

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Lead Agency: **Proposed - Office of Inspector General**
 Other Agencies:
 Administration Dept Children, Youth and Families
 Corrections Dept Education Department
 Governors Office Health Dept
 Human Services Dept Legislature
 Minn Management and Office of the Legislative Auditor
 Budget Sentencing Guidelines Comm
 Public Defense Board
 Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept						
General Fund	-	859	859	-	-	-
Children, Youth and Families						
General Fund	-	-	229	246	246	246
Education Department						
General Fund	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Governors Office						
General Fund	-	-	-	-	-	-
Health Dept						
General Fund	-	487	487	487	487	487
Human Services Dept						
General Fund	-	467	542	542	542	542
Legislature						
General Fund	-	21	7	7	7	7
Proposed - Office of Inspector General						
General Fund	-	3,034	6,432	6,439	6,474	6,474
State Total						
General Fund	-	4,868	6,556	5,721	5,756	5,756
Total	-	4,868	6,556	5,721	5,756	5,756
Biennial Total			11,424			11,477

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept						
General Fund	-	5	5	-	-	-
Children, Youth and Families						

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1.67	2	2
Education Department					
General Fund	-	-	(12)	(12)	(12)
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	2.5	2.5	2.5	2.5
Human Services Dept					
General Fund	-	3	4	4	4
Legislature					
General Fund	-	-	-	-	-
Proposed - Office of Inspector General					
General Fund	-	1.92	38	38	38
Total	-	12.42	39.17	34.5	34.5

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

The fiscal note for SF856-51A assumes additional work and related costs to agencies to coordinate and cooperate with active investigations performed by the proposed Office of the Inspector General (OIG). Some agencies are assuming costs will be incurred starting at the beginning of Fiscal Year (FY) 2026. The OIG fiscal note assumes the Inspector General will be hired in February of 2026 and that staffing for the OIG will predominantly occur at the beginning of FY2027. This suggests that the office will become fully operational in FY2027. To what extent agencies will need substantial time to coordinate and cooperate with the proposed OIG in FY2026 or to prepare for such interactions is not known at this time. It should be noted that not all agencies were asked to respond to the fiscal note. It is likely there are fiscal effects for agencies not assigned to the fiscal note for this bill. The level of effort required by agencies will be determined by the number of investigations that the proposed OIG performs and on the focus of those investigations. For purposes of facilitating the completion of the fiscal note, select agencies were assigned to the note which were specified in the bill language.

LBO Signature: Christian Larson **Date:** 4/28/2025 1:06:55 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept						
General Fund	-	859	859	-	-	-
Children, Youth and Families						
General Fund	-	-	229	246	246	246
Education Department						
General Fund	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Governors Office						
General Fund	-	-	-	-	-	-
Health Dept						
General Fund	-	487	487	487	487	487
Human Services Dept						
General Fund	-	467	542	542	542	542
Legislature						
General Fund	-	21	7	7	7	7
Proposed - Office of Inspector General						
General Fund	-	3,034	6,432	6,439	6,474	6,474
Total	-	4,868	6,556	5,721	5,756	5,756
Biennial Total			11,424		11,477	11,477
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Administration Dept						
General Fund	-	859	859	-	-	-
Children, Youth and Families						
General Fund	-	-	229	246	246	246
Education Department						
General Fund	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Governors Office						
General Fund	-	-	-	-	-	-
Expenditures	-	1	-	-	-	-
Absorbed Costs	-	(1)	-	-	-	-
Health Dept						
General Fund	-	487	487	487	487	487
Human Services Dept						
General Fund	-	467	542	542	542	542
Legislature						
General Fund	-	47	19	19	19	19
Expenditures	-	47	19	19	19	19
Absorbed Costs	-	(26)	(12)	(12)	(12)	(12)
Proposed - Office of Inspector General						
General Fund	-	3,034	6,432	6,439	6,474	6,474
Total	-	4,868	6,556	5,721	5,756	5,756
Biennial Total			11,424		11,477	11,477
2 - Revenues, Transfers In*						

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept						
General Fund		-	-	-	-	-
Children, Youth and Families						
General Fund		-	-	-	-	-
Education Department						
General Fund		-	-	-	-	-
Governors Office						
General Fund		-	-	-	-	-
Health Dept						
General Fund		-	-	-	-	-
Human Services Dept						
General Fund		-	-	-	-	-
Legislature						
General Fund		-	-	-	-	-
Proposed - Office of Inspector General						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

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 Committee: **Finance**
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 Agency: **Proposed - Office of Inspector General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

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State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	3,034	6,432	6,439	6,474
Total		-	3,034	6,432	6,439	6,474
Biennial Total				9,466		12,913

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	1.92	38	38	38
Total		-	1.92	38	38	38

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Christian Larson **Date:** 4/21/2025 11:39:46 AM
Phone: 651-284-6436 **Email:** christian.larson@lbo.mn.gov

State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
General Fund	-	3,034	6,432	6,439	6,474
Total	-	3,034	6,432	6,439	6,474
Biennial Total			9,466		12,913
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	3,034	6,432	6,439	6,474
Total	-	3,034	6,432	6,439	6,474
Biennial Total			9,466		12,913
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

Article 1, section 1 requires the Legislative Auditor to refer all reports from the public about potential fraud or misuse to the Inspector General.

Section 2 adds the inspector general to the list of positions determined by the Compensation Council under M.S. section 15A.082.

Section 3 establishes the Office of the Inspector General (OIG) as an independent entity in the executive branch responsible for ensuring accountability, transparency, and integrity in the operations of state agencies and programs. The inspector general shall direct the OIG and serves in the unclassified service. This section is effective January 1, 2026.

Section 4 provides various definitions. This section is effective January 1, 2026.

Section 5 lists the minimum qualifications necessary to be appointed as inspector general and the appointment process. The Legislative Inspector General Advisory Commission (LIGAC) recommends candidates after a competitive process. The governor appoints the inspector general after consideration of recommendations from the LIGAC, with confirmation by a vote of three-fifths of the senate. The inspector general serves a five-year term and may be appointed to unlimited additional terms. This section is effective January 1, 2026.

Section 6, subdivision 1 lists the powers and duties of the OIG. The OIG is responsible for (1) conducting inspections, evaluations, and investigations of state executive branch agencies and programs to identify fraud, make recommendations for changes to programs, and protect the integrity of the use of state funds, (2) referring matters for civil, criminal, or administrative action to appropriate authorities, (3) recommending legislative or policy changes to improve program efficiency and effectiveness, (4) publishing reports on completion of an audit or investigation, (5) investigating any public or private entity that receives public funds to ensure compliance with applicable laws and requirements, (6) submitting an annual report to the LIGAC and posting the report on the OIG's website, (7) at the inspector general's discretion, seeking a court order to freeze or stop distribution of public funds or alerting relevant commissioners or heads of agencies on an emergency basis before an investigation is concluded when the OIG has a reasonable suspicion that fraud or misuse is being committed, and (8) maintaining an exclusion list that identifies each program or individual for which the inspector general has obtained a court order to freeze or cease distribution of funds or made a recommendation to do so.

Section 6, subdivision 2 outlines the OIG's relationship to the powers and duties of other agencies. This section is effective January 1, 2026.

Section 7 gives the OIG subpoena power and requires all public entities, corporations, firms, and individuals having business involving the receipt, disbursement, or custody of public funds to cooperate with the OIG and provide access,

documents, and accommodations as requested.

Section 8 requires each agency to highlight the fraud reporting tools administered by the OIG on the agency's website. Any grant agreement between the state and a nonprofit organization must require the nonprofit organization to prominently highlight on the organization's website the fraud reporting tools administered by the OIG and the OLA.

Section 9 makes the OIG subject to the Government Data Practices Act, gives the OIG access to data of any classification, included not public data, and provides data use and dissemination requirements.

Section 10 provides that the Inspector General may hire and manage staff, who shall serve in the classified civil service. The OIG may contract with external experts to support the work of the office, subject to section 16C.08. This section is effective January 1, 2026.

