

Fraud Prevention & State Agency Oversight Policy Committee



Minnesota House of Representatives

March 26, 2025

Dear Colleagues,

As members of the Fraud Prevention & State Agency Oversight Policy Committee, and Co-Chairs of the House Ways & Means Committee, we write with an important request to our colleagues on finance committees as you begin to build budgets in your respective policy areas. Specifically, when you appropriate funds to private entities, **we urge you to strongly consider having agencies use a competitive process to select those entities, rather than directly naming them in law.**

This request is consistent with testimony and discussion in our Committee, as well as repeated recommendations dating as far back as 2007, when the Office of the Legislative Auditor urged:¹

“To ensure an open and fair grantee selection process, the Legislature should not mandate grant recipients in law but allow agencies to select recipients through a competitive process.”

The OLA has since (2023) further noted that state agencies provide “less oversight of legislatively named grants than competitively awarded grants,” since the funding is required to be awarded regardless.²

With competitive grants, the Legislature identifies a policy priority and an amount of money to address it – a core legislative function. Applications by entities to address that priority, however, are best reviewed through a competitive process, with consistent and thorough vetting by knowledgeable professionals with direct experience in the relevant field, and in accordance with state grants management standards that require an RFP, a pre-award risk assessment, including a review of financials and capacity. All of this ensures that the funds are awarded to the entity or entities best able to carry out the legislative intent.

We want to reassure you that a shift away from direct legislative appropriations need not diminish our role in guiding funding to meet the unique needs of our communities. Competitive grants can and should be tailored with specific parameters—such as type of service, population served, or geographic focus—to ensure alignment with our policy priorities. Guidelines and reviewers should ensure that smaller organizations and those serving underrepresented communities are not disadvantaged or overlooked.

Direct appropriations may be the best fit for some circumstances, such as where there is only one private entity that can meet the identified need. But this should be the rare exception, rather than a general practice. Additionally, the entity should be specified by name rather than using a session-law description for which only one entity could qualify.

¹ *State Grants to Nonprofit Organizations*, p. 42

² *Oversight of State-Funded Grants to Nonprofit Organizations*, pg. 15

Please don't hesitate to reach out to us if you have any questions. Thanks for your consideration of this request and for your hard work in crafting a state budget.

Sincerely,



Representative Kristin Robbins
Chair, Fraud Prevention & Oversight



Representative Dave Pinto
DFL Lead, Fraud Prevention & Oversight



Representative Patti Anderson



Representative Steve Elkins



Representative Walter Hudson



Representative Emma Greenman



Representative Marion Rarick



Representative Isaac Schultz