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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 953

February 15, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to government finance; appropriating money for general legislative
1.3 and administrative expenses of state government; regulating state and local
1.4 government operations; establishing a grant management process; amending
1.5 Minnesota Statutes 2006, sections 3.987, subdivision 1; 3.988, subdivision
1.6 3; 3.989, subdivisions 2, 3; 15B.17, subdivision 1; 16A.103, subdivision
1.7 2; 16A.1286, subdivision 2; 16A.28, subdivision 1; 270B.14, by adding a
1.8 subdivision; proposing coding for new law in Minnesota Statutes, chapters 13;
1.9 16B; repealing Minnesota Statutes 2006, section 13.39; Laws 2006, chapter
1.10 253, section 22.

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

1.12 **ARTICLE 1**
1.13 **STATE GOVERNMENT APPROPRIATIONS**

1.14 Section 1. **SUMMARY OF APPROPRIATIONS.**

1.15 The amounts shown in this section summarize direct appropriations, by fund, made
1.16 in this article.

	<u>2008</u>		<u>2009</u>		<u>Total</u>
1.17 <u>General</u>	\$ 384,179,000	\$	357,550,000	\$	741,729,000
1.18 <u>Health Care Access</u>	1,808,000		1,835,000		3,643,000
1.19 <u>State Government Special</u>					
1.20 <u>Revenue</u>	2,119,000		2,124,000		4,243,000
1.21 <u>Environmental</u>	440,000		444,000		884,000
1.22 <u>Remediation</u>	250,000		250,000		500,000
1.23 <u>Special Revenue</u>	5,686,000		5,502,000		11,188,000
1.24 <u>Highway User Tax</u>					
1.25 <u>Distribution</u>	2,125,000		2,154,000		4,279,000
1.26 <u>Workers' Compensation</u>	7,640,000		7,350,000		14,990,000
1.27 <u>Total</u>	\$ 404,247,000	\$	377,209,000	\$	781,456,000

2.1 **Sec. 2. STATE GOVERNMENT APPROPRIATIONS.**

2.2 The sums shown in the columns marked "appropriations" are appropriated to the
 2.3 agencies and for the purposes specified in this article. The appropriations are from the
 2.4 general fund, or another named fund, and are available for the fiscal years indicated
 2.5 for each purpose. The figures "2008" and "2009" used in this article mean that the
 2.6 appropriations listed under them are available for the fiscal year ending June 30, 2008, or
 2.7 June 30, 2009, respectively. "The first year" is fiscal year 2008. "The second year" is fiscal
 2.8 year 2009. "The biennium" is fiscal years 2008 and 2009.

		<u>APPROPRIATIONS</u>	
		<u>Available for the Year</u>	
		<u>Ending June 30</u>	
		<u>2008</u>	<u>2009</u>
2.13	Sec. 3. <u>LEGISLATURE</u>	<u>\$ 62,971,000</u>	<u>\$ 63,918,000</u>
2.14	<u>Appropriations by Fund</u>		
2.15	<u>2008</u>	<u>2009</u>	
2.16	<u>General</u>	<u>62,843,000</u>	<u>63,790,000</u>
2.17	<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>

2.18 **Sec. 4. GOVERNOR AND LIEUTENANT**
 2.19 **GOVERNOR** **\$ 3,647,000** **\$ 3,712,000**

2.20 (a) This appropriation is to fund the Office of
 2.21 the Governor and Lieutenant Governor.
 2.22 \$19,000 the first year and \$19,000 the
 2.23 second year are for necessary expenses in
 2.24 the normal performance of the governor's
 2.25 and lieutenant governor's duties for which no
 2.26 other reimbursement is provided.

2.27 (b) By September 1 of each year, the
 2.28 commissioner of finance shall report to
 2.29 the chairs of the senate Governmental
 2.30 Operations Budget Division and the house
 2.31 State Government Finance Division any
 2.32 personnel costs incurred by the Office of
 2.33 the Governor and Lieutenant Governor that
 2.34 were supported by appropriations to other

3.1 agencies during the previous fiscal year.
 3.2 The Office of the Governor shall inform the
 3.3 chairs of the divisions before initiating any
 3.4 interagency agreements.

3.5 Sec. 5. **STATE AUDITOR** \$ **8,438,000** \$ **8,605,000**

3.6 Sec. 6. **ATTORNEY GENERAL** \$ **25,482,000** \$ **26,098,000**

3.7 Appropriations by Fund

3.8		<u>2008</u>	<u>2009</u>
3.9	<u>General</u>	<u>23,368,000</u>	<u>23,979,000</u>
3.10	<u>State Government</u>		
3.11	<u>Special Revenue</u>	<u>1,719,000</u>	<u>1,724,000</u>
3.12	<u>Environmental</u>	<u>145,000</u>	<u>145,000</u>
3.13	<u>Remediation</u>	<u>250,000</u>	<u>250,000</u>

3.14 Sec. 7. **SECRETARY OF STATE** \$ **5,992,000** \$ **6,229,000**

3.15 Sec. 8. **CAMPAIGN FINANCE AND PUBLIC**
 3.16 **DISCLOSURE BOARD** \$ **708,000** \$ **722,000**

3.17 Sec. 9. **INVESTMENT BOARD** \$ **151,000** \$ **151,000**

3.18 Sec. 10. **OFFICE OF ENTERPRISE**
 3.19 **TECHNOLOGY** \$ **36,025,000** \$ **18,892,000**

3.20 (a) \$7,049,000 the first year and \$4,455,000
 3.21 the second year are for consolidation of
 3.22 information technology infrastructure and
 3.23 services.

