

## ARTICLE ...

## STATE GOVERNMENT

Section 1. [13.357] DATA SHARING.

Subdivision 1. Definitions. For purposes of this section, the following terms have the meanings given.

(a) "Public program" means any program funded by a state or federal agency that involves transfer or disbursement of public funds or other public resources.

(b) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception or other unfair means. Fraud includes intentionally submitting false information to a federal, state, or local government entity for the purpose of obtaining a greater compensation or benefit than that to which the person is legally entitled. Fraud includes acts that constitute a crime against any program, or acts that attempt or conspire to commit those crimes, including but not limited to theft in violation of section 609.52, perjury in violation of section 609.48, and aggravated forgery and forgery in violation of sections 609.625 and 609.63, and substantially similar federal laws.

Subd. 2. Authority to share data regarding fraud in public programs. Notwithstanding any provision of law to the contrary specifically prohibiting data sharing, any government entity may disclose data relating to suspected or confirmed fraud in public programs to any other government entity, federal agency, or law enforcement agency if the access would promote the protection of public resources, promote the integrity of public programs, or aid the law enforcement process.

Sec. 2. [15.013] PROGRAM PAYMENTS WITHHELD; FRAUD.

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given.

(b) "Credible allegation of fraud" means an allegation of fraud that has been verified by the head of a state agency from any source, including but not limited to fraud complaints; patterns identified through audits, civil cases, law enforcement investigations, or investigations by other state or federal agencies; and court filings and other legal documents, including but not limited to police reports, complaints, indictments, information, affidavits, declarations, and search warrants.

(c) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception or other unfair means. Fraud includes

intentionally submitting false information to a federal, state, or local government entity for the purpose of obtaining a greater compensation or benefit than that to which the person is legally entitled. Fraud also includes acts which constitute a crime against any program, or the attempts or plans to commit those crimes, including but not limited to theft in violation of section 609.52; perjury in violation of section 609.48; and aggravated forgery and forgery in violation of sections 609.625 and 609.63, and substantially similar federal laws.

(d) "Individual" means a natural person.

(e) "Program" means any program funded by a state or federal agency that involves the transfer or disbursement of public funds or other public resources.

(f) "Program participant" means any entity or individual that receives, disburses, or has custody of funds or other resources transferred or disbursed under a program.

(g) "State agency" means any department or agency of the state as defined in sections 15.01 and 15.012.

**Subd. 2. Withholding of payments.** (a) Except as otherwise authorized and to the extent permitted by federal law, the head of any state agency may withhold payments to a program participant in any program administered by that agency if the agency head determines there is a credible allegation of fraud under investigation and the program participant is a subject of the investigation.

(b) Notwithstanding subdivision 3, the state agency head must send notice of the withholding of payments to the program participant within five days of taking such action. The notice must:

(1) state that payments are being withheld in accordance with this section;

(2) state the reasons for withholding payments, but need not disclose specific information concerning an ongoing investigation;

(3) state that the withholding is for a temporary period and cite the circumstances under which withholding shall be terminated; and

(4) inform the program participant of the right to submit written evidence for consideration by the state agency head.

(c) The withholding of payments shall not continue after the state agency head determines there is insufficient evidence of fraud by the program participant, or after legal proceedings relating to the alleged fraud are completed, unless the state agency head is authorized by

3.1 law to take additional action against the program participant and complies with all  
3.2 requirements in law to take such action.

3.3 (d) The withholding of payments is a temporary action and is not subject to appeal under  
3.4 chapter 14.

3.5 Subd. 3. **Data classification and access.** (a) During the payment withholding period  
3.6 under this section, all data relating to a credible allegation of fraud and withholding of  
3.7 payments under this section are classified as: (1) confidential data on individuals pursuant  
3.8 to section 13.02, subdivision 3; or (2) protected nonpublic data pursuant to section 13.02,  
3.9 subdivision 13, in the case of data not on individuals. The agency head may disclose that  
3.10 payments are being withheld from a program participant if the agency head determines that  
3.11 doing so will not compromise an ongoing investigation.

3.12 (b) Except for the identity of a complainant, after a determination has been made under  
3.13 subdivision 2, paragraph (c), that withholding of payments shall not continue, all data relating  
3.14 to a credible allegation of fraud and withholding of payments under this section becomes  
3.15 public unless classified otherwise under state or federal law. The identity of a complainant  
3.16 is private.

3.17 (c) Any state agency may disclose any data classified as confidential or protected  
3.18 nonpublic under this section to any federal, state, or local government agency, or any law  
3.19 enforcement agency, if the state agency determines that access will help prevent fraud  
3.20 against public programs or aid the law enforcement process.

3.21 Sec. 3. Minnesota Statutes 2024, section 16B.97, subdivision 1, is amended to read:

3.22 Subdivision 1. ~~Grant agreement~~ **Definitions.** (a) For the purposes of this section, the  
3.23 following terms have the meanings given:

3.24 ~~A grant agreement is~~ (1) "grant agreement" means a written instrument or electronic  
3.25 document defining a legal relationship between a granting agency and a grantee when the  
3.26 principal purpose of the relationship is to transfer cash or something of value to the recipient  
3.27 to support a public purpose authorized by law instead of acquiring by professional or technical  
3.28 contract, purchase, lease, or barter property or services for the direct benefit or use of the  
3.29 granting agency.; and

3.30 (2) "grantee" means a potential or current recipient of a state-issued grant.

