Continuing obligations.** (a) The legislature recognizes the state's
25.18 continuing obligation to pay bonded indebtedness and all other obligations, including
25.19 lease, contract, and other written obligations, incurred by a state agency or advisory
25.20 committee abolished under this chapter, and this chapter does not impair or impede the
25.21 payment of bonded indebtedness and all other obligations, including lease, contract, and
25.22 other written obligations, in accordance with their terms. If an abolished state agency or
25.23 advisory committee has outstanding bonded indebtedness or other outstanding obligations,
25.24 including lease, contract, and other written obligations, the bonds and all other obligations,
25.25 including lease, contract, and other written obligations, remain valid and enforceable in
25.26 accordance with their terms and subject to all applicable terms and conditions of the laws
25.27 and proceedings authorizing the bonds and all other obligations, including lease, contract,
25.28 and other written obligations.

25.29 (b) The governor shall designate an appropriate state agency that shall continue to
25.30 carry out all covenants contained in the bonds and in all other obligations, including lease,
25.31 contract, and other written obligations, and the proceedings authorizing them, including
25.32 the issuance of bonds, and the performance of all other obligations, including lease,
25.33 contract, and other written obligations, to complete the construction of projects or the
25.34 performance of other obligations, including lease, contract, and other written obligations.

25.35 (c) The designated state agency shall provide payment from the sources of payment
25.36 of the bonds in accordance with the terms of the bonds and shall provide payment from

the sources of payment of all other obligations, including lease, contract, and other written obligations, in accordance with their terms, whether from taxes, revenues, or otherwise, until the bonds and interest on the bonds are paid in full and all other obligations, including lease, contract, and other written obligations, are performed and paid in full. If the proceedings so provide, all funds established by laws or proceedings authorizing the bonds or authorizing other obligations, including lease, contract, and other written obligations, must remain with the comptroller or the previously designated trustees. If the proceedings do not provide that the funds remain with the comptroller or the previously designated trustees, the funds must be transferred to the designated state agency.

Sec. 17. **[3D.16] ASSISTANCE OF AND ACCESS TO STATE AGENCIES.**

The commission may request the assistance of state agencies and officers. When assistance is requested, a state agency or officer shall assist the commission. In carrying out its functions under this chapter, the commission or its designated staff member may inspect the records, documents, and files of any state agency.

Sec. 18. **[3D.17] RELOCATION OF EMPLOYEES.**

If an employee is displaced because a state agency or its advisory committee is abolished or reorganized, the state agency shall make a reasonable effort to relocate the displaced employee.

Sec. 19. **[3D.18] SAVING PROVISION.**

Except as otherwise expressly provided, abolition of a state agency does not affect rights and duties that matured, penalties that were incurred, civil or criminal liabilities that arose, or proceedings that were begun before the effective date of the abolition.

Sec. 20. **[3D.19] REVIEW OF PROPOSED LEGISLATION CREATING AN AGENCY.**

Each bill filed in a house of the legislature that would create a new state agency or a new advisory committee to a state agency shall be reviewed by the commission. The commission shall review the bill to determine if:

(1) the proposed functions of the agency or committee could be administered by one or more existing state agencies or advisory committees;

(2) the form of regulation, if any, proposed by the bill is the least restrictive form of regulation that will adequately protect the public;

27.1 (3) the bill provides for adequate public input regarding any regulatory function
27.2 proposed by the bill; and

27.3 (4) the bill provides for adequate protection against conflicts of interest within
27.4 the agency or committee.

27.5 Sec. 21. **[3D.20] GIFTS AND GRANTS.**

27.6 The commission may accept gifts, grants, and donations from any organization
27.7 described in section 501(c)(3) of the Internal Revenue Code for the purpose of funding
27.8 any activity under this chapter. All gifts, grants, and donations must be accepted in an
27.9 open meeting by a majority of the voting members of the commission and reported in the
27.10 public record of the commission with the name of the donor and purpose of the gift, grant,
27.11 or donation. Money received under this section is appropriated to the commission.

27.12 Sec. 22. **[3D.21] EXPIRATION.**

27.13 Subdivision 1. **Group 1.** The following agencies are sunset and expire on June
27.14 30, 2012: Department of Health, Department of Human Rights, Department of Human
27.15 Services, all health-related licensing boards listed in section 214.01, Council on Affairs
27.16 of Chicano/Latino People, Council on Black Minnesotans, Council on Asian-Pacific
27.17 Minnesotans, Indian Affairs Council, Council on Disabilities, and all advisory groups
27.18 associated with these agencies.

27.19 Subd. 2. **Group 2.** The following agencies are sunset and expire on June 30, 2014:
27.20 Department of Education, Board of Teaching, Minnesota Office of Higher Education, and
27.21 all advisory groups associated with these agencies.

27.22 Subd. 3. **Group 3.** The following agencies are sunset and expire on June 30, 2016:
27.23 Department of Commerce, Department of Employment and Economic Development,
27.24 Department of Labor and Industry, all non-health-related licensing boards listed in
27.25 section 214.01 except as otherwise provided in this section, Explore Minnesota Tourism,
27.26 Public Utilities Commission, Iron Range Resources and Rehabilitation Board, Bureau of
27.27 Mediation Services, Combative Sports Commission, Amateur Sports Commission, and all
27.28 advisory groups associated with these agencies.

27.29 Subd. 4. **Group 4.** The following agencies are sunset and expire on June 30, 2018:
27.30 Department of Corrections, Department of Public Safety, Department of Transportation,
27.31 Peace Officer Standards and Training Board, Corrections Ombudsman, and all advisory
27.32 groups associated with these agencies.

27.33 Subd. 5. **Group 5.** The following agencies are sunset and expire on June 30, 2020:
27.34 Department of Agriculture, Department of Natural Resources, Pollution Control Agency,

28.1 Board of Animal Health, Board of Water and Soil Resources, and all advisory groups
28.2 associated with these agencies.

28.3 Subd. 6. **Group 6.** The following agencies are sunset and expire on June 30, 2022:
28.4 Department of Administration, Department of Management and Budget, Department of
28.5 Military Affairs, Department of Revenue, Department of Veterans Affairs, Arts Board,
28.6 Minnesota Zoo, Office of Administrative Hearings, Campaign Finance and Public
28.7 Disclosure Board, Capitol Area Architectural and Planning Board, Office of Enterprise
28.8 Technology, Minnesota Racing Commission, and all advisory groups associated with
28.9 these agencies.

28.10 Subd. 7. **Continuation.** Following sunset review of an agency, the legislature may
28.11 act within the same legislative session in which the sunset report was received on Sunset
28.12 Advisory Commission recommendations to continue or reorganize the agency.

28.13 Subd. 8. **Other groups.** The commission may review, under the criteria in
28.14 section 3D.10, and propose to the legislature an expiration date for any agency, board,
28.15 commission, or program not listed in this section.

28.16 Sec. 23. Minnesota Statutes 2010, section 6.48, is amended to read:

28.17 **6.48 EXAMINATION OF COUNTIES; COST, FEES.**

28.18 (a) All the powers and duties conferred and imposed upon the state auditor shall
28.19 be exercised and performed by the state auditor in respect to the offices, institutions,
28.20 public property, and improvements of several counties of the state. At least once in each
28.21 year, if funds and personnel permit, the state auditor may visit, without previous notice,
28.22 each county and make a thorough examination of all accounts and records relating to the
28.23 receipt and disbursement of the public funds and the custody of the public funds and
28.24 other property. If the audit is performed by a private certified public accountant, the state
28.25 auditor may require additional information from the private certified public accountant as
28.26 the state auditor deems in the public interest. The state auditor may accept the audit or
28.27 make additional examinations as the state auditor deems to be in the public interest. The
28.28 state auditor shall prescribe and install systems of accounts and financial reports that shall
28.29 be uniform, so far as practicable, for the same class of offices. A copy of the report of
28.30 such examination shall be filed and be subject to public inspection in the office of the state
28.31 auditor and another copy in the office of the auditor of the county thus examined. The state
28.32 auditor may accept the records and audit, or any part thereof, of the Department of Human
28.33 Services in lieu of examination of the county social welfare funds, if such audit has been
28.34 made within any period covered by the state auditor's audit of the other records of the
28.35 county. If any such examination shall disclose malfeasance, misfeasance, or nonfeasance

in any office of such county, such report shall be filed with the county attorney of the county, and the county attorney shall institute such civil and criminal proceedings as the law and the protection of the public interests shall require.

(b) The county receiving any examination shall pay to the state general fund, notwithstanding the provisions of section 16A.125, the total cost and expenses of such examinations, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor on deeming it advisable may bill counties, having a population of 200,000 or over, monthly for services rendered and the officials responsible for approving and paying claims shall cause said bill to be promptly paid. The general fund shall be credited with all collections made for any such examinations.

(c) Notwithstanding paragraph (a), a county may provide for an audit to be performed by a certified public accountant firm meeting the requirements of section 326A.05. A county must notify the state auditor before January 1 of a year in which the county intends to have an audit performed by a certified public accounting firm. A county currently using a certified public accounting firm must notify the state auditor before January 1 of a year in which the county intends for the state auditor to audit the county. The audit performed under this paragraph must meet the standards and be in the form required by the state auditor. The state auditor may require additional information from the certified public accountant firm as the state auditor deems in the public interest, but the state auditor must accept the audit unless the state auditor determines that it does not meet recognized industry auditing standards or is not in the form required by the state auditor.

Sec. 24. Minnesota Statutes 2010, section 15.06, subdivision 8, is amended to read:

Subd. 8. Number of deputy commissioners; no assistant commissioners. ~~Unless specifically authorized by statute, other than section 43A.08, subdivision 2~~ Except for the Department of Veterans Affairs, no department or agency specified in subdivision 1 shall have more than one deputy commissioner. No department or agency specified in subdivision 1 may employ an assistant commissioner.

