

1.1 A bill for an act

1.2 relating to state government; creating the Office of the Inspector General; creating

1.3 an advisory committee; requiring reports; transferring certain agency duties;

1.4 appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding

1.5 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;

1.7 256.01, by adding a subdivision; 609.456, subdivision 2; proposing coding for

1.8 new law as Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024,

1.9 sections 13.321, subdivision 12; 127A.21.

1.10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.11 ARTICLE 1

1.12 OFFICE OF THE INSPECTOR GENERAL

1.13 Section 1. Minnesota Statutes 2024, section 3.971, is amended by adding a subdivision

1.14 to read:

1.15 Subd. 3b. **Public reports of fraud and misuse.** Notwithstanding the classification of

1.16 data as not public, the legislative auditor must refer all reports from the public about potential

1.17 fraud or misuse, as those terms are defined in chapter 15D, to the inspector general. The

1.18 legislative auditor may coordinate reviews and investigations with the inspector general

1.19 when coordination conserves resources and does not compromise the reviews or

1.20 investigations.

1.21 Sec. 2. Minnesota Statutes 2024, section 15A.0815, subdivision 2, is amended to read:

1.22 Subd. 2. **Agency head salaries.** The salary for a position listed in this subdivision shall

1.23 be determined by the Compensation Council under section 15A.082. The commissioner of

2.1 management and budget must publish the salaries on the department's website. This  
2.2 subdivision applies to the following positions:

- 2.3 Commissioner of administration;
- 2.4 Commissioner of agriculture;
- 2.5 Commissioner of education;
- 2.6 Commissioner of children, youth, and families;
- 2.7 Commissioner of commerce;
- 2.8 Commissioner of corrections;
- 2.9 Commissioner of health;
- 2.10 Commissioner, Minnesota Office of Higher Education;
- 2.11 Commissioner, Minnesota IT Services;
- 2.12 Commissioner, Housing Finance Agency;
- 2.13 Commissioner of human rights;
- 2.14 Commissioner of human services;
- 2.15 Commissioner of labor and industry;
- 2.16 Commissioner of management and budget;
- 2.17 Commissioner of natural resources;
- 2.18 Commissioner, Pollution Control Agency;
- 2.19 Commissioner of public safety;
- 2.20 Commissioner of revenue;
- 2.21 Commissioner of employment and economic development;
- 2.22 Commissioner of transportation;
- 2.23 Commissioner of veterans affairs;
- 2.24 Executive director of the Gambling Control Board;
- 2.25 Executive director of the Minnesota State Lottery;
- 2.26 Executive director of the Office of Cannabis Management;
- 2.27 Inspector general;

- 3.1 Commissioner of Iron Range resources and rehabilitation;
- 3.2 Commissioner, Bureau of Mediation Services;
- 3.3 Ombudsman for mental health and developmental disabilities;
- 3.4 Ombudsperson for corrections;
- 3.5 Chair, Metropolitan Council;
- 3.6 Chair, Metropolitan Airports Commission;
- 3.7 School trust lands director;
- 3.8 Executive director of pari-mutuel racing;
- 3.9 Commissioner, Public Utilities Commission;
- 3.10 Chief Executive Officer, Direct Care and Treatment; and
- 3.11 Director of the Office of Emergency Medical Services.

3.12 **Sec. 3. [15D.01] OFFICE OF THE INSPECTOR GENERAL.**

3.13 (a) The inspector general serves as an independent entity responsible for ensuring  
3.14 accountability, transparency, and integrity in the operations of state agencies and programs.

3.15 (b) The inspector general is in the executive branch and must operate independently of  
3.16 all state executive branch agencies and report directly to the governor. The inspector general  
3.17 must not be subject to direction or interference from any executive or legislative authority.

3.18 (c) The inspector general shall direct an Office of the Inspector General.

3.19 (d) The inspector general serves in the unclassified service.

3.20 **EFFECTIVE DATE.** This section is effective January 1, 2026.

3.21 **Sec. 4. [15D.02] DEFINITIONS.**

3.22 For the purposes of this chapter, the following terms have the meanings given:

3.23 (1) "agency program" means a program funded or administered by a state agency,  
3.24 including grants and contracts;

3.25 (2) "fraud" means an intentional or deceptive act or failure to act to gain an unlawful  
3.26 benefit;

3.27 (3) "investigation" means an audit, review, or inquiry conducted by the inspector general  
3.28 to detect or prevent fraud or misuse;

(4) "misuse" means improper use of authority or position for personal gain or to cause harm to others, including the improper use of public resources or programs contrary to their intended purpose; and

(5) "personal gain" means a benefit to a person; to a person's spouse, parent, child, or other legal dependent; or to an in-law of the person or the person's child.

