

# Revised

**Consolidated Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Lead Agency: **Proposed - Office of Inspector General**  
 Other Agencies:  
     Administration Dept           Administrative Hearings  
     Campaign Finance Board      Children, Youth and Families  
     Corrections Dept            Education Department  
     Governors Office             Health Dept  
     Human Services Dept         Legislature  
     Minn Management and Budget   Office of the Legislative Auditor  
     Public Defense Board        Sentencing Guidelines Comm  
     Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

<b>State Cost (Savings)</b>	Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Administration Dept</b>					
<b>General Fund</b>	-	-	892	891	-
<b>Children, Youth and Families</b>					
<b>General Fund</b>	-	-	465	620	620
<b>Education Department</b>					
<b>General Fund</b>	-	-	-	(2,218)	(2,218)
<b>Governors Office</b>					
<b>General Fund</b>	-	-	-	-	-
<b>Health Dept</b>					
<b>General Fund</b>	-	-	499	499	499
<b>Human Services Dept</b>					
<b>General Fund</b>	-	-	3,530	4,082	4,082
<b>Legislature</b>					
<b>General Fund</b>	-	-	29	7	7
<b>Proposed - Office of Inspector General</b>					
<b>General Fund</b>	-	-	1,875	8,070	8,070
<b>State Total</b>					
<b>General Fund</b>	-	-	7,290	11,951	11,060
<b>Total</b>	-	-	<b>7,290</b>	<b>11,951</b>	<b>11,060</b>
<b>Biennial Total</b>			<b>7,290</b>		<b>23,011</b>

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Administration Dept</b>					
General Fund	-	-	6	6	-

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Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Children, Youth and Families					
General Fund	-	-	3.75	5	5
Education Department					
General Fund	-	-	-	(13)	(13)
Governors Office					
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	-	2.5	2.5	2.5
Human Services Dept					
General Fund	-	-	23.25	31	31
Legislature					
General Fund	-	-	-	-	-
Proposed - Office of Inspector General					
General Fund	-	-	1.92	44	44
<b>Total</b>	<b>-</b>	<b>-</b>	<b>37.42</b>	<b>75.5</b>	<b>69.5</b>

### Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised to correct an error in the tables of the Department of Human Services (DHS) fiscal note, which impacts the overall State Cost (Savings) table of the fiscal note. The fiscal note for SF856-10E assumes additional work and related costs to agencies to coordinate and cooperate with active investigations performed by the proposed Office of the Inspector General (OIG). Some agencies are assuming costs will be incurred starting at the beginning of Fiscal Year (FY) 2027. The OIG fiscal note assumes the Inspector General will be hired in February of 2027 and that staffing for the OIG will predominantly occur at the end of FY2027 and beginning of FY2028. This suggests that the office will become fully operational in FY2028. To what extent agencies will need substantial time to coordinate and cooperate with the proposed OIG in FY2027 or to prepare for such interactions is not known at this time. It should be noted that not all agencies were asked to respond to the fiscal note. It is likely there are fiscal effects for agencies not assigned to the fiscal note for this bill. The level of effort required by agencies will be determined by the number of investigations that the proposed OIG performs and on the focus of those investigations. For purposes of facilitating the completion of the fiscal note, select agencies were assigned to the note which were specified in the bill language. The fiscal note submitted by DHS cannot be verified for reasonableness with the information provided by the department. Of greatest concern is a large increase in the number of FTE estimated for this fiscal note from DHS relative to prior fiscal note estimates for SF856 (see Fiscal Note SF856-51A). DHS is assuming a substantial increase in FTE relative to prior estimates while other agencies are not showing similar changes in resources needed relative to the fiscal estimate on previous versions of this bill. Accordingly, the Legislative Budget Office (LBO) has not determined the DHS estimate to be reasonable at this time. However, the remaining fiscal estimates in this consolidated fiscal note have been reviewed and deemed reasonable. For this reason, the LBO has released the consolidated fiscal note.

**LBO Signature:** Christian Larson    **Date:** 4/29/2026 5:35:42 PM  
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# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	<b>FY2028</b>	<b>FY2029</b>
<b>Administration Dept</b>						
General Fund	-	-	892	891	-	-
<b>Children, Youth and Families</b>						
General Fund	-	-	465	620	620	-
<b>Education Department</b>						
General Fund	-	-	-	(2,218)	(2,218)	-
<b>Governors Office</b>						
General Fund	-	-	-	-	-	-
<b>Health Dept</b>						
General Fund	-	-	499	499	499	-
<b>Human Services Dept</b>						
General Fund	-	-	3,530	4,082	4,082	-
<b>Legislature</b>						
General Fund	-	-	29	7	7	-
<b>Proposed - Office of Inspector General</b>						
General Fund	-	-	1,875	8,070	8,070	-
<b>Total</b>		-	-	<b>7,290</b>	<b>11,951</b>	<b>11,060</b>
<b>Biennial Total</b>				<b>7,290</b>		<b>23,011</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Administration Dept</b>						
General Fund	-	-	892	891	-	-
<b>Children, Youth and Families</b>						
General Fund	-	-	465	620	620	-
<b>Education Department</b>						
General Fund	-	-	-	(2,218)	(2,218)	-
<b>Governors Office</b>						
General Fund	-	-	-	-	-	-
Expenditures	-	-	1	-	-	-
Absorbed Costs	-	-	(1)	-	-	-
<b>Health Dept</b>						
General Fund	-	-	499	499	499	-
<b>Human Services Dept</b>						
General Fund	-	-	3,530	4,082	4,082	-
<b>Legislature</b>						
General Fund	-	-	-	-	-	-
Expenditures	-	-	54	19	19	-
Absorbed Costs	-	-	(25)	(12)	(12)	-
<b>Proposed - Office of Inspector General</b>						
General Fund	-	-	1,875	8,070	8,070	-
<b>Total</b>		-	-	<b>7,290</b>	<b>11,951</b>	<b>11,060</b>
<b>Biennial Total</b>				<b>7,290</b>		<b>23,011</b>
<b>2 - Revenues, Transfers In*</b>						

# Revised

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept					
General Fund	-	-	-	-	-
Children, Youth and Families					
General Fund	-	-	-	-	-
Education Department					
General Fund	-	-	-	-	-
Governors Office					
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	-	-	-
Legislature					
General Fund	-	-	-	-	-
Proposed - Office of Inspector General					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

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**Fiscal Note**

**2025-2026 Legislative Session**

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Chief Author: **Heather Gustafson**  
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 Agency: **Proposed - Office of Inspector General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1,875	8,070	8,070	
<b>Total</b>	-	-	<b>1,875</b>	<b>8,070</b>	<b>8,070</b>	
<b>Biennial Total</b>			<b>1,875</b>		<b>16,140</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1.92	44	44
<b>Total</b>	-	-	<b>1.92</b>	<b>44</b>	<b>44</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 4/28/2026 3:29:58 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1,875	8,070	8,070
<b>Total</b>	-	-	<b>1,875</b>	<b>8,070</b>	<b>8,070</b>
<b>Biennial Total</b>			<b>1,875</b>		<b>16,140</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	1,875	8,070	8,070
<b>Total</b>	-	-	<b>1,875</b>	<b>8,070</b>	<b>8,070</b>
<b>Biennial Total</b>			<b>1,875</b>		<b>16,140</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

**Article 1**, section 1 requires the Legislative Auditor to refer all reports from the public about potential fraud or misuse to the Inspector General.

Section 2 adds the inspector general and OIG staff to the definition of “public official” in Minnesota Statutes 10A.01, subdivision 35.

Section 3 adds the inspector general to the list of positions determined by the Compensation Council under M.S. section 15A.082.

Section 4 establishes the Office of the Inspector General (OIG) as an independent entity in the executive branch responsible for ensuring accountability, transparency, and integrity in the operations of state agencies and programs. The inspector general shall direct the OIG and serves in the unclassified service. This section is assumed effective January 1, 2027.

Section 5 provides various definitions. This section is effective January 1, 2027.

Section 6 lists the minimum qualifications necessary to be appointed as inspector general and the appointment process. The Legislative Inspector General Advisory Commission (LIGAC) recommends candidates after a competitive process. The governor appoints the inspector general after consideration of recommendations from the LIGAC, with confirmation by a vote of three-fifths of the senate. The inspector general serves a five-year term and may be appointed to unlimited additional terms. This section is effective January 1, 2027.

Section 7, subdivision 1 lists the powers and duties of the OIG. The OIG is responsible for (1) establishing agency fraud prevention standards and best practices, and periodically reviewing agency compliance, (2) facilitating information sharing between departments and agencies, including coordinating multi-agency investigations, (3) evaluating the performance of agency inspector general offices and recommending improvements, (4) conducting inspections, evaluations, and investigations of state executive branch agencies and programs with a focus on recipients of public funds and publicly funded services, (5) referring matters for civil, criminal, or administrative action to appropriate authorities, (6) recommending legislative or policy changes to improve program efficiency and effectiveness, (7) publishing reports on completion of an audit or investigation, (8) investigating any public or private entity that receives public funds to ensure compliance with applicable laws and requirements, (9) submitting an annual report to the LIGAC and posting the report on the OIG’s website, (10) alerting relevant heads of agencies when the inspector general has a reasonable suspicion that fraud or misuse is being committed, and (11) maintaining an exclusion list that identifies each program or individual for which the inspector general has obtained a court order to freeze or cease distribution of funds or made a recommendation to do so.

# Revised

Section 7, subdivision 2 outlines the OIG's relationship to the powers and duties of other agencies.

Section 7, subdivision 3 describes the process for seeking a court order to freeze funds.

Section 7, subdivision 2, paragraph (c) and subdivision 3, paragraphs (b) and (c) are effective January 1, 2027, or upon federal approval from the Centers for Medicare and Medicaid Services, whichever is later. The remainder of section 4 is effective January 1, 2027.

Section 8 authorizes the inspector general to appoint peace officers and establish a law enforcement agency known as the OIG Anti-Fraud and Waste Bureau (AFWB). Section 8, subdivision 8 specifies that regardless of whether a law enforcement agency is established by the inspector general, the OIG may enter into memorandums of understanding with state and local law enforcement agencies to allow peace officers from those agencies to be assigned to the OIG. This section is effective January 1, 2027.

Section 9 gives the OIG subpoena power and requires all public entities, corporations, firms, and individuals having business involving the receipt, disbursement, or custody of public funds to cooperate with the OIG and provide access, documents, and accommodations as requested. This section is effective January 1, 2027.

Section 10 requires each agency to highlight the fraud reporting tools administered by the OIG on the agency's website. Any grant agreement between the state and a nonprofit organization must require the nonprofit organization to prominently highlight on the organization's website the fraud reporting tools administered by the OIG and the OLA.

Section 11 makes the OIG subject to the Government Data Practices Act, gives the OIG access to data of any classification, included not public data, and provides data use and dissemination requirements.

Section 12 provides that the Inspector General may hire and manage staff, who shall serve in the classified civil service. The OIG may contract with external experts to support the work of the office, subject to section 16C.08 (Professional or technical services). This section is effective January 1, 2027.

Section 13 requires the OIG to issue public reports detailing completed audits, investigations, and corrective actions taken. The OIG must maintain a phone line and website for reporting fraud and misuse. By December 1, 2027, and annually thereafter, the OIG must submit reports summarizing all investigations the inspector general did not open after receiving a tip or compliant. This section is effective January 1, 2027.

Section 14 requires OIG activities to adhere to professional standards as promulgated by the Association of Inspectors General or other recognized bodies. The governor must contract for an external quality assurance review of the inspector general every three years and must make findings from the review public. This section is effective January 1, 2027.

Section 15 creates the LIGAC, defines membership, specifies duties, and provides for meeting space and staff assistance. This section is effective the day following final enactment.

