

S.F. No. 4359 – Safeguards for State Grants to Nonprofit Organizations

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Section 1 [16B.971; Grants to Nonprofit Organizations] establishes requirements for making grants to tax exempt nongovernmental organizations.

Subd. 1 [Definitions] defines terms. “Grant” means a grant of state money from any source. “Organization” means a nongovernmental organization that is tax exempt under the Internal Revenue Code.

Subd. 2 [Requirements for eligibility] specifies requirements for an organization to be eligible to receive a grant. The organization must submit to the fiscal agent two years of IRS Form 990s; must not compensate an officer or employee more than the governor’s compensation; and must not employ or have on its governing board an employee of a state agency or elected official.

Subd. 3 [Additional eligibility requirements for certain nonprofit organizations] establishes additional requirements for an organization that received more than 25% of its revenue from state funds in the preceding fiscal year or that has revenue greater than \$750,000, as follows: the organization must submit certified financial audits for two years preceding the grant application; and officers and members of the governing board of the organization must not have been convicted of an offense involving theft, fraud, embezzlement, or other misuse of misappropriation of funds or property.

Subd. 4 [Notice to legislature of ineligibility] requires the commissioner to notify the legislature if the commissioner determines that an organization that received a grant by law is ineligible to receive the grant.

Subd. 5 [Grant application] specifies required contents for a grant application.

Subd. 6 [Reporting on use of funds] requires an organization to report to the fiscal agent on its use of funds, with specified information. Requires the fiscal agent to provide information

from the organizations to the legislature, with a summary of the use of grant proceeds and analysis of the grant recipients' success in meeting goals, priorities and outcomes. The report must be submitted annually.

Subd. 7 [Notice to legislature of fraud or abuse claims] requires the commissioner of administration to report comments or concerns about fraud or waste to the legislature.

Section 2 [Audit] requires grant agreements to include a clause that the records and procedures of a grantee receiving a grant of more than \$500,000 be subject to examination by the granting agency and either the legislative auditor or the state auditor, as appropriate, for two years before the execution of the grant agreement and during the term of the agreement.

Section 3 [Effective Date] makes sections 1 and 2 effective the day after enactment and applicable to grants appropriated by law after the effective date and to grant agreements executed after the effective date.