

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 PM**
 Lead Agency: **Proposed - Office of Inspector General**
 Other Agencies:
 Administration Dept Administrative Hearings
 Children, Youth and Corrections Dept
 Families
 Education Department Governors Office
 Health Dept Human Services Dept
 Labor and Industry Dept Legislature
 Minn Management and Office of the Legislative Auditor
 Budget
 Public Defense Board Sentencing Guidelines Comm
 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	-	-	892	891	-
Children, Youth and Families					
General Fund	-	-	465	620	620
Education Department					
General Fund	-	-	-	(2,218)	(2,218)
Governors Office					
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	-	499	499	499
Human Services Dept					
General Fund	-	-	2,721	3,204	3,204
Labor and Industry Dept					
Workers Compensation	-	-	27	27	27
Legislature					
General Fund	-	-	29	7	7
Proposed - Office of Inspector General					
General Fund	-	-	1,785	7,044	7,044
State Total					
General Fund	-	-	6,391	10,047	9,156
Workers Compensation	-	-	27	27	27
Total	-	-	6,418	10,074	9,183
Biennial Total			6,418		19,257

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Administration Dept					
General Fund	-	-	6	6	-
Children, Youth and Families					
General Fund	-	-	3.75	5	5
Education Department					
General Fund	-	-	-	-	-
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	-	2.5	2.5	2.5
Human Services Dept					
General Fund	-	-	21	28	28
Labor and Industry Dept					
Workers Compensation	-	-	.25	.25	.25
Legislature					
General Fund	-	-	-	-	-
Proposed - Office of Inspector General					
General Fund	-	-	1.92	38	38
Total	-	-	35.42	79.75	73.75

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 SF856-10E 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) 2027. The OIG fiscal note assumes the Inspector General will be hired in February of 2027 and that staffing for the OIG will predominantly occur at the end of FY2027 and beginning of FY2028. This suggests that the office will become fully operational in FY2028. To what extent agencies will need substantial time to coordinate and cooperate with the proposed OIG in FY2027 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. The fiscal note submitted by the Department of Human Services (DHS) cannot be verified for reasonableness with the information provided by the department. Of greatest concern is a large increase in the number of FTE estimated for this fiscal note from DHS relative to prior fiscal note estimates for SF856 (see Fiscal Note SF856-51A). DHS is assuming a substantial increase in FTE relative to the prior estimate while other agencies are not showing similar changes in resources needed relative to the fiscal estimate for the previous version of this bill. Accordingly, the Legislative Budget Office (LBO) has not determined the DHS estimate to be reasonable at this time. However, the remaining fiscal estimates in this consolidated fiscal note have been reviewed and deemed reasonable. For this reason, the LBO has released the consolidated fiscal note.

LBO Signature: Christian Larson **Date:** 4/1/2026 9:48:55 PM
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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	-	-	892	891	-
Children, Youth and Families					
General Fund	-	-	465	620	620
Education Department					
General Fund	-	-	-	(2,218)	(2,218)
Governors Office					
General Fund	-	-	-	-	-
Health Dept					
General Fund	-	-	499	499	499
Human Services Dept					
General Fund	-	-	2,721	3,204	3,204
Labor and Industry Dept					
Workers Compensation	-	-	27	27	27
Legislature					
General Fund	-	-	29	7	7
Proposed - Office of Inspector General					
General Fund	-	-	1,785	7,044	7,044
Total		-	-	6,418	10,074
Biennial Total				6,418	19,257

1 - Expenditures, Absorbed Costs*, Transfers Out*

Administration Dept					
General Fund	-	-	892	891	-
Children, Youth and Families					
General Fund	-	-	465	620	620
Education Department					
General Fund					
Expenditures	-	-	-	-	-
Transfers Out	-	-	-	(2,218)	(2,218)
Governors Office					
General Fund					
Expenditures	-	-	1	-	-
Absorbed Costs	-	-	(1)	-	-
Health Dept					
General Fund	-	-	499	499	499
Human Services Dept					
General Fund	-	-	2,721	3,204	3,204
Labor and Industry Dept					
Workers Compensation	-	-	27	27	27
Legislature					
General Fund					
Expenditures	-	-	54	19	19

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Absorbed Costs		-	-	(25)	(12)	(12)
Proposed - Office of Inspector General						
General Fund		-	-	1,785	7,044	7,044
	Total	-	-	6,418	10,074	9,183
	Biennial Total			6,418		19,257
2 - Revenues, Transfers In*						
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		-	-	-	-	-
Labor and Industry Dept						
Workers Compensation		-	-	-	-	-
Legislature						
General Fund		-	-	-	-	-
Proposed - Office of Inspector General						
General Fund		-	-	-	-	-
	Total	-	-	-	-	-
	Biennial Total			-		-

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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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 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	1,785	7,044	7,044
Total	-	-	1,785	7,044	7,044
Biennial Total			1,785		14,088

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1.92	38	38
Total	-	-	1.92	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:** 3/11/2026 4:45:01 PM
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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	-	-	1,785	7,044	7,044
Total	-	-	1,785	7,044	7,044
Biennial Total			1,785		14,088
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	1,785	7,044	7,044
Total	-	-	1,785	7,044	7,044
Biennial Total			1,785		14,088
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

NOTE: The request for SF856-10E was made during the 2026 session but the bill was originally drafted for the 2025 session. For the purposes of bill implementation, it is assumed that all dates shown in SF856-10E are moved forward one year.