**EFFECTIVE DATE.** This section is effective January 1, 2026.

Sec. 5. **[15D.03] INSPECTOR GENERAL.**

Subdivision 1. **Minimum qualifications.** (a) To be eligible to be appointed as inspector general, a candidate must:

(1) have a bachelor's or higher degree in criminal justice, public administration, law, or a related field;

(2) have at least ten years of professional experience in auditing, investigations, law enforcement, or a related area;

(3) hold a professional certificate from the Association of Inspectors General, including Certified Inspector General or Certified Inspector General Investigator; and

(4) demonstrate a commitment to safeguarding the mission of public service and provide a public disclosure of prior professional opinions, positions, or actions that may influence the candidate's approach to the role.

(b) Current or former commissioners, agency heads, deputy agency heads, governors, or legislators are not eligible to serve as inspector general within five years of their service in those roles. A person elected to an office other than the governor or legislature is not eligible until ten years after the end of service in an elected position.

Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will recommend candidates for inspector general after a competitive process from among eligible applicants for the position of inspector general. To be recommended by the commission, a candidate must be approved for recommendation by five of the eight members of the commission. The commission must assess eligible candidates based on qualifications, including experience in auditing, financial analysis, public administration, law enforcement, or related fields. The inspector general is appointed by the governor, after consideration of recommendations from the Legislative Inspector General Advisory Commission, with confirmation by a vote of three-fifths of the senate. Section 15.066, subdivision 3, does not apply.

5.1 Subd. 3. **Term.** The inspector general serves a five-year term and may be appointed to  
5.2 unlimited additional terms.

5.3 Subd. 4. **Vacancy.** The Legislative Inspector General Advisory Commission must provide  
5.4 recommendations to the governor for appointment to fill a vacancy in the position of the  
5.5 inspector general within 90 days of a vacancy occurring or within 60 days of being advised  
5.6 by the inspector general that a vacancy is expected to occur. The governor must appoint an  
5.7 inspector general within 30 days of receiving recommendations from the Legislative Inspector  
5.8 General Advisory Commission or within 45 days of a vacancy occurring if the advisory  
5.9 commission does not provide recommendations within the time allotted for recommendations  
5.10 under this subdivision.

5.11 Subd. 5. **Disclosure.** A candidate considered by the Legislative Inspector General  
5.12 Oversight Commission or selected for appointment by the governor must disclose all political  
5.13 affiliations, appointments, campaign work, or partisan activities prior to confirmation.

5.14 Subd. 6. **Nonpartisanship.** The inspector general, and all employees of the office, must  
5.15 perform duties of the office without regard to partisan preferences or influences. While  
5.16 serving, the inspector general, and all employees of the office, may not engage in partisan  
5.17 activities, campaign work, or public political speech, unless protected by the state or United  
5.18 States Constitution.

5.19 Subd. 7. **Conflict of interest; code of ethics.** The inspector general and all employees  
5.20 of the office are public officials for purposes of the conflict of interest and statement of  
5.21 economic interest requirements in chapter 10A, and are subject to the code of ethics in  
5.22 section 43A.38, where applicable.

5.23 Subd. 8. **Removal.** The inspector general may only be removed by the governor before  
5.24 the expiration of the term for cause after a public hearing conducted by the governor and  
5.25 with approval of both the senate and the house of representatives.

5.26 **EFFECTIVE DATE.** This section is effective January 1, 2026.

5.27 Sec. 6. **[15D.04] POWERS AND DUTIES.**

5.28 Subdivision 1. **Authorized powers and responsibilities.** The inspector general is  
5.29 authorized and responsible to:

5.30 (1) conduct inspections, evaluations, and investigations of state executive branch agencies  
5.31 and programs according to professional auditing standards to: (i) identify fraud and misuse;  
5.32 (ii) make recommendations for changes to programs to prevent fraud and misuse; and (iii)  
5.33 protect the integrity of the use of public funds, data, and systems;

(2) refer matters for civil, criminal, or administrative action to the Bureau of Criminal Apprehension, the attorney general's office, or other appropriate authorities;

(3) recommend legislative or policy changes to improve program efficiency and effectiveness;

(4) publish reports on completion of an audit or investigation summarizing findings, recommendations, and outcomes of the inspector general's activities;

(5) investigate any public or private entity that receives public funds to ensure compliance with applicable laws, proper use of funds, and adherence to program requirements;

(6) submit an annual report summarizing the work of the office to the Legislative Inspector General Advisory Commission and make the report publicly available by posting the report on the inspector general's website;

(7) at the inspector general's discretion, seek a court order to freeze or stop distribution of public funds, or alert relevant commissioners or heads of agencies on an emergency basis before an investigation is concluded that the inspector general has a reasonable suspicion that fraud or misuse is being committed, with a recommendation to freeze or cease distribution of funds, with notice to the appropriate law enforcement agencies; and

(8) establish and maintain a current exclusion list in a format readily accessible to agencies that identifies each program and individual for which the inspector general has obtained a court order to freeze or cease distribution of funds or made a recommendation under clause (7) to freeze or cease distribution of funds.

