

CHAPTER 10—S.F.No. 12

An act relating to state government operations; requiring appropriation reductions for executive agencies due to savings established; requiring a tax compliance program for tax assessment and collection; allowing adjustments for end of session budgetary analysis; changing the number of members on Legislative Commission on Pensions and Retirements; establishing the sunset advisory commission and Minnesota Pay-For-Performance Act; permitting issuing and selling appropriations bonds; allowing certain cities to use a certified public accountant for audits; establishing an employee gainsharing program; establishing e-verify program for vendors and subcontractors; implementing federal offset program for collection of debts owed to state agencies; permitting state agriculture society to use either a private auditor or legislative auditor; allowing the legislative auditor to carry forward certain funds; requiring a request for proposals for recommendations on state building efficiency, state vehicle management, and strategic sourcing; implementing state employee efficient use of health care incentive program; requiring dependent verification for state employee insurance coverage; requiring state job classification and performance appraisal system redesign; determining funds for Help America Vote Act; providing for employee pension service credit during government shutdown; extending a wholesale retailer's alcohol permit and identification card for a certain period; waiving racing day requirements during government shutdown; consolidating information technology services; limiting appropriations to settle claims arising out of government shutdown; requiring reports; making certain appropriation changes; appropriating money; amending Minnesota Statutes 2010, sections 3.85, subdivision 3; 6.49; 16A.1286, subdivision 2; 16B.99, as amended; 16E.04, subdivision 2; 37.06; 161.1419, subdivision 8; 270C.41; 270C.545; 471.697, subdivision 2; Laws 2009, chapter 101, article 2, section 106; 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 16A; 16C; 16D; 16E; proposing coding for new law as Minnesota Statutes, chapter 3D; repealing Minnesota Statutes 2010, section 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

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Sec. 3. GOVERNOR AND LIEUTENANT GOVERNOR

<u>\$</u>	<u>3,195,000</u>	<u>\$</u>	<u>3,195,000</u>
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(a) This appropriation is to fund the Office of the Governor and Lieutenant Governor.

(b) By September 1 of each year, the commissioner of management and budget shall report to the chairs and ranking minority members of the senate State Government Innovation and Veterans Affairs Committee and the house of representatives State Government Finance Committee any personnel costs incurred by the Offices of the Governor and Lieutenant Governor that were supported by appropriations to other agencies during the previous fiscal year. The Office of the Governor shall inform the chairs and ranking minority members of the committees before initiating any interagency agreements.

(c) During the biennium ending June 30, 2013, the Office of the Governor may not receive payments of more than \$720,000 each fiscal year from other executive agencies under Minnesota Statutes, section 15.53, to support office costs, not including the residence groundskeeper, incurred by the office. Payments received under this paragraph must be deposited in a special revenue account. Money in the account is appropriated to the Office of the Governor. The authority in this paragraph supersedes other law enacted in 2011 that limits the ability of the office to enter into agreements relating to office costs with other executive branch agencies or prevents the use of appropriations made to other agencies for agreements with the office under Minnesota Statutes, section 15.53.

Sec. 4. STATE AUDITOR

<u>\$</u>	<u>8,645,000</u>	<u>\$</u>	<u>8,645,000</u>
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The auditor must report to the legislature by January 15, 2012, and January 15, 2013, on counties' satisfaction with the timeliness, quality, and cost of the auditor's work. The report must be based on a survey of county audit clients, and the survey responses must be made available to the public.

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

Sec. 10. OFFICE OF ENTERPRISE TECHNOLOGY

\$ 5,181,000 \$ 5,181,000

During the biennium ending June 30, 2013, the Office of Enterprise Technology must not charge fees to a public noncommercial educational television broadcast station eligible for funding under Minnesota Statutes, chapter 129D, for access to the state broadcast infrastructure. If the access fees not charged to public noncommercial educational television broadcast stations total more than \$400,000 for the biennium, the office may charge for access fees in excess of these amounts.

Sec. 11. ADMINISTRATION

Subdivision 1. Total Appropriation

\$ 19,764,000 \$ 19,764,000

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

Subd. 2. Government and Citizen Services

16,339,000 16,339,000

\$74,000 the first year and \$74,000 the second year are for the Council on Developmental Disabilities.

\$8,158,000 the first year and \$8,158,000 the second year are for office space costs of the legislature and veterans organizations, ceremonial space, and statutorily free space.

Subd. 3. Administrative Management Support

1,632,000 1,632,000

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Subd. 4. **Public Broadcasting** 1,793,000 1,793,000

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

(b) \$1,057,000 the first year and \$1,057,000 the second year are for matching grants for public television.

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

(d) \$264,000 the first year and \$264,000 the second year are for community service grants to public educational radio stations.

(e) \$92,000 the first year and \$92,000 the second year are for equipment grants to public educational radio stations.

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

(g) \$190,000 the first year and \$190,000 the second year are for equipment grants to Minnesota Public Radio, Inc., including upgrades to Minnesota's Emergency Alert and AMBER Alert Systems.

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

Sec. 12. **CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD**

\$ 325,000 \$ 325,000

Sec. 13. **MINNESOTA MANAGEMENT AND BUDGET**

\$ 18,257,000 \$ 18,257,000

\$75,000 each year is for duties under the Pay-for-Performance Act.

Sec. 14. **REVENUE**

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These appropriations are from the racing and card playing regulation accounts in the special revenue fund.

Sec. 17. <u>AMATEUR SPORTS COMMISSION</u>	<u>\$</u>	<u>248,000</u>	<u>\$</u>	<u>248,000</u>
Sec. 18. <u>EXPLORE MINNESOTA TOURISM</u>	<u>\$</u>	<u>8,729,000</u>	<u>\$</u>	<u>8,729,000</u>

(a) Of this amount, \$12,000 each year is for a grant to the Upper Minnesota Film Office.

(b)(1) To develop maximum private sector involvement in tourism, \$500,000 the first year and \$500,000 the second year must be matched by Explore Minnesota Tourism from nonstate sources. Each \$1 of state incentive must be matched with \$3 of private sector funding. Cash match is defined as revenue to the state or documented cash expenditures directly expended to support Explore Minnesota Tourism programs. Up to one-half of the private sector contribution may be in-kind or soft match. The incentive in the first year shall be based on fiscal year 2011 private sector contributions. The incentive in the second year will be based on fiscal year 2012 private sector contributions. This incentive is ongoing.

(2) Funding for the marketing grants is available either year of the biennium. Unexpended grant funds from the first year are available in the second year.

(3) Unexpended money from the general fund appropriations made under this section does not cancel but must be placed in a special marketing account for use by Explore Minnesota Tourism for additional marketing activities.

