

A bill for an act

relating to finance; improving access to budget information by members of the legislature; requiring a forecast of cash flow for the general fund; providing deadline for modifying budget after February forecast; specifying format for detailed budget estimates of expenditures; imposing deadline for notice of deficiency requests; providing for an increase in the budget reserve; eliminating obsolete requirements; amending Minnesota Statutes 2006, sections 3.885, subdivision 5, by adding subdivisions; 13.605, subdivision 1; 16A.10, by adding a subdivision; 16A.11, subdivisions 1, 3, by adding a subdivision; Minnesota Statutes 2007 Supplement, section 16A.152, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 16A; repealing Minnesota Statutes 2006, sections 16A.152, subdivision 1b; 16A.1522, subdivision 4.

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

Section 1. Minnesota Statutes 2006, section 3.885, is amended by adding a subdivision to read:

Subd. 3a. **Findings.** The legislature finds that direct legislative access to the programmatic and human resource capacity of state agencies is necessary to effectively determine state revenue and appropriation levels. In addition to the governor's budget recommendations and other required reports, direct access could include explicit responses to legislative requests for agency budget recommendations and the expectation of agency staff assistance with the development of legislative budget proposals.

Sec. 2. Minnesota Statutes 2006, section 3.885, subdivision 5, is amended to read:

Subd. 5. **Duties.** (a) The commission shall:

(1) provide the legislature with research and analysis of current and projected state revenue, state expenditures, and state tax expenditures;

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(2) provide the legislature with a report analyzing the governor's proposed levels of revenue and expenditures for biennial budgets submitted under section 16A.11 as well as other supplemental budget submittals to the legislature by the governor;

(3) provide an analysis of the impact of the governor's proposed revenue and expenditure plans for the next biennium;

(4) conduct research on matters of economic and fiscal policy and report to the legislature on the result of the research;

(5) provide economic reports and studies on the state of the state's economy, including trends and forecasts for consideration by the legislature;

(6) conduct budget and tax studies and provide general fiscal and budgetary information;

(7) review and make recommendations on the operation of state programs in order to appraise the implementation of state laws regarding the expenditure of funds and to recommend means of improving their efficiency;

(8) recommend to the legislature changes in the mix of revenue sources for programs, in the percentage of state expenditures devoted to major programs, and in the role of the legislature in overseeing state government expenditures and revenue projections;

(9) make a continuing study and investigation of the building needs of the government of the state of Minnesota, including, but not limited to the following: the current and future requirements of new buildings, the maintenance of existing buildings, rehabilitating and remodeling of old buildings, the planning for administrative offices, and the exploring of methods of financing building and related costs; ~~and~~

(10) develop and make requests to state agencies for budget information and recommendations under subdivision 6; and

(11) conduct a continuing study of state-local finance, analyzing and making recommendations to the legislature on issues including levels of state support for political subdivisions, basic levels of local need, balances of local revenues and options, relationship of local taxes to individuals' ability to pay, and financial reporting by political subdivisions. In conducting this study, the commission shall consult with the governor, the staff of executive branch agencies, and the governor's Advisory Commission on State-Local Relations.

(b) In performing its duties under paragraph (a), the commission shall consider, among other things:

(1) the relative dependence on state tax revenues, federal funds, and user fees to support state-funded programs, and whether the existing mix of revenue sources is appropriate, given the purposes of the programs;

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(2) the relative percentages of state expenditures that are devoted to major programs such as education, assistance to local government, aid to individuals, state agencies and institutions, and debt service; and

(3) the role of the legislature in overseeing state government expenditures, including legislative appropriation of money from the general fund, legislative appropriation of money from funds other than the general fund, state agency receipt of money into revolving and other dedicated funds and expenditure of money from these funds, and state agency expenditure of federal funds.

(c) The commission's recommendations must consider the long-term needs of the state. The recommendations must not duplicate work done by standing committees of the senate and house of representatives.

The commission shall report to the legislature on its activities and recommendations by January 15 of each odd-numbered year.

