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Overview

This is the State Government Finance Omnibus Bill. For a summary of appropriations in this bill, see the spreadsheet prepared by fiscal analyst Helen Roberts.

Article 1

State Government Appropriations

1 **State government appropriations.**

2 **Legislature.**

3 **Governor and Lieutenant Governor.** Limits payments received from other executive agencies to support personnel costs incurred by the Governor's office, and requires a report on these costs.

4 **State Auditor.**

5 **Attorney General.**

6 **Secretary of State.**

7 **Campaign Finance and Public Disclosure Board.**

8 **Investment Board.**

9 **Administrative Hearings.** Provides that during the biennium the office may not assess counties for costs incurred in hearing fair campaign practices cases.

10 **Office of Enterprise Technology.** Provides that during the biennium the office may not charge public television stations for access to the state information infrastructure.

11 **Administration.**

12 **Capitol Area Architectural and Planning Board.**

13 **Minnesota Management and Budget.**

14 **Revenue.**

15 **Gambling Control.**

16 **Racing Commission.**

17 **Amateur Sports Commission.**

18 **Council on Black Minnesotans.**

19 **Council on Chicano/Latino Affairs.**

20 **Council on Asian/Pacific Minnesotans.**

21 **Indian Affairs Council.**

22 **Explore Minnesota Tourism.**

23 **Minnesota Historical Society.**

24 **Board of the Arts.**

25 **Minnesota Humanities Center.**

26 **Science Museum of Minnesota.**

27 **Tort claims.**

28 **Minnesota State Retirement System.** Provides that during the upcoming biennium, retirement allowances for former legislators will be paid from the legislators retirement fund.

29 **MERF Division account.**

30 **Teachers retirement association.**

31 **St. Paul Teachers Retirement Fund.**

32 **Duluth Teachers Retirement Fund.**

33 **State Lottery.** Provides a limit on the operating budget for the lottery.

34 **General contingent accounts.**

35 **Problem gambling appropriation.**

36 **Reimbursement of recount costs.** Appropriates $322,000 to the Secretary of State for reimbursing counties for costs incurred in the 2010 recount.

37 **Savings and appropriation reductions.** Requires the commissioner of MMB to reduce executive agency general fund operating appropriations by $94.8 million during the biennium ending June 30, 2013, including savings from specified efficiencies, reforms, and cost-saving measures. Requires the commissioner to determine savings to other funds and, to the extent permitted by law, reduce

appropriations and transfer savings to the general fund.

38 **Enterprise real property.** Requires executive agencies to enter into agreements with the commissioner of administration for agency contributions to the enterprise real property system in an aggregate amount of $399,000 for the biennium.

Article 2

Military Affairs and Veterans Affairs

1 **Appropriations.**

2 **Military Affairs.**

3 **Veterans Affairs.**

4 **Veterans homes; prior appropriation.** From money appropriated in 2009, transfers $200,000 to expenses of the Minneapolis Veterans Home instead of for operational expenses related to an addition at the Fergus Falls Veterans Home. Provides that these appropriations carry forward.

5 **Repeal.** Repeals section 197.585, subdivision 5, a 2012 sunset on a program requiring the commissioner of veterans affairs to private campus veterans assistance officers at higher education institutions.

Article 3

State Government Operations

1 **Pension Commission Membership.** Under current law, the Legislative Commission on Pensions and Retirement (LCPR) consists of five House members and five Senators. This bill increases the LCPR membership to seven members from each chamber. The bill provides that no more than five members from each chamber may be from the majority party in that chamber. This section is effective immediately and would require appointing authorities to appoint additional members within 10 days.

2 **Short title.** Provides that this chapter may be cited as the Minnesota Sunset Act.

3 **Definitions.** Defines terms used in this article.

4 **Sunset Commission.** Provides that the Sunset Commission consists of 12 members appointed as follows:

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

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

With respect to public members, provides two-year terms expiring in January of each odd-numbered year, with removal only for cause during a term. Specifies certain restrictions on public members and provides reimbursement for expenses. Provides that legislators serve at the pleasure of the appointing authority. Provides term limits for service on the commission for legislators and public members.

5 **Staff.** Requires the Legislative Coordinating Commission to provide staff and administrative services for the commission.

6 **Rules.** Authorizes the commission to adopt rules to carry out this chapter.

7 **Agency report to commission.** Provides that before September 1 of the odd-numbered year in which a state agency is sunset, the agency commissioner shall report specified information to the commission.

8 **Commission duties.** Requires that before January 1 of the year in which a state agency is sunset, the commission must review the agency based on criteria specified in section 3D.10.

