State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1916

03/05/2025 Authored by West and Zeleznikar
The bill was read for the first time and referred to the Committee on Children and Families Finance and Policy
03/13/2025 Adoption of Report: Amended and re-referred to the Committee on Judiciary Finance and Civil Law
04/01/2025 Adoption of Report: Amended and re-referred to the Committee on Children and Families Finance and Policy

A bill for an act

relating to child care; establishing program integrity requirements in the child care assistance program; directing the commissioner of children, youth, and families to establish an electronic record-keeping system for child care enrollment; requiring reports; appropriating money; amending Minnesota Statutes 2024, sections 13.461, subdivision 28; 142A.03, subdivision 2; 142E.17, subdivision 9; proposing coding for new law in Minnesota Statutes, chapters 142D; 142E.

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

Section 1. Minnesota Statutes 2024, section 13.461, subdivision 28, is amended to read:

Subd. 28. **Child care ~~assistance program~~ programs.** (a) Data collected, maintained, used, or disseminated by the welfare system pertaining to persons selected as legal nonlicensed child care providers by families receiving child care assistance are classified under section 142E.02, subdivision 6, paragraph (a). Child care assistance program payment data is classified under section 142E.02, subdivision 6, paragraph (b).

(b) Video footage of child care provider and early childhood program operations collected or maintained by a government entity is classified under sections 142D.251, subdivision 5, and 142E.161, subdivision 5.

Sec. 2. Minnesota Statutes 2024, section 142A.03, subdivision 2, is amended to read:

Subd. 2. **Duties of the commissioner.** (a) The commissioner may apply for and accept on behalf of the state any grants, bequests, gifts, or contributions for the purpose of carrying out the duties and responsibilities of the commissioner. Any money received under this paragraph is appropriated and dedicated for the purpose for which the money is granted. The commissioner must biennially report to the chairs and ranking minority members of relevant legislative committees and divisions by January 15 of each even-numbered year a list of all grants and gifts received under this subdivision.

(b) Pursuant to law, the commissioner may apply for and receive money made available from federal sources for the purpose of carrying out the duties and responsibilities of the commissioner.

(c) The commissioner may make contracts with and grants to Tribal Nations, public and private agencies, for-profit and nonprofit organizations, and individuals using appropriated money.

(d) The commissioner must develop program objectives and performance measures for evaluating progress toward achieving the objectives. The commissioner must identify the objectives, performance measures, and current status of achieving the measures in a biennial report to the chairs and ranking minority members of relevant legislative committees and divisions. The report is due no later than January 15 each even-numbered year. The report must include, when possible, the following objectives:

(1) centering and including the lived experiences of children and youth, including those with disabilities and mental illness and their families, in all aspects of the department's work;

(2) increasing the effectiveness of the department's programs in addressing the needs of children and youth facing racial, economic, or geographic inequities;

(3) increasing coordination and reducing inefficiencies among the department's programs and the funding sources that support the programs;

(4) increasing the alignment and coordination of family access to child care and early learning programs and improving systems of support for early childhood and learning providers and services;

(5) improving the connection between the department's programs and the kindergarten through grade 12 and higher education systems; and

(6) minimizing and streamlining the effort required of youth and families to receive services to which the youth and families are entitled.

(e) The commissioner shall administer and supervise the forms of public assistance and other activities or services that are vested in the commissioner. Administration and supervision of activities or services includes but is not limited to assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising activities vested by law in the department, the commissioner has the authority to:

(1) require county agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations, and policies governing the programs and activities administered by the commissioner;

(2) monitor, on an ongoing basis, the performance of county agencies in the operation and administration of activities and programs; enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services; and promote excellence of administration and program operation;

(3) develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(4) require county agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(5) delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 142A.10;

(6) make contracts with and grants to public and private agencies and organizations, both for-profit and nonprofit, and individuals, using appropriated funds; and

(7) enter into contractual agreements with federally recognized Indian Tribes with a reservation in Minnesota to the extent necessary for the Tribe to operate a federally approved family assistance program or any other program under the supervision of the commissioner. The commissioner shall consult with the affected county or counties in the contractual agreement negotiations, if the county or counties wish to be included, in order to avoid the duplication of county and Tribal assistance program services. The commissioner may establish necessary accounts for the purposes of receiving and disbursing funds as necessary for the operation of the programs.

