

## CHAPTER 491—H.F.No.70

*An act relating to education; general powers of independent school districts; amending Minnesota Statutes 1971, Section 123.35, Subdivision 9.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1971, Section 123.35, Subdivision 9, is amended to read:

Subd. 9. **EDUCATION; INDEPENDENT SCHOOL DISTRICTS; POWERS.** The board may establish and maintain one or more kindergartens for the instruction of children ~~above four, and under six, years of age, provided that after September 1, 1971 and after July 1, 1974, shall provide kindergarten instruction for all eligible children, either in the district or in another district.~~ All children to be eligible for kindergarten must be at least five years of age on September 1 of the calendar year in which the school year commences. In addition all children selected under an early admissions policy established by the school board may be admitted. Nothing in this section shall prohibit a school district from establishing head start, pre-kindergarten, or nursery school classes for children below kindergarten age. Any school board with evidence that providing kindergarten will cause an extraordinary hardship on the school district may apply to the commissioner of education for an exception.

Approved May 21, 1973.

## CHAPTER 492—H.F.No.308

[Coded in Part]

*An act relating to the organization and operation of the state government; creating a department of finance; transferring the powers of the public examiner to the state auditor; creating a legislative audit commission and legislative auditor; appropriating money; amending Minnesota Statutes 1971, Sections 6.21; 9.031, by adding a subdivision; 11.10, Subdivisions 1 and 2; 16.141, Subdivisions 2 and 3; 16.16, Subdivisions 1, 3, 4, 5, 6, 7, 8, and 8a; 215.04; 215.05; 215.06; 215.07; 215.08; and 215.09; repealing Minnesota Statutes 1971, Sections 16.02, Subdivisions 11 and 12; 215.02; and 215.18.*

Changes or additions indicated by underline, deletions by ~~strikeout~~.

Be it enacted by the Legislature of the State of Minnesota:

**Section 1. [16A.01] DEPARTMENT OF FINANCE; CREATION; COMMISSIONER; DEPUTIES; EMPLOYEES.**

Subdivision 1. The department of finance is hereby created under the control and supervision of the commissioner of finance, which office is hereby established. The commissioner is the chief accounting officer, the principal financial officer and the state controller.

Subd. 2. The commissioner of finance is appointed by the governor by and with the advice and consent of the senate. The commissioner so appointed shall have broad experience as an executive financial manager. The commissioner shall serve at the pleasure of the governor. A vacancy in the office of the commissioner shall be filled by the governor, with the advice and consent of the senate.

Subd. 3. The commissioner may appoint two deputy commissioners, and a confidential secretary, each of whom shall serve at the pleasure of the commissioner in the unclassified service. Except as may be otherwise provided for by law, the commissioner shall fix the compensation of each deputy. A deputy may perform and exercise a power, duty, or responsibility imposed by law on the commissioner when authorized so to do by the commissioner.

Subd. 4. Subject to the provisions of this act and to other applicable laws governing a state department or agency, the commissioner shall organize the department and employ such other officers, employees, and agents as he may deem necessary to discharge the functions of his department, define the duties of such officers, employees, and agents and to delegate to them any of his powers, duties, and responsibilities subject to his control and under such conditions as he may prescribe. Personnel employed pursuant to this subdivision are in the classified service of the state civil service.

**Sec. 2. [16A.02] TRANSFER OF DUTIES FROM STATE AUDITOR.** Subdivision 1. Except as otherwise provided for in this section, all the powers, duties, and responsibilities now vested in and imposed upon the state auditor are hereby transferred to, vested in, and imposed upon the department of finance.

Subd. 2. The state auditor shall continue to exercise the powers, duties, and responsibilities which heretofore have been or which may hereafter be by law vested in, and imposed upon him relating to certifying the state tax to the several county auditors, certifying the tax necessary to be levied in connection with the repayment of moneys borrowed by the state or its department and agencies or moneys loaned by the state as authorized by law; he shall also continue to exercise such powers, duties and responsibil-

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ities prescribed by the constitution and as a member of a governmental council, board or association.

Sec. 3. Minnesota Statutes 1971, Section 6.21, is amended to read:

**6.21 DUTIES OF COMMISSIONER OF FINANCE.** ~~The state auditor commissioner of finance shall continue to exercise the rights, powers, and duties vested in and imposed upon his office. He shall have charge of the administration of the financial affairs of the state. He shall keep the general books of account of the state. The general books of account shall be on a double entry control basis, with such revenue, expenditure, asset and liability accounts as will give complete control over all financial and expenditure operations of the state and over all officials, departments, and agencies of the state government. Accounts shall be set both as to expenditures and revenue according to generally accepted practice in governmental accounting. The auditor, with the advice and assistance of the commissioner of administration and the public examiner, commissioner of finance shall formulate and prescribe for all departments and other state agencies a system of uniform records, accounts, statements, estimates, revenue receipt forms, vouchers, bills, and demands with suitable instructions governing the installation and use thereof. The accounting system and form so prescribed shall be adopted and employed by all officials, departments, and agencies of the state government. The auditor, with the assistance of the public examiner, commissioner of finance shall exercise constant supervision and control thereof. All accounting and financial records shall be kept on the fiscal year basis of 12 months ending at midnight between June 30 and July 1. The auditor commissioner of finance and his designated agents shall at all times have free access to the books, records, accounts, and papers of the several departments and agencies. The commissioner of administration and his designated employees shall have free access at all times to the books, records, accounts, and papers of the state auditor and the auditor shall allow the commissioner and his agents sufficient desk space for using and inspecting the same.~~