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

Sec. 19. MINNESOTA HISTORICAL SOCIETY

Subdivision 1. <u>Total Appropriation</u>	\$	<u>20,737,000</u>	\$	<u>20,633,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <u>Education and Outreach</u>		<u>11,668,000</u>		<u>11,668,000</u>
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Notwithstanding Minnesota Statutes, section 138.668, the Minnesota Historical Society may not charge a fee for its general tours at the Capitol, but may charge fees for special programs other than general tours.

Subd. 3. <u>Preservation and Access</u>		<u>8,743,000</u>		<u>8,743,000</u>
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Subd. 4. Fiscal Agent

(a) <u>Minnesota International Center</u>		<u>39,000</u>		<u>39,000</u>
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(b) <u>Minnesota Air National Guard Museum</u>		<u>14,000</u>		<u>-0-</u>
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(c) <u>Minnesota Military Museum</u>		<u>90,000</u>		<u>-0-</u>
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(d) <u>Farmamerica</u>		<u>115,000</u>		<u>115,000</u>
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(e) <u>Hockey Hall of Fame</u>		<u>68,000</u>		<u>68,000</u>
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(f) Balances Forward

Any unencumbered balance remaining in this subdivision the first year does not cancel but is available for the second year of the biennium.

Subd. 5. Fund Transfer

The Minnesota Historical Society may reallocate funds appropriated in and between subdivisions 2 and 3 for any program purposes and the appropriations are available in either year of the biennium.

Sec. 20. BOARD OF THE ARTS

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Subdivision 1. <u>Total Appropriation</u>	<u>\$</u>	<u>7,506,000</u>	<u>\$</u>	<u>7,506,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <u>Operations and Services</u>		<u>567,000</u>		<u>567,000</u>
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Subd. 3. <u>Grants Program</u>		<u>4,800,000</u>		<u>4,800,000</u>
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Subd. 4. <u>Regional Arts Councils</u>		<u>2,139,000</u>		<u>2,139,000</u>
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Subd. 5. **Unencumbered balance available**

Any unencumbered balance remaining in this section the first year does not cancel, but is available for the second year of the biennium.

Sec. 21. <u>MINNESOTA HUMANITIES CENTER</u>	<u>\$</u>	<u>237,000</u>	<u>\$</u>	<u>237,000</u>
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Sec. 22. <u>COUNCIL ON BLACK MINNESOTANS</u>	<u>\$</u>	<u>292,000</u>	<u>\$</u>	<u>292,000</u>
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Sec. 23. <u>COUNCIL ON ASIAN-PACIFIC MINNESOTANS</u>	<u>\$</u>	<u>254,000</u>	<u>\$</u>	<u>254,000</u>
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Sec. 24. <u>COUNCIL ON AFFAIRS OF CHICANO/LATINO PEOPLE</u>	<u>\$</u>	<u>275,000</u>	<u>\$</u>	<u>275,000</u>
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Sec. 25. <u>INDIAN AFFAIRS COUNCIL</u>	<u>\$</u>	<u>462,000</u>	<u>\$</u>	<u>462,000</u>
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Of this appropriation \$167,000 each year is for a cultural resources specialist to assist the council with the duties assigned to it relating to Indian burial grounds under Minnesota Statutes, section 307.08.

Sec. 26. <u>SCIENCE MUSEUM OF MINNESOTA</u>	<u>\$</u>	<u>1,068,000</u>	<u>\$</u>	<u>1,068,000</u>
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Sec. 27. <u>TORT CLAIMS</u>	<u>\$</u>	<u>161,000</u>	<u>\$</u>	<u>161,000</u>
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These appropriations are to be spent by the commissioner of management and budget according to Minnesota Statutes, section 3.736, subdivision 7. If the appropriation for

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either year is insufficient, the appropriation for the other year is available for it.

Sec. 28. MINNESOTA STATE RETIREMENT SYSTEM

Subdivision 1. <u>Total Appropriation</u>	\$	<u>3,122,000</u>	\$	<u>2,712,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <u>Legislators</u>		<u>2,650,000</u>		<u>2,231,000</u>
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During the biennium ending June 30, 2013, up to \$4,881,000 may be paid from the general fund for retirement allowances for former legislators and their surviving spouse. Any remaining costs must be paid from the legislators retirement fund created under Minnesota Statutes, section 3A.03, subdivision 3.

Subd. 3. <u>Constitutional Officers</u>		<u>472,000</u>		<u>481,000</u>
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Under Minnesota Statutes, section 352C.001, if an appropriation in this section for either year is insufficient, the appropriation for the other year is available for it.

Sec. 29. <u>MERF DIVISION ACCOUNT</u>	\$	<u>22,750,000</u>	\$	<u>22,750,000</u>
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These amounts are estimated to be needed under Minnesota Statutes, section 353.505.

Sec. 30. <u>TEACHERS RETIREMENT ASSOCIATION</u>	\$	<u>15,454,000</u>	\$	<u>15,454,000</u>
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The amounts estimated to be needed are as follows:

(a) **Special direct state aid.** \$12,954,000 the first year and \$12,954,000 the second year are for special direct state aid authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

(b) **Special direct state matching aid.** \$2,500,000 the first year and \$2,500,000 the second year are for special direct state

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matching aid authorized under Minnesota Statutes, section 354A.12, subdivision 3b.

Sec. 31. ST. PAUL TEACHERS RETIREMENT FUND

\$ 2,827,000 \$ 2,827,000

The amounts estimated to be needed for special direct state aid to first class city teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

Sec. 32. DULUTH TEACHERS RETIREMENT FUND

\$ 346,000 \$ 346,000

The amounts estimated to be needed for special direct state aid to first class city teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

Sec. 33. STATE LOTTERY

Notwithstanding Minnesota Statutes, section 349A.10, subdivision 3, the operating budget must not exceed \$29,000,000 in fiscal year 2012 and \$29,000,000 in fiscal year 2013.

Sec. 34. GENERAL CONTINGENT ACCOUNTS

\$ 1,000,000 \$ 500,000

Appropriations by Fund

	<u>2012</u>	<u>2013</u>
<u>General</u>	<u>500,000</u>	<u>-0-</u>
<u>State Government</u>		
<u>Special Revenue</u>	<u>400,000</u>	<u>400,000</u>
<u>Workers'</u>		
<u>Compensation</u>	<u>100,000</u>	<u>100,000</u>

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

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

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

Sec. 35. Laws 2009, chapter 101, article 2, section 106, is amended to read:

Sec. 106. ENTERPRISE REAL PROPERTY CONTRIBUTIONS.

On or before June 1, 2009, the commissioner of administration shall determine the amount to be contributed by each executive agency to maintain the enterprise real property technology system for the fiscal year 2010 and fiscal year 2011 biennium. On or before June 15, 2009, 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 2009 funds or by contributing from fiscal year 2010 and fiscal year 2011 funds to the real property enterprise system and services account to fund the total amount of \$399,000 for the biennium. Funds will be available for the enterprise real property technology project until June 30, 2013. 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.