Sec. 25. **[15.062] COST-EFFECTIVE PROVISION OF SERVICES.**

(a) The head or governing board of each state department or agency, including the Minnesota state colleges and universities, must carry out the agency's powers and duties in the most cost-effective manner possible. The agency head or governing board must determine if the most cost-effective manner of carrying out each of the agency's powers and duties is to hire state employees or to contract with outside sources.

(b) If an agency decides to seek an outside vendor to perform work currently done by state employees, the agency must permit groups of state employees to compete for the business by submitting responses to the agency's solicitation documents. Notwithstanding section 16A.127 or any other law to the contrary, no statewide or agency indirect costs may be assessed to a group of agency employees with respect to work performed under a contract awarded to a group of employees under this section. This section supersedes any provision of law preventing a state agency from entering into a contract with a state employee.

Sec. 26. **[15.76] SAVI PROGRAM.**

Subdivision 1. **Program established.** The state agency value initiative (SAVI) program is established to encourage state agencies to identify cost-effective and efficiency measures in agency programs and operations that result in cost savings for the state. All state agencies, including Minnesota State Colleges and Universities, may participate in this program.

Subd. 2. **Retained savings.** (a) In order to encourage innovation and creative cost savings by state employees, upon approval of the commissioner of management and budget, 50 percent of any appropriations for agency operations that remain unspent at the end of a biennium because of unanticipated innovation, efficiencies, or creative cost-savings may be carried forward and retained by the agency to fund specific agency proposals or projects. Agencies choosing to spend retained savings funds must ensure that project expenditures do not create future obligations beyond the amounts available from the retained savings. The retained savings must be used only to fund projects that directly support the agency's mission. This section does not restrict authority granted by other law to carry forward money for a different period or for different purposes.

(b) This section supersedes any contrary provision of section 16A.28.

Subd. 3. **Special peer review panel; review process.** (a) Each participating agency must organize a peer review panel that will determine which proposal or project receives funding from the SAVI program. The peer review panel must be comprised of department employees who are credited with cost-savings initiatives and department managers. The ratio between managers and department employees must be balanced.

(b) An agency may spend money for a project recommended for funding by the peer review panel after:

(1) the agency has posted notice of spending for the proposed project on the agency Web site for at least 30 days; and

31.1 (2) the commissioner of management and budget has approved spending money
31.2 from the SAVI account for the project.

31.3 (c) Before approving a project, the commissioner of management and budget
31.4 must submit the request to the Legislative Advisory Commission for its review and
31.5 recommendation. Upon receiving a request from the commissioner, the Legislative
31.6 Advisory Commission shall post notice of the request on a legislative Web site for at least
31.7 30 days. Failure of the commission to make a recommendation within this 30-day period
31.8 is considered a negative recommendation. A recommendation of the commission must be
31.9 made at a meeting of the commission unless a written recommendation is signed by all
31.10 the members entitled to vote on the item.

31.11 Subd. 4. **SAVI-dedicated account.** Each agency that participates in the SAVI
31.12 program shall have a SAVI-dedicated account in the special revenue fund, or other
31.13 appropriate fund as determined by the commissioner of management and budget, into
31.14 which the agency's savings are deposited. The agency will manage and review projects
31.15 that are funded from this account. Money in the account is appropriated to the participating
31.16 agency for purposes authorized by this section.

31.17 Subd. 5. **Expiration.** This section expires June 30, 2018.

31.18 **EFFECTIVE DATE.** This section is effective June 30, 2013, and first applies to
31.19 funds to be carried forward from the biennium ending June 30, 2013, to the biennium
31.20 beginning July 1, 2013.

31.21 Sec. 27. **[15B.055] PUBLIC ACCESS TO PARKING SPACES.**

31.22 To provide the public with greater access to legislative proceedings, all parking
31.23 spaces on Aurora Avenue in front of the Capitol building must be reserved for the public.
31.24 Revenue derived from public parking in these spaces must be deposited in the general fund.

31.25 Sec. 28. Minnesota Statutes 2010, section 16A.10, subdivision 1a, is amended to read:

31.26 Subd. 1a. **Purpose of performance data.** Performance data shall be presented in
31.27 the budget proposal to:

31.28 (1) provide information so that the legislature can determine the extent to which
31.29 state programs and activities are successful;

31.30 (2) encourage agencies to develop clear and measurable goals and objectives for
31.31 their programs and activities; and

31.32 (3) strengthen accountability to Minnesotans by providing a record of state
31.33 government's performance in providing effective and efficient services.

32.1 Sec. 29. Minnesota Statutes 2010, section 16A.10, subdivision 1b, is amended to read:

32.2 Subd. 1b. **Performance data format.** (a) As part of the budget proposal, agencies
32.3 shall:

32.4 (1) describe the goals and objectives of each agency program and activity; and

32.5 (2) present performance data that measures the performance of programs and
32.6 activities in meeting program goals and objectives.

32.7 (b) Measures reported must be outcome-based and objective, and may include
32.8 indicators of outputs, efficiency, outcomes, and other measures relevant to understanding
32.9 each program and activity.

32.10 (c) Agencies shall present as much historical information as needed to understand
32.11 major trends and shall set targets for future performance issues where feasible and
32.12 appropriate. The information shall appropriately highlight agency performance issues that
32.13 would assist legislative review and decision making.

32.14 (d) For purposes of this subdivision, subdivision 1a, and section 16A.106, the terms
32.15 "program" and "activity" are used in the same manner as the terms are used in state
32.16 budgeting. However, the commissioner may authorize an agency to define these terms in a
32.17 different manner if that allows for a more effective presentation of performance data.

32.18 Sec. 30. Minnesota Statutes 2010, section 16A.10, subdivision 1c, is amended to read:

32.19 Subd. 1c. **Performance measures for change items.** For each change item in the
32.20 budget proposal requesting new or increased funding, the budget document must present
32.21 proposed performance measures that can be used to determine if the new or increased
32.22 funding is accomplishing its goals. To the extent possible, each budget change item
32.23 must identify relevant Minnesota Milestones and other statewide goals and indicators
32.24 related to the proposed initiative. ~~The commissioner must report to the Subcommittee on~~
32.25 ~~Government Accountability established under section 3.885, subdivision 10, regarding the~~
32.26 ~~format to be used for the presentation and selection of Minnesota Milestones and other~~
32.27 ~~statewide goals and indicators.~~

32.28 Sec. 31. Minnesota Statutes 2010, section 16A.103, subdivision 1a, is amended to read:

32.29 Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of
32.30 current laws and reasonable estimates of projected growth in the national and state
32.31 economies and affected populations. Revenue must be estimated for all sources provided
32.32 for in current law. Expenditures must be estimated for all obligations imposed by law and
32.33 those projected to occur as a result of variables outside the control of the legislature.
32.34 Expenditures for the current biennium must be based on actual appropriations or, for

forecasted programs, the amount needed to fund the formula in law. The base for expenditures projections for the next biennium is the amount appropriated in the second year of the current biennium, except as provided by other law, or, for forecasted programs, the amount needed to fund the formula in law. Expenditure estimates must not include an allowance for inflation.

Sec. 32. [16A.106] ZERO-BASED BUDGETING PRINCIPLES.

(a) The detailed budget presented to the legislature must include:

(1) a description of each budget activity for which the agency or entity receives an appropriation in the current biennium or for which the agency or entity requests an appropriation in the next biennium;

(2) for each budget activity, three alternative funding levels or alternative ways of performing the budget activity, at least one of which is less than the previous biennium's actual expenditures for that budget activity, a summary of the priorities that would be accomplished within each level compared to a zero budget, and the additional increments of value that would be added by the higher funding levels compared to what would be accomplished if there were no funding for the activity; and

(3) for each budget activity, performance data as specified in section 16A.10, subdivision 1b, the predicted effect of the three alternative funding levels on future performance, and also one or more measures of cost efficiency and effectiveness of program delivery, which must include comparisons to other states or entities with similar programs.

(b) The commissioner's budget preparation guidelines and instructions must contain requirements, deadlines, and technical assistance to facilitate implementation of this section. After consultation with the legislative commission on planning and fiscal policy, the commissioner's instructions may establish parameters for the three alternative funding levels required in clause (3).

(c) The governor's recommendations must prioritize the budget activities within an agency or program area. To the extent activities in more than one agency or program area are meeting the same goals, the recommendations must prioritize budget activities across agencies or programs with the same goals, and this prioritization must include agencies or programs not subject to zero-based budgeting principles that biennium.

(d) Expenditures for debt service under section 16A.642, subdivision 10, are not subject to zero-based budgeting principles.

EFFECTIVE DATE. (a) The zero-based budgeting principles in this section first apply to the following budget proposals for the biennium beginning July 1, 2013:

- 34.1 (1) legislative branch;
34.2 (2) judicial branch;
34.3 (3) Minnesota State Colleges and Universities system; and
34.4 (4) approximately half of expenditure programs in the executive branch, designated
34.5 by the governor, in consultation with the chairs and lead minority members of the senate
34.6 Finance Committee and the house of representatives Ways and Means Committee.
34.7 (b) The zero-based budgeting principles in this section apply to all budget proposals
34.8 for the biennium beginning July 1, 2015, and after.

34.9 Sec. 33. Minnesota Statutes 2010, section 16A.11, subdivision 3, is amended to read:

34.10 Subd. 3. **Part two: detailed budget.** (a) Part two of the budget, the detailed budget
34.11 estimates both of expenditures and revenues, must contain any statements on the financial
34.12 plan which the governor believes desirable or which may be required by the legislature.
34.13 The detailed estimates shall include the governor's budget arranged in tabular form.