Section 16 adds fraud to the types of conduct that an employee, officer of the state, University of Minnesota, or other organization listed in section 3.971 must report to the legislative auditor or inspector general.

Section 17, subdivision 1 requires the LIGAC to make recommendations for appointment of an Inspector General by January 1, 2027. By February 1, 2027, the governor must appoint an inspector general.

Section 17, subdivision 2 requires the OIG to be fully operational by September 1, 2027.

Section 17, subdivision 3 provides for the transfer of employees employed in an existing office of inspector general except as specified in Section 15, subdivision 6. Employees transfer with their existing employment status and job classification. Employees must transfer before September 1, 2027.

Section 17, subdivision 4 stipulates that before September 1, 2027, unused appropriations for existing offices of inspectors general shall be transferred to the Office of Inspector General under Minnesota Statutes, chapter 15E, subject to the exceptions listed in Section 15, subdivision 6.

Section 17, subdivision 5 requires the commissioner of administration to provide or lease office space in the City of St. Paul for the OIG under a rental agreement.

# Revised

Section 17, subdivision 6 lists divisions, teams, or positions that do not transfer to the OIG. No employees in the Department of Corrections, Department of Children, Youth and Families, or Department of Human Services are transferred to the OIG. No employees dedicated to student maltreatment investigations are transferred from the Department of Education. This section is effective January 1, 2027.

Section 18 specifies that appointing authorities must make appointments to the LIGAC by August 1, 2026. The senate majority leader must designate one member of the LIGAC to convene the first meeting of the LIGAC by September 15, 2026.

Section 19 requires the OIG to establish interagency agreements with the Department of Human Services, the Department of Children, Youth, and Families, the Department of Health, and the Department of Education that govern how joint investigations will be handled by December 31, 2027. Paragraph (a) of section 19 (interagency agreement with the Department of Human Services) is effective January 1, 2027, or upon federal approval from the Centers for Medicare and Medicaid services, whichever is later. The remainder of the section is effective January 1, 2027.

Section 20, paragraph (a) appropriates funds in fiscal year 2027 and 2028 to the Department of Administration to support the creation of the OIG. Paragraph (b) appropriates funds to the OIG in fiscal year 2027 and 2028 for the purposes of this act.

**Article 2**, section 1 makes the AFWB subject to the data requirements for law enforcement agencies specified in Minnesota Statutes 13.82. This section is effective January 1, 2027.

Section 2 adds a reference to the OIG in Minnesota Statutes 127A.21 (Office of the Inspector General) and strikes several definitions.

Section 3 makes conforming changes related to the transfer of duties from the Office of Inspector General in the Department of Education to the OIG.

Section 4 lists actions the Department of Education may take when a program participant is excluded from a department program.

Section 5 creates notice requirements when the Department of Education takes action against a program participant.

Section 6 allows a program participant to request a contested case hearing upon receipt of notice that the Department of Education has taken an action against that program participant.

Section 7 outlines the procedure for withholding payments when the OIG determines there is a credible allegation of fraud or misuse against a Department of Education program participant.

Section 8 requires the Department of Children, Youth, and Families to submit final reports to the OIG for any investigation conducted by the agency into fraud or misuse within the childcare assistance program. This section is effective January 1, 2027.

Section 9 allows the Department of Children, Youth, and Families to withhold payment under any program based on information in the inspector general's exclusion list. This section is effective January 1, 2027.

Section 10 requires the Department of Health to submit final reports to the OIG for any investigation conducted by the agency into fraud or misuse within the special supplemental nutrition program for women, infants, and children. This section is effective January 1, 2027.

Section 11 allows the Department of Human Services to withhold payment under any program based on information in the inspector general's exclusion list. This section is effective January 1, 2027.

Section 12 requires the Department of Human Services to submit final reports to the OIG for any investigation conducted by the agency into fraud or misuse within the Medicaid program. This section is effective January 1, 2027.

Section 13 modifies the definition of "Peace officer" in Minnesota Statutes 626.84 to include AFWB officers. This section is effective January 1, 2027.

Section 14 abolishes duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds in the

# Revised

Office of Inspector General in the Department of Education, effective the day after the OIG certifies that it has assumed responsibility for these duties. All applicable active investigations, obligations, court actions, contracts, and records shall transfer to the OIG. This section is effective July 1, 2026.

Section 15 repeals Minnesota Statutes 2024, sections 13.321, subdivision 12 and 127A.21, subdivisions 1-4, 6 and 7 relating to the inspector general under the Department of Education. This section is effective the day after the inspector general notifies the revisor of statutes that the OIG is operational.

## **Assumptions**

### ***Staffing***

The Inspector General will be appointed to a five-year term beginning February 1, 2027.

The Inspector General has an assumed salary equal to the median salary of positions listed in Minnesota Statutes 15A.0815, subdivision 2 (Agency head salaries).

OIG staff will serve in the classified service.

It is assumed that a human resources director, HR specialist, general counsel, staff attorney, fiscal services manager, accounting manager, IT manager, and two administrative assistants will begin employment on May 1, 2027.

Additional OIG staff (excluding transfer staff) will include investigators, auditors, program evaluators, research scientists, data analysts, IT support staff, and a communications specialist. These staff are assumed to begin employment between July 1, 2027, and September 1, 2027. For the purposes of this fiscal note, a uniform date of July 1, 2027, is assumed. Estimated staff salaries are based on OLA and executive branch salary ranges for similar responsibilities. TECHNICAL NOTE: It may take four to six additional months to fully staff the OIG as contemplated by this fiscal note.

Staff that are transferred from the Department of Education are assumed to begin employment with the OIG on July 1, 2027. It is assumed that 13 FTE will transfer from the Department of Education to the OIG.

Total staffing is assumed at 44 FTE based on the duties specified in article 1, section 7 and conversations with nonpartisan legislative staff and agency staff. This staffing level will allow the OIG to operate independently and conduct multiple investigations and evaluations annually, the exact number depending on subject scope and complexity. Based on OLA output and reports produced by OIGs in other states, the proposed OIG could produce 5-8 external program evaluations and 20-25 internal investigation reports annually, although output can vary widely depending on the report type, case complexity, depth of evaluation, and report detail.

It is assumed that the Department of Administration will provide implementation support such as project management, hiring, procurement, office setup, and accounting.

### ***Office Build Out***

Because there is currently no available office space on the capitol complex, it is assumed that the Department of Administration will acquire commercial office space near the capitol complex for the OIG.

Office space requirements are assumed at 200 square feet per FTE (offices, workstations, and shared space) plus 1,000 square feet for supplies and storage, for a total of 9,800 square feet.

It is assumed that floor design and construction costs will be included in the lease rate. Workstation build-out is assumed at \$7,500 per unit, and office build-out is assumed at \$8,000 per unit.

Other build-out costs include meeting room furniture and meeting room teleconference equipment.

Rent and utilities is estimated at \$32 per square foot, per year.

### ***Information Technology and Office Equipment***

# Revised

The OIG will utilize the accounting, human resources, and payroll systems used by state agencies and will incur statewide systems costs.

Staff office equipment will include a phone, laptop, two monitors, a docking station, and peripherals. Standard software licenses (Microsoft Office Suite, Adobe Acrobat, etc.) are assumed for each staff member.

The OIG will need specialized audit management and analysis software.

Setup and configuration costs are assumed for wiring, network hardware, and server hardware.

Due to the sensitivity and classification of data that the OIG will have access to, the OIG will utilize secure, local servers for the purpose of storing data and information related to the work of the OIG. It is assumed that servers will be located on-premise. The OIG will operate on a separate, secure network.

An IT security assessment will be required after initial network and server establishment and every three years thereafter.

The OIG will establish and maintain a phone line and website for reporting fraud and misuse that allows the person making the report to remain anonymous.

One shared high-volume copier/printer is assumed.

## **Other Costs**

Training, professional development, and travel costs are assumed to be \$600 per FTE, per year.

General office supplies and ancillary costs are assumed to be \$500 per FTE, per year.

Contract and consultant costs are assumed to be \$150,000 per year. This amount may change in future years as OIG scope and workload develops.

## **OIG Law Enforcement Agency (for discussion only)**

It is assumed that the intent of bill article 1, section 8, is to allow for the future establishment of the AFWB within the OIG at the discretion of the inspector general. It is assumed that appropriations for the AFWB would be made through a future budget request. Therefore, an estimated cost range for the AFWB as contemplated by article 1, section 7, is shown separately in the narrative of this fiscal note but is not included in the front-page State Cost (Savings) tables.

It is assumed that the AFWB will conduct a mix of fully independent investigations, joint investigations, and assist investigations conducted by other agencies. Because future AFWB workload relative to other agencies with primary jurisdiction is unknown, and the extent to which the AFWB will conduct fully independent investigations versus joint investigations or assisting other agency investigations is unknown, this estimate is only intended to cover the establishment (first 2-5 years) of the AFWB. Operating costs may change over time as workload mix develops and the AFWB identifies resources that will need to be developed independently versus capabilities that are better utilized via interagency agreements or contract services.

The LBO consulted with the BCA to develop an illustrative example. If a significant portion of AFWB workload includes Medicaid fraud investigations (Section 7 authorizes but does not require the OIG to conduct independent investigations related to the Medicaid program), then AFWB staffing could include one agency head, 18-20 sworn agents, 10 criminal intelligence analysts, 2 forensic accountants, and 1 transcriber (whether employed directly or assigned to the OIG via interagency agreements or memorandums of understanding). An agency this size could cost between \$9.2 million and \$12.5 million per year during the hiring and build-out phase (first 1-2 years), and between \$8.5 million and \$12.5 million per year ongoing, depending on the contract services, IT capabilities, and interagency agreements required to independently investigate cases referred to the AFWB in a timely manner. If Medicaid fraud investigations are not a significant portion of AFWB workload, then AFWB staffing could include one agency head, 10 sworn agents, 5 analysts, 2 forensic accountants, and 1 transcriber. In either case, the AFWB would likely need significant contracting and interagency agreements for capabilities such as a specialized records management system, surveillance tools, phone decryption software, and bank record examination tools. Note this estimate does not include any potential federal reimbursements for specific activities related to Medicaid.

# Revised

## Expenditure and/or Revenue Formula

### **Staff Compensation Cost Table - Salary and Benefits**

<b>Job Title</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>
Inspector General (1)	-	99,322	238,373	238,373
HR Director (1)	-	31,955	191,729	191,729
HR Specialist (1)	-	22,322	133,929	133,929
General Counsel (1)	-	39,036	234,219	234,219
Staff Attorney (1)	-	25,877	155,263	155,263
Fiscal Services Manager (1)	-	32,680	196,078	196,078
Accounting Coordinator (1)	-	24,785	148,708	148,708
IT Manager (1)	-	37,640	225,837	225,837
Admin Support Spec. (2)	-	38,760	232,561	232,561
Investigator/Auditor/Eval. (11)	-	-	1,686,728	1,686,728
Research Scientist (2)	-	-	371,574	371,574
Data Analyst (4)	-	-	655,108	655,108
Developer (1)	-	-	181,304	181,304
IT Security Spec. (1)	-	-	181,304	181,304
IT Support Spec. (1)	-	-	157,338	157,338
Comms. Spec. (1)	-	-	137,827	137,827
<b>New Staff Compensation</b>	-	<b>352,376</b>	<b>5,127,879</b>	<b>5,127,879</b>
<b>MDE Transfer Staff</b>	-	-	<b>1,964,000</b>	<b>1,964,000</b>
<b>Total Compensation</b>	-	<b>352,376</b>	<b>7,091,879</b>	<b>7,091,879</b>

Salary amount is based on salary range midpoint for comparable positions in the executive branch or the OLA. Investigator/Auditor/Program Evaluator salary is based on a blended midpoint of several OLA positions. Benefits estimate includes employer FICA, retirement, insurance, PFML, and deferred compensation match.

