A bill for an act

relating to the state budget; creating priority-based budget process; establishing a sunset process for state agencies; appropriating money; amending Minnesota Statutes 2010, sections 3.885, by adding a subdivision; 3.97, by adding a subdivision; 3.971, by adding a subdivision; 16A.11, subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapter 3.

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

ARTICLE 1

PRIORITY-BASED BUDGETING

Section 1. Minnesota Statutes 2010, section 3.885, is amended by adding a subdivision to read:

Subd. 11. **Priority budgeting.** (a) The commission shall set budget priorities that must be used for submitting, considering, and enacting a priority-based biennial budget beginning with the budget for fiscal years 2014 and 2015. The priority-based budget process must align the state's available revenues to the core state functions and budget priorities as identified by the commission and enacted in law.

(b) A state agency must submit information to the commission that it determines necessary, according to the timeline established by the commission. At a minimum, each agency must submit a mission statement, measurable goals, and must identify which core state functions the agency and its programs and purposes support. Each agency must include information on specific measures of results related to the mission and core functions. Information submitted to the commission must include, but is not limited to, the performance data required under section 16A.10.

(c) The commission must evaluate information submitted by state agencies and develop the budget priorities for the next biennium. A bill establishing budget priorities for the next biennium must be acted on by the legislature in each even-numbered year. The governor must submit a biennial budget under section 16A.11, subdivisions 1 to 3, based on available revenues and the budget priorities enacted under this section.

Sec. 2. Minnesota Statutes 2010, section 16A.11, subdivision 2, is amended to read:

Subd. 2. **Part one: message.** Part one of the budget, the governor's message, shall include the governor's recommendations on the financial policy of the state for the coming biennium, describing the important features of the budget plan, embracing a general budget summary setting forth the aggregate figures of the budget so as to show the balanced relation between the total proposed expenditures and the total anticipated income, with the basis and factors on which the estimates are made, the amount to be borrowed, and other means of financing the budget for the coming biennium, compared with the corresponding figures for at least the last two completed fiscal years and the current year. The budget plan shall be supported by explanatory schedules or statements, classifying its expenditures by agencies and funds, and the income by agencies, sources, funds, and the proposed amount of new borrowing, as well as proposed new tax or revenue sources. The budget plan shall be submitted for all special and dedicated funds, as well as the general fund, and shall include the estimated amounts of federal aids, for whatever purpose provided, together with estimated expenditures from them. For fiscal years 2014 and 2015 and later, the budget plan must be based on and incorporate the budget priorities enacted under section 3.885, subdivision 11.

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. For fiscal years 2014 and 2015 and later, the detailed budget estimates must incorporate the budget priorities enacted under section 3.885, subdivision 11.

(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) 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) 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.

ARTICLE 2

SUNSET OF STATE AGENCIES

Section 1. Minnesota Statutes 2010, section 3.97, is amended by adding a subdivision to read:

Subd. 3c. **Sunset of state agencies.** (a) The commission shall review legislative auditor reports on the sunset of state agencies prepared according to the schedule in section 3.993. The commission must report to the legislature at each regular legislative session with recommendations on whether a public need exists for continuation of a state agency, its advisory committees, policy boards, or agency functions according to the evaluation criteria under section 3.981, subdivision 3. Prior to making recommendations to the legislature on the sunset of a state agency, advisory committee, policy board, or agency function, the commission shall hold public hearings on the relevant sunset review report after receiving the report from the legislative auditor. For each state agency subject to sunset review, the commission's report to the legislature must include recommendations to abolish, continue, or reorganize the state agency, advisory committee, policy board, or agency function.

(b) The commission shall have drafts of legislation prepared to carry out the commission's recommendations under this section. The legislation must be introduced in the same legislative session in which the sunset report was received from the legislative auditor.

(c) The commission may direct the legislative auditor to review, according to the process and criteria in this section and section 3.981, any agency, board, commission, or program not listed in section 3.993. The commission must make recommendations to and prepare legislation for the legislature to abolish, continue, or reorganize other state agencies, advisory committees, policy boards, or agency functions after a sunset review.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2010, section 3.971, is amended by adding a subdivision to read:

Subd. 8. **Agency sunset reviews.** The legislative auditor shall conduct reviews of state agencies, advisory committees, policy boards, and agency functions according to the schedule in section 3.993 to determine whether a public need exists for the continuation of the state agency, advisory committee, policy board, or agency function.

Sec. 3. **[3.981] SUNSET REVIEW OF STATE AGENCIES.**

Subdivision 1. **State agency sunset information.** Before September 1 of the odd-numbered year before the year in which a state agency is subject to sunset review under this section, the agency head shall report to the auditor:

(1) information on how the criteria in subdivision 3 apply to the agency;

(2) a priority-based budget for the agency according to the priorities developed under article 1;

(3) an inventory of all boards, commissions, committees, and other entities related to the agency; and

(4) any other information that the agency head considers appropriate or that is requested by the legislative auditor.