The commissioner shall work in conjunction with the commissioner of human services to carry out the duties of this paragraph when necessary and feasible.

(f) The commissioner shall inform county agencies, on a timely basis, of changes in statute, rule, federal law, regulation, and policy necessary to county agency administration of the programs and activities administered by the commissioner.

(g) The commissioner shall administer and supervise child welfare activities, including promoting the enforcement of laws preventing child maltreatment and protecting children with a disability and children who are in need of protection or services, licensing and supervising child care and child-placing agencies, and supervising the care of children in foster care. The commissioner shall coordinate with the commissioner of human services on activities impacting children overseen by the Department of Human Services, such as disability services, behavioral health, and substance use disorder treatment.

(h) The commissioner shall assist and cooperate with local, state, and federal departments, agencies, and institutions.

(i) The commissioner shall establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

(j) The commissioner shall act as designated guardian of children pursuant to chapter 260C. For children under the guardianship of the commissioner or a Tribe in Minnesota recognized by the Secretary of the Interior whose interests would be best served by adoptive placement, the commissioner may contract with a licensed child-placing agency or a Minnesota Tribal social services agency to provide adoption services. A contract with a licensed child-placing agency must be designed to supplement existing county efforts and may not replace existing county programs or Tribal social services, unless the replacement is agreed to by the county board and the appropriate exclusive bargaining representative, Tribal governing body, or the commissioner has evidence that child placements of the county continue to be substantially below that of other counties. Funds encumbered and obligated under an agreement for a specific child shall remain available until the terms of the agreement are fulfilled or the agreement is terminated.

(k) The commissioner has the authority to conduct and administer experimental projects to test methods and procedures of administering assistance and services to recipients or potential recipients of public benefits. To carry out the experimental projects, the commissioner may waive the enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver must provide alternative methods and procedures of administration and must not conflict with the basic purposes, coverage, or benefits provided by law. No project under this paragraph shall exceed four years. No order establishing an experimental project as authorized by this paragraph is effective until the following conditions have been met:

(1) the United States Secretary of Health and Human Services has agreed, for the same project, to waive state plan requirements relative to statewide uniformity; and

(2) a comprehensive plan, including estimated project costs, has been approved by the Legislative Advisory Commission and filed with the commissioner of administration.

(l) The commissioner shall, according to federal requirements and in coordination with the commissioner of human services, establish procedures to be followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(m) The commissioner shall allocate federal fiscal disallowances or sanctions that are based on quality control error rates for the aid to families with dependent children (AFDC) program formerly codified in sections 256.72 to 256.87 or the Supplemental Nutrition Assistance Program (SNAP) in the following manner:

(1) one-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For AFDC, disallowances shall be shared by each county board in the same proportion as that county's expenditures to the total of all counties' expenditures for AFDC. For SNAP, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administrative costs for SNAP benefits are to the total of all SNAP administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of SNAP benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due under this paragraph, the commissioner may deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due; and

(2) notwithstanding the provisions of clause (1), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in clause (1), an amount equal to the portion of the total disallowance that resulted from the noncompliance and may distribute the balance of the disallowance according to clause (1).