9 **Public hearings.** Requires that before February 1 of the year an agency is sunset, the commission must conduct public hearings regarding the agency, including the criteria specified in section 3D.10.

10 **Commission report.** Requires that by February 1 of each even-numbered year, the commission shall report on agencies subject to review, including findings on criteria specified in section 3D.10.

11 **Criteria for review.** Specifies criteria for the commission to consider in determining whether a public need exists for the continuation of a state agency or for performance of the agency's functions.

12 **Recommendations.** Requires the commission's report to make recommendations on the abolition, continuation, or reorganization of agencies, on the need for performance of the functions of the agency; on consolidation, transfer, or reorganization of programs within agencies not under review when programs duplicate functions of agencies under review; and for improvement of operations.

Requires the commission to submit draft legislation to carry out its recommendations, including legislation necessary to continue the existence of agencies that would otherwise sunset, if the commission recommends continuation of an agency.

13 **Monitoring of recommendations.** Requires commission staff to monitor legislation affecting agencies that have undergone sunset review.

14 **Review of advisory committees.** Provides that an advisory committee for a particular state agency is subject to sunset review on the date set for review of the agency, unless the committee is expressly continued in law.

15 **Continuation by law.** Provides that during the regular session immediately before sunset review of an agency, the legislature may enact legislation to continue a group for up to 12 years. States that this does not prohibit the legislature from terminating an agency at an earlier date than specified in this chapter or from considering other legislation relating to an agency.

16 **Procedure after termination.** Provides that, if after sunset review, an agency is abolished, it may continue in existence until June 30 of the following year to conclude its business. At the end of the year, all rules adopted by the agency expire. Specifies what happens to funds, property and records, and continuing obligations of an abolished agency.

17 **Assistance of and access to state agencies.** Allows the commission to request assistance of state agencies and requires agencies to cooperate.

18 **Relocation of employees.** Provides that if an employee is displaced because an agency is abolished, the agency must make a reasonable effort to relocate the displaced employee.

19 **Saving provision.** Provides that abolition of an agency does not affect rights and duties that matured before abolition.

20 **Review of proposed legislation.** Requires that every bill that would create a new agency or advisory group be reviewed by the commission and specifies topics for the commission to consider in its review.

21 **Gifts and grants.** Authorizes the commission to accept gifts, grants, and donations from nonprofit organizations. Requires gifts to be accepted in public meetings and reported in the public record of the commission.

22 **Expiration.** Specifies a schedule for expiration and sunset review of agencies beginning June 30, 2012, and continuing through June 30, 2022. Authorizes the commission to review and propose expiration dates for other groups and programs not listed in this section.

23 **County audits.** Authorizes a county to have an audit performed by a private CPA firm. Requires counties to notify the State Auditor if the county is going to use a private CPA firm. Requires the audit to meet standards and be in the form required by the State Auditor. Authorizes the State Auditor to require additional information, but requires the State Auditor to accept the audit unless the State Auditor determines it does not meet industry auditing standards or is not in the form required by the auditor. Provides that a county audited by a private CPA firm cannot be required to pay the state general fund any costs for State Auditor services.

24 **Deputy and assistant commissioners.** Provides that no state department or agency other than the Department of Veterans Affairs may have more than one deputy commissioner and that no department or agency may employ an assistant commissioner.

25 **Cost-effective provision of services.** Requires agency heads, including MnSCU, to carry out the agency's powers and duties in the most cost-effective manner possible. Requires the agency head to 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.

Provides that 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.

26 **SAVI program.**

Subd. 1. Program established. Establishes the SAVI program to encourage state agencies to identify cost-effective and efficiency measures.

Subd. 2. Retained savings. Provides that upon approval of the Commissioner of Management and Budget, 50 percent of appropriations for agency operations that remain unspent at the end of a biennium because of unanticipated efficiencies or cost-savings may be carried forward and retained by the agency to fund specific agency proposals or projects. Project expenditures must not create future obligations beyond the amounts available from the retained savings. Provides that this section supersedes section 16A.28 (the current law which provides that unspent appropriations lapse at the end of a biennium), but this section does not restrict authority granted by other law to carry forward money for a different period or different purposes.

Subd. 3. Special peer review panel. Requires a participating agency to organize a peer review panel that will determine which projects receive funding. The panel must be balanced between department employees credited with cost-savings initiatives and department managers.

Provides that an agency may spend money for a project recommended for funding by the panel after the agency posts notice of proposed spending on its Web site for at least 30 days, and the Commissioner of Management and Budget approves the project. Requires the Commissioner to seek a recommendation from the Legislative Advisory Commission before approving a project.