Subd. 2. **Sunset review.** (a) Before January 1 of the year in which a state agency, advisory committee, policy board, or agency functions are subject to sunset review, the legislative auditor shall:

(1) review and take action necessary to verify the reports submitted by the agency; and

(2) conduct a review of the agency based on the criteria provided in subdivision 3 and prepare a written report with recommendations.

(b) In its report on a state agency, the legislative auditor shall:

(1) make recommendations on the abolition, continuation, or reorganization of each affected state agency and its advisory committees and on the need for the performance of the functions of the agency and its advisory committees;

(2) make recommendations on the consolidation, transfer, or reorganization of programs within state agencies not under review when the programs duplicate functions performed in agencies under review; and

(3) make recommendations to improve the operations of the agency, its policy body, and its advisory committees, including management recommendations that do not require a change in the agency's enabling statute.

(c) The legislative auditor shall include the estimated fiscal impact of its recommendations and may recommend appropriation levels for certain programs to improve the operations of the state agency.

Subd. 3. **Criteria for review.** The legislative auditor shall consider the following criteria in determining whether a public need exists for the continuation of a state agency, its advisory committees, or for the performance of the functions of the agency or its advisory committees:

(1) the efficiency and effectiveness of the agency or the advisory committee operations;

(2) the extent to which the agency has identified and achieved its mission, goals, and objectives or the extent to which an identified problem or need that the agency was intended to address has been addressed;

(3) an identification of any activities of the agency in addition to those granted by statute and of the authority for those activities and the extent to which those activities are needed;

(4) an assessment of authority of the agency relating to fees, inspections, enforcement, and penalties;

(5) an assessment of whether less restrictive or alternative methods of performing any function that the agency performs could adequately protect or provide service to the public;

(6) the extent to which the jurisdiction of the agency and the programs administered by the agency overlap or duplicate those of other agencies, the extent of coordination between agencies, and the extent to which the programs administered by the agency can be consolidated with the programs of other state agencies;

(7) the promptness and effectiveness with which the agency addresses complaints concerning entities or other persons affected by the agency, including an assessment of the agency's administrative hearings process;

(8) an assessment of the agency's rulemaking process and the extent to which the agency has encouraged participation by the public in making its rules and decisions and the extent to which the public participation has resulted in rules that benefit the public;

(9) the extent to which the agency has complied with federal and state laws and applicable rules regarding equality of employment opportunity and the rights and privacy of individuals, and state law and applicable rules of any state agency regarding purchasing guidelines and programs for historically underutilized businesses;

(10) the extent to which the agency issues and enforces rules relating to potential conflicts of interest of its employees;

(11) the extent to which the agency complies with chapter 13 and follows records management practices that enable the agency to respond efficiently to requests for public information; and

(12) the effect of federal intervention or loss of federal funds if the state agency, its advisory committees, policy boards, or agency functions are abolished.

Subd. 4. **Sunset recommendations report.** (a) In its sunset report on a state agency, the legislative auditor shall:

(1) make recommendations on the abolition, continuation, or reorganization of each affected state agency and its advisory committees and on the need for the performance of the functions of the agency and its advisory committees;

(2) make recommendations on the consolidation, transfer, or reorganization of programs within state agencies not under review when the programs duplicate functions performed in agencies under review; and

(3) make recommendations to improve the operations of the agency, its policy body, and its advisory committees, including management recommendations that do not require a change in the agency's enabling statute.

(b) The commission shall include the estimated fiscal impact of its recommendations and may recommend appropriation levels for certain programs to improve the operations of the state agency.

Sec. 4. **[3.99] STATE AGENCIES SUBJECT TO SUNSET REVIEW.**

Subdivision 1. **Continuation by law.** During the regular session immediately before the sunset review of a state agency or an advisory committee according to the schedule under section 3.993, the legislature may enact legislation to continue the agency or advisory committee for a period not to exceed 12 years. Notwithstanding the requirements for sunset review and continuation, the legislature may:

(1) terminate a state agency or advisory committee at a date earlier than that provided by the review schedule in section 3.933; or

(2) consider any other legislation relative to a state agency or advisory committee.

Subd. 2. **Procedures after termination.** (a) Unless otherwise provided by law:

(1) a state agency, advisory committee, policy board, or agency function may continue until September 1 of the year following enactment of its sunset legislation to conclude its business;

(2) the power and authority of the agency or advisory committee is not reduced or otherwise limited during the year following enactment of its sunset legislation;

(3) a state agency, advisory committee, policy board, or agency function is terminated and shall cease all activities at the expiration of the one-year period following enactment of its sunset legislation; and

(4) all rules that have been adopted by a state agency that are related to the sunset of the state agency, advisory committee, policy board, or agency function expire at the end of the one-year period.