**Subd. 2. Relationship to powers and duties of other agencies.** (a) The inspector general has authority to investigate fraud and misuse of public funds across all programs administered by state agencies.

(b) The inspector general may perform the inspector general's duties and apply the inspector general's authority without obtaining approval from another agency.

(c) The Department of Human Services has primary responsibility to investigate fraud in the Medicaid program, but the inspector general has authority to conduct independent investigations related to the Medicaid program as necessary.

(d) The Department of Children, Youth, and Families has primary responsibility to investigate fraud in the child care assistance program, but the inspector general has authority to conduct independent investigations related to the child care assistance program.

(e) The Department of Health has primary responsibility to investigate fraud related to women, infants, and children (WIC) and food support programs, but the inspector general has authority to conduct independent investigations related to WIC and food support programs.

(f) The inspector general has concurrent authority over general compliance reviews, information technology security audits, or administrative program integrity assessments that are related to fraud or misuse.

(g) The inspector general must refer all reports from the public about potential fraud or misuse to the legislative auditor, and to the commissioner of human services for reports related to Medicaid. The inspector general may coordinate investigations with the legislative auditor, and the commissioner of human services for investigations related to Medicaid, when coordination conserves resources and does not compromise an investigation.

Subd. 3. **Exceptions for federal funding.** The inspector general must not comply with any provision under this section if compliance with the provision would prevent the state from receiving federal financial participation for the medical assistance program or result in a lower level of coverage or reduced access to coverage for medical assistance enrollees.

**EFFECTIVE DATE.** This section is effective January 1, 2026.

Sec. 7. **[15D.042] AUXILIARY POWERS.**

Subdivision 1. **Subpoena power.** In all matters relating to official duties, the inspector general has the powers possessed by courts of law to issue and have subpoenas served.

Subd. 2. **Inquiry and inspection power; duty to aid inspector general.** All public officials and their deputies and employees, and all corporations, firms, and individuals having business involving the receipt, disbursement, or custody of public funds shall at all times:

(1) afford reasonable facilities for examinations by the inspector general;

(2) provide returns and reports required by the inspector general;

(3) attend and answer under oath the inspector general's lawful inquiries;

(4) produce and exhibit all books, accounts, documents, data of any classification, and property that the inspector general requests to inspect; and

(5) in all things cooperate with the inspector general.

8.1 Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of  
8.2 the inspector general, a deputy or assistant, or withholds any information, book, record,  
8.3 paper or other document called for by the inspector general for the purpose of examination,  
8.4 after having been lawfully required by order or subpoena, upon application by the inspector  
8.5 general, a judge of the district court in the county where the order or subpoena was made  
8.6 returnable shall compel obedience or punish disobedience as for contempt, as in the case  
8.7 of a similar order or subpoena issued by the court.

8.8 (b) A person who swears falsely concerning any matter stated under oath is guilty of a  
8.9 gross misdemeanor.

8.10 **Sec. 8. [15D.043] IDENTIFICATION OF FRAUD REPORTING TOOL.**

8.11 (a) The commissioner or other chief executive officer of each agency must prominently  
8.12 highlight on the agency's website the fraud reporting tools administered by the Office of  
8.13 the Inspector General and the Office of the Legislative Auditor under chapter 3.

8.14 (b) As part of any grant agreement between the state and a nonprofit organization, the  
8.15 agreement must require the nonprofit organization to prominently highlight on the  
8.16 organization's website the fraud reporting tools administered by the Office of the Inspector  
8.17 General, under chapter 15, and the Office of the Legislative Auditor, under chapter 3. The  
8.18 state agency administering the grant must regularly confirm and document the organization's  
8.19 compliance with the requirement under this paragraph for the life of the grant agreement.

8.20 **Sec. 9. [15D.046] DATA PRACTICES.**

8.21 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have  
8.22 the meanings given.

8.23 (b) "Confidential data on individuals" has the meaning given in section 13.02, subdivision  
8.24 3.

8.25 (c) "Government entity" has the meaning given in section 13.02, subdivision 7a.

8.26 (d) "Nonpublic data" has the meaning given in section 13.02, subdivision 9.

8.27 (e) "Not public data" has the meaning given in section 13.02, subdivision 8a.

8.28 (f) "Private data on individuals" has the meaning given in section 13.02, subdivision 12.

8.29 (g) "Protected nonpublic data" has the meaning given in section 13.02, subdivision 13.

8.30 Subd. 2. **Government Data Practices Act.** The inspector general is a government entity  
8.31 and is subject to the Government Data Practices Act, chapter 13.



