

1.1 A bill for an act

1.2 relating to state government; creating the Office of the State Inspector General;

1.3 creating an advisory committee; requiring reports; transferring certain agency

1.4 duties; placing limits and prohibiting certain programs from receiving public funds;

1.5 making conforming and technical changes; providing for interagency agreements;

1.6 appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding

1.7 a subdivision; 15A.0815, subdivision 2; 127A.21, subdivision 1a, by adding

1.8 subdivisions; 142A.03, by adding a subdivision; 142A.12, subdivision 5; 144.05,

1.9 by adding a subdivision; 245.095, subdivision 5; 256.01, by adding a subdivision;

1.10 609.456, subdivision 2; Minnesota Statutes 2025 Supplement, sections 10A.01,

1.11 subdivision 35; 127A.21, subdivision 5; proposing coding for new law as Minnesota

1.12 Statutes, chapter 15E.

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

1.14 **ARTICLE 1**

1.15 **OFFICE OF THE STATE INSPECTOR GENERAL**

1.16 Section 1. Minnesota Statutes 2024, section 3.971, is amended by adding a subdivision

1.17 to read:

1.18 Subd. 3b. **Public reports of fraud and misuse.** Notwithstanding the classification of

1.19 data as not public, the legislative auditor must refer all reports from the public about potential

1.20 fraud or misuse, as those terms are defined in chapter 15E, to the state inspector general.

1.21 The legislative auditor may coordinate reviews and investigations with the state inspector

1.22 general when coordination conserves resources and does not compromise the reviews or

1.23 investigations.

2.1 Sec. 2. Minnesota Statutes 2025 Supplement, section 10A.01, subdivision 35, is amended  
2.2 to read:

2.3 Subd. 35. **Public official.** "Public official" means any:

2.4 (1) member of the legislature;

2.5 (2) individual employed by the legislature as secretary of the senate, legislative auditor,  
2.6 director of the Legislative Budget Office, chief clerk of the house of representatives, revisor  
2.7 of statutes, or researcher, legislative analyst, fiscal analyst, or attorney in the Office of  
2.8 Senate Counsel, Research and Fiscal Analysis, House Research, or the House Fiscal Analysis  
2.9 Department;

2.10 (3) constitutional officer in the executive branch and the officer's chief administrative  
2.11 deputy;

2.12 (4) solicitor general or deputy, assistant, or special assistant attorney general;

2.13 (5) commissioner, deputy commissioner, or assistant commissioner of any state  
2.14 department or agency as listed in section 15.01 or 15.06, or the state chief information  
2.15 officer;

2.16 (6) member, chief administrative officer, or deputy chief administrative officer of a state  
2.17 board or commission that has either the power to adopt, amend, or repeal rules under chapter  
2.18 14, or the power to adjudicate contested cases or appeals under chapter 14;

2.19 (7) individual employed in the executive branch who is authorized to adopt, amend, or  
2.20 repeal rules under chapter 14 or adjudicate contested cases under chapter 14;

2.21 (8) executive director of the State Board of Investment;

2.22 (9) deputy of any official listed in clauses (7) and (8);

2.23 (10) the state inspector general;

2.24 ~~(10)~~ (11) judge of the Workers' Compensation Court of Appeals;

2.25 ~~(11)~~ (12) administrative law judge or compensation judge in the State Office of  
2.26 Administrative Hearings or unemployment law judge in the Department of Employment  
2.27 and Economic Development;

2.28 ~~(12)~~ (13) member, regional administrator, division director, general counsel, or operations  
2.29 manager of the Metropolitan Council;

2.30 ~~(13)~~ (14) member or chief administrator of a metropolitan agency;

- 3.1 ~~(14)~~ (15) director of the Division of Alcohol and Gambling Enforcement in the  
 3.2 Department of Public Safety;
- 3.3 ~~(15)~~ (16) member or executive director of the Health and Education Facilities Authority;
- 3.4 ~~(16)~~ (17) member of the board of directors or president of Enterprise Minnesota, Inc.;
- 3.5 ~~(17)~~ (18) member of the board of directors or executive director of the Minnesota State  
 3.6 High School League;
- 3.7 ~~(18)~~ (19) member of the Minnesota Ballpark Authority established in section 473.755;
- 3.8 ~~(19)~~ (20) citizen member of the Legislative-Citizen Commission on Minnesota Resources;
- 3.9 ~~(20)~~ (21) manager of a watershed district, or member of a watershed management  
 3.10 organization as defined under section 103B.205, subdivision 13;
- 3.11 ~~(21)~~ (22) supervisor of a soil and water conservation district;
- 3.12 ~~(22)~~ (23) director of Explore Minnesota Tourism;
- 3.13 ~~(23)~~ (24) citizen member of the Lessard-Sams Outdoor Heritage Council established in  
 3.14 section 97A.056;
- 3.15 ~~(24)~~ (25) citizen member of the Clean Water Council established in section 114D.30;
- 3.16 ~~(25)~~ (26) member or chief executive of the Minnesota Sports Facilities Authority  
 3.17 established in section 473J.07;
- 3.18 ~~(26)~~ (27) district court judge, appeals court judge, or supreme court justice;
- 3.19 ~~(27)~~ (28) county commissioner;
- 3.20 ~~(28)~~ (29) member of the Greater Minnesota Regional Parks and Trails Commission;
- 3.21 ~~(29)~~ (30) member of the Destination Medical Center Corporation established in section  
 3.22 469.41; or
- 3.23 ~~(30)~~ (31) chancellor or member of the Board of Trustees of the Minnesota State Colleges  
 3.24 and Universities.

3.25 Sec. 3. Minnesota Statutes 2024, section 15A.0815, subdivision 2, is amended to read:

3.26 Subd. 2. **Agency head salaries.** The salary for a position listed in this subdivision shall  
 3.27 be determined by the Compensation Council under section 15A.082. The commissioner of  
 3.28 management and budget must publish the salaries on the department's website. This  
 3.29 subdivision applies to the following positions:

- 4.1 Commissioner of administration;
- 4.2 Commissioner of agriculture;
- 4.3 Commissioner of education;
- 4.4 Commissioner of children, youth, and families;
- 4.5 Commissioner of commerce;
- 4.6 Commissioner of corrections;
- 4.7 Commissioner of health;
- 4.8 Commissioner, Minnesota Office of Higher Education;
- 4.9 Commissioner, Minnesota IT Services;
- 4.10 Commissioner, Housing Finance Agency;
- 4.11 Commissioner of human rights;
- 4.12 Commissioner of human services;
- 4.13 Commissioner of labor and industry;
- 4.14 Commissioner of management and budget;
- 4.15 Commissioner of natural resources;
- 4.16 Commissioner, Pollution Control Agency;
- 4.17 Commissioner of public safety;
- 4.18 Commissioner of revenue;
- 4.19 Commissioner of employment and economic development;
- 4.20 Commissioner of transportation;
- 4.21 Commissioner of veterans affairs;
- 4.22 Executive director of the Gambling Control Board;
- 4.23 Executive director of the Minnesota State Lottery;
- 4.24 Executive director of the Office of Cannabis Management;
- 4.25 State inspector general;
- 4.26 Commissioner of Iron Range resources and rehabilitation;
- 4.27 Commissioner, Bureau of Mediation Services;

- 5.1 Ombudsman for mental health and developmental disabilities;
- 5.2 Ombudsperson for corrections;
- 5.3 Chair, Metropolitan Council;
- 5.4 Chair, Metropolitan Airports Commission;
- 5.5 School trust lands director;
- 5.6 Executive director of pari-mutuel racing;
- 5.7 Commissioner, Public Utilities Commission;
- 5.8 Chief Executive Officer, Direct Care and Treatment; and
- 5.9 Director of the Office of Emergency Medical Services.