Sec. 36. PROBLEM GAMBLING APPROPRIATION.

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

Sec. 37. SAVINGS; APPROPRIATION REDUCTION FOR EXECUTIVE AGENCIES.

Subdivision 1. **SEGIS dependent eligibility.** The commissioner of management and budget must reduce general fund appropriations to executive agencies, including constitutional offices, for agency operations for the biennium ending June 30, 2013, by \$1,726,000 due to savings from verification of dependent eligibility for state employee group insurance coverage. The Minnesota State Colleges and Universities is not an executive agency for purposes of this subdivision.

If savings obtained through verification of dependent eligibility for state employee group insurance coverage yield savings in nongeneral funds other than those established in the state constitution or protected by federal law, the commissioner of management and budget may transfer the amount of savings to the general fund. The amount transferred

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to the general fund from other funds reduces the required general fund reduction in this section. Reductions made in 2013 must be reflected as reductions in agency base budgets for fiscal years 2014 and 2015. The commissioner of management and budget must report to the chairs and ranking minority members of the senate Finance Committee and the house of representatives Ways and Means Committee regarding the amount of reductions in spending by each agency under this subdivision.

Subd. 2. **Savings from other reforms.** If the commissioner of management and budget determines that during the biennium ending June 30, 2013, the reforms in this act other than verification of dependent eligibility result in cost savings to nongeneral funds other than those established in the state constitution or protected by federal law, the commissioner may transfer the amount of the savings to the general fund. The commissioner must report to the chairs and ranking minority members of the senate Finance Committee and the house of representatives Ways and Means Committee regarding transfers under this subdivision.

Sec. 38. REPORTS.

By January 15, 2012, and January 15, 2013, the Minnesota Humanities Commission, Council on Black Minnesotans, Council on Asian-Pacific Minnesotans, Council on Affairs of Chicano/Latino People, and Indian Affairs Council must each report to the chairs and ranking minority members of the legislative committees with jurisdiction over the groups. The reports must describe the results obtained with the appropriations in this act, including a description and evaluation of how the groups accomplished their statutory duties in the preceding year.

Sec. 39. TAX COMPLIANCE; TAX ANALYTICS AND BUSINESS INTELLIGENCE TOOLS.

Subdivision 1. **Program activities.** (a) The commissioner of revenue is authorized to implement a program of tax compliance including the use of advanced tax analytics and business intelligence tools to enhance tax assessment and collection by improving the means to identify taxpayers that should be subject to audit and collection activities and by prioritizing those activities to provide a higher rate of return on the activities of Department of Revenue employees.

(b) To implement the program authorized by this section, the commissioner of revenue may enter into contracts as the commissioner deems necessary to obtain or create tax analytics and business intelligence tools.

(c) Any contract entered into under this section is subject to Minnesota Statutes, section 16C.082.

Subd. 2. **Implementation.** To implement the program authorized by this section, the commissioner of revenue may hire employees as the commissioner deems necessary. The commissioner of revenue shall manage the number of full-time equivalent employees of the Department of Revenue so that by the end of fiscal year 2015 any new employees hired to carry out the program authorized by this section will be matched by a reduction in the total number of full-time equivalent employees by the end of fiscal year 2015.

Subd. 3. **New general fund revenues.** The program implemented by this section is expected to result in new general fund revenues of \$82,314,000 for the biennium ending June 30, 2013.

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Subd. 4. **Legislative report.** The commissioner of revenue shall report to the chairs of the house ways and means and senate finance committees by July 1, 2012, and January 15, 2013, on the collection of new general fund revenues under the program authorized by this section.

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

Sec. 40. **END-OF-SESSION BUDGETARY ESTIMATES.**

If, in preparation of end-of-session fund statements following the 2011 first special session, the commissioner of management and budget determines the impact of the enacted fiscal years 2012-2013 omnibus appropriation bills result in a projected negative general fund unrestricted budgetary balance for the biennium ending June 30, 2013, the commissioner shall reduce the general fund cash flow account in Minnesota Statutes, section 16A.152, by an amount sufficient to balance biennial resources and expenditures after notifying the chairs of the house Ways And Means Committee and the senate Finance Committee.

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**

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>22,371,000</u>	<u>\$</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.

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

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

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

Sec. 3. **VETERANS AFFAIRS**

Subdivision 1. **Total Appropriation** **\$ 57,795,000 \$ 58,595,000**

Appropriations by Fund

	<u>2012</u>	<u>2013</u>
<u>General</u>	<u>57,695,000</u>	<u>58,595,000</u>
<u>Special Revenue</u>	<u>100,000</u>	<u>-0-</u>

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

Subd. 2. **Veterans Services** 13,879,000 13,779,000

Appropriations by Fund

	<u>2012</u>	<u>2013</u>
<u>General</u>	<u>13,779,000</u>	<u>13,779,000</u>
<u>Special Revenue</u>	<u>100,000</u>	<u>-0-</u>

\$100,000 in the first year is from the "Support Our Troops" account established under Minnesota Statutes, section 190.19, subdivision 2a, for a grant to the Minnesota Assistance Council for Veterans. This is a onetime appropriation.

\$945,000 each year is for the higher education veterans assistance program under Minnesota Statutes, section 197.585.

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

\$353,000 each year is for grants to the following congressionally chartered veterans service organizations, as designated by the

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commissioner: Disabled American Veterans, Military Order of the Purple Heart, the American Legion, Veterans of Foreign Wars, Vietnam Veterans of America, AMVETS, and Paralyzed Veterans of America. This funding must be allocated in direct proportion to the funding currently being provided by the commissioner to these organizations.

Subd. 3. Veterans Homes43,916,00044,816,000**Veterans Homes Special Revenue Account.**

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

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

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

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

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

Sec. 4. VETERANS HOMES

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

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

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

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

Sec. 5. **REPEALER.**

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

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

ARTICLE 3

STATE GOVERNMENT OPERATIONS

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

Subd. 3. **Membership.** The commission consists of ~~five~~ seven members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration and ~~five~~ seven members of the house of representatives appointed by the speaker. No more than five members from each chamber may be from the majority caucus in that chamber. Members shall be appointed at the commencement of each regular session of the legislature for a two-year term beginning January 16 of the first year of the regular session. Members continue to serve until their successors are appointed. Vacancies that occur while the legislature is in session shall be filled like regular appointments. If the legislature is not in session, senate vacancies shall be filled by the last Subcommittee on Committees of the senate Committee on Rules and Administration or other appointing authority designated by the senate rules, and house of representatives vacancies shall be filled by the last speaker of the house, or if the speaker is not available, by the last chair of the house of representatives Rules Committee.

EFFECTIVE DATE. This section is effective January 16, 2013.

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

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

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

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

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

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

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

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

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

(1) four senators, appointed according to the rules of the senate, with no more than three senators from the majority caucus;

(2) four members of the house of representatives, appointed by the speaker of the house, with no more than three of the house of representatives members from the majority caucus; and

(3) four members appointed by the governor.