Sec. 4. **[16A.04] TRANSFER OF POWERS FROM DEPARTMENT OF ADMINISTRATION.** Subdivision 1. The department of finance shall prepare a biennial budget and a ten year cash receipts and disbursement projection in consultation with the commissioner of administration under the supervision of the governor. In even numbered years immediately before the inauguration of a new governor, such budget and a ten year cash receipts and disbursement projection shall be prepared under the supervision of the governor-elect.

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Subd. 2. All the powers, duties, and responsibilities now vested in and imposed upon the commissioner of administration by Minnesota Statutes, Sections 3.30, relating to the contingent fund; 16.027, relating to payrolls; 16.138, relating to reimbursements; 16.14, 16.15, and 16.155 relating to budgets and the budget, are transferred to, vested in and imposed upon the department of finance.

Subd. 3. All the powers, duties, and responsibilities now vested in and imposed upon the commissioner of administration by Minnesota Statutes, Sections 16.20, 16.245, 16.25, 16.62, 16.63, 16.64 and any other law relating to the supervision and control of accounts and expenditures of the state government, its departments and agencies including but not limited to fees, payroll deductions, tax withholding, and compensation schedules, are hereby transferred to, vested in, and imposed upon the department of finance.

Subd. 4. The department of finance may make rules and regulations governing the powers, duties, and responsibilities transferred to it under the terms of this act.

**Sec. 5. [16A.05] TRANSFER OF CERTAIN APPROPRIATIONS.** The moneys heretofore appropriated to the commissioner of administration in the payroll clearance revolving fund in the state treasury is hereby reappropriated to the department of finance for the same purposes and uses as set forth in Minnesota Statutes, Section 16.80, Subdivision 1, Clause(g). Any accumulation in said fund from profits or otherwise is also reappropriated to the department of finance for such purposes.

**Sec. 6. [16A.06] DEPARTMENT OF FINANCE OTHER POWERS.** The commissioner of finance:

(1) Shall require each department in the executive branch to prepare financial reports in such form, and to be made at such intervals, as he may prescribe which will permit administrative and legislative comparisons of spending plans in relation to appropriations for programs and activities;

(2) Shall formulate and prescribe a system of measuring the effect of fund expenditures which will permit the evaluation and comparisons of the cost of functions or programs;

(3) Shall require each department to state in writing objectives of each activity or function authorized against which performance may be measured. The objectives shall be specific as to amount and time and for a period including the current and the following biennium and reported at such times and in such form as the commissioner shall direct;

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(4) Shall require the department of taxation and other departments in the executive branch to report at his designated intervals concerning estimates of income and receipts whether from taxes or otherwise, and use such information in evaluating the financial condition and affairs of the state;

(5) Shall make such reports concerning the financial affairs of the state as the governor or the commissioner of administration may direct in addition to such reporting as may be otherwise prescribed by law.

(6) Shall require such reports and other information of the state treasurer and other departments and agencies in the executive branch as will permit formulation of policy on all fiscal and financial matters of state government.

**Sec. 7. [6.46] TRANSFER OF POWERS OF PUBLIC EXAMINER TO STATE AUDITOR.** Except as otherwise provided for in this act relating to the legislative auditor, all the powers, duties and responsibilities of the public examiner relating to audits of cities of all classes, villages, counties, towns, school districts, and other governmental subdivisions or bodies corporate and politic as contained in Minnesota Statutes, Sections 215.10, 215.11, 215.12, 215.13, 215.14, 215.16, 215.17, 215.19, 215.20, 215.21, 215.22, 215.225, 215.23, 215.24, 215.25, 215.26, 215.261, 215.31, 215.32, 215.33, 215.34, 215.35, 215.36, 215.37, 215.38, or any other law are hereby transferred to, vested in, and imposed upon the state auditor.

Sec. 8. Minnesota Statutes 1971, Section 9.031, is amended by adding a subdivision to read:

**Subd. 13. DEPOSIT OF FUNDS.** (a) Deposit of state funds in depositories by the treasurer under section 9.031 is subject to regulation by the commissioner of finance. He may determine the amount of funds to deposit in a depository and any other matter which he deems in the public interest. The treasurer shall comply with such regulations.

