

1.1 **Senator Marty from the Committee on Finance, to which was re-referred**

1.2 **S.F. No. 2684:** A bill for an act relating to education finance; providing funding for  
 1.3 prekindergarten through grade 12 education; modifying provisions for general education,  
 1.4 education excellence, literacy, teachers, special education, facilities, nutrition, libraries,  
 1.5 early childhood, community education, and state agencies; making forecast adjustments;  
 1.6 requiring reports; appropriating money; amending Minnesota Statutes 2022, sections  
 1.7 119A.52; 120A.20, subdivision 1; 120B.11, subdivisions 1, 2; 120B.12; 120B.122,  
 1.8 subdivision 1; 121A.19; 121A.41, subdivision 7; 121A.582, subdivision 1; 122A.092,  
 1.9 subdivision 5; 122A.183, subdivision 1; 122A.184, subdivision 1; 122A.185, subdivision  
 1.10 1; 122A.187, subdivision 5; 122A.31, subdivision 1; 122A.40, subdivisions 3, 5; 122A.41,  
 1.11 subdivision 2, by adding a subdivision; 122A.415, subdivision 4; 122A.59; 122A.635;  
 1.12 122A.70; 122A.73, subdivisions 2, 3; 123B.147, subdivision 3; 123B.595, subdivision 3;  
 1.13 123B.92, subdivision 1; 124D.095, subdivisions 2, 7, 8; 124D.1158, as amended; 124D.128,  
 1.14 subdivision 2; 124D.13, by adding a subdivision; 124D.151, subdivision 6; 124D.165,  
 1.15 subdivisions 2, 3; 124D.20, subdivisions 3, 5; 124D.2211; 124D.231; 124D.42, subdivision  
 1.16 8; 124D.531, subdivisions 1, 4; 124D.55; 124D.56; 124D.59, subdivision 2; 124D.65,  
 1.17 subdivision 5; 124D.68, subdivision 2; 124D.74, subdivision 3; 124D.81; 124D.98, by  
 1.18 adding a subdivision; 124D.99, subdivisions 2, 3, 5; 125A.03; 125A.08; 125A.71, subdivision  
 1.19 1; 125A.76, subdivision 2e; 126C.05, subdivisions 1, 19; 126C.10, subdivisions 2, 2d, 2e,  
 1.20 4, 13, 13a, 14; 126C.12, by adding a subdivision; 126C.15, subdivision 2; 126C.17, by  
 1.21 adding a subdivision; 126C.40, subdivisions 1, 6; 126C.43, subdivision 2; 134.355,  
 1.22 subdivisions 1, 5, 6, 7; 256B.0625, subdivision 26; 268.085, subdivision 7; Laws 2021,  
 1.23 First Special Session chapter 13, article 1, sections 9; 10, subdivisions 2, 3, 4, 5, 6, 7, 9;  
 1.24 article 2, section 4, subdivisions 2, 3, 4, 12, 27; article 3, section 7, subdivision 7; article 5,  
 1.25 section 3, subdivisions 2, 3, 4; article 7, section 2, subdivisions 2, 3; article 8, section 3,  
 1.26 subdivisions 2, 3, 4; article 9, section 4, subdivisions 5, 6, 12; article 10, section 1,  
 1.27 subdivisions 2, 8; article 11, section 4, subdivision 2; Laws 2023, chapter 18, section 4,  
 1.28 subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapters 120B;  
 1.29 121A; 122A; 124D; 125A; 127A; 134; repealing Minnesota Statutes 2022, sections 122A.06,  
 1.30 subdivision 4; 268.085, subdivision 8; Laws 2023, chapter 18, section 4, subdivision 5.

1.31 Reports the same back with the recommendation that the bill be amended as follows:

1.32 Page 38, lines 23 and 24, delete "4,738,000" and insert "3,744,000"

1.33 Page 38, line 25, delete "\$2,755,000" and insert "\$2,177,000"

1.34 Page 38, line 28, delete "\$1,983,000" and insert "\$1,567,000"

1.35 Page 39, line 4, delete "\$14,786,000" and insert "\$12,201,000"

1.36 Page 135, line 19, after "For" insert "transfer to the Office of Higher Education for"

1.37 Page 136, line 22, delete "(a)"

1.38 Page 136, delete line 27

1.39 Page 141, line 3, strike "2011" and insert "2024" and strike "\$44,419,000" and insert  
 1.40 "\$52,781,000"

1.41 Page 141, line 10, delete the new language

2.1 Page 141, line 12, after "(ii)" insert "the greater of: (A) one plus the percent change in  
2.2 the formula allowance under section 126C.10, subdivision 2, from the previous fiscal year  
2.3 to the current fiscal year; or (B)"

2.4 Page 145, line 25, delete "51,763,000" and insert "52,663,000"

2.5 Page 145, line 26, delete "51,758,000" and insert "54,196,000"

2.6 Page 145, line 27, delete "\$46,584,000" and insert "\$47,484,000"

2.7 Page 145, line 28, delete "\$5,175,000" and insert "\$5,275,000" and delete "\$46,583,000"  
2.8 and insert "\$48,921,000"

2.9 Page 152, after line 30, insert:

2.10 "Sec. 8. **FINANCIAL REVIEW OF GRANT AND BUSINESS SUBSIDY**  
2.11 **RECIPIENTS.**

2.12 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the  
2.13 meanings given.

