

A bill for an act
relating to local government; establishing Minnesota Innovation and Research
Council; imposing powers and duties of council; appropriating money; amending
Minnesota Statutes 2008, section 3.971, by adding a subdivision; proposing
coding for new law in Minnesota Statutes, chapter 465; repealing Minnesota
Statutes 2008, section 6.80.

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

ARTICLE 1

STRATEGIC PLAN

Section 1. **STRATEGIC PLAN REPORT.**

By January 15, 2011, the Minnesota Innovation and Research Council shall report to
the governor and the chairs and ranking minority members of the legislative committees
and divisions with jurisdiction over state government policy and finance with a strategic
plan containing findings and recommendations to improve state and local government
delivery of public services. The strategic plan must specify:

(1) how to enhance the public involvement and input as the public uses state and
local government services and public schools;

(2) how technology can be leveraged to reduce costs and enhance quality;

(3) how service innovation will increase value or results per dollar spent; and

(4) the design for a platform that will facilitate high-quality innovation and evaluate
state and local government structural redesign in the future.

The strategic plan shall also provide a process to review and modify
recommendations at regular intervals in the future based on specific results measured
at regular intervals.

The strategic plan shall also include any proposed legislation necessary to implement the council's recommendations.

ARTICLE 2

MINNESOTA INNOVATION AND RESEARCH COUNCIL

Section 1. Minnesota Statutes 2008, section 3.971, is amended by adding a subdivision to read:

Subd. 9. **Recommendations to the Minnesota Innovation and Research Council.**

The legislative auditor may make recommendations to the Minnesota Innovation and Research Council established under section 465.7902 that will assist the council in accomplishing its duties.

Sec. 2. **[465.7901] DEFINITIONS.**

Subdivision 1. **Agency.** "Agency" means a department, agency, board, or other instrumentality of state government that has jurisdiction over an administrative rule or law from which a waiver is sought under section 465.7903. If no specific agency has jurisdiction over such a law, agency refers to the attorney general.

Subd. 2. **Council.** "Council" means the Minnesota Innovation and Research Council established by section 465.7902.

Subd. 3. **Local government unit.** "Local government unit" means a county, home rule charter or statutory city, school district, town, or special taxing district.

Subd. 4. **Metropolitan agency.** "Metropolitan agency" has the meaning given in section 473.121, subdivision 5a.

Subd. 5. **Metropolitan area.** "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

Subd. 6. **Metropolitan Council.** "Metropolitan Council" means the Metropolitan Council established by section 473.123.

Subd. 7. **Scope.** As used in sections 465.7901 to 465.7907 and 465.805 to 465.808, the terms defined in this section have the meanings given them.

Sec. 3. **[465.7902] MINNESOTA INNOVATION AND RESEARCH COUNCIL.**

Subdivision 1. **Membership.** The Minnesota Innovation and Research Council consists of 15 members, appointed as follows:

(1) two members of the senate, appointed by the Subcommittee on Committees of the Senate Committee on Rules and Administration;

(2) two members of the house of representatives, appointed by the speaker of the house;

(3) the commissioner of management and budget;

(4) the commissioner of administration;

(5) the state chief information officer;

(6) an administrative law judge appointed by the chief administrative law judge;

(7) the state auditor;

(8) two members with a background in academic research concerning system redesign and delivery, including one member appointed by the chancellor of the Minnesota State Colleges and Universities and one member appointed by the president of the University of Minnesota;

(9) one member with experience in the leadership of nonprofit organizations, appointed by the Minnesota Council of Nonprofits;

(10) one member with experience in foundation leadership appointed by the Minnesota Council on Foundations;

(11) one member with experience as a leader of a for-profit corporation, appointed by the Minnesota Chamber of Commerce; and

(12) one member representing public employees appointed by the American Federation of State, County and Municipal Employees.

All members must have experience or interest in the work of system redesign or public sector innovation. The legislative members serve as nonvoting members. Only members designated in clauses (3) to (7) may vote on proposed rule or law waivers under section 465.7903. A commissioner serving on the council may designate an employee from the commissioner's agency to serve as the commissioner's designee. A person registered as a lobbyist under chapter 10A may not be a member of the council.

