

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 856

(SENATE AUTHORS: GUSTAFSON, Draheim, Kreun, Putnam and Latz)

DATE	D-PG	OFFICIAL STATUS
01/30/2025	233	Introduction and first reading Referred to State and Local Government
02/13/2025	353a	Comm report: To pass as amended and re-refer to Judiciary and Public Safety
02/24/2025	525a	Comm report: To pass as amended and re-refer to Education Finance
02/27/2025	548a	Comm report: To pass as amended and re-refer to Health and Human Services
03/13/2025	740a	Comm report: To pass as amended and re-refer to Human Services
03/17/2025	876a	Comm report: Amended, No recommendation, re-referred to State and Local Government
03/24/2025	956a	Comm report: To pass as amended and re-refer to Rules and Administration
03/27/2025	1117	Withdrawn and re-referred to Judiciary and Public Safety
04/01/2025	1158a	Comm report: To pass as amended and re-refer to Rules and Administration
04/07/2025	1704a	Comm report: To pass as amended and re-refer to Finance
05/07/2025	4516a	Comm report: To pass as amended
	4519	Second reading
05/08/2025	4640a	Special Order: Amended
	4653	Third reading Motion did not prevail to reconsider third reading
	4654	Third reading Passed as amended
05/11/2026		Returned from House with amendment Senate concurred and repassed bill Third reading Passed as amended

1.1 A bill for an act

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

1.3 an advisory committee; requiring reports; transferring certain agency duties; placing

1.4 limits and prohibiting certain programs from receiving public funds; making

1.5 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; 13.82, subdivision 1; 15A.0815, subdivision 2; 127A.21, subdivisions

1.8 1a, 5, by adding subdivisions; 142A.03, by adding a subdivision; 142A.12,

1.9 subdivision 5; 144.05, by adding a subdivision; 181.932, subdivision 1; 245.095,

1.10 subdivision 5; 256.01, by adding a subdivision; 609.456, subdivision 2; 626.84,

1.11 subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 15D;

1.12 repealing Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21,

1.13 subdivisions 1, 2, 3, 4, 6, 7.

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

1.15 style="text-align:center">**ARTICLE 1**

1.16 style="text-align:center">**OFFICE OF THE INSPECTOR GENERAL**

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

1.18 to read:

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

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

1.21 fraud or misuse, as those terms are defined in chapter 15D, to the inspector general. The

1.22 legislative auditor may coordinate reviews and investigations with the inspector general

1.23 when coordination conserves resources and does not compromise the reviews or

1.24 investigations.

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

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

- 2.6 Commissioner of administration;
- 2.7 Commissioner of agriculture;
- 2.8 Commissioner of education;
- 2.9 Commissioner of children, youth, and families;
- 2.10 Commissioner of commerce;
- 2.11 Commissioner of corrections;
- 2.12 Commissioner of health;
- 2.13 Commissioner, Minnesota Office of Higher Education;
- 2.14 Commissioner, Minnesota IT Services;
- 2.15 Commissioner, Housing Finance Agency;
- 2.16 Commissioner of human rights;
- 2.17 Commissioner of human services;
- 2.18 Commissioner of labor and industry;
- 2.19 Commissioner of management and budget;
- 2.20 Commissioner of natural resources;
- 2.21 Commissioner, Pollution Control Agency;
- 2.22 Commissioner of public safety;
- 2.23 Commissioner of revenue;
- 2.24 Commissioner of employment and economic development;
- 2.25 Commissioner of transportation;
- 2.26 Commissioner of veterans affairs;
- 2.27 Executive director of the Gambling Control Board;
- 2.28 Executive director of the Minnesota State Lottery;

- 3.1 Executive director of the Office of Cannabis Management;
- 3.2 Inspector general;
- 3.3 Commissioner of Iron Range resources and rehabilitation;
- 3.4 Commissioner, Bureau of Mediation Services;
- 3.5 Ombudsman for mental health and developmental disabilities;
- 3.6 Ombudsperson for corrections;
- 3.7 Chair, Metropolitan Council;
- 3.8 Chair, Metropolitan Airports Commission;
- 3.9 School trust lands director;
- 3.10 Executive director of pari-mutuel racing;
- 3.11 Commissioner, Public Utilities Commission;
- 3.12 Chief Executive Officer, Direct Care and Treatment; and
- 3.13 Director of the Office of Emergency Medical Services.

3.14 Sec. 3. **[15D.01] OFFICE OF THE INSPECTOR GENERAL.**

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

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

3.21 (c) The inspector general shall direct an Office of the Inspector General.

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

3.23 **EFFECTIVE DATE.** This section is effective January 1, 2026.

3.24 Sec. 4. **[15D.02] DEFINITIONS.**

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

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

4.1 (2) "fraud" means an intentional or deceptive act or failure to act to gain an unlawful
 4.2 benefit;

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

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

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

4.10 **EFFECTIVE DATE.** This section is effective January 1, 2026.

4.11 Sec. 5. **[15D.03] INSPECTOR GENERAL.**

4.12 Subdivision 1. **Minimum qualifications.** (a) To be eligible to be appointed as inspector
 4.13 general, a candidate must:

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

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

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

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

4.23 (b) Current or former commissioners, agency heads, deputy agency heads, governors,
 4.24 or legislators are not eligible to serve as inspector general within five years of their service
 4.25 in those roles. A person elected to an office other than the governor or legislature is not
 4.26 eligible until ten years after the end of service in an elected position.

4.27 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will
 4.28 recommend candidates for inspector general after a competitive process from among eligible
 4.29 applicants for the position of inspector general. To be recommended by the commission, a
 4.30 candidate must be approved for recommendation by five of the eight members of the
 4.31 commission. The commission must assess eligible candidates based on qualifications,
 4.32 including experience in auditing, financial analysis, public administration, law enforcement,

5.1 or related fields. The inspector general is appointed by the governor, after consideration of
5.2 recommendations from the Legislative Inspector General Advisory Commission, with
5.3 confirmation by a vote of three-fifths of the senate. Section 15.066, subdivision 3, does not
5.4 apply.

5.5 Subd. 3. **Term.** The inspector general serves a five-year term and may be appointed to
5.6 unlimited additional terms. An appointment to an additional term must be confirmed by a
5.7 vote of three-fifths of the senate.

