

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03/27/2025	1117	Withdrawn and re-referred to Judiciary and Public Safety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	10202a	Returned from House with amendment
	10202	Senate concurred and repassed bill
	10203	Third reading Passed as amended Presentment date 05/12/26

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 commission; making conforming and technical changes; providing

1.4 for interagency agreements; requiring reports; appropriating money; amending

1.5 Minnesota Statutes 2024, sections 3.971, by adding a subdivision; 15A.0815,

1.6 subdivision 2; 43A.32, by adding a subdivision; 127A.21, subdivision 1a, by adding

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

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

1.9 609.456, subdivision 2; Minnesota Statutes 2025 Supplement, sections 10A.01,

1.10 subdivision 35; 13.82, subdivision 1; 127A.21, subdivision 5; 626.84, subdivision

1.11 1; proposing coding for new law as Minnesota Statutes, chapter 15E; repealing

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

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

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

1.15 **ARTICLE 1**

1.16 **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 credible reports from the public

1.21 about potential fraud or misuse, as those terms are defined in chapter 15E, to the inspector

1.22 general appointed under chapter 15E. The legislative auditor may coordinate reviews and

1.23 investigations with the inspector general when coordination conserves resources and does

1.24 not compromise the reviews or investigations.

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

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

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

2.4 (1) member of the legislature;

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

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

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

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

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

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

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

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

2.23 (10) judge of the Workers' Compensation Court of Appeals;

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

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

2.29 (13) member or chief administrator of a metropolitan agency;

2.30 (14) director of the Division of Alcohol and Gambling Enforcement in the Department
2.31 of Public Safety;

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

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

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

3.27 Subd. 2. **Agency head salaries.** The salary for a position listed in this subdivision shall
3.28 be determined by the Compensation Council under section 15A.082. The commissioner of

- 4.1 management and budget must publish the salaries on the department's website. This
- 4.2 subdivision applies to the following positions:
- 4.3 Commissioner of administration;
- 4.4 Commissioner of agriculture;
- 4.5 Commissioner of education;
- 4.6 Commissioner of children, youth, and families;
- 4.7 Commissioner of commerce;
- 4.8 Commissioner of corrections;
- 4.9 Commissioner of health;
- 4.10 Commissioner, Minnesota Office of Higher Education;
- 4.11 Commissioner, Minnesota IT Services;
- 4.12 Commissioner, Housing Finance Agency;
- 4.13 Commissioner of human rights;
- 4.14 Commissioner of human services;
- 4.15 Commissioner of labor and industry;
- 4.16 Commissioner of management and budget;
- 4.17 Commissioner of natural resources;
- 4.18 Commissioner, Pollution Control Agency;
- 4.19 Commissioner of public safety;
- 4.20 Commissioner of revenue;
- 4.21 Commissioner of employment and economic development;
- 4.22 Commissioner of transportation;
- 4.23 Commissioner of veterans affairs;
- 4.24 Executive director of the Gambling Control Board;
- 4.25 Executive director of the Minnesota State Lottery;
- 4.26 Executive director of the Office of Cannabis Management;
- 4.27 Inspector general appointed under chapter 15E;

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

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

5.13 Sec. 4. **[15E.10] OFFICE OF THE INSPECTOR GENERAL.**

5.14 (a) The inspector general serves as an independent entity in the executive branch
 5.15 responsible for ensuring accountability, transparency, and integrity in the operations of state
 5.16 executive branch agencies and programs.

5.17 (b) In exercising the inspector general's powers and duties, the inspector general must
 5.18 operate independently of all state executive branch agencies and report directly to the
 5.19 governor. The inspector general is not subject to direction or interference from any executive
 5.20 or legislative authority, except as directed by enacted law.

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

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

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

5.24 Sec. 5. **[15E.15] DEFINITIONS.**

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

5.26 (1) "agency" means a department, board, council, committee, authority, commission,
 5.27 agency, or office in the executive branch of state government, including the constitutional
 5.28 offices;

6.1 (2) "agency program" means a program funded or administered by an agency, including
6.2 grants and contracts;

6.3 (3) "fraud" means an intentional or deceptive act or failure to act to gain an unlawful
6.4 benefit;

6.5 (4) "investigation" means an audit, review, or inquiry conducted by the inspector general
6.6 to detect or prevent fraud or misuse;

6.7 (5) "misuse" means improper use of authority or position for personal gain or to cause
6.8 harm to others, including the improper use of public resources or programs contrary to their
6.9 intended purpose; and

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

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

6.13 **Sec. 6. [15E.20] INSPECTOR GENERAL.**

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

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

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

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

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

6.25 (b) Current or former commissioners, agency heads, deputy commissioners or agency
6.26 heads, governors, or legislators, and persons elected to an office other than governor or
6.27 legislator, are not eligible to serve as inspector general within five years of their service in
6.28 those roles.

6.29 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission must
6.30 recommend candidates for inspector general after a competitive process from among eligible
6.31 applicants for the position of inspector general. To be recommended by the commission, a

7.1 candidate must be approved for recommendation by five of the eight members of the
7.2 commission. The commission must assess eligible candidates based on qualifications,
7.3 including experience in auditing, financial analysis, public administration, law enforcement,
7.4 or related fields. The inspector general is appointed by the governor, after consideration of
7.5 recommendations from the Legislative Inspector General Advisory Commission, with
7.6 confirmation by a vote of three-fifths of the senate. Section 15.066, subdivision 3, does not
7.7 apply. If the senate does not confirm a person appointed by the governor, the Legislative
7.8 Inspector General Advisory Commission must consider applicants and make
7.9 recommendations to the governor as required under section 15E.60, subdivision 4.

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

7.13 Subd. 4. **Vacancy.** The Legislative Inspector General Advisory Commission must provide
7.14 recommendations to the governor for appointment to fill a vacancy in the position of the
7.15 inspector general within 90 days of a vacancy occurring or within 60 days of being advised
7.16 by the inspector general that a vacancy is expected to occur. The governor must appoint an
7.17 inspector general within 30 days of receiving recommendations from the Legislative Inspector
7.18 General Advisory Commission or within 45 days of expiration of the 90- or 60-day period
7.19 if the advisory commission does not provide recommendations within the time allotted.

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

7.23 Subd. 6. **Nonpartisanship.** The inspector general, and all employees of the office, must
7.24 perform duties of the office without regard to partisan preferences or influences. While
7.25 serving, the inspector general, and all employees of the office, may not engage in partisan
7.26 activities, campaign work, or public political speech, unless protected by the state or federal
7.27 constitution.