Five months of compensation is assumed for the inspector general in FY27. Two months of compensation is assumed for the HR director, HR specialist, general counsel, staff attorney, fiscal services manager, accounting coordinator, IT manager, and two administrative assistants in FY27. Twelve months of compensation is assumed for all staff beginning in FY28.

The position titles and staffing shown in this note are for estimation purposes. Actual staff organization may vary at the discretion of the future inspector general.

### **FTE Summary Table**

# Revised

Job Title	FY26	FY27	FY28	FY29
Inspector General	0.00	0.42	1.00	1.00
HR Director	0.00	0.17	1.00	1.00
HR Specialist	0.00	0.17	1.00	1.00
General Counsel	0.00	0.17	1.00	1.00
Staff Attorney	0.00	0.17	1.00	1.00
Fiscal Services Manager	0.00	0.17	1.00	1.00
Accounting Coordinator	0.00	0.17	1.00	1.00
IT Manager	0.00	0.17	1.00	1.00
Admin Support Spec.	0.00	0.33	2.00	2.00
Investigator/Auditor/Eval.	0.00	0.00	11.00	11.00
Research Scientist	0.00	0.00	2.00	2.00
Data Analyst	0.00	0.00	4.00	4.00
Developer	0.00	0.00	1.00	1.00
IT Security Spec.	0.00	0.00	1.00	1.00
IT Support Spec.	0.00	0.00	1.00	1.00
Comms. Spec.	0.00	0.00	1.00	1.00
<b>Total New FTE</b>	<b>0.00</b>	<b>1.92</b>	<b>31.00</b>	<b>31.00</b>
<b>MDE Transfer Staff</b>	<b>0.00</b>	<b>0.00</b>	<b>13.00</b>	<b>13.00</b>
<b>Total FTE</b>	<b>0.00</b>	<b>1.92</b>	<b>44.00</b>	<b>44.00</b>

**Total Cost Summary Table**

Description	FY26	FY27	FY28	FY29
Staff	-	352,376	7,091,879	7,091,879
Professional Development	-	-	19,800	19,800
Travel	-	-	6,600	6,600
Office Rent & Utilities	-	130,667	313,600	313,600
Office Space Build Out & Furniture	-	553,684	-	-
Office Equipment - Laptops/Phones/Printers	-	59,416	108,351	108,351

# Revised

IT Setup	-	357,311	-	-
IT Ongoing - Hardware, Software, Equip.	-	249,525	350,478	350,478
Office Supplies and Ancillary	-	22,000	22,000	22,000
General Maintenance & Replacement	-	-	7,500	7,500
Consultant/Contract Support	-	150,000	150,000	150,000
<b>Total</b>	-	<b>1,874,979</b>	<b>8,070,208</b>	<b>8,070,208</b>

## Long-Term Fiscal Considerations

Staff and operational costs will be ongoing.

## Local Fiscal Impact

## References/Sources

OLA staff and cost data

SEGIP Rate Guide, <https://mn.gov/mmb-stat/segip/doc/rate-guide.pdf>

MSRS Handbook, <https://www.mnretire.gov/>

MMB Cost Projection Updates for Budget Fiscal Years 2025, 2026, and 2027, [https://mn.gov/mmb/assets/20240823\\_tcm1059-642213.pdf](https://mn.gov/mmb/assets/20240823_tcm1059-642213.pdf)

State labor contracts and pay plans, <https://mn.gov/mmb/employee-relations/labor-relations/labor/>

Social Security and Medicare withholding rates, <https://www.irs.gov/taxtopics/tc751>

OLA Compensation Plan

LCC staff and cost data

MNIT cost estimate

MNIT rate schedule, <https://mn.gov/mnit/government/services/rates/>

Department of Administration estimates

## **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Joel Enders

**Phone:** 651-284-6542

**Date:** 4/28/2026 3:14:45 PM

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Administration Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	892	891	-	-
<b>Total</b>	-	-	<b>892</b>	<b>891</b>	-	-
<b>Biennial Total</b>			<b>892</b>			<b>891</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	6	6	-
<b>Total</b>	-	-	<b>6</b>	<b>6</b>	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns      **Date:** 4/16/2026 4:56:59 PM  
**Phone:** 651-297-1423      **Email:** chloe.burns@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	892	891	-	-
<b>Total</b>	-	-	<b>892</b>	<b>891</b>	-	-
<b>Biennial Total</b>			<b>892</b>			<b>891</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	892	891	-	-
<b>Total</b>	-	-	<b>892</b>	<b>891</b>	-	-
<b>Biennial Total</b>			<b>892</b>			<b>891</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

This bill establishes an Office of Inspector General (OIG) and requires the Commissioner of Administration to provide office space for the Office of the Inspector General under a rental agreement. It appropriates funds to the Department of Administration to establish the Office of the Inspector General.

## Assumptions

Admin expects the following costs to be reflected in the OIG fiscal note:

### Space Costs for Office of Inspector General (OIG)

To meet the legislative objectives for office establishment, Admin will seek commercial office space near the Capitol Complex, likely in downtown St. Paul or within 5-7 miles from downtown. Admin assumes the newly established Office of Inspector General (OIG) will require office space for 44 FTE.

- **Square footage for work space:** 8,800 sq. ft
- 44 FTE at 200 sq. ft. per FTE
- Plus 1,000 sq. ft. for storage
- **Total square footage:** 9,800 sq ft
- **Initial Lease term:** 10 years
- **Building type:** Commercial
- **Build-out:** "Turnkey" by landlord (design and construction included in lease rate)
- **Workstation construction:** \$7,500 each - includes cubicle walls and furniture
- **Office construction:** \$8,000 each - includes office walls and furniture
- **IT costs (technical note):** IT costs may vary based on whether existing state tenants occupy the building
- **Layout:** Heavier on individual hard-walled offices, interview rooms, and enhanced security likely increasing build-out costs reflected in lease rate

### Estimated Annual Lease Cost

# Revised

- 9,800 sq. ft. × \$32 per sq. ft. gross rent = \$313,600 per year
- All utilities, taxes and insurance included
- Assume 3% annual lease escalator per year

## Estimated Other Costs

- **Workstation and Office Construction and Furniture:**
- # workstations × \$7,500
- # offices × \$8,000
- **Technology and security:** IT costs may vary based on site conditions and integration requirements; technology costs will be lower in a building with existing state tenants. Based on other comparable tenancies:
- Fiber run - \$10,000
- Cable runs - \$350/per station × 44 stations - \$15,400
- Data center/closet - \$200,000

## Timeline

For the OIG to be fully operational by September 2027, Admin and OIG must:

Identify and secure space by January 2027

Execute lease agreement to allow sufficient time for landlord design and build-out

**These costs will be reflected in Admin's fiscal note:**

## Implementation Office

Admin also assumes that supporting the creation of this office requires an implementation office, like the implementation office created to stand up the Department of Children Youth and Families (DCYF).

Given the project management needs and support for hiring, office policies and structure, procurement, office set up and financial management, the OIG implementation office will be supported by one director and five staff over 24 months. In addition to a director, the complement of staff will include HR, finance, and legal support, management analysis, and administrative support. Admin also assumes some complimentary support for the implementation office will come from the HR and Finance divisions within our agency, to address internal controls and separation of duties and to assist with day-to-day work at a high level. This complimentary support will be covered by a 0.5 FTE in the Human Resources (HR) and 0.5 FTE in the Financial Management and Reporting (FMR) divisions at Admin.

Admin assumes the OIG implementation office will be responsible for leading the planning and establishment of the new OIG, with the initial hiring of high-level positions, and with the early stages of transitioning programs from within current agencies to the new OIG. Admin assumes this will include elements related to budget, finance, legal, human resources, IT, policy, and project management.

Admin also assumes the need for space for these new positions within a location that can house a small implementation office.

## Expenditure and/or Revenue Formula

Position Salary and position IT support costs	FY27	FY 28
State Program Admin Mgr Principal	181,900	181,900
HR Consultant 1	133,500	133,500

# Revised

Accounting Officer Intermediate	109,900	109,900
Staff Attorney 2	144,500	144,500
Management Analyst	130,100	130,100
<b>SubTotal</b>	<b>\$699,900</b>	<b>\$699,900</b>

Office Overhead and Support Costs	FY 27	FY28
Support from Department of Admin HR and Financial Management (1 FTE equivalent)	114,000	114,000
Supplies, indirect costs, and travel	51,300	50,300
Temporary space in Admin Building	27,000	27,000
<b>SubTotal</b>	<b>\$192,300</b>	<b>\$191,300</b>

	FY27	FY28
<b>Total</b>	<b>\$892,200</b>	<b>\$891,200</b>

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Stacie Christensen 651-201-2500

**Agency Fiscal Note Coordinator Signature:** Ify Onyiah

**Phone:** 651-201-2387

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Adam Bolling    **Date:** 4/24/2026 1:19:06 PM  
**Phone:** 651-296-6053    **Email:** adam.bolling@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

SF856-2UE establishes the Office of the Inspector General (OIG) for the purposes of ensuring accountability, transparency, and integrity in the operations of state agencies and programs. The inspector general operates independently of all state executive branch agencies and reports directly to the governor. The inspector general shall direct the Office of the Inspector General.

Article 1, Sec. 6 details minimum qualifications for the inspector general and states that a Legislative Inspector General Advisory Commission will recommend inspector general candidates; the governor will appoint an inspector general after considering the recommendations provided by the Legislative Inspector General Advisory Commission, with confirmation by a vote of three-fifths of the senate.

Article 1, Sec. 7 describes the powers and duties of the inspector general, including the relationship of those powers and duties to the responsibilities of other agencies.

Article 1, Sec. 8 describes the creation and powers of the Anti-Fraud and Waste Bureau which is a law enforcement agency within the OIG with its primary jurisdiction being limited to cases of fraud, abuse and other criminal conduct within the scope of the work of the OIG.

Article 1, Sec. 9 describes auxiliary powers of the inspector general as it relates to subpoenas, inquiries and inspections.

Article 1, Sec. 10 states that each agency must prominently highlight the OIG's and OLA's fraud reporting tools on the agency's website. Any nonprofit organization that enters into a grant agreement with a state agency must prominently highlight the fraud reporting tools on the nonprofit's own website. The grant-administering-agency must confirm and document compliance with this requirement regularly.

Article 1, Sec. 11 states that the inspector general is a government agency subject to the Government Data Practices Act under chapter 13 and clarifies what data is classified as public data and what data is not classified as public data.

Article 1, Sec. 12 describes staffing resources and contracting allowed within the OIG. The inspector general may hire and manage staff as needed in accordance with chapter 43A, including the requirement to hire at least one attorney to serve as legal counsel and advise the inspector general. The OIG may contract with external experts to support the work of the office. The OIG staff will serve in the classified civil service. Compensation for employees of the OIG in the classified service who are represented by an exclusive representative will be governed by a collective bargaining agreement negotiated between Minnesota Management and Budget (MMB) and the exclusive representative. Compensation for employees of the OIG in the classified service who are not represented by an exclusive representative shall be as provided in the commissioner's plan under section 43A.18, subd. 2 or subd. 3.

Article 1, Sec. 13 states that the OIG must issue reports detailing its work and must maintain an anonymous phone line and website for submitting reports of fraud and misuse.

# Revised

Article 1, Sec. 14 states that the governor must contract for an external quality assurance review of the inspector general every three years and must make the findings from the review public. The OIG must adhere to professional standards as promulgated by the Association of Inspectors General or other recognized bodies.

Article 1, Sec. 15 establishes the membership and duties of the Legislative Inspector General Advisory Commission.