(b) All depositories with various noninterest bearing deposits which, as a group, total over \$100,000 shall report such balances as of the close of the previous business day by 9:00 a.m. daily to the treasurer and the commissioner of finance. The commissioner of finance shall record these daily balances, which shall be a matter of public record at the legislative reference library and reported monthly to the legislative audit commission.

(c) All state accounts shall be established by competitive bid among the designated depositories. The commissioner of finance shall send written notice of his intent to accept bids for the handling of the state account, or accounts, to all designated

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depositories. The notice shall specify such considerations, fiscal activities, and conditions as the commissioner may require. All such deposits shall be awarded by competitive bid to the lowest bidding depository which, in the opinion of the commissioner, has the capacity to discharge the required considerations, fiscal activities, and conditions.

(d) In exceptional cases, the commissioner may dispense with the bid procedure. In such event, he shall report the circumstances and reasons therefor to the legislative audit commission within five days after establishing the account.

(e) All presently existing state accounts shall be closed, and new accounts shall be established in compliance with the bid procedure established in clause (c) no later than one year after the effective date of this act.

(f) Notwithstanding any provision in section 9.031 to the contrary, the commissioner of finance may agree to pay a depository a reasonable charge or keep appropriate compensating balances for handling state funds, for cashing state warrants, vouchers and the like. Such moneys as may be necessary for such purpose are hereby appropriated annually to the commissioner of finance.

Sec. 9. Minnesota Statutes 1971, Section 11.10, Subdivision 1, is amended to read:

**11.10 INVESTMENT OF MONEY IN STATE TREASURY NOT CURRENTLY NEEDED.** Subdivision 1. **INVESTMENT OF TREASURY FUND.** The state treasurer shall make a report to the commissioner of finance daily or at such other times as the commissioner of finance shall determine of the moneys in the state treasury together with such other information which the commissioner may prescribe. When there ~~shall be any~~ is money in the state treasury that over and above the amount that the commissioner of finance has advised the treasurer is not currently needed, the state treasurer shall certify to the state board of investment the amount thereof. The board of investment may then invest said amount, or any part thereof, in the following:

(a) Treasury bonds, certificates of indebtedness, bonds or notes of the United States of America or bonds, notes or certificates of indebtedness of the state of Minnesota, all of which must mature not later than three years from date of purchase.

(b) Bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

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(c) Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as defined by a nationally recognized organization which rates such securities as eligible for investment in the state employees retirement fund except that any non-banking issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, must have total assets exceeding \$500,000,000. Such commercial paper may constitute no more than 30 percent of the book value of the fund at the time of purchase, and the commercial paper of any one corporation shall not constitute more than four percent of the book value of the fund at the time of such investment.

(d) Any securities eligible under the preceding provisions, purchased with simultaneous repurchase agreement under which the securities will be sold to the particular dealer on a specified date at a predetermined price. In such instances, all maturities of United States government securities, or securities issued or guaranteed by the United States government or an agency thereof, may be purchased so long as any such securities which mature later than three years from the date of purchase have a current market value exceeding the purchase price by at least five percent on the date of purchase, and so long as such repurchase agreement involving securities extending beyond three years in maturity be limited to a period not exceeding 45 days.

(e) Shares of an investment company registered under the investment company act of 1940, whose shares are registered under the securities act of 1933; provided that the only investments of that company are in obligations of the United States government, in obligations fully guaranteed by the United States government or in obligations of instrumentalities of the United States government such as treasury bonds, certificates of indebtedness, bonds or notes of the United States of America, all of which must mature not later than three years from date of purchase; bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

Sec. 10. Minnesota Statutes 1971, Section 11.10, Subdivision 2, is amended to read:

Subd. 2. **COMMISSIONER OF FINANCE TO CERTIFY.** When it shall appear to the ~~state auditor~~ commissioner of finance that any invested funds are needed for current purposes before the maturity dates of the securities held, he shall so certify and it shall then be the duty of the board of investment to order the sale or conversion into cash of securities of the amount so certified.

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**Sec. 11. [16.028] COMMISSIONER OF ADMINISTRATION; ADDITIONAL POWERS.** Subdivision 1. In addition to the other powers, duties and responsibilities of the commissioner of administration, he may appoint two deputy commissioners, and a confidential secretary, each of whom shall serve at the pleasure of the commissioner in the unclassified service.

Subd. 2. The governor, unless otherwise provided by law, may delegate to the commissioner of administration the administration of such programs and projects of the office of the governor directed by either state or federal law, or which may be made available to the state under a grant of funds either public or private. Unless specifically prohibited by law, the governor may delegate to the commissioner of administration general supervision of any program or activity of any state department or agency the head of which is either appointed by the governor or by a gubernatorially appointed board. The provisions of this subdivision shall not be construed as authority to transfer programs or activities, or part of them, from one department to another.