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

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

8.1 Sec. 7. [15E.25] POWERS AND DUTIES.

8.2 Subdivision 1. Authorized powers and responsibilities. The inspector general is
8.3 authorized and responsible to:

8.4 (1) establish standards and best practices concerning the operation, investigations, and
8.5 fraud prevention processes of agency inspectors general, and periodically review agency
8.6 compliance with these standards and best practices. Agencies must follow standards
8.7 developed by the inspector general under this clause;

8.8 (2) facilitate information sharing between agencies, including coordinating investigations
8.9 that involve multiple agencies and designating a lead agency, coordinating and assisting
8.10 agency identification and review of suspicious documents and data anomalies, and alerting
8.11 other agencies when a person suspected of committing fraud against any agency program
8.12 may also be participating in, or applying to participate in, a program administered by another
8.13 agency;

8.14 (3) evaluate the performance of agency inspector general offices and recommend
8.15 improvements, as needed, to the agency's head and inspector general. An agency head that
8.16 receives a recommendation under this clause must report annually to the chairs and ranking
8.17 minority members of the legislative committees with jurisdiction over the agency regarding
8.18 the agency's implementation of the inspector general's recommendations until the inspector
8.19 general notifies the agency head and the chairs and ranking members that the recommendation
8.20 was resolved in a satisfactory manner;

8.21 (4) conduct inspections, evaluations, and investigations of agencies and programs, with
8.22 a focus on recipients of public funds and publicly funded services, to: (i) identify fraud and
8.23 misuse; (ii) make recommendations for changes to programs to prevent fraud and misuse;
8.24 and (iii) protect the integrity of the use of public funds, data, and systems;

8.25 (5) refer matters for civil, criminal, or administrative action to the Office of the Inspector
8.26 General Anti-Fraud and Waste Bureau under section 15E.27, the Bureau of Criminal
8.27 Apprehension, the attorney general's office, the United States Department of Justice for
8.28 federal programs, or other appropriate authorities;

8.29 (6) recommend legislative or policy changes to improve program efficiency and
8.30 effectiveness;

8.31 (7) publish reports on completion of an investigation summarizing findings,
8.32 recommendations, and outcomes of the inspector general's activities;

9.1 (8) investigate any private entity or local unit of government administering a state
9.2 program, or any private recipient of state funds or services, to ensure the proper use of state
9.3 funds and compliance with all other laws and requirements applicable to funds or services
9.4 provided by the state;

9.5 (9) submit an annual report summarizing the work of the office to the Legislative
9.6 Inspector General Advisory Commission and make the report publicly available by posting
9.7 the report on the inspector general's website;

9.8 (10) alert relevant agency heads when the inspector general has a reasonable suspicion
9.9 that fraud or misuse is being committed that constitutes a credible allegation, whether or
9.10 not the inspector general is conducting an investigation, as provided in subdivision 3; and

9.11 (11) establish and maintain a current exclusion list in a format readily accessible to
9.12 agencies that identifies each program and individual for which the inspector general has
9.13 obtained a court order to freeze or cease distribution of funds or made a recommendation
9.14 under clause (10) to freeze or cease distribution of funds.

9.15 Subd. 2. **Relationship to powers and duties of other agencies.** (a) The inspector general
9.16 has authority to investigate fraud and misuse of public funds across all programs administered
9.17 by agencies.

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

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

9.23 (d) The Department of Children, Youth, and Families has primary responsibility to
9.24 investigate fraud in child care programs under chapters 142D and 142E, but the inspector
9.25 general has authority to conduct independent investigations related to the child care programs
9.26 under chapters 142D and 142E.

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

9.31 (f) The inspector general has concurrent authority over program integrity assessments
9.32 that are related to fraud or misuse.

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

10.6 (h) The Department of Information Technology Services shall provide services to the
10.7 Office of the Inspector General, under a managed services contract, according to section
10.8 16E.016.

10.9 (i) Nothing in this chapter may be construed to limit or interfere with the legislative
10.10 auditor's authority or responsibility.

10.11 (j) When issuing findings or recommending sanctions with respect to an investigation
10.12 concerning a program administered by the Department of Education, the inspector general
10.13 must consider the commissioner of education's authority to impose sanctions and related
10.14 requirements under section 127A.21. The inspector general must not investigate policy
10.15 decisions on instruction, curriculum, personnel, or other discretionary policy decisions made
10.16 by a school district; charter school; cooperative unit as defined by section 123A.24,
10.17 subdivision 2; or any library, library system, or library district defined in section 134.001.

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

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

10.31 (c) If an agency head does not act on a recommendation to freeze or cease distribution
10.32 of funds as requested, after reasonable notice and consistent with any applicable interagency
10.33 agreements under section 19, unless prohibited by federal requirements, the inspector general

11.1 may, at the inspector general's discretion, seek a court order to freeze or stop distribution
 11.2 of public funds, consistent with applicable due process and appeal rights.

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

11.8 **EFFECTIVE DATE.** Subdivision 2, paragraph (c), and subdivision 3, paragraphs (b)
 11.9 and (c), are effective January 1, 2027, or upon federal approval from the Centers for Medicare
 11.10 and Medicaid Services, whichever is later. The commissioner of human services must notify
 11.11 the revisor of statutes when the Centers for Medicare and Medicaid Services approve or
 11.12 deny this section. The remainder of this section is effective January 1, 2027.

11.13 **Sec. 8. [15E.27] LAW ENFORCEMENT POWERS.**

11.14 Subdivision 1. **Authorization.** (a) Beginning January 1, 2028, the inspector general may
 11.15 appoint peace officers, as defined in section 626.84, subdivision 1, paragraph (c), and
 11.16 establish a law enforcement agency, as defined in section 626.84, subdivision 1, paragraph
 11.17 (f), known as the Office of the Inspector General Anti-Fraud and Waste Bureau, to conduct
 11.18 statewide investigations, and to make statewide arrests under sections 629.30 and 629.34
 11.19 for offenses that are within the bureau's jurisdiction.

11.20 Subd. 2. **Jurisdiction.** (a) As used in this subdivision:

11.21 (1) "law enforcement agency" has the meaning given in section 626.84, subdivision 1,
 11.22 paragraph (f);

11.23 (2) "public employee" means a person employed by or acting for an agency or a county,
 11.24 municipality, or other subdivision or governmental instrumentality of the state for the
 11.25 purpose of exercising their respective powers and performing their respective duties, and
 11.26 who is not a public officer. Public employee includes a member of a charter commission;
 11.27 and

11.28 (3) "public officer" has the meaning given in section 609.415, subdivision 1, clause (1),
 11.29 paragraphs (a), (d), (e), and (f), and also includes a member of a governing board of a county,
 11.30 municipality, or other subdivision of the state, or other governmental instrumentality within
 11.31 the state.