Article 1, Sec. 16 adds language to include the inspector general as a party that can be reported to under Minnesota Statutes, section 609.456, in addition to the legislative auditor.

Article 1, Sec. 17 provides guidelines for the establishment of the OIG including deadlines for: the date by which the Legislative Inspector General Advisory Commission must make recommendations for the inspector general position; the date by which the governor must appoint the inspector general; the date by which the OIG must be fully operational; the date by which the transition process for employees of state agencies' transitioning to the OIG must occur.

Article 1, Sec. 18 sets the deadlines for initial appointments to the Legislative Inspector General Advisory Commission and the Commission's first meeting.

Article 1, Sec. 19 states that the OIG must enter into interagency agreements with Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), Department of Health (MDH), and Department of Education (MDE) to govern how potential similar or duplicative investigations will be handled, including a clause on cost-sharing for investigations that require multiagency coordination and details on the process for joint investigations.

Article 1, Sec. 20 makes appropriations from the general fund to support the creation of the OIG.

Article 2 makes conforming changes, repealers, and revisions to existing authority including Article 2, Sec. 6, which creates new language within Minnesota Statutes, § 127A.21 to allow for a program participant to appeal an action taken against it by requesting a contested case hearing as defined in § 14.02, subd. 3.

## **Assumptions**

The Court of Administrative Hearings (CAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budget provisions for such assessments.

While CAH notes the new language in Article 2, Sec. 6, CAH has used the MDE assumption that this language is a revision of existing authority and would not result in any meaningful increase in contested case appeals being filed with CAH compared to the previous language. Any contested case appeals referred to CAH will result in ALJ costs billed to the referring agency.

CAH currently bills ALJ time for rulemaking and contested cases at the MMB-approved billable rate of \$270 per hour (see Minn. Stat. § 16A.126, subd. 1 (2023)).

## **Expenditure and/or Revenue Formula**

## **Long-Term Fiscal Considerations**

## **Local Fiscal Impact**

## **References/Sources**

**Agency Contact:** William Moore

**Agency Fiscal Note Coordinator Signature:** William Moore

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Campaign Finance Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Adam Bolling    **Date:** 4/20/2026 9:00:18 AM  
**Phone:** 651-296-6053    **Email:** adam.bolling@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

The bill creates the Office of the Inspector General. The only section of the bill that relates to the Campaign Finance and Public Disclosure Bill is section 2.

Section 2 defines the position of Inspector General, and the individuals employed by the Office of the Inspector General as public officials in Minnesota Statutes Section 10A.01, subd. 35. Public officials are required to file an original Economic Interest Statement (EIS) when they are appointed or employed, and then file an annual EIS in January of each year they are a public official.

## Assumptions

The estimated staff for the Office of the Inspector General is 44 FTE.

There are approximately 3,025 public officials that file EIS statements with the Board. There is no identifiable administrative cost to increase that number by 44. New public officials are sent a first-class letter informing them of the need to file an original EIS statement, and are sent a reminder notification each January. The postage cost to the Board to send 44 additional letters is approximately \$44 a fiscal year, which is an immaterial cost that will be absorbed by the Board. The filing of EIS statements is done through an online application provided by the Board, there is no additional identifiable costs to the Board for 44 additional public officials to file EIS statements online.

## Expenditure and/or Revenue Formula

## Long-Term Fiscal Considerations

## Local Fiscal Impact

## References/Sources

**Agency Contact:** Jeff Sigurdson (651-539-1189)

**Agency Fiscal Note Coordinator Signature:** Jeff Sigurdson

**Phone:** 651-539-1189

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Revised

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Children, Youth and Families**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	465	620	620	
<b>Total</b>	-	-	<b>465</b>	<b>620</b>	<b>620</b>	
<b>Biennial Total</b>			<b>465</b>			<b>1,240</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	3.75	5	5
<b>Total</b>	-	-	<b>3.75</b>	<b>5</b>	<b>5</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 4/28/2026 8:45:45 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	-	465	620	620	
<b>Total</b>	-	-	<b>465</b>	<b>620</b>	<b>620</b>	
<b>Biennial Total</b>			<b>465</b>			<b>1,240</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	465	620	620	
<b>Total</b>	-	-	<b>465</b>	<b>620</b>	<b>620</b>	
<b>Biennial Total</b>			<b>465</b>			<b>1,240</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
<b>Biennial Total</b>			-			-

## Bill Description

Broadly, this bill creates and empowers a statewide Office of the Inspector General (OIG).

Article 1: Office of the Inspector General

Section 1 requires the Office of the Legislative Auditor (OLA) to refer all reports about potential fraud or misuse to OIG. This section has no direct fiscal impact on DCYF.

Sections 2-3 adds employees of the OIG to the list of “public officials” and the IG to the list of agency heads. These sections have no direct fiscal impact on DCYF.

Section 4 creates the OIG and sets out the mission and overall organization. This section has no direct fiscal impact on DCYF.

Section 5 defines terms used in the bill. This section has no direct fiscal impact on DCYF.

Section 6 sets the qualifications for the IG and the process for hiring them, as well as various requirement for OIG staff. This section has no direct fiscal impact on DCYF.

Section 7 sets out the authorities and responsibilities of the OIG, including:

- Set standards and best practices for agency OIGs and reviewing compliance with them. Agency OIGs are required to comply with these standards.
- Facilitate information sharing between agencies including coordinating multi-agency investigations.
- Evaluate the performance of agency OIGs and make recommendation for improvement. Agencies are required to report annually on implementation of these recommendations.
- Conduct inspections, evaluations, and investigations of agencies and programs for fraud, misuse, and integrity.
- Refer matters for legal action to appropriate legal authorities.
- Recommend legislative or policy changes to improve efficiency and effectiveness.
- Publish reports on investigative findings, recommendations, and outcomes.
- Investigate any public or private entity that receives public funds.
- Submit an annual summary report on its work.

# Revised

- Alert agencies when there is a reasonable suspicion of fraud or abuse.
- Establish and maintain an “exclusion list” of entities for which there is a court order to freeze funding.

Also in this section, OIG has authority to investigate programs in any state department or agency. Establish and maintain an “exclusion list” of entities for which there is a court order to freeze funding. DCYF retains primary responsibility for investigating fraud in the Child Care Assistance Program (CCAP), though OIG may conduct independent related investigations. If OIG believes that an agency’s (including DCYF) internal investigation is inadequate or insufficiently quick, it may investigate on its own and may recommend that the agency freeze or cease distribution of funds and notify law enforcement. If funds are stopped or frozen, OIG and the affected agency must ensure that anyone whose receipt of public funds is interrupted but is not implicated in the investigation receives notice of their rights to continued receipt of funds, services, or programs. This section is effective January 1, 2027.

Section 8 allows, but does not require, OIG to establish a law enforcement agency within its purview. It sets out the powers and responsibilities of this agency should it be created. This section has no direct fiscal impact on DCYF.

Section 9 assigns auxiliary powers to OIG, including authorities to subpoenas and penalties for non-compliance. It also requires all state employees to aid and cooperate with OIG. This section has no direct fiscal impact on DCYF.

Section 10 requires all agencies to highlight OIG and OLA fraud reporting tools on their websites.

Section 11 concerns DHS data practices, giving OIG access to all state data regardless of classification and setting parameters for control and release of that data.

Section 12 sets requirements and authorities for OIG regarding staff and contracting. This section has no direct fiscal impact on DCYF.

Section 13 creates reporting requirements for OIG. This section has no direct fiscal impact on DCYF.

Section 14 creates professional standards requirements for OIG. This section has no direct fiscal impact on DCYF.

Section 15 creates and empowers the Legislative Inspector General Advisory Commission to oversee OIG. This section has no direct fiscal impact on DCYF.

Section 16 makes changes to reporting processes by which state employees are required to report unlawful use of funds. This section has no direct fiscal impact on DCYF.

Section 17 requires an IG to be appointed by January 1, 2027 and for the OIG to be fully operational by September 1, 2027. This section also transfers all employee, assets, unused appropriations, etc. in existing agency OIGs to the centralized OIG with some exceptions. All DCYF employees and positions are excepted from this transfer, meaning this provision has no direct fiscal impact on DCYF.

Section 18 concerns the operations of the advisory commission. This section has no direct fiscal impact on DCYF.

Section 19 requires OIG to enter into interagency agreements with several agencies, including DCYF, that set out how similar or potentially duplicative investigations will be handled and how costs will be shared. The agreements must not limit OIG’s authority. These agreements must be completed by December 31, 2027.

Section 20 makes appropriations for OIG. This section has no direct fiscal impact on DCYF.

## Article 2: Conforming Items and Repealers

Section 1 adds the OIG Anti-Fraud and Waste Bureau to the list of law enforcement agencies. This section has no direct fiscal impact on DCYF.

Section 2 deletes old definitions. This section has no direct fiscal impact on DCYF.

Sections 3-7 concern the Department of Education (MDE) and have no impact on DCYF.

# Revised

Section 8 requires DCYF to submit final reports on investigations into fraud and abuse at CCAP to OIG.

Section 9 allows DCYF to withhold payments to any entity in any program administered by DCYF based on information from OIG that there is a credible allegation of fraud for which an investigation is pending.

Section 10 concerns the Department of Health (MDH) and has no impact on DCYF.

Section 11 concerns the Department of Labor and Industry (DLI) and has no impact on DCYF.

Section 12 concerns the Department of Human Services (DHS) and has no impact on DCYF.

Section 13 concerns the Peace Officer Standards and Training (POST) Board and has no impact on DCYF.

Section 14 abolishes duties and responsibilities for agencies with responsibilities transferring to OIG. This section has no impact on DCYF.

Section 15 contains repealers and has not impact on DCYF.

## Assumptions

DCYF assumes that it will have a need for five additional FTEs (1 21L manager, 1 21K data engineer, and 3 14L analysts) to work in coordination with OIG and facilitate data requests, data transfer, and investigatory collaboration with OIG. Specifically, these FTEs would address the following responsibilities: coordinate and provide responses to OIG requests for data and information; develop and carry out an interagency agreement on joint investigations with OIG, ensure the withholding of funds, providing required information on DCYF OIG investigations to the centralized OIG, and other responsibilities as necessary.

FTEs are assumed to require an up-front administrative cost of \$17,744 and ongoing monthly administrative costs of \$2,506. Fringe benefits are estimated using the most recent union contracts. Given these assumptions, these FTEs are estimated to cost \$683,000 in FY 2027 and \$911,000 in each year thereafter. These costs would be expected to be offset by Federal Funds Participation (FFP) at 32% by \$219,000 in FY 2027 and \$292,000 each year thereafter for a net cost of \$465, in FY 2027 and \$620,000 in each year thereafter.

## Expenditure and/or Revenue Formula

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2026	FY2027	FY2028	FY2029
1000	11	FTEs to address OIG needs (0, 0,5,5)	0	683	911	911
1000	REV1	FFP @ 32%	0	(219)	(292)	(292)
		<b>Total Net Fiscal Impact</b>	0	465	620	620
		<b>Full Time Equivalent</b>	0	3.75	5	5

# Revised

## Long-Term Fiscal Considerations

N/A

## Local Fiscal Impact

N/A

## References/Sources

N/A

**Agency Contact:** Brian Hornbecker (651-539-8083)

**Agency Fiscal Note Coordinator Signature:** Marina Balleria

**Phone:** 651-272-6470

**Date:** 4/28/2026 4:38:20 PM

**Email:** marina.balleria@state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Corrections Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Jim Carlson      **Date:** 4/27/2026 10:48:42 AM  
**Phone:** 651-284-6540      **Email:** jim.carlson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

SF856 is a bill that allows for the design and establishment of a statewide Office of the Inspector General within the executive branch.