Section 11 requires the OIG to issue public reports detailing completed audits, investigations, and corrective actions taken. The OIG must maintain a phone line and website for reporting fraud and misuse. By December 1, 2026, and annually thereafter, the OIG must submit reports summarizing all investigations the inspector general did not open after receiving a tip or compliant. This section is effective January 1, 2026.

Section 12 requires OIG activities to adhere to professional standards as promulgated by the Association of Inspectors General or other recognized bodies. The governor may contract for an external quality assurance review of the inspector general every three years and must make findings from the review public. This section is effective January 1, 2026.

Section 13 creates the LIGAC, defines membership, specifies duties, and provides for meeting space and staff assistance.

Section 14 adds fraud to the types of conduct that an employee, officer of the state, University of Minnesota, or other organization listed in section 3.971 must report to the legislative auditor or inspector general.

Section 15, subdivision 1 requires the LIGAC to make recommendations for appointment of an Inspector General by January 1, 2026. By February 1, 2026, the governor must appoint an inspector general from among the recommended candidates.

Section 15, subdivision 2 requires the OIG to be fully operational by September 1, 2026.

Section 15, subdivision 3 provides for the transfer of employees employed in an existing office of inspector general except as specified in Section 15, subdivision 6. Employees transfer with their existing employment status and job classification. Employees must transfer before September 1, 2026.

Section 15, subdivision 4 stipulates that before September 1, 2026, assets and unused appropriations for existing offices of inspectors general shall be transferred to the Office of Inspector General under Minnesota Statutes, chapter 15D, subject to the exceptions listed in Section 15, subdivision 6.

Section 15, subdivision 5 requires the commissioner of administration to provide office space on the Capitol Mall complex for the OIG under a rental agreement.

Section 15, subdivision 6 lists divisions, teams, or positions that do not transfer to the OIG. No employees in the Department of Corrections or Department of Human Services are transferred to the OIG. This section is effective January 1, 2026.

Section 16 specifies that appointing authorities must make appointments to the LIGAC by August 1, 2025. The senate majority leader must designate one member of the LIGAC to convene the first meeting of the LIGAC by September 15, 2025.

Section 17 requires the OIG to establish interagency agreements with the Department of Human Services and Department of Children, Youth, and Families that govern how potential similar or duplicative investigations will be handled.

Section 18, paragraph (a) appropriates blank amounts in fiscal year 2026 and 2027 to the Department of Administration to support the creation of the OIG. This is a onetime appropriation. Paragraph (b) appropriates blank amounts to the OIG in fiscal year 2026 and 2027 for the purposes of this act.

Article 2, section 1 requires the Department of Children, Youth, and Families to submit final reports to the OIG for any

investigation conducted by the agency into fraud or misuse within the childcare assistance program.

Section 2 allows the Department of Children, Youth, and Families to withhold payment under any program based on information in the inspector general's exclusion list.

Section 3 requires the Department of Health to submit final reports to the OIG for any investigation conducted by the agency into fraud or misuse within the Medicaid program.

Section 4 allows the Department of Human Services to withhold payment under any program based on information in the inspector general's exclusion list.

Section 5 requires the Department of Human Services to submit final reports to the OIG for any investigation conducted by the agency into fraud or misuse within the Medicaid program.

Section 6 abolishes duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds in the Office of Inspector General in the departments of Education, Human Services, and Children Youth and Families except as exempted in article 1, section 15, subdivision 6. This section is effective the day after the OIG certifies that it has assumed responsibility for these duties. All applicable active investigations, obligations, court actions, contracts, and records shall transfer to the OIG.

Section 7 repeals Minnesota Statutes 2024, sections 13.321, subdivision 12 and 127A.21. This section is effective the day after the inspector general notifies the revisor of statutes that the OIG is operational.

Assumptions

Staffing

The Inspector General will be appointed to a five-year term beginning February 1, 2026.

The Inspector General has an assumed salary equal to the median salary of positions listed in Minnesota Statutes 15A.0815, subdivision 2 (Agency head salaries).

OIG staff will serve in the classified service.

It is assumed that a human resources director, general counsel, staff attorney, fiscal services manager, accounting coordinator, IT manager, HR specialist, and two administrative assistants will begin employment on May 1, 2026.

Additional OIG staff (excluding transfer staff) will include investigators, auditors, communications, data analysts, and IT support. These staff are assumed to begin employment between July 1, 2026, and September 1, 2026. For the purposes of this fiscal note, a uniform date of July 1, 2026, is assumed. Estimated staff salaries are based on OLA or executive branch salary ranges for similar responsibilities. TECHNICAL NOTE: It may take four to six additional months to fully staff the OIG as contemplated by this fiscal note.

Staff who transfer from a state agency are assumed to begin employment with the OIG on July 1, 2026. It is assumed that 12 FTE from the Department of Education will transfer to the OIG.

Total staffing, including transfers, is assumed at 38 FTE based on conversations with nonpartisan committee staff regarding bill author intent. This staffing level would allow the OIG to operate independently and conduct multiple investigations and evaluations annually, the exact number depending on subject scope and complexity. Based on OLA output and reports produced by OIGs in other states, the proposed OIG could produce 5-8 external program evaluations and 20-25 internal investigation reports annually, although output varies widely depending on report type, case complexity, depth of evaluation, and report detail.

Assets (assumed to mean active investigations and records) and unused appropriations for existing offices of inspector general will transfer to the OIG on July 1, 2026, except as specified in bill section 15, subdivision 6.

Staff transferred from the Department of Education to the OIG are assumed to be transferred at the same salary as their existing positions.

Estimated salaries, health insurance, and dental insurance are adjusted for FY27 in line with payroll expenditure projections published by Minnesota Management and Budget.

Office Build Out

The OIG will be housed on the Capitol complex under a rental agreement with the Department of Administration.

Office space requirements are assumed at 200 square feet per FTE (offices, workstations, and shared space), plus 1,000 square feet for supplies and storage.

Design and construction costs will be incurred to install or renovate security and access controls, wall partitions, offices, workstations, and meeting rooms.

Office build-out costs also include workstation/office furniture, meeting room furniture, and meeting room teleconference setups.

Information Technology and Office Equipment

The OIG will utilize the accounting, human resources, and payroll systems used by state agencies and will incur statewide systems costs similar to those incurred by the OLA.

Staff office equipment will include a phone, laptop, two monitors, a docking station, and peripherals. Standard software licenses (Microsoft Office Suite, Adobe Acrobat, etc.) are assumed for each staff member.

The OIG will need specialized data and financial analysis software to assist in the detection of fraud. General and specialized software costs are assumed similar to current OLA costs.

Due to the sensitivity and classification of data that the OIG will have access to, the OIG will utilize secure, local servers for the purpose of storing data and information related to the work of the OIG. It is assumed that servers will be physically housed in a MNIT data center under a rate agreement with the agency. The OIG will operate on a separate, secure wireless network.

An IT security assessment will be required after initial network and server establishment and every three years.

The OIG will establish and maintain a phone line and website for reporting fraud and misuse that allows the person making the report to remain anonymous.

One shared copier/printer is assumed.

Other Costs

Training, professional development, and travel costs are assumed to be \$20,000 per year for all staff.

General office supplies and ancillary costs are assumed to be \$500 per FTE, per year.

Contract and consultant services are assumed to be \$50,000 per year. This amount may change in future years as Office scope and workload develops.

Expenditure and/or Revenue Formula

Staff Compensation Cost Table - Salary and Benefits

Position	FY26	FY27	FY28	FY29
Inspector General (1)	95,470	231,104	231,104	231,104
Investigator/Auditor (10)	-	1,460,699	1,460,699	1,460,699

Data Analyst (2)	-	313,016	313,016	313,016
General Counsel (1)	35,786	226,950	226,950	226,950
Staff Attorney (1)	23,313	147,994	147,994	147,994
Accounting Coordinator (1)	22,278	141,439	141,439	141,439
Fiscal Services Manager (1)	29,761	188,809	188,809	188,809
HR Director (1)	29,074	184,460	184,460	184,460
IT Manager (1)	34,462	218,568	218,568	218,568
Developer (1)	-	155,682	155,682	155,682
IT Security Specialist (1)	-	155,682	155,682	155,682
HR Specialist (1)	20,342	126,660	126,660	126,660
General IT Support (1)	-	143,891	143,891	143,891
Admin Support Specialist (2)	33,966	218,023	218,023	218,023
Communications Specialist (1)	-	130,558	130,558	130,558
MDE Transfer Staff (12)	-	1,839,702	1,839,702	1,839,702
Total Compensation	324,452	5,883,236	5,883,236	5,883,236

Salary amount is based on salary range midpoint for comparable positions in the executive branch or the OLA. Investigator/Auditor salary is based on a blended midpoint of several OLA positions. Benefits estimate includes employer FICA, retirement, insurance, PFML, and deferred compensation costs.