12.1 (b) The Office of the Inspector General Anti-Fraud and Waste Bureau has jurisdiction
 12.2 to initiate inquiries and conduct investigations into suspected fraudulent activity, misuse,
 12.3 or criminal misconduct involving:

12.4 (1) a state agency;

12.5 (2) a public officer exercising official powers or performing official duties;

12.6 (3) a public employee;

12.7 (4) a program or service funded or administered by the state;

12.8 (5) a public assistance benefit; or

12.9 (6) public funds.

12.10 (c) At the inspector general's discretion, the bureau may respond to the request of a law
 12.11 enforcement agency to exercise law enforcement duties in cooperation with the law
 12.12 enforcement agency that has jurisdiction over the particular matter.

12.13 Subd. 3. **Coordination with other law enforcement agencies.** (a) The bureau must
 12.14 develop policies for notifying, coordinating with, and referring investigations to other law
 12.15 enforcement agencies with concurrent jurisdiction.

12.16 (b) The Department of Human Services and the state Medicaid Fraud Control Unit have
 12.17 primary responsibility to investigate suspected fraudulent activity in the Medicaid program.
 12.18 The bureau may work with the Department of Human Services, the state Medicaid Fraud
 12.19 Control Unit, the Financial Crimes and Fraud Section of the Bureau of Criminal
 12.20 Apprehension, and other state agencies and law enforcement agencies in cases involving
 12.21 suspected fraudulent activity in the Medicaid program. The bureau also has authority to
 12.22 conduct independent investigations into suspected fraudulent activity in the Medicaid
 12.23 program.

12.24 (c) If the bureau arrests a person, the bureau must notify the law enforcement agency
 12.25 with jurisdiction over the location where the offense occurred and, if different, the law
 12.26 enforcement agency with jurisdiction over the location where the arrest took place. The
 12.27 bureau is responsible for issuing any citations, filing any required reports, and delivering
 12.28 an arrested person to a county jail or other appropriate facility unless the bureau and a law
 12.29 enforcement agency with concurrent jurisdiction enter an agreement under which the other
 12.30 law enforcement agency acts as the lead agency.

12.31 (d) Following an arrest made by the bureau, the bureau is responsible for any subsequent
 12.32 investigation unless:

13.1 (1) the bureau is responding to a law enforcement agency's request to exercise its duties
 13.2 in cooperation with the law enforcement agency that has jurisdiction over the particular
 13.3 matter; or

13.4 (2) the bureau and a law enforcement agency with concurrent jurisdiction enter an
 13.5 agreement under which the other law enforcement agency acts as the lead agency.

13.6 Subd. 4. **Policy for notice of investigations.** The bureau must develop a policy for
 13.7 notifying the law enforcement agency with primary jurisdiction when it has initiated
 13.8 investigation of any person within the jurisdiction of that agency.

13.9 Subd. 5. **Chief law enforcement officer.** If the inspector general establishes a law
 13.10 enforcement agency under this section, the inspector general shall appoint a peace officer
 13.11 employed full time to be the chief law enforcement officer and to be responsible for the
 13.12 management of the bureau. The chief law enforcement officer shall possess the necessary
 13.13 police and management experience to manage a law enforcement agency. The chief law
 13.14 enforcement officer may appoint, discipline, and discharge all employees of the bureau. All
 13.15 police managerial and supervisory personnel must be full-time employees of the bureau.
 13.16 Supervisory personnel must be on duty and available any time peace officers of the bureau
 13.17 are on duty.

13.18 Subd. 6. **Compliance.** Except as otherwise provided in this section, the bureau shall
 13.19 comply with all statutes and administrative rules relating to the operation and management
 13.20 of a law enforcement agency.

13.21 Subd. 7. **Powers and duties; limitations.** Powers and duties for civil or administrative
 13.22 enforcement provided to the inspector general or the Office of the Inspector General under
 13.23 this chapter do not apply to the bureau. The inspector general must not delegate the auxiliary
 13.24 powers described in section 15E.30, such as the power to issue subpoenas, perform
 13.25 inspections without a warrant, and impose penalties, to the bureau and must not exercise
 13.26 those auxiliary powers at the direction of the bureau. Nothing in this subdivision prohibits:

13.27 (1) the inspector general from disseminating data to the bureau if there is reason to
 13.28 believe that the data are evidence of criminal activity within the bureau's jurisdiction; or

13.29 (2) the bureau from referring a matter to the inspector general for appropriate regulatory
 13.30 investigation.

13.31 Subd. 8. **Evidence, documentation, and related materials.** If the bureau seeks evidence,
 13.32 documentation, and related materials pertinent to an investigation, and the matter is located

14.1 outside of this state, the bureau may designate representatives, including officials of the
 14.2 state where the matter is located, to secure the matter or inspect the matter on its behalf.

14.3 Subd. 9. **Annual report on activities and cost-effectiveness.** By February 1 of each
 14.4 year, the chief law enforcement officer of the bureau shall report to the governor, the
 14.5 inspector general, and the chairs and ranking minority members of the legislative committees
 14.6 with jurisdiction over state government policy and finance, and public safety policy and
 14.7 finance, on the activities and cost-effectiveness of the bureau since the previous report,
 14.8 including but not limited to:

14.9 (1) the number of allegations or reports of suspected violations provided to the bureau;

14.10 (2) the number of investigations initiated by the bureau;

14.11 (3) the outcomes and current status of each investigation;

14.12 (4) the charging decisions made by the prosecuting authority of incidents investigated
 14.13 by the bureau;

14.14 (5) the amount of restitution ordered in cases investigated by the bureau; and

14.15 (6) the amount of money recovered by the bureau through restitution payments, asset
 14.16 forfeiture, or other means and the distribution of that money.

14.17 Subd. 10. **Assignment of peace officers; employment status.** (a) Regardless of whether
 14.18 the inspector general establishes a law enforcement agency under this section, the inspector
 14.19 general may enter into memoranda of understanding with chief law enforcement officers
 14.20 of state and local law enforcement agencies to assign peace officers as defined in section
 14.21 626.84, subdivision 1, paragraph (c), to the Office of the Inspector General. Peace officers
 14.22 assigned to the Office of the Inspector General under this subdivision have statewide
 14.23 jurisdiction to conduct criminal investigations into matters described in subdivision 2 and
 14.24 have the same powers of arrest as those possessed by a sheriff.