(n) The commissioner shall develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches $1,000,000. When the balance in the account exceeds $1,000,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(o) The commissioner has the authority to establish and enforce the following county reporting requirements:

(1) the commissioner shall establish fiscal and statistical reporting requirements necessary to account for the expenditure of funds allocated to counties for programs administered by the commissioner. When establishing financial and statistical reporting requirements, the commissioner shall evaluate all reports, in consultation with the counties, to determine if the reports can be simplified or the number of reports can be reduced;

(2) the county board shall submit monthly or quarterly reports to the department as required by the commissioner. Monthly reports are due no later than 15 working days after the end of the month. Quarterly reports are due no later than 30 calendar days after the end of the quarter, unless the commissioner determines that the deadline must be shortened to 20 calendar days to avoid jeopardizing compliance with federal deadlines or risking a loss of federal funding. Only reports that are complete, legible, and in the required format shall be accepted by the commissioner;

(3) if the required reports are not received by the deadlines established in clause (2), the commissioner may delay payments and withhold funds from the county board until the next reporting period. When the report is needed to account for the use of federal funds and the late report results in a reduction in federal funding, the commissioner shall withhold from the county boards with late reports an amount equal to the reduction in federal funding until full federal funding is received;

(4) a county board that submits reports that are late, illegible, incomplete, or not in the required format for two out of three consecutive reporting periods is considered noncompliant. When a county board is found to be noncompliant, the commissioner shall notify the county board of the reason the county board is considered noncompliant and request that the county board develop a corrective action plan stating how the county board plans to correct the problem. The corrective action plan must be submitted to the commissioner within 45 days after the date the county board received notice of noncompliance;

(5) the final deadline for fiscal reports or amendments to fiscal reports is one year after the date the report was originally due. If the commissioner does not receive a report by the final deadline, the county board forfeits the funding associated with the report for that reporting period and the county board must repay any funds associated with the report received for that reporting period;

(6) the commissioner may not delay payments, withhold funds, or require repayment under clause (3) or (5) if the county demonstrates that the commissioner failed to provide appropriate forms, guidelines, and technical assistance to enable the county to comply with the requirements. If the county board disagrees with an action taken by the commissioner under clause (3) or (5), the county board may appeal the action according to sections 14.57 to 14.69; and

(7) counties subject to withholding of funds under clause (3) or forfeiture or repayment of funds under clause (5) shall not reduce or withhold benefits or services to clients to cover costs incurred due to actions taken by the commissioner under clause (3) or (5).

(p) The commissioner shall allocate federal fiscal disallowances or sanctions for audit exceptions when federal fiscal disallowances or sanctions are based on a statewide random sample in direct proportion to each county's claim for that period.

(q) The commissioner is responsible for ensuring the detection, prevention, investigation, and resolution of fraudulent activities or behavior by applicants, recipients, and other participants in the programs administered by the department. The commissioner shall cooperate with the commissioner of education to enforce the requirements for program integrity and fraud prevention for investigation for child care assistance under chapter 142E. By January 15 each year, the commissioner must publish a report on the department's website that summarizes the actions the department took in the previous calendar year to comply with this paragraph and provides the results of the department's actions, disaggregated by program.

(r) The commissioner shall require county agencies to identify overpayments, establish claims, and utilize all available and cost-beneficial methodologies to collect and recover these overpayments in the programs administered by the department.

(s) The commissioner shall develop recommended standards for child foster care homes that address the components of specialized therapeutic services to be provided by child foster care homes with those services.

(t) The commissioner shall authorize the method of payment to or from the department as part of the programs administered by the department. This authorization includes the receipt or disbursement of funds held by the department in a fiduciary capacity as part of the programs administered by the department.

(u) In coordination with the commissioner of human services, the commissioner shall create and provide county and Tribal agencies with blank applications, affidavits, and other forms as necessary for public assistance programs.

(v) The commissioner shall cooperate with the federal government and its public welfare agencies in any reasonable manner as may be necessary to qualify for federal aid for temporary assistance for needy families and in conformity with Title I of Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and successor amendments, including making reports that contain information required by the federal Social Security Advisory Board and complying with any provisions the board may find necessary to assure the correctness and verification of the reports.