Subd. 4. SAVI-dedicated account. Provides that agency savings will be deposited in a SAVI account in the special revenue fund or another appropriate fund determined by the Commissioner of Management and Budget. Appropriates money in the account to the participating agency for purposes authorized by this section.

Subd. 5. Expiration. Provides that this section expires June 30, 2018.

This section is effective June 30, 2013, and first applies to funds to be carried forward from the biennium ending June 30, 2013, to the biennium starting July 1, 2013.

27 **Public access to parking spaces.** Requires that to provide the public with greater access to legislative proceedings, parking spaces on Aurora Avenue in front of the Capitol Building must be reserved for the public.

28 **Performance data.** Requires performance data in agency budget proposals to include activities as well as programs, and that the goals and objectives must be measurable.

29 **Performance data format.** Requires performance data in agency budget proposals to include activities as well as programs. Provides that the terms programs and activities are used in the same manner as in state budgeting, but authorizes MMB to define these terms in a different manner if this allows for a more effective presentation of performance data.

30 **Performance measures for change items.** Strikes a requirement that MMB report to the LCPFP Subcommittee on Government Accountability on the format to be used for presenting certain budget data.

31 **Forecast parameters.** Provides that for purposes of state budget forecasts, expenditures for the current biennium must be based on actual appropriations, or for forecasted programs, the amount needed to fund the formula in law. Provides that the base for the next biennium in the amount appropriated in the second year of the current biennium except as otherwise provided in law, or for forecasted programs, the amount needed to fund the formula in law.

32 **Zero-based budgeting principles.** Requires detailed budgets presented to the legislature to include three alternative funding levels or alternative ways of performing each activity (at least one of which must be less than expenditures in the previous biennium), a summary of priorities that would be accomplished within each level compared to a zero budget, and the additional increments of value that would be added by higher funding levels. Also requires performance data regarding the predicted effect of the three alternative funding levels. Specifies a phase-in for this section, so that the zero-based principles would apply to half of executive agencies for budgets proposed for the biennium beginning in July 2013 and then would apply to all budgets for budget proposals for subsequent bienniums.

33 **Detailed budget.** References zero-based budgeting principles in the law governing detailed budget information.

34 **Lapse.** Amends the current law governing lapse of appropriations at the end of a biennium, to reference the carry-forward authority under the SAVI program.

35 **Employee gainsharing system.** Requires the commissioner of MMB to establish a program to provide onetime bonus compensation to state employees for efforts made to reduce the costs of operating state government or for ways of providing better or more efficient state services. The maximum award to an employee or group of employees is 10 percent of the documented savings in the first year in which savings are realized. The award must be paid from the appropriation to which the savings accrue.

36 **Pay for performance; citation.** Provides that the next sections may be cited as the Minnesota Pay for Performance Act.

37 **Pay for performance pilot 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.

38 **Minnesota Pay for Performance Program; appropriation bonds.** Authorizes appropriation bonds to be sold to pay for the pilot program contract obligations. Limits the amount of bonds issued and outstanding to $20 million. Requires that during the upcoming biennium, bonds may be issued only to the extent that program savings will exceed debt service payments on the bonds.

39 **Department of administration.** Provides that the Department of Administration may have only one deputy commissioner.

40 **E-verify.** Requires that a state contract for services valued in excess of $50,000 must required certification from the vendor and any subcontractors that they have implemented or are in the process of implementing the federal E-verify program for newly-hired employees in the United States who will perform work on behalf of the state of Minnesota.

41 **Duties of contracting agency.** Amends the law governing state contracts for professional or technical services by striking a requirement that before seeking approval of a contract an agency must certify that no current state employee is able and available to perform the services called for by the contract.

42 **Procedure for service contracts.** Amends the law governing state service contracts (contracts that are not for professional or technical services) by striking a requirement that before entering into a contract an agency must certify that no current state employee is able and available to perform the services called for by the contract.

43 **Federal offset program.** Authorizes the Commissioner of Revenue to enter into a reciprocal agreement with the federal government under which the state would collect certain debts owed to federal agencies by offsetting the debts from state payments, and the federal government would do the same with respect to state debts and federal payments. This section authorizes the Commissioner, by rule, to establish an administrative fee to be charged to debtors under this section. (Under existing Minnesota Statutes, section 16A.1283, this fee could not take effect until approved by law).

44 **Legislative auditor; state fair.** Provides that the State Fair may be audited by a private auditor or the legislative auditor.