5.10 **Sec. 4. [15E.01] OFFICE OF THE STATE INSPECTOR GENERAL.**

5.11 (a) The state inspector general serves as an independent entity responsible for ensuring  
 5.12 accountability, transparency, and integrity in the operations of state agencies and programs.

5.13 (b) In exercising the state inspector general's powers and duties, the state inspector  
 5.14 general is in the executive branch and must operate independently of all state executive  
 5.15 branch agencies and report directly to the governor. The state inspector general is not subject  
 5.16 to direction or interference from any executive or legislative authority.

5.17 (c) The state inspector general shall direct an Office of the State Inspector General.

5.18 (d) The state inspector general serves in the unclassified service.

5.19 **EFFECTIVE DATE.** This section is effective July 1, 2027.

5.20 **Sec. 5. [15E.02] DEFINITIONS.**

5.21 For the purposes of this chapter, the following terms have the meanings given:

5.22 (1) "agency program" means a program funded or administered by a state agency,  
 5.23 including grants and contracts;

5.24 (2) "fraud" means an intentional or deceptive act or failure to act in order to gain an  
 5.25 unlawful benefit;

5.26 (3) "investigation" means an audit, review, or inquiry conducted by the inspector general  
 5.27 to detect or prevent fraud or misuse;

6.1 (4) "misuse" means improper use of authority or position for personal gain or to cause  
6.2 harm to others, including the improper use of public resources or programs contrary to the  
6.3 intended purpose; and

6.4 (5) "personal gain" means a benefit to a person; to a person's spouse, parent, child, or  
6.5 other legal dependent; or to an in-law of the person or the person's child.

6.6 **EFFECTIVE DATE.** This section is effective July 1, 2027.

6.7 Sec. 6. **[15E.03] STATE INSPECTOR GENERAL.**

6.8 Subdivision 1. **Minimum qualifications.** (a) To be eligible for appointment as state  
6.9 inspector general, a candidate must:

6.10 (1) have a bachelor's or higher degree in criminal justice, public administration, law, or  
6.11 a related field;

6.12 (2) have at least ten years of professional experience in auditing, investigations, law  
6.13 enforcement, or a related area;

6.14 (3) hold a professional certificate from the Association of Inspectors General, including  
6.15 Certified Inspector General or Certified Inspector General Investigator; and

6.16 (4) demonstrate a commitment to safeguarding the mission of public service and provide  
6.17 a public disclosure of prior professional opinions, positions, or actions that may influence  
6.18 the candidate's approach to the role.

6.19 (b) Current or former commissioners, agency heads, deputy agency heads, governors,  
6.20 or legislators are not eligible to serve as state inspector general within five years of service  
6.21 in any of these positions. A person elected to an office other than the governor or legislature  
6.22 is not eligible until ten years after the end of service in an elected position.

6.23 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission must  
6.24 recommend candidates for inspector general after completing a competitive process from  
6.25 among eligible applicants for the position of inspector general. To be recommended by the  
6.26 commission, a candidate must be approved for recommendation by five of the eight members  
6.27 of the commission. The commission must assess eligible candidates based on qualifications,  
6.28 including experience in auditing, financial analysis, public administration, law enforcement,  
6.29 or related fields. The state inspector general is appointed by the governor after consideration  
6.30 of recommendations from the Legislative Inspector General Advisory Commission with  
6.31 the advice and consent of the senate.

7.1 Subd. 3. **Term.** The state inspector general serves a five-year term and may be appointed  
7.2 to unlimited additional terms with the advice and consent of the senate.

7.3 Subd. 4. **Vacancy.** The Legislative Inspector General Advisory Commission must provide  
7.4 recommendations to the governor for appointment to fill a vacancy in the position of the  
7.5 state inspector general within 90 days of a vacancy occurring or within 60 days of being  
7.6 advised by the state inspector general that a vacancy is expected to occur. The governor  
7.7 must appoint a state inspector general within 30 days of receiving recommendations from  
7.8 the Legislative Inspector General Advisory Commission or within 45 days of a vacancy  
7.9 occurring if the advisory commission does not provide recommendations within the time  
7.10 allotted for recommendations under this subdivision.

7.11 Subd. 5. **Disclosure.** A candidate considered by the Legislative Inspector General  
7.12 Advisory Commission or selected for appointment by the governor must disclose all political  
7.13 affiliations, appointments, campaign work, or partisan activities prior to confirmation.

7.14 Subd. 6. **Nonpartisanship.** The state inspector general, and all employees of the office,  
7.15 must perform duties of the office without regard to partisan preferences or influences. While  
7.16 serving, the state inspector general, and all employees of the office, must not engage in  
7.17 partisan activities, campaign work, or public political speech, unless the activity, campaign  
7.18 work, or public political speech is protected by the Minnesota or United States Constitution.

7.19 Subd. 7. **Removal.** The state inspector general may only be removed by the governor  
7.20 before the expiration of the term for cause after a public hearing conducted by the governor  
7.21 and with approval of both the senate and the house of representatives.

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

7.23 **Sec. 7. [15E.04] POWERS AND DUTIES.**

7.24 Subdivision 1. **Authorized powers and responsibilities.** The state inspector general is  
7.25 authorized and responsible to:

7.26 (1) conduct inspections, evaluations, and investigations of state executive branch agencies  
7.27 and programs according to professional auditing standards to: (i) identify fraud and misuse;  
7.28 (ii) make recommendations for changes to programs to prevent fraud and misuse; and (iii)  
7.29 protect the integrity of the use of public funds, data, and systems;

7.30 (2) refer matters for civil, criminal, or administrative action to the Bureau of Criminal  
7.31 Apprehension, the attorney general's office, or other appropriate authorities;

8.1 (3) recommend legislative or policy changes to improve program efficiency and  
8.2 effectiveness;

8.3 (4) publish reports on completion of an audit or investigation summarizing findings,  
8.4 recommendations, and outcomes of the inspector general's activities;

8.5 (5) investigate any public or private entity that receives public funds to ensure compliance  
8.6 with applicable laws, proper use of funds, and adherence to program requirements;

8.7 (6) submit an annual report summarizing the work of the office to the Legislative  
8.8 Inspector General Advisory Commission and make the report publicly available by posting  
8.9 the report on the inspector general's website. The report must include the implementation  
8.10 status of recommendations the state inspector general has provided to state agency heads;

8.11 (7) alert relevant commissioners or heads of agencies when the state inspector general  
8.12 has a reasonable suspicion that fraud or misuse is being committed, whether or not the state  
8.13 inspector general is conducting an investigation, as provided in subdivision 3; and

8.14 (8) establish and maintain a current exclusion list in a format readily accessible to  
8.15 agencies and shared pursuant to section 13.39, that identifies each program and individual  
8.16 for which the state inspector general has obtained a court order to freeze or cease distribution  
8.17 of funds, an agency has otherwise sanctioned or terminated a grant or contract, payments  
8.18 have been withheld, or the state inspector general has made a recommendation under  
8.19 subdivision 3, paragraph (b), to freeze or cease distribution of funds.