## Assumptions

The department does not project a fiscal impact for its data practices operations as a result of this legislation. The department assumes that there may be program-specific costs associated with gathering pertinent data, but the programs impacted and associated costs cannot be projected with any certainty.

The department assumes there would be a minimal fiscal impact to its Office of Special Investigations, General Counsel, and internal Office of Inspector General as a result of this legislation.

The department's grants management unit projects some minimal additional work as being necessary as a result of this legislation.

The Minnesota Sentencing Guidelines Commission (MSGC) does not project any impact to state correctional resources as a result of this legislation.

## Expenditure and/or Revenue Formula

N/A

## Long-Term Fiscal Considerations

N/A

## Local Fiscal Impact

Unknown

## References/Sources

MSGC

Department of Corrections Staff

# Revised

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Mark Besonen

**Phone:** 651-361-7200

**Date:** 4/27/2026 10:45:51 AM

**Email:** mark.besonen@state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	(2,218)	(2,218)	
<b>Total</b>	-	-	-	<b>(2,218)</b>	<b>(2,218)</b>	
<b>Biennial Total</b>						<b>(4,436)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	(13)	(13)
<b>Total</b>	-	-	-	<b>(13)</b>	<b>(13)</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 4/28/2026 11:21:18 AM  
**Phone:** 651-284-6439      **Email:** alyssa.holterman.rosas@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	(2,218)	(2,218)
<b>Total</b>	-	-	-	<b>(2,218)</b>	<b>(2,218)</b>
<b>Biennial Total</b>			-		<b>(4,436)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	-	(2,218)	(2,218)
<b>Total</b>	-	-	-	<b>(2,218)</b>	<b>(2,218)</b>
<b>Biennial Total</b>			-		<b>(4,436)</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

**Article 1, Sections 10, 17, and 19, and Article 2, Sections 28, 14 and 15** relate to the Minnesota Department of Education (MDE) and are the focus of this fiscal note.

**Article 1, Section 10** requires the commissioner of each state agency to prominently display on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor. In addition, any grant agreement between the state and a nonprofit organization must require the nonprofit to similarly highlight these fraud reporting tools on its website.

Makes the section effective January 1, 2027.

**Article 1, Section 17, subdivision 3**, transfers all officers and employees employed in an office of the inspector general within a state agency to employment with the Office of the Inspector General under chapter 15E by September 1, 2027, except as specified in subdivision 6.

**Article 1, Section 17, subdivision 4**, transfers the assets and any unused appropriations of existing offices of inspectors general before September 1, 2027, except as specified in subdivision 6.

**Article 1, Section 17, subdivision 6, paragraph (c)**, exempts employees and positions in the student maltreatment program at the Minnesota Department of Education who are dedicated to student maltreatment investigations from transferring under this section.

Makes the section effective January 1, 2027.

**Article 1, Section 19, paragraph (d)** requires the Office of the Inspector General to enter into an interagency agreement with MDE as soon as practicable after January 1, 2027. This paragraph is effective January 1, 2027.

**Article 2, Sections 28, 15 and 16** makes conforming changes; revises procedures related to program participant exclusions, enforcement actions, and investigations; and abolishes and transfers duties pertaining to the investigation of fraud, misuse and other unlawful use of public funds at MDE.

**Article 2, Section 2** makes conforming changes and defines "Inspector general" to the inspector general as defined in section 15D.01.

Makes para (c) effective the day after the inspector general notifies the revisor of statutes that the Office of the Inspector General has assumed responsibility for identifying and investigating fraud, misuse, and other unlawful use of public funds

# Revised

at the Minnesota Department of Education. Makes the remainder of the section effective July 1, 2026.

**Article 2, Section 3** makes conforming changes.

**Article 2, Section 4** revises existing authority that authorizes the commissioner to prohibit or disqualify a program participant who has been excluded from a department, state, or federal program from participating in other programs administered by the commissioner. "Program participant" is defined broadly to include individuals or entities with ownership or control. Any prohibition or disqualification must align with the longest applicable sanction period permitted by law. The section also clarifies that it does not authorize reducing or interrupting state or federal aid to school districts, charter schools, cooperative units, or libraries.

**Article 2, Section 5** revises existing authority that requires the commissioner to send written notice within five days of acting against a program participant excluded from a department program.

**Article 2, Section 6** revises existing authority that allows a program participant to request a contested case hearing by filing a request with the commissioner no later than 30 days after the notification under Section 5 is mailed.

**Article 2, Section 7** revises existing authority that authorizes the commissioner to withhold payments to a program participant when the Inspector General determines there is a credible allegation of fraud or misuse, and an investigation is pending. The section prohibits withholding actions that would reduce, pause, or interrupt state or federal aid to school districts, charter schools, cooperative units, or libraries.

**Article 2, Section 8** requires the commissioner to submit final investigative reports to the Inspector General.

Makes the section effective July 1, 2027.

**Article 2, Section 14** abolishes the duties of the Office of the Inspector General at the Minnesota Department of Education related to the investigation of fraud, misuse, and other unlawful use of public funds except those related to student maltreatment effective the day after the newly created inspector general under Section 15D.01 certifies in writing that the inspector general has assumed responsibility for those duties.

Makes the section effective July 1, 2026.

**Article 2, Section 15** repeals sections 13.321, subdivision 12; and 127A.21, subdivisions 1, 2, 3, 4, 6, and 7.

Makes the section effective the day after the inspector general notifies the revisor of statutes that the Office of the Inspector General has assumed responsibility for identifying and investigating fraud, misuse, and other unlawful use of public funds at the Minnesota Department of Education.

## Assumptions

### **Article 1, Section 10, paragraph (a)**

MDE assumes there will be no fiscal impact associated with the requirement for the commissioner to prominently highlight on the agency's website the fraud reporting tools administered by the Office of the Inspector General. Any updates to the agency website can be completed using existing staff and resources.

### **Article 1, Section 10, paragraph (b)**

This paragraph requires MDE to regularly confirm and document nonprofit grantee compliance with the requirement to prominently display the fraud reporting tools on the organization's website. MDE is unclear regarding the specific expectations for monitoring, documentation, and enforcement, including the consequences of noncompliance. Given this uncertainty, MDE assumes compliance checks are already part of the grant process. Therefore, any associated administrative costs would be nominal and can be managed within existing resources.

In fiscal year 2026, the Office of the Inspector General (OIG) at MDE operates with four separate budget components two supporting the OIG/Special Investigations Unit (SIU) and two supporting the Student Maltreatment Program (SMP).

The OIG/SIU receives a \$2,000,000 annual appropriation under Minnesota Statutes, section 127A.21, for staffing costs and operating expenses. In addition, of the total amount appropriated under Minnesota Session Laws 2025, 1<sup>st</sup> Special

# Revised

Session, Chapter 10, Article 12, Section 8, subdivision 2, paragraph (11), \$218,000 is used for an investigative position and case tracking and banking software. In total, the OIG/SIU receives \$2,218,000 in FY 2026 for salary and operating expenses, as reflected in the table below. It is assumed that \$2,218,000 in OIG/SIU funding will be transferred from MDE to the newly created Office of Inspector General beginning in FY 2028 and continuing thereafter.

MDE's OIG Budget FY 2026			
OIG/Special Investigations Unit	Staffing Costs	Operating Costs	Total
\$2 million appropriation to MDE's OIG	1,811,000	189,000	2,000,000
Additional Investigator/Tracking and Banking Software	153,000	65,000	218,000
Total OIG/Special Investigations Unit	1,964,000	254,000	<b>2,218,000</b>

In fiscal year 2026, the SMP receives \$987,000 in federal Special Education Part B discretionary funds and \$485,000 from MDE's base operating funds for a total of \$1,472,000.

MDE's OIG Budget FY 2026			
Student Maltreatment Program	Staffing Costs	Operating Costs	Total
Federal Sped Part B	928,000	59,000	987,000
MDE's Base Budget	453,000	32,000	485,000
Total Student Maltreatment Program	1,381,000	91,000	<b>1,472,000</b>

Total funding for the entire OIG office at MDE equals \$3,690,000 million.

MDE's OIG Budget FY 2026		
Staffing Costs	Operating Costs	Total
3,345,000	345,000	<b>3,690,000</b>

MDE's Office of Inspector General currently has 20 staff members and expects to reach full staffing at 23 positions. Of the 23 positions, 10 are assigned to the Student Maltreatment Program. It is assumed that the 13 staff members assigned to the Office of Inspector General/Special Investigations Unit who are not responsible for student maltreatment will be transferred to the newly created office beginning in FY 2028.

The table below shows the positions within MDE's OIG, as well as the unit in which each staff member works the Office of Inspector General/Special Investigations Unit (OIG/SIU) and the Student Maltreatment Program (SMP).

#	Staff	Job Title	Classification	Unit
1	Filled	Inspector General	Education Director 2	OIG/SIU
1	Vacant	Deputy Inspector General	Education Director 1	OIG/SIU
1	Filled	Chief Legal Counsel	Staff Attorney 3	OIG/SIU
1	Filled	System and Data Coordinator	State Prog Admin Coordinator	OIG/SIU

# Revised

1	Filled	Office Coordinator	State Prog Admin Intermediate	OIG/SIU
1	Filled	Asst. Inspector General	Education Supervisor 2	SMP
1	Filled	Asst. Inspector General	State Prog Admin Manager Sr	OIG/SIU
6	Five Filled and One Vacant	Senior Special Investigator	Education Consultant 3	SMP
1	Filled	Lead Intake	Staff Attorney 2	SMP
1	Filled	Senior Intake Specialist	Education Consultant 3	SMP
6	Five Filled and One Vacant	Senior Special Investigator	Investigation Specialist	OIG/SIU
1	Filled	SMP Admin Support Specialist	Office & Admin. Specialist Sr.	SMP
1	Filled	Investigation Support Specialist	State Program Admin	OIG/SIU

**Article 1, Section 19, paragraph (d)** MDE assumes no additional costs associated with entering into an interagency agreement with the Office of the Inspector General. Any work required to develop and execute the agreement can be completed within existing resources.

**Article 2** MDE assumes no additional fiscal impact, as these are revisions to existing authority. Any additional responsibilities related to notifications, hearings, payment withholding, and reporting can be managed within existing agency resources.

**Expenditure and/or Revenue Formula**

SF856 2UE	FY 2026	FY 2027	FY 2028	FY 2029
MDE's OIG/SIU staff costs that will transfer to the new OIG			-2,218,000	-2,218,000

**Long-Term Fiscal Considerations**

None

**Local Fiscal Impact**

None

**References/Sources**

**Agency Contact:** Jennifer Hoppenstedt (651) 582-8472

**Agency Fiscal Note Coordinator Signature:** Betsy Hjelseth

**Phone:** 651-582-8242

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Governors Office**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
<b>Local Fiscal Impact</b>		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Adam Bolling    **Date:** 4/27/2026 3:29:04 PM  
**Phone:** 651-296-6053    **Email:** adam.bolling@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	-	1	-	-	-
Absorbed Costs	-	-	(1)	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
General Fund						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

Relates to state government, creates an advisory committee and an Office of the Inspector General. Requires external quality assurance review, reports, transfers certain agency duties, places limits and prohibits certain programs from receiving public funds. Makes conforming and technical changes, provides for interagency agreements, appropriates money, amends Minnesota Statutes.

## Assumptions

The legal and appointments team will prepare the appointment required under this bill as part of their regular appointments work. The operations team will initiate and execute the required contract for an external quality assurance review every three years.

## Expenditure and/or Revenue Formula

The Governor's Office will absorb the costs of the appointments work and the work of initiating and executing the contracted external review. The required external review contract cost would be an additional estimated \$100,000 expenditure in the future.