5.8 Subd. 4. **Vacancy.** The Legislative Inspector General Advisory Commission must provide
5.9 recommendations to the governor for appointment to fill a vacancy in the position of the
5.10 inspector general within 90 days of a vacancy occurring or within 60 days of being advised
5.11 by the inspector general that a vacancy is expected to occur. The governor must appoint an
5.12 inspector general within 30 days of receiving recommendations from the Legislative Inspector
5.13 General Advisory Commission or within 45 days of a vacancy occurring if the advisory
5.14 commission does not provide recommendations within the time allotted for recommendations
5.15 under this subdivision.

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

5.19 Subd. 6. **Nonpartisanship.** The inspector general, and all employees of the office, must
5.20 perform duties of the office without regard to partisan preferences or influences. While
5.21 serving, the inspector general, and all employees of the office, may not engage in partisan
5.22 activities, campaign work, or public political speech, unless protected by the state or United
5.23 States Constitution.

5.24 Subd. 7. **Conflict of interest; code of ethics.** The inspector general and all employees
5.25 of the office are public officials for purposes of the conflict of interest and statement of
5.26 economic interest requirements in chapter 10A, and are subject to the code of ethics in
5.27 section 43A.38, where applicable.

5.28 Subd. 8. **Removal.** The inspector general may only be removed by the governor before
5.29 the expiration of the term for cause after a public hearing conducted by the governor and
5.30 with approval of both the senate and the house of representatives.

5.31 **EFFECTIVE DATE.** This section is effective January 1, 2026.

6.1 Sec. 6. **[15D.04] POWERS AND DUTIES.**

6.2 Subdivision 1. Authorized powers and responsibilities. The inspector general is
6.3 authorized and responsible to:

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

6.8 (2) refer matters for civil, criminal, or administrative action to the Office of the Inspector
6.9 General Anti-Fraud and Waste Bureau under section 15D.041, the Bureau of Criminal
6.10 Apprehension, the attorney general's office, or other appropriate authorities;

6.11 (3) recommend legislative or policy changes to improve program efficiency and
6.12 effectiveness;

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

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

6.17 (6) submit an annual report summarizing the work of the office to the Legislative
6.18 Inspector General Advisory Commission and make the report publicly available by posting
6.19 the report on the inspector general's website;

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

6.23 (8) establish and maintain a current exclusion list in a format readily accessible to
6.24 agencies that identifies each program and individual for which the inspector general has
6.25 obtained a court order to freeze or cease distribution of funds or made a recommendation
6.26 under clause (7) to freeze or cease distribution of funds.

6.27 Subd. 2. Relationship to powers and duties of other agencies. (a) The inspector general
6.28 has authority to investigate fraud and misuse of public funds across all programs administered
6.29 by state agencies.

6.30 (b) The inspector general may perform the inspector general's duties and apply the
6.31 inspector general's authority without obtaining approval from another agency.

7.1 (c) The Department of Human Services has primary responsibility to investigate fraud
7.2 in the Medicaid program, but the inspector general has authority to conduct independent
7.3 investigations related to the Medicaid program as necessary.

7.4 (d) The Department of Children, Youth, and Families has primary responsibility to
7.5 investigate fraud in the child care assistance program, but the inspector general has authority
7.6 to conduct independent investigations related to the child care assistance program.

7.7 (e) The Department of Health has primary responsibility to investigate fraud related to
7.8 women, infants, and children (WIC) and food support programs, but the inspector general
7.9 has authority to conduct independent investigations related to WIC and food support
7.10 programs.

7.11 (f) The inspector general has concurrent authority over general compliance reviews,
7.12 information technology security audits, or administrative program integrity assessments
7.13 that are related to fraud or misuse.

7.14 (g) The inspector general must refer all reports from the public about potential fraud or
7.15 misuse to the legislative auditor, and to the commissioner of human services for reports
7.16 related to Medicaid. The inspector general may coordinate investigations with the legislative
7.17 auditor, and the commissioner of human services for investigations related to Medicaid,
7.18 when coordination conserves resources and does not compromise an investigation.

7.19 (h) The Department of Information Technology Services shall provide services to the
7.20 Office of the Inspector General, under a managed services contract, according to section
7.21 16E.016.

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

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

8.1 (c) If a commissioner or head of an agency does not act on a recommendation to freeze
8.2 or cease distribution of funds as requested, after reasonable notice and consistent with any
8.3 applicable interagency agreements under section 18, unless prohibited by federal
8.4 requirements, the inspector general may, at the inspector general's discretion, seek a court
8.5 order to freeze or stop distribution of public funds, consistent with applicable due process
8.6 and appeal rights.

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

8.12 Subd. 4. **Exceptions for federal funding.** The inspector general must not comply with
8.13 any provision under this section if compliance with the provision would prevent the state
8.14 from receiving federal financial participation for the medical assistance program or result
8.15 in a lower level of coverage or reduced access to coverage for medical assistance enrollees.

8.16 **EFFECTIVE DATE.** Subdivision 2, paragraph (c), and subdivision 3, paragraphs (b)
8.17 and (c), are effective January 1, 2026, or upon federal approval from the Centers for Medicare
8.18 and Medicaid Services, whichever is later. The commissioner of human services must notify
8.19 the revisor of statutes when the Centers for Medicare and Medicaid Services approve or
8.20 deny this section. The remainder of this section is effective January 1, 2026.

8.21 Sec. 7. **[15D.041] LAW ENFORCEMENT POWERS.**

8.22 Subdivision 1. **Authorization.** (a) The inspector general may appoint peace officers, as
8.23 defined in section 626.84, subdivision 1, paragraph (c), and establish a law enforcement
8.24 agency, as defined in section 626.84, subdivision 1, paragraph (f), known as the Office of
8.25 the Inspector General Anti-Fraud and Waste Bureau, to conduct statewide investigations,
8.26 and to make statewide arrests under sections 629.30 and 629.34. The primary jurisdiction
8.27 of the agency is limited to offenses involving fraud, abuse, and any other criminal conduct
8.28 within the jurisdiction of the Office of the Inspector General as described in this chapter.

8.29 (b) Upon request and at the inspector general's discretion, the bureau may respond to a
8.30 law enforcement agency's request to exercise law enforcement duties in cooperation with
8.31 the law enforcement agency that has jurisdiction over the particular matter.

8.32 Subd. 2. **Arrests and investigations.** The initial processing of a person arrested by the
8.33 bureau for an offense within its jurisdiction is the responsibility of the bureau unless otherwise

9.1 directed by the law enforcement agency with primary jurisdiction. Subsequent investigation
9.2 is the responsibility of the bureau unless otherwise directed by the law enforcement agency
9.3 with primary jurisdiction. At the request of the primary jurisdiction, the bureau may assist
9.4 in a subsequent investigation being carried out by the primary jurisdiction.