3.24 (b) \$15,000,000 the first year is for the first
 3.25 phase of an electronic licensing system.

3.26 This is a onetime appropriation. This
 3.27 appropriation carries forward to the second
 3.28 year.

3.29 (c) \$8,163,000 the first year and \$8,909,000
 3.30 the second year are for information
 3.31 technology security.

4.1 (d) \$612,000 the first year and \$741,000 the
 4.2 second year are for oversight and analysis of
 4.3 state technology investments.

4.4 (e) \$1,456,000 the first year and \$1,000,000
 4.5 the second year are for small agency
 4.6 technology infrastructure. During the first
 4.7 biennium, these amounts are intended to
 4.8 include hardware and software improvements
 4.9 for the Asian-Pacific Council, the Capitol
 4.10 Area Architectural and Planning Board,
 4.11 the Minnesota Library for the Blind,
 4.12 the Minnesota State Academies, and
 4.13 the Ombudsman for Mental Health and
 4.14 Developmental Disabilities. Ongoing
 4.15 funding for improvements made during fiscal
 4.16 years 2008 and 2009 may be added to the
 4.17 base funding for those agencies in fiscal
 4.18 years 2010 and 2011.

4.19 Sec. 11. **ADMINISTRATIVE HEARINGS** \$ **7,821,000** \$ **7,535,000**

4.20 Appropriations by Fund

4.21		<u>2008</u>	<u>2009</u>
4.22	<u>General</u>	<u>281,000</u>	<u>285,000</u>
4.23	<u>Workers'</u>		
4.24	<u>Compensation</u>	<u>7,540,000</u>	<u>7,250,000</u>

4.25 Sec. 12. **ADMINISTRATION**

4.26 **Subdivision 1. Total Appropriation** \$ **27,626,000** \$ **22,679,000**

4.27 The amounts that may be spent for each
 4.28 purpose are specified in the following
 4.29 subdivisions.

4.30 **Subd. 2. State Facilities Services** **16,940,000** **12,592,000**

4.31 (a) \$7,888,000 the first year and \$7,888,000
 4.32 the second year are for office space costs of
 4.33 the legislature and veterans organizations,

5.1 for ceremonial space, and for statutorily free
 5.2 space.

5.3 (b) \$5,579,000 the first year is to purchase
 5.4 and implement a Web-enabled, shared
 5.5 computer system to facilitate the state's real
 5.6 property portfolio management. \$1,134,000
 5.7 the second year is to fund software
 5.8 subscriptions and technical support expenses.

5.9 The base appropriation for ongoing system
 5.10 expenses is \$1,151,000 for fiscal year 2010
 5.11 and \$1,151,000 for fiscal year 2011.

5.12 (c) \$250,000 the first year and \$250,000 the
 5.13 second year are for the energy conservation
 5.14 recommissioning activities in state buildings.

5.15 **Subd. 3. State and Community Services** 2,525,000 2,705,000

5.16 (a) \$60,000 the first year and \$240,000 the
 5.17 second year are to fund activities to prepare
 5.18 for and promote the 2010 census. Base
 5.19 funding for this activity is \$260,000 in fiscal
 5.20 year 2010 and \$180,000 in fiscal year 2011.

5.21 (b) \$258,000 the first year and \$258,000 the
 5.22 second year are for the Land Management
 5.23 Information Center.

5.24 **Subd. 4. Administrative Management Services** 6,206,000 5,427,000

5.25 (a) \$250,000 the first year and \$250,000 the
 5.26 second year is to create an Office of Grants
 5.27 Management to standardize state grants
 5.28 management policies and procedures.

5.29 (b) \$285,000 the first year and \$276,000
 5.30 the second year are to fund a two-year
 5.31 pilot project to reduce state expenditures on
 5.32 professional/technical contracts negotiations.
 5.33 This appropriation should not be included in
 5.34 the base for fiscal years 2009 and 2010.

6.1 (c) \$250,000 the first year and \$250,000
 6.2 the second year are to establish a small
 6.3 agency resource team to consolidate and
 6.4 streamline the human resources and financial
 6.5 management activities for small state
 6.6 agencies, boards, and councils.

6.7 (d) \$850,000 the first year is a onetime
 6.8 appropriation for a targeted group business
 6.9 disparity study.

6.10 (e) \$74,000 the first year and \$74,000 the
 6.11 second year are for the Developmental
 6.12 Disabilities Council.

6.13 **Subd. 5. Public Broadcasting** 1,955,000 1,955,000

6.14 (a) \$963,000 the first year and \$963,000
 6.15 the second year are for matching grants for
 6.16 public television.

6.17 (b) \$398,000 the first year and \$398,000
 6.18 the second year are for public television
 6.19 equipment grants. Equipment or matching
 6.20 grant allocations shall be made after
 6.21 considering the recommendations of the
 6.22 Minnesota Public Television Association.

6.23 (c) \$17,000 the first year and \$17,000 the
 6.24 second year are for grants to the Twin Cities
 6.25 regional cable channel.