Five months of compensation is assumed for the inspector general in FY26. Two months of compensation is assumed for the HR director, general counsel, staff attorney, fiscal services manager, accounting coordinator, IT manager, HR specialist, and two administrative assistants in FY26. Twelve months of compensation is assumed for all staff beginning in FY27.

FTE Summary Table

Position	FY26	FY27	FY28	FY29
Inspector General	0.42	1.00	1.00	1.00
Investigator/Auditor	0.00	10.00	10.00	10.00
Data Analyst	0.00	2.00	2.00	2.00
General Counsel	0.17	1.00	1.00	1.00
Staff Attorney	0.17	1.00	1.00	1.00
Accounting Coordinator	0.17	1.00	1.00	1.00
Fiscal Services Manager	0.17	1.00	1.00	1.00

HR Director	0.17	1.00	1.00	1.00
IT Manager	0.17	1.00	1.00	1.00
Developer	0.00	1.00	1.00	1.00
IT Security Specialist	0.00	1.00	1.00	1.00
HR Specialist	0.17	1.00	1.00	1.00
General IT Support	0.00	1.00	1.00	1.00
Admin Support Specialist	0.33	2.00	2.00	2.00
Communications Specialist	0.00	1.00	1.00	1.00
MDE Transfer Staff	0.00	12.00	12.00	12.00
Total FTE	1.92	38.00	38.00	38.00

Total Cost Summary Table

Description	FY26	FY27	FY28	FY29
Staff	324,452	5,883,236	5,883,236	5,883,236
Professional Development	-	15,000	15,000	15,000
Travel	-	5,000	5,000	5,000
Office Rent & Utilities	81,521	195,650	195,650	195,650
Office Space Build Out & Furniture	2,026,484	-	-	-
Computers and Office Equipment	61,893	64,508	64,508	64,508
IT Setup	236,000	-	-	-
Software & Ongoing IT Costs	235,000	200,000	200,000	235,000
Office Supplies and Ancillary	19,000	19,000	19,000	19,000
General Maintenance & Replacement	-	-	6,350	6,350
Consultant/Contract Support	50,000	50,000	50,000	50,000
Total	3,034,350	6,432,394	6,438,744	6,473,744

Long-Term Fiscal Considerations

Staff and operations costs will be ongoing.

Local Fiscal Impact

References/Sources

OLA staff and cost data

SEGIS Rate Guide, <https://mn.gov/mmb-stat/segip/doc/rate-guide.pdf>

MSRS Handbook, <https://www.msrs.state.mn.us/sites/default/files/2024-02/2020%20GERP%20Handbook.pdf>

MMB Cost Projection Updates for Budget Fiscal Years 2025, 2026, and 2027,
https://mn.gov/mmb/assets/20240823_tcm1059-642213.pdf.

Social Security and Medicare withholding rates, <https://www.irs.gov/taxtopics/tc751>

OLA Compensation Plan, effective September 24, 2024.

LCC staff and cost data

MNIT rate schedule, <https://mn.gov/mnit/government/services/rates/>.

Department of Administration staff

Department of Administration Strategic Facilities Plan, November 2022,
<https://www.house.mn.gov/comm/docs/1HVv2zk910e7iJYHH614Rw.pdf>.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Joel Enders

Date: 4/21/2025 11:25:52 AM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Administration Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	859	859	-	-
Total	-	859	859	-	-
Biennial Total			1,718		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	5	5	-	-
Total	-	5	5	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/21/2025 9:47:16 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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Total	-	859	859	-	-
Biennial Total			1,718		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	859	859	-	-
Total	-	859	859	-	-
Biennial Total			1,718		-
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

Article 1, section 15 in subdivision 5, requires the commissioner of administration to provide office space on the Capitol Mall complex for the Office of the Inspector General under a rental agreement.

Article 1, section 18 appropriates funds to the Department of Administration to support the creation of the Office of the Inspector General, in a onetime appropriation.

Assumptions

The Department of Administration (Admin) assumes that there is currently not space available on the Capitol Mall for a new Office of Inspector General (OIG). To meet the requirement in the legislation, an existing tenant will need to be relocated. The costs to relocate an existing tenant are not included in this fiscal note.

For purposes of this fiscal note, Admin will assume office space for the OIG in the Andersen or Stassen buildings. Both spaces will require design and construction costs which will be reflected in the Office of Inspector General section of the fiscal note. Lease costs for the office space, to be paid to the Admin leases fund, will also be reflected in the Office of Inspector General section of the fiscal note.

For Andersen the following factors impact the design and construction costs of the office space:

- 1. Non-compliance with enterprise standards:** The current workstations in Andersen are not aligned with the State's updated enterprise space standards. As part of broader Capitol Complex consolidation efforts, there has been reduction and standardizing of workstations and office sizes to improve efficiency and meet space-per-FTE targets. Reusing the existing configurations would likely conflict with those standards.
- 2. Demountable walls and acoustic challenges:** Andersen offices include demountable partitions, which have presented issues with sound transference. Given the nature of OIG-type work, where acoustic privacy is often critical, additional design interventions or mitigations may be required.

For Andersen and Stassen:

Functional needs and programmatic fit: Prospective users may require more conference and meeting rooms than typical users, which would likely necessitate changes to the existing layout.

Additionally, Stassen doesn't currently have existing furnishings which will need to be factored into the build out of the office.

The Department of Administration (Admin) also assumes that supporting the creation of this office requires an implementation office, like the implementation office created to stand up the Department of Children Youth and Families (DCYF).

Given the project management needs and support for hiring, office policies and structure, procurement, office set up and financial management, the OIG implementation office will be supported by one director and five staff over 24 months. In addition to a director, the complement of staff will include HR, finance, and legal support, management analysis, and administrative support. Admin also assumes some complimentary support for the implementation office will come from the HR and Finance divisions within our agency, to address internal controls and separation of duties and to assist with day-to-day work at a high level. This complimentary support will be covered by a 0.5 FTE in the Human Resources (HR) and 0.5 FTE in the Financial Management and Reporting (FMR) divisions at Admin.

Admin assumes the OIG implementation office will be responsible for leading the planning and establishment of the new OIG, with the initial hiring of high-level positions, and with the early stages of transitioning programs from within current agencies to the new OIG. Admin assumes this will include elements related to budget, finance, legal, human resources, IT, policy, and project management.

Admin also assumes the need for space for these new positions within a location that can house a small implementation office.

Expenditure and/or Revenue Formula

Implementation Costs

Position Salary and Non Salary/Overhead Costs	FY26	FY27
State Program Admin Principal	191,700	191,700
HR Consultant 1	145,000	145,000
Accounting Officer Intermediate	125,000	125,000
Staff Attorney 2	156,000	156,000
Management Analyst	127,000	127,000
Support from Department of Admin HR and Financial Management	114,000	114,000
Total	\$858,700	\$858,700

*Includes office space within Admin Building for implementation office: \$27,000/yr

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Stacie Christensen 651-201-2500

Agency Fiscal Note Coordinator Signature: Ify Onyiah

Date: 4/20/2025 10:57:44 PM

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Email: ify.onyiah@state.mn.us

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Children, Youth and Families**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	-	229	246	246	
Total	-	-	229	246	246	
Biennial Total			229		492	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1.67	2	2
Total	-	-	1.67	2	2

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 4/25/2025 8:32:41 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
General Fund		-	-	229	246
Total		-	-	229	246
Biennial Total				229	492
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund		-	-	229	246
Total		-	-	229	246
Biennial Total				229	492
2 - Revenues, Transfers In*					
General Fund		-	-	-	-
Total		-	-	-	-
Biennial Total				-	-

Bill Description

Broadly, this bill creates and empowers a statewide Office of the Inspector General (OIG).