14.25 (b) Peace officers assigned to the Office of the Inspector General under this subdivision
 14.26 remain employees of the same entity that employed them before the assignment authorized
 14.27 under this section. Those officers are not employees of the Office of the Inspector General.

14.28 (c) Peace officers assigned to the Office of the Inspector General under this subdivision
 14.29 are subject to annual performance reviews conducted by the inspector general or an
 14.30 operational supervisor designated by the inspector general.

14.31 Subd. 11. **Data practices.** The Office of the Inspector General Anti-Fraud and Waste
 14.32 Bureau is subject to chapter 13.

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

15.2 Sec. 9. **[15E.30] AUXILIARY POWERS.**

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

15.5 Subd. 2. **Inquiry and inspection power; duty to aid inspector general.** All executive
 15.6 branch officials and their deputies and employees, all political subdivision officials and
 15.7 employees administering state-funded programs, and all corporations, firms, and individuals
 15.8 having business involving the receipt, disbursement, or custody of public funds shall at all
 15.9 times:

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

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

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

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

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

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

15.23 (b) A person who swears falsely to the inspector general concerning any matter stated
 15.24 under oath is guilty of a gross misdemeanor.

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

15.26 Sec. 10. **[15E.35] IDENTIFICATION OF FRAUD REPORTING TOOL.**

15.27 (a) The head of each agency must prominently highlight on the agency's website the
 15.28 fraud reporting tools administered by the Office of the Inspector General under this chapter,
 15.29 and by the Office of the Legislative Auditor under chapter 3.

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

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

16.8 Sec. 11. **[15E.40] DATA PRACTICES.**

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

16.11 (b) "Confidential data on individuals" has the meaning given in section 13.02, subdivision
 16.12 3.

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

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

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

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

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

16.18 Subd. 2. **Government Data Practices Act.** The Office of the Inspector General is a
 16.19 government entity and is subject to the Government Data Practices Act, chapter 13. The
 16.20 inspector general is the head of a state agency for purposes of section 13.43, subdivision 2,
 16.21 paragraph (e).

16.22 Subd. 3. **Access.** In order to perform the duties under this chapter, the inspector general
 16.23 has access to data of any classification, including data classified as not public data. It is not
 16.24 a violation of chapter 13 or any other statute classifying government data as not public data
 16.25 if a government entity provides data pursuant to a subpoena issued under this chapter.

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

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

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

17.1 (3) the commissioner of human services as provided in section 15E.25, subdivision 2,
17.2 paragraph (g).

17.3 Subd. 5. **Legislative auditor.** The inspector general must disseminate data of any
17.4 classification, including not public data, to the legislative auditor upon request.

17.5 Subd. 6. **Data classifications; civil investigations.** (a) Notwithstanding any other law,
17.6 data relating to a civil investigation conducted under this chapter are confidential data on
17.7 individuals or protected nonpublic data while the investigation is active. Whether a civil
17.8 investigation is active shall be determined by the inspector general.

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

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

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

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

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

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

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

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

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

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

18.4 Subd. 7. **Privileges.** Nothing in this section or section 15E.30 requires the disclosure of
18.5 documents or information that is legally privileged under statute or other law, including
18.6 documents or information subject to section 13.393 or 595.02.

18.7 Subd. 8. **Criminal investigations.** This section does not apply to criminal investigations
18.8 conducted by the Office of the Inspector General Anti-Fraud and Waste Bureau under
18.9 section 15E.27.

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

18.11 Sec. 12. **[15E.45] RESOURCES.**

18.12 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff as necessary
18.13 and in accordance with chapter 43A. The inspector general must employ and manage at
18.14 least one attorney to serve as legal counsel for the office and to advise the inspector general
18.15 on all legal matters relating to the office. Except for the inspector general, the staff in the
18.16 Office of the Inspector General shall serve in the classified civil service. Except as provided
18.17 in paragraph (b), compensation for employees of the inspector general in the classified
18.18 service who are represented by an exclusive representative shall be governed by a collective
18.19 bargaining agreement negotiated between the commissioner of management and budget
18.20 and the exclusive representative. Compensation for employees of the inspector general in
18.21 the classified service who are not represented by an exclusive representative shall be as
18.22 provided in the nonrepresented employees compensation plan under section 43A.18,
18.23 subdivision 2, or by the managerial plan under section 43A.18, subdivision 3, depending
18.24 on the employee's job classification.

18.25 (b) Section 15.039, subdivision 7, applies to employees transferred into the Office of
18.26 the Inspector General from other offices of inspectors general within the first year following
18.27 enactment of chapter 15E.

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

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

19.1 Sec. 13. **[15E.50] REPORTING AND TRANSPARENCY.**

19.2 Subdivision 1. Reports. The inspector general must issue public reports detailing
 19.3 completed investigations and corrective actions taken.

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

19.6 Subd. 3. Report; inactive investigations. By December 1, 2027, and each December
 19.7 1 thereafter, the inspector general must submit a report to the legislative auditor and the
 19.8 chairs and ranking minority members of the legislative committees with jurisdiction over
 19.9 state government and data practices regarding all investigations the inspector general did
 19.10 not open after receiving a tip or complaint or decided to no longer actively pursue for the
 19.11 preceding calendar year. The report must include, at a minimum, summary data as defined
 19.12 in section 13.02, subdivision 19, for:

19.13 (1) all complaints or tips received;

19.14 (2) the type of allegation;

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

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

19.18 EFFECTIVE DATE. This section is effective January 1, 2027.

19.19 Sec. 14. **[15E.55] PROFESSIONAL STANDARDS AND REVIEW.**

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

19.22 (b) The governor must contract with the Association of Inspectors General or another
 19.23 recognized body for an external quality assurance review of the Office of the Inspector
 19.24 General after years two and four of each inspector general term.

19.25 EFFECTIVE DATE. This section is effective January 1, 2027.

19.26 Sec. 15. **[15E.60] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
 19.27 **COMMISSION.**

19.28 Subdivision 1. Membership. The Legislative Inspector General Advisory Commission
 19.29 is comprised of:

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

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

20.2 (3) two members of the house of representatives appointed by the speaker of the house
20.3 of representatives; and

20.4 (4) two members of the house of representatives appointed by the minority leader of the
20.5 house of representatives.