Subd. 2. Duties of council. The council shall:

(1) accept applications from local government units and nonprofit organizations for waivers of administrative rules and temporary, limited exemptions from enforcement of procedural requirements in state law as provided in section 465.7903, and determine whether to approve, modify, or reject the application;

(2) accept applications for grants to local government units and related organizations proposing to design models or plans for innovative service delivery and management as provided in section 465.7905, and determine whether to approve, modify, or reject the application;

(3) accept applications from eligible local government units for service-sharing grants as provided in section 465.7905, and determine whether to approve, modify, or reject the application;

(4) make recommendations to the legislature for the authorization of pilot projects for the implementation of innovative service delivery activities that require statutory authorization;

(5) make recommendations to the legislature regarding the elimination of state mandates that inhibit local government efficiency, innovation, and cooperation by prescribing specific processes for achieving a desired outcome;

(6) investigate and review the role of unfunded state mandates in intergovernmental relations and assess their impact on state and local government objectives and responsibilities;

(7) make recommendations to the governor and the legislature regarding:

(i) allowing flexibility for local units of government in complying with specific unfunded state mandates for which terms of compliance are unnecessarily rigid or complex;

(ii) reconciling any two or more unfunded state mandates that impose contradictory or inconsistent requirements;

(iii) terminating unfunded state mandates that are duplicative, obsolete, or lacking in practical utility;

(iv) suspending, on a temporary basis, unfunded state mandates that are not vital to public health and safety and that compound the fiscal difficulties of local units of government, including recommendations for initiating the suspensions;

(v) consolidating or simplifying unfunded state mandates or the planning or reporting requirements of the mandates, in order to reduce duplication and facilitate compliance by local units of government with those mandates; and

(vi) establishing common state definitions or standards to be used by local units of government in complying with unfunded state mandates that use different definitions or standards for the same terms or principles;

(8) identify relevant unfunded state mandates;

(9) facilitate proposals for grants made by eligible applicants; and

(10) make recommendations on topics to the Legislative Audit Commission for program evaluations that are likely to result in recommendations that will improve the cost-effective delivery of government services.

The duties imposed under clauses (6) to (10) must be performed to the extent possible given existing resources. Each recommendation under clause (7) must, to

the extent practicable, identify the specific unfunded state mandates to which the recommendation applies. The commissioners or directors of state agencies responsible for the promulgation or enforcement of the unfunded mandates addressed in clauses (5) to (10) shall assist the council in carrying out the council's duties under this section.

Subd. 3. **Additional coordinating functions.** The council may also:

(1) serve as a clearinghouse for existing ideas and information from community leaders;

(2) provide a Web site where interested parties may share information and practices;

(3) receive recommendations from the legislative auditor concerning waivers and other initiatives within the council's jurisdiction;

(4) conduct research concerning innovation in service delivery and local government efficiency, innovation, and cooperation;

(5) facilitate regional dialogue concerning successful innovation and collaboration; and

(6) use its best efforts to maximize public involvement in its work, including the use of best practices in social media.

Subd. 4. **Staff.** The council shall hire an executive director who serves as the state's chief innovation officer. The council may hire other staff or consultants as necessary to perform its duties. The commissioner of administration must provide administrative support services to the council.

Subd. 5. **Terms, compensation, and removal.** Members serve at the pleasure of the appointing authority. Compensation of members is governed by section 15.0575, unless otherwise provided.

Sec. 4. [465.7903] RULE AND LAW WAIVER REQUESTS.

Subdivision 1. **Generally.** (a) Except as provided in paragraph (b), a local government unit or a nonprofit organization may request the Minnesota Innovation and Research Council to grant a waiver from one or more administrative rules or a temporary, limited exemption from enforcement of state procedural laws governing delivery of services by the local government unit or nonprofit organization. Two or more local government units may submit a joint application for a waiver or exemption under this section if they propose to cooperate in providing a service or program that is subject to the rule or law. Before a local unit of government may submit an application to the council, the governing body of the local government unit must approve, in concept, the proposed waiver or exemption at a meeting required to be public under chapter 13D. A waiver

or exemption granted to a nonprofit organization under this section applies to services provided to all of the organization's clients.

(b) A school district that is granted a variance from rules of the commissioner of education under section 122A.163 need not apply to the council for a waiver of those rules under this section. A school district may not seek a waiver of rules under this section if the commissioner of education has authority to grant a variance to the rules under section 122A.163. This paragraph does not preclude a school district from being included in a cooperative effort with another local government unit under this section.

Subd. 2. Application. (a) A local government unit or nonprofit organization requesting a waiver of a rule or exemption from enforcement of a law under this section shall present a written application to the council. The application must include:

(1) identification of the service or program at issue;

(2) identification of the administrative rule or the law imposing a procedural requirement with respect to which the waiver or exemption is sought; and

(3) a description of the improved service outcome sought, including an explanation of the effect of the waiver or exemption in accomplishing that outcome.

(b) A local government unit submitting an application must provide a copy to the exclusive representative certified under section 179A.12 to represent employees who provide the service or program affected by the requested waiver or exemption.