34.14 (b) For programs designated for the zero-based budgeting principles under section
34.15 16A.106, the budget must be prepared according to the requirements of that section.

34.16 (c) For programs not designated for zero-based budgeting principles under section
34.17 16A.106, tables listing expenditures for the next biennium must show the appropriation
34.18 base for each year as defined in section 16A.103, subdivision 1c. ~~The appropriation base~~
34.19 ~~is the amount appropriated for the second year of the current biennium.~~ The tables must
34.20 separately show any adjustments to the base required by current law or policies of the
34.21 commissioner of management and budget. For forecasted programs, the tables must also
34.22 show the amount of the forecast adjustments, based on the most recent forecast prepared
34.23 by the commissioner of management and budget under section 16A.103. For all programs,
34.24 the tables must show the amount of appropriation changes recommended by the governor,
34.25 after adjustments to the base and forecast adjustments, and the total recommendation of
34.26 the governor for that year.

34.27 ~~(c)~~ (d) The detailed estimates must include a separate line listing the total cost of
34.28 professional and technical service contracts for the prior biennium and the projected costs
34.29 of those contracts for the current and upcoming biennium. They must also include a
34.30 summary of the personnel employed by the agency, reflected as full-time equivalent
34.31 positions.

34.32 ~~(d)~~ (e) The detailed estimates for internal service funds must include the number of
34.33 full-time equivalents by program; detail on any loans from the general fund, including
34.34 dollar amounts by program; proposed investments in technology or equipment of \$100,000
34.35 or more; an explanation of any operating losses or increases in retained earnings; and a

35.1 history of the rates that have been charged, with an explanation of any rate changes and
35.2 the impact of the rate changes on affected agencies.

35.3 Sec. 34. Minnesota Statutes 2010, section 16A.28, subdivision 3, is amended to read:

35.4 Subd. 3. **Lapse.** Any portion of any appropriation not carried forward and remaining
35.5 unexpended and unencumbered at the close of a fiscal year lapses to the fund from which
35.6 it was originally appropriated. Except as provided in section 15.76, any appropriation
35.7 amounts not carried forward and remaining unexpended and unencumbered at the close of
35.8 a biennium lapse to the fund from which the appropriation was made.

35.9 **EFFECTIVE DATE.** This section is effective June 30, 2013.

35.10 Sec. 35. **[16A.90] EMPLOYEE GAINSHARING SYSTEM.**

35.11 The commissioner shall establish a program to provide onetime bonus compensation
35.12 to state employees for efforts made to reduce the costs of operating state government or for
35.13 ways of providing better or more efficient state services. The commissioner may make a
35.14 onetime award to an employee or group of employees whose suggestion or involvement in
35.15 a project is determined by the commissioner to have resulted in documented cost-savings
35.16 to the state. The maximum award is ten percent of the documented savings in the
35.17 first fiscal year in which the savings are realized. The award must be paid from the
35.18 appropriation to which the savings accrued.

35.19 Sec. 36. **[16A.93] MINNESOTA PAY FOR PERFORMANCE ACT.**

35.20 Sections 16A.93 to 16A.96 may be cited as the "Minnesota Pay for Performance
35.21 Act of 2011."

35.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

35.23 Sec. 37. **[16A.94] PROGRAM.**

35.24 Subdivision 1. **Pilot program established.** The commissioner shall implement a
35.25 pilot program to demonstrate the feasibility and desirability of using state appropriation
35.26 bonds to pay for certain services based on performance and outcomes for the people served.

35.27 Subd. 2. **Oversight committee.** (a) The commissioner shall appoint an oversight
35.28 committee to:

35.29 (1) identify criteria to select one or more services to be included in the pilot program;

35.30 (2) identify the conditions of performance and desired outcomes for the people
35.31 served by each service selected;

(3) identify criteria to evaluate whether a service has met the performance conditions; and

(4) provide any other advice or assistance requested by the commissioner.

(b) The oversight committee must include the commissioners of the Departments of Human Services, Employment and Economic Development, and Administration, or their designees; a representative of a nonprofit organization that has participated in a pay-for-performance program; and any other person or organization that the commissioner determines would be of assistance in developing and implementing the pilot program.

Subd. 3. **Contracts.** The commissioner and the commissioner of the agency with a service to be provided through the pilot program shall enter into a contract with the selected provider. The contract must specify the service to be provided, the time frame in which it is to be provided, the outcome required for payment, and any other terms deemed necessary or convenient for implementation of the pilot program. The commissioner shall pay a provider that has met the terms and conditions of a contract with money appropriated to the commissioner from the special appropriation bond proceeds account established in section 16A.96. At a minimum, before the commissioner pays a provider, the commissioner must determine that the state's return on investment is positive.

Subd. 4. **Return on investment calculation.** The commissioner, in consultation with the oversight committee, must establish the method and data required for calculating the state's return on investment. The data at a minimum must include:

(1) state income taxes and any other revenues collected in the year after the service was provided that would not have been collected without the service; and

(2) costs avoided by the state by providing the service.

A positive return on investment for the state will cover the state's costs in financing and administering the pilot program through documented increased state tax revenue or cost avoidance.

Subd. 5. **Report to governor and legislature.** The commissioner must report to the governor and legislative committees with jurisdiction over capital investment, finance, and ways and means, and the services included in the pilot program, by January 15 of each year following a year in which the pilot program is operating. The report must describe and discuss the criteria for selection and evaluation of services to be provided through the program, the net benefits to the state of the program, the state's return on investment, the cost of the services provided by other means in the most recent past, the time frame for payment for the services, and the timing and costs for sale and issuance of the bonds authorized in section 16A.96.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 38. [16A.96] MINNESOTA PAY FOR PERFORMANCE PROGRAM;
APPROPRIATION BONDS.

Subdivision 1. Definitions. (a) The definitions in this subdivision apply to this section.

(b) "Appropriation bond" means a bond, note, or other similar instrument of the state payable during a biennium from one or more of the following sources:

(1) money appropriated by law in any biennium for debt service due with respect to obligations described in subdivision 2, paragraph (b);

(2) proceeds of the sale of obligations described in subdivision 2, paragraph (b);

(3) payments received for that purpose under agreements and ancillary arrangements described in subdivision 2, paragraph (d); and

(4) investment earnings on amounts in clauses (1) to (3).

(c) "Debt service" means the amount payable in any biennium of principal, premium, if any, and interest on appropriation bonds.

Subd. 2. Authority. (a) Subject to the limitations of this subdivision, the commissioner of management and budget may sell and issue appropriation bonds of the state under this section for the purposes of the Minnesota pay for performance program established in sections 16A.93 to 16A.96. Proceeds of the bonds must be credited to a special appropriation bond proceeds account in the state treasury. Net income from investment of the proceeds, as estimated by the commissioner, must be credited to the special appropriation bond proceeds account.

(b) Appropriation bonds may be sold and issued in amounts that, in the opinion of the commissioner, are necessary to provide sufficient funds for achieving the purposes authorized as provided under paragraph (a), and pay debt service, pay costs of issuance, make deposits to reserve funds, pay the costs of credit enhancement, or make payments under other agreements entered into under paragraph (d); provided, however, that bonds issued and unpaid shall not exceed \$20,000,000 in principal amount, excluding refunding bonds sold and issued under subdivision 4. During the biennium ending June 30, 2013, the commissioner may sell and issue bonds only in an amount that the commissioner determines will result in principal and interest payments less than the amount of savings to be generated through pay-for-performance contracts under section 16A.94. For programs achieving savings under a pay-for-performance contract, the commissioner must reduce general fund appropriations by at least the amount of principal and interest payments on bonds issued under this section.

(c) Appropriation bonds may be issued in one or more series on the terms and conditions the commissioner determines to be in the best interests of the state, but the term on any series of bonds may not exceed 20 years.

(d) At the time of, or in anticipation of, issuing the appropriation bonds, and at any time thereafter, so long as the appropriation bonds are outstanding, the commissioner may enter into agreements and ancillary arrangements relating to the appropriation bonds, including but not limited to trust indentures, liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, guaranty agreements, reimbursement agreements, indexing agreements, or interest exchange agreements. Any payments made or received according to the agreement or ancillary arrangement shall be made from or deposited as provided in the agreement or ancillary arrangement. The determination of the commissioner included in an interest exchange agreement that the agreement relates to an appropriation bond shall be conclusive.

Subd. 3. Form; procedure. (a) Appropriation bonds may be issued in the form of bonds, notes, or other similar instruments, and in the manner provided in section 16A.672. In the event that any provision of section 16A.672 conflicts with this section, this section shall control.

(b) Every appropriation bond shall include a conspicuous statement of the limitation established in subdivision 6.

(c) Appropriation bonds may be sold at either public or private sale upon such terms as the commissioner shall determine are not inconsistent with this section and may be sold at any price or percentage of par value. Any bid received may be rejected.

(d) Appropriation bonds may bear interest at a fixed or variable rate.

Subd. 4. Refunding bonds. The commissioner from time to time may issue appropriation bonds for the purpose of refunding any appropriation bonds then outstanding, including the payment of any redemption premiums on the bonds, any interest accrued or to accrue to the redemption date, and costs related to the issuance and sale of the refunding bonds. The proceeds of any refunding bonds may, in the discretion of the commissioner, be applied to the purchase or payment at maturity of the appropriation bonds to be refunded, to the redemption of the outstanding bonds on any redemption date, or to pay interest on the refunding bonds and may, pending application, be placed in escrow to be applied to the purchase, payment, retirement, or redemption. Any escrowed proceeds, pending such use, may be invested and reinvested in obligations that are authorized investments under section 11A.24. The income earned or realized on the investment may also be applied to the payment of the bonds to be refunded or interest or premiums on the refunded bonds, or to pay interest on the refunding bonds. After

39.1 the terms of the escrow have been fully satisfied, any balance of the proceeds and any
39.2 investment income may be returned to the general fund or, if applicable, the appropriation
39.3 bond proceeds account for use in any lawful manner. All refunding bonds issued under
39.4 this subdivision must be prepared, executed, delivered, and secured by appropriations in
39.5 the same manner as the bonds to be refunded.

