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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3881

03/02/2026

Authored by Virnig

The bill was read for the first time and referred to the Committee on Elections Finance and Government Operations

1.1 A bill for an act

1.2 relating to metropolitan government; modifying small business contracting

1.3 requirements and requiring report to the legislature on compliance; repealing

1.4 compliance plan requirements for certain public contracts over a threshold amount;

1.5 amending Minnesota Statutes 2025 Supplement, section 473.142; repealing

1.6 Minnesota Statutes 2024, section 473.144.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2025 Supplement, section 473.142, is amended to read:

1.9 **473.142 SMALL BUSINESSES.**

1.10 Subdivision 1. Preference awards. ~~(a)~~ The Metropolitan Council and agencies specified

1.11 in section 473.143, subdivision 1, may award a preference up to the percentage under section

1.12 16C.16, subdivision 6, paragraph (a), for specified goods or services to small targeted group

1.13 businesses and veteran-owned small businesses designated under section 16C.16. The

1.14 council and each agency specified in section 473.143, subdivision 1, may award a preference

1.15 up to the percentage under section 161.321, subdivision 2, paragraph (a), in the amount bid

1.16 for specified construction work to small targeted group businesses and veteran-owned small

1.17 businesses designated under section 16C.16.

1.18 Subd. 2. Designations. ~~(b)~~ The council and each agency specified in section 473.143,

1.19 subdivision 1, may designate a contract for construction, goods, or services for award ~~only~~

1.20 to small businesses or small targeted group businesses designated under section 16C.16 if

1.21 the council or agency determines that at least three small businesses or small targeted group

1.22 businesses are likely to respond to a solicitation. The council and each agency specified in

1.23 section 473.143, subdivision 1, may designate a contract for construction, goods, or services

1.24 for award only to veteran-owned small businesses designated under section 16C.16 if the

2.1 council or agency determines that at least three veteran-owned small businesses are likely
2.2 to respond to a solicitation.

2.3 **Subd. 3. Contract requirements.** ~~(e)~~ The council and each agency specified in section
2.4 473.143, subdivision 1, as a condition of awarding or approving a contract, may set goals
2.5 that require the prime contractor to subcontract a portion of the contract to small businesses,
2.6 small targeted group businesses ~~and, or~~ veteran-owned small businesses designated under
2.7 section 16C.16. The council or agency must establish a procedure for granting waivers from
2.8 the subcontracting requirement when qualified small businesses, small targeted group
2.9 businesses ~~and, or~~ veteran-owned small businesses are not reasonably available. The council
2.10 or agency may establish financial incentives for prime contractors who exceed the goals
2.11 for use of subcontractors and financial penalties for prime contractors who fail to meet goals
2.12 under this ~~paragraph~~ subdivision. The subcontracting requirements of this ~~paragraph~~
2.13 subdivision do not apply to prime contractors who are small businesses, small targeted
2.14 group businesses ~~and, or~~ veteran-owned small businesses. At least 75 percent of the value
2.15 of the subcontracts awarded to small targeted group businesses under this ~~paragraph~~
2.16 subdivision must be performed by the business to which the subcontract is awarded or by
2.17 another small targeted group business. At least 75 percent of the value of the subcontracts
2.18 awarded to veteran-owned small businesses under this ~~paragraph~~ subdivision must be
2.19 performed by the business to which the subcontract is awarded or another veteran-owned
2.20 small business.

2.21 **Subd. 4. Direct solicitation.** ~~(d)~~ The council and each agency listed in section 473.143,
2.22 subdivision 1, may award a contract for construction, goods, or services directly to small
2.23 businesses, small targeted group businesses, or veteran-owned small businesses designated
2.24 under section 16C.16, up to a total contract award value, including extension options, of
2.25 the amount specified in section 16C.16, subdivision 6, paragraph (b), without completing
2.26 a competitive solicitation process.

2.27 **Subd. 5. Authorized rulemaking.** ~~(e)~~ The council and each agency may adopt rules to
2.28 implement this section.

2.29 **Subd. 6. Prompt payment.** ~~(f)~~ Each council or agency contract must require the prime
2.30 contractor to pay any subcontractor within ten days of the prime contractor's receipt of
2.31 payment from the council or agency for undisputed services provided by the subcontractor.
2.32 The contract must require the prime contractor to pay interest of 1-1/2 percent per month
2.33 or any part of a month to the subcontractor on any undisputed amount not paid on time to
2.34 the subcontractor. The minimum monthly interest penalty payment for an unpaid balance
2.35 of \$100 or more is \$10. For an unpaid balance of less than \$100, the prime contractor must

3.1 pay the actual penalty due to the subcontractor. A subcontractor who prevails in a civil
3.2 action to collect interest penalties from a prime contractor must be awarded its costs and
3.3 disbursements, including attorney fees, incurred in bringing the action.

3.4 Subd. 7. **Applicability.** (~~g~~) This section does not apply to procurement financed in whole
3.5 or in part with federal funds if the procurement is subject to federal disadvantaged, minority,
3.6 or women business enterprise regulations. The council and each agency must report to the
3.7 commissioner of administration on compliance with this section. The information must be
3.8 reported at the time and in the manner requested by the commissioner.

3.9 Subd. 8. **Legislative report.** By February 1 of each year, the council shall submit a
3.10 report to the legislature concerning contract awards during the preceding calendar year. At
3.11 a minimum, the report must include:

3.12 (1) a summary of any programs that specifically work with small businesses and small
3.13 targeted businesses;

3.14 (2) a review of the use of preferences for contracting during the preceding year, including
3.15 frequency of establishment of a preference and frequency and amount of procured goods
3.16 from, and contract awards to:

3.17 (i) small targeted group businesses; and

3.18 (ii) small businesses;

3.19 (3) a review of goals and good-faith efforts to use small targeted group businesses, small
3.20 businesses, and veteran-owned small businesses in subcontracts, including analysis of
3.21 methods used for, and effectiveness of, good-faith efforts; and

3.22 (4) a summary of any financial incentives used or sanctions imposed.

3.23 **Sec. 2. REPEALER.**

3.24 Minnesota Statutes 2024, section 473.144, is repealed.

473.144 CERTIFICATES OF COMPLIANCE FOR CONTRACTS.

(a) For all contracts for goods and services in excess of \$100,000, neither the council nor an agency listed in section 473.143, subdivision 1, shall accept any bid or proposal for a contract or agreement from any business having more than 40 full-time employees within this state on a single working day during the previous 12 months, unless the firm or business has an affirmative action plan for the employment of minority persons, women, and qualified disabled individuals submitted to the commissioner of human rights for approval. Neither the council nor an agency listed in section 473.143, subdivision 1, shall execute the contract or agreement until the affirmative action plan has been approved by the commissioner of human rights. Receipt of a certificate of compliance from the commissioner of human rights signifies that a business has an approved affirmative action plan. A certificate is valid for two years. Section 363A.36 governs revocation of certificates. The rules adopted by the commissioner of human rights under section 363A.37 apply to this section.

(b) This paragraph applies to a contract for goods or services in excess of \$100,000 to be entered into between the council or an agency listed in section 473.143, subdivision 1, and a business that is not subject to paragraph (a), but that has more than 40 full-time employees on a single working day during the previous 12 months in the state where the business has its primary place of business. The council or the agency may not execute a contract or agreement with a business covered by this paragraph unless the business has a certificate of compliance issued by the commissioner under paragraph (a) or the business certifies to the contracting agency that it is in compliance with federal affirmative action requirements.