8.20 Subd. 2. **Relationship to powers and duties of other agencies.** (a) The state inspector  
8.21 general has oversight over agency inspector general offices and has authority to investigate  
8.22 fraud and misuse of public funds across all programs administered by state agencies and  
8.23 has access to all agency inspector general investigative files. To the extent resources allow,  
8.24 agency inspector general offices must maintain investigative files in a format and manner  
8.25 consistent with those of the state inspector general.

8.26 (b) The state inspector general may establish policies and procedures that must be  
8.27 followed by the agency inspector general offices.

8.28 (c) The oversight of a Medicaid investigation within the Department of Human Services  
8.29 or establishment of policies and procedures by the human services inspector general must  
8.30 remain within the requirements of Code of Federal Regulations, title 42, section 431.10(e),  
8.31 or other federal requirements.

8.32 (d) The state inspector general may perform the state inspector general's duties and apply  
8.33 the state inspector general's authority without obtaining approval from another agency.

9.1 (e) The Department of Human Services has primary responsibility to investigate fraud  
9.2 in the Medicaid program, and the state inspector general has authority to conduct independent  
9.3 investigations related to the Medicaid program as necessary.

9.4 (f) The Department of Children, Youth, and Families has primary responsibility to  
9.5 investigate fraud in child care programs under chapters 142D and 142E, and the state  
9.6 inspector general has authority to conduct independent investigations related to the child  
9.7 care programs under chapters 142D and 142E.

9.8 (g) The Department of Health has primary responsibility to investigate fraud related to  
9.9 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and food  
9.10 support programs, and the state inspector general has authority to conduct independent  
9.11 investigations related to WIC and food support programs.

9.12 (h) The Department of Education has primary responsibility to investigate fraud related  
9.13 to programs the department administers, and the state inspector general has authority to  
9.14 conduct independent investigations related to programs administered by the Department of  
9.15 Education.

9.16 (i) The state inspector general has concurrent authority over general compliance reviews,  
9.17 information technology security audits, or administrative program integrity assessments  
9.18 that are related to fraud or misuse.

9.19 (j) The state inspector general must refer all reports from the public about potential fraud  
9.20 or misuse to the legislative auditor, the commissioner of human services for reports related  
9.21 to Medicaid, the commissioner of children, youth, and families for reports related to child  
9.22 care programs, the commissioner of health for reports related to WIC and food support  
9.23 programs, and the commissioner of education for reports related to programs administered  
9.24 by the Department of Education. The state inspector general may coordinate investigations  
9.25 with the legislative auditor, the commissioner of human services for investigations related  
9.26 to Medicaid, the commissioner of children, youth, and families for reports related to child  
9.27 care programs, the commissioner of health for reports related to WIC and food support  
9.28 programs, and the commissioner of education for reports related to programs administered  
9.29 by the Department of Education when coordination conserves resources and does not  
9.30 compromise an investigation.

9.31 (k) The Office of the State Inspector General is a consolidated agency for purposes of  
9.32 section 16E.016.

9.33 (l) Agency inspectors general must regularly consult with and report on activities of  
9.34 their offices to the state inspector general.

10.1 (m) Agency heads must consult with the state inspector general in selecting or removing  
10.2 an agency inspector general.

10.3 (n) Agency inspectors general must report to the state inspector general when they  
10.4 become aware of malfeasance by an employee at their agency in administering a public  
10.5 program.

10.6 **Subd. 3. Alerting agency of issue; seeking a court order to freeze funds.** (a) If an  
10.7 agency does not have primary investigative authority under subdivision 2, the state inspector  
10.8 general shall investigate. If the state inspector general has a reasonable suspicion that fraud  
10.9 or misuse is occurring, then the state inspector general may, at the state inspector general's  
10.10 discretion, alert the commissioner or agency head and seek a court order to freeze or stop  
10.11 distribution of public funds, including any applicable due process and appeal rights, working  
10.12 in cooperation with the agency where practical and where it would not jeopardize an  
10.13 investigation.

10.14 (b) If the agency has primary investigative authority under subdivision 2 but the state  
10.15 inspector general is not satisfied that the agency's internal investigation is adequate or  
10.16 proceeding quickly enough, the state inspector general may independently investigate and,  
10.17 if the state inspector general has a reasonable suspicion that fraud or misuse is being  
10.18 committed, may make a recommendation to the agency to freeze or cease distribution of  
10.19 funds and notify the appropriate law enforcement agencies.

10.20 (c) If a commissioner or head of an agency does not act on the state inspector general's  
10.21 recommendation to freeze or cease distribution of funds as requested, after reasonable notice  
10.22 and consistent with any applicable interagency agreements under section 16, unless prohibited  
10.23 by federal requirements, the state inspector general may, at the state inspector general's  
10.24 discretion, seek a court order to freeze or stop distribution of public funds, consistent with  
10.25 applicable due process and appeal rights.

10.26 (d) If public funds are stopped or frozen pursuant to this subdivision, the state inspector  
10.27 general, working with and through the applicable state agency, must ensure that any person  
10.28 whose public funds are interrupted and who is not implicated in the suspected fraud or  
10.29 misuse receive notice of the person's rights related to continued receipt of the public funds,  
10.30 services, or programs for which they are eligible.

10.31 **Subd. 4. Exceptions for federal funding.** (a) The state inspector general must not  
10.32 comply with any provision under this section if compliance with the provision would:

10.33 (1) prevent the state from receiving federal financial participation for the medical  
10.34 assistance program;

11.1 (2) result in a financial penalty to the state or a reduction in funding the state receives  
 11.2 for a state-administered program or grant;

11.3 (3) result in a lower level of coverage or reduced access to coverage for medical assistance  
 11.4 enrollees; or

11.5 (4) prevent the state from receiving federal grants the state has received previously or  
 11.6 anticipates receiving on the date of enactment of this section.

11.7 (b) Nothing in this section shall limit the ability of the state inspector general to  
 11.8 investigate or report suspected instances of fraud that may result in a financial recovery to  
 11.9 the federal government or repayment to the federal government.

11.10 **EFFECTIVE DATE.** This section is effective July 1, 2027.

11.11 **Sec. 8. [15E.042] AUXILIARY POWERS.**

11.12 Subdivision 1. **Subpoena power.** In all matters relating to official duties, the state  
 11.13 inspector general has the powers possessed by courts of law to issue and have subpoenas  
 11.14 served.

11.15 Subd. 2. **Inquiry and inspection power; duty to aid state inspector general.** All public  
 11.16 officials and their deputies and employees, and all corporations, firms, and individuals  
 11.17 having business involving the receipt, disbursement, or custody of public funds shall at all  
 11.18 times:

11.19 (1) afford reasonable facilities for examinations by the state inspector general;

11.20 (2) provide returns and reports required by the state inspector general;

11.21 (3) attend and answer under oath the state inspector general's lawful inquiries;

11.22 (4) produce and exhibit all books, accounts, documents, data as provided in section  
 11.23 15E.046, and property that the state inspector general requests to inspect; and

11.24 (5) cooperate with the state inspector general in all matters.

