

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 939

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Introduction and first reading
Referred to State Government Finance and Policy and Elections

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to state government; providing for performance-based budgeting; amending
1.3 Minnesota Statutes 2016, section 16A.103; proposing coding for new law in
1.4 Minnesota Statutes, chapter 16A.

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

1.6 Section 1. Minnesota Statutes 2016, section 16A.103, is amended to read:

1.7 **16A.103 FORECASTS OF REVENUE AND EXPENDITURES.**

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

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

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

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

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

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

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

2.30 Subd. 1g. **Period to be forecast.** A forecast prepared during the first fiscal year of a
2.31 biennium must cover that biennium and the next biennium. A forecast prepared during the
2.32 second fiscal year of a biennium must cover that biennium and the next two bienniums.
2.33 However, each forecast must cover expenditures only for the remainder of the current
2.34 biennium.

3.1 Subd. 1h. **Revenue uncertainty information.** The commissioner shall report to the
3.2 legislature within 14 days of a forecast under subdivision 1 on uncertainty in Minnesota's
3.3 general fund revenue projections. The report shall present information on: (1) the estimated
3.4 range of forecast error for revenues; and (2) the data and methods used to construct those
3.5 measurements.

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

3.15 Sec. 2. **[16A.107] PERFORMANCE-BASED BUDGETING.**

3.16 Subdivision 1. **Performance-based budget.** (a) For each biennium to be covered by a
3.17 proposed state budget, the governor shall require the proposed budgets of each state
3.18 department, institution, and agency of the executive department to prepare a budget using
3.19 performance-based budgeting. The commissioner of management and budget shall provide
3.20 any technical assistance necessary to enable each department, institution, or agency to
3.21 complete its budgetary requests as specified by the commissioner of management and budget.

3.22 (b) The commissioner shall adopt rules necessary to provide instruction and guidance
3.23 to each department, institution, and agency to facilitate the provisions of this section.

3.24 (c) As used in this section, "performance-based budgeting" means a method of budgeting
3.25 in which all expenses of a department, institution, or agency is justified and every function
3.26 is analyzed for its needs and costs. Each proposed expenditure for a biennium is justified
3.27 as if it is a new expenditure.

3.28 Subd. 2. **Performance-based budget plan.** Each department, institution, and agency
3.29 shall provide the following information:

3.30 (1) for each program, describe the key activities and explain why the activities are critical
3.31 and necessary;

3.32 (2) describe activities that comprise the agency, and justify the existence of each activity
3.33 by reference to statute or other legal authority;

4.1 (3) for each activity, document a quantitative estimate of any adverse impacts that could
4.2 reasonably be expected should the activity be discontinued, together with a full description
4.3 of the methods by which the adverse impact is estimated;

4.4 (4) identify performance metrics for each program and its activities;

4.5 (5) list quantifiable program outcomes that measures the workload, efficiency, and
4.6 effectiveness of each program and its activities;

4.7 (6) explain trends over time in outcomes as well as how those outcomes reflect a
4.8 program's overall effectiveness;

4.9 (7) for each activity, itemize expenditures that are needed to maintain the activity at the
4.10 minimum level of service required by the statutory authority, together with a concise
4.11 statement of the quantity and quality of services required at that minimum level;

4.12 (8) for each activity, itemize expenditures required to maintain the quantity and quality
4.13 of services being provided and the number of personnel required to accomplish each program;

4.14 (9) specify what percentage of program expenditure is dedicated to personnel; and

4.15 (10) include a ranking of all activities that shows the relative contribution of each activity
4.16 to the overall goals and purposes of the agency at current service levels.

4.17 **EFFECTIVE DATE.** This section is effective the day following final enactment and
4.18 must be implemented for the biennium beginning in fiscal year 2022.