9.1 Subd. 3. **Access.** In order to perform the duties authorized by this chapter, the inspector  
9.2 general shall have access to data of any classification, including data classified as not public  
9.3 data. It is not a violation of chapter 13 or any other statute classifying government data as  
9.4 not public data if a government entity provides data pursuant to a subpoena issued under  
9.5 this chapter.

9.6 Subd. 4. **Dissemination.** The inspector general may disseminate data of any classification,  
9.7 including not public data, to:

9.8 (1) a government entity, other than a law enforcement agency or prosecuting authority,  
9.9 if the dissemination of the data aids a pending investigation or administrative action;

9.10 (2) a law enforcement agency or prosecuting authority if there is reason to believe that  
9.11 the data are evidence of criminal activity within the agency's or authority's jurisdiction; or

9.12 (3) the legislative auditor or commissioner of human services as provided in section  
9.13 15D.04, subdivision 2, paragraph (g).

9.14 Subd. 5. **Data classifications.** (a) Notwithstanding any other law, data relating to an  
9.15 investigation conducted under this chapter are confidential data on individuals or protected  
9.16 nonpublic data while the investigation is active. Whether an investigation is active shall be  
9.17 determined by the inspector general.

9.18 (b) Data relating to an investigation conducted under this chapter become public data  
9.19 upon the inspector general's completion of the investigation, unless:

9.20 (1) the release of the data would jeopardize another active investigation by the inspector  
9.21 general or another government entity;

9.22 (2) the inspector general reasonably believes the data will be used in litigation related  
9.23 to any civil, criminal, or administrative actions, including reconsideration or appeal of any  
9.24 such action; or

9.25 (3) the data are classified as not public under another statute or paragraph (e).

9.26 (c) Data subject to paragraph (b), clause (2), are confidential data on individuals or  
9.27 protected nonpublic data and become public when the litigation has been completed or the  
9.28 time period to appeal has expired, or the litigation is no longer being actively pursued.

9.29 (d) Unless the data are subject to a more restrictive classification, upon the inspector  
9.30 general's decision to no longer actively pursue an investigation under this chapter, data  
9.31 relating to an investigation are private data on individuals or nonpublic data except the  
9.32 following data are public:

10.1 (1) data relating to the investigation's general description, existence, status, and  
10.2 disposition; and

10.3 (2) data that document the inspector general's work.

10.4 (e) Inactive investigative data on an individual supplying information for an investigation  
10.5 that could reasonably be used to determine the individual's identity are private data on  
10.6 individuals if the information supplied was needed for the investigation and would not have  
10.7 been provided to the inspector general without an assurance to the individual that the  
10.8 individual's identity would remain private.

10.9 (f) Data relating to an investigation conducted under this chapter that are obtained from  
10.10 an entity that is not a government entity have the same classification that the data would  
10.11 have if obtained from a government entity.

10.12 Subd. 6. **Privileges.** Nothing in this section or section 15D.042 requires the disclosure  
10.13 of documents or information that is legally privileged under statute or other law, including  
10.14 documents or information subject to section 13.393 or 595.02.

10.15 Sec. 10. **[15D.05] RESOURCES.**

10.16 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff as necessary.  
10.17 The inspector general must employ at least two individuals with experience in criminal  
10.18 investigations to serve as investigators for the office. To the extent the inspector general  
10.19 deems advisable, these individuals must have previous experience in complex investigations  
10.20 as law enforcement officers. The staff in the Office of the Inspector General shall serve in  
10.21 the classified civil service. Except as provided in paragraph (b), compensation for employees  
10.22 of the inspector general in the classified service who are represented by an exclusive  
10.23 representative shall be governed by a collective bargaining agreement negotiated between  
10.24 the commissioner of management and budget and the exclusive representative. Compensation  
10.25 for employees of the inspector general in the classified service who are not represented by  
10.26 an exclusive representative shall be as provided in the commissioner's plan under section  
10.27 43A.18, subdivision 2.

10.28 (b) Section 15.039, subdivision 7, applies to employees transferred into the Office of  
10.29 the Inspector General from other offices of inspectors general within the first year following  
10.30 enactment of chapter 15D.

10.31 Subd. 2. **Contracting.** The inspector general may contract with external experts to  
10.32 support the work of the office, subject to section 16C.08.

10.33 **EFFECTIVE DATE.** This section is effective January 1, 2026.

11.1       Sec. 11. **[15D.06] REPORTING AND TRANSPARENCY.**

11.2           Subdivision 1. **Reports.** The inspector general must issue public reports detailing  
11.3 completed audits, investigations, and corrective actions taken.

11.4           Subd. 2. **Public tips.** The inspector general must maintain a phone line and website for  
11.5 reporting fraud and misuse that allows the person making the report to remain anonymous.