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

Subd. 2. **Public member restrictions.** An individual is eligible for appointment by the governor if the individual or the individual's spouse is not:

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

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

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

Subd. 3. **Removal.** It is a ground for removal of a governor's appointee from the commission if the member is not qualified as required by subdivision 2 for appointment to the commission at the time of appointment or does not maintain the qualifications while serving on the commission. The validity of the commission's action is not affected by the fact that it was taken when a ground for removal of a governor's appointee from the commission existed.

Subd. 4. **Terms.** Legislative members serve at the pleasure of the appointing authority. Governor's appointees serve two-year terms expiring the first Monday in January of each odd-numbered year and may be removed at the pleasure of the governor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The September 1 deadline in this section does not apply in 2011.

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

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

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

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

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

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

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

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

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

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

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

- (1) the efficiency and effectiveness with which the agency or the advisory committee operates;
- (2) an identification of the mission, goals, and objectives intended for the agency or advisory committee and of the problem or need that the agency or advisory committee was intended to address and the extent to which the mission, goals, and objectives have been achieved and the problem or need has been addressed;
- (3) an identification of any activities of the agency in addition to those granted by statute and of the authority for those activities and the extent to which those activities are needed;
- (4) an assessment of authority of the agency relating to fees, inspections, enforcement, and penalties;
- (5) whether less restrictive or alternative methods of performing any function that the agency performs could adequately protect or provide service to the public;
- (6) the extent to which the jurisdiction of the agency and the programs administered by the agency overlap or duplicate those of other agencies, the extent to which the agency coordinates with those agencies, and the extent to which the programs administered by the agency can be consolidated with the programs of other state agencies;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) The following departments and agencies must be reviewed according to the schedule in section 3D.21, but do not expire according to that schedule, unless another law is enacted providing that the entity does expire:

(1) a department or agency listed in section 15.01, or section 15.06, subdivision 1 or 1a; and

(2) the Office of Higher Education, Explore Minnesota Tourism, and the Public Utilities Commission.

(b) During the regular session immediately before the sunset of a state agency or an advisory committee that expires under section 3D.21, the legislature may enact legislation to continue the agency or advisory committee for a period not to exceed 12 years. This chapter does not prohibit the legislature from:

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

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

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

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

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

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

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

Subd. 2. **Funds of abolished agency or advisory committee.** (a) Except as provided by other law, any unobligated and unexpended appropriations of an abolished agency or advisory committee lapse on June 30 of the year after abolishment.

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

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(c) If an appropriation exists in law for the functions or obligations transferred in subdivision 3 or 4, that appropriation is transferred to the commissioner of administration for the purposes of those subdivisions.

Subd. 3. **Property, rules, and functions of an abolished agency.** (a) Unless the governor designates an appropriate state agency as prescribed by subdivision 4, property and records in the custody of an abolished state agency or advisory committee on June 30 of the year after abolishment must be transferred to the commissioner of administration. If the governor designates an appropriate state agency, the property and records must be transferred to the designated state agency.

(b) Unless otherwise provided by law, statutory duties of an abolished state agency are transferred to the commissioner of administration, and section 16B.38 applies. All rules adopted by the abolished agency remain effective and shall be enforced by the commissioner of administration, and rulemaking authority of the abolished agency is transferred to the commissioner of administration. The commissioner of administration may use authority under section 16B.37 to transfer duties of an abolished agency that have been transferred to the commissioner of administration. Transfers under section 16B.37 are effective upon filing with the secretary of state, even if a reorganization order transfers all or substantially all of the powers or duties of a department.

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

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

(c) The designated state agency shall provide payment from the sources of payment 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.

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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;

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

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

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

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

Sec. 22. **[3D.21] SUNSET REVIEW.**

Subdivision 1. **Group 1.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2012: Capitol Area Architectural and Planning Board, Amateur Sports Commission, Combative Sports Commission, all health-related licensing boards listed in section 214.01, Council on Affairs of Chicano/Latino People, Council on Black Minnesotans, Council on Asian-Pacific Minnesotans, Indian Affairs Council, Council on Disabilities, and all advisory groups associated with these agencies.

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Subd. 2. **Group 2.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2014: Department of Health, Department of Human Services, Department of Human Rights, Department of Education, Board of Teaching, Minnesota Office of Higher Education, and all advisory groups associated with these agencies.

Subd. 3. **Group 3.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2016: Department of Commerce, Department of Employment and Economic Development, Department of Labor and Industry, all non-health-related licensing boards listed in section 214.01 except as otherwise provided in this section, Explore Minnesota Tourism, Public Utilities Commission, Iron Range Resources and Rehabilitation Board, Bureau of Mediation Services, and all advisory groups associated with these agencies.

Subd. 4. **Group 4.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2018: Department of Corrections, Department of Public Safety, Department of Transportation, Peace Officer Standards and Training Board, and all advisory groups associated with these agencies.

Subd. 5. **Group 5.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2020: Department of Agriculture, Department of Natural Resources, Pollution Control Agency, Board of Animal Health, Board of Water and Soil Resources, and all advisory groups associated with these agencies.

Subd. 6. **Group 6.** The following agencies are sunset and, except as provided in section 3D.14, expire on June 30, 2022: Department of Administration, Department of Management and Budget, Department of Military Affairs, Department of Revenue, Department of Veterans Affairs, Arts Board, Minnesota Zoo, Office of Administrative Hearings, Campaign Finance and Public Disclosure Board, Office of Enterprise Technology, Minnesota Racing Commission, and all advisory groups associated with these agencies.

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

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

Sec. 23. Minnesota Statutes 2010, section 6.49, is amended to read:

6.49 CITIES OF FIRST CLASS.

All powers and duties conferred and imposed upon the state auditor with respect to state and county officers, institutions, property, and improvements are hereby extended to cities of the first class. Copies of the written report of the state auditor on the financial condition and accounts of such city shall be filed in the state auditor's office, with the mayor, city council, and city comptroller thereof, and with the city commissioners, if such city have such officers. If such report disclose malfeasance, misfeasance, or nonfeasance in office, copies thereof shall be filed with the city attorney thereof and with the county attorney of the county in which such city is located, and these officials of the law shall institute such proceedings, civil or criminal, as the law and the public interest require.

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The state auditor shall bill said cities monthly for services rendered, including any examination, and the officials responsible for approving and paying claims shall cause said bill to be promptly paid.