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 assumed effective January 1, 2027.

Section 4 provides various definitions. This section is assumed effective January 1, 2027.

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 assumed effective January 1, 2027.

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) alerting relevant heads of agencies when the inspector general 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

assumed effective January 1, 2027.

Section 7 authorizes the inspector general to appoint peace officers and establish a law enforcement agency known as the OIG Anti-Fraud and Waste Bureau (AFWB). Section 7, subdivision 8 specifies that regardless of whether a law enforcement agency is established by the inspector general, the OIG may enter into memorandums of understanding with state and local law enforcement agencies to allow peace officers from those agencies to be assigned to the OIG.

Section 8 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 9 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 10 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 11 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 (Professional or technical services). This section is assumed effective January 1, 2027.

Section 12 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, 2027, and annually thereafter, the OIG must submit reports summarizing all investigations the inspector general did not open after receiving a tip or complaint. This section is assumed effective January 1, 2027.

Section 13 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 assumed effective January 1, 2027.

Section 14 creates the LIGAC, defines membership, specifies duties, and provides for meeting space and staff assistance. This section is effective the day following final enactment.

Section 15 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 16, subdivision 1 requires the LIGAC to make recommendations for appointment of an Inspector General by January 1, 2027. By February 1, 2027, the governor must appoint an inspector general from among the recommended candidates.

Section 16, subdivision 2 requires the OIG to be fully operational by September 1, 2027.

Section 16, 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, 2027.

Section 16, subdivision 4 stipulates that before September 1, 2027, 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 16, subdivision 5 requires the commissioner of administration to provide office space on the Capitol Mall complex for the OIG under a rental agreement.

Section 16, subdivision 6 lists divisions, teams, or positions that do not transfer to the OIG. No employees in the Department of Corrections, the Department of Children, Youth, and Families, the Department of Human Services, and certain Department of Education positions are transferred to the OIG. This section is assumed effective January 1, 2027.

Section 17 specifies that appointing authorities must make appointments to the LIGAC by August 1, 2026. The senate

majority leader must designate one member of the LIGAC to convene the first meeting of the LIGAC by September 15, 2026.

Section 18 requires the OIG to establish interagency agreements with the Department of Human Services, the Department of Children, Youth, and Families, the Department of Health, and the Department of Education that govern how joint investigations will be handled.

Section 19, paragraph (a) appropriates funds in fiscal year 2027 and 2028 to the Department of Administration to support the creation of the OIG. Paragraph (b) appropriates funds to the OIG in fiscal year 2027 and 2028 for the purposes of this act. Paragraph (a) is effective January 1, 2027, or upon federal approval from the Centers for Medicare and Medicaid Services, whichever is later.

Article 2, section 1 makes the AFWB subject to the data requirements for law enforcement agencies specified in Minnesota Statutes 13.82.

Section 2 adds a reference to the OIG in Minnesota Statutes 127A.21 (Office of the Inspector General) and strikes several definitions.

Section 3 makes conforming changes related to the transfer of duties from the Office of Inspector General in the Department of Education to the OIG.

Section 4 lists actions the Department of Education may take when a program participant is excluded from a department program.

Section 5 creates notice requirements when the Department of Education takes action against a program participant.

Section 6 allows a program participant to request a contested case hearing upon receipt of notice that the Department of Education has taken an action against that program participant.

Section 7 outlines the procedure for withholding payments when the OIG determines there is a credible allegation of fraud or misuse against a Department of Education program participant.

Section 8 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 9 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 10 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 11 expands prohibitions on employer retaliation to all public employees who in good faith report fraud or misuse in programs of a state agency or political subdivision to the employer, any governmental body, a law enforcement official, the legislative auditor, a member of the legislature, or a constitutional officer.

Section 12 allows the Department of Human Services to withhold payment under any program based on information in the inspector general's exclusion list.

Section 13 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 14 modifies the definition of "Peace officer" in Minnesota Statutes 626.84 to include AFWB officers.

Section 15 abolishes duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds in the Office of Inspector General in the Department of Education. 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 16 repeals Minnesota Statutes 2024, sections 13.321, subdivision 12 and 127A.21, subdivisions 1-4, 6 and 7

relating to the inspector general under the Department of Education. This section is effective the day after the inspector general notifies the revisor of statutes that the OIG is operational.

Assumptions

Timing

The request for SF856-10E was made during the 2026 session but the bill was originally drafted for the 2025 session. For the purposes of bill implementation, it is assumed that all dates shown in SF856-10E are moved forward one year.

Staffing

The Inspector General will be appointed to a five-year term beginning February 1, 2027.

