

**SENATE  
STATE OF MINNESOTA  
NINETY-FOURTH SESSION**

**S.F. No. 4603**

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DATE	D-PG	OFFICIAL STATUS
03/18/2026	6817	Introduction and first reading Referred to Health and Human Services

1.1 A bill for an act

1.2 relating to human services; requiring comparison of actual expenditures in

1.3 forecasted programs to projected spending from prior forecasts; requiring notice

1.4 to the legislative auditor when actual expenditures deviate from projected spending

1.5 by a specified amount; establishing contingent cancellation of certain forecasted

1.6 programs and services if actual expenditures deviate from projected spending by

1.7 a specified amount; providing direction to the commissioner of management and

1.8 budget regarding how to account for contingent cancellations of forecasted

1.9 programs and services when preparing certain forecasts; requiring notice to certain

1.10 committees; appropriating money; amending Minnesota Statutes 2024, sections

1.11 3.972, subdivisions 2a, 2b, by adding a subdivision; 16A.103, by adding a

1.12 subdivision; 142A.03, by adding subdivisions; 256.01, by adding subdivisions.

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

1.14 Section 1. Minnesota Statutes 2024, section 3.972, subdivision 2a, is amended to read:

1.15 Subd. 2a. **Audits of Department of Human Services.** (a) To ensure effective legislative

1.16 oversight and accountability, the legislative auditor shall give high priority to auditing the

1.17 programs, services, and benefits administered by the Department of Human Services. As

1.18 resources permit, the legislative auditor shall track and assess expenditures throughout the

1.19 human service delivery system, from the department to the point of service delivery, and

1.20 determine whether human services programs, services, and benefits are being provided

1.21 cost-effectively and only to eligible individuals and organizations in compliance with

1.22 applicable legal requirements.

1.23 (b) As resources permit, the legislative auditor shall audit the programs and services

1.24 identified by the commissioner of human services in the commissioner's notice to the

1.25 legislative auditor under section 256.01, subdivision 45, and shall determine the causes of

1.26 the deviation in actual expenditures from projected expenditures. The legislative auditor

2.1 may forgo an audit and accept the explanation of the deviation provided by the commissioner  
2.2 if the legislative auditor determines that the commissioner's explanation reasonably explains  
2.3 the entire deviation.

2.4 Sec. 2. Minnesota Statutes 2024, section 3.972, subdivision 2b, is amended to read:

2.5 Subd. 2b. **Audits of managed care organizations.** (a) The legislative auditor shall audit  
2.6 each managed care organization that contracts with the commissioner of human services to  
2.7 provide health care services under sections 256B.69, 256B.692, and 256L.12. The legislative  
2.8 auditor shall design the audits to determine if a managed care organization used the public  
2.9 money in compliance with federal and state laws, rules, and in accordance with provisions  
2.10 in the managed care organization's contract with the commissioner of human services. The  
2.11 legislative auditor shall determine the schedule and scope of the audit work and may contract  
2.12 with vendors to assist with the audits. The managed care organization must cooperate with  
2.13 the legislative auditor and must provide the legislative auditor with all data, documents, and  
2.14 other information, regardless of classification, that the legislative auditor requests to conduct  
2.15 an audit. The legislative auditor shall periodically report audit results and recommendations  
2.16 to the Legislative Audit Commission and the chairs and ranking minority members of the  
2.17 legislative committees with jurisdiction over health and human services policy and finance.

2.18 (b) For purposes of this subdivision, a "managed care organization" means a  
2.19 demonstration provider as defined under section 256B.69, subdivision 2.

2.20 (c) As resources permit, the legislative auditor shall audit each managed care organization  
2.21 to determine the cause of the deviation in actual expenditures from projected expenditures  
2.22 for the services identified by the commissioner of human services in the commissioner's  
2.23 notice to the legislative auditor under section 256.01, subdivision 45. The legislative auditor  
2.24 may forgo an audit and accept the explanation of the deviation provided by the commissioner  
2.25 if the legislative auditor determines that the commissioner's explanation reasonably explains  
2.26 the entire deviation. For audits conducted under this paragraph, the requirements of paragraph  
2.27 (a) apply.