6.26 (d) \$387,000 the first year and \$387,000 the
 6.27 second year are for community service grants
 6.28 to public educational radio stations. The
 6.29 grants must be allocated after considering
 6.30 the recommendations of the Association of
 6.31 Minnesota Public Educational Radio Stations
 6.32 under Minnesota Statutes, section 129D.14.

7.1 (e) \$190,000 the first year and \$190,000
 7.2 the second year are for equipment grants to
 7.3 Minnesota Public Radio, Inc.

7.4 (f) Any unencumbered balance remaining
 7.5 the first year for grants to public television or
 7.6 radio stations does not cancel and is available
 7.7 for the second year.

7.8 **Sec. 13. CAPITOL AREA**
 7.9 **ARCHITECTURAL AND PLANNING**
 7.10 **BOARD** **\$ 304,000 \$ 313,000**

7.11 **Sec. 14. FINANCE**

7.12 **Subdivision 1. Total Appropriation** **\$ 20,382,000 \$ 17,331,000**

7.13 The amounts that may be spent for each
 7.14 purpose are specified in the following
 7.15 subdivisions.

7.16 **Subd. 2. State Financial Management** **8,912,000 8,752,000**

7.17 (a) \$315,000 the first year is for the state's
 7.18 share of the cost of bankruptcy counsel
 7.19 representing joint interests of the state and
 7.20 the city of Duluth in the Northwest Airlines
 7.21 bankruptcy. This is a onetime appropriation.

7.22 (b) Notwithstanding the provisions of
 7.23 Minnesota Statutes, section 16A.1522,
 7.24 subdivision 4, the commissioner of finance
 7.25 shall designate any positive general fund
 7.26 budgetary balance on June 30, 2007, as an
 7.27 unrestricted balance. Money so designated
 7.28 shall remain available for general fund
 7.29 appropriations authorized in fiscal years
 7.30 2008 and 2009.

7.31 **Subd. 3. Information and Management**
 7.32 **Services** **11,470,000 8,579,000**

7.33 \$5,000,000 the first year and \$2,000,000
 7.34 the second year are for costs related to the

9.1 revenues of \$21,200,000 for the biennium
9.2 ending June 30, 2009.

9.3 (b) The department must report to the chairs
9.4 of the house of representatives Ways and
9.5 Means and senate Finance Committees by
9.6 March 1, 2008, and January 15, 2009, on the
9.7 following performance indicators:

9.8 (1) the number of corporations noncompliant
9.9 with the corporate tax system each year and
9.10 the percentage and dollar amounts of valid
9.11 tax liabilities collected;

9.12 (2) the number of businesses noncompliant
9.13 with the sales and use tax system and the
9.14 percentage and dollar amount of the valid tax
9.15 liabilities collected; and

9.16 (3) the number of individual noncompliant
9.17 cases resolved and the percentage and dollar
9.18 amounts of valid tax liabilities collected.

9.19 (c) The reports must also identify base-level
9.20 expenditures and staff positions related to
9.21 compliance and audit activities, including
9.22 baseline information as of January 1, 2006.
9.23 The information must be provided at the
9.24 budget activity level.

9.25 (d) \$10,000,000 the first year and \$6,000,000
9.26 the second year are for the purchase and
9.27 development of an integrated tax software
9.28 package. This appropriation must be
9.29 included in the agency appropriation base
9.30 through fiscal year 2011.

9.31 (e) \$900,000 in fiscal year 2008 and
9.32 \$900,000 in fiscal year 2009 are for property
9.33 tax-related technological enhancements.

9.34 Subd. 3. **Accounts Receivable Management** 19,176,000 20,185,000

12.1 The request must specify that priority
12.2 will be given to proposals that meet the
12.3 programmatic goals established by the
12.4 commissioner, including proposals that will:
12.5 (1) provide the most effective outreach to
12.6 veterans;
12.7 (2) reintegrate combat veterans into society;
12.8 (3) collaborate with other social service
12.9 agencies, educational institutions, and other
12.10 relevant community resources;
12.11 (4) reduce homelessness among veterans;
12.12 and
12.13 (5) provide measurable outcomes.
12.14 The commissioner may provide incentives
12.15 to encourage, and may give priority to
12.16 proposals that foster, regional collaboration
12.17 for service delivery. The grants may be for a
12.18 term of up to two years. The commissioner
12.19 shall ensure that grants are made throughout
12.20 all regions of the state and shall develop a
12.21 description of best practices for the use of
12.22 these grants. A county may not reduce its
12.23 county veterans service officer budget by any
12.24 amount received as a grant under this section.
12.25 Grants made under this section are in addition
12.26 to and not subject to the requirements for
12.27 grants made under Minnesota Statutes,
12.28 section 197.608. The Minnesota Association
12.29 of County Veterans Service Officers may
12.30 apply for grants under this section beginning
12.31 July 1, 2007. Any balance remaining after
12.32 the first year does not cancel and is available
12.33 in the second year. This appropriation must
12.34 be included in the appropriation base through
12.35 fiscal year 2011.

14.1 must not exceed \$27,378,000 in fiscal year
 14.2 2008 and \$28,141,000 in fiscal year 2009.

