

1.1 Frazier and Torkelson from the Committee on Ways and Means to which was referred:

1.2 S. F. No. 856, A bill for an act relating to state government; creating the Office of the
1.3 Inspector General; creating an advisory committee; requiring reports; transferring certain
1.4 agency duties; placing limits and prohibiting certain programs from receiving public funds;
1.5 making conforming and technical changes; providing for interagency agreements;
1.6 appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding a
1.7 subdivision; 13.82, subdivision 1; 15A.0815, subdivision 2; 127A.21, subdivisions 1a, 5,
1.8 by adding subdivisions; 142A.03, by adding a subdivision; 142A.12, subdivision 5; 144.05,
1.9 by adding a subdivision; 181.932, subdivision 1; 245.095, subdivision 5; 256.01, by adding
1.10 a subdivision; 609.456, subdivision 2; 626.84, subdivision 1; proposing coding for new law
1.11 as Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024, sections 13.321,
1.12 subdivision 12; 127A.21, subdivisions 1, 2, 3, 4, 6, 7.

1.13 Reported the same back with the following amendments:

1.14 Page 5, line 16, before "agencies" insert "executive branch"

1.15 Page 5, after line 25, insert:

1.16 "(1) "agency" means a department, board, council, committee, authority, commission,
1.17 agency, or office in the executive branch of state government, including the constitutional
1.18 offices;"

1.19 Renumber the clauses in sequence

1.20 Page 5, line 26, delete "a state department"

1.21 Page 5, line 27, delete "or" and insert "and"

1.22 Page 7, line 4, after the period, insert "If the senate does not confirm a person appointed
1.23 by the governor, the Legislative Inspector General Advisory Commission must consider
1.24 applicants and make recommendations to the governor as required under section 15E.60,
1.25 subdivision 4."

1.26 Page 7, lines 31 and 32, delete "department and"

1.27 Page 8, line 1, delete "Departments and agencies" and insert "Agencies"

- 2.1 Page 8, lines 3 and 19, delete "departments and"
- 2.2 Page 8, lines 4 and 6, delete "departments or"
- 2.3 Page 8, line 5, delete "department or" and delete "department or"
- 2.4 Page 8, lines 9 and 14, delete "department or"
- 2.5 Page 8, line 10, delete "department and"
- 2.6 Page 8, line 11, delete "department's commissioner or"
- 2.7 Page 8, line 12, delete "A commissioner or" and insert "An"
- 2.8 Page 8, line 15, delete "department's or"
- 2.9 Page 8, line 16, delete "commissioner or"
- 2.10 Page 8, line 18, delete "state executive branch"
- 2.11 Page 8, delete lines 30 to 31 and insert:
- 2.12 "(8) investigate any private entity or local unit of government administering a state
- 2.13 program, or any private recipient of state funds or services, to ensure the proper use of state
- 2.14 funds and compliance with all other laws and requirements applicable to funds or services
- 2.15 provided by the state;"
- 2.16 Page 9, line 4, delete "commissioners or heads of departments and agencies" and insert
- 2.17 "agency heads"
- 2.18 Page 9, line 5, after "committed" insert "that constitutes a credible allegation"
- 2.19 Page 9, line 9, delete "departments and"
- 2.20 Page 9, line 14, delete "state departments and"
- 2.21 Page 9, line 16, delete "department or"
- 2.22 Page 9, line 21, delete everything after "in" and insert "child care programs under chapters
- 2.23 142D and 142E, but the inspector general has authority to conduct independent investigations
- 2.24 related to the child care programs under chapters 142D and 142E."
- 2.25 Page 9, delete line 22
- 2.26 Page 10, lines 7, 12, 14, and 18, delete "department or"
- 2.27 Page 10, line 10, delete "commissioner or"
- 2.28 Page 10, line 15, delete "department's or"

3.1 Page 10, line 20, delete "a commissioner of a department or head of an agency" and
 3.2 insert "an agency head"

3.3 Page 10, line 27, delete "state department or"

3.4 Page 11, line 4, delete "The" and insert "Beginning January 1, 2028, the"

3.5 Page 11, line 9, delete "abuse" and insert "misuse"

3.6 Page 11, line 10, after the period, insert "The Department of Human Services and the
 3.7 attorney general's Medicaid Fraud Control Unit have primary responsibility to investigate
 3.8 fraud in the Medicaid program, but the Anti-Fraud and Waste Bureau may work cooperatively
 3.9 with these agencies."

3.10 Page 13, line 22, after "falsely" insert "to the inspector general"

3.11 Page 13, line 26, delete "commissioner or head of each executive branch department
 3.12 or" and insert "head of each"

3.13 Page 13, line 27, delete "department's or"

3.14 Page 14, line 3, delete "state department or"

3.15 Page 14, line 30, after the semicolon, insert "or"

3.16 Page 14, delete line 31

3.17 Page 15, line 1, delete "(4)" and insert "(3)"

3.18 Page 15, after line 2, insert:

3.19 "Subd. 5. **Legislative auditor.** The inspector general must disseminate data of any
 3.20 classification, including not public data, to the legislative auditor upon request."

3.21 Renumber the subdivisions in sequence

3.22 Page 17, delete lines 17 and 18 and insert:

3.23 "(b) The governor must contract with the Association of Inspectors General or another
 3.24 recognized body for an external quality assurance review of the Office of the Inspector
 3.25 General after years two and four of each inspector general term."

3.26 Page 18, after line 32, insert:

3.27 "**EFFECTIVE DATE.** This section is effective January 1, 2027."

3.28 Page 19, line 6, after "general." insert "Upon appointment, the inspector general may
 3.29 engage the superintendent of the Bureau of Criminal Apprehension and negotiate an
 3.30 interagency agreement as provided in section 19, paragraph (e)."

