

1.1 moves to amend H.F. No. 2, the first engrossment, as follows:

1.2 Page 1, delete article 1 and insert:

1.3 "ARTICLE 1

1.4 PERFORMANCE DATA; ZERO-BASED BUDGETING

1.5 Section 1. Minnesota Statutes 2010, section 16A.10, subdivision 1a, is amended to read:

1.6 Subd. 1a. **Purpose of performance data.** Performance data shall be presented in
1.7 the budget proposal to:

1.8 (1) provide information so that the legislature can determine the extent to which
1.9 state programs and activities are successful;

1.10 (2) encourage agencies to develop clear and measurable goals and objectives for
1.11 their programs and activities; and

1.12 (3) strengthen accountability to Minnesotans by providing a record of state
1.13 government's performance in providing effective and efficient services.

1.14 Sec. 2. Minnesota Statutes 2010, section 16A.10, subdivision 1b, is amended to read:

1.15 Subd. 1b. **Performance data format.** (a) As part of the budget proposal, agencies
1.16 shall:

1.17 (1) describe the goals and objectives of each agency program and activity; and

1.18 (2) present performance data that measures the performance of programs and
1.19 activities in meeting ~~program~~ goals and objectives.

1.20 (b) Measures reported must be outcome-based and objective, and may include
1.21 indicators of outputs, efficiency, ~~outcomes~~, and other measures relevant to understanding
1.22 each program and activity.

1.23 (c) Agencies shall present as much historical information as needed to understand
1.24 major trends and shall set targets for future performance issues ~~where feasible and~~

2.1 ~~appropriate~~. The information shall appropriately highlight agency performance issues that
2.2 would assist legislative review and decision making.

2.3 (d) For purposes of this subdivision, subdivision 1a, and section 16A.106, the terms
2.4 "program" and "activity" are used in the same manner as the terms are used in state
2.5 budgeting. However, the commissioner may authorize an agency to define these terms in a
2.6 different manner if that allows for a more effective presentation of performance data.

2.7 Sec. 3. Minnesota Statutes 2010, section 16A.10, subdivision 1c, is amended to read:

2.8 Subd. 1c. **Performance measures for change items.** For each change item in the
2.9 budget proposal requesting new or increased funding, the budget document must present
2.10 proposed performance measures that can be used to determine if the new or increased
2.11 funding is accomplishing its goals. To the extent possible, each budget change item
2.12 must identify relevant Minnesota Milestones and other statewide goals and indicators
2.13 related to the proposed initiative. ~~The commissioner must report to the Subcommittee on~~
2.14 ~~Government Accountability established under section 3.885, subdivision 10, regarding the~~
2.15 ~~format to be used for the presentation and selection of Minnesota Milestones and other~~
2.16 ~~statewide goals and indicators.~~

2.17 Sec. 4. Minnesota Statutes 2010, section 16A.103, subdivision 1a, is amended to read:

2.18 Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of
2.19 current laws and reasonable estimates of projected growth in the national and state
2.20 economies and affected populations. Revenue must be estimated for all sources provided
2.21 for in current law. Expenditures must be estimated for all obligations imposed by law and
2.22 those projected to occur as a result of variables outside the control of the legislature.
2.23 Expenditures for the current biennium must be based on actual appropriations or, for
2.24 forecasted programs, the amount needed to fund the formula in law. The base for
2.25 expenditures projections for the next biennium is the amount appropriated in the second
2.26 year of the current biennium, or, for forecasted programs, the amount needed to fund the
2.27 formula in law. Expenditure estimates must not include an allowance for inflation.

2.28 Sec. 5. **[16A.106] ZERO-BASED BUDGETING PRINCIPLES.**

2.29 (a) The detailed budget presented to the legislature must include:

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

3.1 (3) for each budget activity, three alternative funding levels or alternative ways of
3.2 performing the budget activity, a summary of the priorities that would be accomplished
3.3 within each level, and the additional increments of value that would be added by the
3.4 higher funding levels; and

3.5 (4) for each budget activity, performance data as specified in section 16A.10,
3.6 subdivision 1b, the predicted effect of the three alternative funding levels on future
3.7 performance, and also one or more measures of cost efficiency and effectiveness of
3.8 program delivery, which must include comparisons to other states or entities with similar
3.9 programs.

3.10 (b) The commissioner's budget preparation guidelines and instructions must contain
3.11 requirements, deadlines, and technical assistance to facilitate implementation of this
3.12 section. After consultation with the legislative commission on planning and fiscal policy,
3.13 the commissioner's instructions may establish parameters for the three alternative funding
3.14 levels required in clause (3).

3.15 (c) The governor's recommendations must prioritize the budget activities within an
3.16 agency or program area. To the extent activities in more than one agency or program area
3.17 are meeting the same goals, the recommendations must prioritize budget activities across
3.18 agencies or programs with the same goals, and this prioritization must include agencies or
3.19 programs not subject to zero-based budgeting principles that biennium.

3.20 (d) Expenditures for debt service under section 16A.642, subdivision 10, are not
3.21 subject to zero-based budgeting principles.

3.22 **EFFECTIVE DATE.** (a) The zero-based budgeting principles in this section first
3.23 apply to the following budgets proposals for the biennium beginning July 1, 2013:

3.24 (1) legislative branch;

3.25 (2) judicial branch;

3.26 (3) Minnesota State Colleges and Universities system; and

3.27 (4) approximately half of expenditure programs in the executive branch, designated
3.28 by the governor, in consultation with the chairs and lead minority members of the Senate
3.29 Finance Committee and the House Ways and Means Committee.

3.30 (b) The zero-based budgeting principles in this section apply to all budget proposals
3.31 for the biennium beginning July 1, 2015, and after.

3.32 Sec. 6. Minnesota Statutes 2010, section 16A.11, subdivision 3, is amended to read:

3.33 Subd. 3. **Part two: detailed budget.** (a) Part two of the budget, the detailed budget
3.34 estimates both of expenditures and revenues, must contain any statements on the financial

4.1 plan which the governor believes desirable or which may be required by the legislature.
4.2 The detailed estimates shall include the governor's budget arranged in tabular form.

4.3 (b) For programs designated for the zero-based budgeting principles under section
4.4 16A.106, the budget must be prepared according to the requirements of that section.

4.5 (c) For programs not designated for zero based budgeting principles under section
4.6 16A.106, tables listing expenditures for the next biennium must show the appropriation
4.7 base for each year as defined in section 16A.103, subdivision 1c. ~~The appropriation base~~
4.8 is the amount appropriated for the second year of the current biennium. The tables must
4.9 separately show any adjustments to the base required by current law or policies of the
4.10 commissioner of management and budget. For forecasted programs, the tables must also
4.11 show the amount of the forecast adjustments, based on the most recent forecast prepared
4.12 by the commissioner of management and budget under section 16A.103. For all programs,
4.13 the tables must show the amount of appropriation changes recommended by the governor,
4.14 after adjustments to the base and forecast adjustments, and the total recommendation of
4.15 the governor for that year.

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

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

4.27 Renumber the sections in sequence and correct the internal references

4.28 Amend the title accordingly