

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 856

(SENATE AUTHORS: GUSTAFSON, Draheim, Kreun, Putnam and Latz)		
DATE	D-PG	OFFICIAL STATUS
01/30/2025	233	Introduction and first reading Referred to State and Local Government
02/13/2025	353a	Comm report: To pass as amended and re-refer to Judiciary and Public Safety
02/24/2025	525a	Comm report: To pass as amended and re-refer to Education Finance

1.1

A bill for an act

1.2

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

1.3

an advisory committee; requiring reports; appropriating money; amending

1.4

Minnesota Statutes 2024, sections 3.971, by adding a subdivision; 15A.0815,

1.5

subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 15D.

1.6

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

1.7

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

1.8

to read:

1.9

Subd. 3b. Public reports of waste, fraud, and abuse. The legislative auditor must refer

1.10

all reports from the public about potential waste, fraud, or abuse, as those terms are defined

1.11

in chapter 15D, to the inspector general.

1.12

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

1.13

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

1.14

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

1.15

management and budget must publish the salaries on the department's website. This

1.16

subdivision applies to the following positions:

1.17

Commissioner of administration;

1.18

Commissioner of agriculture;

1.19

Commissioner of education;

1.20

Commissioner of children, youth, and families;

1.21

Commissioner of commerce;

- 2.1 Commissioner of corrections;
- 2.2 Commissioner of health;
- 2.3 Commissioner, Minnesota Office of Higher Education;
- 2.4 Commissioner, Minnesota IT Services;
- 2.5 Commissioner, Housing Finance Agency;
- 2.6 Commissioner of human rights;
- 2.7 Commissioner of human services;
- 2.8 Commissioner of labor and industry;
- 2.9 Commissioner of management and budget;
- 2.10 Commissioner of natural resources;
- 2.11 Commissioner, Pollution Control Agency;
- 2.12 Commissioner of public safety;
- 2.13 Commissioner of revenue;
- 2.14 Commissioner of employment and economic development;
- 2.15 Commissioner of transportation;
- 2.16 Commissioner of veterans affairs;
- 2.17 Executive director of the Gambling Control Board;
- 2.18 Executive director of the Minnesota State Lottery;
- 2.19 Executive director of the Office of Cannabis Management;
- 2.20 Inspector general;
- 2.21 Commissioner of Iron Range resources and rehabilitation;
- 2.22 Commissioner, Bureau of Mediation Services;
- 2.23 Ombudsman for mental health and developmental disabilities;
- 2.24 Ombudsperson for corrections;
- 2.25 Chair, Metropolitan Council;
- 2.26 Chair, Metropolitan Airports Commission;
- 2.27 School trust lands director;

Executive director of pari-mutuel racing;
Commissioner, Public Utilities Commission;
Chief Executive Officer, Direct Care and Treatment; and
Director of the Office of Emergency Medical Services.

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

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

(b) The inspector general must operate independently of all state executive branch agencies and report directly to the chief administrative law judge under chapter 14. The inspector general must not be subject to direction or interference from any executive or legislative authority, other than the chief administrative law judge.

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

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

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

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

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

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

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

(3) "fraud" means an intentional or deceptive act to gain an unlawful benefit;

(4) "investigation" means an audit, review, or inquiry conducted by the inspector general to detect or prevent fraud, waste, or abuse; and

(5) "waste" means the negligent or careless expenditure, mismanagement, inefficient practices, or squandering of resources that result in unnecessary costs.

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

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

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

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

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

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

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

4.13 (b) Current or former commissioners, agency heads, or deputy agency heads are not
4.14 eligible to serve as inspector general within five years of their service in those roles.

4.15 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will
4.16 recommend candidates for inspector general after a competitive process from among eligible
4.17 applicants for the position of inspector general. To be recommended by the commission, a
4.18 candidate must be approved for recommendation by five of the eight members of the
4.19 commission. The commission must assess eligible candidates based on qualifications,
4.20 including experience in auditing, financial analysis, public administration, law enforcement,
4.21 or related fields. The chief judge of the Office of Administrative Hearings will appoint an
4.22 inspector general from the recommendations provided by the Legislative Inspector General
4.23 Advisory Commission.