20.6 Subd. 2. **Terms.** Members serve at the pleasure of their appointing authority and each
20.7 member serves until a replacement is appointed.

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

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

20.12 (1) must consider applicants for and make recommendations to the governor for the
20.13 position of inspector general; and

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

20.16 (b) By January 1, 2027, the commission must conduct at least one hearing on, and provide
20.17 recommendations to the chairs and ranking minority members of the committees in the
20.18 senate and the house of representatives with jurisdiction over commerce and public safety
20.19 on, merging the Financial Crimes and Fraud Section of the Department of Public Safety
20.20 into the Office of the Inspector General. The recommendations should include proposed
20.21 legislation to effectuate the merger.

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

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

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

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

21.1 Sec. 16. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

21.2 Subd. 2. **Legislative auditor or inspector general.** Whenever an employee or officer
21.3 of the state, University of Minnesota, or other organization listed in section 3.971, subdivision
21.4 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of public funds
21.5 or property, the employee or officer shall, ~~except when to do so would knowingly impede~~
21.6 ~~or otherwise interfere with an ongoing criminal investigation~~, promptly report in writing to
21.7 the legislative auditor or the inspector general appointed under chapter 15E a detailed
21.8 description of the alleged incident or incidents.

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

21.10 Sec. 17. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
21.11 **TRANSITION.**

21.12 Subdivision 1. **Appointment.** Notwithstanding Minnesota Statutes, section 15E.20,
21.13 subdivision 4, by January 1, 2027, the Legislative Inspector General Advisory Commission
21.14 must make recommendations for appointment of an inspector general under Minnesota
21.15 Statutes, chapter 15E. By February 1, 2027, the governor must appoint an inspector general.
21.16 Upon appointment, the inspector general may engage the superintendent of the Bureau of
21.17 Criminal Apprehension and negotiate an interagency agreement as provided in section 19,
21.18 paragraph (e).

21.19 Subd. 2. **Operational.** By September 1, 2027, the Office of the Inspector General must
21.20 be fully operational.

21.21 Subd. 3. **Staffing.** The inspector general's first annual report submitted under Minnesota
21.22 Statutes, section 15E.25, subdivision 1, clause (9), is due February 1, 2028, and must include
21.23 the following information:

21.24 (1) the current number of positions authorized by the inspector general, by job
21.25 classification;

21.26 (2) the number of positions under clause (1) that the inspector general has filled; and

21.27 (3) any staffing changes the inspector general anticipates during calendar year 2028.

21.28 Subd. 4. **Transition of employees.** (a) After June 30, 2027, all officers and employees
21.29 employed in an office of inspector general for a state department or agency shall transition
21.30 to employment under the Office of the Inspector General under Minnesota Statutes, chapter
21.31 15E, except as specified in subdivision 7.

22.1 (b) The following protections shall apply to employees who are transferred to the Office
22.2 of the Inspector General under Minnesota Statutes, chapter 15E, from state departments or
22.3 agencies:

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

22.6 (2) transferred employees who were represented by an exclusive representative prior to
22.7 the transfer shall continue to be represented by the same exclusive representative after the
22.8 transfer;

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

22.12 (4) when an employee in a temporary unclassified position is transferred to the Office
22.13 of the Inspector General, the total length of time that the employee has served in the
22.14 appointment must include all time served in the appointment at the transferring department
22.15 or agency and the time served in the appointment at the Office of the Inspector General. An
22.16 employee in a temporary unclassified position who was hired by a transferring department
22.17 or agency through an open competitive selection process under a policy enacted by the
22.18 commissioner of management and budget is considered to have been hired through a
22.19 competitive selection process after the transfer;

22.20 (5) the state must meet and negotiate with the exclusive representatives of the transferred
22.21 employees about proposed changes affecting or relating to the transferred employees' terms
22.22 and conditions of employment to the extent that the proposed changes are not addressed in
22.23 the applicable collective bargaining agreement; and

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

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

22.32 (ii) the wage and benefit standards of the transferred employees must not be reduced by
22.33 the entity acquiring ownership or control through the expiration of the collective bargaining

23.1 agreement in effect at the time of the transfer or for a period of two years after the transfer,
 23.2 whichever is longer.

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

23.6 Subd. 5. **Assets.** Before September 1, 2027, assets and unused appropriations for existing
 23.7 offices of inspectors general shall be transferred to the Office of the Inspector General under
 23.8 Minnesota Statutes, chapter 15E, except as specified in subdivision 7.

23.9 Subd. 6. **Office space.** The commissioner of administration must provide or lease office
 23.10 space in the city of St. Paul for the Office of the Inspector General under Minnesota Statutes,
 23.11 chapter 15E, under a rental agreement.

23.12 Subd. 7. **Exceptions.** (a) No employees or positions in the Department of Human Services
 23.13 are transferred under this section.

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

23.16 (c) No employees or positions in the student maltreatment program of the Department
 23.17 of Education or other Department of Education employees or positions dedicated to student
 23.18 maltreatment investigations under Minnesota Statutes, chapter 260E, are transferred under
 23.19 this section.

23.20 (d) No employees or positions in the Department of Children, Youth, and Families are
 23.21 transferred under this section.

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

23.23 Sec. 18. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**
 23.24 **INITIAL APPOINTMENTS AND FIRST MEETING.**

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

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

23.30 Subd. 3. **Chair.** The Legislative Inspector General Advisory Commission must elect a
 23.31 chair from among its senate members at its first meeting. The first chair shall serve until a

24.1 successor is selected at the start of the next biennium as provided in Minnesota Statutes,
24.2 section 15E.60, subdivision 3.

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

24.4 Sec. 19. **INTERAGENCY AGREEMENTS.**

24.5 (a) By December 31, 2027, the Office of the Inspector General must enter into an
24.6 interagency agreement with the Department of Human Services. The agreement must not
24.7 preclude the department from performing, or give the inspector general authority to take
24.8 actions that would interfere with the department's ability to perform, duties required as a
24.9 condition for securing or maintaining federal funding. The interagency agreement must
24.10 include a clause on cost-sharing for investigations that may require multiagency coordination
24.11 and a clause that details what process will be followed if a joint investigation is required.
24.12 The interagency agreement must not limit the inspector general's authority or authorized
24.13 powers and responsibilities. The department and the inspector general may coordinate
24.14 investigative efforts as necessary or practical, but an interagency agreement must not
24.15 diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse
24.16 when an independent investigation is pursued.