9.5 Subd. 3. **Policy for notice of investigations.** The bureau must develop a policy for
9.6 notifying the law enforcement agency with primary jurisdiction when it has initiated
9.7 investigation of any person within the jurisdiction of that agency.

9.8 Subd. 4. **Chief law enforcement officer.** If the inspector general establishes a law
9.9 enforcement agency under this section, the inspector general shall appoint a peace officer
9.10 employed full time to be the chief law enforcement officer and to be responsible for the
9.11 management of the bureau. The chief law enforcement officer shall possess the necessary
9.12 police and management experience to manage a law enforcement agency. The chief law
9.13 enforcement officer may appoint, discipline, and discharge all employees of the bureau. All
9.14 police managerial and supervisory personnel must be full-time employees of the bureau.
9.15 Supervisory personnel must be on duty and available any time peace officers of the bureau
9.16 are on duty.

9.17 Subd. 5. **Compliance; powers and duties.** (a) Except as otherwise provided in this
9.18 section, the bureau shall comply with all statutes and administrative rules relating to the
9.19 operation and management of a law enforcement agency.

9.20 (b) The bureau has the powers and duties of a law enforcement agency as provided by
9.21 law, including this section. Other powers and duties provided to the inspector general or
9.22 the Office of the Inspector General under this chapter do not apply to the bureau.

9.23 Subd. 6. **Evidence, documentation, and related materials.** If the bureau seeks evidence,
9.24 documentation, and related materials pertinent to an investigation, and the matter is located
9.25 outside of this state, the bureau may designate representatives, including officials of the
9.26 state where the matter is located, to secure the matter or inspect the matter on its behalf.

9.27 Subd. 7. **Annual report on activities and cost-effectiveness.** The bureau shall maintain
9.28 records and information in order to produce an annual report of its activities as may be
9.29 prescribed by the inspector general. The inspector general shall report annually to the chairs
9.30 and ranking minority members of the house of representatives and senate committees with
9.31 jurisdiction over the inspector general as to the activities and the cost-effectiveness of the
9.32 bureau.

9.33 Subd. 8. **Assignment of peace officers.** Regardless of whether a law enforcement agency
9.34 is established under this section, the inspector general may enter into memorandums of

10.1 understanding with chief law enforcement officers of state and local law enforcement
 10.2 agencies to allow peace officers from those agencies to be assigned with the Office of the
 10.3 Inspector General to enforce criminal laws and investigate matters within the jurisdiction
 10.4 of the office. A peace officer assigned under this subdivision must be a licensed peace
 10.5 officer as defined in section 626.84, subdivision 1, paragraph (c). Participating officers
 10.6 remain employees of the same entity that employed them before being assigned under this
 10.7 subdivision. Participating officers are subject to annual performance reviews conducted by
 10.8 the entity's operational supervisor. Peace officers assigned under this subdivision have
 10.9 statewide jurisdiction to conduct criminal investigations and have the same powers of arrest
 10.10 as those possessed by a sheriff.

10.11 Subd. 9. **Data practices.** The Office of the Inspector General Anti-Fraud and Waste
 10.12 Bureau is subject to chapter 13.

10.13 **EFFECTIVE DATE.** This section is effective January 1, 2026.

10.14 Sec. 8. **[15D.042] AUXILIARY POWERS.**

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

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

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

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

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

10.24 (4) produce and exhibit all books, accounts, documents, data of any classification, and
 10.25 property that the inspector general requests to inspect; and

10.26 (5) in all things cooperate with the inspector general.

10.27 Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of
 10.28 the inspector general, a deputy or assistant, or withholds any information, book, record,
 10.29 paper or other document called for by the inspector general for the purpose of examination,
 10.30 after having been lawfully required by order or subpoena, upon application by the inspector
 10.31 general, a judge of the district court in the county where the order or subpoena was made

11.1 returnable shall compel obedience or punish disobedience as for contempt, as in the case
11.2 of a similar order or subpoena issued by the court.

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

11.5 **Sec. 9. [15D.043] IDENTIFICATION OF FRAUD REPORTING TOOL.**

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

11.9 (b) As part of any grant agreement between the state and a nonprofit organization, the
11.10 agreement must require the nonprofit organization to prominently highlight on the
11.11 organization's website the fraud reporting tools administered by the Office of the Inspector
11.12 General, under chapter 15, and the Office of the Legislative Auditor, under chapter 3. The
11.13 state agency administering the grant must regularly confirm and document the organization's
11.14 compliance with the requirement under this paragraph for the life of the grant agreement.

11.15 **Sec. 10. [15D.046] DATA PRACTICES.**

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

11.18 (b) "Confidential data on individuals" has the meaning given in section 13.02, subdivision
11.19 3.

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

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

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

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

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

11.25 Subd. 2. **Government Data Practices Act.** The inspector general is a government entity
11.26 and is subject to the Government Data Practices Act, chapter 13.

11.27 Subd. 3. **Access.** In order to perform the duties authorized by this chapter, the inspector
11.28 general shall have access to data of any classification, including data classified as not public
11.29 data. It is not a violation of chapter 13 or any other statute classifying government data as

12.1 not public data if a government entity provides data pursuant to a subpoena issued under
12.2 this chapter.

12.3 Subd. 4. **Dissemination.** The inspector general may disseminate data of any classification,
12.4 including not public data, to:

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

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

12.9 (3) the legislative auditor or commissioner of human services as provided in section
12.10 15D.04, subdivision 2, paragraph (g).

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

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

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

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

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

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

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

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

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

13.1 (e) Inactive civil investigative data on an individual supplying information for an
 13.2 investigation that could reasonably be used to determine the individual's identity are private
 13.3 data on individuals if the information supplied was needed for the investigation and would
 13.4 not have been provided to the inspector general without an assurance to the individual that
 13.5 the individual's identity would remain private.

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

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

13.12 Subd. 7. **Criminal investigations.** This section does not apply to criminal investigations
 13.13 conducted by the Office of the Inspector General Anti-Fraud and Waste Bureau under
 13.14 section 15D.041.