39.6 Subd. 5. **Appropriation bonds as legal investments.** Any of the following entities
39.7 may legally invest any sinking funds, money, or other funds belonging to them or under
39.8 their control in any appropriation bonds issued under this section:

39.9 (1) the state, the investment board, public officers, municipal corporations, political
39.10 subdivisions, and public bodies;

39.11 (2) banks and bankers, savings and loan associations, credit unions, trust companies,
39.12 savings banks and institutions, investment companies, insurance companies, insurance
39.13 associations, and other persons carrying on a banking or insurance business; and

39.14 (3) personal representatives, guardians, trustees, and other fiduciaries.

39.15 Subd. 6. **No full faith and credit; state not required to make appropriations.**

39.16 The appropriation bonds are not public debt of the state, and the full faith, credit, and
39.17 taxing powers of the state are not pledged to the payment of the appropriation bonds or to
39.18 any payment that the state agrees to make under this section. Appropriation bonds shall
39.19 not be obligations paid directly, in whole or in part, from a tax of statewide application
39.20 on any class of property, income, transaction, or privilege. Appropriation bonds shall be
39.21 payable in each fiscal year only from amounts that the legislature may appropriate for debt
39.22 service for any fiscal year, provided that nothing in this section shall be construed to
39.23 require the state to appropriate funds sufficient to make debt service payments with respect
39.24 to the bonds in any fiscal year.

39.25 Subd. 7. **Appropriation of proceeds.** The proceeds of appropriation bonds and
39.26 interest credited to the special appropriation bond proceeds account are appropriated to the
39.27 commissioner for payment of contract obligations under the pay for performance program,
39.28 as permitted by state and federal law, and nonsalary expenses incurred in conjunction
39.29 with the sale of the appropriation bonds.

39.30 Subd. 8. **Appropriation for debt service.** The amount needed to pay principal and
39.31 interest on appropriation bonds issued under this section is appropriated each year to the
39.32 commissioner from the general fund subject to the repeal, unallotment under section
39.33 16A.152, or cancellation otherwise pursuant to subdivision 6.

39.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

40.1 Sec. 39. Minnesota Statutes 2010, section 16B.03, is amended to read:

40.2 **16B.03 APPOINTMENTS.**

40.3 The commissioner is authorized to appoint staff, including ~~two~~ one deputy
40.4 ~~commissioners~~ commissioner, in accordance with chapter 43A.

40.5 Sec. 40. **[16C.075] E-VERIFY.**

40.6 A contract for services valued in excess of \$50,000 must require certification from
40.7 the vendor and any subcontractors that, as of the date services on behalf of the state of
40.8 Minnesota will be performed, the vendor and all subcontractors have implemented or are
40.9 in the process of implementing the federal E-Verify program for all newly hired employees
40.10 in the United States who will perform work on behalf of the state of Minnesota.

40.11 **EFFECTIVE DATE.** This section is effective July 1, 2011, and applies to contracts
40.12 entered into on or after that date.

40.13 Sec. 41. Minnesota Statutes 2010, section 16C.08, subdivision 2, is amended to read:

40.14 Subd. 2. **Duties of contracting agency.** (a) Before an agency may seek approval of
40.15 a professional or technical services contract valued in excess of \$5,000, it must provide
40.16 the following:

40.17 (1) a description of how the proposed contract or amendment is necessary and
40.18 reasonable to advance the statutory mission of the agency;

40.19 (2) a description of the agency's plan to notify firms or individuals who may be
40.20 available to perform the services called for in the solicitation;

40.21 (3) a description of the performance measures or other tools, including accessibility
40.22 measures if applicable, that will be used to monitor and evaluate contract performance; and

40.23 (4) an explanation detailing, if applicable, why this procurement is being pursued
40.24 unilaterally by the agency and not as an enterprise procurement.

40.25 (b) In addition to paragraph (a), the agency must certify that:

40.26 ~~(1) no current state employee is able and available to perform the services called~~
40.27 ~~for by the contract;~~

40.28 ~~(2)~~ (1) the normal competitive bidding mechanisms will not provide for adequate
40.29 performance of the services;

40.30 ~~(3)~~ (2) reasonable efforts will be made to publicize the availability of the contract
40.31 to the public;

40.32 ~~(4)~~ (3) the agency will develop and implement a written plan providing for the
40.33 assignment of specific agency personnel to manage the contract, including a monitoring

and liaison function, the periodic review of interim reports or other indications of past performance, and the ultimate utilization of the final product of the services;

~~(5)~~ (4) the agency will not allow the contractor to begin work before the contract is fully executed unless an exception under section 16C.05, subdivision 2a, has been granted by the commissioner and funds are fully encumbered;

~~(6)~~ (5) the contract will not establish an employment relationship between the state or the agency and any persons performing under the contract; and

~~(7)~~ (6) in the event the results of the contract work will be carried out or continued by state employees upon completion of the contract, the contractor is required to include state employees in development and training, to the extent necessary to ensure that after completion of the contract, state employees can perform any ongoing work related to the same function; ~~and~~

~~(8) the agency will not contract out its previously eliminated jobs for four years without first considering the same former employees who are on the seniority unit layoff list who meet the minimum qualifications determined by the agency.~~

(c) A contract establishes an employment relationship for purposes of paragraph (b), clause ~~(6)~~ (5), if, under federal laws governing the distinction between an employee and an independent contractor, a person would be considered an employee.

Sec. 42. Minnesota Statutes 2010, section 16C.09, is amended to read:

16C.09 PROCEDURE FOR SERVICE CONTRACTS.

(a) Before entering into or approving a service contract, the commissioner must determine, at least, that:

~~(1) no current state employee is able and available to perform the services called for by the contract;~~

~~(2)~~ (1) the work to be performed under the contract is necessary to the agency's achievement of its statutory responsibilities and there is statutory authority to enter into the contract;

~~(3)~~ (2) the contract will not establish an employment relationship between the state or the agency and any persons performing under the contract;

~~(4)~~ (3) the contractor and agents are not employees of the state, except as authorized in section 15.062;

~~(5)~~ (4) the contracting agency has specified a satisfactory method of evaluating and using the results of the work to be performed; and

~~(6)~~ (5) the combined contract and amendments will not exceed five years without specific, written approval by the commissioner according to established policy, procedures,

and standards, or unless otherwise provided for by law. The term of the original contract must not exceed two years, unless the commissioner determines that a longer duration is in the best interest of the state.

~~(b) For purposes of paragraph (a), clause (1), employees are available if qualified and:~~

~~(1) are already doing the work in question; or~~

~~(2) are on layoff status in classes that can do the work in question.~~

~~An employee is not available if the employee is doing other work, is retired, or has decided not to do the work in question.~~

~~(e)~~ (b) This section does not apply to an agency's use of inmates pursuant to sections 241.20 to 241.23 or to an agency's use of persons required by a court to provide:

(1) community service; or

(2) conservation or maintenance services on lands under the jurisdiction and control of the state.

Sec. 43. **[16D.20] FEDERAL OFFSET PROGRAM.**

(a) The commissioner may enter into an agreement with the United States Secretary of the Treasury to participate in an offset program authorized under United States Code, title 31, section 3716, for the collection of debts owed to state agencies. The agreement may provide for the United States to submit debts owed to federal agencies for offset against state payments, similar to the procedures for offsetting debts owed to state agencies from federal payments.

(b) The commissioner shall reduce any state payment by the amount of any federal debt submitted in accordance with the agreement authorized by this section, and pay such amount to the appropriate federal official in accordance with the procedures specified in such agreement.

(c) The commissioner may, by rule, establish a reasonable administrative fee to be charged to the debtor for the contingency fee-based processing of state payment offsets for the recovery of federal nontax debts or the contingency fee-based processing of federal payment offsets for the recovery of state tax and nontax debt. The fee is a separate debt and may be withheld from any refund, reimbursement, or other money held for the debtor.

(d) An agreement under this section must not allow for offset of payments if the debt that would be subject to the offset is being contested or if the time for appealing the determination of the debt has not yet expired.

EFFECTIVE DATE. This section is effective the day following final enactment. As soon as possible after that date, the commissioner must discuss an agreement authorized under this section with appropriate federal officials, and if an agreement is entered into, the commissioner must begin to implement it to collect debts owed to the state as soon as possible.

Sec. 44. Minnesota Statutes 2010, section 37.06, is amended to read:

37.06 SECRETARY; LEGISLATIVE AUDITOR; DUTIES; REPORT.

The secretary shall keep a complete record of the proceedings of the annual meetings of the State Agricultural Society and all meetings of the board of managers and any committee of the board, keep all accounts of the society other than those kept by the treasurer of the society, and perform other duties as directed by the board of managers. On or before December 31 each year, the secretary shall report to the governor for the fiscal year ending October 31 all the proceedings of the society during the current year and its financial condition as appears from its books. This report must contain a full, detailed statement of all receipts and expenditures during the year.

The books and accounts of the society for the fiscal year must be examined and audited annually by an independent auditor, either a private auditor or the legislative auditor. If the audit is conducted by the legislative auditor, the cost of the examination must be paid by the society to the state and credited to the general fund.

A summary of this examination, certified by the ~~legislative~~ auditor, must be appended to the secretary's report, along with the ~~legislative~~ auditor's recommendations and the proceedings of the first annual meeting of the society held following the secretary's report, including addresses made at the meeting as directed by the board of managers. The summary, recommendations, and proceedings must be printed in the same manner as the reports of state officers. Copies of the report must be printed annually and distributed as follows: to each society or association entitled to membership in the society, to each newspaper in the state, and the remaining copies as directed by the board of managers.