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, HR specialist, general counsel, staff attorney, fiscal services manager, accounting manager, IT manager, and two administrative assistants will begin employment on May 1, 2027.

Additional OIG staff (excluding transfer staff) will include investigators, auditors, program evaluators, research scientists, data analysts, IT support staff, and a communications specialist. These staff are assumed to begin employment between July 1, 2027, and September 1, 2027. For the purposes of this fiscal note, a uniform date of July 1, 2027, is assumed. Estimated staff salaries are based on OLA and 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 that are transferred from the Department of Education are assumed to begin employment with the OIG on July 1, 2027. It is assumed that 13 FTE will transfer from the Department of Education to the OIG.

Total staffing is assumed at 38 FTE based on the duties specified in article 1, section 6 and conversations with the bill author, nonpartisan legislative staff, and agency staff. This staffing level will 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 can vary widely depending on the report type, case complexity, depth of evaluation, and report detail.

It is assumed that the Department of Administration will provide implementation support such as project management, hiring, procurement, office setup, and accounting.

Office Build Out

Because there is currently no available office space on the capitol complex, it is assumed that the Department of Administration will acquire commercial office space near the capitol complex for the OIG.

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, for a total of 8,600 square feet.

It is assumed that floor design and construction costs will be included in the lease rate. Workstation build-out is assumed at \$7,500 per unit, and office build-out is assumed at \$8,000 per unit.

Other build-out costs include meeting room furniture and meeting room teleconference equipment.

Rent and utilities is estimated at \$32 per square foot, per year.

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.

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 audit management and analysis software.

Setup and configuration costs are assumed for wiring, network hardware, and server hardware.

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 located on-premise. The OIG will operate on a separate, secure network.

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

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 high-volume copier/printer is assumed.

Other Costs

Training, professional development, and travel costs are assumed to be \$600 per FTE, per year.

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

Contract and consultant costs are assumed to be \$150,000 per year. This amount may change in future years as OIG scope and workload develops.

OIG Law Enforcement Agency (for discussion only)

It is assumed that the intent of bill article 1, section 7, is to allow for the future establishment of the Anti-Fraud and Waste Bureau (AFWB) within the OIG at the discretion of the inspector general. It is assumed that appropriations for the AFWB would be made through a future budget request. Therefore, an estimated cost range for the AFWB as contemplated by article 1, section 7, is shown separately in the narrative of this fiscal note but is not included in the front-page State Cost (Savings) tables.

It is assumed that the AFWB will conduct a mix of fully independent investigations, joint investigations, and assist investigations conducted by other agencies. Because future AFWB workload relative to other agencies with primary jurisdiction is unknown, and the extent to which the AFWB will conduct fully independent investigations versus joint investigations or assisting other agency investigations is unknown, this estimate is only intended to cover the establishment (first 2-5 years) of the AFWB. Operating costs may change over time as workload mix develops and the AFWB identifies resources that will need to be developed independently versus capabilities that are better utilized via interagency agreements or contract services.

The LBO consulted with the BCA to develop an illustrative example. If a significant portion of AFWB workload includes Medicaid fraud investigations (Section 6 authorizes but does not require the OIG to conduct independent investigations related to the Medicaid program), then AFWB staffing could include one agency head, 18-20 sworn agents, 10 criminal intelligence analysts, 2 forensic accountants, and 1 transcriber (whether employed directly or assigned to the OIG via interagency agreements or memorandums of understanding). An agency this size could cost between \$9.2 million and \$12.5 million per year during the hiring and build-out phase (first 1-2 years), and between \$8.5 million and \$12.5 million per year ongoing, depending on the contract services, IT capabilities, and interagency agreements required to independently investigate cases referred to the AFWB in a timely manner. If Medicaid fraud investigations are not a significant portion of AFWB workload, then AFWB staffing could include one agency head, 10 sworn agents, 5 analysts, 2 forensic accountants, and 1 transcriber. In either case, the AFWB would likely need significant contracting and interagency agreements for capabilities such as a specialized records management system, surveillance tools, phone decryption software, and bank record examination tools. Note this estimate does not include any potential federal reimbursements for specific activities related to Medicaid.

Expenditure and/or Revenue Formula

Staff Compensation Cost Table - Salary and Benefits

Position (Number of Staff)	FY26	FY27	FY28	FY29
Inspector General (1)	-	99,322	238,373	238,373
HR Director (1)	-	31,955	191,729	191,729
HR Specialist (1)	-	22,322	133,929	133,929
General Counsel (1)	-	39,036	234,219	234,219
Staff Attorney (1)	-	25,877	155,263	155,263
Fiscal Services Manager (1)	-	32,680	196,078	196,078
Accounting Coordinator (1)	-	24,785	148,708	148,708
IT Manager (1)	-	37,640	225,837	225,837
Admin Support Spec. (2)	-	38,760	232,561	232,561
Investigator/Auditor (7)	-	-	1,073,372	1,073,372
Research Scientist (2)	-	-	371,574	371,574
Data Analyst (2)	-	-	327,554	327,554
Developer (1)	-	-	181,304	181,304
IT Security Spec. (1)	-	-	181,304	181,304
IT Support Spec. (1)	-	-	157,338	157,338
Comms. Spec. (1)	-	-	137,827	137,827
MDE Transfer Staff (13)	-	-	1,964,000	1,964,000
Total Compensation	-	352,376	6,150,969	6,150,969

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 match.