24.17 (b) By December 31, 2027, the Office of the Inspector General must enter into an
24.18 interagency agreement with the Department of Children, Youth, and Families. The
24.19 interagency agreement must include a clause on cost-sharing for investigations that may
24.20 require multiagency coordination and a clause that details what process will be followed if
24.21 a joint investigation is required. The interagency agreement must not limit the inspector
24.22 general's authority or authorized powers and responsibilities. The department and the
24.23 inspector general may coordinate investigative efforts as necessary or practical, but an
24.24 interagency agreement must not diminish, delay, or restrict the inspector general's ability
24.25 to investigate fraud and misuse when an independent investigation is pursued.

24.26 (c) By December 31, 2027, the Office of the Inspector General must enter into an
24.27 interagency agreement with the Department of Health. The interagency agreement must
24.28 include a clause on cost-sharing for investigations that may require multiagency coordination
24.29 and a clause that details what process will be followed if a joint investigation is required.
24.30 The interagency agreement must not limit the inspector general's authority or authorized
24.31 powers and responsibilities. The department and the inspector general may coordinate
24.32 investigative efforts as necessary or practical, but an interagency agreement must not
24.33 diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse
24.34 when an independent investigation is pursued.

25.1 (d) As soon as practicable after January 1, 2027, the Office of the Inspector General
25.2 must enter into an interagency agreement with the Department of Education. The interagency
25.3 agreement must not limit the inspector general's authority or authorized powers and
25.4 responsibilities. The interagency agreement must provide for embedding Office of the
25.5 Inspector General employees, including but not limited to all employees transferred from
25.6 the Department of Education, within office space occupied by the Department of Education.
25.7 Embedded employees remain under the operational control and direction of the inspector
25.8 general and must focus only on the Department of Education and its programs. Effective
25.9 immediately, nothing in Minnesota Statutes, chapter 15E, authorizes any sanction by the
25.10 commissioner or inspector general that reduces, pauses, or otherwise interrupts state or
25.11 federal aid to a school district; charter school; cooperative unit as defined by Minnesota
25.12 Statutes, section 123A.24, subdivision 2; or any library, library system, or library district
25.13 defined in Minnesota Statutes, section 134.001.

25.14 (e) The Office of the Inspector General may enter into an interagency agreement with
25.15 the Bureau of Criminal Apprehension to assist the inspector general with any criminal
25.16 investigation or to conduct a criminal investigation on behalf of the inspector general. The
25.17 Office of the Inspector General and the Bureau of Criminal Apprehension may coordinate
25.18 investigative efforts as necessary or practical. The interagency agreement must include a
25.19 clause on cost-sharing for investigations that may require multiagency coordination and a
25.20 clause that details what process will be followed if a joint investigation is required. Any
25.21 Bureau of Criminal Apprehension personnel that assist the Office of the Inspector General
25.22 under an interagency agreement remain under the operational control and direction of the
25.23 superintendent of the Bureau of Criminal Apprehension. The Office of the Inspector General
25.24 may have access to any criminal investigative data obtained or created by the Bureau of
25.25 Criminal Apprehension as part of any criminal investigation efforts conducted pursuant to
25.26 the interagency agreement.

25.27 **EFFECTIVE DATE.** Paragraph (a) is effective January 1, 2027, or upon federal approval
25.28 from the Centers for Medicare and Medicaid Services, whichever is later. The commissioner
25.29 of human services must notify the revisor of statutes when the Centers for Medicare and
25.30 Medicaid Services approve or deny this section. The remainder of this section is effective
25.31 January 1, 2027.

25.32 Sec. 20. **APPROPRIATIONS.**

25.33 Subdivision 1. **Inspector general.** \$1,875,000 in fiscal year 2027 is appropriated from
25.34 the general fund to the Office of the Inspector General for purposes of this act. The base

26.1 for this appropriation is \$5,852,000 in fiscal year 2028 and \$5,852,000 in fiscal year 2029.
 26.2 The commissioner of administration, in consultation with the commissioner of management
 26.3 and budget, may transfer amounts in fiscal year 2027 to the commissioner of administration
 26.4 for office build out, cost of space, office equipment, and other costs directly related to the
 26.5 establishment of the office.

26.6 Subd. 2. **Administration.** \$892,000 in fiscal year 2027 is appropriated from the general
 26.7 fund to the commissioner of administration to establish the Office of the Inspector General.
 26.8 The base for this appropriation is \$891,000 in fiscal year 2028 and \$0 in fiscal year 2029.

26.9 Subd. 3. **Children, youth, and families.** \$465,000 in fiscal year 2027 is appropriated
 26.10 from the general fund to the commissioner of children, youth, and families to coordinate
 26.11 with the Office of the Inspector General as required under this act. The base for this
 26.12 appropriation is \$620,000 in fiscal year 2028 and \$620,000 in fiscal year 2029.

26.13 Subd. 4. **Health.** \$499,000 in fiscal year 2027 is appropriated from the general fund to
 26.14 the commissioner of health to coordinate with the Office of the Inspector General as required
 26.15 under this act.

26.16 Subd. 5. **Human services.** \$4,918,000 in fiscal year 2027 is appropriated from the general
 26.17 fund to the commissioner of human services to coordinate with the Office of the Inspector
 26.18 General as required under this act. The base for this appropriation is \$5,720,000 in fiscal
 26.19 year 2028 and \$5,720,000 in fiscal year 2029.

26.20 Subd. 6. **Legislature.** \$29,000 in fiscal year 2027 is appropriated from the general fund
 26.21 to the executive director of the Legislative Coordinating Commission to support the
 26.22 Legislative Inspector General Advisory Commission. The base for this appropriation is
 26.23 \$7,000 in fiscal year 2028 and \$7,000 in fiscal year 2029.

26.24 **ARTICLE 2**

26.25 **CONFORMING ITEMS AND REPEALERS**

26.26 Section 1. Minnesota Statutes 2025 Supplement, section 13.82, subdivision 1, is amended
 26.27 to read:

26.28 Subdivision 1. **Application.** This section shall apply to agencies which carry on a law
 26.29 enforcement function, including but not limited to municipal police departments, county
 26.30 sheriff departments, fire departments, the Bureau of Criminal Apprehension, the Minnesota
 26.31 State Patrol, the Board of Peace Officer Standards and Training, the Office of the Inspector
 26.32 General Anti-Fraud and Waste Bureau, and county human service agency client and provider

27.1 fraud investigation, prevention, and control units operated or supervised by the Department
27.2 of Human Services.