4.24 Subd. 3. **Term.** The inspector general serves a five-year term and may be appointed to
4.25 two terms. The inspector general may only be removed for cause by the chief judge of the
4.26 Office of Administrative Hearings.

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

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

4.29 The inspector general is authorized and responsible for:

4.30 (1) conducting inspections, evaluations, and investigations of state executive branch
4.31 agencies and programs according to professional auditing standards to: (i) identify fraud,
4.32 waste, abuse, and inefficiencies; (ii) make recommendations for changes to programs for

5.1 improving effectiveness and efficiency; and (iii) protect the integrity of the use of state
5.2 funds;

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

5.5 (3) recommending legislative or policy changes to improve program efficiency and
5.6 effectiveness;

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

5.9 (5) establishing a specialized division within the Office of the Inspector General to
5.10 investigate fraud, waste, and abuse involving state law enforcement and public safety
5.11 programs. This division shall ensure that investigations are independent and distinct from
5.12 the roles of the attorney general or Department of Public Safety;

5.13 (6) investigating any public or private entity that receives public funds to ensure
5.14 compliance with applicable laws, proper use of funds, and adherence to program
5.15 requirements; and

5.16 (7) submitting an annual report summarizing the work of the office to the Legislative
5.17 Inspector General Advisory Commission and make the report publicly available by posting
5.18 the report on the inspector general's website.

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

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

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

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

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

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

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

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

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

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

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

Sec. 8. [15D.046] DATA PRACTICES.

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

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

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

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

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

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

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

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

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

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

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

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

7.3 Subd. 5. **Data classifications.** (a) Notwithstanding any other law, data relating to an
7.4 investigation conducted under this chapter are confidential data on individuals or protected
7.5 nonpublic data while the investigation is active.

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

7.8 (1) the release of the data would jeopardize another active investigation;

7.9 (2) the inspector general reasonably believes the data will be used in litigation; or

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

7.11 (c) Data subject to paragraph (b), clause (2), are confidential data on individuals or
7.12 protected nonpublic data and become public when the litigation has been completed or is
7.13 no longer being actively pursued.

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

7.18 (1) data relating to the investigation's existence, status, and disposition; and

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

7.20 For an investigation subject to this paragraph, data identifying individuals or an entity that
7.21 is not a government entity, are private data on individuals or nonpublic data.

7.22 (e) Data on an individual supplying information for an investigation that could reasonably
7.23 be used to determine the individual's identity are private data on individuals if the information
7.24 supplied was needed for the investigation and would not have been provided to the inspector
7.25 general without an assurance to the individual that the individual's identity would remain
7.26 private.

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

8.1 Sec. 9. **[15D.05] RESOURCES; APPROPRIATION.**

8.2 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff, including
8.3 certified public accountants, legal experts, and investigators, as necessary. The inspector
8.4 general must employ at least two individuals with experience in criminal investigations to
8.5 serve as investigators for the office. To the extent the inspector general deems advisable,
8.6 these individuals must have previous experience in complex investigations as law
8.7 enforcement officers. The staff in the Office of the Inspector General shall serve in the
8.8 classified civil service. Except as provided in paragraph (b), compensation for employees
8.9 of the inspector general in the classified service who are represented by an exclusive
8.10 representative shall be governed by a collective bargaining agreement negotiated between
8.11 the commissioner of management and budget and the exclusive representative. Compensation
8.12 for employees of the inspector general in the classified service who are not represented by
8.13 an exclusive representative shall be as provided in the commissioner's plan under section
8.14 43A.18, subdivision 2.

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

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

8.20 Subd. 3. **Appropriation.** \$..... is appropriated each year from the general fund to the
8.21 chief administrative law judge for the operations of the Office of the Inspector General.

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

8.23 Sec. 10. **[15D.06] REPORTING AND TRANSPARENCY.**

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

8.26 Subd. 2. **Public tips.** The inspector general must maintain a phone line and website for
8.27 reporting fraud, waste, and abuse that allows the person making the report to remain
8.28 anonymous.