Five months of compensation is assumed for the inspector general in FY27. Two months of compensation is assumed for the HR director, HR specialist, general counsel, staff attorney, fiscal services manager, accounting coordinator, IT manager, and two administrative assistants in FY27. Twelve months of compensation is assumed for all staff beginning in FY28.

FTE Summary Table

Position	FY26	FY27	FY28	FY29
----------	------	------	------	------

Inspector General	0.00	0.42	1.00	1.00
HR Director	0.00	0.17	1.00	1.00
HR Specialist	0.00	0.17	1.00	1.00
General Counsel	0.00	0.17	1.00	1.00
Staff Attorney	0.00	0.17	1.00	1.00
Fiscal Services Manager	0.00	0.17	1.00	1.00
Accounting Coordinator	0.00	0.17	1.00	1.00
IT Manager	0.00	0.17	1.00	1.00
Admin Support Spec.	0.00	0.33	2.00	2.00
Investigator/Auditor	0.00	0.00	7.00	7.00
Research Scientist	0.00	0.00	2.00	2.00
Data Analyst	0.00	0.00	2.00	2.00
Developer	0.00	0.00	1.00	1.00
IT Security Spec.	0.00	0.00	1.00	1.00
IT Support Spec.	0.00	0.00	1.00	1.00
Comms. Spec.	0.00	0.00	1.00	1.00
MDE Transfer Staff	0.00	0.00	13.00	13.00
Total FTE	0.00	1.92	38.00	38.00

Total Cost Summary Table

Description	FY26	FY27	FY28	FY29
Staff	-	352,376	6,150,969	6,150,969
Professional Development	-	-	17,100	17,100
Travel	-	-	5,700	5,700
Office Rent & Utilities	-	114,667	275,200	275,200
Office Space Build Out & Furniture	-	507,684	-	-
Office Equipment - Laptops/Phones/Printers	-	53,609	94,257	94,257
IT Setup	-	355,075	-	-

IT Ongoing - Hardware, Software, Equip.	-	232,257	324,762	324,762
Office Supplies and Ancillary		19,000	19,000	19,000
General Maintenance & Replacement	-	-	7,500	7,500
Consultant/Contract Support		150,000	150,000	150,000
Total	-	1,784,667	7,044,489	7,044,489

Long-Term Fiscal Considerations

Staff and operational 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.mnretire.gov/>.

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

State labor contracts and pay plans, <https://mn.gov/mmb/employee-relations/labor-relations/labor/>.

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

OLA Compensation Plan

LCC staff and cost data

MNIT cost estimate

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

Department of Administration estimates

Agency Contact:

Agency Fiscal Note Coordinator Signature: Joel Enders

Date: 3/11/2026 4:39:47 PM

Phone: 651-284-6542

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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

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	-	-	892	891	-
Total	-	-	892	891	-
Biennial Total			892		891

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	6	6	-
Total	-	-	6	6	-

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:** 4/1/2026 9:44:52 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
General Fund	-	-	892	891	-	-
Total	-	-	892	891	-	-
Biennial Total			892		891	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	892	891	-	-
Total	-	-	892	891	-	-
Biennial Total			892		891	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-		-	-

Bill Description

This bill establishes an Office of Inspector General (OIG) and requires the Commissioner of Administration to provide office space for the Office of the Inspector General under a rental agreement. It appropriates funds to the Department of Administration to establish the Office of the Inspector General, in a onetime appropriation.

Assumptions

Admin expects the following costs to be reflected in the OIG fiscal note:

Space Costs for Office of Inspector General (OIG)

To meet the legislative objectives for office establishment, Admin will seek commercial office space near the Capitol Complex, likely in downtown St. Paul or within 5-7 miles from downtown. Admin assumes the newly established Office of Inspector General (OIG) will require office space for 38 FTE. There is currently no available space on the Capitol Complex to accommodate this new office. As such the language in Subd 5 represents a technical defect in the bill.

- **Square footage for work space:** 7,600 sq. ft
- 38 FTE at 200 sq. ft. per FTE
- Plus 1,000 sq. ft. for storage
- **Total square footage:** 8,600 sq ft
- **Initial Lease term:** 10 years
- **Building type:** Commercial
- **Build-out:** "Turnkey" by landlord (design and construction included in lease rate)
- **Workstation construction:** 23 units at \$7,500 each - includes cubicle walls and furniture
- **Office construction:** 15 units at \$8,000 each - includes office walls and furniture
- **IT costs (technical note):** IT costs may vary based on whether existing state tenants occupy the building
- **Layout:** Heavier on individual hard-walled offices, interview rooms, and enhanced security likely increasing build-out costs reflected in lease rate