Sec. 45. Minnesota Statutes 2010, section 43A.08, subdivision 1, is amended to read:

Subdivision 1. **Unclassified positions.** Unclassified positions are held by employees who are:

(1) chosen by election or appointed to fill an elective office;

(2) heads of agencies required by law to be appointed by the governor or other elective officers, and the executive or administrative heads of departments, bureaus, divisions, and institutions specifically established by law in the unclassified service;

(3) ~~deputy and assistant~~ agency heads and one confidential secretary in the agencies listed in ~~subdivision 1a and in the Office of Strategic and Long-Range Planning section 15.06, subdivision 1;~~

(4) the confidential secretary to each of the elective officers of this state and, for the secretary of state and state auditor, an additional deputy, clerk, or employee;

(5) intermittent help employed by the commissioner of public safety to assist in the issuance of vehicle licenses;

(6) employees in the offices of the governor and of the lieutenant governor and one confidential employee for the governor in the Office of the Adjutant General;

(7) employees of the Washington, D.C., office of the state of Minnesota;

(8) employees of the legislature and of legislative committees or commissions; provided that employees of the Legislative Audit Commission, except for the legislative auditor, the deputy legislative auditors, and their confidential secretaries, shall be employees in the classified service;

(9) presidents, vice-presidents, deans, other managers and professionals in academic and academic support programs, administrative or service faculty, teachers, research assistants, and student employees eligible under terms of the federal Economic Opportunity Act work study program in the Perpich Center for Arts Education and the Minnesota State Colleges and Universities, but not the custodial, clerical, or maintenance employees, or any professional or managerial employee performing duties in connection with the business administration of these institutions;

(10) officers and enlisted persons in the National Guard;

(11) attorneys, legal assistants, and three confidential employees appointed by the attorney general or employed with the attorney general's authorization;

(12) judges and all employees of the judicial branch, referees, receivers, jurors, and notaries public, except referees and adjusters employed by the Department of Labor and Industry;

(13) members of the State Patrol; provided that selection and appointment of State Patrol troopers must be made in accordance with applicable laws governing the classified service;

(14) examination monitors and intermittent training instructors employed by the Departments of Management and Budget and Commerce and by professional examining boards and intermittent staff employed by the technical colleges for the administration of practical skills tests and for the staging of instructional demonstrations;

(15) student workers;

(16) executive directors or executive secretaries appointed by and reporting to any policy-making board or commission established by statute;

(17) employees unclassified pursuant to other statutory authority;

(18) intermittent help employed by the commissioner of agriculture to perform duties relating to pesticides, fertilizer, and seed regulation;

(19) the administrators and the deputy administrators at the State Academies for the Deaf and the Blind; and

(20) chief executive officers in the Department of Human Services.

Sec. 46. Minnesota Statutes 2010, section 43A.20, is amended to read:

43A.20 PERFORMANCE APPRAISAL AND PAY.

(a) The commissioner shall design and maintain a performance appraisal system under which each employee in the civil service in the executive branch shall be evaluated and counseled on work performance at least once a year. The performance appraisal system must include three components:

(1) evaluation of the individual employee's performance relative to goals for that individual, which must constitute a majority of the overall determination of an employee's performance;

(2) evaluation of the performance of the individual employee's program, defined by the agency head, toward meeting targeted outcomes for the program; and

(3) evaluation of the performance of the entire agency toward meeting targeted outcomes for the agency.

(b) Individual pay increases for all employees ~~not represented by an exclusive representative certified pursuant to chapter 179A~~ shall be based on the evaluation evaluations required by paragraph (a) and other factors consistent with paragraph (a) that the commissioner negotiates in collective bargaining agreements or includes in the plans developed pursuant to section 43A.18. ~~Collective bargaining agreements entered into pursuant to chapter 179A may, and are encouraged to, provide for pay increases based on employee work performance.~~ An employee in the executive branch may not receive an increase in salary or wages based on cost of living or progression to another step or lane unless the employee's supervisor certifies that the employee's performance has been satisfactory.

(c) This section does not apply to faculty and administrators in the Minnesota State Colleges and University system.

(d) This section supersedes any conflicting provision of other law.

EFFECTIVE DATE. This section is effective July 1, 2011. For employees covered by a collective bargaining agreement, this section applies to collective bargaining agreements entered into on or after that date.

Sec. 47. **[43A.347] REDUCTION IN STATE WORK FORCE; EARLY RETIREMENT PROGRAM.**

Subdivision 1. **Required reduction.** (a) The number of full-time equivalent employees employed in the executive branch, and the costs directly associated with employing those persons, must be reduced by at least 12 percent by June 30, 2013, and 15 percent by June 30, 2015, and thereafter, compared to the number of full-time equivalent positions and the costs directly associated with those positions on January 1, 2011.

(b) An appointing authority may use any or all of the following to achieve this requirement: attrition, a hard hiring freeze, early retirement incentives authorized in this section, restructuring of benefit or pension programs as authorized by other law, furloughs, and layoffs. The early retirement program in this section is enacted as a tool to assist in complying with the required 15 percent reduction.

(c) For purposes of this section:

(1) "costs directly associated" with employing people means the cost of salaries and benefits, including the costs of employer contributions to public pension plans; and

(2) "executive branch" does not include the Minnesota State Colleges and Universities.

Subd. 2. **Analysis.** Before authorizing an early retirement under subdivision 3 or 4, the commissioner must perform analysis, including actuarial analysis, as necessary to determine the maximum number of employees to whom incentives will be offered, and the percentage of resulting savings estimated to be needed to pay pension funds to cover costs to the funds of the incentive in this section. The commissioner must use this analysis in determining how to best implement this section.

Subd. 3. **Pension early retirement incentive.** (a) The commissioner of management and budget may authorize an executive branch appointing authority to offer an early retirement incentive under this subdivision to an employee who upon retirement would be immediately eligible to receive an annuity from the public pension plan under which the employee is covered immediately before separation from state service. The commissioner may establish time periods during which the incentive may be offered and during which the incentive must be accepted, may establish limits on the number of employees to whom an appointing authority, or all appointing authorities collectively, may offer the incentive, and may establish other conditions for the incentive.

47.1 (b) For an employee offered an incentive under this subdivision, for each full
47.2 year of service credit that the employee has in a plan administered by the Minnesota
47.3 State Retirement System, the Public Employees Retirement Association, or the Teachers
47.4 Retirement Association, the employee must be granted an additional month of service
47.5 credit in the plan under which the employee is covered immediately before separation
47.6 from state service under this subdivision.

47.7 (c) Upon request of an appointing authority considering offering an incentive under
47.8 this subdivision, the executive director of the public pension plan in which an employee
47.9 would be granted additional service credit under this subdivision must prepare an estimate
47.10 of the present value of the additional service credit that would be granted to an employee
47.11 under this subdivision. For each employee accepting an incentive under this subdivision,
47.12 the appointing authority offering the incentive must pay the applicable public pension
47.13 plan, from the first dollars of savings achieved through offering the incentive, the present
47.14 value of the additional service credit granted to the employee, taking into account the date
47.15 payment will be received from the appointing authority. The appointing authority must
47.16 make this payment to the pension plan within one year of the date the employee accepting
47.17 the incentive leaves state service.

47.18 Subd. 4. **Insurance early retirement incentive.** The commissioner of management
47.19 and budget may authorize an executive appointing authority to offer the incentive
47.20 originally offered under Laws 2010, chapter 337, to employees who retire from state
47.21 service during periods that the commissioner specifies before June 30, 2015. The terms and
47.22 conditions specified in Laws 2010, chapter 337, apply to an incentive offered under this
47.23 subdivision, except for the dates specified in that law for accepting the incentive and for
47.24 retiring, and except that the prohibition on reemployment or contracting is for the period
47.25 specified in this section, instead of the shorter period specified in Laws 2010, chapter 337.

47.26 Subd. 5. **Best practices.** In implementing this section, the commissioner of
47.27 management and budget and affected agencies shall utilize best practices as identified by
47.28 other states that have implemented early retirement programs.

47.29 Subd. 6. **Hiring freeze.** To promote streamlined government and reduced costs,
47.30 no state appointing authority may fill by outside hire a position vacated through state
47.31 employee participation in an early retirement incentive under this section.

47.32 Subd. 7. **Reemployment prohibition.** An employee who receives an early
47.33 retirement incentive under this section may not be reemployed with the state or enter into
47.34 a contract with the state as a consultant for five years after termination.

Subd. 8. **Savings.** Savings resulting from implementation of this section, after any payments made under subdivisions 3 and 4, must cancel back to the fund in which the savings occurred.

Subd. 9. **Not applicable to elected officials.** A state elected official is not a state employee for purposes of this section.

Sec. 48. Minnesota Statutes 2010, section 45.013, is amended to read:

45.013 POWER TO APPOINT STAFF.

The commissioner of commerce may appoint ~~four~~ one deputy commissioners, ~~four~~ assistant commissioners, and an assistant to the commissioner. ~~Those positions, as well as that of and a confidential secretary, are in the unclassified service.~~ The commissioner may appoint other employees necessary to carry out the duties and responsibilities entrusted to the commissioner.

Sec. 49. Minnesota Statutes 2010, section 84.01, subdivision 3, is amended to read:

Subd. 3. **Employees; delegation.** ~~Subject to the provisions of Laws 1969, chapter 1129, and to other applicable laws~~ The commissioner shall organize the department and employ ~~up to three assistant commissioners, each of whom shall serve at the pleasure of the commissioner in the unclassified service, one of whom shall have responsibility for coordinating and directing the planning of every division within the agency, and such other~~ officers, employees, and agents as the commissioner may deem necessary to discharge the functions of the department, define the duties of such officers, employees, and agents and to delegate to them any of the commissioner's powers, duties, and responsibilities subject to the control of, and under the conditions prescribed by, the commissioner. Appointments to exercise delegated power shall be by written order filed with the secretary of state.