**Sec. 12. [3.97] AUDIT POLICY; CREATION OF COMMISSION; TRANSFER OF FUNCTIONS OF PUBLIC EXAMINER.** Subdivision 1. Continuous legislative review of the effect of grant-in-aid programs, the spending of public funds and their financing at all levels of government is required in the public interest to enable the enactment of appropriate legislation.

Subd. 2. LEGISLATIVE AUDIT COMMISSION CREATION. A legislative commission to be known as the legislative audit commission, designated herein as "the commission" is hereby created. The commission shall consist of the majority leader of the senate and the president pro-tempore of the senate, or their respective designees; the chairman of the senate committee on taxes or his designee, who shall be a member of the senate tax committee; the chairman of the senate committee on governmental operations or his designee, who shall be a member of the governmental operations committee; the chairman of the senate committee on finance or his designee, who shall be a member of the senate finance committee; and three members of the senate appointed by the senate minority leader; the speaker of the house and the chairman of the house committee on rules, or their respective designees; the chairman of the house committee on taxes or his designee, who shall be a member of the house tax committee; the chairman of the house committee on governmental operations or his designee, who shall be a member of the house governmental operations committee; the chairman of the house appropriations committee or his designee, who shall be a member of the house appropriations committee; and three members of the house appointed by the house minority leader. The appointed members of the commission shall serve for a term commencing upon appoint-

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ment and expiring at the opening of the next regular session of the legislature in the odd numbered year and until a successor is appointed. A vacancy in the membership of the commission shall be filled for the unexpired term in such a manner as to preserve the representation established by this subdivision.

The commission shall elect its chairman and such other officers as it may determine necessary. It shall meet at the call of the chairman or at the call of its executive secretary. The members of the commission shall serve without compensation but shall be reimbursed for their reasonable expenses as members of the legislature. The commission may exercise the powers prescribed by Minnesota Statutes, Section 3.153.

Subd. 3. The department of public examiner is transferred from the executive to the legislative branch.

Subd. 4. Until the expiration of his term the incumbent public examiner upon the effective date of this section shall continue in the legislative branch but as the legislative auditor. Thereafter, the commission shall appoint a legislative auditor. The legislative auditor is the executive secretary of the commission. After the expiration of the term of the incumbent public examiner the legislative auditor shall serve at the pleasure of the commission until May 1, 1977. Thereafter, the legislative auditor shall be appointed by the commission for a six year term. He shall serve in the unclassified service. He shall not at any time while in office hold any other public office. The legislative auditor appointed on May 2, 1977, shall not be removed from his office before the expiration of his term of service except for cause after public hearing.

Subd. 5. The legislative auditor may appoint a deputy legislative auditor and a confidential secretary each of whom shall serve at his pleasure in the unclassified service. Except as may be otherwise provided for by law the legislative auditor shall fix their salaries. The deputy may perform and exercise the powers, duties and responsibilities imposed by law on the legislative auditor and is authorized so to do by the legislative auditor. All other officers and employees of the legislative auditor shall continue to be in the classified civil service.

Subd. 6. All the powers, duties and responsibilities of the department of public examiner relating to the state of Minnesota, its departments and agencies as described in Minnesota Statutes 1971, Section 215.03, and any other law concerning powers, duties and responsibilities of the public examiner not otherwise dealt with by this act are hereby transferred to the legislative auditor. Nothing in this subdivision shall be deemed to supersede the powers conferred upon the commissioner of finance under Minnesota Statutes, Section 6.21.

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Subd. 7. In addition to the legislative auditing duties concerning state financial matters, the legislative auditor shall also exercise and perform such duties as may be prescribed by rule or regulation of the legislature or either body thereof or by the commission. The legislative auditor shall review department policies and evaluate projects or programs requested by the commission. Any standing legislative committee having legislative jurisdiction may request the commission to review projects or programs.

Subd. 8. The legislature may provide by rule or regulation such testimonial powers as are conferred by law on legislative standing commissions or committees on the legislative auditor.

**Sec. 13. [16A.07] EFFECT OF TRANSFER OF FUNCTIONS.**  
Subdivision 1. With reference to the powers, duties, and responsibilities which by this act have been transferred to the department of finance, the department of finance is deemed to be the successor of the state auditor, and the commissioner of administration and the matters within the jurisdiction of such former offices shall not be deemed to be a new authority.

Subd. 2. Any proceeding, court action, prosecution, or other business or matter undertaken or commenced prior to the passage of this act with reference to powers, duties, and responsibilities of the state auditor, or the commissioner of administration which by this act are transferred to the commissioner of finance are hereby assigned to the department of finance, and such pending matters may be continued and completed by the department of finance in the same manner and under the same terms and conditions and with the same effect as if such matters were undertaken, commenced and completed prior to the time of such transfer.