11.6           Subd. 3. **Report; inactive investigations.** By December 1, 2026, and each December  
11.7 1 thereafter, the inspector general must submit a report to the legislative auditor and the  
11.8 chairs and ranking minority members of the legislative committees with jurisdiction over  
11.9 state government and data practices regarding all investigations the inspector general did  
11.10 not open after receiving a tip or complaint or decided to no longer actively pursue for the  
11.11 preceding calendar year. The report must include, at a minimum, summary data as defined  
11.12 in section 13.02, subdivision 19, for:

11.13           (1) all complaints or tips received;

11.14           (2) the type of allegation;

11.15           (3) if the complaint or tip was not frivolous, the reason that the inspector general did  
11.16 not open an investigation or decided to no longer pursue the investigation; and

11.17           (4) referrals to other agencies or the legislative auditor.

11.18           **EFFECTIVE DATE.** This section is effective January 1, 2026.

11.19       Sec. 12. **[15D.07] PROFESSIONAL STANDARDS AND REVIEW.**

11.20           (a) The inspector general's activities must adhere to professional standards as promulgated  
11.21 by the Association of Inspectors General or other recognized bodies.

11.22           (b) The governor may contract for an external quality assurance review of the inspector  
11.23 general every three years and must make findings from the review public.

11.24           **EFFECTIVE DATE.** This section is effective January 1, 2026.

11.25       Sec. 13. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**  
11.26 **COMMISSION.**

11.27           Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission  
11.28 is comprised of:

11.29           (1) two senators appointed by the majority leader of the senate;

11.30           (2) two senators appointed by the minority leader of the senate;

12.1 (3) two members of the house of representatives appointed by the speaker of the house  
12.2 of representatives; and

12.3 (4) two members of the house of representatives appointed by the minority leader of the  
12.4 house of representatives.

12.5 Subd. 2. **Terms.** Members serve at the pleasure of their appointing authorities and each  
12.6 member serves until a replacement is appointed.

12.7 Subd. 3. **Chair.** The commission must select a chair from among its members by January  
12.8 31 of each odd-numbered year. The chair shall serve until a successor is elected. The chair  
12.9 must alternate biennially between the senate and the house of representatives.

12.10 Subd. 4. **Duties.** The Legislative Inspector General Advisory Commission must:

12.11 (1) consider applicants for and make recommendations to the governor for the position  
12.12 of inspector general; and

12.13 (2) may conduct hearings to review the work of the inspector general to ensure  
12.14 impartiality, independence, and effectiveness.

12.15 Subd. 5. **Per diem; expense reimbursement.** Members may be compensated for time  
12.16 spent on commission duties and may be reimbursed for expenses according to the rules of  
12.17 their respective bodies.

12.18 Subd. 6. **Meeting space; staff.** The Legislative Coordinating Commission must provide  
12.19 meeting space and staff to assist the commission in performing its duties.

12.20 Subd. 7. **Open meetings.** The Legislative Inspector General Advisory Commission is  
12.21 subject to the requirements in section 3.055.

12.22 **EFFECTIVE DATE.** This section is effective the day following final enactment. The  
12.23 commission must submit recommendations for an inspector general by January 1, 2026.

12.24 Sec. 14. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

12.25 Subd. 2. **Legislative auditor and inspector general.** Whenever an employee or officer  
12.26 of the state, University of Minnesota, or other organization listed in section 3.971, subdivision  
12.27 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of public funds  
12.28 or property, the employee or officer shall, ~~except when to do so would knowingly impede~~  
12.29 ~~or otherwise interfere with an ongoing criminal investigation,~~ promptly report in writing to  
12.30 the legislative auditor or inspector general a detailed description of the alleged incident or  
12.31 incidents.

13.1      Sec. 15. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**  
13.2      **TRANSITION.**

13.3           Subdivision 1. **Appointment.** Notwithstanding Minnesota Statutes, section 15D.03,  
13.4      subdivision 4, by January 1, 2026, the Legislative Inspector General Advisory Commission  
13.5      must make recommendations for appointment of an inspector general under Minnesota  
13.6      Statutes, section 15D.03. By February 1, 2026, the governor must appoint an inspector  
13.7      general from among the recommended candidates.

13.8           Subd. 2. **Operational.** By September 1, 2026, the Office of the Inspector General must  
13.9      be fully operational.

13.10          Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and  
13.11      employees employed in an office of inspector general for a state agency shall transition to  
13.12      employment under the Office of the Inspector General under Minnesota Statutes, chapter  
13.13      15D, except as specified in subdivision 6.

