

16A.94 PAY-FOR-PERFORMANCE PROGRAM.

Subdivision 1. **Pilot program established.** The commissioner shall implement a pilot program to demonstrate the feasibility and desirability of using state appropriation bonds to pay for certain services based on performance and outcomes for the people served.

Subd. 2. **Oversight committee.** (a) The commissioner shall appoint an oversight committee to:

- (1) identify criteria to select one or more services to be included in the pilot program;
- (2) identify the conditions of performance and desired outcomes for the people served by each service selected;
- (3) identify criteria to evaluate whether a service has met the performance conditions; and
- (4) provide any other advice or assistance requested by the commissioner.

(b) The oversight committee must include the commissioners of the Departments of Human Services, Employment and Economic Development, and Administration, or their designees; a representative of a nonprofit organization with experience in performance contracting; and any other person or organization that the commissioner determines would be of assistance in developing and implementing the pilot program.

Subd. 3. **Contracts.** The commissioner and the commissioner of the agency with a service to be provided through the pilot program may enter into a pay-for-performance contract with a provider that meets the criteria identified by the oversight committee. The contract must specify the service to be provided, the time frame in which it is to be provided, the outcome required for payment, and any other terms deemed necessary or convenient for implementation of the pilot program. The commissioner shall pay a provider that has met the terms and conditions of a contract with money appropriated to the commissioner from the special appropriation bond proceeds account established in section 16A.96. At a minimum, before the commissioner pays a provider, the commissioner must determine that the provider has met the return on investment criteria in subdivision 4.

Subd. 4. **Return on investment calculation.** The commissioner, in consultation with the oversight committee, must establish the method and data required for calculating the state's return on investment. The data at a minimum must include:

- (1) state income taxes and any other revenues collected in the year after the service was provided that would not have been collected without the service; and
- (2) costs avoided by the state by providing the service.

Prior to entering into a contract under subdivision 3, the commissioner in consultation with the oversight committee must determine that the services provided under the contract will yield a positive return on investment for the state that will cover the estimated state costs in financing and administering the pilot program through documented increased state tax revenue or cost avoidance.

Subd. 5. **Report to governor and legislature.** The commissioner must report to the governor and legislative committees with jurisdiction over capital investment, finance, and ways and means, and the services included in the pilot program, by January 15 of each year following a year in which the pilot program is operating. The report must describe and discuss the criteria for selection and evaluation of services to be provided through the program, the net benefits to the state of the program, the state's return on investment,

the cost of the services provided by other means in the most recent past, the time frame for payment for the services, and the timing and costs for sale and issuance of the bonds authorized in section 16A.96.

History: *1Sp2011 c 10 art 3 s 27*