14.3 **Sec. 22. TORT CLAIMS** \$ 161,000 \$ 161,000

14.4 To be spent by the commissioner of finance.

14.5 If the appropriation for either year is
 14.6 insufficient, the appropriation for the other
 14.7 year is available for it.

14.8 **Sec. 23. MINNESOTA STATE RETIREMENT**
 14.9 **SYSTEM** \$ 1,450,000 \$ 1,469,000

14.10 (a) The amounts estimated to be needed for
 14.11 each program are as follows:

14.12 **(1) Legislators** 1,021,000 1,034,000

14.13 Under Minnesota Statutes, sections 3A.03,
 14.14 subdivision 2, 3A.04, subdivisions 3 and 4;
 14.15 and 3A.115.

14.16 **(2) Constitutional Officers** 429,000 435,000

14.17 Under Minnesota Statutes, sections
 14.18 352C.031, subdivision 5; 352C.04,
 14.19 subdivision 3; and 352C.09, subdivision 2.

14.20 (b) If an appropriation in this section for
 14.21 either year is insufficient, the appropriation
 14.22 for the other year is available for it.

14.23 **Sec. 24. MINNEAPOLIS EMPLOYEES**
 14.24 **RETIREMENT FUND** \$ 9,000,000 \$ 9,000,000

14.25 The amounts estimated to be needed under
 14.26 Minnesota Statutes, section 422A.101,
 14.27 subdivision 3.

14.28 **Sec. 25. TEACHERS RETIREMENT**
 14.29 **ASSOCIATION** \$ 15,800,000 \$ 15,800,000

14.30 The amounts estimated to be needed are as
 14.31 follows:

15.1	<u>(a) Special direct state aid to first class city</u>			
15.2	<u>teachers retirement funds authorized under</u>			
15.3	<u>Minnesota Statutes, section 354A.12, subdivisions</u>			
15.4	<u>3a and 3c.</u>		<u>13,300,000</u>	<u>13,300,000</u>
15.5	<u>(b) Special direct state matching aid to</u>			
15.6	<u>Minneapolis Teachers Retirement Fund</u>			
15.7	<u>authorized under Minnesota Statutes, section</u>			
15.8	<u>354A.12, subdivision 3b.</u>		<u>2,500,000</u>	<u>2,500,000</u>
15.9	Sec. 26. <u>ST. PAUL TEACHERS</u>			
15.10	<u>RETIREMENT FUND</u>	\$	<u>2,967,000</u>	<u>2,967,000</u>
15.11	<u>The amounts estimated to be needed for</u>			
15.12	<u>special direct state aid to first class city</u>			
15.13	<u>teachers retirement funds authorized under</u>			
15.14	<u>Minnesota Statutes, section 354A.12,</u>			
15.15	<u>subdivisions 3a and 3c.</u>			
15.16	Sec. 27. <u>AMATEUR SPORTS COMMISSION</u>	\$	<u>210,000</u>	<u>215,000</u>
15.17	<u>This appropriation is reduced by the amount</u>			
15.18	<u>equal to proceeds from leasing state land</u>			
15.19	<u>under Laws 2006, chapter 282, section 11.</u>			
15.20	Sec. 28. <u>COUNCIL ON BLACK</u>			
15.21	<u>MINNESOTANS</u>	\$	<u>322,000</u>	<u>328,000</u>
15.22	<u>\$25,000 the first year and \$25,000 the second</u>			
15.23	<u>year are for expenses related to the state's</u>			
15.24	<u>annual Martin Luther King, Jr. holiday</u>			
15.25	<u>celebration.</u>			
15.26	Sec. 29. <u>COUNCIL ON CHICANO/LATINO</u>			
15.27	<u>AFFAIRS</u>	\$	<u>306,000</u>	<u>310,000</u>
15.28	Sec. 30. <u>COUNCIL ON ASIAN-PACIFIC</u>			
15.29	<u>MINNESOTANS</u>	\$	<u>287,000</u>	<u>285,000</u>
15.30	Sec. 31. <u>INDIAN AFFAIRS COUNCIL</u>	\$	<u>481,000</u>	<u>487,000</u>
15.31	Sec. 32. <u>GENERAL CONTINGENT</u>			
15.32	<u>ACCOUNTS</u>	\$	<u>1,000,000</u>	<u>500,000</u>

16.1	<u>Appropriations by Fund</u>		
16.2	<u>2008</u>	<u>2009</u>	
16.3	<u>General</u>	<u>500,000</u>	<u>-0-</u>
16.4	<u>State Government</u>		
16.5	<u>Special Revenue</u>	<u>400,000</u>	<u>400,000</u>
16.6	<u>Workers'</u>		
16.7	<u>Compensation</u>	<u>100,000</u>	<u>100,000</u>

16.8 (a) The appropriations in this section
 16.9 may only be spent with the approval of
 16.10 the governor after consultation with the
 16.11 Legislative Advisory Commission pursuant
 16.12 to Minnesota Statutes, section 3.30.

16.13 (b) If an appropriation in this section for
 16.14 either year is insufficient, the appropriation
 16.15 for the other year is available for it.

16.16 (c) If a contingent account appropriation
 16.17 is made in one fiscal year, it should be
 16.18 considered a biennial appropriation.