13.14          (b) The following protections shall apply to employees who are transferred to the Office  
13.15      of the Inspector General under Minnesota Statutes, chapter 15D, from state agencies:

13.16          (1) no transferred employee shall have their employment status and job classification  
13.17      altered as a result of the transfer;

13.18          (2) transferred employees who were represented by an exclusive representative prior to  
13.19      the transfer shall continue to be represented by the same exclusive representative after the  
13.20      transfer;

13.21          (3) any applicable collective bargaining agreements with exclusive representatives shall  
13.22      continue in full force and effect for transferred employees after the transfer while the  
13.23      agreement remains in effect;

13.24          (4) when an employee in a temporary unclassified position is transferred to the Office  
13.25      of the Inspector General, the total length of time that the employee has served in the  
13.26      appointment must include all time served in the appointment at the transferring agency and  
13.27      the time served in the appointment at the Office of the Inspector General. An employee in  
13.28      a temporary unclassified position who was hired by a transferring agency through an open  
13.29      competitive selection process under a policy enacted by the commissioner of management  
13.30      and budget is considered to have been hired through a competitive selection process after  
13.31      the transfer;

13.32          (5) the state must meet and negotiate with the exclusive representatives of the transferred  
13.33      employees about proposed changes to the transferred employees' terms and conditions of

14.1 employment to the extent that the proposed changes are not addressed in the applicable  
14.2 collective bargaining agreement; and

14.3 (6) if the state transfers ownership or control of any facilities, services, or operations of  
14.4 the Office of the Inspector General to another private or public entity by subcontracting,  
14.5 sale, assignment, lease, or other transfer, the state must require as a written condition of the  
14.6 transfer of ownership or control the following:

14.7 (i) employees who perform work in the facilities, services, or operations must be offered  
14.8 employment with the entity acquiring ownership or control before the entity offers  
14.9 employment to any individual who was not employed by the transferring agency at the time  
14.10 of the transfer; and

14.11 (ii) the wage and benefit standards of the transferred employees must not be reduced by  
14.12 the entity acquiring ownership or control through the expiration of the collective bargaining  
14.13 agreement in effect at the time of the transfer or for a period of two years after the transfer,  
14.14 whichever is longer.

14.15 There is no liability on the part of, and no cause of action arises against, the state of  
14.16 Minnesota or its officers or agents for any action or inaction of any entity acquiring ownership  
14.17 or control of any facilities, services, or operations of the department.

14.18 Subd. 4. **Assets.** Before September 1, 2026, assets and unused appropriations for existing  
14.19 offices of inspectors general shall be transferred to the Office of the Inspector General under  
14.20 Minnesota Statutes, chapter 15D, except as specified in subdivision 6.

14.21 Subd. 5. **Office space.** The commissioner of administration must provide office space  
14.22 on the Capitol Mall complex for the Office of the Inspector General under Minnesota  
14.23 Statutes, chapter 15D, under a rental agreement.

14.24 Subd. 6. **Exceptions.** (a) Positions, and assets and unused appropriations related to these  
14.25 positions, in the Department of Human Services will not transfer to the Office of the Inspector  
14.26 General.

14.27 (b) No employees or positions in the Department of Corrections are transferred under  
14.28 this section.

14.29 (c) No employees or positions in the student maltreatment program of the Department  
14.30 of Education or other Department of Education employees or positions dedicated to student  
14.31 maltreatment investigations under Minnesota Statutes, chapter 260E, are transferred under  
14.32 this section.

(d) No employees or positions in the Department of Children, Youth, and Families will transfer to the Office of the Inspector General.

**EFFECTIVE DATE.** This section is effective January 1, 2026.

**Sec. 16. LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;  
INITIAL APPOINTMENTS AND FIRST MEETING.**

Subdivision 1. **Initial appointments.** Appointing authorities must make appointments to the Legislative Inspector General Advisory Commission by August 1, 2025.

Subd. 2. **First meeting.** The senate majority leader must designate one member of the Legislative Inspector General Advisory Commission to convene the first meeting of the Legislative Inspector General Advisory Commission by September 15, 2025.

Subd. 3. **Chair.** The Legislative Inspector General Advisory Commission must elect a chair from among its senate members at its first meeting. The first chair shall serve until a successor is selected at the start of the next biennium as provided in Minnesota Statutes, section 15D.08, subdivision 3.

**Sec. 17. INTERAGENCY AGREEMENTS.**

(a) By December 31, 2026, the Office of the Inspector General must enter into an interagency agreement with the Department of Human Services. The agreement must not preclude the agency from performing, or give the inspector general authority to take actions that would interfere with the agency's ability to perform, duties required as a condition for securing or maintaining federal funding. The interagency agreement must include a clause on cost-sharing for investigations that may require multiagency coordination and a clause that details what process will be followed if a joint investigation is required. The interagency agreement must not limit the inspector general's authority or authorized powers and responsibilities. The agency and the inspector general may coordinate investigative efforts as necessary or practical, but an interagency agreement must not diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse when an independent investigation is pursued.