4.1 Page 19, after line 8, insert:

4.2 "Subd. 3. **Staffing.** The inspector general's first annual report submitted under Minnesota
4.3 Statutes, section 15E.25, subdivision 1, clause (9), is due February 1, 2028, and must include
4.4 the following information:

4.5 (1) the current number of positions authorized by the inspector general, by job
4.6 classification;

4.7 (2) the number of positions under clause (1) that the inspector general has filled; and

4.8 (3) any staffing changes the inspector general anticipates during calendar year 2028."

4.9 Renumber the subdivisions in sequence

4.10 Page 19, line 9, delete "Before September 1" and insert "After June 30"

4.11 Page 21, line 1, delete "January 1, 2027" and insert "the day following final enactment"

4.12 Page 22, line 16, after the period, insert "The interagency agreement must provide for
4.13 embedding Office of the Inspector General employees within office space occupied by the
4.14 Department of Education. Embedded employees remain under the operational control and
4.15 direction of the inspector general and must focus only on the Department of Education and
4.16 its programs."

4.17 Page 22, after line 20, insert:

4.18 "(e) The Office of the Inspector General may enter into an interagency agreement with
4.19 the Bureau of Criminal Apprehension to assist the inspector general with any criminal
4.20 investigation or to conduct a criminal investigation on behalf of the inspector general. The
4.21 Office of the Inspector General and the Bureau of Criminal Apprehension may coordinate
4.22 investigative efforts as necessary or practical. The interagency agreement must include a
4.23 clause on cost-sharing for investigations that may require multiagency coordination and a
4.24 clause that details what process will be followed if a joint investigation is required. Any
4.25 Bureau of Criminal Apprehension personnel that assist the Office of the Inspector General
4.26 under an interagency agreement remain under the operational control and direction of the
4.27 superintendent of the Bureau of Criminal Apprehension. The Office of the Inspector General
4.28 may have access to any criminal investigative data obtained or created by the Bureau of
4.29 Criminal Apprehension as part of any criminal investigation efforts conducted pursuant to
4.30 the interagency agreement."

4.31 Page 22, delete section 20 and insert:

5.1 "Sec. 20. **APPROPRIATIONS.**

5.2 Subdivision 1. **Inspector general.** \$1,875,000 in fiscal year 2027 is appropriated from
 5.3 the general fund to the Office of the Inspector General for purposes of this act. The base
 5.4 for this appropriation is \$8,070,000 in fiscal year 2028 and \$8,070,000 in fiscal year 2029.
 5.5 The commissioner of administration, in consultation with the commissioner of management
 5.6 and budget, may transfer amounts in fiscal year 2027 to the commissioner of administration
 5.7 for office build out, cost of space, office equipment, and other costs directly related to the
 5.8 establishment of the office.

5.9 Subd. 2. **Administration.** \$892,000 in fiscal year 2027 is appropriated from the general
 5.10 fund to the commissioner of administration to establish the Office of the Inspector General.
 5.11 The base for this appropriation is \$891,000 in fiscal year 2028 and \$0 in fiscal year 2029.

5.12 Subd. 3. **Children, youth, and families.** \$465,000 in fiscal year 2027 is appropriated
 5.13 from the general fund to the commissioner of children, youth, and families to coordinate
 5.14 with the Office of the Inspector General as required under this act. The base for this
 5.15 appropriation is \$620,000 in fiscal year 2028 and \$620,000 in fiscal year 2029.

5.16 Subd. 4. **Health.** \$499,000 in fiscal year 2027 is appropriated from the general fund to
 5.17 the commissioner of health to coordinate with the Office of the Inspector General as required
 5.18 under this act.

5.19 Subd. 5. **Human services.** \$4,918,000 in fiscal year 2027 is appropriated from the general
 5.20 fund to the commissioner of human services to coordinate with the Office of the Inspector
 5.21 General as required under this act. The base for this appropriation is \$5,720,000 in fiscal
 5.22 year 2028 and \$5,720,000 in fiscal year 2029.

5.23 Subd. 6. **Legislature.** \$29,000 in fiscal year 2027 is appropriated from the general fund
 5.24 to the executive director of the Legislative Coordinating Commission to support the
 5.25 Legislative Inspector General Advisory Commission. The base for this appropriation is
 5.26 \$7,000 in fiscal year 2028 and \$7,000 in fiscal year 2029."

5.27 Page 23, after line 14, insert:

5.28 "Sec. 2. Minnesota Statutes 2024, section 43A.32, is amended by adding a subdivision to
 5.29 read:

5.30 Subd. 4. **Leave for legislative service.** An officer or employee elected to state legislative
 5.31 office and required to take a leave of absence under subdivision 2 or 3 has the same rights
 5.32 with respect to accrued and future seniority status, efficiency rating, vacation, insurance
 5.33 benefits, sick leave, and other benefits as if the leave had not been taken. The appointing

6.1 authority must not subtract a period of mandatory legislative leave when determining the
 6.2 officer's or employee's length of service. The officer's or employee's pension and retirement
 6.3 benefit rights are as provided for local government employees under section 3.088,
 6.4 subdivisions 3 and 6.

6.5 **EFFECTIVE DATE.** This section is effective July 1, 2027, and applies to collective
 6.6 bargaining agreements that take effect on or after that date."

6.7 Page 34, lines 10 and 21, delete "6" and insert "7"

6.8 Renumber the sections in sequence and correct the internal references

6.9 Correct the title numbers accordingly

6.10 With the recommendation that when so amended the bill be placed on the General
 6.11 Register.

6.12 This Committee action taken April 29, 2026

6.13, Co-Chair

6.14, Co-Chair