Section 18 makes appropriations for OIG. This section has no direct fiscal impact on DCYF.

Article 1: Office of the Inspector General

Section 1 requires the Office of the Legislative Auditor (OLA) to refer all reports about potential fraud or misuse to OIG. This section has no direct fiscal impact on DCYF.

Section 2 adds the Inspector General (IG) to the list of agency heads for compensation purposes. This section has no direct fiscal impact on DCYF.

Section 3 creates the OIG and sets out the mission and overall organization. This section has no direct fiscal impact on DCYF.

Section 4 concerns definitions. This section has no direct fiscal impact on DCYF.

Section 5 sets the qualifications for the IG and the process for hiring them, as well as various requirement for OIG staff. This section has no direct fiscal impact on DCYF.

Section 6 sets out the authorities and responsibilities of the OIG, including investigating fraud and misuse across programs at all state agencies. Notably, DCYF retains primary responsibility for investigating fraud in the Child Care Assistance Program (CCAP), though OIG may conduct independent related investigations. This section is effective January 1, 2026.

Section 7 assigns auxiliary powers to OIG, including authorities to subpoenas and penalties for not compliance. It also requires all state employees to aid and cooperate with OIG. This section has no direct fiscal impact on DCYF.

Section 8 requires all agencies to highlight OIG and OLA fraud reporting tools on their websites.

Section 9 concerns data practices, giving OIG access to all state data regardless of classification and setting parameters for control and release of that data.

Section 10 sets requirements and authorities for OIG regarding staff and contracting. This section has no direct fiscal impact on DCYF.

Section 11 creates reporting requirement for OIG. This section has no direct fiscal impact on DCYF.

Section 12 creates professional standards requirements for OIG. This section has no direct fiscal impact on DCYF.

Section 13 creates and empowers the Legislative Inspector General Advisory Commission to oversee OIG. This section has no direct fiscal impact on DCYF.

Section 14 makes changes to reporting processes by which state employees are required to report unlawful use of funds. This section has no direct fiscal impact on DCYF.

Section 15 requires an IG to be appointed by February 1, 2026 and for the OIG to be fully operational by September 1, 2026. This section also transfers all employee, assets, unused appropriations, etc. in existing agency OIGs to the centralized OIG with some exceptions. For DCYF, those exceptions include: licensing, certification, CCAP integrity, food support and antipoverty programs, the Minnesota Family Assistance Program (MFIP), the great start compensation support payment program, operations and policy, and legal staff.

Section 16 concerns the operations of the advisory commission. This section has no direct fiscal impact on DCYF.

Section 17 requires OIG to enter into interagency agreements with several agencies, including DCYF, that set out how similar or potentially duplicative investigations will be handled. These agreements must be completed by December 31, 2026.

Article 2: Conforming Items and Repealers

Section 1 requires DCYF to submit final investigative reports on CCAP to OIG.

Section 2 allows DCYF to withhold payments based on a credible allegation of fraud based on information received from OIG.

Section 3 concerns the Department of Health (MDH) and has no impact on DCYF.

Section 4 concerns the Department of Human Services (DHS) and has no impact on DCYF.

Section 5 concerns DHS and has no impact on DCYF.

Section 6 transfers duties from existing individual OIGs to the new centralized OIG, along with all active investigations, obligations, court actions, contract, and records. The parts of DCYF listed in Article 1, section 15, are excepted.

Section 7 contains repealers related to the Department of Health and has no impact on DCYF.

Assumptions

DCYF assumes that this bill will not impact the planned transfer of certain functions, personnel, and resources from the DHS OIG to DCYF, as those transfers are slated to happen before the centralized OIG would be operational.

DCYF assumes, based on the language in Article 1, Section 15, Subdivision 6, paragraph (d) and Article 2 Section 6, that none of the functions, personnel, or resources slated to move from DHS to DCYF will move to the new centralized OIG but will instead remain at DCYF.

DCYF assumes that there will be need for two additional 17L FTEs to address the following responsibilities: coordinate and provide responses to OIG requests for data and information; develop and carry out and interagency agreement on joint investigations with OIG, ensure the withholding of funds as provided in Art. 2 Sec. 2, providing required information on DCYF OIG investigations to the centralized OIG, and other responsibilities as necessary. DCYF assumes that the new OIG would be operational on September 1, 2026, and that these FTEs would therefore not be needed until that date. FTEs are assumed to require an up-front administrative cost of \$17,744 and ongoing monthly administrative costs of \$2,228. Fringe benefits are estimated using the most recent union contracts. Given these assumptions, these FTEs are estimated

to cost \$337,470 in FY 2027 and \$362,379 in each year thereafter. These costs would be expected to be offset by Federal Funds Participation (FFP) at 32% by \$107,990 in FY 2026 and \$115,961 each year thereafter.

Expenditure and/or Revenue Formula

As explained in the assumptions section, DCYF understands that this bill would leave all its OIG functions in DCYF and not move them to OIG. As such, the only costs are for the FTEs discussed in the assumptions section above.

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY26	FY27	FY28	FY29
1000	11	FTEs to address OIG needs (0, 1.67, 2, 2)	0	337	362	362
1000	REV1	FFP @ 32%	0	(108)	(116)	(116)
		Total Net Fiscal Impact	0	229	246	246
		Full Time Equivalents	0	1.67	2	2

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

N/A

Agency Contact: Brian Hornbecker (651-539-8083)

Agency Fiscal Note Coordinator Signature: Marina Balleria

Phone: 651-272-6470

Date: 4/22/2025 3:12:34 PM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Corrections Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/15/2025 2:07:47 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

SF856 is a bill that allows for the design and establishment of a statewide Office of the Inspector General within the executive branch.

Assumptions

The department does not project a fiscal impact for its data practices operations as a result of this legislation. The department assumes that there may be program-specific costs associated with gathering pertinent data, but the programs impacted and associated costs cannot be projected with any certainty.

The department assumes there would be a minimal fiscal impact to its Office of Special Investigations, General Counsel, and internal Office of Inspector General as a result of this legislation.

The department's grants management unit projects some minimal additional work as being necessary as a result of this legislation.

The Minnesota Sentencing Guidelines Commission (MSGC) does not project any impact to state correctional resources as a result of this legislation.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

MSGC states that any impact on local correctional resources as a result of this legislation is unknown at this time.

References/Sources

Department of Corrections staff

MSGC

Agency Contact:

Agency Fiscal Note Coordinator Signature: Mark Besonen

Phone: 651-361-7200

Date: 4/15/2025 1:48:58 PM

Email: mark.besonen@state.mn.us

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	(2,000)	(2,000)	(2,000)
Total	-	-	(2,000)	(2,000)	(2,000)
Biennial Total			(2,000)		(4,000)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	(12)	(12)	(12)
Total	-	-	(12)	(12)	(12)

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 4/11/2025 10:41:56 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	(2,000)	(2,000)	(2,000)
Total	-	-	(2,000)	(2,000)	(2,000)
Biennial Total			(2,000)		(4,000)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	(2,000)	(2,000)	(2,000)
Total	-	-	(2,000)	(2,000)	(2,000)
Biennial Total			(2,000)		(4,000)
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

Article 1, Sections 8 and 15, and Article 2, Sections 6 and 7 relates to the Minnesota Department of Education and will be the focus of this fiscal note.

Article 1, Section 8, subdivision 3 requires the commissioner of each agency to highlight on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor. It also requires that any grant agreement between the state and a nonprofit organization must require the nonprofit to highlight on the organization's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor.

Article 1, Section 15 establishes the Office of the Inspector General. Subdivision 2 requires it to fully be operational by September 1, 2026. Subdivision 3 transfers all active investigations, obligations, court actions, contracts, records, personnel, and unexpended funds from MDE's Office of Inspector General to the newly created Office Inspector General before September 1, 2026. Subdivision 4 transfers assets and unused appropriations from existing offices of inspectors general to the newly created Office of the Inspector General before September 1, 2026. Subdivision 6, paragraph (c) states that no employees or positions in the student maltreatment program at MDE are transferred. Makes the section effective January 1, 2026.

