ARTICLE 11
STATE AGENCIES

Section 1. Minnesota Statutes 2022, section 13.321, is amended by adding a subdivision to read:


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

Sec. 2. Minnesota Statutes 2023 Supplement, section 127A.21, is amended to read:

127A.21 OFFICE OF THE INSPECTOR GENERAL.

Subdivision 1. Establishment of Office of the Inspector General; powers; duties. (a) 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.

(b) The inspector general may not be terminated, reprimanded, discharged, suspended without pay, or demoted except for just cause. For the purposes of this subdivision, just cause includes consistent failure to perform statutory duties, substandard performance, and serious violation of written policies and procedures, provided the policies and procedures are applied in a uniform, nondiscriminatory manner. No state employee may interfere with or obstruct an investigation authorized by this section.

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

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

(c) "Department program" means a program funded by the Department of Education that involves the transfer or disbursement of public funds or other resources to a program participant.

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

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

(f) "Program participant" means any person, including associated persons, that receives,
disburses, or has custody of funds or other resources transferred or disbursed under a
department program. Program participant does not include a charter school or government
entity as defined by section 13.02.

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

Subd. 2. Data practices; hiring; reporting. The Office of the Inspector General has
access to all program data, regardless of classification under chapter 13, held by the
department, school districts or charter schools, grantees, and any other recipient of funds
from the department. 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. 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.

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; or

(2) pursuant to court order.

Sec. 2. Minnesota Statutes 2023 Supplement, section 127A.21, subdivision 2, is amended
to read:

Subd. 2. Data practices; hiring; reporting. The Office of the Inspector General has
access to all program data, regardless of classification under chapter 13, held by the
department, school districts or charter schools, grantees, and any other recipient of funds
from the department. 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. 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.

Sec. 3. Minnesota Statutes 2023 Supplement, section 127A.21, is amended by adding a
subdivision to read:

Subd. 3. Subpoenas. (a) For the purpose of any audit, investigation, proceeding, or
inquiry related to the duties and responsibilities of the inspector general; 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 documents
relevant to an audit or 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; or

(2) pursuant to court order.
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.

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 a department may be provided in a format, place, and timeframe reasonably requested by the Office of the Inspector General.

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

Subd. 5. Sanctions; appeal. (a) The inspector general may recommend that the commissioner impose appropriate temporary sanctions, including withholding of payments under the program, on a program participant pending an investigation by the Office of the Inspector General if:

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

(2) there has been a criminal, civil, or administrative adjudication of fraud, waste, or abuse against the program participant in Minnesota or in another state or jurisdiction.

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.

The subpoena issued under this subdivision shall be enforceable through the district court in the district where the subpoena is issued.
(3) the program participant was receiving funds under any contract or registered in any program administered by another Minnesota state agency, a government agency in another state, or a federal agency, and was excluded from that contract or program for reasons credibly indicating fraud, waste, or abuse by the program participant; or

(4) the program participant has a pattern of noncompliance with an investigation;

(b) If an investigation finds, by clear and convincing evidence, fraud, waste, or abuse by a program participant, the inspector general may recommend that the commissioner impose appropriate sanctions on the program participant;

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

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

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

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

(3) the action being taken; (2) the general allegations that form the basis for the sanction; (3) except in the case of a conviction for conduct described in paragraph (a), state the duration of the exclusion, suspension, or termination; (4) identify the programs to which the sanction applies; and (5) provide notice of the right to request reconsideration.

(g) Upon receipt of a notice under paragraph (f), a provider, vendor, individual, or associated entity may request a contested case hearing, as defined in section 14.02, subdivision 3, by filing with the Office of the Inspector General a written request of appeal. The scope of any contested case hearing is solely limited to action taken under this subdivision. The Office of the Inspector General must receive the appeal request no later than 30 days after the date the notice was mailed to the provider, vendor, individual, associated entity, or associated individual. The appeal request must specify:

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

(2) the authority in statute or rule upon which the provider, vendor, individual, associated individual, or associated entity relies for each disputed item;
(f) The commissioner shall lift sanctions imposed under this subdivision if the Office of the Inspector General determines there is insufficient evidence of fraud, waste, or abuse by the program participant. The commissioner must notify the participant in writing within seven business days of lifting the sanction. (1) the sanction being imposed; (2) the general allegations that form the basis for the sanction; (3) the duration of the sanction; (4) the department programs to which the sanction applies; and (5) how the program participant may appeal the sanction pursuant to paragraph (e).

(e) A program participant sanctioned under this subdivision may, within 30 days after the date the notice of sanction was mailed to the participant, appeal the determination by requesting in writing that the commissioner initiate a contested case proceeding under chapter 14. The scope of any contested case hearing is limited to the sanction imposed under this subdivision. An appeal request must specify with particularity each disputed item, the reason for the dispute, and must include the name and contact information of the person or entity that may be contacted regarding the appeal.

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, created, received, or maintained by the inspector general relating to an audit, investigation, proceeding, or inquiry as subject to section 13.39.

(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.

Sec. 6. Minnesota Statutes 2023 Supplement, section 127A.21, is amended by adding a subdivision to read:

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

(4) any other information required by the Office of the Inspector General.

(h) The commissioner shall stop withholding payments if the Office of the Inspector General determines there is insufficient evidence of fraud by the entity, provider, vendor, individual, associated individual, or associated entity or when legal proceedings relating to the alleged fraud are completed.

(i) For the purposes of this subdivision, fraud, waste, or abuse includes any of the following, but is not limited to:

1. A pattern of presentment of false or duplicate information or claims;
2. The general allegations that form the basis for the sanction;
3. The duration of the sanction;
4. The department programs to which the sanction applies; and
5. How the program participant may appeal the sanction pursuant to paragraph (e).