13.15 Sec. 11. **[15D.05] RESOURCES.**

13.16 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff as necessary
 13.17 and in accordance with chapter 43A. The inspector general must employ and manage at
 13.18 least one attorney to serve as legal counsel for the office and to advise the inspector general
 13.19 on all legal matters relating to the office. Except for the inspector general, the staff in the
 13.20 Office of the Inspector General shall serve in the classified civil service. Except as provided
 13.21 in paragraph (b), compensation for employees of the inspector general in the classified
 13.22 service who are represented by an exclusive representative shall be governed by a collective
 13.23 bargaining agreement negotiated between the commissioner of management and budget
 13.24 and the exclusive representative. Compensation for employees of the inspector general in
 13.25 the classified service who are not represented by an exclusive representative shall be as
 13.26 provided in the commissioner's plan under section 43A.18, subdivision 2, or by the
 13.27 managerial plan under section 43A.18, subdivision 3, depending on the employee's job
 13.28 classification.

13.29 (b) Section 15.039, subdivision 7, applies to employees transferred into the Office of
 13.30 the Inspector General from other offices of inspectors general within the first year following
 13.31 enactment of chapter 15D.

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

14.1 **EFFECTIVE DATE.** This section is effective January 1, 2026.

14.2 Sec. 12. **[15D.06] REPORTING AND TRANSPARENCY.**

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

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

14.7 Subd. 3. **Report; inactive investigations.** By December 1, 2026, and each December
 14.8 1 thereafter, the inspector general must submit a report to the legislative auditor and the
 14.9 chairs and ranking minority members of the legislative committees with jurisdiction over
 14.10 state government and data practices regarding all investigations the inspector general did
 14.11 not open after receiving a tip or complaint or decided to no longer actively pursue for the
 14.12 preceding calendar year. The report must include, at a minimum, summary data as defined
 14.13 in section 13.02, subdivision 19, for:

14.14 (1) all complaints or tips received;

14.15 (2) the type of allegation;

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

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

14.19 **EFFECTIVE DATE.** This section is effective January 1, 2026.

14.20 Sec. 13. **[15D.07] PROFESSIONAL STANDARDS AND REVIEW.**

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

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

14.25 **EFFECTIVE DATE.** This section is effective January 1, 2026.

14.26 Sec. 14. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
 14.27 **COMMISSION.**

14.28 Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission
 14.29 is comprised of:

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

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

15.3 (3) two members of the house of representatives appointed by the speaker of the house
15.4 of representatives; and

15.5 (4) two members of the house of representatives appointed by the minority leader of the
15.6 house of representatives.

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

15.9 Subd. 3. **Chair.** The commission must select a chair after consideration of its members
15.10 by January 31 of each odd-numbered year. The chair shall serve until a successor is elected.
15.11 The chair must alternate biennially between the senate and the house of representatives.

15.12 Subd. 4. **Duties.** (a) The Legislative Inspector General Advisory Commission must:

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

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

15.17 (b) By January 1, 2026, the commission must conduct at least one hearing on, and provide
15.18 recommendations to the chairs and ranking minority members of the committees in the
15.19 senate and the house of representatives with jurisdiction over commerce and public safety
15.20 on, merging the Financial Crimes and Fraud Section of the Department of Public Safety
15.21 into the Office of the Inspector General. The recommendations should include proposed
15.22 legislation to effectuate the merger.

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

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

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

15.30 **EFFECTIVE DATE.** This section is effective the day following final enactment. The
15.31 commission must submit recommendations for an inspector general by January 1, 2026.

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

16.2 Subd. 2. **Legislative auditor and inspector general.** Whenever an employee or officer
16.3 of the state, University of Minnesota, or other organization listed in section 3.971, subdivision
16.4 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of public funds
16.5 or property, the employee or officer shall, ~~except when to do so would knowingly impede~~
16.6 ~~or otherwise interfere with an ongoing criminal investigation~~, promptly report in writing to
16.7 the legislative auditor or inspector general a detailed description of the alleged incident or
16.8 incidents.

16.9 Sec. 16. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
16.10 **TRANSITION.**

16.11 Subdivision 1. **Appointment.** Notwithstanding Minnesota Statutes, section 15D.03,
16.12 subdivision 4, by January 1, 2026, the Legislative Inspector General Advisory Commission
16.13 must make recommendations for appointment of an inspector general under Minnesota
16.14 Statutes, section 15D.03. By February 1, 2026, the governor must appoint an inspector
16.15 general from among the recommended candidates.

16.16 Subd. 2. **Operational.** By September 1, 2026, the Office of the Inspector General must
16.17 be fully operational.

16.18 Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and
16.19 employees employed in an office of inspector general for a state agency shall transition to
16.20 employment under the Office of the Inspector General under Minnesota Statutes, chapter
16.21 15D, except as specified in subdivision 6.

16.22 (b) The following protections shall apply to employees who are transferred to the Office
16.23 of the Inspector General under Minnesota Statutes, chapter 15D, from state agencies:

16.24 (1) no transferred employee shall have their employment status and job classification
16.25 altered as a result of the transfer;

16.26 (2) transferred employees who were represented by an exclusive representative prior to
16.27 the transfer shall continue to be represented by the same exclusive representative after the
16.28 transfer;

16.29 (3) any applicable collective bargaining agreements with exclusive representatives shall
16.30 continue in full force and effect for transferred employees after the transfer while the
16.31 agreement remains in effect;

17.1 (4) when an employee in a temporary unclassified position is transferred to the Office
 17.2 of the Inspector General, the total length of time that the employee has served in the
 17.3 appointment must include all time served in the appointment at the transferring agency and
 17.4 the time served in the appointment at the Office of the Inspector General. An employee in
 17.5 a temporary unclassified position who was hired by a transferring agency through an open
 17.6 competitive selection process under a policy enacted by the commissioner of management
 17.7 and budget is considered to have been hired through a competitive selection process after
 17.8 the transfer;

17.9 (5) the state must meet and negotiate with the exclusive representatives of the transferred
 17.10 employees about proposed changes to the transferred employees' terms and conditions of
 17.11 employment to the extent that the proposed changes are not addressed in the applicable
 17.12 collective bargaining agreement; and

17.13 (6) if the state transfers ownership or control of any facilities, services, or operations of
 17.14 the Office of the Inspector General to another private or public entity by subcontracting,
 17.15 sale, assignment, lease, or other transfer, the state must require as a written condition of the
 17.16 transfer of ownership or control the following:

17.17 (i) employees who perform work in the facilities, services, or operations must be offered
 17.18 employment with the entity acquiring ownership or control before the entity offers
 17.19 employment to any individual who was not employed by the transferring agency at the time
 17.20 of the transfer; and

17.21 (ii) the wage and benefit standards of the transferred employees must not be reduced by
 17.22 the entity acquiring ownership or control through the expiration of the collective bargaining
 17.23 agreement in effect at the time of the transfer or for a period of two years after the transfer,
 17.24 whichever is longer.