Subd. 3. Review process. (a) Upon receipt of an application, the council shall commence review of the application, as provided in this subdivision. The council shall dismiss an application if it finds that the application proposes a waiver of rules or exemption from enforcement of laws that would result in due process violations, violations of federal law or the state or federal constitution, or the loss of services to people who are entitled to them. If the council does not dismiss an application, the council must publish notice in the State Register before it acts on the application. The notice must list the name of the local government unit or nonprofit organization requesting the waiver or exemption, the service or program at issue, and the rule or law with respect to which the waiver of exemption is sought.

(b) The council shall determine whether a law from which an exemption for enforcement is sought is a procedural law, specifying how a local government unit or nonprofit organization is to achieve an outcome, rather than a substantive law prescribing the outcome or otherwise establishing policy. For the purposes of this section, "procedural law" does not include a statutory notice requirement. In making its determination, the council shall consider whether the law specifies such requirements as:

(1) who must deliver a service;

7.1 (2) where the service must be delivered;

7.2 (3) to whom and in what form reports regarding the service must be made; and

7.3 (4) how long or how often the service must be made available to a given recipient.

7.4 (c) If a member of the council also is a commissioner, a commissioner's designee, or
7.5 the state auditor, or is employed by an agency with jurisdiction over a rule or law affected
7.6 by an application, the member must not participate in the decision on the particular waiver
7.7 or exemption.

7.8 (d) If the application is submitted by a local government unit or a nonprofit
7.9 organization in the metropolitan area or the unit or nonprofit organization requests a
7.10 waiver of a rule or temporary, limited exemptions from enforcement of a procedural
7.11 law over which the Metropolitan Council or a metropolitan agency has jurisdiction, the
7.12 council shall also transmit a copy of the application to the Metropolitan Council for
7.13 review and comment. The Metropolitan Council shall report its comments to the council
7.14 within 60 days of the date the application was transmitted to the Metropolitan Council.
7.15 The Metropolitan Council may point out any resources or technical assistance it may be
7.16 able to provide a local government unit or nonprofit organization submitting a request
7.17 under this section.

7.18 (e) Within 15 days after receipt of the application, the council shall transmit a copy
7.19 of it to the commissioner of each agency having jurisdiction over a rule or law from which
7.20 a waiver or exemption is sought. The agency may mail a notice that it has received an
7.21 application for a waiver or exemption to all persons who have registered with the agency
7.22 under section 14.14, subdivision 1a, identifying the rule or law from which a waiver or
7.23 exemption is requested. If no agency has jurisdiction over the rule or law, the council shall
7.24 transmit a copy of the application to the attorney general. The agency shall inform the
7.25 council of its agreement with or objection to and grounds for objection to the waiver or
7.26 exemption request within 60 days of the date when the application was transmitted to it.
7.27 An agency's failure to respond under this paragraph is considered agreement to the waiver
7.28 or exemption. The council shall decide whether to grant a waiver or exemption at its next
7.29 regularly scheduled meeting following its receipt of an agency's response or the end of
7.30 the 60-day response period. If consideration of an application is not concluded at that
7.31 meeting, the matter may be carried over to the next meeting of the council. Interested
7.32 persons may submit written comments to the council on the waiver or exemption request
7.33 up to the time of its vote on the application.

7.34 (f) If the exclusive representative of the affected employees of the requesting local
7.35 government unit objects to the waiver or exemption request, it may inform the council

of the objection to and the grounds for the objection to the waiver or exemption request within 60 days of the receipt of the application.

Subd. 4. **Hearing.** If the agency or the exclusive representative does not agree with the waiver or exemption request, the council shall set a date for a hearing on the application. The hearing must be conducted informally at a meeting of the council. Persons representing the local government unit shall present their request for the waiver or exemption, and a representative from the agency shall explain the agency's objection to the waiver or exemption. Members of the council may request additional information from either party. The council may also request, either before or at the hearing, information or comments from representatives of business, labor, local governments, state agencies, consultants, and members of the public. If necessary, the hearing may be continued at a subsequent council meeting. A waiver or exemption requires a majority vote of the council members. The council may modify the terms of the waiver or exemption request in arriving at the agreement required under subdivision 5.

Subd. 5. **Conditions of agreements.** (a) If the council grants a request for a waiver or exemption, the council and the entity making the request shall enter into an agreement providing for the delivery of the service or program that is the subject of the application. The agreement must specify desired outcomes and the means of measurement by which the council will determine whether the outcomes specified in the agreement have been met. The agreement must specify the duration of the waiver or exemption. The duration of a waiver from an administrative rule may be for no less than two years and no more than four years, subject to renewal if both parties agree. An exemption from enforcement of a law terminates ten days after adjournment of the regular legislative session held during the calendar year following the year when the exemption is granted, unless the legislature has acted to extend or make permanent the exemption.