(w) On or before January 15 in each even-numbered year, the commissioner shall make a biennial report to the governor concerning the activities of the agency.

(x) The commissioner shall enter into agreements with other departments of the state as necessary to meet all requirements of the federal government.

(y) The commissioner may cooperate with other state agencies in establishing reciprocal agreements in instances where a child receiving Minnesota family investment program (MFIP) assistance or its out-of-state equivalent moves or contemplates moving into or out of the state, in order that the child may continue to receive MFIP or equivalent aid from the state moved from until the child has resided for one year in the state moved to.

(z) The commissioner shall provide appropriate technical assistance to county agencies to develop methods to have county financial workers remind and encourage recipients of aid to families with dependent children, the Minnesota family investment program, the Minnesota family investment plan, family general assistance, or SNAP benefits whose assistance unit includes at least one child under the age of five to have each young child immunized against childhood diseases. The commissioner must examine the feasibility of utilizing the capacity of a statewide computer system to assist county agency financial workers in performing this function at appropriate intervals.

(aa) The commissioner shall have the power and authority to accept on behalf of the state contributions and gifts for the use and benefit of children under the guardianship or custody of the commissioner. The commissioner may also receive and accept on behalf of such children money due and payable to them as old age and survivors insurance benefits, veterans benefits, pensions, or other such monetary benefits. Gifts, contributions, pensions, and benefits under this paragraph must be deposited in and disbursed from the social welfare fund provided for in sections 256.88 to 256.92.

(bb) The specific enumeration of powers and duties in this section must not be construed to be a limitation upon the general powers granted to the commissioner.

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

Sec. 3. **[142D.251] INSPECTIONS AND VIDEO MONITORING FOR EARLY LEARNING SCHOLARSHIPS.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given.

(b) "Facility" means the indoor and outdoor space in which child care is provided that is owned, leased, or operated by the program.

(c) "Video monitoring" means the ability for the commissioner to see recorded video of public and shared areas of the program's facility any time the program has children on the premises.

Subd. 2. **General requirements.** (a) The commissioner must conduct inspections and video monitoring of early childhood programs that receive funding under section 142D.25 in accordance with this section.

(b) The video monitoring system must:

(1) be turned on and recording any time the program has children on the premises;

(2) record and display the accurate date and time;

(3) have a display resolution of 720p or higher; and

(4) have a frame-per-second rate of 15 or higher.

Subd. 3. **Inspections.** (a) If a program receives $1,000,000 or more under section 142D.25 in a calendar year, the commissioner may:

(1) conduct unannounced inspections of the program's facility in the year following the receipt of the funding; and

(2) review video footage collected pursuant to subdivision 4.

(b) Inspections required under this section must be in addition to any licensing inspections required under chapter 142B.

Subd. 4. **Video monitoring.** (a) A program that receives $1,000,000 or more under section 142D.25 in a calendar year is subject to video monitoring by the commissioner for one year following the receipt of the funding.

(b) Within 90 days of being notified by the commissioner that a program is subject to video monitoring under this subdivision, a program is required to:

(1) install video cameras or other devices that capture or record video in public and shared areas of the program's facility and cover public entrances and exits to the facility

and entrances and exits to areas where a parent or legal guardian signs a child in or out of the facility; and

(2) notify all parents and legal guardians who apply for placement or enroll a child in the program that the program is subject to video monitoring by the commissioner.

(c) The commissioner may review recordings or copies of a program's operation during certain times and dates. If the program fails to produce recordings or copies for any of the requested times and dates, the commissioner may use that failure as prima facie evidence that the program cared for zero children during the missing times and dates.

Subd. 5. **Government data practices.** (a) To the extent data are not classified under section 13.32, video footage collected or maintained by the commissioner under this section is classified as protected nonpublic data, as defined in section 13.02, subdivision 13.