3.31 (b) This section does not apply to general obligation grants as defined by section 16A.695  
3.32 ~~and~~, capital project grants to political subdivisions as defined by section 16A.86, or capital  
3.33 project grants otherwise subject to section 16A.642.

4.1 Sec. 4. Minnesota Statutes 2024, section 16B.98, subdivision 1, is amended to read:

4.2 Subdivision 1. **Limitation.** (a) As a condition of receiving a grant from an appropriation  
4.3 of state funds, the recipient of the grant must agree to ~~minimize~~ that administrative costs  
4.4 must be necessary and reasonable. The granting agency is responsible for negotiating  
4.5 appropriate limits to these costs so that the state derives the optimum benefit for grant  
4.6 funding.

4.7 (b) This section does not apply to general obligation grants as defined by section 16A.695  
4.8 and also capital project grants to political subdivisions as defined by section 16A.86, or  
4.9 capital project grants otherwise subject to section 16A.642.

4.10 Sec. 5. Minnesota Statutes 2024, section 16B.98, subdivision 4, is amended to read:

4.11 Subd. 4. **Reporting of violations.** A state employee who discovers evidence of violation  
4.12 of laws or rules governing grants is ~~encouraged~~ required to report the violation or suspected  
4.13 violation to the employee's supervisor, the commissioner or the commissioner's designee,  
4.14 or the legislative auditor. The legislative auditor shall report to the Legislative Audit  
4.15 Commission if there are multiple complaints about the same agency. The auditor's report  
4.16 to the Legislative Audit Commission under this section must disclose only the number and  
4.17 type of violations alleged. An employee making a good faith report under this section has  
4.18 the protections provided for under section 181.932, prohibiting the employer from  
4.19 discriminating against the employee.

4.20 Sec. 6. Minnesota Statutes 2024, section 16B.981, subdivision 4, is amended to read:

4.21 Subd. 4. **Agency authority to not award grant.** (a) If, while performing the required  
4.22 steps in subdivision 2 and pursuant to sections 16B.97, 16B.98, and 16B.991, the agency  
4.23 requires additional information to determine whether there is a substantial risk that the  
4.24 potential grantee cannot or would not perform the required duties of the grant agreement,  
4.25 the agency must give the grantee ~~30-business~~ 15 calendar days within which the grantee  
4.26 can respond to the agency for the purpose of satisfying the agency's concerns or work with  
4.27 the agency to develop a plan to satisfy the concerns.

4.28 (b) If, after performing the required steps in subdivision 2 and pursuant to sections  
4.29 16B.97, 16B.98, and 16B.991, and after reviewing any additional requested information  
4.30 from the grantee, the agency still has concerns that there is a substantial risk that a potential  
4.31 grantee cannot or would not perform the required duties under the grant agreement, the  
4.32 agency must either create a plan to satisfy remaining concerns with the grantee or must not  
4.33 award the grant.

(c) If, pursuant to paragraphs (a) and (b), the agency does not award a competitive, single-source, or sole-source grant, the agency must provide notification to the grantee and the commissioner of administration of the determination. The notification to the grantee must include the agency's reason for postponing or forgoing the grant, including information sufficient to explain and support the agency's decision, and notify the applicant of the process for contesting the agency's decision ~~with the agency and the applicant's options under paragraph (d). If the applicant contests the agency's decision no later than 15 business days after receiving the notice, the agency must consider any additional written information submitted by the grantee. The agency has 15 business days to consider this information, during which the agency may reverse or modify the agency's initial decision to postpone or forgo the grant.~~

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

(e) If, pursuant to paragraphs (a) and (b), the agency does not award a legislatively named grant, the agency must delay award of the grant until adjournment of the next regular or special legislative session for action from the legislature. The agency must provide notification to the potential grantee, the commissioner of administration, and the chairs and ranking minority members of the Ways and Means Committee in the house of representatives and the chairs and ranking minority members of the Finance Committee in the senate. The notification to the grantee must include the agency's reason for postponing or forgoing the grant, including information sufficient to explain and support the agency's decision and notify the applicant of the process for contesting the agency's decision under paragraph (d). ~~If the applicant contests the agency's decision no later than 15 business days after receiving the notice, the agency must consider any additional written information submitted by the grantee. The agency has 15 business days to consider this information, during which the agency may reverse or modify the agency's initial decision to postpone or forgo the grant.~~ The notification to the commissioner of administration and legislators must identify the legislatively named potential grantee and the agency's reason for postponing or forgoing the grant. After hearing the concerns of the agency, the legislature may reaffirm the award of the grant or reappropriate the funds to a different legislatively named grantee. Based on the action of the legislature, the agency must award the grant to the legislatively named grantee. If the legislature does not provide direction to the agency on the disposition of the grant, the funds revert to the original appropriation source.

6.1 Sec. 7. Minnesota Statutes 2024, section 16B.991, subdivision 2, is amended to read:

6.2 Subd. 2. **Authority.** A grant agreement must by its terms permit the commissioner to  
6.3 unilaterally terminate the grant agreement prior to completion if the commissioner determines  
6.4 that further performance under the grant agreement would not serve agency purposes or  
6.5 performance under the grant agreement is not in the best interests of the state.