

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH SESSION**

**S.F. No. 2500**

(SENATE AUTHORS: **DZIEDZIC and Saxhaug**)

DATE	D-PG	OFFICIAL STATUS
03/10/2014	6075	Introduction and first reading Referred to State and Local Government
03/26/2014	6838	Comm report: To pass
	6864	Second reading
04/22/2014	8208	HF substituted on General Orders HF2217

1.1 A bill for an act  
1.2 relating to state government; changing provisions in grants management process  
1.3 and contract management; providing an encumbrance exception in the grant  
1.4 process; amending Minnesota Statutes 2012, sections 16B.98, subdivision 5, by  
1.5 adding a subdivision; 16C.05, subdivision 2.

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

1.7 Section 1. Minnesota Statutes 2012, section 16B.98, subdivision 5, is amended to read:

1.8 Subd. 5. **Creation and validity of grant agreements.** (a) A grant agreement is  
1.9 not valid and the state is not bound by the grant unless:

1.10 (1) the grant has been executed by the head of the agency or a delegate who is  
1.11 party to the grant;

1.12 (2) the accounting system shows an encumbrance for the amount of the grant in  
1.13 accordance with policy approved by the commissioner except as provided in subdivision  
1.14 11; and

1.15 (3) the grant agreement includes an effective date that references either section  
1.16 16C.05, subdivision 2, or 16B.98, subdivisions 5 and 7, as determined by the granting  
1.17 agency.

1.18 (b) The combined grant agreement and amendments must not exceed five years  
1.19 without specific, written approval by the commissioner according to established policy,  
1.20 procedures, and standards, or unless the commissioner determines that a longer duration is  
1.21 in the best interest of the state.

1.22 (c) A fully executed copy of the grant agreement with all amendments and other  
1.23 required records relating to the grant must be kept on file at the granting agency for a time  
1.24 equal to that required of grantees in subdivision 8.

2.1 (d) Grant agreements must comply with policies established by the commissioner  
2.2 for minimum grant agreement standards and practices.

2.3 (e) The attorney general may periodically review and evaluate a sample of state  
2.4 agency grants to ensure compliance with applicable laws.

2.5 Sec. 2. Minnesota Statutes 2012, section 16B.98, is amended by adding a subdivision  
2.6 to read:

2.7 Subd. 11. **Encumbrance exception.** Notwithstanding subdivision 5, paragraph (a),  
2.8 clause (2), or section 16C.05, subdivision 2, paragraph (a), clause (3), agencies may  
2.9 permit a specifically named, legislatively appropriated, noncompetitive grant recipient to  
2.10 incur eligible expenses based on an agreed upon work plan and budget for up to 60 days  
2.11 prior to an encumbrance being established in the accounting system.

2.12 Sec. 3. Minnesota Statutes 2012, section 16C.05, subdivision 2, is amended to read:

2.13 Subd. 2. **Creation and validity of contracts.** (a) A contract is not valid and the state  
2.14 is not bound by it and no agency, without the prior written approval of the commissioner  
2.15 granted pursuant to subdivision 2a, may authorize work to begin on it unless:

2.16 (1) it has first been executed by the head of the agency or a delegate who is a party  
2.17 to the contract;

2.18 (2) it has been approved by the commissioner; and

2.19 (3) the accounting system shows an encumbrance for the amount of the contract  
2.20 liability, except as allowed by policy approved by the commissioner and commissioner  
2.21 of management and budget for routine, low-dollar procurements and section 16B.98,  
2.22 subdivision 11.

2.23 (b) The combined contract and amendments must not exceed five years without  
2.24 specific, written approval by the commissioner according to established policy, procedures,  
2.25 and standards, or unless otherwise provided for by law. The term of the original contract  
2.26 must not exceed two years unless the commissioner determines that a longer duration is  
2.27 in the best interest of the state.

2.28 (c) Grants, interagency agreements, purchase orders, work orders, and annual plans  
2.29 need not, in the discretion of the commissioner and attorney general, require the signature  
2.30 of the commissioner and/or the attorney general. A signature is not required for work  
2.31 orders and amendments to work orders related to Department of Transportation contracts.  
2.32 Bond purchase agreements by the Minnesota Public Facilities Authority do not require  
2.33 the approval of the commissioner.

3.1 (d) Amendments to contracts must entail tasks that are substantially similar to  
3.2 those in the original contract or involve tasks that are so closely related to the original  
3.3 contract that it would be impracticable for a different contractor to perform the work. The  
3.4 commissioner or an agency official to whom the commissioner has delegated contracting  
3.5 authority under section 16C.03, subdivision 16, must determine that an amendment would  
3.6 serve the interest of the state better than a new contract and would cost no more.

3.7 (e) A fully executed copy of every contract, amendments to the contract, and  
3.8 performance evaluations relating to the contract must be kept on file at the contracting  
3.9 agency for a time equal to that specified for contract vendors and other parties in  
3.10 subdivision 5.

3.11 (f) The attorney general must periodically review and evaluate a sample of state  
3.12 agency contracts to ensure compliance with laws.