16.19 **ARTICLE 2**

16.20 **STATE GOVERNMENT OPERATIONS**

16.21 Section 1. Minnesota Statutes 2006, section 3.987, subdivision 1, is amended to read:

16.22 Subdivision 1. **Local impact notes.** The commissioner of finance shall coordinate
 16.23 the development of a local impact note for any proposed legislation introduced after June
 16.24 30, 1997, ~~or any rule proposed after December 31, 1999,~~ upon request of the chair or the
 16.25 ranking minority member of either legislative Tax Committee. Upon receipt of a request
 16.26 to prepare a local impact note, the commissioner must notify the authors of the proposed
 16.27 legislation ~~or, for an administrative rule, the head of the relevant executive agency or~~
 16.28 ~~department,~~ that the request has been made. The local impact note must be made available
 16.29 to the public upon request. If the action is among the exceptions listed in section 3.988,
 16.30 a local impact note need not be requested nor prepared. The commissioner shall make
 16.31 a reasonable and timely estimate of the local fiscal impact on each type of political
 16.32 subdivision that would result from the proposed legislation. The commissioner of finance
 16.33 may require any political subdivision or the commissioner of an administrative agency
 16.34 of the state to supply in a timely manner any information determined to be necessary to
 16.35 determine local fiscal impact. The political subdivision, its representative association, or

17.1 commissioner shall convey the requested information to the commissioner of finance with
 17.2 a signed statement to the effect that the information is accurate and complete to the best
 17.3 of its ability. The political subdivision, its representative association, or commissioner,
 17.4 when requested, shall update its determination of local fiscal impact based on actual
 17.5 cost or revenue figures, improved estimates, or both. Upon completion of the note, the
 17.6 commissioner must provide a copy to the authors of the proposed legislation ~~or, for an~~
 17.7 ~~administrative rule, to the head of the relevant executive agency or department.~~

17.8 Sec. 2. Minnesota Statutes 2006, section 3.988, subdivision 3, is amended to read:

17.9 Subd. 3. **Miscellaneous exceptions.** A local impact note or an attachment as
 17.10 provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated
 17.11 action if the law, ~~including a rulemaking,~~ containing the mandate:

17.12 (1) accommodates a specific local request;

17.13 (2) results in no new local government duties;

17.14 (3) leads to revenue losses from exemptions to taxes;

17.15 (4) provided only clarifying or conforming, nonsubstantive charges on local
 17.16 government;

17.17 (5) imposes additional net local costs that are minor (an amount less than or equal
 17.18 to one-half of one percent of the local revenue base as defined in section 477A.011,
 17.19 subdivision 27, or \$50,000, whichever is less for any single local government if the
 17.20 mandate does not apply statewide or less than \$1,000,000 if the mandate is statewide);

17.21 (6) is a law or executive order enacted before July 1, 1997, or a rule initially
 17.22 implementing a law enacted before July 1, 1997;

17.23 (7) implements something other than a law or executive order, such as a federal,
 17.24 court, or voter-approved mandate;

17.25 (8) results in savings that equal or exceed costs;

17.26 (9) requires the holding of elections;

17.27 (10) ensures due process or equal protection;

17.28 (11) provides for the notification and conduct of public meetings;

17.29 (12) establishes the procedures for administrative and judicial review of actions
 17.30 taken by political subdivisions;

17.31 (13) protects the public from malfeasance, misfeasance, or nonfeasance by officials
 17.32 of political subdivisions;

17.33 (14) relates directly to financial administration, including the levy, assessment,
 17.34 and collection of taxes;

18.1 (15) relates directly to the preparation and submission of financial audits necessary
 18.2 to the administration of state laws; or

18.3 (16) requires uniform standards to apply to public and private institutions without
 18.4 differentiation.

18.5 Sec. 3. Minnesota Statutes 2006, section 3.989, subdivision 2, is amended to read:

18.6 Subd. 2. **Report Compilation of local impact notes.** The commissioner of finance
 18.7 shall prepare by ~~September 1, 2000, and by~~ September 1 of each even-numbered year
 18.8 ~~thereafter, a report compilation of the costs of key local mandates established after June~~
 18.9 ~~30, 1997 impact notes requested by the legislature during the previous biennial session~~
 18.10 ~~as provided in section 3.987. The commissioner may consult with local government~~
 18.11 ~~representatives and legislative fiscal staff to determine which local impact notes were key.~~

18.12 ~~The commissioner shall include the statewide total of the statement of costs of local~~
 18.13 ~~mandates after June 30, 1997, as a notation in the state biennial budget.~~

18.14 Sec. 4. Minnesota Statutes 2006, section 3.989, subdivision 3, is amended to read:

18.15 Subd. 3. **Certain political subdivisions; report.** The political subdivisions that
 18.16 have opted to administer class B state mandates shall report to the commissioner of
 18.17 finance by September 1, 1998, and by September 1 of each year thereafter, identifying
 18.18 each instance when revenue for a class B state mandate has fallen below 85 percent of
 18.19 the total cost of the program and the political subdivision intends to cease administration
 18.20 of the program.

18.21 The commissioner shall forward a copy of the report to the chairs of the appropriate
 18.22 funding committees of the senate and the house ~~for proposed inclusion of the shortfall as a~~
 18.23 ~~line item appropriation in the state budget for the next fiscal year.~~

18.24 The political subdivision may exercise its option to cease administration only if the
 18.25 legislature has failed to include the shortfall as an appropriation in the state budget for
 18.26 the next fiscal year.