2.14 (b) "Grant" means a grant or business subsidy funded by an appropriation in this act.

2.15 (c) "Grantee" means a business entity as defined in Minnesota Statutes, section 5.001.

2.16 Subd. 2. **Financial information required; determination of ability to perform.** Before  
2.17 an agency awards a competitive, legislatively named, single source, or sole source grant,  
2.18 the agency must assess the risk that a grantee cannot or would not perform the required  
2.19 duties. In making this assessment, the agency must review the following information:

2.20 (1) the grantee's history of performing duties similar to those required by the grant,  
2.21 whether the size of the grant requires the grantee to perform services at a significantly  
2.22 increased scale, and whether the size of the grant will require significant changes to the  
2.23 operation of the grantee's organization;

2.24 (2) for a grantee that is a nonprofit organization, the grantee's Form 990 or Form 990-EZ  
2.25 filed with the Internal Revenue Service in each of the prior three years. If the grantee has  
2.26 not been in existence long enough or is not required to file Form 990 or Form 990-EZ, the  
2.27 grantee must demonstrate to the grantor's satisfaction that the grantee is exempt and must  
2.28 instead submit the grantee's most recent board-reviewed financial statements and  
2.29 documentation of internal controls;

2.30 (3) for a for-profit business, three years of federal and state tax returns, current financial  
2.31 statements, certification that the business is not under bankruptcy proceedings, and disclosure

3.1 of any liens on its assets. If a business has not been in business long enough to have three  
3.2 years of tax returns, the grantee must demonstrate to the grantor's satisfaction that the grantee  
3.3 has appropriate internal financial controls;

3.4 (4) evidence of registration and good standing with the secretary of state under Minnesota  
3.5 Statutes, chapter 317A, or other applicable law;

3.6 (5) if the grantee's total annual revenue exceeds \$750,000, the grantee's most recent  
3.7 financial audit performed by an independent third party in accordance with generally accepted  
3.8 accounting principles; and

3.9 (6) certification, provided by the grantee, that none of its principals have been convicted  
3.10 of a financial crime.

3.11 Subd. 3. **Additional measures for some grantees.** The agency may require additional  
3.12 information and must provide enhanced oversight for grants that have not previously received  
3.13 state or federal grants for similar amounts or similar duties and so have not yet demonstrated  
3.14 the ability to perform the duties required under the grant on the scale required.

3.15 Subd. 4. **Assistance from administration.** An agency without adequate resources or  
3.16 experience to perform obligations under this section may contract with the commissioner  
3.17 of administration to perform the agency's duties under this section.

3.18 Subd. 5. **Agency authority to not award grant.** If an agency determines that there is  
3.19 an appreciable risk that a grantee receiving a competitive, single source, or sole source grant  
3.20 cannot or would not perform the required duties under the grant agreement, the agency must  
3.21 notify the grantee and the commissioner of administration and give the grantee an opportunity  
3.22 to respond to the agency's concerns. If the grantee does not satisfy the agency's concerns  
3.23 within 45 days, the agency must not award the grant.


3.24 Subd. 6. **Legislatively-named grantees.** If an agency determines that there is an  
3.25 appreciable risk that a grantee receiving a legislatively named grant cannot or would not  
3.26 perform the required duties under the grant agreement, the agency must notify the grantee,  
3.27 the commissioner of administration, and the chair and ranking minority members of Ways  
3.28 and Means Committee in the house of representatives, the chairs and ranking minority  
3.29 members of the Finance Committee in the senate, and the chairs and ranking minority  
3.30 members of the committees in the house of representatives and the senate with primary  
3.31 jurisdiction over the bill in which the money for the grant was appropriated. The agency  
3.32 must give the grantee an opportunity to respond to the agency's concerns. If the grantee  
3.33 does not satisfy the agency's concerns within 45 days, the agency must delay award of the  
3.34 grant until adjournment of the next regular or special legislative session.

4.1 Subd. 7. Subgrants. If a grantee will disburse the money received from the grant to  
 4.2 other organizations to perform duties required under the grant agreement, the agency must  
 4.3 be a party to agreements between the grantee and a subgrantee. Before entering agreements  
 4.4 for subgrants, the agency must perform the financial review required under this section with  
 4.5 respect to the subgrantees.

4.6 Subd. 8. Effect. The requirements of this section are in addition to other requirements  
 4.7 imposed by law, the commissioner of administration under Minnesota Statutes, sections  
 4.8 16B.97 to 16B.98, or agency grant policy."

4.9 Renumber the sections in sequence

4.10 And when so amended the bill do pass. Amendments adopted. Report adopted.

4.11 .....  
 4.12 (Committee Chair)

4.13 April 19, 2023.....  
 4.14 (Date of Committee recommendation)