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

9.1 Sec. 11. **[15D.07] PROFESSIONAL STANDARDS AND REVIEW.**

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

9.4 (b) The chief administrative law judge may contract for an external quality assurance
9.5 review of the inspector general every three years and must make findings from the review
9.6 public.

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

9.8 Sec. 12. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
9.9 **COMMISSION.**

9.10 Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission
9.11 is comprised of:

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

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

9.14 (3) two members of the house of representatives appointed by the speaker of the house
9.15 of representatives; and

9.16 (4) two members of the house of representatives appointed by the minority leader of the
9.17 house of representatives.

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

9.20 Subd. 3. **Duties.** The Legislative Inspector General Advisory Commission must:

9.21 (1) consider applicants for and make recommendations to the chief administrative law
9.22 judge for the position of inspector general; and

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

9.25 Subd. 4. **Per diem; expense reimbursement.** Members may be compensated for time
9.26 spent on commission duties and may be reimbursed for expenses according to the rules of
9.27 their respective bodies.

9.28 Subd. 5. **Meeting space; staff.** The Legislative Coordinating Commission must provide
9.29 meeting space and staff to assist the commission in performing its duties.

10.1 Subd. 6. **Open meetings.** The Legislative Inspector General Advisory Commission is
10.2 subject to the requirements in section 3.055.

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

10.5 Sec. 13. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
10.6 **TRANSITION.**

10.7 Subdivision 1. **Appointment.** By January 1, 2026, the Legislative Inspector General
10.8 Advisory Commission must make recommendations for appointment of an inspector general
10.9 under Minnesota Statutes, section 15D.03. By February 1, 2026, the chief judge of the Office
10.10 of Administrative Hearings must appoint an inspector general from among the recommended
10.11 candidates.

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

10.14 Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and
10.15 employees employed in an office of inspector general for a state agency shall transition to
10.16 employment under the Office of the Inspector General under Minnesota Statutes, chapter
10.17 15D, except as specified in subdivision 6.

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

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

10.22 (2) transferred employees who were represented by an exclusive representative prior to
10.23 the transfer shall continue to be represented by the same exclusive representative after the
10.24 transfer;

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

10.28 (4) when an employee in a temporary unclassified position is transferred to the Office
10.29 of the Inspector General, the total length of time that the employee has served in the
10.30 appointment must include all time served in the appointment at the transferring agency and
10.31 the time served in the appointment at the Office of the Inspector General. An employee in
10.32 a temporary unclassified position who was hired by a transferring agency through an open

11.1 competitive selection process under a policy enacted by the commissioner of management
11.2 and budget is considered to have been hired through a competitive selection process after
11.3 the transfer;

11.4 (5) the state must meet and negotiate with the exclusive representatives of the transferred
11.5 employees about proposed changes to the transferred employees' terms and conditions of
11.6 employment to the extent that the proposed changes are not addressed in the applicable
11.7 collective bargaining agreement; and

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

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

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

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

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

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

11.29 Subd. 6. **Exceptions.** (a) Positions in the following divisions and teams in the Department
11.30 of Human Services will not transfer to the Office of the Inspector General:

11.31 (1) background studies division;

11.32 (2) licensing division;

- 12.1 (3) enterprise operations and policy division;
- 12.2 (4) background studies legal team;
- 12.3 (5) licensing legal team;
- 12.4 (6) Medicaid program integrity team within program integrity oversight division; and
- 12.5 (7) Medicaid provider audits and investigations team within program integrity oversight
- 12.6 division.
- 12.7 (b) No employees or positions in the Department of Corrections are transferred under
- 12.8 this section.
- 12.9 **EFFECTIVE DATE.** This section is effective January 1, 2026.
- 12.10 Sec. 14. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**
- 12.11 **INITIAL APPOINTMENTS AND FIRST MEETING.**
- 12.12 Subdivision 1. **Initial appointments.** Appointing authorities must make appointments
- 12.13 to the Legislative Inspector General Advisory Commission by August 1, 2025.
- 12.14 Subd. 2. **First meeting.** The senate majority leader must designate one member of the
- 12.15 Legislative Inspector General Advisory Commission to convene the first meeting of the
- 12.16 Legislative Inspector General Advisory Commission by September 15, 2025.