## Long-Term Fiscal Considerations

The required contract for an external quality assurance review will be an estimated \$100,000 every three years going into the future.

## Local Fiscal Impact

## References/Sources

# Revised

Estimate for external review is based on previous contracts for similar work and estimates of consultant fees.

**Agency Contact:** Hannah Quinn (651-888-0589)

**Agency Fiscal Note Coordinator Signature:** Hannah Quinn

**Phone:** 651-888-0589

**Date:** 4/27/2026 3:20:50 PM

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	499	499	499	499
<b>Total</b>	-	-	<b>499</b>	<b>499</b>	<b>499</b>	<b>499</b>
<b>Biennial Total</b>			<b>499</b>			<b>998</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	2.5	2.5	2.5
<b>Total</b>	-	-	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Zac Reeves      **Date:** 4/22/2026 12:53:45 PM  
**Phone:** 651-284-6437      **Email:** zac.reeves@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	499	499	499
<b>Total</b>	<b>-</b>	<b>-</b>	<b>499</b>	<b>499</b>	<b>499</b>
<b>Biennial Total</b>			<b>499</b>		<b>998</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	499	499	499
<b>Total</b>	<b>-</b>	<b>-</b>	<b>499</b>	<b>499</b>	<b>499</b>
<b>Biennial Total</b>			<b>499</b>		<b>998</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>			<b>-</b>		<b>-</b>

## Bill Description

This bill establishes an Office of Inspector General (OIG), creates an advisory committee, requires various reports, appropriate funds, and modifies various statutes. This bill authorizes the OIG to, among other things, inspect, evaluate, and investigate state executive branch agencies and programs to identify fraud and misuse, making recommendations for program changes to prevent fraud and misuse, and protect the integrity of use of public funds, data, and systems. The bill also authorizes the OIG to investigate any public or private entity that receives public funds to ensure compliance with applicable laws, proper use of funds, and adherence to program requirements. The bill assigns primary responsibility to The Minnesota Department of Health (MDH) to investigate fraud related to Women, Infants, and Children (WIC) and related food support programs, but it also states that the OIG has authority to conduct independent investigations related to WIC programs, if the OIG so chooses.

## Assumptions

The bill does not include an appropriation to MDH. The bill directs the Office of the Inspector General to enter into the interagency agreement with MDH. We assume the department will require an appropriation of \$499,000, annually.

### General Counsel and Internal Audit

The bill will result in an increased demand for legal advice and support relating to issues that come out of or are implicated by OIG activities. MDH assumes that the following tasks and additional support would be needed should an investigation or review request be initiated by the Office of the Inspector General. General Counsel Office would need an additional 0.5 FTE Staff Attorney 3 to provide additional legal advice and counsel to MDH due to the creation of an OIG and the increase in oversight. In particular, there will be a need for legal review of reports to the OIG, of referrals from the OIG, ensuring compliance with data privacy laws when sharing data with the OIG, addressing the complex interaction of federal WIC program requirements while cooperating with OIG investigative activities in that program area.

With an influx of reports and reporting requirements, the MDH Internal Audit and Assessments Office, the main point of contact at the agency for all external audit and investigatory activities, would need an additional 1.0 FTE, Administrative Officer, to serve as the primary liaison between MDH and the OIG. This role would ensure timely communication, consistent interpretation of reporting requirements, coordinate and conduct investigations with the OIG, and follow up on any program integrity findings or recommendations from the OIG.

### Grants

MDH Grants Office would need to update various forms and templates to ensure compliance with new legislative requirements, including but not limited to the grant agreement templates, and monitoring checklists. This work is already performed by the Grants Office, in partnership with General Counsel and Internal Audit. The requirement set forth in this bill does not significantly change the resources MDH needs to comply with this requirement.

# Revised

## WIC

MDH WIC requires a 1.0 FTE Health Care Program Investigator to collaborate with and coordinate reporting to the OIG on investigations to ensure federal reporting and other regulatory requirements are met, while also satisfying WIC's obligations under this bill. This FTE is based on the department's experience implementing WIC investigative work under the 7 CFR 246, WIC's federal regulations. MDH assumes that WIC staff time would be needed to comply with the bill's language and send all final investigative findings to the Office of the Inspector General (OIG). Based on past experience, MDH assumes it would send final investigative reports for about 60 vendor investigations and 15 participant investigations per year. Although the state submits an annual Food Delivery Portal (FDP) report to the USDA that includes vendor case findings, it is formatted only for the FDP system, is not easily understood by external parties, and may be submitted up to 20 months after a case is closed. As a result, MDH assumes that WIC would need to prepare separate, timely, and externally readable reports for OIG as each case is finalized. Currently, WIC conducts investigations internally using specialized systems and trained staff, integrating findings directly into its workflow without producing standalone external reports. MDH assumes that under this bill, WIC would perform an additional parallel reporting process, requiring WIC to extract and translate complex data from multiple systems, prepare formal case summaries, and provide ongoing technical assistance to OIG to ensure accurate interpretation of WIC rules and transaction data. Because WIC is federally required to report and resolve all investigations, MDH assumes that WIC would also need to ensure timely receipt, review, and integration of any OIG findings into its federal reporting.

### Expenditure and/or Revenue Formula

Program Implementation - Health Improvement					
Expenditure (Actual Dollars)	Amount	FY 2026	FY 2027	FY 2028	FY 2029
Full-time Equivalent (FTE) Staff		FTE	FTE	FTE	FTE
Health Care Program Inves Sr	185,897		1.0	1.0	1.0
	FTE	0.00	1.00	1.00	1.00
	Subtotal	0	185,897	185,897	185,897
Information Technology:					
	Subtotal	0	0	0	0
Other Operating Costs:					
	Subtotal	0	0	0	0
<b>Total Expenditures</b>	<b>Total</b>	<b>0</b>	<b>185,897</b>	<b>185,897</b>	<b>185,897</b>
Fiscal Tracking (Dollars in Thousands)		FY 2026	FY 2027	FY 2028	FY 2029
1000 - General Fund (GF)					
Health Improvement BACT 01		0	186	186	186
Program Implementation		0	186	186	186

# Revised

Program Implementation - Health Operations					
Expenditure (Actual Dollars)	Amount	FY 2026	FY 2027	FY 2028	FY 2029
<b>Full-time Equivalent (FTE) Staff</b>		FTE	FTE	FTE	FTE
Admin Officer	196,386		1.0	1.0	1.0
Staff Attorney 3	233,362		0.5	0.5	0.5
	<b>FTE</b>	<b>0.00</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
	<b>Subtotal</b>	<b>0</b>	<b>313,067</b>	<b>313,067</b>	<b>313,067</b>
<b>Information Technology:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditures</b>	<b>Total</b>	<b>0</b>	<b>313,067</b>	<b>313,067</b>	<b>313,067</b>
<b>Fiscal Tracking (Dollars in Thousands)</b>		FY 2026	FY 2027	FY 2028	FY 2029
<b>1000 - General Fund (GF)</b>					
<b>Health Operations BACT 04</b>		<b>0</b>	<b>313</b>	<b>313</b>	<b>313</b>
Program Implementation		0	313	313	313

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Brendan Wright

**Date:** 4/22/2026 7:13:48 AM

**Phone:** 651-443-1415

**Email:** brendan.wright@state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	3,530	4,082	4,082	
<b>Total</b>	-	-	<b>3,530</b>	<b>4,082</b>	<b>4,082</b>	
<b>Biennial Total</b>			<b>3,530</b>			<b>8,164</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	23.25	31	31
<b>Total</b>	-	-	<b>23.25</b>	<b>31</b>	<b>31</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised to correct an error in the tables, which did impact the overall cost (savings) table of the fiscal note.

**LBO Signature:** Kate Schiller    **Date:** 4/29/2026 5:32:24 PM  
**Phone:** 651-296-6052    **Email:** kate.schiller@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	3,530	4,082	4,082	-
<b>Total</b>	-	-	<b>3,530</b>	<b>4,082</b>	<b>4,082</b>	-
<b>Biennial Total</b>			<b>3,530</b>		<b>8,164</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	3,530	4,082	4,082	-
<b>Total</b>	-	-	<b>3,530</b>	<b>4,082</b>	<b>4,082</b>	-
<b>Biennial Total</b>			<b>3,530</b>		<b>8,164</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-		-	

## Bill Description

This bill establishes a statewide Office of the Inspector General. The Inspector General Office will conduct inspections, evaluations, and investigations of state executive branch agencies to identify fraud or misuse of public resources. The office will operate in conjunction and complement the efforts of existing department inspectors general.

## Assumptions

The creation of a new centralized state Office of Inspector General (OIG) is expected to significantly increase the volume of reported fraud, waste and abuse tips, investigations, and interagency coordination, including sharing agency data on investigations and provider payments. The bill's requirements for coordinating and facilitating the work of the new central OIG department requires additional staffing and resources across the Department of Human Services (DHS).

### Expanded Investigative Capacity within DHS OIG-PIO

DHS anticipates an increase in tips and corresponding expectations for timely investigation once a central OIG is established. In addition, DHS may receive direction from the central OIG to conduct investigations or claims reviews that exceed the department's current capacity. To meet this demand, DHS anticipates needing nine additional full-time employees (FTEs) within its OIG Program Integrity Oversight (OIG-PIO) division.

The FTE needs in OIG-PIO include two preliminary investigator positions (MAPE 11L) to expand the preliminary investigations team. These preliminary investigators receive referrals and complaints and determine if there is a credible allegation of fraud by reviewing claims and records, doing background research, conducting interviews and site visits, and coordinating with other units.

Four provider investigator positions (MAPE 14L) are needed to support the provider investigations unit. These investigators go beyond the work of the preliminary investigators and are responsible for analyzing and finding patterns in large volumes of claims/billing data, documentation, and staffing records. The investigators build the fraud case and establish the financial impact. They are required to work closely with the legal department, other units in DHS and with law enforcement.

Finally, the three positions (MAPE 17L) dedicated to work related to Limits on Receiving Public Funds, under Minn. Stat. 245.095 will identify individuals and entities that must be excluded from the public programs administered by DHS. The positions support interagency coordination when exclusions occur at the state and federal levels and may authorize payment withholds when there is a credible allegation of fraud.

# Revised

## Increased Legal Workload and Legal Counsel Needs

DHS OIG Office of Legal Counsel will also require additional resources to manage the anticipated growth in investigations, referrals, and legal coordination with the central OIG and other state and federal agencies. Nine FTEs are projected to support this expanded workload.

This includes one senior attorney (staff attorney 3, MAPE 22L) to serve as the subject matter expert on Limits on Receiving Public Funds and the exclusion of individuals and entities no longer entitled to receive public money. The staff attorney 3 will also perform the lead work on Memoranda of Understanding (MOUs) and data-sharing agreements between DHS and the central OIG. This role will also coordinate with external partners such as the U.S. Department of Justice, the Medicaid Fraud Control Unit (MFCU), and the Minnesota Bureau of Criminal Apprehension (BCA). This position will be particularly important as increased enforcement activity raises complex jurisdictional and legal questions.

## Additional Attorneys and Legal Supervision

Beyond the senior attorney, DHS OIG Legal Counsel will require three additional attorney 2 positions (MAPE 19L) to address increased referrals for investigations, preponderance-of-the-evidence (POEs) disqualifications, and other disqualifications (DQs), as well as expanded program integrity and licensing actions tied to Limits on Receiving Public Funds. The senior attorney and three attorney 2s will be overseen by a staff attorney supervisor (MMA 27K), ensuring appropriate management and coordination of legal work.

## Legal Support Staffing Needs

The expansion of attorney staff in DHS OIG requires additional support personnel to manage workflow and operations. DHS OIG Legal Counsel will require three support FTEs, including a data and project management position (MAPE 14L), a systems support position (MAPE 7L), and a human services program representative (MAPE 11L) to handle increased volume of OIG Legal Counsel workload. These staff will be supervised by a dedicated supervisor (MMA 18K).