11.25 Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of  
 11.26 the state inspector general, a deputy or assistant, or withholds any information, book, record,  
 11.27 paper or other document called for by the state inspector general for the purpose of  
 11.28 examination, after having been lawfully required by order or subpoena, upon application  
 11.29 by the state inspector general, a judge of the district court in the county where the order or  
 11.30 subpoena was made returnable shall compel obedience or punish disobedience as for  
 11.31 contempt, as in the case of a similar order or subpoena issued by the court.

12.1 (b) A person who swears falsely concerning any matter stated under oath is guilty of a  
12.2 gross misdemeanor.

12.3 **Sec. 9. [15E.043] IDENTIFICATION OF FRAUD REPORTING TOOL.**

12.4 (a) The commissioner or other chief executive officer of each agency must prominently  
12.5 highlight on the agency's website the fraud reporting tools administered by the Office of  
12.6 the State Inspector General and the Office of the Legislative Auditor under chapter 3.

12.7 (b) As part of any grant agreement between the state and a nonprofit organization, the  
12.8 agreement must highlight the Office of the State Inspector General's role in fraud prevention  
12.9 and include reference to the fraud reporting tools administered by the Office of the State  
12.10 Inspector General, under chapter 15E, and the Office of the Legislative Auditor, under  
12.11 chapter 3.

12.12 **Sec. 10. [15E.046] DATA PRACTICES.**

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

12.15 (b) "Confidential data on individuals" has the meaning given in section 13.02, subdivision  
12.16 3.

12.17 (c) "Government entity" has the meaning given in section 13.02, subdivision 7a.

12.18 (d) "Nonpublic data" has the meaning given in section 13.02, subdivision 9.

12.19 (e) "Not public data" has the meaning given in section 13.02, subdivision 8a.

12.20 (f) "Private data on individuals" has the meaning given in section 13.02, subdivision 12.

12.21 (g) "Protected nonpublic data" has the meaning given in section 13.02, subdivision 13.

12.22 Subd. 2. **Government Data Practices Act.** The state inspector general is a government  
12.23 entity subject to the Government Data Practices Act in chapter 13.

12.24 Subd. 3. **Access.** In order to perform the duties authorized by this chapter, the state  
12.25 inspector general has access to data of any classification, including data classified as not  
12.26 public data. This also includes active investigative data under section 13.82, subdivision 7,  
12.27 as it relates to the inspector general's duties authorized by this chapter. It is not a violation  
12.28 of chapter 13 or any other statute classifying government data as not public data if a  
12.29 government entity provides data pursuant to this chapter.

13.1 Subd. 4. Dissemination. The state inspector general may disseminate data of any  
13.2 classification, including not public data, to:

13.3 (1) a government entity, other than a law enforcement agency or prosecuting authority,  
13.4 if the dissemination of the data aids a pending investigation or administrative action; or

13.5 (2) a law enforcement agency or prosecuting authority if there is reason to believe that  
13.6 the data are evidence of criminal activity within the agency's or authority's jurisdiction.

13.7 Subd. 5. Data classifications; civil investigations. (a) Notwithstanding any other law,  
13.8 data relating to a civil investigation conducted under this chapter are confidential data on  
13.9 individuals or protected nonpublic data while the investigation is active. Whether a civil  
13.10 investigation is active shall be determined by the inspector general.

13.11 (b) Data relating to a civil investigation conducted under this chapter become public  
13.12 data upon the state inspector general's completion of the investigation, unless:

13.13 (1) the release of the data would jeopardize another active investigation by the inspector  
13.14 general or another government entity;

13.15 (2) the state inspector general reasonably believes the data will be used in litigation  
13.16 related to any civil, criminal, or administrative actions, including reconsideration or appeal  
13.17 of any such action; or

13.18 (3) the data are classified as not public under another statute or paragraph (e).

13.19 (c) Data subject to paragraph (b), clause (2), are confidential data on individuals or  
13.20 protected nonpublic data and become public when the litigation has been completed or the  
13.21 time period to appeal has expired, or the litigation is no longer being actively pursued.

13.22 (d) Unless the data are subject to a more restrictive classification, upon the state inspector  
13.23 general's decision to no longer actively pursue a civil investigation under this chapter, data  
13.24 relating to a civil investigation are private data on individuals or nonpublic data except the  
13.25 following data are public:

13.26 (1) data relating to the investigation's general description, existence, status, and  
13.27 disposition; and

13.28 (2) data that document the state inspector general's work.

13.29 (e) Inactive civil investigative data on an individual supplying information for an  
13.30 investigation that could reasonably be used to determine the individual's identity are private  
13.31 data on individuals if the information supplied was needed for the investigation and would

14.1 not have been provided to the state inspector general without an assurance to the individual  
14.2 that the individual's identity would remain private.

14.3 (f) Data relating to a civil investigation conducted under this chapter that are obtained  
14.4 from an entity that is not a government entity have the same classification that the data  
14.5 would have if obtained from a government entity.

14.6 Subd. 6. **Privileges.** Nothing in this section or section 15E.042 requires the disclosure  
14.7 of documents or information that is legally privileged under statute or other law, including  
14.8 documents or information subject to section 13.393 or 595.02.

14.9 Sec. 11. **[15E.05] RESOURCES.**

14.10 Subdivision 1. **Staff.** (a) The state inspector general may hire and manage staff as  
14.11 necessary and in accordance with chapter 43A. The state inspector general must employ  
14.12 and manage at least one attorney to serve as legal counsel for the office and to advise the  
14.13 state inspector general on all legal matters relating to the office. Except for the state inspector  
14.14 general, the staff in the Office of the State Inspector General shall serve in the classified  
14.15 civil service. Compensation for employees of the state inspector general in the classified  
14.16 service who are represented by an exclusive representative shall be governed by a collective  
14.17 bargaining agreement negotiated between the commissioner of management and budget  
14.18 and the exclusive representative.

14.19 (b) Compensation for employees of the state inspector general in the classified service  
14.20 who are not represented by an exclusive representative shall be as provided in the  
14.21 commissioner's plan under section 43A.18, subdivision 2, or by the managerial plan under  
14.22 section 43A.18, subdivision 3, depending on the employee's job classification.

14.23 Subd. 2. **Contracting.** The state inspector general may contract with external experts  
14.24 to support the work of the office, subject to section 16C.08.

14.25 **EFFECTIVE DATE.** This section is effective July 1, 2027.

14.26 Sec. 12. **[15E.06] REPORTING AND TRANSPARENCY.**

14.27 Subdivision 1. **Reports.** The state inspector general must issue public reports detailing  
14.28 completed audits, investigations, and corrective actions taken.

14.29 Subd. 2. **Public tips.** The state inspector general must maintain a phone line and website  
14.30 for reporting fraud and misuse that allows the person making the report to remain anonymous.

15.1 Subd. 3. **Report; inactive investigations.** By December 1, 2027, and each December  
 15.2 1 thereafter, the state inspector general must submit a report to the legislative auditor and  
 15.3 the chairs and ranking minority members of the legislative committees with jurisdiction  
 15.4 over state government and data practices regarding all investigations the state inspector  
 15.5 general did not open after receiving a tip or complaint or decided to no longer actively  
 15.6 pursue for the preceding calendar year. The report must include, at a minimum, summary  
 15.7 data as defined in section 13.02, subdivision 19, for:

15.8 (1) all complaints or tips received;

15.9 (2) the type of allegation;

15.10 (3) if the complaint or tip was not frivolous, the reason that the inspector general did  
 15.11 not open an investigation or decided to no longer pursue the investigation; and

15.12 (4) referrals to other agencies or the legislative auditor.

