

Klevorn and Nash from the Committee on State Government Finance and Policy to which was referred:

H. F. No. 3093, A bill for an act relating to state government; applying responsible contractor requirements to recipients of state loans and grants over \$50,000; amending Minnesota Statutes 2024, sections 16A.06, by adding a subdivision; 16B.981, subdivision 2.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2024, section 16B.981, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given.

(b) "Grant" means a grant of \$50,000 or more as defined in section 16B.97, subdivision 1, paragraph (a); or business subsidy of \$50,000 or more as defined in section 116J.994, subdivision 3, paragraph (b).

(c) "Grantee" means a political subdivision, as defined in section 471.345, subdivision 1; a nonprofit, as defined in chapter 317A; or a business entity, as defined in section 5.001, subdivision 2.

(d) "Related entity" means:

(1) a firm, partnership, corporation, joint venture, or other legal entity substantially under the control of a potential grantee;

(2) a subsidiary of a potential grantee;

(3) a person, firm, partnership, corporation, joint venture, or other legal entity that substantially controls a potential grantee; or

2.1 (4) an entity that shares three or more of the following characteristics with a potential
2.2 grantee:

2.3 (i) has one or more of the same owners, principals, officers, or managers;

2.4 (ii) has one or more of the same telephone or fax numbers;

2.5 (iii) has one or more of the same email addresses, business addresses, or websites;

2.6 (iv) employs or engages substantially the same individuals;

2.7 (v) utilizes substantially the same vehicles, facilities, or equipment; or

2.8 (vi) lists or advertises substantially the same project experience and portfolio of work.

2.9 Sec. 2. Minnesota Statutes 2024, section 16B.981, subdivision 2, is amended to read:

2.10 Subd. 2. **Financial information required; determination of ability to perform.** For
2.11 grants of \$50,000 or more and subject to sections 16B.97 and 16B.98, before an agency
2.12 awards a competitive, legislatively named, single-source, or sole-source grant, the agency
2.13 must receive the certification required under subdivision 2b and complete a preaward risk
2.14 assessment to assess the risk that a potential grantee cannot or would not perform the required
2.15 duties. In making this assessment, the agency must review the following information as
2.16 applicable:

2.17 (1) the potential grantee's history of performing duties similar to those required by the
2.18 grant, whether the grant requires the potential grantee to perform services at a significantly
2.19 increased scale, and whether the grant will require significant changes to the operation of
2.20 the potential grantee's organization;

2.21 (2) for a potential grantee that is a nonprofit organization, the potential grantee's most
2.22 recent Form 990 or Form 990-EZ filed with the Internal Revenue Service. If the potential
2.23 grantee has not been in existence long enough or is not required to file Form 990 or Form
2.24 990-EZ, the potential grantee must demonstrate to the agency's satisfaction that the potential
2.25 grantee is exempt and must instead submit the potential grantee's most recent board-reviewed
2.26 financial statements and documentation of internal controls or, if there is no such board, by
2.27 the applicant's managing group;

2.28 (3) for a potential grantee that is a for-profit business, the potential grantee's most recent
2.29 federal and state tax returns, current financial statements, certification that the business is
2.30 not under bankruptcy proceedings, and disclosure of any liens on its assets. If a business
2.31 has not been in business long enough to have a tax return, the grantee must demonstrate to
2.32 the agency's satisfaction that the grantee has appropriate internal financial controls;

~~(4) evidence of good standing with the secretary of state under chapter 317A, or other applicable law;~~

~~(5)~~ (4) if the potential grantee is required to complete an audit under section 309.53, subdivision 3, the potential grantee's most recent audit report performed by an independent third party in accordance with generally accepted accounting principles; and

~~(6)~~ (5) certification, provided by the potential grantee, that none of its current principals have been convicted of a felony financial crime in the last ten years. For this section, a principal is defined as a public official, a board member, or staff with the authority to access funds provided by this agency or determine how those funds are used.