Sec. 50. Minnesota Statutes 2010, section 116.03, subdivision 1, is amended to read:

Subdivision 1. **Office.** (a) The office of commissioner of the Pollution Control Agency is created and is under the supervision and control of the commissioner, who is appointed by the governor under the provisions of section 15.06.

(b) The commissioner may appoint a deputy commissioner ~~and assistant commissioners~~ who shall be in the unclassified service.

(c) The commissioner shall make all decisions on behalf of the agency that are not required to be made by the agency under section 116.02.

Sec. 51. Minnesota Statutes 2010, section 116J.01, subdivision 5, is amended to read:

Subd. 5. **Departmental organization.** (a) The commissioner shall organize the department as provided in section 15.06.

(b) The commissioner may establish divisions and offices within the department.
~~The commissioner may employ four deputy commissioners in the unclassified service.~~

(c) The commissioner shall:

(1) employ assistants and other officers, employees, and agents that the commissioner considers necessary to discharge the functions of the commissioner's office;

(2) define the duties of the officers, employees, and agents, and delegate to them any of the commissioner's powers, duties, and responsibilities, subject to the commissioner's control and under conditions prescribed by the commissioner.

(d) The commissioner shall ensure that there are at least three employment and economic development officers in state offices in nonmetropolitan areas of the state who will work with local units of government on developing local employment and economic development.

Sec. 52. Minnesota Statutes 2010, section 116J.035, subdivision 4, is amended to read:

Subd. 4. **Delegation of powers.** The commissioner may delegate, in written orders filed with the secretary of state, any powers or duties subject to the commissioner's control to officers and employees in the department. Regardless of any other law, the commissioner may delegate the execution of specific contracts or specific types of contracts to the commissioner's ~~deputies, an assistant commissioner, deputy~~ or a program director if the delegation has been approved by the commissioner of administration and filed with the secretary of state.

Sec. 53. Minnesota Statutes 2010, section 174.02, subdivision 2, is amended to read:

Subd. 2. **Unclassified positions.** The commissioner may ~~establish four positions in the unclassified service at the~~ appoint a deputy and assistant commissioner, assistant to commissioner or and a personal secretary levels. ~~No more than two of these positions shall be at the deputy commissioner level in the unclassified service.~~

Sec. 54. Minnesota Statutes 2010, section 241.01, subdivision 2, is amended to read:

Subd. 2. ~~Deputies~~ **Deputy.** The commissioner of corrections may appoint and employ ~~no more than two a deputy commissioners~~ commissioner. The commissioner may also appoint a personal secretary, who shall serve at the commissioner's pleasure in the unclassified civil service.

Sec. 55. Laws 2010, chapter 361, article 3, section 8, is amended to read:

Sec. 8. USE OF CARRYFORWARD.

The restrictions in Minnesota Statutes, section 16A.281, on the use of money carried forward from one biennium to another shall not apply to money the legislative auditor carried forward from the ~~previous biennium for use in fiscal years 2010 and 2011~~ ending June 30, 2009, or the biennium ending June 30, 2011. The legislative auditor may use the carry forward money for costs related to the conduct of audits related to funds authorized in the Minnesota Constitution, Article XI, section 15, and audits related to the institutions, offices, and functions of Minnesota State Colleges and Universities.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 56. SALARY FREEZE.

(a) Effective July 1, 2011, a state employee may not receive a salary or wage increase before July 1, 2013. This section prohibits any increases, including but not limited to: across-the-board increases; cost-of-living adjustments; increases based on longevity; step increases; increases in the form of lump-sum payments; increases in employer contributions to deferred compensation plans; or any other pay grade adjustments of any kind. This section does not prohibit an increase in the rate of salary and wages for an employee who is promoted or transferred to a position with greater responsibilities and with a higher salary or wage rate. For purposes of this section, "state employee" means an "employee" as defined in Minnesota Statutes, section 43A.02, subdivision 21, but does not include faculty or administrators in the Minnesota State Colleges and Universities.

(b) A state appointing authority may not enter into a collective bargaining agreement or implement a compensation plan that increases salary or wages in a manner prohibited by this section. Neither a state appointing authority nor an exclusive representative of state employees may request interest arbitration in relation to an increase in salary or wages that is prohibited by this section, and an arbitrator may not issue an award that would increase salary or wages in a manner prohibited by this section.

EFFECTIVE DATE. Paragraph (b) is effective the day following final enactment.
Paragraph (a) is effective June 30, 2011.

Sec. 57. STATE JOB CLASSIFICATIONS.

The commissioner of management and budget shall report to the legislature by January 15, 2012, on a process to redesign and consolidate the job classification plan for executive branch employees, with a goal of assigning all classified positions to no more

51.1 than 50 job families. The process must lead to development of a new job classification
51.2 plan designed to enhance the ability of state agencies to flexibly manage their workforces
51.3 to meet changing needs and demands of the agency, and to enhance the ability of state
51.4 employees to transfer to other positions for which they are qualified. In developing this
51.5 process, the commissioner must meet and confer with the exclusive representatives of each
51.6 affected bargaining unit. The report to the legislature must identify implementation issues.

51.7 Sec. 58. **DEPARTMENT OF REVENUE; REQUEST FOR PROPOSALS.**

51.8 (a) The commissioner of revenue shall issue a request for proposals for a contract to
51.9 implement a system of tax analytics and business intelligence tools to enhance the state's
51.10 tax collection process and revenues by improving the means of identifying candidates
51.11 for audit and collection activities and prioritizing those activities to provide the highest
51.12 returns on auditors' and collection agents' time. The request for proposals must require
51.13 that the system recommended and implemented by the contractor:

51.14 (1) leverage the Department of Revenue's existing data and other available data
51.15 sources to build models that more effectively and efficiently identify accounts for audit
51.16 review and collections;

51.17 (2) leverage advanced analytical techniques and technology such as pattern
51.18 detection, predictive modeling, clustering, outlier detection and link analysis to identify
51.19 suspect accounts for audit review and collections;

51.20 (3) leverage a variety of approaches and analytical techniques to rank accounts and
51.21 improve the success rate and the return on investment of department employees engaged
51.22 in audit activities;

51.23 (4) leverage technology to make the audit process more sustainable and stable, even
51.24 with turnover of department auditing staff;

51.25 (5) provide optimization capabilities to more effectively prioritize collections and
51.26 increase the efficiency of employees engaged in collections activities; and

51.27 (6) incorporate mechanisms to decrease wrongful auditing and reduce interference
51.28 with Minnesota taxpayers who are fully complying with the laws.

51.29 (b) Based on reasonable responses to the request for proposals, the commissioner
51.30 shall enter into a contract for the services specified in paragraph (a) by October 1, 2011.

51.31 (c) Incorporating the system of tax analytics and business intelligence tools under
51.32 the contract in this section, the commissioner of revenue shall identify and collect tax
51.33 liabilities from individuals and businesses that currently do not pay all taxes owed.
51.34 The commissioner may enter into additional contracts and retain up to five percent
51.35 administrative costs as necessary to implement this section. A contract may incorporate a

52.1 vendor financing option. This financing option may not make the vendor's compensation
52.2 contingent on the amount collected as a result of an audit or an assessment determined
52.3 by the vendor.

52.4 (d) \$11,504,000 for the fiscal year ending June 30, 2012, and \$23,269,000 for
52.5 the fiscal year ending June 30, 2013, are appropriated from the general fund to the
52.6 commissioner of revenue for purposes of this section. This initiative is expected to result
52.7 in new general fund revenues of \$133,000,000 for the biennium ending June 30, 2013.

52.8 (e) The commissioner of revenue must report to the chairs of the house of
52.9 representatives Ways and Means and senate Finance Committees by March 1, 2012, and
52.10 January 15, 2013, on collection of additional revenue under this section.

52.11 (f)(1) If the commissioner of revenue determines that the initiative under this section
52.12 will result in new general fund revenues of less than \$133,000,000 for the biennium
52.13 ending June 30, 2013, the commissioner must notify the commissioner of management
52.14 and budget of the amount of new general fund revenues anticipated under this section.

52.15 (2) Upon receiving a notice from the commissioner of revenue under clause (1), the
52.16 commissioner of management and budget must reduce general fund appropriations to
52.17 executive agencies for agency operations for the biennium ending June 30, 2013, by an
52.18 amount equal to the difference between \$133,000,000 and the amount of new general fund
52.19 revenues anticipated by the commissioner of revenue under the notice in clause (1).

52.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

52.21 **Sec. 59. REVENUE FROM FEDERAL OFFSET PROGRAM.**

52.22 (a) It is expected that implementation of authority under Minnesota Statutes, section
52.23 16D.20, will result in increased revenues to the general fund of at least \$36,600,000
52.24 during the biennium ending June 30, 2013. If the commissioner of revenue determines
52.25 that implementation of Minnesota Statutes, section 16D.20, will result in new general
52.26 fund revenues of less than \$36,600,000 for the biennium ending June 30, 2013, the
52.27 commissioner must notify the commissioner of management and budget of the amount of
52.28 new general fund revenues anticipated under Minnesota Statutes, section 16D.20.

52.29 (b) Upon receiving a notice from the commissioner of revenue under paragraph (a),
52.30 the commissioner of management and budget must reduce general fund appropriations to
52.31 executive agencies for agency operations for the biennium ending June 30, 2013, by an
52.32 amount equal to the difference between \$36,600,000 and the amount of new general fund
52.33 revenues anticipated by the commissioner of revenue under the notice in paragraph (a).