(b) By December 31, 2026, the Office of the Inspector General must enter into an interagency agreement with the Department of Children, Youth, and Families. The interagency agreement must include a clause on cost-sharing for investigations that may require multiagency coordination and a clause that details what process will be followed if a joint investigation is required. The interagency agreement must not limit the inspector

16.1 general's authority or authorized powers and responsibilities. The agency and the inspector  
16.2 general may coordinate investigative efforts as necessary or practical, but an interagency  
16.3 agreement must not diminish, delay, or restrict the inspector general's ability to investigate  
16.4 fraud and misuse when an independent investigation is pursued.

16.5 Sec. 18. **APPROPRIATIONS.**

16.6 (a) \$644,000 in fiscal year 2026 and \$430,000 in fiscal year 2027 are appropriated from  
16.7 the general fund to the commissioner of administration to establish the Office of the Inspector  
16.8 General. This is a onetime appropriation.

16.9 (b) \$3,034,000 in fiscal year 2026 and \$4,432,000 in fiscal year 2027 are appropriated  
16.10 from the general fund to the Office of the Inspector General for purposes of this act. The  
16.11 base for this appropriation is \$4,439,000 in fiscal year 2028 and \$4,474,000 in fiscal year  
16.12 2029 and each fiscal year thereafter. The commissioner of administration, in consultation  
16.13 with the commissioner of management and budget, may transfer amounts in fiscal year  
16.14 2026 to the commissioner of administration for office build out, cost of space, office  
16.15 equipment, and other costs directly related to the establishment of the office.

## 16.16 **ARTICLE 2**

### 16.17 **CONFORMING ITEMS AND REPEALERS**

16.18 Section 1. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision  
16.19 to read:

16.20 Subd. 35. **Office of the Inspector General; reports.** The commissioner must submit  
16.21 final investigative reports to the inspector general, serving under section 15D.01, for any  
16.22 investigation conducted by the commissioner into fraud or misuse, as defined in section  
16.23 15D.02, within the child care assistance program.

16.24 Sec. 2. Minnesota Statutes 2024, section 142A.12, subdivision 5, is amended to read:

16.25 Subd. 5. **Withholding of payments.** (a) Except as otherwise provided by state or federal  
16.26 law, the commissioner may withhold payments to a provider, vendor, individual, associated  
16.27 individual, or associated entity in any program administered by the commissioner if the  
16.28 commissioner determines there is a credible allegation of fraud for which an investigation  
16.29 is pending for a program administered by a Minnesota state or federal agency.

16.30 (b) For purposes of this subdivision, "credible allegation of fraud" means an allegation  
16.31 that has been verified by the commissioner from any source, including but not limited to:



- 17.1 (1) fraud hotline complaints;
- 17.2 (2) claims data mining;
- 17.3 (3) patterns identified through provider audits, civil false claims cases, and law
- 17.4 enforcement investigations; ~~and~~
- 17.5 (4) court filings and other legal documents, including but not limited to police reports,
- 17.6 complaints, indictments, informations, affidavits, declarations, and search warrants; and
- 17.7 (5) information from the inspector general, including information listed on the inspector
- 17.8 general's exclusion list under section 15D.04, subdivision 1, clause (8).
- 17.9 (c) The commissioner must send notice of the withholding of payments within five days
- 17.10 of taking such action. The notice must:
- 17.11 (1) state that payments are being withheld according to this subdivision;
- 17.12 (2) set forth the general allegations related to the withholding action, except the notice
- 17.13 need not disclose specific information concerning an ongoing investigation;
- 17.14 (3) state that the withholding is for a temporary period and cite the circumstances under
- 17.15 which the withholding will be terminated; and
- 17.16 (4) inform the provider, vendor, individual, associated individual, or associated entity
- 17.17 of the right to submit written evidence to contest the withholding action for consideration
- 17.18 by the commissioner.
- 17.19 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,
- 17.20 individual, associated individual, or associated entity has a right to request administrative
- 17.21 reconsideration. A request for administrative reconsideration must be made in writing, state
- 17.22 with specificity the reasons the payment withholding decision is in error, and include
- 17.23 documents to support the request. Within 60 days from receipt of the request, the
- 17.24 commissioner shall judiciously review allegations, facts, evidence available to the
- 17.25 commissioner, and information submitted by the provider, vendor, individual, associated
- 17.26 individual, or associated entity to determine whether the payment withholding should remain
- 17.27 in place.
- 17.28 (e) The commissioner shall stop withholding payments if the commissioner determines
- 17.29 there is insufficient evidence of fraud by the provider, vendor, individual, associated
- 17.30 individual, or associated entity or when legal proceedings relating to the alleged fraud are
- 17.31 completed, unless the commissioner has sent notice under subdivision 3 to the provider,
- 17.32 vendor, individual, associated individual, or associated entity.

18.1 (f) The withholding of payments is a temporary action and is not subject to appeal under  
18.2 section 256.0451 or chapter 14.