2.28 Sec. 3. Minnesota Statutes 2024, section 3.972, is amended by adding a subdivision to  
2.29 read:

2.30 Subd. 2e. **Audits of Department of Children, Youth, and Families.** As resources  
2.31 permit, the legislative auditor shall audit the programs and services identified by the  
2.32 commissioner of children, youth, and families in the commissioner's notice to the legislative  
2.33 auditor under section 142A.03, subdivision 36, and determine the causes of the deviation

3.1 in actual expenditures from projected expenditures. The legislative auditor may forgo an  
3.2 audit and accept the explanation of the deviation provided by the commissioner if the  
3.3 legislative auditor determines that the commissioner's explanation reasonably explains the  
3.4 entire deviation.

3.5 Sec. 4. Minnesota Statutes 2024, section 16A.103, is amended by adding a subdivision to  
3.6 read:

3.7 Subd. 1k. **Contingent expenditure reductions.** In preparing a February forecast during  
3.8 the first fiscal year of a biennium under subdivision 1, notwithstanding the continuation of  
3.9 current law assumption under subdivision 1a, the commissioner must not include estimates  
3.10 of the expenditure reduction that would result beginning July 1 of the second year of the  
3.11 biennium (1) from actions taken by the commissioner of human services under section  
3.12 256.01, subdivision 46; or (2) from actions taken by the commissioner of children, youth,  
3.13 and families under section 142A.03, subdivision 37. For the purposes of subsequent forecasts,  
3.14 the commissioner must treat actions taken by the commissioner of human services under  
3.15 section 256.01, subdivision 46, or by the commissioner of children, youth, and families  
3.16 under section 142A.03, subdivision 37, in the same manner as an act finally enacted after  
3.17 a February forecast.

3.18 Sec. 5. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision to  
3.19 read:

3.20 Subd. 36. **Forecast trend analysis and notice.** (a) Beginning January 15, 2027, and by  
3.21 the 15th calendar day following the end of each quarter thereafter, the commissioner must  
3.22 provide an accounting of actual expenditures in all forecasted programs for the prior quarter,  
3.23 itemized by service. The commissioner must update the accounting of actual expenditures  
3.24 from prior quarters as necessary. The commissioner must post the quarterly actual  
3.25 expenditures on the department's website.

3.26 (b) With each quarterly accounting of actual expenditures, the commissioner must  
3.27 compare the actual expenditures by service to the forecasted expenditures from the four  
3.28 most recent February forecasts, after accounting for any increases attributable to changes  
3.29 in law that may have occurred between the February forecasts. The commissioner must post  
3.30 the comparison of actual expenditures to the four most recent February forecasts on the  
3.31 department's website and include data visualizations of the comparisons using data  
3.32 visualization best practices. The commissioner must also include at least ten years of  
3.33 historical actual expenditures by program and by service.

4.1 (c) If in any given quarter the actual expenditures for a program or service exceed the  
4.2 projected spending for that program or service in the most recent February forecast by more  
4.3 than five percent, after accounting for any increases attributable to changes in law during  
4.4 intervening legislative sessions, the commissioner must note the deviation from projected  
4.5 spending on the department's website, provide notice of the deviation to the chairs and  
4.6 ranking minority members of the legislative committees with jurisdiction over the program  
4.7 or service, and provide notice of the deviation to the legislative auditor.

4.8 (d) For an expenditure deviation described in paragraph (c), the commissioner may  
4.9 include with the posted accounting of actual expenditures a narrative providing the  
4.10 commissioner's explanation of the deviation from the projected expenditures. The  
4.11 commissioner may also include the narrative in the commissioner's notice to the chairs and  
4.12 ranking minority members of the relevant legislative committees and in the commissioner's  
4.13 notice to the legislative auditor.

