

HOUSE RESEARCH

Bill Summary

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Subject: Pay for performance, appropriation bonds authorized

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Overview

This bill establishes a pay-for-performance pilot program in which certain state services (to be determined by the oversight committee) are contracted out to another entity, which gets paid based on increased tax revenues, or cost avoidance, to the state due to the performance of the services. The money to pay for the contract is from appropriation bond proceeds. Appropriation bonds are not general obligations of the state. General obligation bonds are backed by the full faith and credit of the state. Appropriation bonds are repaid with appropriations from the general fund, the authority for which can be repealed even if the debt is not repaid.

1 Minnesota Pay for Performance Act. Citation.

2 Program.

Subd. 1. Pilot program established. Directs the commissioner of management and budget to set up a pilot program to demonstrate the feasibility and desirability of using state appropriation bonds to pay for services based on performance and outcomes.

Subd. 2. Oversight committee. Directs the commissioner of management and budget to appoint an oversight committee to develop the program. Designates the commissioners of the departments of human services, employment and economic development and administration to serve on the committee. Directs the commissioner to appoint someone from a nonprofit organization that has participated in a pay-for-performance program and anyone else the commissioner determines would be helpful.

Subd. 3. Contracts. Directs the commissioner of management and budget and the commissioner of the state agency with a service selected to be provided through the pilot program to contract with the selected provider. Provides for the contract to be paid from appropriation bond proceeds.

Subd. 4. Return on investment calculation. Directs the commissioner of management and budget, in consultation with the oversight committee, to establish a method and determine the data required for calculating the state's return on investment. States that a positive return on

investment will cover the state's costs in financing and administering the pilot program through documented increases in state tax revenue or cost avoidance.

Subd. 5. Report to governor and legislature. Requires a report on the program by January 15 of each year following a year in which the pilot program is operating.

- 3 Minnesota Pay for Performance Program; appropriation bonds.** Authorizes appropriation bonds to be sold to pay for the pilot program contract obligations. Allows up to \$20 million in outstanding principal. Provides a standing general fund appropriation to repay the bonds, subject to unallotment or cancelation.