Subd. 3. With reference to the powers, duties, and responsibilities transferred by this act from the state auditor, and the department of administration to the department of finance, the state auditor, the state treasurer and the commissioner of administration shall transfer and deliver to the department of finance all contracts, books, maps, papers, notes, bonds, cash, securities, money, records, and other property of every description within their jurisdiction or control relating thereto. The commissioner of finance is directed to take possession of such matters which have been transferred to his department. The commissioner of finance may require the public examiner to make such audits as he may deem necessary in addition to those required by law in connection with this section.

Subd. 4. Whenever in any other general law, heretofore or hereafter adopted, or any document, record, or proceeding authorized by the same, any word or phrase is used in reference to or descriptive of any power, duty, or responsibility which by this act is

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transferred from the state auditor, or the commissioner of administration to the department of finance, such word, phrase, or reference shall hereafter, unless the context or provision of this act otherwise requires, be deemed to refer to, include, or describe the department of finance.

Subd. 5. All unexpended funds appropriated to the state auditor, or the commissioner of administration for the purposes of any of the powers, duties, and responsibilities which by this act are transferred to the department of finance are hereby transferred and reappropriated to such department. Where unexpended funds appropriated to the state auditor or the department of administration include funds for powers, duties, and responsibilities which are not transferred, the governor shall allocate the appropriation between the state auditor, and the department of finance and the commissioner of administration and the department of finance, and the money so allocated is hereby reappropriated to the department of finance.

Subd. 6. Except as otherwise provided in this act, all persons in the classified service of the state and employed by the state auditor or the department of administration for the purposes of any of the powers, duties or responsibilities which are transferred by this act to the department of finance are hereby transferred to the department of finance.

Subd. 7. The state auditor is the successor of the public examiner as to such powers, duties, and responsibilities as have been transferred to him from the public examiner and not a new authority. The legislative auditor is the public examiner as to such powers, duties, and responsibilities which the public examiner will continue to perform but as the legislative auditor.

Subd. 8. All persons in the classified service of the state and employed by the public examiner in performing the duties transferred to the state auditor are transferred to the state auditor without loss of any right or privilege. All persons in the classified service of the state and employed by the public examiner in performing duties which will be performed by the public examiner as legislative auditor will continue in the classified service without loss of right or privilege.

Subd. 9. All unexpended funds appropriated to the public examiner shall be allocated by the governor between the state auditor and the legislative auditor to carry out the divisions of authority prescribed by this act governing such officers and such reallocated funds are appropriated accordingly.

Sec. 14. INSTRUCTIONS TO REVISOR. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes

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shall make such changes in terminology so as to record the powers, duties, and responsibilities which are transferred by this act.

Sec. 15. **APPROPRIATION.** The sum of \$50,000 is appropriated to the department of finance from the general fund of the state treasury for the purpose of organizing the department of finance, to be available for expenditure as soon as a commissioner of finance is appointed. Notwithstanding the provisions of any other law, such appropriation is for salaries, supplies and expenses, shall not cancel and shall be available until expended.

Sec. 16. [16A.08] **OFFICE FACILITIES.** The commissioner of administration if necessary shall rearrange the offices and space allotted therefor to the state auditor, the state treasurer and the commissioner of administration in order to provide the department of finance with adequate and proper offices, and to that end may move the office facilities.

Sec. 17. Minnesota Statutes 1971, Section 16.141, Subdivision 2, is amended to read:

Subd. 2. **ESTABLISHMENT OF PROGRAM.** The commissioner of administration in consultation with the commissioner of finance shall develop and implement a system of program budgeting the budget process to accomplish the policy as stated in subdivision 1 for state departments and agencies; provided, that such program budgets process need not comply with other provisions of law relating to the setting forth of expenditures by funds, organizational units, character and objects of expenditure. The commissioner of finance shall promulgate regulations and instructions applicable to program budget preparation governing the classification of expenditures and the content, preparation, and submission of budget requests and appropriation measures. In order to assure an orderly development of sound budgeting methods, the commissioner of administration may continue to select agencies and departments to implement the program budget system. The commissioner of administration finance shall make recommendations to the legislature on the subject of any legislation or special appropriations which may be required for implementation of the program budgeting system for all state departments and agencies. Such program budget system shall, to the greatest extent practicable, emphasize alternative approaches in the program development and criteria for performance evaluation and measurement. All state departments and agencies shall cooperate with the commissioner of administration and finance to assure implementation of program budgets which meet the requirements of the commissioner of administration and which give due regard to the requirements of the various departments and agencies involved. No state agency shall begin or install any system of program or programmatic budgeting until they have first

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secured the explicit permission of the commissioner of administration.

Sec. 18. Minnesota Statutes 1971, Section 16.141, Subdivision 3, is amended to read:

Subd. 3. Notwithstanding any other law to the contrary, the commissioner of ~~administration~~ finance may waive the requirement for submitting a budget by object of expenditure for ~~not more than three~~ agencies and departments which are requesting programmatic appropriation.