45 **Unclassified positions.** Strikes reference to assistant commissioners in the law establishing positions in the unclassified service (because an earlier section of this bill abolishes all assistant commissioner positions).

46 **Performance appraisal and pay.** Amends the law governing the performance appraisal system for executive branch state employees. Requires a performance appraisal system to include three components:

- Evaluation of the individual employee's performance relative to goals for the individual, which must constitute a majority of the overall determination of an employee's performance;
- Evaluation of performance of the employee's program toward meeting outcomes for the program; and
- Evaluation of the performance of the entire agency toward meeting targeted outcomes for the agency.

Strikes language that currently limits parts of this section to employees not represented by an exclusive representative, and provides that pay increases for all employees shall be based on factors specified in this section and other factors consistent with this section that are negotiated in collective bargaining agreements. Provides that 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 individual performance has been satisfactory.

This section does not apply to MnSCU. For employees covered by a collective bargaining agreement, this section applies to agreements entered into on and after July 1, 2011.

47 **Reduction in state work force; early retirement incentive.**

Subd. 1. Required reduction. Requires a 15 percent reduction in the number of full-time equivalent employees in the state executive branch and in costs directly associated with these positions by June 30, 2015. Requires a 12 percent reduction by June 30, 2013. Specifies tools that may be used to assist in complying with the 15 percent reduction. Provides that MnSCU is not included in the executive branch for purposes of this section.

Subd. 2. Analysis. Requires the commissioner of management and budget (MMB) to determine a maximum number of employees to whom incentives will be offered and the percentage of resulting savings that will be needed to pay pension funds to cover costs of incentives.

Subd. 3. Pension early retirement incentive. Provides that the commissioner of MMB may authorize an appointing authority to offer a pension-based incentive to a person who upon retirement would be immediately eligible to receive an annuity from the public pension plan.

- The commissioner may establish time periods during which the incentive may be offered and must be accepted and may establish other limits and conditions.

- For an employee offered an incentive, the employee will be granted an additional month of pension service credit for each full year of service credit that the employee has in the pension plan. For example, an employee with 25 years of service credit would be granted an additional 25 months of service credit.

- An appointing authority offering an incentive must pay the pension plan, from the first dollars of savings achieved through offering the incentive, the present value of additional service credit granted to the employee.

Subd. 4. Insurance early retirement incentive. Provides that the commissioner of MMB may authorize an executive appointing authority to offer the health insurance incentive originally offered under a 2010 law to employees who retire before June 30, 2015. The 2010 incentive allowed an appointing authority to offer a payment (into the employee's health care savings plan) equal to up to two years of the employer health insurance contribution to a qualifying employee.

Subd. 5. Best practices. Requires MMB and other agencies to use best practices identified by other states in implementing this section.

Subd. 6. Hiring freeze. Forbids an appointing authority from filling by outside hire a position vacated through employee participation in an early retirement incentive under this section.

Subd. 7. Reemployment prohibition. Provides that an employee who retires under an early retirement incentive in this section may not be employed by the state (or serve as a consultant for the state) for five years.

Subd. 8. Savings. Provides that savings, after payments made under subdivisions 3 and 4, cancel back to the fund in which the savings occurred.

Subd. 9. Not applicable to elected officials. Provides that an elected official is not a state employee for purposes of this section.

48 **Commerce department.** Provides that the Commerce Department may have only one deputy commissioner.

49 **DNR.** Strikes authority of the DNR to employ assistant commissioners.

50 **Pollution Control Agency.** Strikes reference to appoint of assistant commissioners in the Pollution Control Agency.

51 **Employment and Economic Development.** Strikes authority for the Commissioner of Employment and Economic Development to appoint four deputy commissioners.

52 **Employment and Economic Development.** Authorizes the Commissioner of Employment and Economic Development to delegate certain duties to a deputy commissioner.

53 **MnDOT.** Provides that the Commissioner of Transportation may appoint one deputy commissioner and a personal secretary. Current law authorizes appointment of four people at the level of deputy and assistant commissioner, assistant to the commissioner, and personal secretary (with up to two deputies).

54 **Corrections.** Provides that the Commissioner of Corrections may appoint one deputy commissioner. Current law authorizes appointment of two.

55 **Use of carryforward.** Allows the Legislative Auditor to use carry-forward money for audits of Legacy Funds and for MnSCU audits.

56 **Salary freeze.** Provides that a state employee may not receive a salary or wage increase before July 1, 2013. This does not prohibit an increase for an employee promoted or transferred to a position with greater responsibilities. This does not apply to MnSCU faculty or administrators. Forbids a state appointing authority from entering into a collective bargaining agreement or implementing a compensation plan in conflict with this section.