Article 2, Section 6 abolishes and transfers all duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds from MDE's Office of Inspector General effective the day after the inspector general certifies in writing to the Commissioner of Education and the Commissioner of Management and Budget that the inspector general has assumed responsibility for these duties. Makes the section effective July 1, 2025.

Section 7 repeals Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21 related to the MDE's Office of Inspector General. Makes the section effective the day after the inspector general notifies the revisor of statutes that the Office of the Inspector General has assumed responsibility for identifying and investigating fraud, misuse, or other unlawful use of public funds in MDE.

Assumptions

For Article 1, Section 8, subdivision (a), it is assumed that there will be no cost for the commissioner to highlight on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor.

Article 1, Section 8, subdivision (b) requires MDE to regularly confirm and document the organizations compliance to

require the nonprofit organization to prominently highlight on the organization's website the fraud reporting tools. MDE is not sure what this means and what happens if the grantee is not compliant. Therefore, this fiscal note assumes these costs could be nominal.

The 2023 legislature appropriated \$2,000,000 per year ongoing beginning in FY 2024 for MDE's OIG. The first year of funding has carryover authority into the second year. After the second year, funds are to be cancelled back to the general fund. MDE's OIG spends a majority of the funds on salaries, space costs, equipment, supplies, computer and system services, training and travel. This fiscal note assumes that MDE's OIG staff will transfer over July 1, 2026, and the ongoing \$2,000,000 appropriation will transfer to the new OIG beginning in FY 2027 and later.

MDE's OIG currently has six staff and expects to be fully staffed with 12 people. It is assumed that the entire 12 staff will move to the newly created office as none of them work in the student maltreatment program. The below table show the positions that are filled and at their current salary and benefits. The vacant positions are projected at FY 2026 levels using MDE's salary cost calculator.

#	Staff	Job Title	Classification	Salary + Benefits
1	Vacant/Position Posted	Inspector General	Education Director 2	225,680
2	Filled	Sr. Investigator	Investigation Specialist	146,593
3	Filled	Sr. Investigator	Investigation Specialist	123,202
4	Vacant/Interviewing	Sr. Investigator	Investigation Specialist	152,256
5	Vacant/Interviewing	Sr. Investigator	Investigation Specialist	152,256
6	Vacant/Interviewing	Sr. Investigator	Investigation Specialist	152,256
7	Filled	Deputy IG	Agency Internal Audit Manager	196,331
8	Filled	Chief Legal Counsel	Staff Attorney 3	146,453
9	Vacant/Going through HR	Data and Systems Coordinator	TBD / State Admin Coordinator	170,607
10	Filled	Office Coordinator	State Prog Admin	88,692
11	Vacant/Position Posted	Asst. Inspector General	State Prog Admin Manager Sr	189,588
12	Filled	Investigation Support Specialist	State Program Admin Intermediate	95,787
Salary + Benefits Total				1,839,702

Expenditure and/or Revenue Formula

MDE's \$2,000,000 appropriation and 12 staff will transfer to the new OIG beginning in FY 2027 and later.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

Agency Contact: Jennifer Hoppenstedt (651) 582-8472

Agency Fiscal Note Coordinator Signature: Betsy Hjelseth

Phone: 651-582-8242

Date: 4/11/2025 10:31:13 AM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Governors Office**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/11/2025 1:43:48 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures		-	1	-	-	-
Absorbed Costs		-	(1)	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
General Fund						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

Relates to state government; creates the Office of the Inspector General; creates an advisory committee; requires reports; transferring certain agency duties; appropriates money; amends Minnesota Statutes 2024, sections 3.971, by adding a subdivision; 15A.0815, subdivision 2; 142A.03, by adding a subdivision; 142A.12, subdivision 5; 144.05, by adding a subdivision; 245.095, subdivision 5; 256.01, by adding a subdivision; 609.456, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 15D; repeals Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21.

Assumptions

The legal and appointments team will prepare the appointments required under this bill as part of their regular appointments work.

Expenditure and/or Revenue Formula

The Governor's Office will absorb the costs of this work.

Long-Term Fiscal Considerations**Local Fiscal Impact****References/Sources**

Agency Contact: Amanda Frie (651-587-9145)

Agency Fiscal Note Coordinator Signature: Amanda Frie

Phone: 651-587-9145

Date: 4/11/2025 1:28:49 PM

Email: amanda.frie@state.mn.us

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	487	487	487	487	487
Total	-	487	487	487	487	487
Biennial Total			974			974

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	2.5	2.5	2.5	2.5	2.5
Total	-	2.5	2.5	2.5	2.5	2.5

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Shannon Zila **Date:** 4/28/2025 7:43:28 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
					FY2029
General Fund	-	487	487	487	487
Total	-	487	487	487	487
Biennial Total			974		974
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	487	487	487	487
Total	-	487	487	487	487
Biennial Total			974		974
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill establishes an Office of Inspector General (OIG), creates an advisory committee, requires various reports, appropriate funds, and modifies various statutes. This bill authorizes the OIG to, among other things, inspect, evaluate, and investigate state executive branch agencies and programs to identify fraud and misuse, making recommendations for program changes to prevent fraud and misuse, and protect the integrity of use of public funds, data, and systems. The bill also authorizes the OIG to “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.” The bill assigns primary responsibility to MDH to investigate fraud related to WIC programs, but it also states that the OIG has “authority to conduct independent investigations related to WIC” programs.

Assumptions

The bill will result in an increased demand for legal advice and support relating to issues that come out of or are implicated by OIG activities. MDH assumes that the following tasks and additional support would be needed should an investigation or review request be initiated by the Office of the Inspector General. General Counsel Office would need an additional 0.5 FTE Staff Attorney 3 to provide additional counsel to MDH due to the creation of an OIG and the increase in oversight. MDH Internal Audit Office, the main point of contact at the agency for all external audit/investigatory activities, would need an additional 1 FTE to assist program staff with assessing and responding to red flags or other concerns that arise as part of regular grant management oversight. With an influx of reports and reporting requirements, we would be tasked with providing technical assistance and/or conducting investigations or other reviews ahead of reporting to the OIG. This is in addition to coordinating and assisting the OIG on any investigative work at MDH.

MDH Grants Office would need to update various forms and templates to ensure compliance with new legislative requirements, including but not limited to the grant agreement templates, and monitoring checklists. This is work already performed by the Grants Office, in partnership with General Counsel and Internal Audit. The requirement set forth in this bill does not significantly change the resources MDH needs to comply with this requirement.

MDH WIC requires a 1.0 FTE Health Care Program Investigator to report to and collaborate with OIG on investigations to ensure federal reporting and other regulatory requirements are met, while also satisfying WIC’s obligations under this bill. This FTE is based on the department’s experience implementing WIC investigative work under the 7 CFR 246, WIC’s federal regulations

The bill requires that the department send final investigative findings reports to the Office of the Inspector General (OIG). While the state’s annual Food Delivery Portal (FDP) report to the USDA includes vendor case findings, the data in the FDP report is not formatted in a way that is readable or understandable by external parties. The format is designed solely for

the FDP system. Additionally, the FDP report is completed and submitted up to 20 months after a case is closed. For instance, investigative findings for vendor cases from October 2023 through September 2024 will appear in the FDP report submitted to the USDA in June 2025. It is assumed that WIC need provide to the OIG final investigative reports in a manner that is readable, understandable, and prompt to OIG, which requires that WIC compile and provide OIG with a separate report for each case as it is finalized.

Currently, WIC investigates participant and vendor cases internally, using systems and records that are understandable to WIC staff who have extensive training in WIC transaction data. Two FTEs regularly analyze vendor transaction patterns, and findings are integrated directly into WIC’s investigative workflow without the need for distinct reports that are decipherable externally to programs that do not work directly in the WIC system.