17.25 There is no liability on the part of, and no cause of action arises against, the state of
 17.26 Minnesota or its officers or agents for any action or inaction of any entity acquiring ownership
 17.27 or control of any facilities, services, or operations of the department.

17.28 Subd. 4. **Assets.** Before September 1, 2026, assets and unused appropriations for existing
 17.29 offices of inspectors general shall be transferred to the Office of the Inspector General under
 17.30 Minnesota Statutes, chapter 15D, except as specified in subdivision 6.

17.31 Subd. 5. **Office space.** The commissioner of administration must provide office space
 17.32 on the Capitol Mall complex for the Office of the Inspector General under Minnesota
 17.33 Statutes, chapter 15D, under a rental agreement.

18.1 Subd. 6. **Exceptions.** (a) Positions, and assets and unused appropriations related to these
18.2 positions, in the Department of Human Services will not transfer to the Office of the Inspector
18.3 General.

18.4 (b) No employees or positions in the Department of Corrections are transferred under
18.5 this section.

18.6 (c) No employees or positions in the student maltreatment program of the Department
18.7 of Education or other Department of Education employees or positions dedicated to student
18.8 maltreatment investigations under Minnesota Statutes, chapter 260E, are transferred under
18.9 this section.

18.10 (d) No employees or positions in the Department of Children, Youth, and Families will
18.11 transfer to the Office of the Inspector General.

18.12 **EFFECTIVE DATE.** This section is effective January 1, 2026.

18.13 Sec. 17. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**
18.14 **INITIAL APPOINTMENTS AND FIRST MEETING.**

18.15 Subdivision 1. **Initial appointments.** Appointing authorities must make appointments
18.16 to the Legislative Inspector General Advisory Commission by August 1, 2025.

18.17 Subd. 2. **First meeting.** The senate majority leader must designate one member of the
18.18 Legislative Inspector General Advisory Commission to convene the first meeting of the
18.19 Legislative Inspector General Advisory Commission by September 15, 2025.

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

18.24 Sec. 18. **INTERAGENCY AGREEMENTS.**

18.25 (a) By December 31, 2026, the Office of the Inspector General must enter into an
18.26 interagency agreement with the Department of Human Services. The agreement must not
18.27 preclude the agency from performing, or give the inspector general authority to take actions
18.28 that would interfere with the agency's ability to perform, duties required as a condition for
18.29 securing or maintaining federal funding. The interagency agreement must include a clause
18.30 on cost-sharing for investigations that may require multiagency coordination and a clause
18.31 that details what process will be followed if a joint investigation is required. The interagency
18.32 agreement must not limit the inspector general's authority or authorized powers and

19.1 responsibilities. The agency and the inspector general may coordinate investigative efforts
19.2 as necessary or practical, but an interagency agreement must not diminish, delay, or restrict
19.3 the inspector general's ability to investigate fraud and misuse when an independent
19.4 investigation is pursued.

19.5 (b) By December 31, 2026, the Office of the Inspector General must enter into an
19.6 interagency agreement with the Department of Children, Youth, and Families. The
19.7 interagency agreement must include a clause on cost-sharing for investigations that may
19.8 require multiagency coordination and a clause that details what process will be followed if
19.9 a joint investigation is required. The interagency agreement must not limit the inspector
19.10 general's authority or authorized powers and responsibilities. The agency and the inspector
19.11 general may coordinate investigative efforts as necessary or practical, but an interagency
19.12 agreement must not diminish, delay, or restrict the inspector general's ability to investigate
19.13 fraud and misuse when an independent investigation is pursued.

19.14 (c) By December 31, 2026, the Office of the Inspector General must enter into an
19.15 interagency agreement with the Department of Health. The interagency agreement must
19.16 include a clause on cost-sharing for investigations that may require multiagency coordination
19.17 and a clause that details what process will be followed if a joint investigation is required.
19.18 The interagency agreement must not limit the inspector general's authority or authorized
19.19 powers and responsibilities. The agency and the inspector general may coordinate
19.20 investigative efforts as necessary or practical, but an interagency agreement must not
19.21 diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse
19.22 when an independent investigation is pursued.

19.23 (d) As soon as practicable after January 1, 2026, the Office of the Inspector General
19.24 must enter into an interagency agreement with the Department of Education. The interagency
19.25 agreement must not limit the inspector general's authority or authorized powers and
19.26 responsibilities. Effective immediately, nothing in Minnesota Statutes, chapter 15D,
19.27 authorizes any sanction by the commissioner or inspector general that reduces, pauses, or
19.28 otherwise interrupts state or federal aid to a school district; charter school; cooperative unit
19.29 as defined by Minnesota Statutes, section 123A.24, subdivision 2; or any library, library
19.30 system, or library district defined in Minnesota Statutes, section 134.001.

19.31 **EFFECTIVE DATE.** Paragraph (a) is effective January 1, 2026, or upon federal approval
19.32 from the Centers for Medicare and Medicaid Services, whichever is later. The commissioner
19.33 of human services must notify the revisor of statutes when the Centers for Medicare and
19.34 Medicaid Services approve or deny this section. The remainder of this section is effective
19.35 January 1, 2026.

20.1 Sec. 19. APPROPRIATIONS.

20.2 (a) \$644,000 in fiscal year 2026 and \$430,000 in fiscal year 2027 are appropriated from
 20.3 the general fund to the commissioner of administration to establish the Office of the Inspector
 20.4 General. This is a onetime appropriation.

20.5 (b) \$3,034,000 in fiscal year 2026 and \$4,432,000 in fiscal year 2027 are appropriated
 20.6 from the general fund to the Office of the Inspector General for purposes of this act. The
 20.7 base for this appropriation is \$4,439,000 in fiscal year 2028 and \$4,474,000 in fiscal year
 20.8 2029 and each fiscal year thereafter. The commissioner of administration, in consultation
 20.9 with the commissioner of management and budget, may transfer amounts in fiscal year
 20.10 2026 and fiscal year 2027 to the commissioner of administration for office build out, cost
 20.11 of space, office equipment, and other costs directly related to the establishment of the office.