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

27.4 Sec. 2. Minnesota Statutes 2024, section 43A.32, is amended by adding a subdivision to
27.5 read:

27.6 Subd. 4. **Leave for legislative service.** An officer or employee elected to state legislative
27.7 office and required to take a leave of absence under subdivision 2 or 3 has the same rights
27.8 with respect to accrued and future seniority status, efficiency rating, vacation, insurance
27.9 benefits, sick leave, and other benefits as if the leave had not been taken. The appointing
27.10 authority must not subtract a period of mandatory legislative leave when determining the
27.11 officer's or employee's length of service. The officer's or employee's pension and retirement
27.12 benefit rights are as provided for local government employees under section 3.088,
27.13 subdivisions 3 and 6.

27.14 **EFFECTIVE DATE.** This section is effective July 1, 2027, and applies to collective
27.15 bargaining agreements that take effect on or after that date.

27.16 Sec. 3. Minnesota Statutes 2024, section 127A.21, subdivision 1a, is amended to read:

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

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

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

27.26 (c) "Inspector general" means the inspector general appointed under chapter 15E.

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

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

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

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

28.8 ~~(h) For purposes of this section, neither "fraud," "waste," nor "abuse" includes decisions~~
 28.9 ~~on instruction, curriculum, personnel, or other discretionary policy decisions made by a~~
 28.10 ~~school district, charter school, cooperative unit as defined by section 123A.24, subdivision~~
 28.11 ~~2, or any library, library system, or library district defined in section 134.001.~~

28.12 **EFFECTIVE DATE.** Paragraph (c) is effective the day after the inspector general
 28.13 appointed under Minnesota Statutes, chapter 15E, notifies the revisor of statutes that the
 28.14 Office of the Inspector General under Minnesota Statutes, chapter 15E, has assumed
 28.15 responsibility for identifying and investigating fraud, misuse, and other unlawful use of
 28.16 public funds in the Department of Education. The remainder of this section is effective July
 28.17 1, 2026.

28.18 Sec. 4. Minnesota Statutes 2025 Supplement, section 127A.21, subdivision 5, is amended
 28.19 to read:

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

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

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

28.30 ~~(2)~~ (1) there has been a criminal, civil, or administrative adjudication of fraud, ~~waste,~~
 28.31 ~~or abuse~~ or misuse against the program participant in Minnesota or in another state or
 28.32 jurisdiction; or

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

29.5 ~~(4) (2) the inspector general has found that a program participant has a demonstrated~~
 29.6 ~~pattern of noncompliance with an investigation.~~

29.7 (c) ~~If an investigation finds~~ the commissioner determines, by a preponderance of the
 29.8 evidence, based on an investigation conducted by the inspector general, that a program
 29.9 participant committed fraud, waste, or abuse ~~misuse by a program participant~~, the ~~inspector~~
 29.10 ~~general~~ commissioner may, after reviewing all facts and evidence and when acting judiciously
 29.11 on a case-by-case basis, ~~recommend that the commissioner~~ impose appropriate sanctions
 29.12 on the program participant.

29.13 (d) Unless prohibited by law, the commissioner has the authority to ~~implement~~ take
 29.14 action based on findings or recommendations by the inspector general, including imposing
 29.15 appropriate sanctions, temporarily or otherwise, on a program participant. Sanctions may
 29.16 include ending program participation, stopping disbursement of funds or resources, monetary
 29.17 recovery, and termination of department contracts with the participant for any current or
 29.18 future department program or contract. A sanction may be imposed for up to the longest
 29.19 period permitted by state or federal law. Sanctions authorized under this subdivision are in
 29.20 addition to other remedies and penalties available under law.

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

29.26 (1) the sanction being imposed;

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

29.28 (3) the duration of the sanction;

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

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

29.31 (f) A program participant sanctioned under this subdivision may, within 30 days after
 29.32 the date the notice of sanction was mailed to the participant, appeal the determination by
 29.33 requesting in writing that the commissioner initiate a contested case proceeding under

30.1 chapter 14. The scope of any contested case hearing is limited to the sanction imposed under
 30.2 this subdivision. An appeal request must specify with particularity each disputed item, the
 30.3 reason for the dispute, and must include the name and contact information of the person or
 30.4 entity that may be contacted regarding the appeal.

30.5 (g) The commissioner shall lift sanctions imposed under this subdivision if the ~~Office~~
 30.6 ~~of the~~ inspector general notifies the commissioner that the inspector general determines
 30.7 there is insufficient evidence of fraud, ~~waste~~, or ~~abuse~~ misuse by the program participant.
 30.8 The commissioner must notify the participant in writing within seven business days of lifting
 30.9 the sanction.

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

30.12 Subd. 8. **Limits on receiving public funds; prohibition.** (a) This subdivision does not
 30.13 authorize any action that reduces, pauses, or otherwise interrupts state or federal aid to a
 30.14 school district; charter school; cooperative unit as defined in section 123A.24, subdivision
 30.15 2; or any library, library system, or library district defined in section 134.001.

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

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

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

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

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

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

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

31.1 (e) The duration of a prohibition, disenrollment, revocation, suspension, or
 31.2 disqualification under paragraph (c) must last for the longest applicable sanction or
 31.3 disqualifying period in effect for the program participant permitted by state or federal law.
 31.4 The duration of a prohibition, disenrollment, revocation, suspension, or disqualification
 31.5 under paragraph (d) may last up until the longest applicable sanction or disqualifying period
 31.6 in effect for the program participant as permitted by state or federal law.

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

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

31.12 (1) basis for the action;

31.13 (2) effective date of the action;

31.14 (3) right to appeal the action; and

31.15 (4) requirements and procedures for reinstatement.

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

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

31.23 (b) The appeal request must specify:

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

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

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

31.29 (4) other information required by the commissioner.

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

32.4 Sec. 8. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to
 32.5 read:

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

32.10 (b) Except as otherwise provided by state or federal law, the commissioner may withhold
 32.11 payments to a program participant in any program administered by the commissioner, to
 32.12 the extent permitted under federal law, if the inspector general determines there is a credible
 32.13 allegation of fraud or misuse in a pending investigation by the inspector general regarding
 32.14 a program administered by the department, a Minnesota state agency, or a federal agency.