15.13 **EFFECTIVE DATE.** This section is effective July 1, 2027.

15.14 Sec. 13. **[15E.07] PROFESSIONAL STANDARDS AND REVIEW.**

15.15 (a) The state inspector general's activities must adhere to professional standards as  
 15.16 promulgated by the Association of Inspectors General or other recognized bodies.

15.17 (b) The governor may contract for an external quality assurance review of the state  
 15.18 inspector general every three years and must make findings from the review public.

15.19 **EFFECTIVE DATE.** This section is effective July 1, 2027.

15.20 Sec. 14. **[15E.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**  
 15.21 **COMMISSION.**

15.22 Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission  
 15.23 is comprised of:

15.24 (1) two senators appointed by the majority leader of the senate;

15.25 (2) two senators appointed by the minority leader of the senate;

15.26 (3) two members of the house of representatives appointed by the speaker of the house  
 15.27 of representatives; and

15.28 (4) two members of the house of representatives appointed by the minority leader of the  
 15.29 house of representatives.

16.1 Subd. 2. **Terms.** Members serve at the pleasure of their appointing authorities and each  
 16.2 member serves until a replacement is appointed.

16.3 Subd. 3. **Chair.** The commission must select a chair after consideration of its members  
 16.4 by January 31, 2027. The chair shall serve until a successor is elected. The chair must  
 16.5 alternate biennially between the senate and the house of representatives.

16.6 Subd. 4. **Duties.** The Legislative Inspector General Advisory Commission must:

16.7 (1) consider applicants for and make recommendations to the governor for the position  
 16.8 of inspector general; and

16.9 (2) may conduct hearings to review the work of the state inspector general to ensure  
 16.10 impartiality, independence, and effectiveness.

16.11 Subd. 5. **Per diem; expense reimbursement.** Members may be compensated for time  
 16.12 spent on commission duties and may be reimbursed for expenses according to the rules of  
 16.13 their respective bodies.

16.14 Subd. 6. **Meeting space; staff.** The Legislative Coordinating Commission must provide  
 16.15 meeting space and staff to assist the commission in performing its duties.

16.16 Subd. 7. **Open meetings.** The Legislative Inspector General Advisory Commission is  
 16.17 subject to the requirements in section 3.055.

16.18 Subd. 8. **Recommendations.** The commission must submit recommendations for a state  
 16.19 inspector general by January 1, 2027.

16.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.21 Sec. 15. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

16.22 Subd. 2. **Legislative auditor and state inspector general.** Whenever an employee or  
 16.23 officer of the state, University of Minnesota, or other organization listed in section 3.971,  
 16.24 subdivision 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of  
 16.25 public funds or property, the employee or officer shall, ~~except when to do so would~~  
 16.26 ~~knowingly impede or otherwise interfere with an ongoing criminal investigation,~~ promptly  
 16.27 report in writing to the legislative auditor or state inspector general a detailed description  
 16.28 of the alleged incident or incidents.

17.1       Sec. 16. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**  
17.2 **INITIAL APPOINTMENTS AND FIRST MEETING.**

17.3       Subdivision 1. **Initial appointments.** Appointing authorities must make appointments  
17.4 to the Legislative Inspector General Advisory Commission by August 1, 2026.

17.5       Subd. 2. **First meeting.** The senate majority leader must designate one member of the  
17.6 Legislative Inspector General Advisory Commission to convene the first meeting of the  
17.7 Legislative Inspector General Advisory Commission by September 15, 2026.

17.8       Subd. 3. **Chair.** The Legislative Inspector General Advisory Commission must elect a  
17.9 chair from among its senate members at its first meeting. The first chair shall serve until a  
17.10 successor is selected at the start of the next biennium as provided in Minnesota Statutes,  
17.11 section 15E.08, subdivision 3.

17.12       Sec. 17. **INTERAGENCY AGREEMENTS.**

17.13       (a) By December 31, 2027, the Office of the State Inspector General must enter into an  
17.14 interagency agreement with the Department of Human Services. The agreement must not  
17.15 preclude the agency from performing, or give the state inspector general authority to take  
17.16 actions that would interfere with the agency's ability to perform, duties required as a condition  
17.17 for securing or maintaining federal funding. The interagency agreement must include a  
17.18 clause on cost-sharing for investigations that may require multiagency coordination and a  
17.19 clause that details what process will be followed if a joint investigation is required. The  
17.20 interagency agreement must not limit the state inspector general's authority or authorized  
17.21 powers and responsibilities. The agency and the state inspector general may coordinate  
17.22 investigative efforts as necessary or practical, but an interagency agreement must not  
17.23 diminish, delay, or restrict the state inspector general's ability to investigate fraud and misuse  
17.24 when an independent investigation is pursued.

17.25       (b) By December 31, 2027, the Office of the State Inspector General must enter into an  
17.26 interagency agreement with the Department of Children, Youth, and Families. The  
17.27 interagency agreement must include a clause on cost-sharing for investigations that may  
17.28 require multiagency coordination and a clause that details what process will be followed if  
17.29 a joint investigation is required. The interagency agreement must not limit the state inspector  
17.30 general's authority or authorized powers and responsibilities. The agency and the state  
17.31 inspector general may coordinate investigative efforts as necessary or practical, but an  
17.32 interagency agreement must not diminish, delay, or restrict the state inspector general's  
17.33 ability to investigate fraud and misuse when an independent investigation is pursued.

18.1 (c) By December 31, 2027, the Office of the State Inspector General must enter into an  
 18.2 interagency agreement with the Department of Health. The interagency agreement must  
 18.3 include a clause on cost-sharing for investigations that may require multiagency coordination  
 18.4 and a clause that details what process will be followed if a joint investigation is required.  
 18.5 The interagency agreement must not limit the state inspector general's authority or authorized  
 18.6 powers and responsibilities. The agency and the state inspector general may coordinate  
 18.7 investigative efforts as necessary or practical, but an interagency agreement must not  
 18.8 diminish, delay, or restrict the state inspector general's ability to investigate fraud and misuse  
 18.9 when an independent investigation is pursued.

18.10 (d) By December 31, 2027, the Office of the State Inspector General must enter into an  
 18.11 interagency agreement with the Department of Education. The interagency agreement must  
 18.12 include a clause on cost-sharing for investigations that may require multiagency coordination  
 18.13 and a clause that details what process will be followed if a joint investigation is required.  
 18.14 The interagency agreement must not limit the state inspector general's authority or authorized  
 18.15 powers and responsibilities. Effective immediately, nothing in Minnesota Statutes, chapter  
 18.16 15E, authorizes any sanction by the commissioner or state inspector general that reduces,  
 18.17 pauses, or otherwise interrupts state or federal aid to a school district; charter school;  
 18.18 cooperative unit as defined by Minnesota Statutes, section 123A.24, subdivision 2; or any  
 18.19 library, library system, or library district defined in Minnesota Statutes, section 134.001.

18.20 **EFFECTIVE DATE.** This section is effective July 1, 2027.