18.27 Sec. 5. **[13.595] GRANTS.**

18.28 Subdivision 1. Definitions. For purposes of this section, the following terms have
 18.29 the meaning given them.

18.30 (a) "Completion of the evaluation process" means that the granting agency has
 18.31 completed negotiating the grant agreement with the selected grantee.

18.32 (b) "Grant agreement" means the document that details the responsibilities of the
 18.33 grantee and the granting agency and the value to be provided to the grantee.

19.1 (c) "Grantee" means a person that applies for or receives a grant.

19.2 (d) "Granting agency" means the government entity that provides the grant.

19.3 (e) "Opened" means the act that occurs once the deadline for submitting a response
19.4 to a proposal to the granting agency has been reached.

19.5 (f) "Request for proposal" means the data outlining the responsibilities the granting
19.6 agency wants the grantee to assume.

19.7 (g) "Response" means the data submitted by a grantee as required by a request for
19.8 proposal.

19.9 Subd. 2. **Request for applications.** Data created by a granting agency to create a
19.10 request for proposal is classified as nonpublic until the request for proposal is published.
19.11 To the extent that a granting agency involves persons outside the granting agency to create
19.12 the request for proposal, the data remain nonpublic in the hands of all persons who may
19.13 not further disseminate any data that are created or reviewed as part of the request for
19.14 proposal development. At publication, the data in the request for proposal is public.

19.15 Subd. 3. **Responses to request for proposals.** (a) Responses submitted by a grantee
19.16 are private or nonpublic until the responses are opened. Once the responses are opened,
19.17 the name and address of the grantee and the amount requested is public. All other data in a
19.18 response is private or nonpublic data until completion of the evaluation process. After a
19.19 granting agency has completed the evaluation process, all remaining data in the responses
19.20 is public with the exception of trade secret data as defined and classified in section 13.37.
19.21 A statement by a grantee that the response is copyrighted or otherwise protected does
19.22 not prevent public access to the response.

19.23 (b) If all responses are rejected prior to completion of the evaluation process,
19.24 all data, other than that made public at the opening, remain private or nonpublic
19.25 until a resolicitation of proposals results in completion of the evaluation process or a
19.26 determination is made to abandon the grant. If the rejection occurs after the completion of
19.27 the evaluation process, the data remain public. If a resolicitation of proposals does not
19.28 occur within one year of the grant opening date, the remaining data become public.

19.29 Subd. 4. **Evaluation data.** (a) Data created or maintained by a granting agency as
19.30 part of the evaluation process referred to in this section are protected nonpublic data until
19.31 completion of the evaluation process at which time the data are public with the exception
19.32 of trade secret data as defined and classified in section 13.37.

19.33 (b) If a granting agency asks individuals outside the granting agency to assist with
19.34 the evaluation of the responses, the granting agency may share not public data in the
19.35 responses with those individuals. The individuals participating in the evaluation may not
19.36 further disseminate the not public data they review.

20.1 Sec. 6. Minnesota Statutes 2006, section 15B.17, subdivision 1, is amended to read:

20.2 Subdivision 1. **Proposals.** (a) Before a state agency or other public body develops,
20.3 to submit to the legislature and the governor, a budget proposal or plans for capital
20.4 improvements within the Capitol Area, it must consult with the board.

20.5 (b) The public body must provide enough money for the board's review and planning
20.6 if the board decides its review and planning services are necessary.

20.7 (c) Money received by the board from public agencies is appropriated to the board.

20.8 Sec. 7. Minnesota Statutes 2006, section 16A.103, subdivision 2, is amended to read:

20.9 Subd. 2. **Local revenue.** In February and November of each year, the commissioner
20.10 of revenue shall prepare and deliver to the governor and the legislature forecasts of
20.11 revenue to be received by school districts as a group, counties as a group, and the group of
20.12 cities and towns that have a population of more than 2,500. The forecasts must assume
20.13 the continuation of current laws, projections of valuation changes in real property, and
20.14 reasonable estimates of projected growth in the national and state economies and affected
20.15 populations. Revenue must be estimated for property taxes, state and federal aids, local
20.16 sales taxes, if any, and a single projection for all other revenue for each group of affected
20.17 local governmental units. ~~As part of the February forecast, the commissioner of revenue~~
20.18 ~~shall report to the governor and legislature on which groups of local government units~~
20.19 ~~exceeded the revenue targets of the governor and legislature in the most recent biennium.~~

20.20 Sec. 8. Minnesota Statutes 2006, section 16A.1286, subdivision 2, is amended to read:

20.21 Subd. 2. **Billing procedures.** The commissioner may bill up to \$7,520,000 in
20.22 each fiscal year for statewide systems services provided to state agencies, judicial branch
20.23 agencies, the University of Minnesota, the Minnesota State Colleges and Universities,
20.24 and other entities. ~~Billing must be based only on usage of services relating to statewide~~
20.25 ~~systems provided by the Intertechnologies Division.~~ Each agency shall transfer from
20.26 agency operating appropriations to the statewide systems account the amount billed by
20.27 the commissioner. Billing policies and procedures related to statewide systems services
20.28 must be developed by the commissioner in consultation with the commissioners of
20.29 employee relations and administration, the University of Minnesota, and the Minnesota
20.30 State Colleges and Universities.