(b) If the council grants a waiver or exemption, it must report the waiver or exemption to the legislature, including the chairs of the governmental operations and appropriate policy committees in the house of representatives and senate, and the governor within 30 days.

(c) The council may reconsider or renegotiate the agreement if the rule or law affected by the waiver or exemption is amended or repealed during the term of the original agreement. A waiver of a rule under this section has the effect of a variance granted by an agency under section 14.055. The recipient of an exemption from enforcement of a procedural requirement in state law under this section is exempt from that law for the duration of the exemption. The council may require periodic reports from the recipient, or conduct investigations of the service or program.

9.1 Subd. 6. **Enforcement.** If the council finds that the recipient of a waiver or an
9.2 exemption has failed to comply with the terms of the agreement under subdivision 5, it
9.3 may rescind the agreement. After an agreement is rescinded, the recipient is subject to the
9.4 rules and laws covered by the agreement.

9.5 Subd. 7. **Access to data.** If the recipient of a waiver or an exemption through a
9.6 cooperative program under this section gains access to data that is classified as not public,
9.7 the access to and use of the data for the recipient is governed by the same restrictions on
9.8 access to and use of the data that apply to the unit that collected, created, received, or
9.9 maintained the data.

9.10 **Sec. 5. [465.7904] WAIVERS OF STATE RULES; POLICIES.**

9.11 Subdivision 1. **Application.** A state agency may apply to the council for a waiver
9.12 from:

9.13 (1) an administrative rule or policy adopted by the commissioner of management
9.14 and budget that deals with the state personnel system;

9.15 (2) an administrative rule or policy of the commissioner of administration that
9.16 deals with the state procurement system; or

9.17 (3) a policy of the commissioner of management and budget that deals with the
9.18 state accounting system.

9.19 Two or more state agencies may submit a joint application. A waiver application
9.20 must identify the rule or policy at issue, and must describe the improved outcome sought
9.21 through the waiver.

9.22 Subd. 2. **Review process.** (a) The council shall review all applications submitted
9.23 under this section. The council shall dismiss an application if it finds that the application
9.24 proposes a waiver that would result in due process violations, violations of federal law
9.25 or the state or federal constitution, or the loss of services to people who are entitled to
9.26 them. If a proposed waiver would violate the terms of a collective bargaining agreement
9.27 effective under chapter 179A, the waiver is not effective without the consent of the
9.28 exclusive representative that is a party to the agreement. The council may approve a
9.29 waiver only if the council determines that if the waiver is granted: (1) services can
9.30 be provided in a more efficient or effective manner; and (2) services related to human
9.31 resources must be provided in a manner consistent with section 43A.01. In the case of a
9.32 waiver from a policy of the commissioner of management and budget, the council may
9.33 approve the waiver only if it determines that services will be provided in a more efficient
9.34 or effective manner and that state funds will be adequately accounted for and safeguarded
9.35 in a manner that complies with generally accepted government accounting principles.

10.1 **(b) Within 15 days of receipt of the application, the council shall send a copy of the**
10.2 **application to: (1) the agency whose rule or policy is involved; and (2) all exclusive**
10.3 **representatives who represent employees of the agency requesting the waiver. The agency**
10.4 **whose rule or policy is involved may mail a copy of the application to all persons who**
10.5 **have registered with the agency under section 14.14, subdivision 1a.**

10.6 **(c) The agency whose rule or policy is involved or an exclusive representative shall**
10.7 **notify the council of its agreement with or objection to and grounds for objection to the**
10.8 **waiver within 60 days of the date when the application was transmitted to the agency or**
10.9 **the exclusive representative. An agency's or exclusive representative's failure to respond**
10.10 **under this paragraph is considered agreement to the waiver.**

10.11 **(d) If the agency or the exclusive representative objects to the waiver, the council**
10.12 **shall schedule a meeting at which the agency requesting the waiver may present its case**
10.13 **for the waiver and the objecting party may respond. The council shall decide whether**
10.14 **to grant a waiver at its next regularly scheduled meeting following its receipt of an**
10.15 **agency's response, or the end of the 60-day response period, whichever occurs first. If**
10.16 **consideration of an application is not concluded at the meeting, the matter may be carried**
10.17 **over to the next meeting of the council. Interested persons may submit written comments**
10.18 **to the council on the waiver request.**

10.19 **(e) If the council grants a request for a waiver, the council and the agency requesting**
10.20 **the waiver shall enter into an agreement relating to the outcomes desired as a result of the**
10.21 **waiver and the means of measurement to determine whether those outcomes have been**
10.22 **achieved with the waiver. The agreement must specify the duration of the waiver, which**
10.23 **must be for at least two years and not more than four years. If the council determines that**
10.24 **an agency that has received a waiver is failing to comply with the terms of the agreement,**
10.25 **the council may rescind the agreement.**