6. Suspension or termination as a vendor, provider, or contractor with any other state agency;
7. Refusal to provide access to records as required by subdivision 4; or
8. Failure to correct errors in the maintenance of records after a request by the commissioner or the department.

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, created, received, or maintained by the inspector general relating to an audit, investigation, proceeding, or inquiry as subject to section 13.39.

(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.
Subd. 7. Retaliation prohibited. An employee 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.

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

Sec. 7. Laws 2023, chapter 55, article 12, section 17, subdivision 2, is amended to read:

Subd. 2. Department.

(a) For the Department of Education:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$47,005,000</td>
<td>2024</td>
</tr>
<tr>
<td>2025</td>
<td>$39,922,000</td>
<td>2025</td>
</tr>
</tbody>
</table>

Of these amounts:

1. $405,000 each year is for the Board of School Administrators;
2. $1,000,000 each year is for regional centers of excellence under Minnesota Statutes, section 120B.115;
3. $720,000 each year is for implementing Minnesota's Learning for English Academic Proficiency and Success Act (LEAPS) under Laws 2014, chapter 272, article 1, as amended;
4. $480,000 each year is for the Department of Education's mainframe update;
5. $7,500,000 in fiscal year 2024 only is for legal fees and costs associated with litigation;
6. $595,000 in fiscal year 2024 and $2,609,000 in fiscal year 2025 are for modernizing district data submissions. The base for fiscal year 2026 and later is $2,359,000;
7. $573,000 each year is for engagement and rulemaking related to Specific Learning Disability;
8. $150,000 each year is for an ethnic studies specialist in the academic standards division to provide support to the ethnic studies working group and to school districts seeking to establish or strengthen ethnic studies courses;
9. $150,000 each year is for the comprehensive school mental health services lead under Minnesota Statutes, section 127A.215;
10. $150,000 each year is for a school health services specialist under Minnesota Statutes, section 121A.20;
11. $2,000,000 each year is for the Office of the Inspector General established under Minnesota Statutes, section 127A.21;
(12) $800,000 each year is for audit and internal control resources;
(13) $2,000,000 in fiscal year 2024 only is for information technology infrastructure
and portfolio resources;
(14) $2,000,000 each year is for staffing the Equity, Diversity and Inclusion (EDI) Center
at the Department of Education; and
(15) $275,000 in fiscal year 2024 and $175,000 in fiscal year 2025 are for
administrative expenses for unemployment aid; and
(16) $130,000 in fiscal year 2025 is for the state school librarian under Minnesota
Statutes, section 127A.151.

(b) None of the amounts appropriated under this subdivision may be used for Minnesota's
Washington, D.C., office.

(c) The expenditures of federal grants and aids as shown in the biennial budget document
and its supplements are approved and appropriated and must be spent as indicated;
(d) The base for fiscal year 2026 and later is $39,667,000.

Sec. 8. PERMANENT SCHOOL FUND; DISTRIBUTION OF ENDOWMENT
FUND EARNINGS TASK FORCE.

Subdivision 1. Task force established. A task force of nine members is established to
examine the distribution of earnings from the permanent school fund endowment.

Subd. 2. Membership qualifications and appointments. (a) Appointed members of
the task force must have outstanding professional experience in at least one of the following
areas:

(1) institutional asset management;
(2) investment finance;
(3) trust administration;
(4) investment fund accounting;
(5) investment banking; or
(6) the practice of law in the areas of capital markets, securities funds, trusts, foundations,
or endowments.

(b) The task force consists of the following nine members, each of whom must be
appointed by September 1, 2024:

(1) the commissioner of education or the commissioner's designee:
(2) an employee or other member appointed by the State Board of Investment;

(3) four members appointed by the governor; and

(4) three members appointed by vote of the Legislative Permanent School Fund Commission.

(c) The first meeting of the task force must be called by the commissioner of education no later than October 1, 2024. The Department of Education must provide staff, technical assistance, and organizational support for the task force.

Subd. 3. Duties. The task force must examine the historical returns on the permanent school fund endowment and evaluate and recommend potential changes to the distribution of earnings. The task force may examine school trust endowment policies in other states. The task force recommendations may include proposed changes to state statutes and Minnesota's constitutional provisions governing the school trust fund endowment.

Subd. 4. Report; expiration. The task force must report its recommendations to the chairs and ranking minority members of the legislative committees with jurisdiction over the permanent school fund by January 15, 2026. The task force report must be submitted consistent with Minnesota Statutes, section 3.195. The task force expires on January 15, 2026, or upon submission of the report required under this subdivision, whichever occurs earlier.

Sec. 9. APPROPRIATION; PERMANENT SCHOOL FUND TASK FORCE.

Subdivision 1. Department of Education. The sum indicated in this section is appropriated from the general fund to the Department of Education for the fiscal year designated.

Subd. 2. Permanent School Fund Task Force. (a) To administer the task force on the distribution of earnings from the permanent school fund:

$64,000 2025

(b) This is a onetime appropriation. This appropriation is available until June 30, 2026.

Sec. 10. APPROPRIATION; PROFESSIONAL EDUCATOR LICENSING AND STANDARDS BOARD.

Subdivision 1. Professional Educator Licensing and Standards Board. The sum indicated in this section is appropriated from the general fund to the Professional Educator Licensing and Standards Board in the fiscal year designated.

Subd. 2. Information technology costs. (a) For information technology costs of the Professional Educator Licensing and Standards Board:

Subd. 2. Educator online licensing system. (a) For information technology costs for the educator online licensing system:
$ 2,767,000  2025

(b) This is a one-time appropriation and is available until June 30, 2027.