4.14 (e) If an accounting of actual expenditures released in January of the first fiscal year of  
4.15 a biennium reveals that since the most recent February forecast, after accounting for any  
4.16 increases attributable to changes in law during intervening legislative sessions, the actual  
4.17 expenditures for a program or service exceeded the projected expenditures for that program  
4.18 or service by more than ten percent, the commissioner must provide special notice of the  
4.19 deviation to the chairs and ranking minority members of the legislative committees with  
4.20 jurisdiction over the program or service, the chair and ranking minority member of the  
4.21 senate Finance Committee, the chair and ranking minority member of the house of  
4.22 representatives Ways and Means Committee, and the majority and minority caucus leaders  
4.23 of both legislative bodies. Before March 31 in a year in which the commissioner sends a  
4.24 special notice under this paragraph, the commissioner must provide a second special notice  
4.25 to the same individuals to whom the commissioner sent the first special notice. In the second  
4.26 special notice, the commissioner must detail the consequences that will result from the  
4.27 commissioner's actions under subdivision 37 in the event the legislature does not act to  
4.28 prevent the commissioner from taking those actions.

4.29 Sec. 6. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision to  
4.30 read:

4.31 Subd. 37. **Contingent program and service terminations and modifications.** (a)  
4.32 Except as otherwise provided in this subdivision, if an accounting of actual expenditures  
4.33 prepared according to subdivision 36 and released in January of the first fiscal year of a  
4.34 biennium reveals that since the most recent February forecast the actual expenditures for a

5.1 program or service, after accounting for any increases attributable to changes in law during  
5.2 intervening legislative sessions, exceeded the projected spending for that program or service  
5.3 by more than ten percent, the commissioner must terminate the program or service effective  
5.4 July 1 of the second year of the biennium. If the termination of the program or service  
5.5 requires federal approval, the commissioner must initiate the process to seek federal approval  
5.6 by March 31.

5.7 (b) This subdivision does not apply if a finally enacted act explicitly directs the  
5.8 commissioner not to take the actions required under this subdivision.

5.9 Sec. 7. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to  
5.10 read:

5.11 Subd. 45. **Forecast trend analysis and notice.** (a) For purposes of this subdivision, the  
5.12 following terms have the meanings given:

5.13 (1) "demonstration provider" has the meaning given in section 256B.69, subdivision 2;  
5.14 and

5.15 (2) "service," when used in the context of the medical assistance program, means any  
5.16 service listed in section 256B.0625, any service defined in a home and community-based  
5.17 waiver plan, and any service available through a 1115 demonstration waiver.

5.18 (b) Beginning January 15, 2027, and by the 15th calendar day following the end of each  
5.19 quarter thereafter, the commissioner of human services must provide an accounting of actual  
5.20 expenditures in all forecasted programs for the prior quarter, itemized by service. The  
5.21 commissioner must include aggregate demonstration provider spending by service and  
5.22 merge aggregate demonstration provider spending for each service with the aggregate  
5.23 fee-for-service spending for the same service. The commissioner must update the accounting  
5.24 of actual expenditures from prior quarters as necessary. The commissioner must post the  
5.25 quarterly actual expenditures on the department's website.

5.26 (c) With each quarterly accounting of actual expenditures, the commissioner must  
5.27 compare the actual expenditures by service to the forecasted expenditures from the four  
5.28 most recent February forecasts, after accounting for any increases attributable to changes  
5.29 in law that may have occurred between the February forecasts. The commissioner must post  
5.30 the comparison of actual expenditures to the four most recent February forecasts on the  
5.31 department's website and include data visualizations of the comparisons using data  
5.32 visualization best practices. The commissioner must also include at least ten years of  
5.33 historical actual expenditures by program and by service.

6.1 (d) If in any given quarter the actual expenditures for a program or service exceed the  
6.2 projected spending for that program or service in the most recent February forecast by more  
6.3 than five percent, after accounting for any increases attributable to changes in law during  
6.4 intervening legislative sessions, the commissioner must note the deviation from projected  
6.5 spending on the department's website, provide notice of the deviation to the chairs and  
6.6 ranking minority members of the legislative committees with jurisdiction over the program  
6.7 or service, and provide notice of the deviation to the legislative auditor.

6.8 (e) For an expenditure deviation described in paragraph (d), the commissioner may  
6.9 include with the posted accounting of actual expenditures a narrative providing the  
6.10 commissioner's explanation of the deviation from the projected expenditures. The  
6.11 commissioner may also include the narrative in the commissioner's notice to the chairs and  
6.12 ranking minority members of the relevant legislative committees and in the commissioner's  
6.13 notice to the legislative auditor.

