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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2312

03/11/2019 Authored by Vogel, Koznick, Heintzeman, Robbins, Erickson and others
The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to state government; providing for zero-based budgeting; amending
1.3 Minnesota Statutes 2018, sections 16A.103, subdivision 1a; 16A.11, subdivision
1.4 3; proposing coding for new law in Minnesota Statutes, chapter 16A.

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

1.6 Section 1. Minnesota Statutes 2018, section 16A.103, subdivision 1a, is amended to read:

1.7 Subd. 1a. Forecast parameters. (a) Except as provided in paragraph (b), the forecast
1.8 must assume the continuation of current laws and reasonable estimates of projected growth
1.9 in the national and state economies and affected populations. Revenue must be estimated
1.10 for all sources provided for in current law. Expenditures must be estimated for all obligations
1.11 imposed by law and those projected to occur as a result of variables outside the control of
1.12 the legislature. Expenditure estimates must not include an allowance for inflation.

1.13 (b) Notwithstanding paragraph (a) and any appropriations established in law, all
1.14 expenditures for a department, institution, or agency of the executive branch estimated for
1.15 the November forecast must be zero if the scheduled year under section 16A.111, subdivision
1.16 3, for the department, institution, or agency coincides with the calendar year of the November
1.17 forecast. The forecasted expenditures in the February forecast must be zero for a department,
1.18 institution, or agency of the executive branch if they were zero in the preceding November
1.19 forecast as a result of the requirements of this paragraph. The commissioner shall not apply
1.20 this paragraph to forecasted expenditures for the current biennium, but shall apply the
1.21 requirements of this paragraph to the forecasted expenditures for the next two biennia.

2.1 Sec. 2. Minnesota Statutes 2018, section 16A.11, subdivision 3, is amended to read:

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

2.6 (b) Tables listing expenditures for the next biennium must show the appropriation base
2.7 for each year. The appropriation base is the amount appropriated for the second year of the
2.8 current biennium. The tables must separately show any adjustments to the base required by
2.9 current law or policies of the commissioner of management and budget. For forecasted
2.10 programs, the tables must also show the amount of the forecast adjustments, based on the
2.11 most recent forecast prepared by the commissioner of management and budget under section
2.12 16A.103. For all programs, the tables must show the amount of appropriation changes
2.13 recommended by the governor, after adjustments to the base and forecast adjustments, and
2.14 the total recommendation of the governor for that year.

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

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

2.25 (e) Notwithstanding paragraph (b) and any appropriation established in law, for any
2.26 department, institution, or agency in the executive branch that is in a scheduled year under
2.27 section 16A.111, subdivision 3, in the year prior to the year in which part two of the budget
2.28 must be submitted, the appropriation base for any appropriation made to that department,
2.29 institution, or agency for the next two biennia must be zero. The commissioner must display
2.30 the appropriation base established under this paragraph in the tables and narrative of part
2.31 two of the budget.

3.1 Sec. 3. [16A.111] ZERO-BASED BUDGETING.

3.2 Subdivision 1. Zero-based budget. (a) By November 30, each department, institution,
3.3 and agency of the executive branch within a scheduled year must submit to the commissioner
3.4 a proposed detailed operating budget for the biennium beginning July 1 of the following
3.5 year using zero-based budgeting, including a zero-based budget plan. The commissioner
3.6 of management and budget shall provide technical assistance to enable each department,
3.7 institution, or agency to complete its proposed detailed operating budget as specified by the
3.8 commissioner of management and budget.

3.9 (b) The commissioner of management and budget shall adopt policies and procedures
3.10 for each department, institution, and agency to implement the provisions of this section.

3.11 (c) As used in this section, "zero-based budgeting" means a method of determining the
3.12 budget of a department, institution, or agency for which the budget of the department,
3.13 institution, or agency:

3.14 (1) is deemed to be zero in the November forecast, the February forecast, and the
3.15 governor's budget recommendations that precede the establishment of a biennial budget;
3.16 and

3.17 (2) has justified each proposed expenditure for the biennium covered by the budget as
3.18 if it were a new expenditure.