Sec. 3. Minnesota Statutes 2024, section 16B.981, is amended by adding a subdivision to read:

Subd. 2a. **Minimum eligibility criteria.** (a) In addition to any eligibility criteria specific to the grant program, a potential grantee must certify compliance, as provided under subdivision 2b, with all of the following minimum criteria:

(1) be in good standing with the Office of the Secretary of State, as defined by section 5.26, if applicable;

(2) possess a valid federal tax identification number or a valid Social Security number if an individual;

(3) be in compliance with Department of Revenue registration requirements if the potential grantee has employees;

(4) be up to date with all required tax filings and payments, including estimated tax filings, with the federal Internal Revenue Service and the Department of Revenue;

(5) be in compliance with workers' compensation requirements under chapter 176, unemployment insurance requirements under chapter 268, and paid leave requirements under chapter 268B;

(6) be in compliance with, both currently and during the three-year period before submitting the certification, sections 177.24, 177.25, 177.41 to 177.44, 181.03, 181.101, and 181.722, and not have violated United States Code, title 29, sections 201 to 219, or United States Code, title 40, sections 3141 to 3148. For the purposes of this clause, a violation occurs when a potential grantee:

(i) repeatedly fails to pay statutorily required wages or penalties on one or more separate projects for a total underpayment of \$25,000 or more within the three-year period, provided

4.1 that a failure to pay is "repeated" only if it involves two or more separate and distinct
4.2 occurrences of underpayment during the three-year period;

4.3 (ii) has been found by the commissioner of labor and industry to have repeatedly or
4.4 willfully violated any of the sections referenced in this clause pursuant to section 177.27;

4.5 (iii) has been issued a ruling or findings of underpayment by the administrator of the
4.6 Wage and Hour Division of the United States Department of Labor that have become final
4.7 or have been upheld by an administrative law judge or the Administrative Review Board;
4.8 or

4.9 (iv) has been found liable for underpayment of wages or penalties or misrepresenting a
4.10 worker as an independent contractor in an action brought in a court having jurisdiction;

4.11 (7) be in compliance with, both currently and during the three-year period before
4.12 submitting the certification, section 181.723. For the purposes of this clause, a violation
4.13 occurs when a potential grantee has been issued a final administrative order;

4.14 (8) none of the potential grantee's owners, officers, directors, managers, controlling
4.15 parties, or related entities were convicted of violating section 609.445, 609.465, 609.466,
4.16 609.52, 609.611, 609.651, 609.7475, or 609.821, a substantially similar federal law or law
4.17 of another state, or another offense indicating a lack of integrity or honesty that affects
4.18 responsibility as a potential grantee; and

4.19 (9) the potential grantee or related entity is not currently suspended, debarred, or formerly
4.20 debarred and not reinstated by the federal government, the state, or any department, agency,
4.21 or political subdivision of the state with authority to debar a vendor or contractor.

4.22 (b) For the purposes of this subdivision, any violation, suspension, revocation, sanction,
4.23 conviction, or noncompliance of a related entity must be treated as the potential grantee's
4.24 violation, suspension, revocation, sanction, conviction, or noncompliance.

4.25 (c) Any violation, suspension, revocation, sanction, conviction, or noncompliance
4.26 included in this subdivision and occurring at least 36 months prior to the date that the
4.27 certification is submitted under subdivision 2b must not be considered in determining
4.28 whether a potential grantee meets the minimum criteria.

5.1 Sec. 4. Minnesota Statutes 2024, section 16B.981, is amended by adding a subdivision to
5.2 read:

5.3 Subd. 2b. **Verification of compliance.** (a) A potential grantee must submit to the head
5.4 of the granting agency a statement signed under oath by an owner or officer certifying
5.5 compliance with all of the minimum criteria in subdivision 2a.

5.6 (b) An agency head may accept a signed statement under oath as sufficient to demonstrate
5.7 that a potential grantee is in compliance with subdivision 2a. The agency head is not liable
5.8 for awarding the potential grantee a grant in reasonable reliance on such statement.

5.9 (c) A potential grantee that fails to certify compliance with any one of the required
5.10 minimum criteria or makes a false statement under oath in a certification of compliance is
5.11 ineligible to receive the grant.

5.12 (d) A false statement under oath certifying compliance with any of the minimum criteria
5.13 may result in termination of eligibility or termination of a grant agreement that has already
5.14 been entered.