Estimated Annual Lease Cost

- 8,600 sq. ft. × \$32 per sq. ft. gross rent = \$275,200 per year
- All utilities, taxes and insurance included
- Assume 3% annual lease escalator per year

Estimated Other Costs

- **Workstation and Office Construction and Furniture:**
- 23 workstations × \$7,500 = \$172,500
- 15 offices × \$8,000 = \$120,000
- **Technology and security:** IT costs may vary based on site conditions and integration requirements; technology costs will be lower in a building with existing state tenants. Based on other comparable tenancies:
- Fiber run - \$10,000
- Cable runs - \$350/per station × 38 stations - \$13,300
- Data center/closet - \$200,000

Timeline

For the OIG to be fully operational by September 2027, Admin and OIG must:

Identify and secure space by January 2027

Execute lease agreement to allow sufficient time for landlord design and build-out

These costs will be reflected in Admin's fiscal note:

Implementation Office

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

Position Salary and position IT support costs	FY27	FY 28
State Program Admin Mgr Principal	181,900	181,900

HR Consultant 1	133,500	133,500
Accounting Officer Intermediate	109,900	109,900
Staff Attorney 2	144,500	144,500
Management Analyst	130,100	130,100
SubTotal	\$699,900	\$699,900

Office Overhead and Support Costs	FY 27	FY28
Support from Department of Admin HR and Financial Management (1 FTE equivalent)	114,000	114,000
Supplies, indirect costs, and travel	51,300	50,300
Temporary space in Admin Building	27,000	27,000
SubTotal	\$192,300	\$191,300

	FY27	FY28
Total	\$892,200	\$891,200

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Stacie Christensen 651-201-2500

Agency Fiscal Note Coordinator Signature: Ify Onyiah

Phone: 651-201-2387

Date: 3/6/2026 2:39:57 PM

Email: ify.onyiah@state.mn.us

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 PM**
 Agency: **Administrative Hearings**

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: Adam Bolling **Date:** 3/9/2026 4:32:24 PM
Phone: 651-296-6053 **Email:** adam.bolling@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

SF856-10E establishes the Office of the Inspector General (OIG) for the purposes of ensuring accountability, transparency, and integrity in the operations of state agencies and programs. The inspector general operates independently of all state executive branch agencies and reports directly to the governor. The inspector general shall direct the Office of the Inspector General.

Article 1, Sec. 5 details minimum qualifications for the inspector general and states that a Legislative Inspector General Advisory Commission will recommend inspector general candidates; the governor will appoint an inspector general after considering the recommendations provided by the Legislative Inspector General Advisory Commission, with confirmation by a vote of three-fifths of the senate.

Article 1, Sec. 6 describes the powers and duties of the inspector general, including the relationship of those powers and duties to the responsibilities of other agencies.

Article 1, Sec. 7 describes the creation and powers of the Anti-Fraud and Waste Bureau which is a law enforcement agency within the OIG with its primary jurisdiction being limited to cases of fraud, abuse and other criminal conduct within the scope of the work of the OIG.

Article 1, Sec. 8 describes auxiliary powers of the inspector general as it relates to subpoenas, inquiries and inspections.

Article 1, Sec. 9 states that each agency must prominently highlight the OIG's and OLA's fraud reporting tools on the agency's website. Any nonprofit organization that enters into a grant agreement with a state agency must prominently highlight the fraud reporting tools on the nonprofit's own website. The grant-administering-agency must confirm and document compliance with this requirement regularly.

Article 1, Sec. 10 states that the inspector general is a government agency subject to the Government Data Practices Act under chapter 13 and clarifies what data is classified as public data and what data is not classified as public data.

Article 1, Sec. 11 describes staffing resources and contracting allowed within the OIG. The inspector general may hire and manage staff as needed in accordance with chapter 43A, including the requirement to hire at least one attorney to serve as legal counsel and advise the inspector general. The OIG may contract with external experts to support the work of the office. The OIG staff will serve in the classified civil service. Compensation for employees of the OIG in the classified service who are represented by an exclusive representative will be governed by a collective bargaining agreement negotiated between Minnesota Management and Budget (MMB) and the exclusive representative. Compensation for employees of the OIG in the classified service who are not represented by an exclusive representative shall be as provided in the commissioner's plan under section 43A.18, subd. 2 or subd. 3.

Article 1, Sec. 12 states that the OIG must issue reports detailing its work and must maintain an anonymous phone line and website for submitting reports of fraud and misuse.

Article 1, Sec. 13 states that the governor may contract for an external quality assurance review of the inspector general every three years and must make the findings from the review public. The OIG must adhere to professional standards as promulgated by the Association of Inspectors General or other recognized bodies.

Article 1, Sec. 14 establishes the membership and duties of the Legislative Inspector General Advisory Commission.

Article 1, Sec. 15 adds language to include the inspector general as a party that can be reported to under Minnesota Statutes, section 609.456, in addition to the legislative auditor.