(b) Video footage collected, created, or maintained by an early childhood program that is a government entity, as defined in section 13.02, subdivision 7a, is classified as private data on individuals, as defined in section 13.02, subdivision 12, and is subject to the requirements under subdivision 6.

(c) If the requirements under section 13.32 conflict with the requirements under subdivision 6, the requirements of subdivision 6 prevail.

(d) Audit reports submitted to the commissioner under subdivision 7 are classified as public data not on individuals, as defined in section 13.02, subdivision 14.

Subd. 6. **Retention, dissemination, and disposal of recordings; access to recordings.** (a) A program must retain video monitoring recordings required under this section for 60 calendar days after the date of the recording. Except as provided under paragraph (b), a program must dispose of video monitoring recordings required under this section after 60 calendar days.

(b) A program that receives notice from a law enforcement official of a suspected crime committed against a child at the facility must not dispose of any video monitoring recordings required under this section until the law enforcement investigation of the suspected crime is complete.

(c) A program must adhere to additional requirements issued by the commissioner regarding the retention and disposal of video monitoring recordings required under this section.

(d) A program must not sell, share, transmit, or disseminate a video monitoring recording required under this section to any person except as authorized by this section.

(e) A program must disseminate a video monitoring recording required under this section pursuant to a valid court order, search warrant, or subpoena in a civil, criminal, or administrative proceeding, including an investigation by the commissioner.

(f) A program must establish appropriate security safeguards for video monitoring recordings required under this section, including procedures to ensure that the recordings are only accessible to individuals whose work assignments reasonably require access to the recordings and are only accessed by those individuals for purposes described in the procedures. All queries and responses, and all actions in which the recordings are accessed, shared, or disseminated, must be recorded in a data audit trail. Data contained in the audit trail are subject to the same requirements as the underlying recording under this section.

Subd. 7. **Audits.** (a) A program that is not licensed under chapter 142B must arrange for an independent, biennial audit to determine whether the program's video monitoring complies with the requirements of this section, including but not limited to the requirements under subdivision 6. A report summarizing the results of each audit must be provided to the commissioner no later than 30 days following completion of the audit. The report must not contain a video monitoring recording or identifying information on children enrolled in the program.

(b) For a program licensed under chapter 142B, the commissioner must conduct, as part of the annual licensing inspection required under chapter 142B, an audit to determine whether the program's video monitoring complies with the requirements of this section, including but not limited to the requirements under subdivision 6.

EFFECTIVE DATE. This section is effective September 1, 2025. Initial biennial audits under subdivision 7, paragraph (a), are due by December 1, 2027.

Sec. 4. **[142E.161] INSPECTIONS; VIDEO MONITORING.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given.

(b) "Facility" means the indoor and outdoor space in which child care is provided that is owned, leased, or operated by the provider.

(c) "Video monitoring" means the ability for the commissioner to see recorded video of public and shared areas of the provider's facility any time the provider has children on the premises.

Subd. 2. **General requirements.** (a) The commissioner must conduct inspections and video monitoring of providers that receive funding under this chapter in accordance with this section.

(b) The video monitoring system must:

(1) be turned on and recording any time the provider has children on the premises;

(2) record and display the accurate date and time;

(3) have a display resolution of 720p or higher; and

(4) have a frame-per-second rate of 15 or higher.

Subd. 3. **Inspections.** (a) If a provider receives $1,000,000 or more under this chapter in a calendar year, the commissioner may:

(1) conduct unannounced inspections of the provider's facility in the year following the receipt of the funding; and

(2) review video footage collected pursuant to subdivision 4.

(b) Inspections required under this section must be in addition to any licensing inspections required under chapter 142B.

Subd. 4. **Video monitoring.** (a) A provider that receives $1,000,000 or more under this chapter in a calendar year is subject to video monitoring by the commissioner for one year following the receipt of the funding.