The bill introduces a parallel reporting obligation, requiring WIC to compile and translate complex internal data for OIG staff unfamiliar with WIC-specific systems, terminology, or regulatory context. This will require WIC to extract data from disparate sources including its MIS, paper files, and contractor systems and repackage it for external use. WIC’s investigative, compliance and regulatory activities occur on an ongoing, daily basis. Due to the nature of WIC’s investigative work, WIC would need to be in near constant communication with OIG. WIC must also prepare formal case summaries and provide technical training to OIG staff to ensure accurate interpretation of program rules, details including allowable food purchases, vendor systems, vendor transaction systems, and common indicators of fraud or misuse within WIC transactions in order for WIC to ensure compliance with Federal Regulations.

WIC engages in continuous oversight and fraud detection, and many transactional anomalies are not fraudulent but require WIC’s expertise to interpret any patterns with complex transaction data. Under the new framework, WIC must generate case documentation and explanations that are not currently necessary, prompting a pivot from current investigative work that is required by WIC’s Federal Regulations.

Additionally, effective coordination between WIC and OIG will be necessary upon implementation of the OIG’s authority under this bill to ensure case integrity. Because WIC is federally required to report all investigations, timely receipt and integration of OIG findings, even if duplicative of WIC’s, is essential for compliance and requires additional staff time and coordination.

While WIC currently conducts regulatory, compliance and investigative activities in satisfaction of its Federal Regulation requirements, communication of these investigative activities, evidence, and findings to OIG under the bill fundamentally alters WIC’s operations, creating ongoing resource demands beyond current program scope.

Under the new framework, should it be required or requested by the OIG for reporting or investigative reasons, MDH would need these FTEs to support and conduct data requests and format such requests on a continuous basis to keep the data accurate and most useful during an investigation.

Because of the uncertainty and unknown number of investigations from the new OIG, MDH would need continuous FTEs to complete work for this new office.

Expenditure and/or Revenue Formula

Health Improvement Program Implementation						
Expenditure (Actual Dollars)	Amount		FY 2026	FY 2027	FY 2028	FY 2029
Full-time Equivalent (FTE) Staff		New or Maintained?	FTE	FTE	FTE	FTE
Health Care Program Investigator Senior	180,697	New	1.00	1.00	1.00	1.00
	FTE		1.00	1.00	1.00	1.00
	Subtotal		180,697	180,697	180,697	180,697
Information Technology:						

	Subtotal		0	0	0	0
Other Operating Costs:						
	Subtotal		0	0	0	0
Total Expenditures	Total		180,697	180,697	180,697	180,697
Fiscal Tracking (Dollars in Thousands)			FY 2026	FY 2027	FY 2028	FY 2029
1000 - General Fund (GF)						
Health Improvement BACT 01			181	181	181	181
Program Implementation			181	181	181	181

Health Operations Program Implementation						
Expenditure (Actual Dollars)	Amount		FY 2026	FY 2027	FY 2028	FY 2029
Full-time Equivalent (FTE) Staff		New or Maintained?	FTE	FTE	FTE	FTE
Staff attorney 3	228,768	New	0.50	0.50	0.50	0.50
Admin Officer	191,323	New	1.00	1.00	1.00	1.00
	FTE		1.50	1.50	1.50	1.50
	Subtotal		305,707	305,707	305,707	305,707
Information Technology:						
	Subtotal		0	0	0	0
Other Operating Costs:						
	Subtotal		0	0	0	0
Total Expenditures	Total		305,707	305,707	305,707	305,707
Grants, Aids, and Subsidies:	Number of Grants	Per Grant Amount				
	Grants		0	0	0	0
Total Expenditures	Total		305,707	305,707	305,707	305,707
Fiscal Tracking (Dollars in			FY 2026	FY 2027	FY 2028	FY 2029

Thousands)						
1000 - General Fund (GF)						
Health Operations BACT 04			306	306	306	306
Grants			0	0	0	0
Grant Administration			306	306	306	306

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Brendan Wright

Phone: 651-443-1415

Date: 4/25/2025 9:51:18 AM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	467	542	542	542
Total		-	467	542	542	542
Biennial Total				1,009		1,084

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	3	4	4	4
Total		-	3	4	4	4

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 4/26/2025 9:50:24 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
					FY2029
General Fund	-	467	542	542	542
Total	-	467	542	542	542
Biennial Total			1,009		1,084
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	467	542	542	542
Total	-	467	542	542	542
Biennial Total			1,009		1,084
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill establishes a statewide Office of the Inspector General. The Inspector General Office will conduct inspections, evaluations, and investigations of state executive branch agencies to identify fraud or misuse of public resources. The office will operate in conjunction and complement the efforts of existing department inspectors general.

Assumptions

The Department of Human Services assumes that to respond to the state Office of Inspector General's (state OIG) requests for data, information, or administrative expertise regarding any inspections, evaluations, and investigations of DHS administered programs that a new human services program consultant (17L) is needed to act as a liaison between the department and state OIG. The bill mandates interagency agreements between the state OIG and DHS. These interagency agreements require a staff attorney 3 (22L), with appropriate expertise and experience, to facilitate data sharing, investigation collaboration, and other tasks related to safeguarding public resources with state OIG attorneys.

The department assumes that the state OIG may conduct multiple investigations into DHS programs at any given time. The size and scope of the state OIG may determine frequency and nature of the potential inspections, evaluations, and investigations. These investigations will require data to be pulled, shared, and tracked. The collaboration will require internal DHS program expertise to properly facilitate and interpret the data that is shared. The bill also requires reports to be written and submitted from DHS to the state OIG on any investigation conducted by the DHS commissioner into Medicaid fraud or misuse. To respond to data requests, provide agency expertise and also to assist in the preparation of the fraud investigation reports two human services rep 2 positions are needed to serve as data analysts.

The department assumes that no current staff in the DHS Office of the Inspector General will transfer to the state OIG. The bill provides an explicit exception for the department within section 15, subdivision 6a on transferring staff. Further, the department assumes that the duties and responsibilities of DHS OIG are not changed or altered by the bill.

The bill would incur non-salary costs through likely IT systems changes to update DHS websites as well as costs associated with data analytics and data sharing to support the interagency agreements for investigations. The department assumes non-personnel costs would be \$100,000 to cover potential systems costs demands. It is assumed that IT costs would have a federal match of 50%.

The creation of the Office of Inspector General is effective January 1, 2026. This fiscal note assumes that the agency will need to hire and train FTEs by this effective date. As such, this fiscal note assumes that FTEs will be hired in October 2025.

FTE costs include an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,506. Fringe benefits are estimated using the most recent union contracts.

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2026	FY2027	FY2028	FY2029
GF	18	Admin (FTE 4, 4, 4, 4)	613	723	723	723
GF	REV1	Admin FFP @ 32%	(196)	(231)	(231)	(231)
GF	11	Systems costs/IT (State Share 50%)	50	50	50	50
		Total Net Fiscal Impact	467	542	542	542
		Full Time Equivalents	3	4	4	4

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency Contact: Elyse Bailey, 651-402-7046

Agency Fiscal Note Coordinator Signature: Chris Zempel

Phone: 651-247-3698

Date: 4/26/2025 9:07:53 PM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Legislature**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	21	7	7	7
Total	-	21	7	7	7
Biennial Total			28		14

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/14/2025 2:58:49 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
General Fund		-	21	7	7
Total		-	21	7	7
Biennial Total				28	14
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund					
Expenditures		-	47	19	19
Absorbed Costs		-	(26)	(12)	(12)
Total		-	21	7	7
Biennial Total				28	14
2 - Revenues, Transfers In*					
General Fund					
Total		-	-	-	-
Biennial Total				-	-

Bill Description

The bill establishes an Office of Inspector General (OIG) as an independent cabinet level agency within the executive branch with the inspector general reporting to the governor. The bill requires the Office of the Legislative Auditor (OLA) to refer all reports of waste, fraud, and abuse to the OIG. The salary of the inspector general is determined by the Compensation Council under Minnesota Statutes 15A.082.