20.31 Sec. 9. Minnesota Statutes 2006, section 16A.28, subdivision 1, is amended to read:

20.32 Subdivision 1. **Carryforward.** Agencies may carry forward unexpended and
20.33 unencumbered nongrant operating balances from the first year of a biennium into the

21.1 second year of the biennium. At the end of the second year of the biennium, any remaining
 21.2 nongrant operating balances may be transferred, with the approval of the commissioner of
 21.3 finance, to a special revenue account. Funds in those accounts are appropriated for onetime
 21.4 costs associated with technology infrastructure and systems development projects.

21.5 (a) Transfers to those special revenue accounts shall be reported to the chairs
 21.6 and ranking members of the Senate Finance and House Ways and Means and Finance
 21.7 committees.

21.8 (b) When such balances originate in nongeneral funds, the transfers shall be made to
 21.9 separate accounts with the same funds and may only be used to support projects relevant
 21.10 to the original funding source.

21.11 (c) Uses of those special revenue account funds shall be reported annually by each
 21.12 agency to the commissioner of finance, and to the chairs and ranking members of the
 21.13 Senate Finance and House Ways and Means and Finance committees.

21.14 **Sec. 10. [16B.97] GRANTS MANAGEMENT.**

21.15 **Subdivision 1. Grant agreement.** (a) A grant agreement is a written instrument
 21.16 or electronic document defining a legal relationship between a granting agency and a
 21.17 grantee when the principal purpose of the relationship is to transfer cash or something of
 21.18 value to the recipient to support a public purpose authorized by law instead of acquiring
 21.19 by professional/technical contract, purchase, lease, or barter property or services for the
 21.20 direct benefit or use of the granting agency.

21.21 (b) This section does not apply to capital project grants to political subdivisions as
 21.22 defined by section 16A.86.

21.23 **Subd. 2. Grants governance.** The commissioner shall provide leadership and
 21.24 direction for policy related to grants management in Minnesota in order to foster more
 21.25 consistent, streamlined interaction between executive agencies, funders, and grantees that
 21.26 will enhance access to grant opportunities and information and lead to greater program
 21.27 accountability and transparency. The commissioner has the duties and powers stated in this
 21.28 section. An executive agency must do what the commissioner requires under this section.

21.29 **Subd. 3. Discretionary powers.** The commissioner has the authority to:

21.30 (1) review grants management practices and propose policy and procedure
 21.31 improvements to the governor, legislature, executive agencies, and the federal government;

21.32 (2) sponsor, support, and facilitate innovative and collaborative grants management
 21.33 projects with public and private organizations;

21.34 (3) review, recommend, and implement alternative strategies for grants management;

22.1 (4) collect and disseminate information, issue reports relating to grants management,
 22.2 and sponsor and conduct conferences and studies; and

22.3 (5) participate in conferences and other appropriate activities related to grants
 22.4 management issues.

22.5 Subd. 4. **Duties.** (a) The commissioner shall:

22.6 (1) create general grants management policies and procedures that are applicable to
 22.7 all executive agencies. The commissioner may approve exceptions to these policies and
 22.8 procedures for particular grant programs. Exceptions shall expire or be renewed after five
 22.9 years. Executive agencies shall retain management of individual grants programs;

22.10 (2) provide a central point of contact concerning statewide grants management
 22.11 policies and procedures;

22.12 (3) serve as a resource to executive agencies in such areas as training, evaluation,
 22.13 collaboration, and best practices in grants management;

22.14 (4) ensure grants management needs are considered in the development, upgrade,
 22.15 and use of statewide administrative systems and leverage existing technology wherever
 22.16 possible;

22.17 (5) oversee and approve future professional and technical service contracts and
 22.18 other information technology spending related to executive agency grants management
 22.19 activities;

22.20 (6) provide a central point of contact for comments about executive agencies
 22.21 violating statewide grants governance policies and about fraud and waste in grants
 22.22 processes;

22.23 (7) forward received comments to the appropriate agency for further action, and
 22.24 may follow up as necessary; and

22.25 (8) provide a single listing of all available executive agency competitive grant
 22.26 opportunities and resulting grant recipients.

22.27 (b) The commissioner may determine that it is cost-effective for agencies to develop
 22.28 and use shared grants management technology systems. This system would be governed
 22.29 under section 16E.01, subdivision 3, paragraph (b).

22.30 Sec. 11. **[16B.98] LIMIT ON ADMINISTRATIVE COSTS.**

22.31 Subdivision 1. **Limitation.** As a condition of receiving a grant from an appropriation
 22.32 of state funds, the recipient of the grant must agree to minimize administrative costs. The
 22.33 granting agency is responsible for negotiating appropriate limits to these costs so that the
 22.34 state derives the optimum benefit for grant funding.

23.1 Subd. 2. **Ethical practices and conflict of interest.** An employee of the executive
 23.2 branch involved directly or indirectly in grants processes, at any level, is subject to the
 23.3 code of ethics in section 43A.38.