The commission shall provide the public with printed and electronic copies of reports and information for the legislature. Copies must be provided at the actual cost of furnishing each copy.

Sec. 3. Minnesota Statutes 2006, section 3.885, is amended by adding a subdivision to read:

Subd. 10. **Budget information requests.** After November 30 of each year, upon request of the commission, a state agency must provide to the commission its recommendations for changes to the current biennial budget or agency base budget. The information and recommendations provided by the agency must conform to the parameters laid out by the commission in its request.

Sec. 4. Minnesota Statutes 2006, section 13.605, subdivision 1, is amended to read:

Subdivision 1. **Legislative and budget proposal data.** (a) **Definition.** As used in this section, "state administration" means the governor's office, the Department of Finance, and any state agency that is under the direct control of the governor.

(b) **Classifications.** Legislative and budget proposals, including preliminary drafts, that are created, collected, or maintained by the state administration are protected nonpublic data. ~~After until~~ the budget is presented to the legislature by the state administration, ~~supporting data, including agency requests, and~~ are public data after the budget is presented to the legislature. ~~Supporting data do not include preliminary drafts.~~

The state administration may disclose any of the data within the state administration and

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to the public at any time if disclosure would aid the administration in considering and preparing its proposals.

Sec. 5. Minnesota Statutes 2006, section 16A.10, is amended by adding a subdivision to read:

Subd. 2a. **Agency budget information.** Whenever a general solicitation for budget recommendations is communicated to state agencies by the state administration, a copy of the agency responses to that request must also be provided to the chair of the senate Finance Committee and the chair of the house Ways and Means Committee. As part of the process of developing the governor's budget recommendations, the commissioner must keep a record of all information developed by agencies regarding changes from the appropriation base budget. That record must be submitted to the budget committees of the legislature within one week after the governor must submit detailed operating budget recommendations to the legislature under section 16A.11, subdivision 1.

Sec. 6. **[16A.107] CASH FLOW FORECAST.**

Within two weeks after the November forecast of state revenue and expenditures under section 16A.103, the commissioner shall deliver to the governor and the legislature a forecast of cash flow for the general fund, showing the expected maximum and minimum cash balance in the fund for each month of the forecast period.

Sec. 7. Minnesota Statutes 2006, section 16A.11, subdivision 1, is amended to read:

Subdivision 1. **When.** The governor shall submit a three-part budget to the legislature. Parts one and two, the budget message and detailed operating budget, must be submitted by the fourth Tuesday in January in each odd-numbered year. However, in a year following the election of a governor who had not been governor the previous year, parts one and two must be submitted by the third Tuesday in February. Part three, the detailed recommendations as to capital expenditure, must be submitted as follows: agency capital budget requests by July 15 of each odd-numbered year, and governor's recommendations by January 15 of each even-numbered year. Detailed recommendations as to information technology expenditure must be submitted as part of the detailed operating budget. Information technology recommendations must include projects to be funded during the next biennium and planning estimates for an additional two bienniums. Information technology recommendations must specify purposes of the funding such as infrastructure, hardware, software, or training. Any modifications to the operating budget

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5.1 made necessary by the forecast in February of an odd-numbered year must be submitted
5.2 within two weeks after the forecast.

5.3 Sec. 8. Minnesota Statutes 2006, section 16A.11, subdivision 3, is amended to read:

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

5.8 (b) Tables listing expenditures for the next biennium must show the appropriation
5.9 base for each year in column form broken down by appropriation allotments at budget
5.10 activity level relative to proposed appropriation and appropriation allotment levels by
5.11 budget activity. The appropriation base is the amount appropriated for the second year
5.12 of the current biennium. The tables must separately show any adjustments to the base
5.13 required by current law or policies of the commissioner of finance. For forecasted
5.14 programs, the tables must also show the amount of the forecast adjustments, based on the
5.15 most recent forecast prepared by the commissioner of finance under section 16A.103. For
5.16 all programs, the tables must show the amount of appropriation changes recommended
5.17 by the governor, after adjustments to the base and forecast adjustments, and the total
5.18 recommendation of the governor for that year.