A city that first became a city of the first class after 2009 may provide for an audit to be performed by a certified public accountant firm meeting the requirements of section 326A.05 instead of having an audit performed by the state auditor. An 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 that 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 16A.1286, subdivision 2, is amended to read:

Subd. 2. **Billing procedures.** The commissioner may bill up to ~~\$7,520,000~~ \$10,000,000 in each fiscal year for statewide systems services provided to state agencies, judicial branch agencies, the University of Minnesota, the Minnesota State Colleges and Universities, and other entities. Each agency shall transfer from agency operating appropriations to the statewide systems account the amount billed by the commissioner. Billing policies and procedures related to statewide systems services must be developed by the commissioner in consultation with the commissioners of management and budget and administration, the University of Minnesota, and the Minnesota State Colleges and Universities.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 25. **[16A.90] EMPLOYEE GAINSHARING SYSTEM.**

The commissioner shall 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 commissioner may authorize an executive branch appointing authority to make a onetime award to an employee or group of employees whose suggestion or involvement in a project is determined by the commissioner to have resulted in documented cost-savings to the state. Before authorizing awards under this section, the commissioner shall establish guidelines for the program including but not limited to:

(1) the maximum award is ten percent of the documented savings in the first fiscal year in which the savings are realized up to \$1,000 per individual or \$2,500 per group of employees;

(2) the award must be paid from the appropriation to which the savings accrued; and

(3) employees whose primary job responsibility is to identify cost savings or ways of providing better or more efficient state services are generally not eligible for bonus compensation under this section except in extraordinary circumstances as defined by the commissioner.

Sec. 26. **[16A.93] MINNESOTA PAY-FOR-PERFORMANCE ACT.**

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

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

Sec. 27. **[16A.94] PAY-FOR-PERFORMANCE PROGRAM.**

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

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

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

(2) identify the conditions of performance and desired outcomes for the people 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 with experience in performance contracting; 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 may enter into a pay-for-performance contract with a provider that meets the criteria identified by the oversight committee. 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 provider has met the return on investment criteria in subdivision 4.

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.

Prior to entering into a contract under subdivision 3, the commissioner in consultation with the oversight committee must determine that the services provided under the contract will yield a positive return on investment for the state that will cover the estimated state 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

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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. 28. **[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 \$10,000,000 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.

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

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

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

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

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

Subd. 6. **No full faith and credit; state not required to make appropriations.** The appropriation bonds are not public debt of the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the appropriation bonds or to any payment that the state agrees to make under this section. Appropriation bonds shall not be obligations paid directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege. Appropriation bonds shall be payable in each fiscal year only from amounts that the legislature may appropriate for debt service for any fiscal year, provided that nothing in this section shall be construed to require the state to appropriate funds sufficient to make debt service payments with respect to the bonds in any fiscal year.

Subd. 7. **Appropriation of proceeds.** The proceeds of appropriation bonds and interest credited to the special appropriation bond proceeds account are appropriated to the commissioner for payment of contract obligations under the pay-for-performance program, as permitted by state and federal law, reasonable administrative costs of the program that are directly attributable to the program, issuance costs, and nonsalary expenses incurred in conjunction with the sale of the appropriation bonds.

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

Subd. 9. **Administrative costs.** The commissioner may accept donations from private sources to defray administrative costs under this section. Amounts received are appropriated to the commissioner.

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

Sec. 29. [16C.075] E-VERIFY.

A contract for services valued in excess of \$50,000 must require certification from the vendor and any subcontractors that, as of the date services on behalf of the state of Minnesota will be performed, the vendor and all subcontractors have implemented or are in the process of implementing the federal E-Verify program for all newly hired employees in the United States who will perform work on behalf of the state of Minnesota. This section does not apply to contracts entered into by the State Board of Investment.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to contracts entered into on or after that date.

Sec. 30. [16D.18] RECIPROCAL AGREEMENT.

(a) The commissioner is authorized to enter into agreements with the federal Department of the Treasury that provide for offsetting state payments against federal nontax obligations. Except as provided in paragraph (d), the commissioner may charge a fee of \$20 per transaction for such offsets and may collect this offset fee from the debtor by deducting it from the state payment. The agreement may provide for offsetting federal payments, as authorized by federal law, against state tax and nontax obligations, and collecting the offset cost from the debtor. The agreement shall provide that the federal Department of the Treasury may deduct a fee from each administrative offset and state

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payment offset. Setoffs to collect state and other entity obligations under chapters 16D, 270A, 270C, and any other provision of Minnesota Statutes occur before a state payment offset. For purposes of this paragraph "administrative offset" is any offset of federal payments to collect state debts and "state payment offset" is any offset of state payments to collect federal nontax debts.

(b) A debt is eligible for offset under this program if notice of intent to offset the debt is sent at least 60 days prior to filing an offset claim or a shorter period of time, if required by federal law or an agreement with the federal Department of the Treasury. When there is an agreement for scheduled payments on an account, the debtor must be sent this notice each time an additional debt is claimed.

(c) The debtor shall have the time period required for notice under paragraph (b) to contest the offset. 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. The treasury offset program agreement entered into by the state must not require federal agencies to provide different due process than the requirements under Code of Federal Regulations, title 31, section 285.6.

(d) Notwithstanding the fee authorized under paragraph (a), if the commissioner enters into a contingency fee agreement with a nonstate vendor to provide assistance under this section, the commissioner may charge a debtor a fee for the processing of state payment offsets for the recovery of federal nontax debts or the 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. The fee may not exceed 15 percent of the original debt. Section 16A.1283 does not apply to fees charged under this paragraph.

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. 31. 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.

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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. 32. Minnesota Statutes 2010, section 161.1419, subdivision 8, is amended to read:

Subd. 8. **Expiration.** The commission expires on June 30, ~~2012~~ 2016.

Sec. 33. Minnesota Statutes 2010, section 270C.41, is amended to read:

270C.41 ~~AGREEMENT WITH INTERNAL REVENUE SERVICE~~
AGREEMENTS WITH FEDERAL GOVERNMENT.

Subdivision 1. **Agreement with Internal Revenue Service.** Pursuant to section 270B.12, the commissioner may enter into an agreement with the Internal Revenue Service to identify taxpayers who have refunds due from the department and liabilities owing to the Internal Revenue Service. In accordance with the procedures established in the agreement, the Internal Revenue Service may levy against the refunds to be paid by the department. For each refund levied upon, the commissioner shall first deduct from the refund a fee of \$20, and then remit the refund or the amount of the levy, whichever is less, to the Internal Revenue Service. The proceeds of fees shall be deposited into the Department of Revenue recapture revolving fund under section 270A.07, subdivision 1.

Subd. 2. **Reciprocal offset agreements.** (a) The commissioner is authorized to enter into agreements with the federal Department of the Treasury that provide for offsetting state payments against federal nontax obligations. Except as provided in paragraph (d), the commissioner may charge a fee of \$20 per transaction for such offsets and may collect this offset fee from the debtor by deducting it from the state payment. The agreement may provide for offsetting federal payments, as authorized by federal law, against state tax and nontax obligations, and collecting the offset cost from the debtor. The agreement shall provide that the federal Department of the Treasury may deduct a fee from each administrative offset and state payment offset. Setoffs to collect state and other entity obligations under chapters 16D, 270A, 270C, and any other provision of Minnesota Statutes, occur before a state payment offset. For purposes of this paragraph "administrative offset" is any offset of federal payments to collect state debts and "state payment offset" is any offset of state payments to collect federal nontax debts.