Sec. 60. **STATE EMPLOYEE GROUP INSURANCE PLAN DEPENDENT
ELIGIBILITY VERIFICATION AUDIT SERVICES.**

Subdivision 1. Request for proposals. By September 1, 2011, the commissioner of management and budget shall issue a request for proposals for a contract to provide dependent eligibility verification audit services for state-paid hospital, medical, and dental benefits provided to participants in the state employee group insurance program and their dependents. The request for proposals must require that the vendor will:

(1) conduct a document-model dependent eligibility verification audit of all plans offered under Minnesota Statutes, sections 43A.22 to 43A.31;

(2) identify ineligible dependents covered by the plans and report those findings to the commissioner and third-party administrators of the state's employee health plans, as directed by the commissioner; and

(3) implement a process for ongoing eligibility verification following the conclusion of the dependent eligibility verification audit required by this section.

Subd. 2. Additional vendor criteria. The request for proposals required by subdivision 1 must require the vendor to provide the following minimum capabilities and experience in performing the services described in subdivision 1:

(1) a rules-based platform employing auto-adjudication for making objective eligibility determinations;

(2) assigned eligibility advocates to assist employees through the verification process;

(3) a formal claims and appeals process; and

(4) experience in the performance of dependent eligibility verification audits for other states.

Subd. 3. Contract required. By January 1, 2012, the commissioner must enter into a contract for the services specified in subdivision 1. The contract must incorporate a performance-based vendor financing option that compensates the vendor based on the amount of savings generated by the work performed under the contract.

Sec. 61. **STRATEGIC SOURCING REQUEST FOR PROPOSALS.**

Subdivision 1. Request for proposals. By July 1, 2011, the commissioner of administration shall issue a request for proposals for a contract to provide recommendations for efficiencies in strategic sourcing to the commissioner. For the purposes of this section, "strategic sourcing" has the meaning given in Minnesota Statutes, section 16C.02, subdivision 20. The request for proposals shall require the vendor to provide recommendations for improvements to methods used by the commissioner

54.1 to analyze and reduce spending on goods and services, including, but not limited to,
54.2 spend analysis, product standardization, contract consolidation, negotiations, multiple
54.3 jurisdiction purchasing alliances, reverse and forward auctions, life-cycle costing, and
54.4 other techniques.

54.5 Subd. 2. **Proof of concept phase.** The request for proposal shall require the selected
54.6 vendor, at no cost to the state, to begin work on the contract by assisting the commissioner
54.7 in implementing its proposed solution on selected state procurement processes to
54.8 demonstrate the savings provided by the recommendations. The system provided by the
54.9 vendor must be capable of application to the state procurement system.

54.10 Subd. 3. **Full implementation and payment.** The request for proposal must require
54.11 the state to implement the recommendations provided by the vendor in the entire state
54.12 procurement system if the work done under the requirements of subdivision 2 provides
54.13 material savings to the state. After the full implementation of the system provided by the
54.14 vendor, the vendor shall be paid by the state from the savings attributable to the work done
54.15 by the vendor, according to the terms and performance measures negotiated in the contract.

54.16 Subd. 4. **Selection of vendor.** The commissioner of administration shall select a
54.17 vendor from the responses to the request for proposal by September 1, 2011.

54.18 Subd. 5. **Progress report.** The commissioner shall provide a report describing the
54.19 progress made under this section to the governor and the chairs and ranking minority
54.20 members of the legislative committees with jurisdiction over the commissioner of
54.21 administration by January 15, 2012.

54.22 Sec. 62. **HELP AMERICA VOTE ACT.**

54.23 (a) If the secretary of state determines that this state is otherwise eligible to receive
54.24 an additional requirements payment of federal money under the Help America Vote Act,
54.25 Public Law 107-252, the secretary must certify to the commissioner of management and
54.26 budget the amount, if any, needed to meet the matching requirement of section 253(b)(5)
54.27 of the Help America Vote Act. In the certification, the secretary shall specify the portion
54.28 of the match that should be taken from an unencumbered general fund appropriation to
54.29 the Office of the Secretary of State not designated for a different purpose. Upon receipt
54.30 of that certification, or as soon as an unencumbered general fund appropriation becomes
54.31 available, whichever occurs later, the commissioner must transfer the specified amount
54.32 to the Help America Vote Act account. Funds under the Help America Vote Act may be
54.33 spent only following legislative approval.

54.34 (b) This section expires on June 30, 2013.

54.35 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 63. **STATE EMPLOYEE EFFICIENT USE OF HEALTH CARE
INCENTIVE PROGRAM.**

The commissioner of management and budget shall develop and implement a program that creates an incentive for efficient use by state employees of State Employee Group Insurance Program (SEGIP). The program may reward employees covered by SEGIP as a group if per capita employee health care costs paid by SEGIP for a calendar year prove to be less than estimated by the commissioner prior to the beginning of the calendar year. The reward may consist of payments of one-half of the cost-savings into the employees' health reimbursement accounts, to be made no later than March 1 of the following calendar year.

Sec. 64. **REPEALER.**

Minnesota Statutes 2010, sections 16C.085; 43A.047; and 179A.23, are repealed.

ARTICLE 4

CONSOLIDATION OF INFORMATION TECHNOLOGY SERVICES

Section 1. Minnesota Statutes 2010, section 16B.99, is amended to read:

16B.99 GEOSPATIAL INFORMATION OFFICE.

Subdivision 1. **Creation.** The Minnesota Geospatial Information Office is created under the supervision of the ~~commissioner of administration~~ chief geospatial information officer, who is appointed by the chief information officer.

Subd. 2. **Responsibilities; authority.** The office has authority to provide coordination, guidance, and leadership, and to plan the implementation of Minnesota's geospatial information technology. The office must identify, coordinate, and guide strategic investments in geospatial information technology systems, data, and services to ensure effective implementation and use of Geospatial Information Systems (GIS) by state agencies to maximize benefits for state government as an enterprise.

Subd. 3. **Duties.** The office must:

(1) coordinate and guide the efficient and effective use of available federal, state, local, and public-private resources to develop statewide geospatial information technology, data, and services;

(2) provide leadership and outreach, and ensure cooperation and coordination for all Geospatial Information Systems (GIS) functions in state and local government, including coordination between state agencies, intergovernment coordination between state and local

56.1 units of government, and extragovernment coordination, which includes coordination with
56.2 academic and other private and nonprofit sector GIS stakeholders;

56.3 (3) review state agency and intergovernment geospatial technology, data, and
56.4 services development efforts involving state or intergovernment funding, including federal
56.5 funding;

56.6 (4) provide information to the legislature regarding projects reviewed, and
56.7 recommend projects for inclusion in the governor's budget under section 16A.11;

56.8 (5) coordinate management of geospatial technology, data, and services between
56.9 state and local governments;

56.10 (6) provide coordination, leadership, and consultation to integrate government
56.11 technology services with GIS infrastructure and GIS programs;

56.12 (7) work to avoid or eliminate unnecessary duplication of existing GIS technology
56.13 services and systems, including services provided by other public and private organizations
56.14 while building on existing governmental infrastructures;

56.15 (8) promote and coordinate consolidated geospatial technology, data, and services
56.16 and shared geospatial Web services for state and local governments; and

56.17 (9) promote and coordinate geospatial technology training, technical guidance, and
56.18 project support for state and local governments.

56.19 Subd. 4. **Duties of chief ~~geospatial~~ information officer.** (a) In consultation with the
56.20 state geospatial advisory council, the commissioner of administration, the commissioner
56.21 of management and budget, and the ~~Minnesota~~ chief geospatial information officer, the
56.22 chief ~~geospatial~~ information officer must identify when it is cost-effective for agencies to
56.23 develop and use shared information and geospatial technology systems, data, and services.
56.24 The chief ~~geospatial~~ information officer may require agencies to use shared information
56.25 and geospatial technology systems, data, and services.

56.26 (b) The chief ~~geospatial~~ information officer, in consultation with the state
56.27 geospatial advisory council, must establish reimbursement rates in cooperation with the
56.28 commissioner of management and budget to bill agencies and other governmental entities
56.29 sufficient to cover the actual development, operation, maintenance, and administrative
56.30 costs of the shared systems. The methodology for billing may include the use of
56.31 interagency agreements, or other means as allowed by law.

56.32 Subd. 5. **Fees.** (a) The chief ~~geospatial~~ information officer must set fees under
56.33 section 16A.1285 that reflect the actual cost of providing information products and
56.34 services to clients. Fees collected must be deposited in the state treasury and credited to
56.35 the Minnesota Geospatial Information Office revolving account. Money in the account
56.36 is appropriated to the chief ~~geospatial~~ information officer for providing Geospatial

57.1 Information Systems (GIS) consulting services, software, data, Web services, and map
57.2 products on a cost-recovery basis, including the cost of services, supplies, material, labor,
57.3 and equipment as well as the portion of the general support costs and statewide indirect
57.4 costs of the office that is attributable to the delivery of these products and services. Money
57.5 in the account must not be used for the general operation of the Minnesota Geospatial
57.6 Information Office.

57.7 (b) The chief ~~geospatial~~ information officer may require a state agency to make an
57.8 advance payment to the revolving account sufficient to cover the agency's estimated
57.9 obligation for a period of 60 days or more. If the revolving account is abolished or
57.10 liquidated, the total net profit from the operation of the account must be distributed to the
57.11 various funds from which purchases were made. For a given period of time, the amount of
57.12 total net profit to be distributed to each fund must reflect the same ratio of total purchases
57.13 attributable to each fund divided by the total purchases from all funds.

57.14 Subd. 6. **Accountability.** The chief geospatial information officer is appointed by
57.15 ~~the commissioner of administration and must work closely with the~~ Minnesota chief
57.16 information officer who shall advise on technology projects, standards, and services.