5.19 (c) The detailed estimates must include a separate line listing the total cost of
5.20 professional and technical service contracts for the prior biennium and the projected costs
5.21 of those contracts for the current and upcoming biennium. They must also include a
5.22 summary of the personnel employed by the agency, reflected as full-time equivalent
5.23 positions.

5.24 (d) The detailed estimates for internal service funds must include the number of
5.25 full-time equivalents by program; detail on any loans from the general fund, including
5.26 dollar amounts by program; proposed investments in technology or equipment of \$100,000
5.27 or more; an explanation of any operating losses or increases in retained earnings; and a
5.28 history of the rates that have been charged, with an explanation of any rate changes and
5.29 the impact of the rate changes on affected agencies.

5.30 (e) The detailed estimates must also provide a spending trend analysis by program
5.31 showing at least two years of spending history.

5.32 Sec. 9. Minnesota Statutes 2006, section 16A.11, is amended by adding a subdivision
5.33 to read:

6.1 Subd. 8. **Deficiency requests.** By January 15 of each year, the commissioner of
6.2 finance must notify the chair of the senate Finance Committee and the chair of the house
6.3 Ways and Means Committee of any budget change requests requiring priority attention to
6.4 eliminate budget shortfalls likely to occur before the end of the legislative session, or for
6.5 which legislative inaction would result in the suspension of agency or program operations.

6.6 Sec. 10. Minnesota Statutes 2007 Supplement, section 16A.152, subdivision 2, is
6.7 amended to read:

6.8 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general
6.9 fund revenues and expenditures, the commissioner of finance determines that there will be
6.10 a positive unrestricted budgetary general fund balance at the close of the biennium, the
6.11 commissioner of finance must allocate money to the following accounts and purposes in
6.12 priority order:

6.13 (1) the cash flow account established in subdivision 1 until that account reaches
6.14 \$350,000,000;

6.15 (2) the budget reserve account established in subdivision 1a until that account
6.16 reaches ~~\$653,000,000~~ an amount equal to five percent of biennial general fund
6.17 expenditures and transfers for the current biennium;

6.18 (3) the amount necessary to increase the aid payment schedule for school district
6.19 aids and credits payments in section 127A.45 to not more than 90 percent rounded to the
6.20 nearest tenth of a percent without exceeding the amount available and with any remaining
6.21 funds deposited in the budget reserve; and

6.22 (4) the amount necessary to restore all or a portion of the net aid reductions under
6.23 section 127A.441 and to reduce the property tax revenue recognition shift under section
6.24 123B.75, subdivision 5, paragraph (b), and Laws 2003, First Special Session chapter 9,
6.25 article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section
6.26 20, by the same amount.

6.27 (b) The amounts necessary to meet the requirements of this section are appropriated
6.28 from the general fund within two weeks after the forecast is released or, in the case of
6.29 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
6.30 schedules otherwise established in statute.

6.31 (c) To the extent that a positive unrestricted budgetary general fund balance is
6.32 projected, appropriations under this section must be made before section 16A.1522 takes
6.33 effect.

6.34 (d) The commissioner of finance shall certify the total dollar amount of the
6.35 reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The

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7.1 commissioner of education shall increase the aid payment percentage and reduce the
7.2 property tax shift percentage by these amounts and apply those reductions to the current
7.3 fiscal year and thereafter.

7.4 Sec. 11. **REPEALER.**

7.5 Minnesota Statutes 2006, sections 16A.152, subdivision 1b; and 16A.1522,
7.6 subdivision 4, are repealed.

APPENDIX
Repealed Minnesota Statutes: 08-6177

16A.152 BUDGET RESERVE AND CASH FLOW ACCOUNTS.

Subd. 1b. **Budget reserve increase.** On July 1, 2003, the commissioner of finance shall transfer \$300,000,000 to the budget reserve account in the general fund. On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund. The amounts necessary for this purpose are appropriated from the general fund.

16A.1522 REBATE REQUIREMENTS.

Subd. 4. **Transfer to tax relief account.** Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.