

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2578

(SENATE AUTHORS: XIONG)

DATE
03/17/2025

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Introduction and first reading
Referred to State and Local Government

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to state government; changing grants management provisions; amending

1.3 Minnesota Statutes 2024, sections 16B.97, subdivision 1; 16B.98, subdivisions 1,

1.4 4; 16B.981, subdivision 4; 16B.991, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2024, section 16B.97, subdivision 1, is amended to read:

1.7 Subdivision 1. **Grant agreement Definitions.** (a) For the purposes of this section, the

1.8 following terms have the meanings given:

1.9 ~~A grant agreement is~~ (1) "grant agreement" means a written instrument or electronic

1.10 document defining a legal relationship between a granting agency and a grantee when the

1.11 principal purpose of the relationship is to transfer cash or something of value to the recipient

1.12 to support a public purpose authorized by law instead of acquiring by professional or technical

1.13 contract, purchase, lease, or barter property or services for the direct benefit or use of the

1.14 granting agency-; and

1.15 (2) "grantee" means a potential or current recipient of a state-issued grant.

1.16 (b) This section does not apply to general obligation grants as defined by section 16A.695

1.17 ~~and~~, capital project grants to political subdivisions as defined by section 16A.86, or capital

1.18 project grants otherwise subject to section 16A.642.

1.19 Sec. 2. Minnesota Statutes 2024, section 16B.98, subdivision 1, is amended to read:

1.20 Subdivision 1. **Limitation.** (a) As a condition of receiving a grant from an appropriation

1.21 of state funds, the recipient of the grant must agree to ~~minimize~~ that administrative costs

1.22 must be necessary and reasonable. The granting agency is responsible for negotiating

2.1 appropriate limits to these costs so that the state derives the optimum benefit for grant
2.2 funding.

2.3 (b) This section does not apply to general obligation grants as defined by section 16A.695
2.4 and also capital project grants to political subdivisions as defined by section 16A.86, or
2.5 capital project grants otherwise subject to section 16A.642.

2.6 Sec. 3. Minnesota Statutes 2024, section 16B.98, subdivision 4, is amended to read:

2.7 Subd. 4. **Reporting of violations.** A state employee who discovers evidence of violation
2.8 of laws or rules governing grants is ~~encouraged~~ required to report the violation or suspected
2.9 violation to the employee's supervisor, the commissioner or the commissioner's designee,
2.10 or the legislative auditor. The legislative auditor shall report to the Legislative Audit
2.11 Commission if there are multiple complaints about the same agency. The auditor's report
2.12 to the Legislative Audit Commission under this section must disclose only the number and
2.13 type of violations alleged. An employee making a good faith report under this section has
2.14 the protections provided for under section 181.932, prohibiting the employer from
2.15 discriminating against the employee.

2.16 Sec. 4. Minnesota Statutes 2024, section 16B.981, subdivision 4, is amended to read:

2.17 Subd. 4. **Agency authority to not award grant.** (a) If, while performing the required
2.18 steps in subdivision 2 and pursuant to sections 16B.97, 16B.98, and 16B.991, the agency
2.19 requires additional information to determine whether there is a substantial risk that the
2.20 potential grantee cannot or would not perform the required duties of the grant agreement,
2.21 the agency must give the grantee ~~30-business~~ 15 calendar days within which the grantee
2.22 can respond to the agency for the purpose of satisfying the agency's concerns or work with
2.23 the agency to develop a plan to satisfy the concerns.

2.24 (b) If, after performing the required steps in subdivision 2 and pursuant to sections
2.25 16B.97, 16B.98, and 16B.991, and after reviewing any additional requested information
2.26 from the grantee, the agency still has concerns that there is a substantial risk that a potential
2.27 grantee cannot or would not perform the required duties under the grant agreement, the
2.28 agency must either create a plan to satisfy remaining concerns with the grantee or must not
2.29 award the grant.

2.30 (c) If, pursuant to paragraphs (a) and (b), the agency does not award a competitive,
2.31 single-source, or sole-source grant, the agency must provide notification to the grantee and
2.32 the commissioner of administration of the determination. The notification to the grantee
2.33 must include the agency's reason for postponing or forgoing the grant, including information

sufficient to explain and support the agency's decision, and notify the applicant of the process for contesting the agency's decision ~~with the agency and the applicant's options~~ under paragraph (d). ~~If the applicant contests the agency's decision no later than 15 business days after receiving the notice, the agency must consider any additional written information submitted by the grantee. The agency has 15 business days to consider this information, during which the agency may reverse or modify the agency's initial decision to postpone or forgo the grant.~~

(d) The final decision by an agency under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 30 ~~business~~ calendar days of the date of written notification of a final decision by the agency.

(e) If, pursuant to paragraphs (a) and (b), the agency does not award a legislatively named grant, the agency must delay award of the grant until adjournment of the next regular or special legislative session for action from the legislature. The agency must provide notification to the potential grantee, the commissioner of administration, and the chairs and ranking minority members of the Ways and Means Committee in the house of representatives and the chairs and ranking minority members of the Finance Committee in the senate. The notification to the grantee must include the agency's reason for postponing or forgoing the grant, including information sufficient to explain and support the agency's decision and notify the applicant of the process for contesting the agency's decision under paragraph (d). ~~If the applicant contests the agency's decision no later than 15 business days after receiving the notice, the agency must consider any additional written information submitted by the grantee. The agency has 15 business days to consider this information, during which the agency may reverse or modify the agency's initial decision to postpone or forgo the grant.~~ The notification to the commissioner of administration and legislators must identify the legislatively named potential grantee and the agency's reason for postponing or forgoing the grant. After hearing the concerns of the agency, the legislature may reaffirm the award of the grant or reappropriate the funds to a different legislatively named grantee. Based on the action of the legislature, the agency must award the grant to the legislatively named grantee. If the legislature does not provide direction to the agency on the disposition of the grant, the funds revert to the original appropriation source.

Sec. 5. Minnesota Statutes 2024, section 16B.991, subdivision 2, is amended to read:

Subd. 2. **Authority.** A grant agreement must by its terms permit the commissioner to unilaterally terminate the grant agreement prior to completion if the commissioner determines

- 4.1 that further performance under the grant agreement would not serve agency purposes or
- 4.2 performance under the grant agreement is not in the best interests of the state.