(b) A debt is eligible for offset under this program if notice of intent to offset the debt is sent at least 60 days prior to filing an offset claim or a shorter period of time, if required by federal law or an agreement with the federal Department of the Treasury. When there is an agreement for scheduled payments on an account, the debtor must be sent this notice each time an additional debt is claimed.

(c) The debtor shall have the time period required for notice under paragraph (b) to contest the offset. 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. The treasury offset program agreement

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entered into by the state must not require federal agencies to provide different due process than the requirements under Code of Federal Regulations, title 31, section 285.6.

(d) Notwithstanding the fee authorized under paragraph (a), if the commissioner enters into a contingency fee agreement with a nonstate vendor to provide assistance under this section, the commissioner may charge a debtor a fee for the processing of state payment offsets for the recovery of federal nontax debts or the 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. The fee may not exceed 15 percent of the original debt. Section 16A.1283 does not apply to fees charged under this paragraph.

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. 34. Minnesota Statutes 2010, section 270C.545, is amended to read:

270C.545 FEDERAL TAX REFUND OFFSET FEES; TIME LIMIT FOR SUBMITTING CLAIMS FOR OFFSET.

For ~~If~~ fees are charged by the Department of the Treasury of the United States for the offset of federal tax refunds ~~that~~ or the offset of federal payments and these fees are deducted from the refund or the federal payment amounts remitted to the commissioner, then the unpaid debts of the taxpayers whose refunds or federal payments are being offset to satisfy the debts are reduced only by the actual amount of the refund payments or federal payments received by the commissioner. Notwithstanding any other provision of law to the contrary, a claim for the offset of a federal tax refund must be submitted to the Department of the Treasury of the United States within ten years after the date of the assessment of the tax owed by the taxpayer whose refund is to be offset to satisfy the debt. For court debts referred to the commissioner under section 16D.04, subdivision 2, paragraph (a), the federal refund offset fees are deducted as provided in this section, but the ten-year time limit prescribed in this section for tax debts does not apply.

Sec. 35. Minnesota Statutes 2010, section 471.697, subdivision 2, is amended to read:

Subd. 2. **First class city audits.** The state auditor shall continue to audit cities of the first class pursuant to section 6.49, subject to the authority in section 6.49 for certain cities of the first class to have audits performed by a certified public accountant firm.

Sec. 36. 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 the Minnesota State Colleges and Universities.

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

Sec. 37. **STATE BUILDING EFFICIENCY.**

Subdivision 1. Request for proposals. By September 1, 2011, the commissioner of administration shall issue one or more requests for proposals for a contract or contracts to provide services or systems that promote efficiencies in state building management. The requests for proposals shall include requirements that maximize the use of data analytics to influence energy consumption, including equipment and system performance, facility operations, and facility maintenance. To the extent applicable to the solicitation, and if determined by the commissioner to be in the best interest of the state, the request for proposals shall require the vendor or vendors to provide a system that provides concurrent building monitoring, energy consumption optimization, and equipment performance information.

Subd. 2. Standards-based platform system with data analytics. To the extent applicable to the solicitation, and if determined by the commissioner to be in the best interest of the state, the request for proposals must require the vendor or vendors to provide: (1) a standards-based platform system with the capability to integrate and coordinate a variety of control systems, including their data, and the ability to manage all state buildings and their control systems; and (2) a system that uses data analytics to integrate corrective action notification and work order management.

Subd. 3. Proof of concept phase. To the extent applicable to the solicitation, and if determined by the commissioner to be in the best interest of the state, the request for proposals shall require the selected vendor or vendors, at no cost to the state, to conduct a proof of concept phase to demonstrate savings provided by the proposed solution. Prior to execution of any contract for implementation of a proposed solution, a vendor and the state must agree on how savings during a full implementation phase would be defined, measured, and verified, to ensure that the contract will provide the highest possible return on investment to the state.

Subd. 4. Contingency fee authorized. Contracts entered into pursuant to this section may be paid for by the state from the savings attributable to the work done by the vendor, according to the terms and performance measures negotiated in the contract.

Subd. 5. Selection of vendor. The commissioner of administration shall select a vendor from the responses to the request for proposal by January 1, 2012, if the commissioner determines proceeding with a contract or contracts is in the best interest of the state.

Subd. 6. Progress report. The commissioner shall provide a report describing the progress made under this section to the governor and the chairs and ranking minority members of the legislative committees with jurisdiction over the commissioner of administration by January 15, 2012. The report shall provide a dynamic scoring analysis of the work described in the report.

Sec. 38. **FLEET MANAGEMENT IMPROVEMENTS.**

Subdivision 1. Request for proposals. By September 1, 2011, the commissioner of administration shall issue a request for proposals to improve the procurement, allocation, control, energy efficiency, maintenance, and in-service life of state vehicles. The request for proposal may include recommendations and solutions that address:

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(1) a life-cycle solution for vehicle management, covering all stages from procurement through disposal of state vehicles; and

(2) the integration of data analytics to provide vehicle tracking, usage, and proactive maintenance management.

Subd. 2. **Proof of concept phase.** The request for proposals shall reserve the right of the state to require a proof of concept phase to demonstrate the cost-savings potential of the recommendations and solutions proposed. During a proof of concept phase, the vendor and the state must agree on how savings would be defined, measured, and verified, to ensure that the contract will provide the highest possible return on investment to the state.

Subd. 3. **Contingency fee authorized.** Contracts entered into pursuant to this section may be paid by the state from the savings attributable to the work done by the vendor, according to the terms and performance measures negotiated in the contract.

Subd. 4. **Selection of vendor.** The commissioner of administration shall select a vendor from the responses to the request for proposal by January 1, 2012, if the commissioner determines proceeding with a contract or contracts is in the best interests of the state.

Subd. 5. **Progress report.** The commissioner shall provide a report describing the progress made under this section to the governor and the chairs and ranking minority members of the legislative committees with jurisdiction over the commissioner of administration by January 15, 2012. The report shall provide a dynamic scoring analysis of the work described in the report.

Sec. 39. **[43A.315] STATE EMPLOYEE EFFICIENT USE OF HEALTH CARE INCENTIVE PROGRAM.**

The commissioner of management and budget may 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 June 30 of the following calendar year.

Sec. 40. **STATE EMPLOYEE GROUP INSURANCE PLAN DEPENDENT ELIGIBILITY VERIFICATION AUDIT SERVICES.**

Subdivision 1. **Request for proposals.** By October 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

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(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 process 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.