## Data, Research, and Provider Services Capacity

Additional resources will be needed in DHS operational divisions to support increased data and provider-related activity. The Health Care Research and Quality (HRQ) division will require six FTEs (MAPE 17L) to respond to anticipated growth in data requests, including subpoenas, service and utilization reports, and other ad hoc analyses. The Medicaid Payment and Provider Services (MPPS) division will need three additional FTEs (MAPE 11L) to manage increased provider transactions associated with payment investigations and recoveries.

## Data Analytics, Integration, and Product Development Capacity

The creation of a centralized OIG will also require enhanced data analytics, reporting, and system integration capabilities to support investigative work, public transparency, and interagency coordination. The UE2 version of the bill adds data sharing requirements not found in the 10th engrossment. Within DHS OIG's Data, Systems, Analytics, and Integration (DSAI) unit, additional staffing is necessary to meet these requirements. DHS will require two Data Analyst positions (MAPE 18L) to provide operational analytics, dashboards, and investigative support. These roles will be responsible for developing and maintaining dashboards, conducting case-level analysis such as claims history and utilization patterns, producing required reports and performance metrics, and partnering with subject matter experts to validate findings and minimize false positives. These functions are critical to meeting anticipated public reporting requirements and ensuring that data outputs are accessible, actionable, and supportive of collaboration between DHS and the central OIG.

In addition, DHS will require one Analytics Engineer (MAPE 20L) to design and maintain analytic datasets and data pipelines that enable secure, timely data sharing with the central OIG while also supporting internal analytics needs. The proposed legislation requires cross-agency data sharing and coordination, which necessitates robust data engineering infrastructure. This role will work closely with MNIT to develop and maintain batch and near real-time data pipelines, standardize and integrate data across key systems such as MMIS and provider enrollment systems, implement data quality and validation controls, and ensure secure data access in compliance with applicable requirements.

Finally, DHS will require one Product Manager (MAPE 18L) to lead the design, development, and continuous improvement

# Revised

of digital product integrations between DHS OIG and the central OIG. The operational demands created by the legislation including increased investigations, coordination, and reporting require integrated digital workflows rather than siloed systems. This position will define and manage product integrations for program integrity tools, align DHS systems with central OIG case management and analytics workflows, coordinate across MNIT, OIG, and DHS divisions, and support adoption, training, and change management to ensure effective implementation.

FTEs are assumed to begin October 2026, and require an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,506. Fringe benefits are estimated using the most recent union contracts.

IT systems changes would be required to implement this change in by building out the SQL database capabilities on Azure database platform. These systems changes are estimated to require 6,422 hours of work, take approximately 12 months to complete, and cost \$924,000 in each year for ongoing development. State share is assumed at 50%. MNIT needs three full-time staff to setup and maintain the new database to move investigation and payment and funding information to the central Office of Inspector General. There is also \$40,000 in software and hardware maintenance related to the database. This estimate includes the following assumptions:

-The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.

## Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2026	FY2027	FY2028	FY2029
GF	18	OIG Admin FTEs (0, 13.5, 18, 18)	0	2,745	3,234	3,234
GF	13	HCA Admin FTEs (0, 4.5, 6, 6)	0	941	1,113	1,113
GF	18	OIG DSAI FTEs (0, 3, 4, 4)	0	650	772	772
REV1	11	Admin FFP @ 32%	0	(1,388)	(1,638)	(1,638)
GF	11	HCA Admin FTEs (State Share @ 29%) (0, 2.25, 3, 3)	0	120	139	139
GF	11	MNIT systems updates SQL database (50% state share)	0	462	462	462
		<b>Total Net Fiscal Impact</b>		<b>3,530</b>	<b>4,082</b>	<b>4,082</b>
		<b>Full Time Equivalents</b>		23.25	31	31

## Long-Term Fiscal Considerations

## Local Fiscal Impact

## References/Sources

### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Chris Zempel

**Date:** 4/29/2026 5:22:50 PM

# Revised

**Phone:** 651-247-3698

**Email:** [christopher.zempel@state.mn.us](mailto:christopher.zempel@state.mn.us)

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Legislature**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	29	7	7	
<b>Total</b>	-	-	<b>29</b>	<b>7</b>	<b>7</b>	
<b>Biennial Total</b>			<b>29</b>			<b>14</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns      **Date:** 4/17/2026 5:05:13 PM  
**Phone:** 651-297-1423      **Email:** chloe.burns@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	-	29	7	7	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>7</b>	<b>7</b>	
<b>Biennial Total</b>			<b>29</b>		<b>14</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	-	54	19	19	
Absorbed Costs	-	-	(25)	(12)	(12)	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>7</b>	<b>7</b>	
<b>Biennial Total</b>			<b>29</b>		<b>14</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund						
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

## Bill Description

The bill establishes an Office of Inspector General (OIG) as an independent cabinet level agency within the executive branch with the inspector general reporting to the governor. The bill requires the Office of the Legislative Auditor (OLA) to refer all reports of waste, fraud, and abuse to the OIG. The salary of the inspector general is determined by the Compensation Council under Minnesota Statutes 15A.082.

A Legislative Inspector General Advisory Commission (LIGAC) comprised of eight legislators is established to recommend candidates to serve as the inspector general, make recommendations for appointment of the inspector general to the governor, and conduct hearings to review the work of the inspector general. The inspector general is appointed by the governor, after consideration of recommendations by LIGAC, and with a confirmation vote by the Senate. The inspector general serves a five-year term, may be appointed to unlimited additional terms, but can be removed by the governor before the expiration of a term for cause after a public hearing conducted by the governor and approval of both the House and the Senate. The governor may contract for a review of the inspector general every three years and publicly post findings.

LIGAC appointments must be made by August 1 and its first meeting must occur by September 15. Candidate recommendations by the commission must be submitted by January 1. Members may be compensated and receive reimbursement of expenses. The Legislative Coordinating Commission (LCC) must provide meeting space and staffing assistance to the LIGAC.

The OIG must be operational by September 1. Each State agency must highlight on its website the fraud reporting tools administered by the OIG and the OLA.

## Assumptions

1. The Office of the Governor will develop the inspector general position description.
2. The Compensation Council will establish the salary of the inspector general as part of its responsibilities to determine the salary of agency heads. This will require additional research and support to the council by the LCC but is assumed to be a nominal amount of staff resource time and associated cost will be absorbed.
3. The LCC will assist the LIGAC to arrange for the use of existing meeting space on the Capitol complex and post meeting notifications and materials, including web streaming of meetings. LCC commission staff will attend the meetings to take meeting minutes.

# Revised

4. Appointments to the LIGAC by the legislature will follow existing appointment processes and will not result in additional costs to the legislature. The appointments will include two appointments of legislators from each of the following: majority leader of the senate, minority leader of the senate, speaker of the house, and minority leader of the house.
5. The LIGAC will meet two times between September 15, 2026, and September 30, 2026, to work collaboratively with the Office of the Governor to develop a recruitment plan for the inspector general position. The meetings will occur during the FY27 interim.
6. The inspector general position will be posted and open for application between October 1, 2026, and October 31, 2026.
7. The LCC will assist the LIGAC in a nation-wide posting of the inspector general position. Posting cost is projected to be \$2,000 in FY27. Additional funds will be needed by the LCC.
8. Applications will be submitted to the LCC. The executive director of the LCC will coordinate a screening of applications for minimum qualifications in consultation with nonpartisan House and Senate offices. This is estimated to take 40 hours of time (.02 FTE) in FY27 for each office using existing staff resource and costs may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
9. Criminal background checks will be conducted as a part of the candidate screening process at a total cost of \$1,000 in FY2027. Additional funds will be needed by the LCC.
10. Members of the LIGAC will conduct professional reference checks for finalists or will request this be performed by the LCC. The LCC will conduct a partisan review of candidates. Associated cost will be absorbed.
11. The LIGAC will meet six times between November 1 and December 31, 2026, to interview candidates and identify candidates to recommend to the governor. The meetings will occur during the FY27 interim.
12. The commission will hold three meetings prior to January 1, 2027, to provide recommendations on merging the Financial Crimes and Fraud Section of the Department of Public Safety into the OIG. These meetings will occur during the FY27 interim.
13. The LIGAC will conduct meetings every other month beginning in January 2027 through December 2027 to review the work of the inspector general. Beginning in January 2028 they will meet quarterly. This equates to an additional three meetings in FY27 (all occurring during session), a total of six meetings in FY28 (three during session and three interim), and total of four meetings beginning FY29 and beyond (one during session and three interim).
14. Senate Counsel, Research and Fiscal Analysis may follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .03 FTE in FY27 and then .01 FTE FY28 and beyond. For this fiscal note we assume existing Senate staff will be utilized, and nominal associated cost may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
15. House Research Department and House Fiscal Analysis Department may follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .03 FTE in FY27 and then .01 FTE beginning FY28 and beyond. For this fiscal note we assume existing House staff will be utilized, and nominal associated costs may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
16. The LCC director will follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .04 FTE in FY27 and then .02 FTE beginning FY28 and beyond.
17. The LCC will provide commission assistance for preparation and staffing of the meetings of the LIGAC. This equates to .04 FTE of staff time in FY27 and then .02 FTE beginning FY28 and beyond. The LCC will also provide technical staff assistance for the streaming of the LIGAC meetings. This equates to .02 FTE of staff time in FY27, and .01 FTE beginning FY28 and beyond. For this fiscal note we assume existing LCC staff will be utilized, and associated staff cost may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
18. Members of the LIGAC will receive per diem and expense reimbursement for participation in meetings. Legislative member meeting participation costs includes the following per member, per legislative interim meeting: per diem (\$86 senators, \$86 representatives), and \$110 round trip mileage (152 round trip mile average). Half of the legislative members will be reimbursed for lodging expenses (\$200/night senators, \$175/night representatives). New funds would be needed for the associated costs.
19. The inspector general will serve a five-year term with the position and may be appointed to unlimited terms. It is assumed the LIGAC will meet every 5 years to review the appointment, as well as any time there is a vacancy in the position, to make recommendations to the Governor.
20. The appointment of the inspector general is subject to a vote of three-fifths of the senate. It is assumed that this vote will occur as part of the work of the senate and will not require any additional resources.
- 21.

# Revised

This note does not project cost that the Office of the Governor may have with regards to participation in any meetings of the LIGAC and/or with the OIG.