Article 1, Sec. 16 provides guidelines for the establishment of the OIG including deadlines for: the date by which the Legislative Inspector General Advisory Commission must make recommendations for the inspector general position; the date by which the governor must appoint the inspector general; the date by which the OIG must be fully operational; the date by which the transition process for employees of state agencies' transitioning to the OIG must occur.

Article 1, Sec. 17 sets the deadlines for initial appointments to the Legislative Inspector General Advisory Commission and the Commission's first meeting.

Article 1, Sec. 18 states that the OIG must enter into interagency agreements with Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), Department of Health (MDH), and Department of Education (MDE) to govern how potential similar or duplicative investigations will be handled, including a clause on cost-sharing for investigations that require multiagency coordination and details on the process for joint investigations.

Article 1, Sec. 19 makes appropriations from the general fund to support the creation of the OIG.

Article 2 makes conforming changes, repealers, and revisions to existing authority including Article 2, Sec. 6, which creates new language within Minnesota Statutes, § 127A.21 to allow for a program participant to appeal an action taken against it by requesting a contested case hearing as defined in § 14.02, subd. 3.

Assumptions

The Court of Administrative Hearings (CAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budget provisions for such assessments.

While CAH notes the new language in Article 2, Sec. 6, CAH has used the MDE assumption that this language is a revision of existing authority and would not result in a meaningful increase in contested case appeals being filed with CAH compared to the previous language. Contested case appeals referred to CAH pursuant to this section would result in ALJ costs charged to the Department of Education.

CAH currently bills ALJ time for rulemaking at the MMB-approved billable rate of \$270 per hour (see Minn. Stat. § 16A.126, subd. 1 (2023)).

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: William Moore

Agency Fiscal Note Coordinator Signature: William Moore

Phone: 651-361-7893

Date: 3/6/2026 10:31:17 AM

Email: william.t.moore@state.mn.us

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	465	620	620
Total	-	-	465	620	620
Biennial Total			465		1,240

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	3.75	5	5
Total	-	-	3.75	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: Kate Schiller **Date:** 3/26/2026 9:53:02 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	-	-	465	620	620
Total	-	-	465	620	620
Biennial Total			465		1,240
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	465	620	620
Total	-	-	465	620	620
Biennial Total			465		1,240
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).

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 defines terms used in the bill. 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. If OIG believes that an agency's (including DCYF) internal investigation is inadequate or insufficiently quick, it may investigate on its own and may recommend that the agency freeze or cease distribution of funds and notify law enforcement. If funds are stopped or frozen, OIG and the affected agency must ensure that anyone whose receipt of public funds is interrupted but is not implicated in the investigation receives notice of their rights to continued receipt of funds, services, or programs. This section is effective January 1, 2026.

Section 7 allows, but does not require, OIG to establish a law enforcement agency within its purview. It sets out the powers and responsibilities of this agency should it be created. This section has no direct fiscal impact on DCYF.

Section 8 assigns auxiliary powers to OIG, including authorities to subpoenas and penalties for non-compliance. It also requires all state employees to aid and cooperate with OIG. This section has no direct fiscal impact on DCYF.

Section 9 requires all agencies to highlight OIG and OLA fraud reporting tools on their websites.

Section 10 concerns data practices, giving OIG access to all state data regardless of classification and setting parameters for control and release of that data.

Section 11 sets requirements and authorities for OIG regarding staff and contracting. This section has no direct fiscal impact on DCYF.

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

Section 13 creates professional standards requirements for OIG. This section has no direct fiscal impact on DCYF.

Section 14 creates and empowers the Legislative Inspector General Advisory Commission to oversee OIG. This section has no direct fiscal impact on DCYF.

Section 15 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 16 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. All DCYF employees and positions are excepted from this transfer, meaning this provision has no direct fiscal impact on DCYF.

Section 17 concerns the operations of the advisory commission. This section has no direct fiscal impact on DCYF.

Section 18 requires OIG to enter into interagency agreements with several agencies, including DCYF, that set out how similar or potentially duplicative investigations will be handled and how costs will be shared. The agreements must not limit OIG's authority. These agreements must be completed by December 31, 2026.

Section 19 makes appropriations for OIG. This section has no direct fiscal impact on DCYF.

Article 2: Conforming Items and Repealers

Section 1 adds the OIG Anti-Fraud and Waste Bureau to the list of law enforcement agencies. This section has no direct fiscal impact on DCYF.

Section 2 deletes old definitions. This section has no direct fiscal impact on DCYF.

Sections 3-7 concern the Department of Education (MDE) and have no impact on DCYF.

Section 8 requires DCYF to submit final reports on investigations into fraud and abuse at CCAP to OIG.

Section 9 allows DCYF to withhold payments to any entity in any program administered by DCYF based on information from OIG that there is a credible allegation of fraud for which an investigation is pending.

Section 10 concerns the Department of Health (MDH) and has no impact on DCYF.

Section 11 concerns the Department of Labor and Industry (DLI) and has no impact on DCYF.

Sections 12-13 concern the Department of Human Services (DHS) and have no impact on DCYF.

Section 14 concerns the Peace Officer Standards and Training (POST) Board and has no impact on DCYF.