6.14 (f) If an accounting of actual expenditures released in January of the first fiscal year of  
6.15 a biennium reveals that since the most recent February forecast, after accounting for any  
6.16 increases attributable to changes in law during intervening legislative sessions, the actual  
6.17 expenditures for a program or service exceeded the projected expenditures for that program  
6.18 or service by more than ten percent, the commissioner must provide special notice of the  
6.19 deviation to the chairs and ranking minority members of the legislative committees with  
6.20 jurisdiction over the program or services, the chair and ranking minority member of the  
6.21 senate Finance Committee, the chair and ranking minority member of the house of  
6.22 representatives Ways and Means Committee, and the majority and minority caucus leaders  
6.23 of both legislative bodies. Before March 31 in a year in which the commissioner sends a  
6.24 special notice under this paragraph, the commissioner must provide a second special notice  
6.25 to the same individuals to whom the commissioner sent the first special notice. In the second  
6.26 special notice, the commissioner must detail the consequences that will result from the  
6.27 commissioner's actions under subdivision 46 in the event the legislature does not act to  
6.28 prevent the commissioner from taking those actions.

6.29 Sec. 8. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to  
6.30 read:

6.31 Subd. 46. **Contingent program and service terminations and modifications.** (a)  
6.32 Except as otherwise provided in this subdivision, if an accounting of actual expenditures  
6.33 prepared according to subdivision 45 and released in January of the first fiscal year of a  
6.34 biennium reveals that since the most recent February forecast the actual expenditures for a

7.1 program or service exceeded the projected expenditures for that program or service by more  
 7.2 than ten percent, after accounting for any increases attributable to changes in law during  
 7.3 intervening legislative sessions, the commissioner must terminate the program or service  
 7.4 effective July 1 of the second year of the biennium. If the termination of the program or  
 7.5 service requires federal approval, the commissioner must initiate the process to seek federal  
 7.6 approval by the last day of March.

7.7 (b) Paragraph (a) does not apply to mandatory medical assistance benefits. If the  
 7.8 commissioner determines that actual expenditures for a mandatory medical assistance benefit  
 7.9 exceed the projected spending for that program or service in the most recent February  
 7.10 forecast by more than ten percent, after accounting for any increases attributable to changes  
 7.11 in law during any intervening legislative sessions, the commissioner must, in the aggregate,  
 7.12 prospectively reduce payment rates effective July 1 of the second year of the biennium for  
 7.13 medical assistance providers of the service to eliminate any additional growth in actual  
 7.14 expenditures for the mandatory benefit. If the payment reductions require federal approval,  
 7.15 the commissioner must initiate the process to seek federal approval by the last day of March.

7.16 (c) This subdivision does not apply if a finally enacted act explicitly directs the  
 7.17 commissioner not to take the actions required under this subdivision.

7.18 **Sec. 9. APPROPRIATION; EVALUATION OF DEVIATIONS FROM PROJECTED**  
 7.19 **SPENDING.**

7.20 \$..... in fiscal year 2027 is appropriated from the general fund to the legislative auditor  
 7.21 for evaluations of deviations from projected spending under Minnesota Statutes, section  
 7.22 3.972, subdivisions 2a, 2b, and 2e.

7.23 **Sec. 10. APPROPRIATION; CHILDREN, YOUTH, AND FAMILIES FORECAST**  
 7.24 **TREND ANALYSIS.**

7.25 \$..... in fiscal year 2027 is appropriated from the general fund to the commissioner of  
 7.26 children, youth, and families for forecast trend analyses under Minnesota Statutes, section  
 7.27 142A.03, subdivision 36.

7.28 **Sec. 11. APPROPRIATION; HUMAN SERVICES FORECAST TREND ANALYSIS.**

7.29 \$..... in fiscal year 2027 is appropriated from the general fund to the commissioner of  
 7.30 human services for forecast trend analyses under Minnesota Statutes, section 256.01,  
 7.31 subdivision 45.