A Legislative Inspector General Advisory Commission (LIGAC) comprised of eight legislators is established to recommend candidates to serve as the inspector general, make recommendations for appointment of the inspector general to the governor, and conduct hearings to review the work of the inspector general. The inspector general is appointed by the governor, after consideration of recommendations by LIGAC, and with a confirmation vote by the Senate. The inspector general serves a five-year term, may be appointed to unlimited additional terms, but can be removed by the governor before the expiration of a term for cause after a public hearing conducted by the governor and approval of both the House and the Senate. The governor may contract for a review of the inspector general every three years and publicly post findings.

LIGAC appointments must be made by August 1, 2025, and its first meeting must occur by September 15, 2025. Candidate recommendations by the commission must be submitted by January 1, 2026. Members may be compensated and receive reimbursement of expenses. The Legislative Coordinating Commission (LCC) must provide meeting space and staffing assistance to the LIGAC.

The OIG must be operational by September 1, 2026. Each State agency must highlight on its website the fraud reporting tools administered by the OIG and the OLA.

Assumptions

1. The Office of the Governor will develop the inspector general position description.
2. The Compensation Council will establish the salary of the inspector general as part of its responsibilities to determine the salary of agency heads. This will require additional research and support to the council by the LCC but is assumed to be a nominal amount of staff resource time and associated cost will be absorbed.
3. The LCC will assist the LIGAC to arrange for the use of existing meeting space on the Capitol complex and post meeting notifications and materials, including web streaming of meetings. LCC commission staff will attend the meetings to

take meeting minutes.

4. Appointments to the LIGAC by the legislature will follow existing appointment processes and will not result in additional costs to the legislature. The appointments will include two appointments of legislators from each of the following: majority leader of the senate, minority leader of the senate, speaker of the house, and minority leader of the house.
5. The LIGAC will meet two times between September 15, 2025, and September 30, 2025, to work collaboratively with the Office of the Governor to develop a recruitment plan for the inspector general position. The meetings will occur during the FY26 interim.
6. The inspector general position will be posted and open for application between October 1, 2025, and October 31, 2025.
7. The LCC will assist the LIGAC in a nation-wide posting of the inspector general position. Posting cost is projected to be \$2,000 in FY26. Additional funds will be needed by the LCC.
8. Applications will be submitted to the LCC. The executive director of the LCC will coordinate a screening of applications for minimum qualifications in consultation with nonpartisan House and Senate offices. This is estimated to take 40 hours of time (.02 FTE) in FY26 for each office using existing staff resource and costs may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
9. Criminal background checks will be conducted as a part of the candidate screening process at a total cost of \$1,000 in FY2026. Additional funds will be needed by the LCC.
10. Members of the LIGAC will conduct professional reference checks for finalists or will request this be performed by the LCC. Associated cost will be absorbed.
11. The LIGAC will meet six times between November 1 and December 31, 2025, to interview candidates and identify three candidates to recommend to the governor. The meetings will occur during the FY26 interim.
12. The LIGAC will conduct every other month beginning in January 2026 through December 2026 to review the work of the inspector general. Beginning in January 2027 they will meet quarterly. This equates to an additional three meetings in FY26 (all occurring during session), a total of six meetings in FY27 (three during session and three interim), and total of four meetings beginning FY28 and beyond (one during session and three interim).
13. Senate Counsel, Research and Fiscal Analysis may follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .01 FTE in FY26 and then .02 FTE FY27 and beyond. For this fiscal note we assume existing Senate staff will be utilized, and nominal associated cost may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
14. House Research Department and House Fiscal Analysis Department may follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .01 FTE in FY26 and then .01 FTE beginning FY27 and beyond. For this fiscal note we assume existing House staff will be utilized, and nominal associated costs may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
15. The LCC director will follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .02 FTE in FY26 and then .02 FTE beginning FY27 and beyond.
16. The LCC will provide commission assistance for preparation and staffing of the meetings of the LIGAC. This equates to .04 FTE of staff time in FY26 and then .02 FTE beginning FY27 and beyond. The LCC will also provide technical staff assistance for the streaming of the LIGAC meetings. This equates to .02 FTE of staff time in FY26, and .01 FTE beginning FY27 and beyond. For this fiscal note we assume existing LCC staff will be utilized, and associated staff cost may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
17. Members of the LIGAC will receive per diem and expense reimbursement for participation in meetings. Legislative member meeting participation costs includes the following per member, per legislative interim meeting: per diem (\$86 senators, \$86 representatives), and \$106 round trip mileage (152 round trip mile average). Half of the legislative members will be reimbursed for lodging expenses (\$150/night senators, \$175/night representatives). New funds would be needed for the associated costs.
18. The inspector general will serve a five-year term with the position and may only be appointed to two terms. This will result in the position being open either every five or every ten years.
19. This note does not project cost that the Office of the Governor may have with regards to participation in any meetings of the LIGAC and/or with the OIG.

Expenditure and/or Revenue Formula

LIGAC Member Meeting Participation Cost					
Cost Category	FY25	FY26	FY27	FY28	FY29
Senate Member Mtg Participation Cost	0	8,557	3,209	3,209	3,209

House Member Mtg Participation Cost	0	8,957	3,359	3,359	3,359
Total Member Mtg Participation Cost (rounded)	0	18,000	7,000	7,000	7,000
Staffing Cost					
Cost Category	FY25	FY26	FY27	FY28	FY29
SCRFA staff support - Counsel & Analyst II (.03 FTE FY26, .01 FY27 - FY29, cost absorbed by Senate)	0	4,647	1,549	1,549	1,549
HRD & HFA staff support - Counsel & Analyst II (.03 FTE FY26, .01 FTE FY27 - FY29, cost absorbed by the House)	0	4,635	1,545	1,545	1,545
LCC Executive Director (.04 FTE FY26, .02 FTE FY27 - FY29, cost absorbed by the LCC)	0	10,462	5,231	5,231	5,231
LCC Commission Assistant (.04 FTE FY26, .02 FTE FY27-FY29, cost absorbed by the LCC)	0	3,947	1,974	1,974	1,974
LCC IS Specialist (.02 FTE FY26, .01 FTE FY27-FY29 cost absorbed by the LCC)	0	2,455	1,284	1,284	1,284
Total Staff Cost (rounded)	0	26,000	12,000	12,000	12,000
Senate Staff Cost Absorbed	0	(4,647)	(1,549)	(1,549)	(1,549)
House Staff Cost Absorbed	0	(4,635)	(1,545)	(1,545)	(1,545)
LCC Staff Cost Absorbed	0	(16,865)	(8,489)	(8,489)	(8,489)
Total Staff Cost Absorbed (rounded)	0	(26,000)	(12,000)	(12,000)	(12,000)
Net Staff Cost (rounded)	0	0	0	0	0
Candidate Search Related Cost					
	FY25	FY26	FY27	FY28	FY29
Posting of Inspector General Position	0	2,000	0	0	0
Background Search of Final Candidates	0	1,000	0	0	0
Total Candidate Search Related Cost (rounded)	0	3,000	0	0	0
Total Cost					
Cost Category	FY25	FY26	FY27	FY28	FY29
Total Member Mtg Participation Cost (rounded)	0	18,000	7,000	7,000	7,000
Total Staff Cost (rounded)	0	26,000	12,000	12,000	12,000
Total Candidate Search Cost (rounded)	0	3,000	0	0	0

Total Cost (rounded)	0	47,000	19,000	19,000	19,000
Total Cost Absorbed (existing legislative staff) (rounded)	0	(26,000)	(12,000)	(12,000)	(12,000)
Net Total Cost (rounded)	0	21,000	7,000	7,000	7,000

Long-Term Fiscal Considerations

Every five and/or ten years (or more frequently if a vacancy exists) there will be additional work, similar to the FY26 costs, by the LIGAC to recommend candidates for the inspector general position to the governor.