10.26 **Subd. 3. **Participation.** If a waiver request involves a rule or policy adopted by an**
10.27 **official specified in section 465.7902, subdivision 1, clauses (3) to (7), that official may**
10.28 **not participate in the evaluation of that waiver request.**

10.29 **Sec. 6. **[465.7905] INNOVATION AND REDESIGN GRANTS.****

10.30 **Subdivision 1. **Application.** One or more local units of government, an association**
10.31 **of local governments, the Metropolitan Council, a local unit of government acting in**
10.32 **conjunction with an organization or a state agency, an organization established by two**
10.33 **or more local units of government under a joint powers agreement, or a not-for-profit**
10.34 **organization may apply to the Minnesota Innovation and Research Council for a grant**
10.35 **to be used to: (1) develop models for service redesign; or (2) meet the start-up costs**

of providing shared services or functions. Agreements solely to make joint purchases do not qualify for grants. The application must specify a nonstate funding source for 25 percent of the total cost of the proposal. The application to the council must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the council. The council may not award a grant if it determines that the local units of government could complete the project without council assistance or if it determines the applicant has not specified a nonstate funding source for 25 percent of the total cost. A copy of the application must be provided by the units to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.

Subd. 2. **Proposals.** (a) Proposed models for service redesign may provide options to local governments, neighborhood or community organizations, other not-for-profit organizations, or individuals to redesign service delivery. In awarding grants under this paragraph, the council must consider whether the proposal:

(1) expands consumer choices and opportunities;

(2) shifts government toward an expanded role as a purchaser, rather than a provider, of services;

(3) reduces administrative costs through statewide or regional contracting, or related administrative efficiencies;

(4) reduces administrative costs through the accumulation of multiple related services into a single contract with one provider, or related administrative efficiencies;

(5) fosters entrepreneurial leadership in the public sector; and

(6) increases value to the taxpayer or results per dollar spent.

(b) A proposal for a grant for shared services or functions must include plans to fully integrate a service or function provided by two or more local government units. The proposal must include how value for the taxpayer or results per dollar spent will be impacted.

Subd. 3. **Requirements.** A copy of the work product for which the grant was provided must be furnished to the council upon completion, and the council may disseminate it to other local units of government or interested groups. If the council finds that the work was not completed or implemented according to the terms of the grant agreement, it may require the grantee to repay all or a portion of the grant. The council shall award grants on the basis of each qualified applicant's score under the scoring system in section 465.7906. The amount of a grant under subdivision 2, paragraph (a),

12.1 may not exceed \$250,000. The amount of a grant under subdivision 2, paragraph (b),
12.2 may not exceed \$100,000.

12.3 **Sec. 7. [465.7906] SCORING SYSTEM.**

12.4 In deciding whether to award a grant under section 465.7905, the council shall
12.5 use the following scoring system:

12.6 (1) Up to 15 points must be awarded to reflect the extent to which the application
12.7 demonstrates creative thinking, careful planning, cooperation, involvement of the clients
12.8 of the affected service, and commitment to persist through challenges.

12.9 (2) Up to 25 points must be awarded to reflect the extent to which the proposed
12.10 project is likely to improve the quality of the service, increase value to the taxpayers or
12.11 results per dollar spent, and to have benefits for other local governments.

12.12 (3) Up to 15 points must be awarded to reflect the extent to which the application's
12.13 budget provides sufficient detail, maximizes the use of state funds, documents the need
12.14 for financial assistance, commits to local financial support, and limits expenditures to
12.15 essential activities.

12.16 (4) Up to 15 points must be awarded to reflect the extent to which the application
12.17 reflects the statutory goal of the grant program.

12.18 (5) Up to 15 points must be awarded to reflect the merit of the proposed project and
12.19 the extent to which it warrants the state's financial participation.

12.20 (6) Up to five points must be awarded to reflect the cost to benefit ratio projected
12.21 for the proposed project.

12.22 (7) Up to five points must be awarded to reflect the number of government units
12.23 participating in the proposal.

12.24 (8) Up to five points must be awarded to reflect the minimum length of time the
12.25 application commits to implementation.

12.26 **Sec. 8. [465.7907] REPAYMENT OF GRANTS.**

12.27 Subdivision 1. **Repayment procedures.** Without regard to whether a grant recipient
12.28 offered to repay the grant in its original application, as part of a grant awarded under
12.29 section 465.7905, the council may require the grant recipient to repay all or part of the
12.30 grant if the council determines the project funded by the grant resulted in an actual savings
12.31 for the participating local units of government. The grant agreement must specify how the
12.32 savings are to be determined and the period of time over which the savings will be used
12.33 to calculate a repayment requirement. The repayment of grant money under this section

13.1 must not exceed an amount equal to the total savings achieved through the implementation
13.2 of the project.