20.12 **ARTICLE 2**20.13 **CONFORMING ITEMS AND REPEALERS**

20.14 Section 1. Minnesota Statutes 2024, section 13.82, subdivision 1, is amended to read:

20.15 Subdivision 1. **Application.** This section shall apply to agencies which carry on a law
 20.16 enforcement function, including but not limited to municipal police departments, county
 20.17 sheriff departments, fire departments, the Bureau of Criminal Apprehension, the Minnesota
 20.18 State Patrol, the Board of Peace Officer Standards and Training, the Department of
 20.19 Commerce, the Office of the Inspector General Anti-Fraud and Waste Bureau, and county
 20.20 human service agency client and provider fraud investigation, prevention, and control units
 20.21 operated or supervised by the Department of Human Services.

20.22 **EFFECTIVE DATE.** This section is effective January 1, 2026.

20.23 Sec. 2. Minnesota Statutes 2024, section 127A.21, subdivision 1a, is amended to read:

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

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

20.29 ~~(e)~~ (b) "Department program" means a program funded by the Department of Education
 20.30 that involves the transfer or disbursement of public funds or other resources to a program
 20.31 participant. "Department program" includes state and federal aids or grants received by a
 20.32 school district or charter school or other program participant.

21.1 (c) "Inspector general" refers to the inspector general as defined in section 15D.01.

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

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

21.10 ~~(f)~~ (d) "Program participant" means any entity or person, including associated persons,
 21.11 that receives, disburses, or has custody of funds or other resources transferred or disbursed
 21.12 under a department program.

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

21.15 ~~(h) For purposes of this section, neither "fraud," "waste," nor "abuse" includes decisions~~
 21.16 ~~on instruction, curriculum, personnel, or other discretionary policy decisions made by a~~
 21.17 ~~school district, charter school, cooperative unit as defined by section 123A.24, subdivision~~
 21.18 ~~2, or any library, library system, or library district defined in section 134.001.~~

21.19 Sec. 3. Minnesota Statutes 2024, section 127A.21, subdivision 5, is amended to read:

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

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

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

21.29 ~~(2)~~ (1) there has been a criminal, civil, or administrative adjudication of fraud, ~~waste,~~
 21.30 ~~or abuse or misuse~~ against the program participant in Minnesota or in another state or
 21.31 jurisdiction; or

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

22.5 ~~(4)~~ (2) the program participant has a pattern of noncompliance with an investigation.

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

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

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

22.23 (1) the sanction being imposed;

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

22.25 (3) the duration of the sanction;

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

22.27 (5) how the program participant may appeal the sanction pursuant to paragraph ~~(f)~~ (e).

22.28 (f) A program participant sanctioned under this subdivision may, within 30 days after
 22.29 the date the notice of sanction was mailed to the participant, appeal the determination by
 22.30 requesting in writing that the commissioner initiate a contested case proceeding under
 22.31 chapter 14. The scope of any contested case hearing is limited to the sanction imposed under
 22.32 this subdivision. An appeal request must specify with particularity each disputed item, the

23.1 reason for the dispute, and must include the name and contact information of the person or
 23.2 entity that may be contacted regarding the appeal.

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

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

23.9 Subd. 8. **Limits on receiving public funds; prohibition.** (a) This subdivision does not
 23.10 authorize any action that reduces, pauses, or otherwise interrupts state or federal aid to a
 23.11 school district; charter school; cooperative unit as defined in section 123A.24, subdivision
 23.12 2; or any library, library system, or library district defined in section 134.001.

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

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

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

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

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

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

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

23.30 (e) The duration of a prohibition, disenrollment, revocation, suspension, or
 23.31 disqualification under paragraph (c) must last for the longest applicable sanction or
 23.32 disqualifying period in effect for the program participant permitted by state or federal law.

24.1 The duration of a prohibition, disenrollment, revocation, suspension, or disqualification
24.2 under paragraph (d) may last up until the longest applicable sanction or disqualifying period
24.3 in effect for the program participant as permitted by state or federal law.

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

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

24.9 (1) basis for the action;

24.10 (2) effective date of the action;

24.11 (3) right to appeal the action; and

24.12 (4) requirements and procedures for reinstatement.

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

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

24.20 (b) The appeal request must specify:

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

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

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

24.26 (4) other information required by the commissioner.

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

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

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

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

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

25.17 (1) fraud hotline complaints;

25.18 (2) claims data mining; and

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

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

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

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

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

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

25.29 (e) The withholding of payments shall not continue after the inspector general determines
25.30 there is insufficient evidence of fraud by the program participant or after legal proceedings
25.31 relating to the alleged fraud are completed, unless the commissioner has sent notice under
25.32 subdivision 5 of the intention to take an additional action related to the program participant's

26.1 participation in a program administered by the commissioner. If the inspector general
 26.2 determines there is insufficient evidence of fraud by the program participant or after legal
 26.3 proceedings relating to the alleged fraud are completed, the inspector general shall notify
 26.4 the commissioner within ten days of the determination.

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

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

26.9 Subd. 35. **Office of the Inspector General; reports.** The commissioner must submit
 26.10 final investigative reports to the inspector general, serving under section 15D.01, for any
 26.11 investigation conducted by the commissioner into fraud or misuse, as defined in section
 26.12 15D.02, within the child care assistance program.

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

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

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

26.21 (1) fraud hotline complaints;

26.22 (2) claims data mining;

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

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

26.27 (5) information from the inspector general, including information listed on the inspector
 26.28 general's exclusion list under section 15D.04, subdivision 1, clause (8).

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

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

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

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

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

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

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

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

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

27.26 Subd. 9. Office of the Inspector General; reports. The commissioner must submit
27.27 final investigative reports to the inspector general serving under section 15D.01 for any
27.28 investigation conducted by the commissioner into fraud or misuse, as defined in section
27.29 15D.02, within the special supplemental nutrition program for women, infants, and children.