3.19 (d) Each department, institution, and agency of the executive branch that is required to
3.20 prepare a detailed operating budget and a zero-based budget plan under this subdivision
3.21 must submit the detailed operating budget and zero-based budget plan to the legislature.
3.22 This information must be submitted to the legislature at the same time that part two of the
3.23 governor's budget is required to be submitted under section 16A.11, subdivision 1.

3.24 Subd. 2. Zero-based budget plan. A zero-based budget plan includes the following
3.25 information:

3.26 (1) a description of activities that comprise the agency, and a justification for the existence
3.27 of each activity by reference to statute or other legal authority;

3.28 (2) for each activity, a quantitative estimate of any adverse impacts that could reasonably
3.29 be expected should the activity be discontinued, together with a full description of the
3.30 methods by which the adverse impact is estimated;

3.31 (3) a list of quantifiable program outcomes that measure the efficiency and effectiveness
3.32 of each program;

4.1 (4) for each activity, an itemized account of expenditures that would be required to
4.2 maintain the activity at the minimum level of service required by statutory authority, together
4.3 with a concise statement of the quantity and quality of services required at that minimum
4.4 level;

4.5 (5) for each activity, an itemized account of expenditures required to maintain the quantity
4.6 and quality of services being provided and the number of personnel required to accomplish
4.7 each program; and

4.8 (6) a ranking of all activities that shows the relative contribution of each activity to the
4.9 overall goals and purposes of the agency at current service levels.

4.10 Subd. 3. **Scheduled year.** (a) The scheduled year is 2020 and every ten years thereafter
4.11 for the following agencies: Department of Administration, Department of Agriculture,
4.12 Department of Commerce, Department of Corrections, Department of Education, Department
4.13 of Human Rights, Department of Human Services, Department of Military Affairs,
4.14 Department of Natural Resources, Department of Transportation, Minnesota Racing
4.15 Commission, Office of Higher Education, and all advisory groups associated with these
4.16 agencies.

4.17 (b) The scheduled year is 2022 and every ten years thereafter for the following agencies:
4.18 Council for Minnesotans of African Heritage, Department of Employment and Economic
4.19 Development, Department of Health, Department of Management and Budget, Department
4.20 of Public Safety, Gambling Control Board, Metropolitan Council, Minnesota Council on
4.21 Latino Affairs, Pollution Control Agency, Science Museum, the Minnesota State Academies,
4.22 University of Minnesota, and all advisory groups associated with these agencies.

4.23 (c) The scheduled year is 2024 and every ten years thereafter for the following agencies:
4.24 Agriculture Utilization Research Institute, all health-related boards listed in section 214.01,
4.25 Council on Asian-Pacific Minnesotans, Department of Labor and Industry, Department of
4.26 Revenue, Explore Minnesota Tourism, Minnesota State Colleges and Universities, Minnesota
4.27 Indian Affairs Council, Peace Officer Standards and Training Board, Professional Educator
4.28 Licensing and Standards Board, the Minnesota Historical Society, the Perpich Center for
4.29 Arts Education, and all advisory groups associated with these agencies.

4.30 (d) The scheduled year is 2026 and every ten years thereafter for the following agencies:
4.31 all non-health-related boards listed in section 214.01 except as otherwise provided in this
4.32 section, Arts Board, Board of Animal Health, Board of School Administrators, Board of
4.33 Soil and Water Resources, Department of Veterans Affairs, Emergency Medical Services
4.34 Regulatory Board, Mayo Medical School, Office of Administrative Hearings, Public Utilities

5.1 Commission, Uniform Laws Commission, Workers' Compensation Board, and all advisory
5.2 groups associated with these agencies.

5.3 (e) The scheduled year is 2028 and every ten years thereafter for the following agencies:
5.4 Amateur Sports Commission, Capitol Area Architectural and Planning Board, Board of
5.5 Teaching, Bureau of Mediation Services, Campaign Finance and Public Disclosure Board,
5.6 Destination Medical Center, Higher Education Facilities Authority, Iron Range Resources
5.7 and Rehabilitation Board, Minnesota Conservation Corps, Minnesota Zoo, Private Detectives
5.8 Board, and all advisory groups associated with these agencies.

5.9 **EFFECTIVE DATE.** This section is effective July 1, 2019.