Sec. 19. Minnesota Statutes 1971, Section 16.16, Subdivision 1, is amended to read:

**16.16 ALLOTMENT AND ENCUMBRANCE.** Subdivision 1. **ALLOTMENT PERIOD.** For the purposes of operation of the ~~quarterly~~ allotment system, each fiscal year shall be ~~divided into four quarterly allotment periods, beginning, respectively, on the first days of July, October, January, and April; one fiscal year of 12 months which shall end at midnight between each June 30 and July 1, provided, that in any case where the quarterly allotment period is impracticable, the commissioner of finance may prescribe a different period suited to the circumstances, not exceeding 12 months nor extending beyond the end of the fiscal year. This provision does not apply to allotments made with respect to appropriations made for constructions or permanent improvement.~~

Sec. 20. Minnesota Statutes 1971, Section 16.16, Subdivision 3, is amended to read:

Subd. 3. **APPROPRIATIONS AVAILABLE FOR ALLOTMENT; SPENDING PLANS.** No appropriation to any agency shall become available for expenditure thereby during any allotment period until such agency shall have submitted to the commissioner ~~of administration an estimate~~ a spending plan in advance, in such form as the commissioner ~~of finance~~ shall prescribe, for such allotment period next ensuing, of the amount required for each activity to be carried on and each purpose for which money is to be expended during that period, and until such ~~estimate~~ spending plan shall have been approved, increased, or decreased by the commissioner ~~of administration~~ and funds allotted therefor, ~~as provided in Laws 1939, Chapter 431.~~

Sec. 21. Minnesota Statutes 1971, Section 16.16, Subdivision 4, is amended to read:

Subd. 4. **SPENDING PLANS WITHIN APPROPRIATION; APPROVAL; PROCEDURE.** If the ~~estimate~~ spending plan is within the terms of the appropriation as to amount and purposes, having due regard for the probable further needs of the agency for

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the remainder of the fiscal year or other term for which the appropriation was made, and if there is a need for such appropriation for the next ensuing allotment period, the commissioner of administration shall approve after consultation with the commissioner of finance ~~the same and allot~~ the estimated amount for expenditure. Otherwise the commissioner of administration shall modify the estimate spending plan so as to conform with the terms of the appropriation and the prospective needs of the agency, and shall reduce the amount allotted accordingly. The commissioner of administration shall act promptly upon all estimates spending plans, and shall notify every agency of its allotments at least five days before the beginning of each allotment period, and shall notify the ~~state auditor~~ commissioner of finance. The total amount allotted to any agency for the fiscal year or other terms for which the appropriation was made shall not exceed the amount appropriated for such year or term.

Sec. 22. Minnesota Statutes 1971, Section 16.16, Subdivision 5, is amended to read:

Subd. 5. **MODIFICATION.** The commissioner of administration shall also have authority at any time to modify or amend any allotment spending plan ~~previously made approved~~ by him, upon application of or upon notice to the agency concerned, and upon a showing of emergency or other cause; provided, no deficit or undue reduction of funds to meet future needs of such agency will result therefrom.

Sec. 23. Minnesota Statutes 1971, Section 16.16, Subdivision 6, is amended to read:

Subd. 6. **REDUCTION.** In case the commissioner of finance shall discover at any time that the probable receipts from taxes or other sources for any appropriation, fund, or item will be less than was anticipated, and that consequently the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor, he shall, notify the commissioner of administration who shall, with the approval of the governor, and after notice to the agency concerned, request the commissioner of finance to reduce the amount allotted or to be allotted so as to prevent a deficit. In like manner he shall ~~reduce~~ request reduction of the amount allotted or to be allotted to any agency by the amount of any saving which can be effected upon previous estimates spending plans through a reduction in prices or other cause.

Sec. 24. Minnesota Statutes 1971, Section 16.16, Subdivision 7, is amended to read:

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Subd. 7. **COMMISSIONER OF FINANCE; ACCOUNTING SYSTEM.** There shall be kept in the office of the ~~state auditor~~ commissioner of finance an accounting system showing at all times, by funds and items, the amounts appropriated for and the estimated revenues of such agency, the amounts allotted and available for expenditure, the amounts of expenditures or obligations authorized to be incurred, actual receipts and disbursements, actual balances on hand, and the unencumbered balances after deduction of all actual and authorized expenditures.