Section 15 abolishes duties and responsibilities for agencies with responsibilities transferring to OIG. This section has no impact on DCYF.

Section 16 contains repealers and has not impact on DCYF.

Assumptions

DCYF assumes, consistent with guidance received from the LBO, that the effective dates listed in this bill will all be delayed by a year.

DCYF assumes that it will have a need for five additional FTEs (1 21L manager, 1 21K data engineer, and 3 14L analysts) to work in coordination with OIG and facilitate data requests, data transfer, and investigatory collaboration with OIG. Specifically, these FTEs would address the following responsibilities: coordinate and provide responses to OIG requests for data and information; develop and carry out an interagency agreement on joint investigations with OIG, ensure the withholding of funds, providing required information on DCYF OIG investigations to the centralized OIG, and other responsibilities as necessary.

FTEs are assumed to require 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. Given these assumptions, these FTEs are estimated to cost \$683,000 in FY 2027 and \$911,000 in each year thereafter. These costs would be expected to be offset by Federal Funds Participation (FFP) at 32% by \$219,000 in FY 2027 and \$292,000 each year thereafter for a net cost of \$465, in FY 2027 and \$620,000 in each year thereafter.

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2026	FY2027	FY2028	FY2029
1000	11	FTEs to address OIG needs (0, 3.75, 5, 5)	0	683	911	911
1000	REV1	FFP @ 32%	0	(219)	(292)	(292)
		Total Net Fiscal Impact	0	465	620	620
		Full Time Equivalents	0	3.75	5	5

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

Date: 3/25/2026 5:03:56 PM

Phone: 651-272-6470

Email: marina.balleria@state.mn.us

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
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: Jim Carlson **Date:** 3/3/2026 3:02:13 PM
Phone: 651-284-6540 **Email:** jim.carlson@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: 3/3/2026 9:50:37 AM

Email: mark.besonen@state.mn.us

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	-	-	-	(2,218)	(2,218)
Total	-	-	-	(2,218)	(2,218)
Biennial Total			-		(4,436)

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: Alyssa Holterman Rosas **Date:** 3/3/2026 12:32:49 PM
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		-	-	-	(2,218)
Total		-	-	-	(2,218)
Biennial Total				-	(4,436)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund					
Expenditures		-	-	-	-
Transfers Out		-	-	-	(2,218)
Total		-	-	-	(2,218)
Biennial Total				-	(4,436)
2 - Revenues, Transfers In*					
General Fund					
Total		-	-	-	-
Biennial Total				-	-

Bill Description

Article 1, Sections 9, 16, and 18, and Article 2, Sections 28 relate to the Minnesota Department of Education (MDE) and are the focus of this fiscal note.

Article 1, Section 9 requires the commissioner of each state agency to prominently display on the agency's website the fraud reporting tools administered by the Office of the Inspector General and the Office of the Legislative Auditor. In addition, any grant agreement between the state and a nonprofit organization must require the nonprofit to similarly highlight these fraud reporting tools on its website.

Article 1, Section 16, subdivision 3, transfers all officers and employees employed in an office of the inspector general within a state agency to employment with the Office of the Inspector General under chapter 15D by September 1, 2027, except as specified in subdivision 6.

Article 1, Section 16, subdivision 4, transfers the assets and any unused appropriations of existing offices of inspectors general before September 1, 2027, except as specified in subdivision 6.

Article 1, Section 16, subdivision 6, paragraph (c), exempts employees and positions in the student maltreatment program at the Minnesota Department of Education who are dedicated to student maltreatment investigations from transferring under this section.

Makes the section effective January 1, 2027.

Article 1, Section 18, paragraph (d) requires the Office of the Inspector General to enter into an interagency agreement with MDE as soon as practicable after January 1, 2027. This paragraph is effective January 1, 2027.

Article 2, Sections 28, 15 and 16 makes conforming changes; revises procedures related to program participant exclusions, enforcement actions, and investigations; and abolishes and transfers duties pertaining to the investigation of fraud, misuse and other unlawful use of public funds at MDE.

Article 2, Section 2 makes conforming changes and defines "Inspector general" to the inspector general as defined in section 15D.01.

Article 2, Section 3 makes conforming changes.

Article 2, Section 4 revises existing authority that authorizes the commissioner to prohibit or disqualify a program participant who has been excluded from a department, state, or federal program from participating in other programs administered by the commissioner. “Program participant” is defined broadly to include individuals or entities with ownership or control. Any prohibition or disqualification must align with the longest applicable sanction period permitted by law. The section also clarifies that it does not authorize reducing or interrupting state or federal aid to school districts, charter schools, cooperative units, or libraries.

Article 2, Section 5 revises existing authority that requires the commissioner to send written notice within five days of acting against a program participant excluded from a department program.

Article 2, Section 6 revises existing authority that allows a program participant to request a contested case hearing by filing a request with the commissioner no later than 30 days after the notification under Section 5 is mailed.