Local Fiscal Impact

N/A

References/Sources

Emily Adriaens, House of Representatives
Matt Gehring, House of Representatives
Tom Bottern, Minnesota Senate
Eric Nauman, Minnesota Senate
Alexis Stangl, Minnesota Senate
Michelle Yurich, Legislative Coordinating Commission

Agency Contact: Diane Henry-Wangenstein

Agency Fiscal Note Coordinator Signature: Diane Henry

Phone: 651-296-1121

Date: 4/14/2025 12:35:56 PM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Christian Larson **Date:** 4/25/2025 4:27:17 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

SF856-51A is a bill that allows for the design and establishment of a statewide Office of the Inspector General (OIG) that would operate independently of all state executive branch agencies and be overseen by a committee set up by the legislature. Minnesota Management and Budget (MMB) is specifically mentioned in SF856-51A related to the placement of employees of the OIG relating to state employee collective bargaining agreements and compensation plans. MMB must also receive written certification that OIG has assumed responsibility for assigned duties.

Assumptions

MMB assumes that the Department of Administration will provide the support for establishing the new Office of Inspector General including finance, human resources and legal support

Expenditure and/or Revenue Formula

MMB does not anticipate additional direct costs for our agency associated with this bill. MMB will offer technical assistance to the Department of Administration as they navigation implementation of the OIG as part of our regular duties.

Long-Term Fiscal Considerations**Local Fiscal Impact****References/Sources**

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Phone: 651-201-8115

Date: 4/25/2025 4:25:09 PM

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Office of the Legislative Auditor**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/16/2025 2:37:00 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

This is a bill for an act relating to state government; creating an office of inspector general; creating an advisory committee; requiring reports; transferring certain agency duties; appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding a subdivision; 15A.0815, subdivision 2; 142A.03, by adding a subdivision; 142A.12, subdivision 5; 144.05, by adding a subdivision; 245.095, subdivision 5; 256.01, by adding a subdivision; 609.456, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21.

Section 1 of the bill requires the Office of the Legislative Auditor (OLA) to refer all reports from the public about potential fraud or misuse to the inspector general. This section of the bill also allows OLA to coordinate reviews and investigations with the inspector general when doing so conserves resources and does not compromise the reviews or investigations.

Section 6, subdivision 2(g), requires the inspector general to refer all reports from the public about fraud or misuse to the Legislative Auditor. Similar to section 1, this section allows the inspector general to coordinate investigations with OLA when it conserves resources and does not compromise an investigation.

Section 8 of the bill requires agencies to prominently highlight on the agency's website fraud reporting tools administered by the Inspector General and OLA. In addition, it requires agencies grant agreements to include the fraud reporting information as well.

Section 11, subdivision 3, of the bill requires the inspector general to submit a report by December 1 of each year, starting in 2026, to specific positions within Minnesota government, including the Legislative Auditor, regarding inactive investigations. The report is required to include referrals to other agencies or the Legislative Auditor, among other requirements.

Section 9, subdivision 4, of the bill allows the inspector general to disseminate data of any classification to certain entities, including the OLA.

Assumptions

The Office of the Legislative Auditor will be able to fulfill its obligations outlined in this bill as part of its current operations.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Scott Dunning

Phone: 651-358-9953

Date: 4/16/2025 12:56:10 PM

Email: scott.dunning@state.mn.us

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Public Defense Board**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/14/2025 2:17:43 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill would create the office of inspector general in the executive branch and creates a legislative inspector general advisory commission. The inspector general is authorized to conduct inspections, evaluations and investigations of executive branch agencies and programs as well as identify fraud, waste, abuse and inefficiencies and make recommendations for program changes.

A person refusing to obey an lawful direction of the inspector general or who withholds information after having been required to do so by a subpoena can be held in contempt and any person who swears falsely concerning a matter under oath is guilty of a gross misdemeanor.

Assumptions

There is not enough information to determine if there would be an impact on caseloads or workloads as a result of the criminal penalties in the bill.

Expenditure and/or Revenue Formula**Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources****Agency Contact:**

Agency Fiscal Note Coordinator Signature: Kevin Kajer

Phone: 612-279-3508

Date: 4/11/2025 9:14:22 AM

Email: Kevin.kajer@pubdef.state.mn.us

SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Sentencing Guidelines Comm**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/14/2025 2:15:50 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill establishes the Office of the Inspector General and provides the office with powers and duties.

Section 7 give the Inspector General auxiliary powers possessed by courts of law to issue and have subpoenas served. A person who swears falsely concerning any matter stated under oath is guilty of a gross misdemeanor.

Section 8 enacts Minn. Stat. § 15D.043 (Identification of Fraud Reporting Tool) which requires each agency to prominently highlight on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor under chapter 3.

The bill is generally effective January 1, 2026.

Assumptions

It is assumed that the gross misdemeanor takes effect January 1, 2026, and applies to crimes committed on or after that date. It is assumed that, because there are no felony penalties, there will be no impact on state correctional resources. MSGC has no information about how often the new gross misdemeanor will be prosecuted and result in a conviction.

It is assumed that, while the MSGC is not named in the bill as one of the agencies, it will comply with prominently highlighting on its website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor under chapter 3, if required to do so.

Expenditure and/or Revenue Formula**Long-Term Fiscal Considerations**

None.

Local Fiscal Impact

Unknown.

References/Sources**Agency Contact:**

Agency Fiscal Note Coordinator Signature: Jill Payne

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SF856 - 51A - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/28/2025 1:06:55 PM**
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/21/2025 10:00:59 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

SF856-51A (the "Bill") establishes an Office of the Inspector General, codified at Minn. Stat. §§ 15D.01-.08 to ensure accountability, transparency, and integrity in the operations of state agencies and programs.

Under section 6 of the bill, section 15D.04, the inspector general has the authority and responsibility to investigate state executive branch agencies and public or private entities that receive public funds, refer matters for civil or criminal action, and to seek a court order to freeze or stop distribution of public funds.

Section 7 of the bill, section 15D.042, subd. 3(a), provides that if a person refuses or neglects to obey a lawful direction of the inspector general or withholds information called for by the inspector general after having been lawfully required by order or subpoena, the inspector general may apply to a judge of district court in the county where the order or subpoena was made and the judge shall compel obedience or punish disobedience as contempt; and subd. 3(b), provides that a "person who swears falsely concerning any matter stated under oath is guilty of a gross misdemeanor."

The bill provides for the transition of officers and employees employed in an office of inspector general of a state agency to employment under the Office of the Inspector General.

Assumptions

It is unknown whether the language in section 15D.042, subdivision 3(b) will be applied to perjury in circumstances other than related to inspector general matters as the language is not limited to such matters, and whether such offenses will be charged as gross misdemeanors under this provision or felonies under section 609.48.

It is assumed that any increase in court filings resulting from the provisions in section 6 and 7 would not have a measurable impact on case filing rates or judicial branch resources. Other agencies and entities already have authority to investigate violations of the law and refer them for civil or criminal action, and case filing rates for perjury are relatively low, with an average of 25 cases filed statewide per year.

Although the bill does not provide for judicial review of inspector general determinations, it is assumed that this bill could result in an increase in investigations and determinations by executive branch agencies, which could result in an increase in appeals by writ of certiorari to the Court of Appeals under existing case law. Based on data from 2019-2024, there is an average of 140 certiorari petitions filed per year in the Court of Appeals. Of those filings approximately one-third to one-half arise under Minn. Stat. § 268.105 (DEED appeals). The remaining filings can arise under various other statutory authority, including Chapter 14. While the judicial branch is unable to categorize the jurisdictional basis for each petition for a writ of certiorari filed, it is assumed that the increase in appellate filings under this bill would be no more than 25% of the average annual volume of certiorari appeals (35 per year).

Approximately 80% of all appeals filed with the Court of Appeals are briefed and assigned to a three-judge panel. Two

hundred and twenty-five (225) briefed cases per year requires the time of one three judge court of appeals panel (three court of appeals judges). One additional staff attorney is needed to process each increase of 225 briefed cases. If it is assumed that there could be approximately 28 additional appeals briefed per year (35 appeals x 80%) as a result of the provisions in this bill, it is assumed no additional appellate court judge or staff will be needed and any additional work will be absorbed.

Expenditure and/or Revenue Formula

This bill is not anticipated to have a significant fiscal impact on the Minnesota Judicial Branch, and any potential increase in case filings as a result of this bill will be absorbed.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Callie Lehman

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