(b) Except as otherwise provided by law, all money appropriated to or in a dedicated fund of an abolished state agency, advisory committee, policy board, or agency function on September 1 of the even-numbered year after abolishment cancels to or is transferred to the general fund.

(c) Sunset legislation must designate an appropriate state agency for the transfer of the property and records in the custody of an abolished state agency or advisory committee on September 1 of the even-numbered year after abolishment. If no agency is designated, the property and records must be transferred to the commissioner of administration.

(d) The legislature recognizes the state's continuing obligation to pay bonded indebtedness and all other obligations, including lease, contract, and other written obligations, incurred by a state agency abolished under sunset legislation. Nothing in the sunset legislation may impair or impede the payment of bonded indebtedness and all other obligations, including lease, contract, and other written obligations, in accordance with their terms. If an abolished state agency has outstanding bonded indebtedness or other outstanding obligations, including lease, contract, and other written obligations, the bonds and all other obligations, including lease, contract, and other written obligations, remain valid and enforceable in accordance with their terms and subject to all applicable terms and conditions of the laws and proceedings authorizing the bonds and all other obligations, including lease, contract, and other written obligations. Sunset legislation for a state agency, advisory committee, policy board, or agency function must designate an appropriate state agency to continue all covenants contained in the bonds and in all other obligations, including lease, contract, and other written obligations, and the proceedings authorizing them, including the issuance of bonds, and the performance of all other obligations, including lease, contract, and other written obligations, to complete the construction of projects or the performance of other obligations, including lease, contract,

and other written obligations. The designated state agency shall provide payment from the sources of payment of the bonds in accordance with the terms of the bonds and shall provide payment from the sources of payment of all other obligations, including lease, contract, and other written obligations, in accordance with their terms, whether from taxes, revenues, or otherwise, until the bonds and interest on the bonds are paid in full and all other obligations, including lease, contract, and other written obligations, are performed and paid in full.

Subd. 3. **Relocation of employees.** If an employee is displaced because a state agency or its advisory committee is abolished or reorganized, the state agency shall make a reasonable effort to relocate the displaced employee.

Subd. 4. **Saving provision.** Except as otherwise expressly provided in law, abolition of a state agency does not affect rights and duties that matured, penalties that were incurred, civil or criminal liabilities that arose, or proceedings that were begun before the effective date of the abolition.

Sec. 5. **[3.993] SUNSET REVIEW SCHEDULE.**

Subdivision 1. **Group 1.** The following agencies are subject to sunset review under section 3.981 before June 30, 2013: Department of Health, Department of Human Rights, Department of Human Services, all health-related licensing boards listed in section 214.01, Council on Affairs of Chicano/Latino People, Council on Black Minnesotans, Council on Asian-Pacific Minnesotans, Indian Affairs Council, Council on Disabilities, and all advisory groups associated with these agencies.

Subd. 2. **Group 2.** The following agencies are subject to sunset review before June 30, 2015: Department of Education, Board of Teaching, Minnesota Office of Higher Education, and all advisory groups associated with these agencies.

Subd. 3. **Group 3.** The following agencies are subject to sunset review before June 30, 2017: Department of Commerce, Department of Employment and Economic Development, Department of Labor and Industry, all non-health-related licensing boards listed in section 214.01 except as otherwise provided in this section, Explore Minnesota Tourism, Public Utilities Commission, Iron Range Resources and Rehabilitation Board, Bureau of Mediation Services, Combative Sports Commission, Amateur Sports Commission, and all advisory groups associated with these agencies.

Subd. 4. **Group 4.** The following agencies are subject to sunset review before June 30, 2019: Department of Corrections, Department of Public Safety, Department of Transportation, Peace Officer Standards and Training Board, Corrections Ombudsman, and all advisory groups associated with these agencies.

Subd. 5. **Group 5.** The following agencies are subject to sunset review before June 30, 2021: Department of Agriculture, Department of Natural Resources, Pollution Control Agency, Board of Animal Health, Board of Water and Soil Resources, and all advisory groups associated with these agencies.

Subd. 6. **Group 6.** The following agencies are subject to sunset review before June 30, 2023: Department of Administration, Department of Management and Budget, Department of Military Affairs, Department of Revenue, Department of Veterans Affairs, Arts Board, Minnesota Zoo, Office of Administrative Hearings, Board of Campaign Finance and Public Disclosure, Capitol Area Architectural and Planning Board, Office of Enterprise Technology, Minnesota Racing Commission, and all advisory groups associated with these agencies.

Sec. 6. **APPROPRIATION.**

$..... is appropriated from the general fund for fiscal years 2012 and 2013 to the legislative auditor for sunset review of state agencies under Minnesota Statutes, section 3.981, if enacted.

APPENDIX
Article locations in 11-0772

ARTICLE 1 PRIORITY-BASED BUDGETING ..... Page.Ln 1.8
ARTICLE 2 SUNSET OF STATE AGENCIES ..... Page.Ln 3.16