57 State job classifications. Requires the commissioner of MMB to report to the legislature 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 than 50 job families.

58 Department of Revenue; tax analytics. Directs the commissioner of revenue to issue RFPs for a system of "tax analytics and business intelligence tools" to help collect state taxes and debts. This system is intended to improve the state's methods used to select taxpayers for audit and debts for collection. This system is to use DOR data, along with other data sources, and sophisticated modeling and technology to identify these candidates for auditing with goals of both improving the revenue yielded by the audits and debt collection efforts and reducing the number of audits of compliant taxpayers. Directs the commissioner of revenue to enter a contract by October 1, 2011, that may include vendor financing option.

Provides that, incorporating the system of tax analytics and business intelligence tools under the contract in this section, the commissioner of revenue shall identify and collect tax liabilities from individuals and business that currently do not pay all taxes owed. The commissioner may enter into additional contracts as necessary to implement this section. A contract may incorporate a vendor financing option. This financing option may not make the vendor's compensation contingent on the amount collected as a result of an audit conducted or assessment determined by the vendor. Appropriates $11.5 million for the fiscal year ending June 30, 2012 and $23.3 million for the fiscal year ending June 30, 2013 from the general fund to the commissioner of revenue for purposes of this section. This initiative is expected to result in new general fund revenues of $133 million for the biennium ending June 30, 2013. Requires MMB to reduce executive agency operating budgets to the extent that new general fund revenues are less than $133 million.

59 **Revenue from federal offset program.** States that it is expected that implementation of debt offset authority under new Minnesota Statutes, section 16D.20 will result in increased revenues to the general fund of at least $36.6 million during the biennium ending June 30, 2013. Requires reductions in executive agency operating budgets to the extent that increased revenues are less than $36.6 million.

60 **SEGIP dependent eligibility audit.** Requires the MMB commissioner to enter into a contract to provide dependent eligibility verification audit services for the state employee insurance program.

61 **Strategic sourcing RFP.** Requires the commissioner of administration to enter into a contract to provide recommendations for efficiencies in strategic sourcing. Requires a progress report to the legislature by January 15, 2012.

62 **Repeal.** Repeals:

- 16C.085: Waiver of certain laws for state printing contracts
- 43A.047: State agencies must demonstrate no current staff is available before hiring outside consultants.
- 179A.23: State and University outside contracts must provide for preferential employment of employees terminated as a result of the contract.

Article 4

Consolidation of Information Technology Services

1 **Geospatial Information Office.** Amends laws governing the Geospatial Information Office to reflect transfer of functions to the Office of Enterprise Technology.

2 **Responsibility for information technology services and equipment.** Provides that the chief information office (CIO) in the Office of Enterprise Technology (OET) is responsible for providing or entering into managed service contracts for the provision of specified information technology systems and services to state agencies. These systems and services include data centers, mainframes, servers, desktops and laptops, networks, e-mail and other office systems, business application software, and help desk and maintenance for all of these systems and services.

Provides that state employees whose work primarily involves functions specified in this section are OET employees. Authorizes the CIO to assign its employees to perform work exclusively for another executive agency.

Provides that the CIO must allow a state agency to obtain services from OET or through a contract with an outside vendor when the value of an outside vendor contract can be demonstrated by the state agency, notwithstanding specified laws governing outside contracting. Requires the CIO to ensure that outside vendor contracts ensure systems and services are compatible with OET standards.

Under existing law, "state agency" means all agencies in the executive branch, but does not include MnSCU. This section also excludes the State Lottery and the State Radio Board.

3 **Advisory Committee.** Creates a technology advisory committee to advise the CIO. The committee consists of six members appointed by the governor who are involved in business planning for state agencies, one member appointed by the Association of Minnesota Counties, and one member appointed by the governor to represent private business.

4 **Technology improvement account.** Establishes a technology improvement account in the enterprise technology fund. Provides the money in the account may be spent by the CIO or transferred to a state agency to fund projects in which the CIO has determined that savings generated by the project will exceed the cost of the project, and that agencies sponsoring the project have developed a plan to recoup project costs to the fund.

5 **Transfers.** Transfers to OET from other state agencies powers, duties and personnel relating to functions transferred to OET under this article. Provides that before this transfer, the CIO must enter into a service-level agreement with each state agency, specifying services to be provided and charges for those services, and recognizing that agencies may choose to obtain these services from an outside vendor.

6 **Study.** Requires the CIO to report to specified legislative officials on the feasibility and desirability of the office entering into service-level agreements with the State Lottery and the Statewide Radio Board.