Subd. 3. **Contract required.** By January 1, 2012, the commissioner must enter into a contract for the services specified in subdivision 1. The contract may 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. 41. STRATEGIC SOURCING REQUEST FOR PROPOSALS.

Subdivision 1. **Request for proposals.** By September 1, 2011, the commissioner of administration shall issue a request for proposals for a contract to promote the use of data analytics to promote efficiencies in strategic sourcing. For the purposes of this section, "strategic sourcing" has the meaning given in Minnesota Statutes, section 16C.02, subdivision 20. The request for proposals may require the vendor to provide recommendations for improvements to methods used by the commissioner to analyze and reduce spending on goods and services, including, but not limited to, spend analysis, product standardization, contract consolidation, negotiations, multiple jurisdiction purchasing alliances, reverse and forward auctions, life-cycle costing, and other techniques.

Subd. 2. **Proof of concept phase.** The request for proposal shall reserve the right of the state to require a proof of concept phase, at no cost to the state, to demonstrate the savings provided by the recommendations.

Subd. 3. **Contingency fee authorized.** Contracts entered into pursuant to this section may be paid for by the state from the savings attributable to the work done by the vendor, according to the terms and performance measures negotiated in the contract.

Subd. 4. **Selection of vendor.** The commissioner of administration shall select, from qualified respondents, a vendor or vendors from the responses to the request for proposal by January 1, 2012, if the commissioner determines proceeding with a contract or contracts is in the best interests of the state.

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

Sec. 42. 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

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executive branch employees, with a goal of assigning all classified positions to no more than 50 job families. The process must lead to development of a new job classification plan designed to enhance the ability of state agencies to flexibly manage their workforces to meet changing needs and demands of the agency, and to enhance the ability of state employees to transfer to other positions for which they are qualified. In developing this process, the commissioner must meet and confer with the exclusive representatives of each affected bargaining unit. The report to the legislature must identify implementation issues.

Sec. 43. HELP AMERICA VOTE ACT.

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

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

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

Sec. 44. PERFORMANCE APPRAISAL SYSTEM REPORT.

The commissioner of management and budget must report to the legislature by January 15, 2012 on a plan for redesign and implementation of the performance appraisal system for executive branch employees. The redesigned 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 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.

The redesigned system under the report must provide that an employee may not receive an increase in salary or wages based on progression to another step or lane unless the employee's supervisor certifies that the employee's performance has been satisfactory.

Sec. 45. SERVICE CREDIT AND CREDITED SALARY.

A state employee as defined in Minnesota Statutes, chapter 43A or 352, who was laid off or placed on unpaid leave during July 2011 and accepts recall during July 2011 shall receive service credit and credited salary in a retirement plan as if the employee had actually been employed during the period of layoff or unpaid leave during July 2011.

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EFFECTIVE DATE. This section is effective the day following final enactment and is retroactive to July 1, 2011.

Sec. 46. **FTE REPORT.**

The commissioner of management and budget must report to the legislature on July 31, 2012, and July 31, 2013, on the reduction in the number of full-time equivalent executive branch employees as of June 30, 2012, and June 30, 2013, compared to the number on June 30, 2011. Each report must list the number of full-time equivalent employees in each executive agency.

Sec. 47. **BUYER'S CARD; TEMPORARY EXTENSION.**

A retailer whose retailer card authorized under Minnesota Rules, part 7515.0210, subpart 3, has expired between June 15, 2011, and July 25, 2011, may purchase alcohol using an expired card, and a licensed Minnesota wholesaler may accept a card as legitimate until July 31, 2011.

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

Sec. 48. **RACING DAYS LOST DUE TO SHUTDOWN.**

The Minnesota Racing Commission shall waive racing days requirements in Minnesota Statutes, chapter 240, including those in Minnesota Statutes, section 240.30, for the 2011 racing season, to the extent the commission determines a racetrack was unable to meet racing days requirements due to the July 2011 state government shutdown.

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

Sec. 49. **WAIVER OF LATE FEES.**

Notwithstanding any law to the contrary, a state agency may waive a late fee or penalty in connection with issuance or renewal of a license, permit, or registration document issued by the agency, if the agency determines that the lateness was due in whole or in part to agency operations being affected by the state government shutdown in July 2011.

ARTICLE 4

CONSOLIDATION OF INFORMATION TECHNOLOGY SERVICES

Section 1. Minnesota Statutes 2010, section 16B.99, as amended by Laws 2011, chapter 68, sections 1 and 2, 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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, tribal governments, 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 designate up to 15 state government agencies and constitutional offices, including the Office of Enterprise Technology and the Minnesota Geospatial Information Office, to be represented on the council. 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. Members of the statewide geospatial advisory council must be selected in compliance with the state's open appointment process. Members of the state government geospatial advisory council must be appointed by the heads of their respective agencies or constitutional offices. One member of the state government geospatial advisory council must be appointed by the Legislative Coordinating Commission. 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, 2015.

Subdivision 9 repealed by Laws 2011, chapter 68, section 2.

Sec. 2. **[16E.016] RESPONSIBILITY FOR INFORMATION TECHNOLOGY SERVICES AND EQUIPMENT.**

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

- (1) state data centers;
- (2) mainframes including system software;
- (3) servers including system software;
- (4) desktops including system software;
- (5) laptop computers including system software;
- (6) a data network including system software;

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

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

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

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

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

(12) network-connected output devices.

(b) All state agency employees whose work primarily involves functions specified in paragraph (a) are employees of the Office of Enterprise Technology. This includes employees who directly perform the functions in paragraph (a), as well as employees whose work primarily involves managing, supervising, or providing administrative services or support services to employees who directly perform these functions. The chief information officer may assign employees of the office to perform work exclusively for another state agency.

(c) Subject to sections 16C.08 and 16C.09, the chief information officer may allow a state agency to obtain services specified in paragraph (a) through a contract with an outside vendor when the chief information officer and the agency head agree that a contract would provide best value, as defined in section 16C.02, under the service-level agreement. The chief information officer must require that agency contracts with outside vendors ensure that systems and services are compatible with standards established by the Office of Enterprise Technology.

(d) The Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the State Board of Investment, the Campaign Finance and Public Disclosure Board, the State Lottery, and the Statewide Radio Board are not state agencies for purposes of this section.

EFFECTIVE DATE. This section is effective October 1, 2011.

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

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

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

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

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

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- (1) development and implementation of the state information technology strategic plan;
- (2) critical information technology initiatives for the state;
- (3) standards for state information architecture;
- (4) identification of business and technical needs of state agencies;
- (5) strategic information technology portfolio management, project prioritization, and investment decisions;
- (6) the office's performance measures and fees for service agreements with executive branch agencies;
- (7) management of the state enterprise technology revolving fund; and
- (8) the efficient and effective operation of the office.

Sec. 4. Minnesota Statutes 2010, section 16E.04, subdivision 2, is amended to read:

Subd. 2. **Responsibilities.** (a) In addition to other activities prescribed by law, the office shall carry out the duties set out in this subdivision.