27.30 Sec. 11. Minnesota Statutes 2024, section 181.932, subdivision 1, is amended to read:

27.31 Subdivision 1. **Prohibited action.** An employer shall not discharge, discipline, penalize,
27.32 interfere with, threaten, restrain, coerce, or otherwise retaliate or discriminate against an

28.1 employee regarding the employee's compensation, terms, conditions, location, or privileges
28.2 of employment because:

28.3 (1) the employee, or a person acting on behalf of an employee, in good faith, reports a
28.4 violation, suspected violation, or planned violation of any federal or state law or common
28.5 law or rule adopted pursuant to law to an employer or to any governmental body or law
28.6 enforcement official;

28.7 (2) the employee is requested by a public body or office to participate in an investigation,
28.8 hearing, inquiry;

28.9 (3) the employee refuses an employer's order to perform an action that the employee
28.10 has an objective basis in fact to believe violates any state or federal law or rule or regulation
28.11 adopted pursuant to law, and the employee informs the employer that the order is being
28.12 refused for that reason;

28.13 (4) the employee, in good faith, reports a situation in which the quality of health care
28.14 services provided by a health care facility, organization, or health care provider violates a
28.15 standard established by federal or state law or a professionally recognized national clinical
28.16 or ethical standard and potentially places the public at risk of harm;

28.17 (5) a public employee communicates the findings of a scientific or technical study that
28.18 the employee, in good faith, believes to be truthful and accurate, including reports to a
28.19 governmental body or law enforcement official; ~~or~~

28.20 (6) ~~an a public employee in the classified service of state government~~ communicates
28.21 information that the public employee, in good faith, believes to be truthful and accurate,
28.22 and that relates to ~~state~~ public services, including the financing of ~~state~~ public services, to:

28.23 (i) a legislator or the legislative auditor; or

28.24 (ii) a constitutional officer; or

28.25 (7) a public employee, in good faith, reports fraud or misuse in programs of a state
28.26 agency or political subdivision to the employer, any governmental body, a law enforcement
28.27 official, the legislative auditor, a member of the legislature, or a constitutional officer.

28.28 The disclosures protected pursuant to this section do not authorize the disclosure of data
28.29 otherwise protected by law.

28.30 Sec. 12. Minnesota Statutes 2024, section 245.095, subdivision 5, is amended to read:

28.31 Subd. 5. **Withholding of payments.** (a) Except as otherwise provided by state or federal
28.32 law, the commissioner may withhold payments to a provider, vendor, individual, associated

29.1 individual, or associated entity in any program administered by the commissioner if the
29.2 commissioner determines there is a credible allegation of fraud for which an investigation
29.3 is pending for a program administered by a Minnesota state or federal agency.

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

29.6 (1) fraud hotline complaints;

29.7 (2) claims data mining;

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

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

29.12 (5) information from the inspector general, including information listed on the inspector
29.13 general's exclusion list under section 15D.04, subdivision 1, clause (8).

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

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

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

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

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

29.24 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,
29.25 individual, associated individual, or associated entity has a right to request administrative
29.26 reconsideration. A request for administrative reconsideration must be made in writing, state
29.27 with specificity the reasons the payment withholding decision is in error, and include
29.28 documents to support the request. Within 60 days from receipt of the request, the
29.29 commissioner shall judiciously review allegations, facts, evidence available to the
29.30 commissioner, and information submitted by the provider, vendor, individual, associated
29.31 individual, or associated entity to determine whether the payment withholding should remain
29.32 in place.

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

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

30.8 Sec. 13. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to
30.9 read:

30.10 Subd. 44. Office of the Inspector General; reports. The commissioner must submit
30.11 final investigative reports to the inspector general, serving under section 15D.01, for any
30.12 investigation conducted by the commissioner into fraud or misuse, as defined in section
30.13 15D.02, within the Medicaid program.

30.14 Sec. 14. Minnesota Statutes 2024, section 626.84, subdivision 1, is amended to read:

30.15 Subdivision 1. **Definitions.** For purposes of sections 626.84 to 626.863, the following
30.16 terms have the meanings given them:

30.17 (a) "Board" means the Board of Peace Officer Standards and Training.

30.18 (b) "Director" means the executive director of the board.

30.19 (c) "Peace officer" means:

30.20 (1) an employee or an elected or appointed official of a political subdivision or law
30.21 enforcement agency who is licensed by the board, charged with the prevention and detection
30.22 of crime and the enforcement of the general criminal laws of the state and who has the full
30.23 power of arrest, and shall also include the Minnesota State Patrol, agents of the Division of
30.24 Alcohol and Gambling Enforcement, state conservation officers, Metropolitan Transit police
30.25 officers, Department of Corrections Fugitive Apprehension Unit officers, Department of
30.26 Commerce Fraud Bureau Unit officers, Office of the Inspector General Anti-Fraud and
30.27 Waste Bureau officers, the statewide coordinator of the Violent Crime Coordinating Council,
30.28 and railroad peace officers as authorized by section 219.995 and United States Code, title
30.29 49, section 28101; and

30.30 (2) a peace officer who is employed by a law enforcement agency of a federally
30.31 recognized tribe, as defined in United States Code, title 25, section 450b(e), and who is
30.32 licensed by the board.

31.1 (d) "Part-time peace officer" means an individual licensed by the board whose services
31.2 are utilized by law enforcement agencies no more than an average of 20 hours per week,
31.3 not including time spent on call when no call to active duty is received, calculated on an
31.4 annual basis, who has either full powers of arrest or authorization to carry a firearm while
31.5 on active duty. The term shall apply even though the individual receives no compensation
31.6 for time spent on active duty, and shall apply irrespective of the title conferred upon the
31.7 individual by any law enforcement agency.

31.8 (e) "Reserve officer" means an individual whose services are utilized by a law
31.9 enforcement agency to provide supplementary assistance at special events, traffic or crowd
31.10 control, and administrative or clerical assistance, and shall include reserve deputies, special
31.11 deputies, mounted or unmounted patrols, and all other employees or volunteers performing
31.12 reserve officer functions. A reserve officer's duties do not include enforcement of the general
31.13 criminal laws of the state, and the officer does not have full powers of arrest or authorization
31.14 to carry a firearm on duty.

31.15 (f) "Law enforcement agency" means:

31.16 (1) a unit of state or local government that is authorized by law to grant full powers of
31.17 arrest and to charge a person with the duties of preventing and detecting crime and enforcing
31.18 the general criminal laws of the state;

31.19 (2) subject to the limitations in section 626.93, a law enforcement agency of a federally
31.20 recognized tribe, as defined in United States Code, title 25, section 450b(e); and

31.21 (3) subject to the limitation of section 219.995, a railroad company.

31.22 (g) "Professional peace officer education" means a postsecondary degree program, or a
31.23 nondegree program for persons who already have a college degree, that is offered by a
31.24 college or university in Minnesota, designed for persons seeking licensure as a peace officer,
31.25 and approved by the board.

