

May 8, 2025

Senator Xiong
Senator Carlson
Senator Maye Quade
Senator Westlin
Senator Lang

Representative Klevorn
Representative Nash
Representative Freiberg
Representative Altendorf

Subject: SF3045 (Xiong/Klevorn) – State and Local Government Finance and Policy Conference Committee

Dear Conferees,

On behalf of the Department of Administration (Admin), thank you for your efforts in crafting and passing bipartisan state government funding and policy omnibus bills. I recognize the challenge that comes with limited resources in light of the economic forecast. We appreciate your willingness to work with us through session and the inclusion of most of Governor Walz's recommendations for the department. Below are several key items with which I look forward to working with you in conference committee.

1. Appropriations

The Senate legislation provides the Governor's recommended operating adjustment for Admin. This appropriation will cover basic and growing expenses for health care, compensation, utilities, and information technology. Demand for the agency's general fund services has grown over time and, without an operating adjustment, service delivery will be impacted.

Both the House and Senate bills fund an increase to the In Lieu of Rent account, which includes maintenance and operation of the Capitol and grounds, legislative facilities, and space for veterans' service organizations. The facilities covered by this account are essential to government operations and the public's ability to access and participate in the governing process.

Additionally, the extension of the Capitol Mall Design Framework funding in both bills will allow for completion of the first phase currently underway on the Capitol Complex.

2. Policy

Both the House and Senate bills make needed updates to Admin's statutes with the inclusion of Admin's Contracting (SF2501) and Technical (SF2417) policy bills. These changes will help Admin to best serve our partners and keep our statutes up to date. Both also include language from SF2578 that help in our effort to strengthen state grant making. These provisions are essential components of Governor Walz's anti-fraud package, and we support inclusion in the final legislation.

Another key element of the Governor's anti-fraud package is Admin's data sharing proposal included in the House bill. This provision would break down silos and remove barriers for agencies so they can share limited data to coordinate investigations of potential fraud. The department supports inclusion of this language in the final legislation.

Additionally, the Senate bill includes language to establish the no-cost State Facility Renewable Energy, Storage, and Electric Vehicle account, which will enable Admin to help state agencies leverage federal cash rebates for eligible renewal energy projects and electric vehicle purchases to fund future eligible projects. Installing renewable energy upgrades will help agencies avoid operating costs.

3. Other Suggested Changes

A. Admin is concerned about the provision that would set a sunset of two years for multimember agencies. While Admin agrees it is good for the legislature to examine whether a multimember agency is still serving the purpose the legislature intended, Admin's statutes require it to take on any duties that remain from an agency that is dissolved. Any sunset of a multimember agency must also include a repeal of their duties.

B. Admin supports establishing the Task Force on Best Legislative Practices for Appropriating Money for Grants. We encourage you to include Admin on the Task Force to provide the important perspective of state grantmaking agencies and to share the expertise of our Office of Grants Management

C. Although Admin supports the grants training requirements in the Senate bill, we want to strongly caution against repealing the authority for agencies to use a portion of grant funds for administration.

- This statute allows for *up to* 5% to be used for legislatively named grants and *up to* 10% to be used for competitive grant administration. It is only available when other funding is not appropriated for agencies to provide grant oversight.
- Effective grant administration is essential to protecting public funds and ensuring the intent of a grant is met. **Every grant requires agencies to spend hundreds of hours to administer the grant.**
- Agencies need adequate resources to ensure that grant recipients and administrators are in compliance with the law and best practices. These requirements span the life cycle of the grant from identifying conflicts of interest, risk assessments, and competitive rating criteria, to fraud prevention activities, grant monitoring, and performance evaluations.
- The Minnesota Council of Nonprofits and the Minnesota Council of Foundations supports maintaining this authority and supported its passage in 2023. This is because they understand that nonprofits, grantees, and community members receive better customer service when agencies have adequate resources.

Now more than ever, we need to provide support to agencies to do this work, not take away their resources.

D. Admin also has concerns about requiring federal contracts with the state to include a term allowing the state to withhold payment for a suspicion of fraud. While I agree that this could be a fraud prevention measure, there is not a guarantee that the federal government will agree to include this term. This could result in the state losing out on federal funds or program benefits.

E. Additionally, the enterprise has recently experienced the need for contracts or grants to be suspended and reinstated depending on availability of federal funds. While the state includes a termination clause in their contracts and grants, restarting cancelled contracts and grants is extremely administratively burdensome and inefficient for agencies. Providing for a statutory suspension would allow greater flexibility to restart the contract or grant when funding is available. I encourage you to adopt language that would add this flexibility into statute.

I look forward to working with you through the conference committee process. Thank you for your ongoing partnership.

Sincerely,

Tamar Gronvall
Commissioner