(b) The office shall develop and establish a state information architecture to ensure:

(1) that state agency development and purchase of information and communications systems, equipment, and services is designed to ensure that individual agency information systems complement and do not needlessly duplicate or conflict with the systems of other agencies; and

(2) enhanced public access to data can be provided consistent with standards developed under section 16E.05, subdivision 4.

When state agencies have need for the same or similar public data, the chief information officer, in coordination with the affected agencies, shall manage the most efficient and cost-effective method of producing and storing data for or sharing data between those agencies. The development of this information architecture must include the establishment of standards and guidelines to be followed by state agencies. The office shall ensure compliance with the architecture.

(c) The office shall ~~assist, in cooperation with~~ state agencies ~~in the planning and management, plan and manage the development and improvement~~ of information systems so that an individual information system reflects and supports the state agency's mission and the state's requirements and functions. The office shall review and approve agency technology plans to ensure consistency with enterprise information and telecommunications technology strategy. By January 15 of each year, the chief information officer must report to the chairs and the ranking minority members of the legislative committees and divisions with jurisdiction over the office regarding the assistance provided under this paragraph. The report must include a listing of agencies that have developed or are developing plans under this paragraph.

(d) The office shall review and approve agency requests for funding for the development or purchase of information systems equipment or software before the requests may be included in the governor's budget.

(e) The office shall review and approve agency requests for grant funding that have an information and technology component.

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(f) The office shall review major purchases of information systems equipment to:

(1) ensure that the equipment follows the standards and guidelines of the state information architecture;

(2) ensure the agency's proposed purchase reflects a cost-effective policy regarding volume purchasing; and

(3) ensure that the equipment is consistent with other systems in other state agencies so that data can be shared among agencies, unless the office determines that the agency purchasing the equipment has special needs justifying the inconsistency.

~~(f)~~ (g) The office shall review the operation of information systems by state agencies and ensure that these systems are operated efficiently and securely and continually meet the standards and guidelines established by the office. The standards and guidelines must emphasize uniformity that is cost-effective for the enterprise, that encourages information interchange, open systems environments, and portability of information whenever practicable and consistent with an agency's authority and chapter 13.

~~(g)~~ (h) The office shall conduct a comprehensive review at least every three years of the information systems investments that have been made by state agencies and higher education institutions. The review must include recommendations on any information systems applications that could be provided in a more cost-beneficial manner by an outside source. The office must report the results of its review to the legislature and the governor.

Sec. 5. **[16E.145] INFORMATION TECHNOLOGY APPROPRIATION.**

An appropriation for a state agency information and telecommunications technology project must be made to the chief information officer. The chief information officer must manage and disburse the appropriation on behalf of the sponsoring state agency. Any appropriation for an information and telecommunications technology project made to a state agency other than the Office of Enterprise Technology is transferred to the chief information officer.

EFFECTIVE DATE. This section is effective July 1, 2013, and applies to appropriations made on or after that date.

Sec. 6. **TRANSFERS; TRANSITION.**

(a) Powers, duties, responsibilities, personnel, and assets relating to functions assigned to the chief information officer in Minnesota Statutes, section 16E.016, are transferred to the Office of Enterprise Technology from all other state agencies, as defined in Minnesota Statutes, section 16E.03, subdivision 1, paragraph (e), by October 1, 2011, with the exception of state agency chief information officers which are transferred 30 days after final enactment.

(b) The chief information officer, with assistance from the commissioner of Minnesota Management and Budget, must enter into a service-level agreement with each state agency governing the provision of information technology systems and services, assets, and personnel in Minnesota Statutes, section 16E.016, by July 1, 2012. The agreements must specify the services to be provided and the charges or cost allocation for these services. As specified in Minnesota Statutes, section 16E.016, the chief information officer may allow an agency to obtain these services from an outside vendor, rather than from the Office of Enterprise Technology when appropriate. Authority to enter

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into agreements under this paragraph is effective the day following final enactment, with the resulting agreements in place no later than July 1, 2012. By January 15, 2012, the chief information officer shall submit to the legislature any statutory changes needed to complete implementation of any transfer in this section.

(c) By July 1, 2013, the state chief information officer shall control and direct all information and telecommunication technology spending authorized under Minnesota Statutes, section 16E.016. This shall be reflected in the fiscal year 2014-2015 biennial budget.

(d) After approval by the state chief information officer, powers, duties, responsibilities, assets, personnel, and appropriations relating to geospatial information systems are transferred from the commissioner of administration to the Office of Enterprise Technology by July 1, 2013.

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

(f) The transfer of authority to the Office of Enterprise Technology in this article does not require expansion or consolidation of office space, data centers, help desks, or other systems. The chief information officer may implement expansion, relocation, or consolidation to the extent feasible and desirable with existing resources, or to the extent that savings resulting from the expansions or consolidations will pay for the costs associated with these activities during the biennium ending June 30, 2013.

(g) State agencies must cooperate and comply with the Office of Enterprise Technology in the transfer of functions and other implementation of sections 1 to 6. In consultation with the commissioners of Minnesota Management and Budget and administration, the state chief information officer has final authority in determining the meaning of sections 1 to 6. The state chief information officer may establish policies and standards to implement and clarify the meaning of sections 1 to 6.

Sec. 7. STUDY.

The chief information officer in the Office of Enterprise Technology shall report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over state government finance by January 15, 2014, on the feasibility and desirability of the office entering into service-level agreements with the State Lottery, the Statewide Radio Board, Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the State Board of Investment, and the Campaign Finance and Public Disclosure Board regarding provision of information technology systems and services to those entities.

Sec. 8. REVISOR'S INSTRUCTION.

Upon enactment of section 6, paragraph (d), the revisor of statutes shall recodify Minnesota Statutes, section 16B.99, into Minnesota Statutes, chapter 16E.

Sec. 9. EFFECTIVE DATE.

Sections 1 to 8 are effective the day following final enactment unless stated otherwise.

ARTICLE 5**GENERAL PROVISIONS****Section 1. PAYMENT FOR 2011 GOVERNMENT SHUTDOWN CAUSES OF ACTION.**

No appropriation under this or any other law, regardless of when enacted, may be used to pay or settle judgments for damages by contractors or third parties arising out of, or related to, the government shutdown of July 2011. This limitation does not apply if the contract expressly provides for the payment by the state or an agency of the state for measures or activities undertaken by the contractor or third party arising from or caused by the government shutdown.

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

Sec. 2. EFFECTIVE DATE; RELATIONSHIP TO OTHER APPROPRIATIONS.

Unless otherwise specified, this act is effective retroactively from July 1, 2011, and supersedes and replaces funding authorized by order of the Second Judicial District Court in Case No. 62-CV-11-5203.

Presented to the governor July 20, 2011

Signed by the governor July 20, 2011, 9:10 a.m.