5.15 (e) An agency head is not liable for declining to enter a grant agreement or terminating
5.16 a grant agreement based on a reasonable determination that the potential grantee failed to
5.17 certify compliance with the minimum criteria or falsely stated that the potential grantee
5.18 meets the minimum criteria.

5.19 (f) A certification of compliance need not be notarized and may be provided electronically
5.20 if it contains an electronic signature as defined in section 325L.02, paragraph (h).

5.21 Sec. 5. Minnesota Statutes 2025 Supplement, section 16B.981, subdivision 4, is amended
5.22 to read:

5.23 Subd. 4. **Agency authority to not award grant.** (a) Except as provided in paragraph
5.24 (f), if, while performing the required steps in subdivision 2 and pursuant to sections 16B.97,
5.25 16B.98, and 16B.991, the agency requires additional information to determine whether there
5.26 is a substantial risk that the potential grantee cannot or would not perform the required
5.27 duties of the grant agreement, the agency must give the grantee 15 calendar days within
5.28 which the grantee can respond to the agency for the purpose of satisfying the agency's
5.29 concerns or work with the agency to develop a plan to satisfy the concerns.

5.30 (b) If, after performing the required steps in subdivision 2 and pursuant to sections
5.31 16B.97, 16B.98, and 16B.991, and after reviewing any additional requested information
5.32 from the grantee, the agency still has concerns that there is a substantial risk that a potential
5.33 grantee cannot or would not perform the required duties under the grant agreement, the

6.1 agency must either create a plan to satisfy remaining concerns with the grantee or must not
6.2 award the grant.

6.3 (c) If, pursuant to paragraphs (a) and (b), the agency does not award a competitive,
6.4 single-source, or sole-source grant, the agency must provide notification to the grantee and
6.5 the commissioner of administration of the determination. The notification to the grantee
6.6 must include the agency's reason for postponing or forgoing the grant, including information
6.7 sufficient to explain and support the agency's decision, and notify the applicant of the process
6.8 for contesting the agency's decision under paragraph (d).

6.9 (d) The final decision by an agency under paragraph (c) may be challenged as a contested
6.10 case under chapter 14. The contested case proceeding must be initiated within 30 calendar
6.11 days of the date of written notification of a final decision by the agency.

6.12 (e) If, pursuant to paragraphs (a) and (b) or (f), the agency does not award a legislatively
6.13 named grant, the agency must delay award of the grant until adjournment of the next regular
6.14 or special legislative session for action from the legislature. The agency must provide
6.15 notification to the potential grantee, the commissioner of administration, and the chairs and
6.16 ranking minority members of the Ways and Means Committee in the house of representatives
6.17 and the chairs and ranking minority members of the Finance Committee in the senate. The
6.18 notification to the grantee must include the agency's reason for postponing or forgoing the
6.19 grant, including information sufficient to explain and support the agency's decision and
6.20 notify the applicant of the process for contesting the agency's decision under paragraph (d).
6.21 The notification to the commissioner of administration and legislators must identify the
6.22 legislatively named potential grantee and the agency's reason for postponing or forgoing
6.23 the grant. After hearing the concerns of the agency, the legislature may reaffirm the award
6.24 of the grant or reappropriate the funds to a different legislatively named grantee. Based on
6.25 the action of the legislature, the agency must award the grant to the legislatively named
6.26 grantee. If the legislature does not provide direction to the agency on the disposition of the
6.27 grant, the funds revert to the original appropriation source.

6.28 (f) The agency must not award a grant to any potential grantee that does not submit the
6.29 certification of compliance required under subdivision 2b."

6.30 Delete the title and insert:

6.31 "A bill for an act
6.32 relating to state government; enhancing minimum eligibility criteria for state grants;
6.33 requiring sworn certification of compliance; amending Minnesota Statutes 2024,
6.34 section 16B.981, subdivisions 1, 2, by adding subdivisions; Minnesota Statutes
6.35 2025 Supplement, section 16B.981, subdivision 4."

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With the recommendation that when so amended the bill be re-referred to the Committee

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on Ways and Means.

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This Committee action taken March 26, 2026

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....., Co-Chair

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....., Co-Chair