## **Expenditure and/or Revenue Formula**

<b><u>LIGAC Member Meeting Participation Cost</u></b>				
Cost Category	FY26	FY27	FY28	FY29
Senate Member Mtg Participation Cost	0	13,033	3,554	3,554
House Member Mtg Participation Cost	0	12,483	3,404	3,404
<b>Total Member Mtg Participation Cost (rounded)</b>	<b>0</b>	<b>26,000</b>	<b>7,000</b>	<b>7,000</b>
<b><u>Staffing Cost</u></b>				
Cost Category	FY26	FY27	FY28	FY29
SCRFA staff support - Counsel & Analyst II (.03 FTE FY27, .01 FY28 - FY29, cost absorbed by Senate)	0	4,647	1,549	1,549
HRD & HFA staff support - Counsel & Analyst II (.03 FTE FY27, .01 FTE FY28 - FY29, cost absorbed by the House)	0	4,635	1,545	1,545
LCC Executive Director (.04 FTE FY27, .02 FTE FY28 - FY29, cost absorbed by the LCC)	0	10,462	5,231	5,231
LCC Commission Assistant (.04 FTE FY27, .02 FTE FY28-FY29, cost absorbed by the LCC)	0	3,947	1,974	1,974
LCC IS Specialist (.02 FTE FY27, .01 FTE FY28-FY29 cost absorbed by the LCC)	0	1,284	1,284	1,284
<b>Total Staff Cost (rounded)</b>	<b>0</b>	<b>25,000</b>	<b>12,000</b>	<b>12,000</b>
Senate Staff Cost Absorbed	0	(4,647)	(1,549)	(1,549)
House Staff Cost Absorbed	0	(4,635)	(1,545)	(1,545)
LCC Staff Cost Absorbed	0	(15,694)	(8,489)	(8,489)
<b>Total Staff Cost Absorbed (rounded)</b>	<b>0</b>	<b>(25,000)</b>	<b>(12,000)</b>	<b>(12,000)</b>
<b>Net Staff Cost (rounded)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Candidate Search Related Cost</u></b>				
Cost Category	FY26	FY27	FY28	FY29
Posting of Inspector General Position	0	2,000	0	0
Background Search of Final Candidates	0	1,000	0	0

# Revised

<b>Total Candidate Search Related Cost (rounded)</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>0</b>
<u><b>Total Cost</b></u>				
Cost Category	FY26	FY27	FY28	FY29
Total Member Mtg Participation Cost (rounded)	0	26,000	7,000	7,000
Total Staff Cost (rounded)	0	25,000	12,000	12,000
Total Candidate Search Cost (rounded)	0	3,000	0	0
<b>Total Cost (rounded)</b>	<b>0</b>	<b>54,000</b>	<b>19,000</b>	<b>19,000</b>
<b>Total Cost Absorbed (existing legislative staff) (rounded)</b>	<b>0</b>	<b>(25,000)</b>	<b>(12,000)</b>	<b>(12,000)</b>
<b>Net Total Cost (rounded)</b>	<b>0</b>	<b>29,000</b>	<b>7,000</b>	<b>7,000</b>

**Long-Term Fiscal Considerations**

Every five (or more frequently if a vacancy exists) there will be additional work, similar to the FY27 costs, by the LIGAC to recommend candidates for the inspector general position to the governor.

**Local Fiscal Impact**

N/A

**References/Sources**

- Emily Adriaens, House of Representatives
- Matt Gehring, House of Representatives
- Tom Bottern, Minnesota Senate
- Eric Nauman, Minnesota Senate
- Alexis Stangl, Minnesota Senate
- Michelle Yurich, Legislative Coordinating Commission

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Diane Henry  
**Phone:** 651-296-1121

**Date:** 4/17/2026 12:35:06 PM  
**Email:** [diane.henry@lcc.mn.gov](mailto:diane.henry@lcc.mn.gov)

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns    **Date:** 4/28/2026 11:27:45 AM  
**Phone:** 651-297-1423    **Email:** chloe.burns@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

SF856-2E is a bill that allows for the design and establishment of a statewide Office of the Inspector General (OIG) that would operate independently of all state executive branch agencies and be overseen by a committee set up by the legislature. Minnesota Management and Budget (MMB) is specifically mentioned in SF856-2E related to the placement of employees of the OIG relating to state employee collective bargaining agreements and compensation plans. MMB must also receive written certification that OIG has assumed responsibility for assigned duties.

## Assumptions

MMB assumes that the Department of Administration will provide the support for establishing the new Office of Inspector General including finance, human resources and legal support

## Expenditure and/or Revenue Formula

MMB does not anticipate additional direct costs for our agency associated with this bill. MMB will offer technical assistance to the Department of Administration as they navigate implementation of the OIG as part of our regular duties.

## Long-Term Fiscal Considerations

## Local Fiscal Impact

## References/Sources

**Agency Contact:** Ronika Rampadarat 651-201-8115

**Agency Fiscal Note Coordinator Signature:** Ronika Rampadarat

**Phone:** 651-201-8115

**Date:** 4/28/2026 11:16:58 AM

**Email:** ronika.rampadarat@state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Office of the Legislative Auditor**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Chloe Burns    **Date:** 4/21/2026 10:45:48 AM  
**Phone:** 651-297-1423    **Email:** chloe.burns@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

This bill relates to state government; establishes an Office of Inspector General; appropriates funds; and proposes codification of new law in Minnesota Statutes, chapters 3 and 15.

Article 1, Section 1 of the bill requires the legislative auditor to refer all credible reports from the public about potential fraud or misuse to the inspector general, and the legislative auditor may coordinate reviews and investigations with the inspector general when coordination conserves resources and does not compromise the reviews or investigations.

Section 7 requires the inspector general to refer all credible reports from the public about potential fraud or misuse to the legislative auditor, and to the commissioner of human services for reports related to Medicaid. The inspector general may coordinate investigations with the legislative auditor, and the commissioner of human services for investigations related to Medicaid, when coordination conserves resources and does not compromise an investigation.

Section 10 requires the commissioner or head of each executive branch department or agency to prominently highlight on the department's or agency's website the fraud reporting tools administered by the Office of the Inspector General under this chapter, and by the Office of the Legislative Auditor. In addition, it requires that as part of any grant agreement between the state and a nonprofit organization, the agreement must require the nonprofit organization to prominently highlight on the organization's website the fraud reporting tools administered by the Office of the Inspector General under this chapter, and by the Office of the Legislative Auditor under chapter 3.

Section 11 allows the inspector general to disseminate data of any classification, to include not public data, to certain organizations, including the legislative auditor.

Section 13 requires the inspector general to submit a report by December 1, 2027, and each December thereafter, to the legislative auditor and the chairs and ranking minority members of the legislative committees with jurisdiction over state government and data practices regarding all investigations the inspector general did not open after receiving a tip or complaint or decided to no longer actively pursue for the preceding calendar year. The report must include, at minimum, summary data for certain information, including referrals to other agencies or the legislative auditor.

Section 16 requires employees or officers of the state, University of Minnesota, or other certain organizations that if they discover evidence of fraud, theft, embezzlement, or other unlawful use of public funds or property, that the employees or officers shall, except when to do so would knowingly impede or otherwise interfere with an ongoing criminal investigation, promptly report in writing to the legislative auditor and the inspector general appointed under chapter 15E a detailed description of the alleged incident or incidents.

## Assumptions

The Office of the Legislative Auditor will be able to fulfill its obligations outlined in this bill as part of its current operations.

# Revised

## Expenditure and/or Revenue Formula

## Long-Term Fiscal Considerations

## Local Fiscal Impact

## References/Sources

**Agency Contact:** Scott Dunning

**Agency Fiscal Note Coordinator Signature:** Scott Dunning

**Phone:** 651-358-9953

**Date:** 4/21/2026 10:11:17 AM

**Email:** scott.dunning@state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Public Defense Board**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 4/28/2026 10:23:31 AM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

The bill would create the office of inspector general in the executive branch and creates a legislative inspector general advisory commission. The inspector general is authorized to conduct inspections, evaluations and investigations of executive branch agencies and programs as well as identify fraud, waste, abuse and inefficiencies and make recommendations for program changes.

A person refusing to obey an lawful direction of the inspector general or who withholds information after having been required to do so by a subpoena can be held in contempt and any person who swears falsely concerning a matter under oath is guilty of a gross misdemeanor.

## Assumptions

There is not enough information to determine if there would be an impact on caseloads or workloads as a result of the criminal penalties in the bill.

## Expenditure and/or Revenue Formula

## Long-Term Fiscal Considerations

## Local Fiscal Impact

## References/Sources

### Agency Contact:

**Agency Fiscal Note Coordinator Signature:** Kevin Kajer

**Phone:** 612-279-3508

**Date:** 4/15/2026 11:17:06 AM

**Email:** Kevin.kajer@pubdef.state.mn.us

# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Sentencing Guidelines Comm**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Jim Carlson      **Date:** 4/17/2026 1:28:58 PM  
**Phone:** 651-284-6540      **Email:** jim.carlson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

The bill establishes the Office of the Inspector General and provides the office with powers and duties.

Article 1, section 9, give the Inspector General auxiliary powers possessed by courts of law to issue and have subpoenas served. A person who swears falsely concerning any matter stated under oath is guilty of a gross misdemeanor.

Article 1, section 10, enacts Minn. Stat. § 15E.35 (Identification of Fraud Reporting Tool) which requires each agency to prominently highlight on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor under chapter 3.

The bill is generally effective January 1, 2027.

## Assumptions

It is assumed that the gross misdemeanor takes effect January 1, 2027, and applies to crimes committed on or after that date. It is assumed that, because there are no felony penalties, there will be no impact on state correctional resources. MSGC has no information about how often the new gross misdemeanor will be prosecuted and result in a conviction.

It is assumed that, while the MSGC is not named in the bill as one of the agencies, it will comply with prominently highlighting on its website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor under chapter 3, if required to do so.

## Expenditure and/or Revenue Formula

## Long-Term Fiscal Considerations

None.

## Local Fiscal Impact

Unknown.

## References/Sources

# Revised

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Jill Payne

**Phone:** 651-757-1725

**Date:** 4/17/2026 7:27:40 AM

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# Revised

**Fiscal Note**

**2025-2026 Legislative Session**

**SF856 - 2UE - Office of Inspector General Established**

Chief Author: **Heather Gustafson**  
 Committee: **Ways And Means**  
 Date Completed: **4/29/2026 5:35:42 PM**  
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
<b>Total</b>		-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 4/28/2026 10:22:26 AM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

## Bill Description

SF856-2UE (the "Bill") establishes an Office of the Inspector General (OIG), codified at Minn. Stat. §§ 15E.10-.65, to ensure accountability, transparency, and integrity in the operations of state agencies and programs.

Relevant to the judicial branch:

Under section 7 of the bill, section 15E.25, the inspector general has the authority and responsibility to investigate any public or private entity that receives public funds, to refer matters for civil or criminal action to appropriate authorities, and to seek a court order to freeze or cease distribution of public funds.

Under section 8, section 15E.27, the inspector general has the power to establish a law enforcement agency and appoint peace officers who have the authority to arrest persons and investigate matters within the jurisdiction of the office.

Under section 9, section 15E.30, the inspector general has the powers possessed by the courts to issue subpoenas; if a person refuses or neglects to obey a lawful direction of the inspector general or withholds information called for by the inspector general after having been lawfully required by order or subpoena, the inspector general may apply to a judge of district court in the county where the order or subpoena was made and the judge shall compel obedience or punish disobedience as contempt; and subd. 3(b), provides that "A person who swears falsely concerning any matter stated under oath is guilty of a gross misdemeanor."

The bill also establishes a transition period and process for certain employees in an office of inspector general for a state department or agency to transition to employment under the Office of the Inspector General; appropriates funds to the Office of the Inspector General; and makes conforming amendments.

## Assumptions

It is unknown whether the language in section 15E.30, subdivision 3(b) will be applied to perjury in circumstances other than related to inspector general matters as the language is not limited to such matters, and whether such offenses will be charged as gross misdemeanors under this provision or felonies under section 609.48.

It is assumed that any increase in court filings resulting from the provisions in sections 7-9 would not have a measurable impact on case filing rates or judicial branch resources. Other agencies and entities already have authority to investigate these types of violations of the law and refer them for civil or criminal action. It is also assumed that some cases referred for criminal charges will be prosecuted in federal court rather than state court. Additionally, case filing rates for perjury are relatively low, with an average of 25 cases filed statewide per year.

## Expenditure and/or Revenue Formula

# Revised

This bill is not anticipated to have a significant fiscal impact on the Minnesota Judicial Branch, and any potential increase in case filings as a result of this bill will be absorbed.

## Long-Term Fiscal Considerations

None.

## Local Fiscal Impact

## References/Sources

### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Anna Borgerding

**Phone:** 651-297-7579

**Date:** 4/28/2026 10:19:59 AM

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