## 18.21 **ARTICLE 2**

### 18.22 **CONFORMING ITEMS**

18.23 Section 1. Minnesota Statutes 2024, section 127A.21, subdivision 1a, is amended to read:

18.24 Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the  
 18.25 meanings given.

18.26 (b) "Abuse" means actions that may, directly or indirectly, result in unnecessary costs  
 18.27 to department programs. Abuse may involve paying for items or services when there is no  
 18.28 legal entitlement to that payment.

18.29 (c) "Department program" means a program funded by the Department of Education  
 18.30 that involves the transfer or disbursement of public funds or other resources to a program  
 18.31 participant. "Department program" includes state and federal aids or grants received by a  
 18.32 school district or charter school or other program participant.

19.1 (d) "Fraud" means an intentional or deliberate act to deprive another of property or  
 19.2 money or to acquire property or money by deception or other unfair means. Fraud includes  
 19.3 intentionally submitting false information to the department for the purpose of obtaining a  
 19.4 greater compensation or benefit than that to which the person is legally entitled. Fraud also  
 19.5 includes failure to correct errors in the maintenance of records in a timely manner after a  
 19.6 request by the department.

19.7 (e) "Investigation" means an audit, investigation, proceeding, or inquiry by the Office  
 19.8 of the Inspector General related to a program participant in a department program.

19.9 (f) "Program participant" means any entity or person, including associated persons, that  
 19.10 receives, disburses, or has custody of funds or other resources transferred or disbursed under  
 19.11 a department program.

19.12 (g) "State inspector general" means the state inspector general as defined in section  
 19.13 15E.01.

19.14 ~~(g)~~ (h) "Waste" means practices that, directly or indirectly, result in unnecessary costs  
 19.15 to department programs, such as misusing resources.

19.16 ~~(h)~~ (i) For purposes of this section, neither "fraud," "waste," nor "abuse" includes  
 19.17 decisions on instruction, curriculum, personnel, or other discretionary policy decisions made  
 19.18 by a school district, charter school, cooperative unit as defined by section 123A.24,  
 19.19 subdivision 2, or any library, library system, or library district defined in section 134.001.

19.20 Sec. 2. Minnesota Statutes 2025 Supplement, section 127A.21, subdivision 5, is amended  
 19.21 to read:

19.22 Subd. 5. **Sanctions; appeal.** (a) This subdivision does not authorize any sanction that  
 19.23 reduces, pauses, or otherwise interrupts state or federal aid to a school district, charter school,  
 19.24 cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system,  
 19.25 or library district defined in section 134.001.

19.26 (b) The inspector general may recommend that the commissioner impose appropriate  
 19.27 ~~temporary sanctions, including withholding of payments under the department program, on~~  
 19.28 ~~a program participant pending an investigation by the Office of the Inspector General if:~~

19.29 ~~(1) during the course of an investigation, the Office of the Inspector General finds credible~~  
 19.30 ~~indicia of fraud, waste, or abuse by the program participant;~~

20.1 ~~(2)~~ (1) there has been a criminal, civil, or administrative adjudication of fraud, ~~waste,~~  
 20.2 ~~or abuse or misuse~~ against the program participant in Minnesota or in another state or  
 20.3 jurisdiction; or

20.4 ~~(3) the program participant was receiving funds under any contract or registered in any~~  
 20.5 ~~program administered by another Minnesota state agency, a government agency in another~~  
 20.6 ~~state, or a federal agency, and was excluded from that contract or program for reasons~~  
 20.7 ~~credibly indicating fraud, waste, or abuse by the program participant; or~~

20.8 ~~(4)~~ (2) the program participant has a pattern of noncompliance with an investigation.

20.9 (c) If an investigation finds, by a preponderance of the evidence, fraud, ~~waste,~~ or ~~abuse~~  
 20.10 misuse by a program participant, the inspector general may, after reviewing all facts and  
 20.11 evidence and when acting judiciously on a case-by-case basis, recommend that the  
 20.12 commissioner impose appropriate sanctions on the program participant.

20.13 (d) Unless prohibited by law, the commissioner has the authority to implement  
 20.14 recommendations by the inspector general, including imposing appropriate sanctions,  
 20.15 temporarily or otherwise, on a program participant. Sanctions may include ending program  
 20.16 participation, stopping disbursement of funds or resources, monetary recovery, and  
 20.17 termination of department contracts with the participant for any current or future department  
 20.18 program or contract. A sanction may be imposed for up to the longest period permitted by  
 20.19 state or federal law. Sanctions authorized under this subdivision are in addition to other  
 20.20 remedies and penalties available under law.

20.21 (e) If the commissioner imposes sanctions on a program participant under this subdivision,  
 20.22 the commissioner must notify the participant in writing within seven business days of  
 20.23 imposing the sanction, unless requested in writing by a law enforcement agency to  
 20.24 temporarily delay issuing the notice to prevent disruption of an ongoing law enforcement  
 20.25 agency investigation. A notice of sanction must state:

20.26 (1) the sanction being imposed;

20.27 (2) the general allegations that form the basis for the sanction;

20.28 (3) the duration of the sanction;

20.29 (4) the department programs to which the sanction applies; and

20.30 (5) how the program participant may appeal the sanction pursuant to paragraph (f).

20.31 (f) A program participant sanctioned under this subdivision may, within 30 days after  
 20.32 the date the notice of sanction was mailed to the participant, appeal the determination by

21.1 requesting in writing that the commissioner initiate a contested case proceeding under  
 21.2 chapter 14. The scope of any contested case hearing is limited to the sanction imposed under  
 21.3 this subdivision. An appeal request must specify with particularity each disputed item, the  
 21.4 reason for the dispute, and must include the name and contact information of the person or  
 21.5 entity that may be contacted regarding the appeal.

21.6 (g) The commissioner shall lift sanctions imposed under this subdivision if the Office  
 21.7 of the Inspector General notifies the commissioner that it determines there is insufficient  
 21.8 evidence of fraud, ~~waste~~, or ~~abuse~~ misuse by the program participant. The commissioner  
 21.9 must notify the participant in writing within seven business days of lifting the sanction.

21.10 Sec. 3. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to  
 21.11 read:

21.12 Subd. 8. **Limits on receiving public funds; prohibition.** (a) This subdivision does not  
 21.13 authorize any action that reduces, pauses, or otherwise interrupts state or federal aid to a  
 21.14 school district; charter school; cooperative unit as defined in section 123A.24, subdivision  
 21.15 2; or any library, library system, or library district defined in section 134.001.

21.16 (b) For purposes of this subdivision, "program participant" includes individuals or persons  
 21.17 who have an ownership interest in, control of, or the ability to control a program participant  
 21.18 in a department program.

21.19 (c) If a program participant is excluded from a department program, the commissioner  
 21.20 may:

21.21 (1) prohibit the excluded program participant from enrolling in, receiving grant money  
 21.22 from, or registering in any other program administered by the commissioner; and

21.23 (2) disenroll or disqualify the excluded program participant from any other program  
 21.24 administered by the commissioner.

21.25 (d) If a program participant enrolled, licensed, or receiving funds under any contract or  
 21.26 program administered by a Minnesota state agency or federal agency is excluded from that  
 21.27 program, the inspector general shall notify the commissioner, who may:

21.28 (1) prohibit the excluded program participant from enrolling in, becoming licensed,  
 21.29 receiving grant money from, or registering in any other program administered by the  
 21.30 commissioner; and

21.31 (2) disenroll or disqualify the excluded program participant from any other program  
 21.32 administered by the commissioner.