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

32.19 (1) fraud hotline complaints;

32.20 (2) claims data mining; and

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

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

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

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

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

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

33.1 (e) The withholding of payments shall not continue after the inspector general notifies
 33.2 the commissioner that there is insufficient evidence of fraud by the program participant or
 33.3 after legal proceedings relating to the alleged fraud are completed, unless the commissioner
 33.4 has sent notice under subdivision 5 of the intention to take an additional action related to
 33.5 the program participant's participation in a program administered by the commissioner. If
 33.6 the inspector general determines there is insufficient evidence of fraud by the program
 33.7 participant or after legal proceedings relating to the alleged fraud are completed, the inspector
 33.8 general shall notify the commissioner within ten days of the determination.

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

33.11 Sec. 9. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision to
 33.12 read:

33.13 Subd. 36. **Office of the Inspector General; reports.** The commissioner must submit
 33.14 final investigative reports to the inspector general appointed under chapter 15E, for any
 33.15 investigation conducted by the commissioner into fraud or misuse, as defined in section
 33.16 15E.15, within the child care assistance program.

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

33.18 Sec. 10. Minnesota Statutes 2024, section 142A.12, subdivision 5, is amended to read:

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

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

33.26 (1) fraud hotline complaints;

33.27 (2) claims data mining;

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

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

34.1 (5) information from the inspector general, including information listed on the inspector
34.2 general's exclusion list under section 15E.25, subdivision 1, clause (11).

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

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

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

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

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

34.13 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,
34.14 individual, associated individual, or associated entity has a right to request administrative
34.15 reconsideration. A request for administrative reconsideration must be made in writing, state
34.16 with specificity the reasons the payment withholding decision is in error, and include
34.17 documents to support the request. Within 60 days from receipt of the request, the
34.18 commissioner shall judiciously review allegations, facts, evidence available to the
34.19 commissioner, and information submitted by the provider, vendor, individual, associated
34.20 individual, or associated entity to determine whether the payment withholding should remain
34.21 in place.

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

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

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

35.1 Sec. 11. Minnesota Statutes 2024, section 144.05, is amended by adding a subdivision to
35.2 read:

35.3 Subd. 9. **Office of the Inspector General; reports.** The commissioner must submit
35.4 final investigative reports to the inspector general appointed under chapter 15E for any
35.5 investigation conducted by the commissioner into fraud or misuse, as defined in section
35.6 15E.15, within the special supplemental nutrition program for women, infants, and children.

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

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

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

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

35.16 (1) fraud hotline complaints;

35.17 (2) claims data mining;

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

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

35.22 (5) information from the inspector general appointed under chapter 15E, including
35.23 information listed on the inspector general's exclusion list under section 15E.25, subdivision
35.24 1, clause (11).

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

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

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

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

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

36.4 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,
36.5 individual, associated individual, or associated entity has a right to request administrative
36.6 reconsideration. A request for administrative reconsideration must be made in writing, state
36.7 with specificity the reasons the payment withholding decision is in error, and include
36.8 documents to support the request. Within 60 days from receipt of the request, the
36.9 commissioner shall judiciously review allegations, facts, evidence available to the
36.10 commissioner, and information submitted by the provider, vendor, individual, associated
36.11 individual, or associated entity to determine whether the payment withholding should remain
36.12 in place.

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

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

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

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

36.23 **Subd. 45. Office of the Inspector General; reports.** The commissioner must submit
36.24 final investigative reports to the inspector general, appointed under chapter 15E, for any
36.25 investigation conducted by the commissioner into fraud or misuse, as defined in section
36.26 15E.15, within the Medicaid program.

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

36.28 Sec. 14. Minnesota Statutes 2025 Supplement, section 626.84, subdivision 1, is amended
36.29 to read:

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

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

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

37.2 (c) "Peace officer" means:

37.3 (1) an employee or an elected or appointed official of a political subdivision or law
37.4 enforcement agency who is licensed by the board, charged with the prevention and detection
37.5 of crime and the enforcement of the general criminal laws of the state and who has the full
37.6 power of arrest, and shall also include the Minnesota State Patrol, agents of the Division of
37.7 Alcohol and Gambling Enforcement, state conservation officers, Metropolitan Transit police
37.8 officers, Department of Corrections Fugitive Apprehension Unit officers, Office of the
37.9 Inspector General Anti-Fraud and Waste Bureau officers, the statewide coordinator of the
37.10 Violent Crime Coordinating Council, and railroad peace officers as authorized by section
37.11 219.995 and United States Code, title 49, section 28101; and

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

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

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

37.29 (f) "Law enforcement agency" means:

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

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

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

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

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

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

38.13 (2) licensed by the board.

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

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

38.16 **Subdivision 1. Duties abolished.** Except as exempted in article 1, section 17, subdivision
38.17 7, paragraph (c), duties pertaining to the investigation of fraud, misuse, and other unlawful
38.18 use of public funds in the Office of the Inspector General in the Department of Education
38.19 are abolished effective the day after the inspector general appointed under Minnesota Statutes,
38.20 chapter 15E, certifies in writing to the commissioner of education and the commissioner of
38.21 management and budget that the inspector general has assumed responsibility for these
38.22 duties.

38.23 **Subd. 2. Inspector general transfers.** When the commissioner of education's duties are
38.24 abolished under subdivision 1, pursuant to Minnesota Statutes, section 15.039, all active
38.25 investigations, obligations, court actions, contracts, and records shall transfer from the
38.26 Department of Education to the inspector general appointed under Minnesota Statutes,
38.27 chapter 15E, except as provided by the inspector general and as provided in article 1, section
38.28 17, subdivision 7, paragraph (c).

38.29 **EFFECTIVE DATE.** This section is effective July 1, 2026.

39.1 Sec. 16. **REVISOR INSTRUCTION.**

39.2 In the 2026 edition of Minnesota Statutes, the revisor of statutes must retitle section
39.3 127A.21 from "OFFICE OF THE INSPECTOR GENERAL" to "SANCTIONS; OTHER
39.4 POWERS."

39.5 Sec. 17. **REPEALER.**

39.6 Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, subdivisions
39.7 1, 2, 3, 4, 6, and 7, are repealed.

39.8 **EFFECTIVE DATE.** This section is effective the day after the inspector general
39.9 appointed under Minnesota Statutes, chapter 15E, notifies the revisor of statutes that the
39.10 Office of the Inspector General under Minnesota Statutes, chapter 15E, has assumed
39.11 responsibility for identifying and investigating fraud, misuse, and other unlawful use of
39.12 public funds in the Department of Education.

APPENDIX
Article locations for S0856-11

ARTICLE 1 OFFICE OF THE INSPECTOR GENERAL..... Page.Ln 1.15
ARTICLE 2 CONFORMING ITEMS AND REPEALERS..... Page.Ln 26.24

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: S0856-11

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.