23.4 Subd. 3. **Conflict of interest.** (a) The commissioner must develop policies
 23.5 regarding code of ethics and conflict of interest designed to prevent conflicts of interest
 23.6 for employees, committee members, or others involved in the recommendation, award,
 23.7 and administration of grants. The policies must apply to employees who are directly or
 23.8 indirectly in the grants process, which may include the following:

23.9 (1) developing request for proposals or evaluation criteria;

23.10 (2) drafting, recommending, awarding, amending, revising, or entering into grant
 23.11 agreements;

23.12 (3) evaluating or monitoring performance; or

23.13 (4) authorizing payments.

23.14 (b) The policies must include:

23.15 (1) a process to make all parties to the grant aware of policies and laws relating to
 23.16 conflict of interest, and training on how to avoid and address potential conflicts; and

23.17 (2) a process under which those who have a conflict of interest or a potential conflict
 23.18 of interest must disclose the matter.

23.19 (c) If the employee, appointing authority, or commissioner determines that a conflict
 23.20 of interest exists, the matter shall be assigned to another employee who does not have a
 23.21 conflict of interest. If it is not possible to assign the matter to an employee who does not
 23.22 have a conflict of interest, interested personnel shall be notified of the conflict and the
 23.23 employee may proceed with the assignment.

23.24 Subd. 4. **Reporting of violations.** A state employee who discovers evidence
 23.25 of violation of laws or rules governing grants is encouraged to report the violation or
 23.26 suspected violation to the employee's supervisor, the commissioner or the commissioner's
 23.27 designee, or the legislative auditor. The legislative auditor shall report to the Legislative
 23.28 Audit Commission if there are multiple complaints about the same agency. The auditor's
 23.29 report to the Legislative Audit Commission under this section must disclose only the
 23.30 number and type of violations alleged. An employee making a good faith report under this
 23.31 section has the protections provided for under section 181.932, prohibiting the employer
 23.32 from discriminating against the employee.

23.33 Subd. 5. **Creation and validity of grant agreements.** (a) A grant agreement is
 23.34 not valid and the state is not bound by the grant unless:

23.35 (1) the grant has been executed by the head of the agency or a delegate who is
 23.36 party to the grant; and

24.1 (2) the accounting system shows an encumbrance for the amount of the grant in
24.2 accordance with policy approved by the commissioner.

24.3 (b) The combined grant agreement and amendments must not exceed five years
24.4 without specific, written approval by the commissioner according to established policy,
24.5 procedures, and standards, or unless the commissioner determines that a longer duration is
24.6 in the best interest of the state.

24.7 (c) A fully executed copy of the grant agreement with all amendments and other
24.8 required records relating to the grant must be kept on file at the granting agency for a time
24.9 equal to that required of grantees in subdivision 6.

24.10 (d) Grant agreements must comply with policies established by the commissioner
24.11 for minimum grant agreement standards and practices.

24.12 (e) The attorney general may periodically review and evaluate a sample of state
24.13 agency grants to ensure compliance with applicable laws.

24.14 Subd. 6. **Grant administration.** A granting agency shall diligently administer
24.15 and monitor any grant it has entered into.

24.16 Subd. 7. **Grant payments.** Payments to the grantee may not be issued until the
24.17 grant agreement is fully executed.

24.18 Subd. 8. **Audit.** (a) A grant agreement made by an executive agency must include
24.19 an expressed or implied audit clause that provides that the books, records, documents,
24.20 and accounting procedures and practices of the grantee or other party that are relevant to
24.21 the grant or transaction are subject to examination by the granting agency and either the
24.22 legislative auditor or the state auditor, as appropriate, for a minimum of six years from the
24.23 grant agreement end date, receipt and approval of all final reports, or the required period
24.24 of time to satisfy all state and program retention requirements, whichever is later.

24.25 (b) If the granting agency is a local unit of government, and the governing body of
24.26 the local unit of government requests that the state auditor examine the books, records,
24.27 documents, and accounting procedures and practices of the grantee or other party
24.28 according to this subdivision, the granting agency shall be liable for the cost of the
24.29 examination. If the granting agency is a local unit of government, and the grantee or other
24.30 party requests that the state auditor examine all books, records, documents, and accounting
24.31 procedures and practices related to the grant, the grantee or other party that requested the
24.32 examination shall be liable for the cost of the examination.

24.33 Subd. 9. **Authority of attorney general.** The attorney general may pursue
24.34 remedies available by law to avoid the obligation of an agency to pay under a grant or to
24.35 recover payments made if activities under the grant are so unsatisfactory, incomplete, or

25.1 inconsistent that payment would involve unjust enrichment. The contrary opinion of the
25.2 granting agency does not affect the power of the attorney general under this subdivision.

25.3 Subd. 10. **Grants with Indian tribes and bands.** Notwithstanding any other law,
25.4 an agency may not require an Indian tribe or band to deny its sovereignty as a requirement
25.5 or condition of a grant with an agency.

25.6 Sec. 12. Minnesota Statutes 2006, section 270B.14, is amended by adding a
25.7 subdivision to read:

25.8 Subd. 19. **Disclosure to Department of Finance.** The commissioner may disclose
25.9 to the commissioner of finance returns or return information necessary in order to prepare
25.10 a revenue forecast under section 16A.103.

25.11 Sec. 13. **REPEALER.**

25.12 (a) Minnesota Statutes 2006, section 13.39, is repealed.

25.13 (b) Laws 2006, chapter 253, section 22, is repealed.