State of Minnesota
HOUSE OF REPRESENTATIVES
EIGHTY-SEVENTH SESSION
H. F. No. 2952

03/21/2012 Authored by Petersen, B.,
The bill was read for the first time and referred to the Committee on Government Operations and Elections

A bill for an act
relating to government reform; requiring a system of zero-based budgeting; amending Minnesota Statutes 2010, sections 16A.103; 16A.11, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 16A; repealing Minnesota Statutes 2010, section 16A.103, subdivisions 1b, 4.

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

Section 1. Minnesota Statutes 2010, section 16A.103, is amended to read:

16A.103 FORECASTS OF REVENUE AND EXPENDITURES.

Subdivision 1. **State revenue and expenditures.** In February and November each year, the commissioner shall prepare a forecast of state revenue and expenditures. The November forecast must be delivered to the legislature and governor no later than the end of the first week of December. The February forecast must be delivered to the legislature and governor by the end of February. Forecasts must be delivered to the legislature and governor on the same day. If requested by the Legislative Commission on Planning and Fiscal Policy, delivery to the legislature must include a presentation to the commission. <u>The portion of each forecast dealing with state expenditures must forecast these expenditures only for the remainder of the current biennium.</u>

Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for all sources provided for in current law. Expenditures <u>for the remainder of the current biennium</u> must be estimated for all obligations imposed by law and those projected to occur as a result of variables outside the control of the legislature. Expenditure estimates must not include an allowance for inflation.

~~Subd. 1b. **Forecast variable.** In determining the amount of state bonding as it affects debt service, the calculation of investment income, and the other variables to be included in the expenditure part of the forecast, the commissioner must consult with the chairs and lead minority members of the senate State Government Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff. This consultation must occur at least three weeks before the forecast is to be released. No later than two weeks prior to the release of the forecast, the commissioner must inform the chairs and lead minority members of the senate State Government Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff of any changes in these variables from the previous forecast.~~

Subd. 1c. **Expenditure data.** State agencies must submit any revisions in expenditure data <u>for the remainder of the current biennium</u> the commissioner determines necessary for the forecast to the commissioner at least four weeks prior to the release of the forecast. The information submitted by state agencies and any modifications to that information made by the commissioner must be made available to legislative fiscal staff no later than three weeks prior to the release of the forecast.

Subd. 1d. **Revenue data.** On a monthly basis, the commissioner must provide legislative fiscal staff with an update of the previous month's state revenues no later than 12 days after the end of that month.

Subd. 1e. **Economic information.** The commissioner must review economic information including economic forecasts with legislative fiscal staff no later than two weeks before the forecast is released. The commissioner must invite the chairs and lead minority members of the senate Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff to attend any meetings held with outside economic advisors. The commissioner must provide legislative fiscal staff with monthly economic forecast information received from outside sources.

Subd. 1f. **Personal income.** In addition, the commissioner shall forecast Minnesota personal income for each of the years covered by the forecast and include these estimates in the forecast documents.

Subd. 1g. **Period to be forecast.** A forecast prepared during the first fiscal year of a biennium must cover that biennium and the next biennium. A forecast prepared during the second fiscal year of a biennium must cover that biennium and the next two bienniums. <u>However, each forecast must cover expenditures only for the remainder of the current biennium.</u>

Subd. 2. **Local revenue.** In February and November of each year, the commissioner of revenue shall prepare and deliver to the governor and the legislature forecasts of revenue to be received by school districts as a group, counties as a group, and the group of cities and towns that have a population of more than 2,500. The forecasts must assume the continuation of current laws, projections of valuation changes in real property, and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for property taxes, state and federal aids, local sales taxes, if any, and a single projection for all other revenue for each group of affected local governmental units.

~~Subd. 4.~~ ~~**Report on expenditure increases.**~~ ~~By January 10 of an odd-numbered year, the commissioner of management and budget must report on those programs or components of programs for which expenditures for the next biennium according to the forecast issued the previous November are projected to increase more than 15 percent over the expenditures for that program in the current biennium. The report must include an analysis of the factors that are causing the increases in expenditures.~~

Sec. 2. **[16A.106] ZERO-BASED BUDGETING.**

(a) The proposed budget of each state agency and each entity in the legislative branch and judicial branch must be prepared in a manner such that the base budget of the agency or entity is assumed to be zero, and each proposed expenditure must be justified as if it were a new expenditure.

(b) The commissioner's budget preparation rules and instructions must contain requirements, deadlines, and technical assistance to facilitate implementation of this section. The instructions may establish parameters for the three alternative funding levels required in clause (3). The instructions must require each executive agency to submit the following information to the commissioner, and must also be contained in the detailed budget presented to the legislature:

(1) a description of each activity for which the agency or entity receives an appropriation in the current biennium or for which the agency or entity requests an appropriation in the next biennium;

(2) the legal basis for each activity;

(3) for each activity, three alternative funding levels, and a summary of the priorities that would be accomplished within each level, and the additional increments of value that would be added by the higher funding levels; and

(4) for each activity, one or more measures of cost efficiency and effectiveness of program delivery, which must include comparisons to other states or entities with similar programs.

Sec. 3. Minnesota Statutes 2010, section 16A.11, subdivision 3, is amended to read:

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

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

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

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

Sec. 4. **IMPLEMENTATION.**

The principles of zero-based budgeting required by Minnesota Statutes, section 16A.106, must be implemented for approximately half of executive branch agencies for the biennium beginning July 1, 2011, and for the remaining agencies for the biennium beginning July 1, 2013. The governor must designate which agencies are in each category. For agencies subject to zero-based budgeting for the biennium beginning July 1, 2011, agencies must submit supplemental budget materials, in compliance with section 2, as soon as possible after enactment of this act.

Sec. 5. **REPEALER.**

Minnesota Statutes 2010, section 16A.103, subdivisions 1b and 4, are repealed.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 to 5 are effective the day following final enactment.

16A.103 FORECASTS OF REVENUE AND EXPENDITURES.

Subd. 1b. **Forecast variable.** In determining the amount of state bonding as it affects debt service, the calculation of investment income, and the other variables to be included in the expenditure part of the forecast, the commissioner must consult with the chairs and lead minority members of the senate State Government Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff. This consultation must occur at least three weeks before the forecast is to be released. No later than two weeks prior to the release of the forecast, the commissioner must inform the chairs and lead minority members of the senate State Government Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff of any changes in these variables from the previous forecast.

Subd. 4. **Report on expenditure increases.** By January 10 of an odd-numbered year, the commissioner of management and budget must report on those programs or components of programs for which expenditures for the next biennium according to the forecast issued the previous November are projected to increase more than 15 percent over the expenditures for that program in the current biennium. The report must include an analysis of the factors that are causing the increases in expenditures.