31.26 (h) "Railroad peace officer" means an individual as authorized under United States Code,
31.27 title 49, section 28101:

31.28 (1) employed by a railroad for the purpose of aiding and supplementing law enforcement
31.29 agencies in the protection of property owned by or in the care, custody, or control of a
31.30 railroad and to protect the persons and property of railroad passengers and employees; and

31.31 (2) licensed by the board.

31.32 **EFFECTIVE DATE.** This section is effective January 1, 2026.

32.1 Sec. 15. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

32.2 Subdivision 1. **Duties abolished.** Except as exempted in article 1, section 16, subdivision
32.3 6, and Minnesota Statutes, section 15D.04, subdivision 2, duties pertaining to the
32.4 investigation of fraud, misuse, and other unlawful use of public funds in the Office of the
32.5 Inspector General in the Department of Education are abolished effective the day after the
32.6 inspector general under Minnesota Statutes, section 15D.01, certifies in writing to the
32.7 commissioner of the respective department and the commissioner of management and budget
32.8 that the inspector general has assumed responsibility for these duties.

32.9 Subd. 2. **Inspector general transfers.** Pursuant to Minnesota Statutes, section 15.039,
32.10 all active investigations, obligations, court actions, contracts, and records shall transfer from
32.11 the department in subdivision 1 to the inspector general under Minnesota Statutes, section
32.12 15D.01, except as provided by the inspector general and as provided in article 1, section
32.13 16, subdivision 6, and Minnesota Statutes, section 15D.04, subdivision 2.

32.14 **EFFECTIVE DATE.** This section is effective July 1, 2025.

32.15 Sec. 16. **REPEALER.**

32.16 Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, subdivisions
32.17 1, 2, 3, 4, 6, and 7, are repealed.

32.18 **EFFECTIVE DATE.** This section is effective the day after the inspector general under
32.19 Minnesota Statutes, section 15D.01, notifies the revisor of statutes that the Office of the
32.20 Inspector General under Minnesota Statutes, section 15D.01, has assumed responsibility
32.21 for identifying and investigating fraud, misuse, and other unlawful use of public funds in
32.22 the Department of Education.

APPENDIX
Article locations for S0856-10

ARTICLE 1 OFFICE OF THE INSPECTOR GENERAL..... Page.Ln 1.15
ARTICLE 2 CONFORMING ITEMS AND REPEALERS..... Page.Ln 20.12

13.321 PREKINDERGARTEN TO GRADE 12 EDUCATIONAL DATA CODED ELSEWHERE.

Subd. 12. **Office of the Inspector General; access to data.** Data involving the Department of Education's Office of the Inspector General are governed by section 127A.21.

127A.21 OFFICE OF THE INSPECTOR GENERAL.

Subdivision 1. **Establishment of Office of the Inspector General; powers; duties.** The commissioner must establish within the department an Office of the Inspector General. The inspector general shall report directly to the commissioner. The Office of the Inspector General is charged with protecting the integrity of the department and the state by detecting and preventing fraud, waste, and abuse in department programs. The Office of the Inspector General must conduct independent and objective investigations to promote the integrity of the department's programs and operations. When fraud or other misuse of public funds is detected, the Office of the Inspector General must report it to the appropriate law enforcement entity and collaborate and cooperate with law enforcement to assist in the investigation and any subsequent civil and criminal prosecution.

Subd. 2. **Hiring; reporting; procedures.** (a) The commissioner, or the commissioner's designee, must hire an inspector general to lead the Office of the Inspector General. The inspector general must hire a deputy inspector general and, at the discretion of the inspector general, sufficient assistant inspectors general to carry out the duties of the office. The inspector general, deputy inspector general, and any assistant inspectors general serve in the classified service.

(b) In a form and manner determined by the inspector general, the Office of the Inspector General must develop a public platform for the public to report instances of potential fraud, waste, or abuse of public funds administered by the department. Nothing in this paragraph shall be construed to give a member of the public standing to sue based on allegations of fraud, waste, or abuse.

(c) The inspector general shall establish procedures for conducting investigations. Procedures adopted under this subdivision are not subject to chapter 14, including section 14.386.

Subd. 3. **Subpoenas.** (a) For the purpose of an investigation, the inspector general or a designee may administer oaths and affirmations, subpoena witnesses, compel attendance, take evidence, and issue subpoenas duces tecum to require the production of books, papers, correspondence, memoranda, agreements, financial records, or other documents or records relevant to the investigation.

(b) A subpoena issued pursuant to this subdivision must state that the subpoena recipient may not disclose the fact that the subpoena was issued or the fact that the requested records have been given to the inspector general, or their staff, except:

- (1) in so far as the disclosure is necessary to find and disclose the records;
- (2) pursuant to court order; or
- (3) to legal counsel for the purposes of responding to the subpoena.

(c) The fees for service of a subpoena must be paid in the same manner as prescribed by law for a service of process issued by a district court.

(d) The subpoena issued under this subdivision shall be enforceable through the district court in the district where the subpoena is issued.

Subd. 4. **Access to records.** (a) For purposes of an investigation, and regardless of the data's classification under chapter 13, the Office of the Inspector General shall have access to all relevant books, accounts, documents, data, and property related to department programs that are maintained by a program participant, charter school, or government entity as defined by section 13.02.

(b) Notwithstanding paragraph (a), the Office of the Inspector General must issue a subpoena under subdivision 3 in order to access routing and account numbers to which Department of Education funds have been disbursed.

(c) Records requested by the Office of the Inspector General under this subdivision shall be provided in a format, place, and time frame reasonably requested by the Office of the Inspector General.

(d) The department may enter into specific agreements with other state agencies related to records requests by the Office of the Inspector General.

APPENDIX
Repealed Minnesota Statutes: S0856-10

Subd. 6. **Data practices.** (a) It is not a violation of rights conferred by chapter 13 or any other statute related to the confidentiality of government data for a government entity as defined in section 13.02 to provide data or information under this section.

(b) The inspector general is subject to the Government Data Practices Act, chapter 13, and shall protect from unlawful disclosure data classified as not public. Data collected, created, received, or maintained by the inspector general relating to an audit, investigation, proceeding, or inquiry are subject to section 13.39.

Subd. 7. **Retaliation, interference prohibited.** (a) An employee or other individual who discloses information to the Office of the Inspector General about fraud, waste, or abuse in department programs is protected under section 181.932, governing disclosure of information by employees.

(b) No state employee may interfere with or obstruct an investigation authorized by this section.