22.1 (e) The duration of a prohibition, disenrollment, revocation, suspension, or  
 22.2 disqualification under paragraph (c) must last for the longest applicable sanction or  
 22.3 disqualifying period in effect for the program participant permitted by state or federal law.  
 22.4 The duration of a prohibition, disenrollment, revocation, suspension, or disqualification  
 22.5 under paragraph (d) may last up until the longest applicable sanction or disqualifying period  
 22.6 in effect for the program participant as permitted by state or federal law.

22.7 Sec. 4. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to  
 22.8 read:

22.9 Subd. 9. **Notice.** Within five days of taking an action against a program participant under  
 22.10 subdivision 8, paragraph (c) or (d), the commissioner must send notice of the action to the  
 22.11 program participant. The notice must state the:

22.12 (1) basis for the action;

22.13 (2) effective date of the action;

22.14 (3) right to appeal the action; and

22.15 (4) requirements and procedures for reinstatement.

22.16 Sec. 5. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to  
 22.17 read:

22.18 Subd. 10. **Appeal.** (a) Upon receipt of a notice under subdivision 9, a program participant  
 22.19 may request a contested case hearing, as defined in section 14.02, subdivision 3, by filing  
 22.20 with the commissioner a written request of appeal. The appeal request must be received by  
 22.21 the commissioner no later than 30 days after the date the notification was mailed to the  
 22.22 program participant.

22.23 (b) The appeal request must specify:

22.24 (1) each disputed item and the reason for the dispute;

22.25 (2) the authority in statute or rule upon which the program participant relies for each  
 22.26 disputed item;

22.27 (3) the name and address of the person or entity with whom contacts may be made  
 22.28 regarding the appeal; and

22.29 (4) other information required by the commissioner.

23.1 (c) Unless a timely and proper appeal is received by the commissioner, the action of the  
23.2 commissioner shall be considered final and binding on the effective date of the action as  
23.3 stated in the notice under subdivision 9, clause (2).

23.4 Sec. 6. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to  
23.5 read:

23.6 Subd. 11. **Withholding of payments.** (a) This subdivision does not authorize withholding  
23.7 of payments that reduces, pauses, or otherwise interrupts state or federal aid to a school  
23.8 district; charter school; cooperative unit as defined in section 123A.24, subdivision 2; or  
23.9 any library, library system, or library district defined in section 134.001.

23.10 (b) Except as otherwise provided by state or federal law, the inspector general shall  
23.11 notify and recommend to the commissioner to withhold payments to a program participant  
23.12 in any program administered by the commissioner, who shall have the authority to withhold  
23.13 such payments to the extent permitted under federal law, if the inspector general determines  
23.14 there is a credible allegation of fraud or misuse for which an investigation is pending for a  
23.15 program administered by the department, a Minnesota state agency, or a federal agency.

23.16 (c) Allegations are considered credible when they have indicia of reliability and the  
23.17 inspector general has reviewed the evidence and acts on a case-by-case basis. A credible  
23.18 allegation of fraud is an allegation that has been verified by the commissioner from any  
23.19 source, including but not limited to:

23.20 (1) fraud hotline complaints;

23.21 (2) claims data mining; and

23.22 (3) patterns identified through provider audits, civil false claims cases, and investigations.

23.23 (d) The commissioner must send notice of the withholding of payments within five days  
23.24 of taking such action. The notice must:

23.25 (1) state that payments are being withheld according to this paragraph;

23.26 (2) set forth the general allegations as to the reasons for the withholding action, but need  
23.27 not disclose any specific information concerning an ongoing investigation;

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

23.30 (4) inform the program participant of the right to submit written evidence for  
23.31 consideration by the commissioner.

24.1 (e) The withholding of payments shall not continue after the inspector general determines  
 24.2 there is insufficient evidence of fraud by the program participant or after legal proceedings  
 24.3 relating to the alleged fraud are completed, unless the commissioner has sent notice under  
 24.4 subdivision 5 of the intention to take an additional action related to the program participant's  
 24.5 participation in a program administered by the commissioner. If the inspector general  
 24.6 determines there is insufficient evidence of fraud by the program participant or after legal  
 24.7 proceedings relating to the alleged fraud are completed, the inspector general shall notify  
 24.8 the commissioner within ten days of the determination.

24.9 (f) The withholding of payments is a temporary action and shall not be subject to appeal  
 24.10 under this subdivision or chapter 14.

24.11 Sec. 7. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to  
 24.12 read:

24.13 Subd. 12. **Office of the State Inspector General; reports.** The commissioner must  
 24.14 submit final investigative reports to the state inspector general, serving under section 15E.01,  
 24.15 for any investigation conducted by the commissioner into fraud or misuse, as defined in  
 24.16 section 15E.02, within programs administered by the Department of Education.

24.17 Sec. 8. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision to  
 24.18 read:

24.19 Subd. 36. **Office of the State Inspector General; reports.** The commissioner must  
 24.20 submit final investigative reports to the state inspector general, serving under section 15E.01,  
 24.21 for any investigation conducted by the commissioner into fraud or misuse, as defined in  
 24.22 section 15E.02, within child care programs.

24.23 Sec. 9. Minnesota Statutes 2024, section 142A.12, subdivision 5, is amended to read:

24.24 **Subd. 5. Withholding of payments.** (a) Except as otherwise provided by state or federal  
 24.25 law, the commissioner may withhold payments to a provider, vendor, individual, associated  
 24.26 individual, or associated entity in any program administered by the commissioner if the  
 24.27 commissioner determines there is a credible allegation of fraud for which an investigation  
 24.28 is pending for a program administered by a Minnesota state or federal agency.

24.29 (b) For purposes of this subdivision, "credible allegation of fraud" means an allegation  
 24.30 that has been verified by the commissioner from any source, including but not limited to:

24.31 (1) fraud hotline complaints;

25.1 (2) claims data mining;

25.2 (3) patterns identified through provider audits, civil false claims cases, and law  
25.3 enforcement investigations; ~~and~~

25.4 (4) court filings and other legal documents, including but not limited to police reports,  
25.5 complaints, indictments, informations, affidavits, declarations, and search warrants; and

25.6 (5) information from the state inspector general, including information listed on the state  
25.7 inspector general's exclusion list under section 15E.04, subdivision 1, clause (8).

25.8 (c) The commissioner must send notice of the withholding of payments within five days  
25.9 of taking such action. The notice must:

25.10 (1) state that payments are being withheld according to this subdivision;

25.11 (2) set forth the general allegations related to the withholding action, except the notice  
25.12 need not disclose specific information concerning an ongoing investigation;

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

25.15 (4) inform the provider, vendor, individual, associated individual, or associated entity  
25.16 of the right to submit written evidence to contest the withholding action for consideration  
25.17 by the commissioner.

25.18 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,  
25.19 individual, associated individual, or associated entity has a right to request administrative  
25.20 reconsideration. A request for administrative reconsideration must be made in writing, state  
25.21 with specificity the reasons the payment withholding decision is in error, and include  
25.22 documents to support the request. Within 60 days from receipt of the request, the  
25.23 commissioner shall judiciously review allegations, facts, evidence available to the  
25.24 commissioner, and information submitted by the provider, vendor, individual, associated  
25.25 individual, or associated entity to determine whether the payment withholding should remain  
25.26 in place.