18.3 Sec. 3. Minnesota Statutes 2024, section 144.05, is amended by adding a subdivision to  
18.4 read:

18.5 Subd. 9. **Office of the Inspector General; reports.** The commissioner must submit  
18.6 final investigative reports to the inspector general serving under section 15D.01 for any  
18.7 investigation conducted by the commissioner into fraud or misuse, as defined in section  
18.8 15D.02, within the special supplemental nutrition program for women, infants, and children.

18.9 Sec. 4. Minnesota Statutes 2024, section 245.095, subdivision 5, is amended to read:

18.10 Subd. 5. **Withholding of payments.** (a) Except as otherwise provided by state or federal  
18.11 law, the commissioner may withhold payments to a provider, vendor, individual, associated  
18.12 individual, or associated entity in any program administered by the commissioner if the  
18.13 commissioner determines there is a credible allegation of fraud for which an investigation  
18.14 is pending for a program administered by a Minnesota state or federal agency.

18.15 (b) For purposes of this subdivision, "credible allegation of fraud" means an allegation  
18.16 that has been verified by the commissioner from any source, including but not limited to:

18.17 (1) fraud hotline complaints;

18.18 (2) claims data mining;

18.19 (3) patterns identified through provider audits, civil false claims cases, and law  
18.20 enforcement investigations; ~~and~~

18.21 (4) court filings and other legal documents, including but not limited to police reports,  
18.22 complaints, indictments, informations, affidavits, declarations, and search warrants; and

18.23 (5) information from the inspector general, including information listed on the inspector  
18.24 general's exclusion list under section 15D.04, subdivision 1, clause (8).

18.25 (c) The commissioner must send notice of the withholding of payments within five days  
18.26 of taking such action. The notice must:

18.27 (1) state that payments are being withheld according to this subdivision;

18.28 (2) set forth the general allegations related to the withholding action, except the notice  
18.29 need not disclose specific information concerning an ongoing investigation;

(3) state that the withholding is for a temporary period and cite the circumstances under which the withholding will be terminated; and

(4) inform the provider, vendor, individual, associated individual, or associated entity of the right to submit written evidence to contest the withholding action for consideration by the commissioner.

(d) If the commissioner withholds payments under this subdivision, the provider, vendor, individual, associated individual, or associated entity has a right to request administrative reconsideration. A request for administrative reconsideration must be made in writing, state with specificity the reasons the payment withholding decision is in error, and include documents to support the request. Within 60 days from receipt of the request, the commissioner shall judiciously review allegations, facts, evidence available to the commissioner, and information submitted by the provider, vendor, individual, associated individual, or associated entity to determine whether the payment withholding should remain in place.

(e) The commissioner shall stop withholding payments if the commissioner determines there is insufficient evidence of fraud by the provider, vendor, individual, associated individual, or associated entity or when legal proceedings relating to the alleged fraud are completed, unless the commissioner has sent notice under subdivision 3 to the provider, vendor, individual, associated individual, or associated entity.

(f) The withholding of payments is a temporary action and is not subject to appeal under section 256.045 or chapter 14.

Sec. 5. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to read:

Subd. 44. **Office of the Inspector General; reports.** The commissioner must submit final investigative reports to the inspector general, serving under section 15D.01, for any investigation conducted by the commissioner into fraud or misuse, as defined in section 15D.02, within the Medicaid program.

Sec. 6. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

Subdivision 1. **Duties abolished.** Except as exempted in article 1, section 15, subdivision 6, and Minnesota Statutes, section 15D.04, subdivision 2, duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds in the Office of Inspector General in the Department of Education are abolished effective the day after the

20.1 inspector general under Minnesota Statutes, section 15D.01, certifies in writing to the  
20.2 commissioners of the respective departments and the commissioner of management and  
20.3 budget that the inspector general has assumed responsibility for these duties.

20.4 Subd. 2. **Inspector general transfers.** Pursuant to Minnesota Statutes, section 15.039,  
20.5 all active investigations, obligations, court actions, contracts, and records shall transfer from  
20.6 each department in subdivision 1 to the inspector general under Minnesota Statutes, section  
20.7 15D.01, except as provided by the inspector general and as provided in article 1, section  
20.8 15, subdivision 6, and Minnesota Statutes, section 15D.04, subdivision 2.

20.9 **EFFECTIVE DATE.** This section is effective July 1, 2025.

20.10 Sec. 7. **REPEALER.**

20.11 Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, are repealed.

20.12 **EFFECTIVE DATE.** This section is effective the day after the inspector general under  
20.13 Minnesota Statutes, section 15D.01, notifies the revisor of statutes that the Office of the  
20.14 Inspector General under Minnesota Statutes, section 15D.01, has assumed responsibility  
20.15 for identifying and investigating fraud, misuse, and other unlawful use of public funds in  
20.16 the Department of Education.