13.3 Subd. 2. **Bonus points.** In addition to the points awarded to competitive grant
13.4 applications under section 465.7906, the council shall award additional points to any
13.5 applicant that projects a potential cost savings through the implementation of its project
13.6 and offers to repay part or all of the grant under the formula in subdivision 1.

13.7 Subd. 3. **Use of repayment revenue.** All grant money repaid to the council under
13.8 this section is appropriated to the council for additional grants authorized by section
13.9 465.7905.

13.10 **Sec. 9. [465.805] POLICY INNOVATION AND RESEARCH.**

13.11 Subdivision 1. **Research topics.** The council shall periodically select policy
13.12 innovation topics suitable for review and analysis by a consortium of independent
13.13 organizations. Topics may include general or specific functions of state government. The
13.14 council shall give primary consideration to areas of concern where a comprehensive
13.15 review and analysis of available research is likely to yield recommendations for policy
13.16 changes that will provide significant efficiencies and improvements in the operation of
13.17 state government and an increase in value to the taxpayer. Legislators and legislative
13.18 committees may provide the council with recommendations for topics. The council shall
13.19 make the final determination regarding the selection of topics under this section.

13.20 Subd. 2. **Request for proposal process.** (a) After making the determination of a
13.21 research topic under subdivision 1, the council shall prepare a request for proposal relating
13.22 to the topic that specifies:

13.23 (1) the precise topic and scope of the research required for the report to the
13.24 commission;

13.25 (2) the deadlines for the response to the request for proposal and for the subsequent
13.26 report; and

13.27 (3) any other restrictions or guidelines required by the commission.

13.28 The council shall make the request for proposal publicly available and must
13.29 review responses from any interested party. A group of individuals or organizations
13.30 may submit a response. The council may encourage the development of a collaborative
13.31 design lab containing a cross-section of researchers and public sector designers from
13.32 various nonprofits, businesses, foundations, and education institutions to respond to the
13.33 request for proposal.

14.1 (b) After the deadline for submission of responses has expired, the council must hold
14.2 a hearing to consider all submissions. The council shall consider the following factors in
14.3 selecting a response to the request for proposal:

14.4 (1) the experience and training of individuals and organizations who will prepare the
14.5 report to the commission;

14.6 (2) the reliability and credibility of individuals and organizations who will prepare
14.7 the report;

14.8 (3) the proposed method of research; and

14.9 (4) the resources available for the preparation of the report.

14.10 (c) After consideration and hearing of the responses to the request for proposal, the
14.11 council may:

14.12 (1) select a submission;

14.13 (2) revise the original request for proposal and extend the deadline for responses; or

14.14 (3) terminate the request for proposal process for the selected topic.

14.15 The chief innovation officer shall periodically communicate with the researchers
14.16 to make sure they are focused on answering the questions outlined in the request for
14.17 proposals.

14.18 Subd. 3. **Reports to council.** The council shall hold a hearing to receive a report
14.19 prepared under this section and shall ensure that the governor and the relevant committees
14.20 in the legislature are provided with notice of the report and an opportunity to review the
14.21 report, including an opportunity for additional hearings.

14.22 **Sec. 10. [465.808] RECEIPTS; APPROPRIATION.**

14.23 (a) The council may charge a fee for the use of services provided by the council's
14.24 staff. The receipts from fees charged under this section are deposited in a special revenue
14.25 account and appropriated to the council for services provided under sections 465.7901 to
14.26 465.808.

14.27 (b) The council may accept gifts and grants. Money received under this paragraph
14.28 is deposited in a special revenue account and appropriated to the council for services
14.29 provided under sections 465.7901 to 465.808.

14.30 **Sec. 11. [465.809] GUARANTEEING INCREASED VALUE TO THE**
14.31 **TAXPAYER.**

14.32 Subdivision 1. **Report.** The council shall report by January 15 each year to the
14.33 governor and appropriate committees of the house of representatives and senate on its
14.34 activities. The report shall include the amount of the council's net spending, the amount of

savings and the increased outcomes to the taxpayer that was identified by the council, and the actual documented savings to state and local governments. Entities receiving grants or waivers from the council must document and verify savings to the taxpayer from the previous year's budgets.

Subd. 2. **Savings and increased value.** The council must make every effort to obtain \$3 in savings and show increased value to the taxpayer for each net state dollar spent by the council.