57.17 Subd. 7. **Discretionary powers.** The office may:

57.18 (1) enter into contracts for goods or services with public or private organizations
57.19 and charge fees for services it provides;

57.20 (2) apply for, receive, and expend money from public agencies;

57.21 (3) apply for, accept, and disburse grants and other aids from the federal government
57.22 and other public or private sources;

57.23 (4) enter into contracts with agencies of the federal government, local government
57.24 units, the University of Minnesota and other educational institutions, and private persons
57.25 and other nongovernment organizations as necessary to perform its statutory duties;

57.26 (5) appoint committees and task forces to assist the office in carrying out its duties;

57.27 (6) sponsor and conduct conferences and studies, collect and disseminate
57.28 information, and issue reports relating to geospatial information and technology issues;

57.29 (7) participate in the activities and conferences related to geospatial information
57.30 and communications technology issues;

57.31 (8) review the Geospatial Information Systems (GIS) technology infrastructure
57.32 of regions of the state and cooperate with and make recommendations to the governor,
57.33 legislature, state agencies, local governments, local technology development agencies,
57.34 the federal government, private businesses, and individuals for the realization of GIS
57.35 information and technology infrastructure development potential;

(9) sponsor, support, and facilitate innovative and collaborative geospatial systems technology, data, and services projects; and

(10) review and recommend alternative sourcing strategies for state geospatial information systems technology, data, and services.

Subd. 8. Geospatial advisory councils created. The chief geospatial information officer must establish a governance structure that includes advisory councils to provide recommendations for improving the operations and management of geospatial technology within state government and also on issues of importance to users of geospatial technology throughout the state.

(a) A statewide geospatial advisory council must advise the Minnesota Geospatial Information Office regarding the improvement of services statewide through the coordinated, affordable, reliable, and effective use of geospatial technology. The ~~commissioner of administration~~ chief information officer must appoint the members of the council. The members must represent a cross-section of organizations including counties, cities, universities, business, nonprofit organizations, federal agencies, and state agencies. No more than 20 percent of the members may be employees of a state agency. In addition, the chief geospatial information officer must be a nonvoting member.

(b) A state government geospatial advisory council must advise the Minnesota Geospatial Information Office on issues concerning improving state government services through the coordinated, affordable, reliable, and effective use of geospatial technology. The ~~commissioner of administration~~ chief information officer must appoint the members of the council. The members must represent up to 15 state government agencies and constitutional offices, including the Office of Enterprise Technology and the Minnesota Geospatial Information Office. The council must be chaired by the chief geographic information officer. A representative of the statewide geospatial advisory council must serve as a nonvoting member.

(c) Members of both the statewide geospatial advisory council and the state government advisory council must be recommended by a process that ensures that each member is designated to represent a clearly identified agency or interested party category and that complies with the state's open appointment process. Members shall serve a term of two years.

(d) The Minnesota Geospatial Information Office must provide administrative support for both geospatial advisory councils.

(e) This subdivision expires June 30, 2011.

~~**Subd. 9. Report to legislature.** By January 15, 2010, the chief geospatial information officer must provide a report to the chairs and ranking minority members of~~

59.1 ~~the legislative committees with jurisdiction over the policy and budget for the office. The~~
59.2 ~~report must address all statutes that refer to the Minnesota Geospatial Information Office~~
59.3 ~~or land management information system and provide any necessary draft legislation to~~
59.4 ~~implement any recommendations.~~

59.5 Sec. 2. **[16E.0151] RESPONSIBILITY FOR INFORMATION TECHNOLOGY**
59.6 **SERVICES AND EQUIPMENT.**

59.7 (a) The chief information officer is responsible for providing or entering into
59.8 managed services contracts for the provision of the following information technology
59.9 systems and services to state agencies:

59.10 (1) state data centers;

59.11 (2) mainframes including system software;

59.12 (3) servers including system software;

59.13 (4) desktops including system software;

59.14 (5) laptop computers including system software;

59.15 (6) a data network including system software;

59.16 (7) database, electronic mail, office systems, reporting, and other standard software
59.17 tools;

59.18 (8) business application software and related technical support services;

59.19 (9) help desk for the components listed in clauses (1) to (8);

59.20 (10) maintenance, problem resolution, and break-fix for the components listed in
59.21 clauses (1) to (8); and

59.22 (11) regular upgrades and replacement for the components listed in clauses (1) to (8).

59.23 (b) All state agency employees whose work primarily involves functions specified in
59.24 paragraph (a) are employees of the Office of Enterprise Technology. The chief information
59.25 officer may assign employees of the office to perform work exclusively for another
59.26 executive agency.

59.27 (c) The chief information officer may allow a state agency to obtain services
59.28 specified in paragraph (a) through a contract with an outside vendor when the value of an
59.29 outside vendor contract can be demonstrated. The chief information officer must require
59.30 that agency contracts with outside vendors ensure that systems and services are compatible
59.31 with standards established by the Office of Enterprise Technology.

59.32 (d) In exercising authority under this section, the chief information officer
59.33 must cooperate with the commissioner of administration on contracts for acquisition
59.34 of information technology systems and services. The authority granted to the chief
59.35 information officer does not limit the procurement, contract management, and contract

60.1 review authority of the commissioner of administration under chapter 16C, including
60.2 authority of the commissioner to enter into and manage cooperative purchasing
60.3 agreements with other states.

60.4 (e) The State Lottery and Statewide Radio Board are not state agencies for purposes
60.5 of this section.

60.6 Sec. 3. **[16E.036] ADVISORY COMMITTEE.**

60.7 (a) The Technology Advisory Committee is created to advise the chief information
60.8 officer. The committee consists of six members appointed by the governor who are
60.9 individuals actively involved in business planning for state executive branch agencies,
60.10 one county member designated by the Association of Minnesota Counties, one member
60.11 appointed by the governor as a representative of a union that represents state information
60.12 technology employees, and one member appointed by the governor to represent private
60.13 businesses.

60.14 (b) Membership terms, removal of members, and filling of vacancies are as provided
60.15 in section 15.059. Members do not receive compensation or reimbursement for expenses.

60.16 (c) The committee shall select a chair from its members. The chief information
60.17 officer shall provide administrative support to the committee.

60.18 (d) The committee shall advise the chief information officer on:

60.19 (1) development and implementation of the state information technology strategic
60.20 plan;

60.21 (2) critical information technology initiatives for the state;

60.22 (3) standards for state information architecture;

60.23 (4) identification of business and technical needs of state agencies;

60.24 (5) strategic information technology portfolio management, project prioritization,
60.25 and investment decisions;

60.26 (6) the office's performance measures and fees for service agreements with executive
60.27 branch agencies;

60.28 (7) management of the state enterprise technology revolving fund; and

60.29 (8) the efficient and effective operation of the office.

60.30 Sec. 4. Minnesota Statutes 2010, section 16E.14, is amended by adding a subdivision
60.31 to read:

60.32 Subd. 6. **Technology improvement account.** The technology improvement account
60.33 is established as an account in the enterprise technology fund. Money in the account is
60.34 appropriated to the chief information officer for the purpose of funding a project that will

61.1 result in improvements in state information and telecommunications technology. The
61.2 chief information officer may spend money from the account on behalf of a state agency
61.3 or group of agencies or may transfer money in the account to a state agency or group of
61.4 agencies only according to an agreement under which: (1) the chief information officer
61.5 has determined that savings generated by the project to be funded from the account will
61.6 exceed the cost of the project; and (2) the agency or agencies sponsoring the project have
61.7 developed a plan for recouping the project costs to the fund.

61.8 Sec. 5. **TRANSFERS.**

61.9 (a) Powers, duties, responsibilities, assets, personnel, and unexpended appropriations
61.10 relating to functions assigned to the chief information officer in Minnesota Statutes,
61.11 section 16E.0151, are transferred to the Office of Enterprise Technology from all other
61.12 state agencies, as defined in Minnesota Statutes, section 16E.03, subdivision 1, paragraph
61.13 (e), effective July 1, 2011. By January 15, 2012, the chief information officer shall submit
61.14 to the legislature any statutory changes needed to complete implementation of the transfer
61.15 in this section.

61.16 (b) Prior to the transfer mandated by paragraph (a), the chief information officer must
61.17 enter into a service-level agreement with each state agency governing the provision of
61.18 information technology systems and services in Minnesota Statutes, section 16E.0151. The
61.19 agreements must specify the services to be provided and the charges for these services. As
61.20 specified in Minnesota Statutes, section 16E.0151, an agency may choose to obtain these
61.21 services from an outside vendor, rather than from the Office of Enterprise Technology.

61.22 (c) Powers, duties, responsibilities, assets, personnel, and unexpended appropriations
61.23 relating to geospatial information systems are transferred from the commissioner of
61.24 administration to the Office of Enterprise Technology.

61.25 (d) Minnesota Statutes, section 15.039, applies to transfers in this section. Executive
61.26 branch officials may use authority under Minnesota Statutes, section 16B.37, as necessary
61.27 to implement this section.

61.28 Sec. 6. **STUDY.**

61.29 The chief information officer in the Office of Enterprise Technology shall report
61.30 to the chairs and ranking minority members of the house of representatives and senate
61.31 committees with jurisdiction over state government finance by January 15, 2012, on
61.32 the feasibility and desirability of the office entering into service-level agreements with
61.33 the State Lottery and the Statewide Radio Board regarding provision of information
61.34 technology systems and services to those entities.

- 62.1 Sec. 7. REVISOR'S INSTRUCTION.
- 62.2 The revisor of statutes shall recodify Minnesota Statutes, section 16B.99, into
- 62.3 Minnesota Statutes, chapter 16E.