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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3257

04/18/2023 Authored by Hudella, Dotseth, Knudsen, Bennett, Zeleznikar and others
The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to state government; requiring fiscal notes to include a review of certain
1.3 information related to organizations named in legislation to receive a grant;
1.4 requiring granting agencies to submit an annual report to the legislature on their
1.5 grantmaking; amending Minnesota Statutes 2022, sections 3.98, subdivision 2, by
1.6 adding a subdivision; 16B.98, by adding a subdivision.

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

1.8 Section 1. Minnesota Statutes 2022, section 3.98, subdivision 2, is amended to read:

1.9 Subd. 2. Contents. (a) The fiscal note, where possible, shall:

1.10 (1) cite the effect in dollar amounts;

1.11 (2) cite the statutory provisions affected;

1.12 (3) estimate the increase or decrease in revenues or expenditures;

1.13 (4) include the costs which may be absorbed without additional funds;

1.14 (5) include the assumptions used in determining the cost estimates; and

1.15 (6) specify any long-range implication; and

1.16 (7) where applicable, include information on any named grant recipients as required by
1.17 subdivision 2a.

1.18 (b) The fiscal note may comment on technical or mechanical defects in the bill but shall
1.19 express no opinions concerning the merits of the proposal.

1.20 EFFECTIVE DATE. This section is effective January 1, 2024, and applies to fiscal
1.21 notes prepared on or after that date.

2.1 Sec. 2. Minnesota Statutes 2022, section 3.98, is amended by adding a subdivision to read:

2.2 Subd. 2a. **Grant accountability and oversight.** (a) A fiscal note prepared for legislation
2.3 that directly names a nonprofit organization as the recipient of a grant must indicate whether
2.4 the granting agency has conducted a review of the recipient's capacity to receive and
2.5 administer the purposes of the grant. The review must be conducted by a certified public
2.6 accountant and include verification that the named recipient organization:

2.7 (1) is registered with the secretary of state and the Internal Revenue Service;

2.8 (2) has a valid employer identification number or tax identification number issued by
2.9 the Internal Revenue Service, that the number matches its filings with the Internal Revenue
2.10 Service, and that the number is clearly listed on the organization's website;

2.11 (3) is current on required tax filings or other reporting to the Internal Revenue Service
2.12 and secretary of state;

2.13 (4) has filed the appropriate version of any applicable tax forms; and

2.14 (5) has conducted an independent, third-party audit of the organization's financial
2.15 statement as required by law.

2.16 (b) In addition to the verifications required by paragraph (a), the reviewing certified
2.17 public accountant must collect, at a minimum, the named recipient organization's:

2.18 (1) annual revenues for the prior two years;

2.19 (2) annual expenses for the prior two years;

2.20 (3) available cash on hand at the end of each of the prior two years;

2.21 (4) functional allocation of expenses for the prior two years;

2.22 (5) related party transaction summaries;

2.23 (6) restricted net assets summaries;

2.24 (7) independent audit summary, if the organization has been independently audited; and

2.25 (8) listing of directors, governors, board of directors, and other members as disclosed
2.26 in the organization's most recent tax filings.

2.27 (c) The information required to be collected by the certified public accountant under
2.28 paragraph (b) must be included as an appendix to the fiscal note.

2.29 **EFFECTIVE DATE.** This section is effective January 1, 2024, and applies to fiscal
2.30 notes prepared on or after that date.

3.1 Sec. 3. Minnesota Statutes 2022, section 16B.98, is amended by adding a subdivision to
3.2 read:

3.3 Subd. 12. **Legislative report on grantmaking.** No later than August 15 of each year,
3.4 each granting agency must submit a report to all members of the legislative committees
3.5 with jurisdiction over the agency's budget detailing its grantmaking activity in the prior
3.6 fiscal year. The report must include detail on the organizations that received grants, the
3.7 amount awarded to each organization, how each grant is intended to be used, and whether
3.8 the agency reviewed information related to each recipient organization's capacity to receive
3.9 and administer the purposes of the grant before making the award, in a manner consistent
3.10 with the information that is required to be reviewed and collected under section 3.98,
3.11 subdivision 2a.

3.12 **EFFECTIVE DATE.** This section is effective July 1, 2023.