Subd. 3. **Innovative practices.** The council shall promote and drive innovative practices and must make annual recommendations to the legislature. One or all of these recommendations may be in partnership with an individual, foundations, nonprofits, or businesses. The council may make endorsements of proposals of individuals, foundations, nonprofits, or businesses when making recommendations. The council must make annual recommendations to:

(1) recommend at least \$20 in savings and show increased outcomes to the taxpayer for each net state dollar spent by the council. These savings may be spread out over various budget items;

(2) recommend policy changes that will quantifiably improve desired outcome attainment to the taxpayer as compared to dollars spent. This shall not be limited to efficiency but may also include developing new approaches to achieve desired outcomes;

(3) highlight existing innovative practices or partnerships in the state; and

(4) recommend innovative models, which may include state and local government structural redesign, from across the country to the legislature; highlight innovative practices from past or contemporary reports; recommend evidence-based service delivery methods for this state; or recommend theory-based working models of approaches to policy.

Sec. 12. APPROPRIATIONS.

\$350,000 is appropriated from the general fund for the fiscal year ending June 30, 2011, to the Minnesota Innovation and Research Council for the following purposes:

(1) operation and administration of the council;

(2) grants for models for service redesign;

(3) grants for shared services and functions;

(4) policy innovation and research; and

(5) the strategic plan report under article 1, section 1.

The appropriations in this section are contingent on receiving a dollar-for-dollar match from private sources.

- 16.1
- Sec. 13. REPEALER.
- 16.2
- Minnesota Statutes 2008, section 6.80, is repealed.

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Article locations in H2227-1

ARTICLE 1 STRATEGIC PLAN Page.Ln 1.8
ARTICLE 2 MINNESOTA INNOVATION AND RESEARCH COUNCIL Page.Ln 2.3

6.80 RULE AND LAW WAIVER REQUESTS.

Subdivision 1. **Generally.** (a) Except as provided in paragraph (b), a local government unit may request the state auditor to grant a waiver from one or more administrative rules or a temporary, limited exemption from enforcement of state procedural laws governing delivery of services by the local government unit. Two or more local government units may submit a joint application for a waiver or exemption under this section if they propose to cooperate in providing a service or program that is subject to the rule or law. Before submitting an application to the state auditor, the governing body of the local government unit must approve, in concept, the proposed waiver or exemption at a meeting required to be public under chapter 13D. A local government unit or two or more units acting jointly may apply for a waiver or exemption on behalf of a nonprofit organization providing services to clients whose costs are paid by the unit or units. A waiver or exemption granted to a nonprofit organization under this section applies to services provided to all the organization's clients.

(b) A school district that is granted a variance from rules of the commissioner of education under section 122A.163, need not apply for a waiver of those rules under this section. A school district may not seek a waiver of rules under this section if the commissioner of education has authority to grant a variance to the rules under section 122A.163. This paragraph does not preclude a school district from being included in a cooperative effort with another local government unit under this section.

(c) Before petitioning the state auditor's office for an exemption from an administrative rule, the petitioner must have requested and been denied such an exemption from the appropriate agency pursuant to sections 14.055 and 14.056.

Subd. 2. **Application.** A local government unit requesting a waiver of a rule or exemption from enforcement of a law under this section shall present a written application to the state auditor. The application must include:

- (1) the name and address of the entity for whom a waiver of a rule or exemption from enforcement of a law is being requested;
- (2) identification of the service or program at issue;
- (3) identification of the administrative rule or the law imposing a procedural requirement with respect to which the waiver or exemption is sought;
- (4) a description of the improved service outcome sought, including an explanation of the effect of the waiver or exemption in accomplishing that outcome, and why that outcome cannot be accomplished under established rules or laws;
- (5) information on the state auditor's office treatment on similar cases;
- (6) the name, address, and telephone number of any person, business, or other government unit the petitioner knows would be adversely affected by the grant of the petition; and
- (7) a signed statement as to the accuracy of the facts presented.

A copy of the application must be provided by the requesting local government unit to the exclusive representative certified under section 179A.12 to represent employees who provide the service or program affected by the requested waiver or exemption.

Subd. 3. **Review process.** (a) Upon receipt of an application from a local government unit, the state auditor shall review the application. The state auditor shall dismiss an application if the application proposes a waiver of rules or exemption from enforcement of laws that would result in due process violations, violations of federal law or the state or federal constitution, or the loss of services to people who are entitled to them.

(b) The state auditor shall determine whether a law from which an exemption for enforcement is sought is a procedural law, specifying how a local government unit is to achieve an outcome, rather than a substantive law prescribing the outcome or otherwise establishing policy. For the purposes of this section, "procedural law" does not include a statutory notice requirement. In making the determination, the state auditor shall consider whether the law specifies such requirements as:

- (1) who must deliver a service;
- (2) where the service must be delivered;
- (3) to whom and in what form reports regarding the service must be made; and
- (4) how long or how often the service must be made available to a given recipient.