25.27 (e) The commissioner shall stop withholding payments if the commissioner determines  
25.28 there is insufficient evidence of fraud by the provider, vendor, individual, associated  
25.29 individual, or associated entity or when legal proceedings relating to the alleged fraud are  
25.30 completed, unless the commissioner has sent notice under subdivision 3 to the provider,  
25.31 vendor, individual, associated individual, or associated entity.

26.1 (f) The withholding of payments is a temporary action and is not subject to appeal under  
26.2 section 256.0451 or chapter 14.

26.3 Sec. 10. Minnesota Statutes 2024, section 144.05, is amended by adding a subdivision to  
26.4 read:

26.5 Subd. 9. Office of the State Inspector General; reports. The commissioner must  
26.6 submit final investigative reports to the state inspector general serving under section 15E.01  
26.7 for any investigation conducted by the commissioner into fraud or misuse, as defined in  
26.8 section 15E.02, within the special supplemental nutrition program for women, infants, and  
26.9 children.

26.10 Sec. 11. Minnesota Statutes 2024, section 245.095, subdivision 5, is amended to read:

26.11 Subd. 5. **Withholding of payments.** (a) Except as otherwise provided by state or federal  
26.12 law, the commissioner may withhold payments to a provider, vendor, individual, associated  
26.13 individual, or associated entity in any program administered by the commissioner if the  
26.14 commissioner determines there is a credible allegation of fraud for which an investigation  
26.15 is pending for a program administered by a Minnesota state or federal agency.

26.16 (b) For purposes of this subdivision, "credible allegation of fraud" means an allegation  
26.17 that has been verified by the commissioner from any source, including but not limited to:

26.18 (1) fraud hotline complaints;

26.19 (2) claims data mining;

26.20 (3) patterns identified through provider audits, civil false claims cases, and law  
26.21 enforcement investigations; ~~and~~

26.22 (4) court filings and other legal documents, including but not limited to police reports,  
26.23 complaints, indictments, informations, affidavits, declarations, and search warrants; and

26.24 (5) information from the inspector general, including information listed on the state  
26.25 inspector general's exclusion list under section 15E.04, subdivision 1, clause (8).

26.26 (c) The commissioner must send notice of the withholding of payments within five days  
26.27 of taking such action. The notice must:

26.28 (1) state that payments are being withheld according to this subdivision;

26.29 (2) set forth the general allegations related to the withholding action, except the notice  
26.30 need not disclose specific information concerning an ongoing investigation;

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

27.3 (4) inform the provider, vendor, individual, associated individual, or associated entity  
27.4 of the right to submit written evidence to contest the withholding action for consideration  
27.5 by the commissioner.

27.6 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,  
27.7 individual, associated individual, or associated entity has a right to request administrative  
27.8 reconsideration. A request for administrative reconsideration must be made in writing, state  
27.9 with specificity the reasons the payment withholding decision is in error, and include  
27.10 documents to support the request. Within 60 days from receipt of the request, the  
27.11 commissioner shall judiciously review allegations, facts, evidence available to the  
27.12 commissioner, and information submitted by the provider, vendor, individual, associated  
27.13 individual, or associated entity to determine whether the payment withholding should remain  
27.14 in place.

27.15 (e) The commissioner shall stop withholding payments if the commissioner determines  
27.16 there is insufficient evidence of fraud by the provider, vendor, individual, associated  
27.17 individual, or associated entity or when legal proceedings relating to the alleged fraud are  
27.18 completed, unless the commissioner has sent notice under subdivision 3 to the provider,  
27.19 vendor, individual, associated individual, or associated entity.

27.20 (f) The withholding of payments is a temporary action and is not subject to appeal under  
27.21 section 256.045 or chapter 14.

27.22 Sec. 12. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to  
27.23 read:

27.24 Subd. 45. Office of the State Inspector General; reports. The commissioner must  
27.25 submit final investigative reports to the state inspector general, serving under section 15E.01,  
27.26 for any investigation conducted by the commissioner into fraud or misuse, as defined in  
27.27 section 15E.02, within the Medicaid program.

## 27.28 ARTICLE 3

### 27.29 APPROPRIATIONS

27.30 Section 1. APPROPRIATIONS.

27.31 The sums shown in the columns marked "Appropriations" are appropriated to the agencies  
27.32 and for the purposes specified in this article. The appropriations are from the general fund,  
27.33 or another named fund, and are available for the fiscal years indicated for each purpose.

28.1 The figures "2026" and "2027" used in this article mean that the appropriations listed under  
 28.2 them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively.  
 28.3 "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium"  
 28.4 is fiscal years 2026 and 2027.

28.5		<b><u>APPROPRIATIONS</u></b>	
28.6		<b><u>Available for the Year</u></b>	
28.7		<b><u>Ending June 30</u></b>	
28.8		<b><u>2026</u></b>	<b><u>2027</u></b>

28.9	<b><u>Sec. 2. STATE OFFICE OF INSPECTOR</u></b>			
28.10	<b><u>GENERAL</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$ 17,936,000</u></b>

28.11 **(a) Technology Modernization. \$15,000,000**  
 28.12 in fiscal year 2027 is for technology  
 28.13 modernization funding to improve data sharing  
 28.14 between agencies and to enhance security,  
 28.15 identity authentication, and verification  
 28.16 capabilities for state services. This is a onetime  
 28.17 appropriation and is available until June 30,  
 28.18 2030.

28.19 **(b) Base Level Adjustment. The base is**  
 28.20 **\$8,566,000 in fiscal year 2028 and \$9,353,000**  
 28.21 **in fiscal year 2029.**

28.22	<b><u>Sec. 3. HUMAN SERVICES</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$ 2,055,000</u></b>
-------	--------------------------------------	------------------	-------------------	----------------------------

28.23 **Base Level Adjustment. The base is**  
 28.24 **\$2,425,000 in fiscal year 2028 and each fiscal**  
 28.25 **year thereafter.**

28.26	<b><u>Sec. 4. ADMINISTRATION</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$ 892,000</u></b>
-------	--------------------------------------	------------------	-------------------	--------------------------

28.27 **Base Level Adjustment. The base is \$892,000**  
 28.28 **in fiscal year 2028 and \$0 in fiscal year 2029.**

28.29	<b><u>Sec. 5. DEPARTMENT OF EDUCATION</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$ 589,000</u></b>
-------	---	------------------	-------------------	--------------------------

28.30 **Base Level Adjustment. The base is \$785,000**  
 28.31 **in fiscal year 2028 and each fiscal year**  
 28.32 **thereafter.**

28.33	<b><u>Sec. 6. DEPARTMENT OF CHILDREN,</u></b>			
28.34	<b><u>YOUTH, AND FAMILIES</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$ 465,000</u></b>

29.1 **Base Level Adjustment.** The base is \$620,000  
 29.2 in fiscal year 2028 and each fiscal year  
 29.3 thereafter.

29.4	Sec. 7. <b><u>LEGISLATURE</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>	<b><u>\$</u></b>	<b><u>21,000</u></b>
------	-----------------------------------	------------------	-------------------	------------------	----------------------

29.5 **Base Level Adjustment.** The base is \$7,000  
 29.6 in fiscal year 2028 and each fiscal year  
 29.7 thereafter.