Sec. 25. Minnesota Statutes 1971, Section 16.16, Subdivision 8, is amended to read:

Subd. 8. **PAYMENT WITHIN ALLOTMENT AND ENCUMBRANCE; EXCEPTIONS.** No payment shall be made and no obligation shall be incurred against any fund, allotment, or appropriation unless the ~~state auditor~~ commissioner of finance shall first certify that there is a sufficient unencumbered balance in such fund, allotment, or appropriation to meet the same. Every expenditure or obligation authorized or incurred in violation of the provisions of Laws 1939, Chapter 431, shall be presumed invalid and shall be ineligible for payment until its validity is established as hereinafter provided. Every payment made in violation of the provisions of Laws 1939, Chapter 431, shall be deemed illegal, and every official authorizing or making such payment, or taking part therein, and every person receiving such payment, or any part thereof, shall be jointly and severally liable to the state for the full amount so paid or received. If any appointive officer or employee of the state shall knowingly incur any obligation or shall authorize or make any expenditure in violation of the provisions of Laws 1939, Chapter 431, or take part therein, it shall be grounds for his removal by the officer appointing him, and, if the appointing officer be other than the governor and shall fail to remove such officer or employee, the governor may exercise such power of removal, after giving notice of the charges and opportunity for hearing thereon to the accused officer or employee and to the officer appointing him. Claims presented against existing appropriations without prior allotment or encumbrance may, upon investigation, review, and approval by the commissioner of ~~administration~~ finance be determined valid where the services, materials, and supplies for which payment is claimed have been actually rendered or furnished to the state in good faith without collusion and without intent to defraud. Thereafter the ~~state auditor~~ commissioner of finance may draw his warrant in payment of such claims in the same manner in which other claims, properly allotted and encumbered prior to inception thereof, are paid.

Sec. 26. Minnesota Statutes 1971, Section 16.16, Subdivision 8a, is amended to read:

Changes or additions indicated by underline, deletions by ~~strikeout~~.

Subd. 8a. **PERIODIC ALLOTMENT.** In the case of appropriations made for construction or other permanent improvement, including acquisition of real estate, equipment, repair, rehabilitation, appurtenances or utility systems, which appropriations do not lapse until the purposes for which the appropriations were made shall have been accomplished or abandoned, the commissioner of ~~administration~~ finance may dispense with periodic allotment and shall prescribe such regulations as will insure proper application and encumbrance of funds.

Sec. 27. Minnesota Statutes 1971, Section 215.04, is amended to read:

**215.04 POWERS AND DUTIES OF LEGISLATIVE AUDITOR.** ~~The public examiner shall keep such books of account as shall be necessary to properly carry out the provisions of this chapter and formulate and prescribe for all departments a system of uniform records, accounts, statements, estimates, vouchers, bills, and demands, with suitable books of instruction covering the installation and use thereof. The accounting system and forms so prescribed shall be adopted and employed in all such departments. The public examiner~~ legislative auditor shall post-audit and make a complete examination and verification of all accounts, records, inventories, vouchers, receipts, funds, securities, and other assets of all state departments, boards, commissions, and other state agencies at least once a year, if funds and personnel permit, and oftener if deemed necessary or as directed ~~by the governor or by the legislature or the legislative audit commission.~~ Audits may include detailed checking of every transaction or test checking as the ~~public examiner~~ legislative auditor deems best. The books of the state treasurer and ~~state auditor~~ commissioner of finance may be examined monthly. The ~~public examiner~~ legislative auditor shall see that all provisions of law respecting ~~the installation and use of accounting systems, books, records, and forms appropriate and economic use of public funds~~ are complied with by all departments and agencies of the state government.

~~The powers and duties of the board of audit and of the former public examiner heretofore transferred to, vested in, and imposed upon the comptroller, are hereby transferred to, vested in, and imposed upon the public examiner. A copy of all post-audits, reports and results of examinations made by the legislative auditor shall be deposited with the legislative reference library.~~

Sec. 28. Minnesota Statutes 1971, Section 215.05, is amended to read:

**215.05 DUTIES AS TO STATE AGENCIES AND SEMI-STATE AGENCIES.** The ~~public examiner~~ legislative auditor shall ~~exercise~~ make a constant audit ~~supervision over the books and~~

Changes or additions indicated by underline, deletions by ~~strikeout~~.

~~accounts of the several public offices, institutions, properties, industries, and improvements of all financial affairs of all departments and agencies of the state, and over of the financial records and transactions of public boards, associations, and societies supported, wholly or in part, by state funds. In all offices where the records of such public affairs are kept and the finances thereof handled, he shall enforce correct methods of accountancy and, in his discretion, prescribe and install systems of accounts and financial reports. Once in each year, if funds and personnel permit, without previous notice, he shall visit each of such offices, institutions, and industries state departments and agencies, associations or societies and, so far as practicable, inspect such properties and improvements agencies, thoroughly examine the books and accounts thereof, verifying the funds, securities and other assets, check the items of receipts and disbursements with the voucher records thereof, ascertain the character of the official bonds for the officers thereof and the financial ability of the bondsmen, inspect the sources of revenue thereof, the use and disposition of state appropriations and property, investigate the methods of purchase and sale, the character of contracts on public account, enforce a ascertain proper custody and depository for the funds and securities thereof, verify the inventory of public property and other assets held in trust, and ascertain that all financial transactions and operations involving the public funds and property of the state comply with the spirit and purpose of the law, and are sound by modern standards of financial management and are for the best protection of the public interest.~~

Sec. 29. Minnesota Statutes 1971, Section 215.06, is amended to read:

**215.06 TO FILE WRITTEN REPORTS.** ~~The public examiner legislative auditor shall file a written report covering his audits with the department, agency, society, or association concerned, the governor, and the legislature; and, if he deems necessary, present special reports to the legislative advisory committee and the legislative audit commission for its consideration and action.~~

Such audit reports shall set forth:

- (1) Whether all funds have been expended for the purposes authorized in the appropriations therefor;
- (2) Whether all receipts have been accounted for and paid into the state treasury as required by law;
- (3) All illegal and unbusinesslike practices, if any;
- (4) ~~Recommendations for greater simplicity, accuracy, efficiency, and economy; and Assessment of the financial control practices used in the agency, measurement of performance and recommendations for improved effectiveness; and~~

Changes or additions indicated by underline, deletions by ~~strikeout~~.

(5) Such other data, information, and recommendations as the ~~public examiner~~ legislative auditor may deem advisable and necessary.

Sec. 30. Minnesota Statutes 1971, Section 215.07, is amended to read:

**215.07 DUTIES WHEN VIOLATIONS ARE DISCOVERED.** If any such ~~public examiner's~~ legislative auditor's examinations shall disclose malfeasance, misfeasance, or non-feasance in office on the part of any officer or employee, a copy of such report shall be signed and verified, and it shall be the duty of the ~~public examiner~~ legislative auditor to file such report with the ~~secretary of the legislative advisory committee~~ audit commission and the attorney general. It shall be the duty of the attorney general to institute and prosecute such civil proceedings against such delinquent officer or employee, or upon his official bond, or both, as may be appropriate to secure to the state the recovery of any funds or other assets misappropriated, and he shall cause such criminal proceedings to be instituted by the proper authorities as the evidence may warrant.

Sec. 31. Minnesota Statutes 1971, Section 215.08, is amended to read:

**215.08 INFORMATION COLLECTED FROM LOCAL GOVERNMENTS.** The ~~public examiner~~ state auditor, or his designated agent, shall collect annually from all city, village, county, and other local units of government, ~~except towns,~~ information as to the assessment of property, collection of taxes, receipts from licenses and other sources, the expenditure of public funds for all purposes, borrowing, debts, principal and interest payments on debts, and such other information as may be needful. The data shall be supplied upon blanks prescribed by the ~~public examiner~~ state auditor, and all public officials so called upon shall fill out properly and return promptly all blanks so transmitted. The ~~public examiner, state auditor~~ or his assistants, may examine local records in order to complete or verify the information. Copies of all reports so received shall be forwarded by the state auditor to the legislative auditor.

Sec. 32. Minnesota Statutes 1971, Section 215.09, is amended to read:

**215.09 ANNUAL REPORT.** The ~~public examiner~~ state auditor shall make and file, annually, in his office a summary report of the information collected, with such compilations and analyses and interpretations as may be deemed helpful. Copies of such report may be made and distributed to interested persons and governmental units. A copy of the report shall be forwarded to the legislative auditor.

Changes or additions indicated by underline, deletions by ~~strikeout~~.

Sec. 33. **REPEALER.** Minnesota Statutes 1971, Sections 16.02, Subdivisions 11 and 12; 215.02 and 215.18 are hereby repealed.

Sec. 34. **EFFECTIVE DATE.** Except as otherwise provided herein, this act is in effect upon the appointment by the governor of a commissioner of finance. The transfer of powers, duties, and responsibilities from the state auditor, the state treasurer or the commissioner of administration, shall be accomplished as soon as the commissioner of finance advises the secretary of state in writing that his department is organized and ready to begin functioning. Until then the state auditor, the state treasurer and the commissioner of administration shall continue to exercise the powers, duties, and responsibilities which by this act are transferred to the department of finance. The sections creating a legislative audit commission, a legislative auditor and transferring powers of the public examiner to the state auditor are in effect September 1, 1973.

Approved May 21, 1973.

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#### CHAPTER 493—H.F.No.314

[Not Coded]

*An act relating to the village of Grand Marais; authorizing the issuance of on-sale liquor licenses.*

Be it enacted by the Legislature of the State of Minnesota:

Section 1. **GRAND MARAIS, VILLAGE OF; LIQUOR LICENSES.** Notwithstanding the requirements of Minnesota Statutes 1971, Section 340.353, Subdivision 5, or any other law to the contrary, the village of Grand Marais may issue not to exceed three on-sale licenses for the sale of intoxicating liquor without discontinuing operation of its municipal on-sale or off-sale operations. The requirements as to type of premises to be licensed and voter approval as contained in section 340.353, subdivision 5, shall apply to any license or licenses issued pursuant to this section.

Sec. 2. This act shall be effective upon approval by the village council of the village of Grand Marais and upon compliance with the provisions of Minnesota Statutes, Section 645.021.

Approved May 21, 1973.

Changes or additions indicated by underline, deletions by ~~strikeout~~.