

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

1.2 **S.F. No. 856:** A bill for an act relating to state government; creating the Office of the  
1.3 Inspector General; creating an advisory committee; requiring reports; transferring certain  
1.4 agency duties; appropriating money; amending Minnesota Statutes 2024, sections 3.971,  
1.5 by adding a subdivision; 15A.0815, subdivision 2; 142A.03, by adding a subdivision;  
1.6 142A.12, subdivision 5; 144.05, by adding a subdivision; 245.095, subdivision 5; 256.01,  
1.7 by adding a subdivision; 609.456, subdivision 2; proposing coding for new law as Minnesota  
1.8 Statutes, chapter 15D; repealing Minnesota Statutes 2024, sections 13.321, subdivision 12;  
1.9 127A.21.

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

1.11 Page 3, line 15, after "(b)" insert "In exercising the inspector general's powers and duties,"  
1.12 and after "general" insert "is in the executive branch and"

1.13 Page 3, line 16, delete "chief administrative law judge under chapter 14" and insert  
1.14 "governor"

1.15 Page 3, line 18, delete everything after "authority" and insert a period

1.16 Page 5, after line 4, insert:

1.17 "Subd. 4. **Vacancy.** The Legislative Inspector General Advisory Commission must  
1.18 provide recommendations to the governor for appointment to fill a vacancy in the position  
1.19 of the inspector general within 90 days of a vacancy occurring or within 60 days of being  
1.20 advised by the inspector general that a vacancy is expected to occur. The governor must  
1.21 appoint an inspector general within 30 days of receiving recommendations from the  
1.22 Legislative Inspector General Advisory Commission or within 45 days of a vacancy occurring  
1.23 if the advisory commission does not provide recommendations within the time allotted for  
1.24 recommendations under this subdivision."

1.25 Renumber the subdivisions in sequence

1.26 Page 5, line 17, after "removed" insert "by the governor"

1.27 Page 5, line 18, after "hearing" insert "conducted by the governor"

1.28 Page 6, delete lines 8 to 12 and insert:

1.29 "(7) alert relevant commissioners or heads of agencies when the inspector general has  
1.30 a reasonable suspicion that fraud or misuse is being committed, whether or not the inspector  
1.31 general is conducting an investigation, as provided in subdivision 3; and"

1.32 Page 6, line 24, after "to" insert "the" and delete "fraud" and insert "program"

1.33 Page 7, line 5, after "auditor" insert ", and to the commissioner of human services for  
1.34 reports related to Medicaid"

2.1 Page 7, line 6, after "auditor" insert ", and the commissioner of human services for  
2.2 investigations related to Medicaid,"

2.3 Page 7, after line 7, insert:

2.4 "Subd. 3. Alerting agency of issue; seeking a court order to freeze funds. If the agency  
2.5 does not have primary investigative authority under subdivision 2, the inspector general  
2.6 shall investigate and, if the inspector general has a reasonable suspicion that fraud or misuse  
2.7 is occurring, then the inspector general may, at the inspector general's discretion, alert the  
2.8 commissioner and seek a court order to freeze or stop distribution of public funds, including  
2.9 any applicable due process and appeal rights, working in cooperation with the agency where  
2.10 practical and where it would not jeopardize an investigation.

2.11 If the agency has primary investigative authority under subdivision 2 but the inspector  
2.12 general is not satisfied that the agency's internal investigation is adequate or proceeding  
2.13 quickly enough, the inspector general may independently investigate and, if the inspector  
2.14 general has a reasonable suspicion that fraud or misuse is being committed, may make a  
2.15 recommendation to the agency to freeze or cease distribution of funds and notify the  
2.16 appropriate law enforcement agencies.

2.17 If a commissioner or head of an agency does not act on a recommendation to freeze or  
2.18 cease distribution of funds as requested, after reasonable notice and consistent with any  
2.19 applicable interagency agreements under section 17, unless prohibited by federal  
2.20 requirements, the inspector general may, at the inspector general's discretion, seek a court  
2.21 order to freeze or stop distribution of public funds, consistent with applicable due process  
2.22 and appeal rights.

2.23 Subd. 4. Exceptions for federal funding. The inspector general must not comply with  
2.24 any provision under this section if compliance with the provision would prevent the state  
2.25 from receiving federal financial participation for the medical assistance program or result  
2.26 in a lower level of coverage or reduced access to coverage for medical assistance enrollees."

2.27 Page 9, line 3, after "auditor" insert "or commissioner of human services"

2.28 Page 10, line 8, after "necessary" insert "and in accordance with chapter 43A"

2.29 Page 10, line 12, after the period, insert "Except for the inspector general,"

2.30 Page 11, line 15, delete "chief administrative law judge" and insert "governor"

2.31 Page 12, line 1, delete "from among" and insert "after consideration of"

2.32 Page 12, line 5, delete "chief administrative law" and insert "governor"

- 3.1 Page 12, line 6, delete "judge"
- 3.2 Page 12, line 28, before "By" insert "Notwithstanding Minnesota Statutes, section 15D.03,
- 3.3 subdivision 4,"
- 3.4 Page 12, line 30, delete everything after the first "the" and insert "governor"
- 3.5 Page 13, line 1, delete "of Administrative Hearings"
- 3.6 Page 14, line 20, after "Positions" insert ", and assets and unused appropriations related
- 3.7 to these positions,"
- 3.8 Page 14, line 28, delete "Positions in the following divisions and teams" and insert "No
- 3.9 employees or positions"
- 3.10 Page 14, line 29, delete "not" and delete the colon and insert a period
- 3.11 Page 14, delete lines 30 and 31
- 3.12 Page 15, delete lines 1 to 10
- 3.13 Page 15, line 25, after the period, insert "The agreement must not preclude the agency
- 3.14 from performing, or give the inspector general authority to take actions that would interfere
- 3.15 with the agency's ability to perform, duties required as a condition for securing or maintaining
- 3.16 federal funding."
- 3.17 Page 15, line 31, after "misuse" insert "when an independent investigation is pursued"
- 3.18 Page 16, delete section 18 and insert:
- 3.19 "Sec. 18. APPROPRIATIONS.
- 3.20 (a) \$644,000 in fiscal year 2026 and \$430,000 in fiscal year 2027 are appropriated from
- 3.21 the general fund to the commissioner of administration to establish the Office of the Inspector
- 3.22 General. This is a onetime appropriation.
- 3.23 (b) \$3,034,000 in fiscal year 2026 and \$4,432,000 in fiscal year 2027 are appropriated
- 3.24 from the general fund to the Office of the Inspector General for purposes of this act. The
- 3.25 base for this appropriation is \$4,439,000 in fiscal year 2028 and \$4,474,000 in fiscal year
- 3.26 2029 and each fiscal year thereafter. The commissioner of administration, in consultation
- 3.27 with the commissioner of management and budget, may transfer amounts in fiscal year
- 3.28 2026 to the commissioner of administration for office build out, cost of space, office
- 3.29 equipment, and other costs directly related to the establishment of the office."
- 3.30 Page 16, line 9, after "misuse" insert "when an independent investigation is pursued"

4.1 Page 19, line 32, delete "Departments" and insert "Department" and delete everything

4.2 after "Education"

4.3 Page 20, line 1, delete "and Families"

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

4.5 \_\_\_\_\_  
4.6 (Committee Chair)

4.7 May 7, 2025.....

4.8 (Date of Committee recommendation)