(c) If the application requests a waiver of a rule or temporary, limited exemptions from enforcement of a procedural law over which the Metropolitan Council or a metropolitan agency has jurisdiction, the state auditor shall also transmit a copy of the application to the council or applicable metropolitan agency, whichever has jurisdiction, for review and comment. The council or agency shall report its comments to the board within 60 days of the date the application was

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transmitted to the council or agency. The council or agency may point out any resources or technical assistance it may be able to provide a local government unit submitting a request under this section.

(d) Within 15 days after receipt of the application, the state auditor shall transmit a copy of it to the commissioner of each agency having jurisdiction over a rule or law from which a waiver or exemption is sought. The agency may mail a notice that it has received an application for a waiver or exemption to all persons who have registered with the agency under section 14.14, subdivision 1a, identifying the rule or law from which a waiver or exemption is requested. If no agency has jurisdiction over the rule or law, the state auditor shall transmit a copy of the application to the attorney general. The agency shall inform the state auditor of its agreement with or objection to and grounds for objection to the waiver or exemption request within 60 days of the date when the application was transmitted to it. An agency's failure to do so is considered agreement to the waiver or exemption. The state auditor shall decide whether to grant a waiver or exemption at the end of the 60-day response period. Interested persons may submit written comments to the state auditor on the waiver or exemption request up to the end of the 60-day response period.

(e) If the exclusive representative of the affected employees of the requesting local government unit objects to the waiver or exemption request it may inform the state auditor of the objection to and the grounds for the objection to the waiver or exemption request within 60 days of the receipt of the application.

Subd. 4. **Hearing.** If a state agency under subdivision 3, paragraph (d), or the exclusive representative of the affected employees under subdivision 3, paragraph (e), has objected to a waiver or exemption request, the state auditor's office shall set a date for a hearing on the applications. The hearing must be conducted informally at a time and place determined by all parties. Persons representing the local government unit shall present their case for the waiver or exemption, and persons representing the agency or the exclusive representative of the affected employees shall explain their objection to it. The state auditor may request additional information from the local government unit or either objecting party. The state auditor may also request, either before or at the hearing, information or comments from representatives of business, labor, local governments, state agencies, consultants, and members of the public. If necessary, the hearing may be continued for a later date. The state auditor may modify the terms of the waiver or exemption request in arriving at the agreement required under subdivision 5.

Subd. 5. **Conditions of agreements.** (a) In determining whether to grant a petition for a waiver of a rule or exemption from enforcement of a law, the state auditor should consider the following factors:

- (1) whether there is a true and unique impediment under current law to accomplishing the goal of the local government unit;
- (2) granting the waiver of a rule or exemption from enforcement of law will only change procedural requirements of a local government unit;
- (3) the purpose of any rule or law that is waived is still being met in another manner;
- (4) granting the proposed waiver of a rule or exemption from enforcement of a law would result in a more efficient means of providing government services; and
- (5) granting the proposed waiver will not have a significant negative impact on other state government, local government units, businesses, or citizens.

(b) If the state auditor grants a request for a waiver or exemption, the state auditor and the local government unit shall enter into an agreement providing for the delivery of the service or program that is the subject of the application. The agreement must specify desired outcomes, the reasons why the desired outcomes cannot be met under current laws or rules, and the means of measurement by which the state auditor will determine whether the outcomes specified in the agreement have been met. The agreement must specify the duration of the waiver or exemption. The duration of a waiver from an administrative rule may be for no less than two years and no more than four years, subject to renewal if both parties agree. An exemption from enforcement of a law terminates ten days after adjournment of the regular legislative session held during the calendar year following the year when the exemption is granted, unless the legislature has acted to extend or make permanent the exemption.

(c) The state auditor must report any grants of waivers or exemptions to the legislature, including the chairs of the governmental operations and appropriate policy committees in the house of representatives and senate, and the governor within 30 days.

(d) The state auditor may reconsider or renegotiate the agreement if the rule or law affected by the waiver or exemption is amended or repealed during the term of the original agreement. A waiver of a rule under this section has the effect of a variance granted by an agency under section 14.055. A local unit of government that is granted an exemption from enforcement of a procedural requirement in state law under this section is exempt from that law for the duration of

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the exemption. The state auditor may require periodic reports from the local government unit, or conduct investigations of the service or program.

Subd. 6. **Enforcement.** If the state auditor finds that the local government unit is failing to comply with the terms of the agreement under subdivision 5, the state auditor may rescind the agreement. Upon the rescission, the local unit of government becomes subject to the rules and laws covered by the agreement.

Subd. 7. **Access to data.** If a local government unit, through a cooperative program under this section, gains access to data collected, created, received, or maintained by another local government that is classified as not public, the unit gaining access is governed by the same restrictions on access to and use of the data as the unit that collected, created, received, or maintained the data.