(b) Within 90 days of being notified by the commissioner that a program is subject to video monitoring under this subdivision, a provider is required to:

(1) install video cameras or other devices that capture or record video in public and shared areas of the provider's facility and cover public entrances and exits to the facility and entrances and exits to areas where a parent or legal guardian signs a child in or out of the facility; and

(2) notify all parents and legal guardians who apply for placement or enroll a child in the program that the program is subject to video monitoring by the commissioner.

(c) The commissioner may review recordings or copies of a provider's operation during certain times and dates. If the provider fails to produce recordings or copies for any of the requested times and dates, the commissioner may use that failure as prima facie evidence that the provider cared for zero children during the missing times and dates.

Subd. 5. **Government data practices.** (a) To the extent data are not classified under section 13.32, video footage collected or maintained by the commissioner under this section is classified as protected nonpublic data, as defined in section 13.02, subdivision 13.

(b) Video footage collected, created, or maintained by a provider that is a government entity, as defined in section 13.02, subdivision 7a, is classified as private data on individuals, as defined in section 13.02, subdivision 12, and is subject to the requirements under subdivision 6.

(c) If the requirements under section 13.32 conflict with the requirements under subdivision 6, the requirements of subdivision 6 prevail.

(d) Audit reports submitted to the commissioner under subdivision 7 are classified as public data not on individuals, as defined in section 13.02, subdivision 14.

Subd. 6. **Retention, dissemination, and disposal of recordings; access to recordings.** (a) A provider must retain video monitoring recordings required under this section for 60 calendar days after the date of the recording. Except as provided under paragraph (b), a provider must dispose of video monitoring recordings required under this section after 60 calendar days.

(b) A provider that receives notice from a law enforcement official of a suspected crime committed against a child at the facility must not dispose of any video monitoring recordings required under this section until the law enforcement investigation of the suspected crime is complete.

(c) A provider must adhere to additional requirements issued by the commissioner regarding the retention and disposal of video monitoring recordings required under this section.

(d) A provider must not sell, share, transmit, or disseminate a video monitoring recording required under this section to any person except as authorized by this section.

(e) A provider must disseminate a video monitoring recording required under this section pursuant to a valid court order, search warrant, or subpoena in a civil, criminal, or administrative proceeding, including an investigation by the commissioner.

(f) A provider must establish appropriate security safeguards for video monitoring recordings required under this section, including procedures to ensure that the recordings are only accessible to individuals whose work assignments reasonably require access to the recordings and are only accessed by those individuals for purposes described in the procedures. All queries and responses, and all actions in which the recordings are accessed, shared, or disseminated, must be recorded in a data audit trail. Data contained in the audit trail are subject to the same requirements as the underlying recording under this section.

Subd. 7. **Audits.** (a) A provider that is not licensed under chapter 142B must arrange for an independent, biennial audit to determine whether the provider's video monitoring complies with the requirements of this section, including but not limited to the requirements under subdivision 6. A report summarizing the results of each audit must be provided to the commissioner no later than 30 days following completion of the audit. The report must not contain a video monitoring recording or identifying information on children enrolled in the program.

(b) For a provider licensed under chapter 142B, the commissioner must conduct, as part of the annual licensing inspection required under chapter 142B, an audit to determine whether the provider's video monitoring complies with the requirements of this section, including but not limited to the requirements under subdivision 6.

EFFECTIVE DATE. This section is effective September 1, 2025. Initial biennial audits under subdivision 7, paragraph (a), are due by December 1, 2027.

Sec. 5. Minnesota Statutes 2024, section 142E.17, subdivision 9, is amended to read:

Subd. 9. **Provider payments.** (a) A provider shall bill only for services documented according to section 142E.16, subdivision 7. The provider shall bill for services provided within ten days of the end of the service period. A provider must sign each bill and declare, under penalty of perjury as provided in section 609.48, that the information in the bill is true and correct. Payments under the child care fund shall be made within 21 days of receiving a complete bill from the provider. Counties or the state may establish policies that make payments on a more frequent basis.

(b) If a provider has received an authorization of care and been issued a billing form for an eligible family, the bill must be submitted within 60 days of the last date of service on the bill. A bill submitted more than 60 days after the last date of service must be paid if the county determines that the provider has shown good cause why the bill was not submitted within 60 days. Good cause must be defined in the county's child care fund plan under section 142E.09, subdivision 3, and the definition of good cause must include county error. Any bill submitted more than a year after the last date of service on the bill must not be paid.

(c) If a provider provided care for a time period without receiving an authorization of care and a billing form for an eligible family, payment of child care assistance may only be made retroactively for a maximum of three months from the date the provider is issued an authorization of care and a billing form. For a family at application, if a provider provided child care during a time period without receiving an authorization of care and a billing form, a county may only make child care assistance payments to the provider retroactively from the date that child care began, or from the date that the family's eligibility began under section 142E.10, subdivision 7, or from the date that the family meets authorization requirements, not to exceed six months from the date that the provider is issued an authorization of care and a billing form, whichever is later.

(d) The commissioner may refuse to issue a child care authorization to a certified, licensed, or legal nonlicensed provider; revoke an existing child care authorization to a certified, licensed, or legal nonlicensed provider; stop payment issued to a certified, licensed, or legal nonlicensed provider; or refuse to pay a bill submitted by a certified, licensed, or legal nonlicensed provider if:

(1) the provider admits to intentionally giving the county materially false information on the provider's billing forms;

(2) the commissioner finds by a preponderance of the evidence that the provider intentionally gave the county materially false information on the provider's billing forms, or provided false attendance records to a county or the commissioner;

(3) the provider is in violation of child care assistance program rules, until the agency determines those violations have been corrected;

(4) the provider is operating after:

(i) an order of suspension of the provider's license issued by the commissioner;

(ii) an order of revocation of the provider's license issued by the commissioner; or

(iii) an order of decertification issued to the provider;

(5) the provider submits false attendance reports or refuses to provide documentation of the child's attendance upon request;

(6) the provider gives false child care price information; or

(7) the provider fails to report decreases in a child's attendance as required under section 142E.16, subdivision 9.

(e) For purposes of paragraph (d), clauses (3), (5), (6), and (7), the commissioner may withhold the provider's authorization or payment for a period of time not to exceed three months beyond the time the condition has been corrected.

(f) A county's payment policies must be included in the county's child care plan under section 142E.09, subdivision 3. If payments are made by the state, in addition to being in compliance with this subdivision, the payments must be made in compliance with section 16A.124.

(g) If the commissioner suspends or refuses payment to a provider under paragraph (d), clause (1) or (2), or sections 142E.50 to 142E.58 and the provider has:

(1) a disqualification for wrongfully obtaining assistance under section 256.98, subdivision 8, paragraph (c);

(2) an administrative disqualification under section 142E.51, subdivision 5; or

(3) a termination under section 142E.51, subdivision 4, paragraph (c), clause (4), or 142E.55;

then the provider forfeits the payment to the commissioner or the responsible county agency, regardless of the amount assessed in an overpayment, charged in a criminal complaint, or ordered as criminal restitution.

EFFECTIVE DATE. This section is effective August 1, 2025.

Sec. 6. **STATEWIDE ELECTRONIC RECORD-KEEPING SYSTEM.**

By July 1, 2026, the commissioner of children, youth, and families must establish and implement a statewide electronic records system for the child care assistance program (CCAP) to improve the program's integrity and internal controls. The system must provide the commissioner, county agencies, and Tribal Nations that administer CCAP with real-time access to electronic attendance records to verify children's enrollment in CCAP.

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

Sec. 7. **APPROPRIATION.**

$3,778,000 in fiscal year 2026 and $1,115,000 in fiscal year 2027 are appropriated from the general fund to the commissioner of children, youth, and families for provisions required under this act. The base for this appropriation is $1,115,000 in fiscal year 2028 and beyond.