Article 2, Section 7 revises existing authority that authorizes the commissioner to withhold payments to a program participant when the Inspector General determines there is a credible allegation of fraud or misuse, and an investigation is pending. The section prohibits withholding actions that would reduce, pause, or interrupt state or federal aid to school districts, charter schools, cooperative units, or libraries.

Article 2, Section 8 requires the commissioner to submit final investigative reports to the Inspector General.

Article 2, Section 15 abolishes the duties of the Office of the Inspector General at the Minnesota Department of Education related to the investigation of fraud, misuse, and other unlawful use of public funds except those related to student maltreatment effective the day after the newly created inspector general under Section 15D.01 certifies in writing that the inspector general has assumed responsibility for those duties.

Article 2, Section 16 repeals sections 13.321, subdivision 12; and 127A.21, subdivisions 1, 2, 3, 4, 6, and 7.

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, and other unlawful use of public funds at the Minnesota Department of Education.

Assumptions

Article 1, Section 9, paragraph (a)

MDE assumes there will be no fiscal impact associated with the requirement for the commissioner to prominently highlight on the agency’s website the fraud reporting tools administered by the Office of the Inspector General. Any updates to the agency website can be completed using existing staff and resources.

Article 1, Section 9, paragraph (b)

This paragraph requires MDE to regularly confirm and document nonprofit grantee compliance with the requirement to prominently display the fraud reporting tools on the organization’s website. MDE is unclear regarding the specific expectations for monitoring, documentation, and enforcement, including the consequences of noncompliance. Given this uncertainty, MDE assumes compliance checks are already part of the grant process. Therefore, any associated administrative costs would be nominal and can be managed within existing resources.

In fiscal year 2026, the Office of the Inspector General (OIG) at MDE operates with four separate budget components two supporting the OIG/Special Investigations Unit (SIU) and two supporting the Student Maltreatment Program (SMP).

The OIG/SIU receives a \$2,000,000 annual appropriation under Minnesota Statutes, section 127A.21, for staffing costs and operating expenses. In addition, of the total amount appropriated under Minnesota Session Laws 2025, 1st Special Session, Chapter 10, Article 12, Section 8, subdivision 2, paragraph (11), \$218,000 is used for an investigative position and case tracking and banking software. In total, the OIG/SIU receives \$2,218,000 in FY 2026 for salary and operating expenses, as reflected in the table below. It is assumed that \$2,218,000 in OIG/SIU funding will be transferred from MDE to the newly created Office of Inspector General beginning in FY 2028 and continuing thereafter.

MDE's OIG Budget FY 2026			
OIG/Special Investigations Unit	Staffing Costs	Operating Costs	Total

\$2 million appropriation to MDE's OIG	1,811,000	189,000	2,000,000
Additional Investigator/Tracking and Banking Software	153,000	65,000	218,000
Total OIG/Special Investigations Unit	1,964,000	254,000	2,218,000

In fiscal year 2026, the SMP receives \$987,000 in federal Special Education Part B discretionary funds and \$485,000 from MDE's base operating funds for a total of \$1,472,000.

MDE's OIG Budget FY 2026			
Student Maltreatment Program	Staffing Costs	Operating Costs	Total
Federal Sped Part B	928,000	59,000	987,000
MDE's Base Budget	453,000	32,000	485,000
Total Student Maltreatment Program	1,381,000	91,000	1,472,000

Total funding for the entire OIG office at MDE equals \$3,690,000 million.

MDE's OIG Budget FY 2026		
Staffing Costs	Operating Costs	Total
3,345,000	345,000	3,690,000

MDE's Office of Inspector General currently has 20 staff members and expects to reach full staffing at 23 positions. Of the 23 positions, 10 are assigned to the Student Maltreatment Program. It is assumed that the 13 staff members assigned to the Office of Inspector General/Special Investigations Unit who are not responsible for student maltreatment will be transferred to the newly created office beginning in FY 2028.

The table below shows the positions within MDE's OIG, as well as the unit in which each staff member works the Office of Inspector General/Special Investigations Unit (OIG/SIU) and the Student Maltreatment Program (SMP).

#	Staff	Job Title	Classification	Unit
1	Filled	Inspector General	Education Director 2	OIG/SIU
1	Vacant	Deputy Inspector General	Education Director 1	OIG/SIU
1	Filled	Chief Legal Counsel	Staff Attorney 3	OIG/SIU
1	Filled	System and Data Coordinator	State Prog Admin Coordinator	OIG/SIU
1	Filled	Office Coordinator	State Prog Admin Intermediate	OIG/SIU
1	Filled	Asst. Inspector General	Education Supervisor 2	SMP
1	Filled	Asst. Inspector General	State Prog Admin Manager Sr	OIG/SIU
6	Five Filled and One Vacant	Senior Special Investigator	Education Consultant 3	SMP

1	Filled	Lead Intake	Staff Attorney 2	SMP
1	Filled	Senior Intake Specialist	Education Consultant 3	SMP
6	Five Filled and One Vacant	Senior Special Investigator	Investigation Specialist	OIG/SIU
1	Filled	SMP Admin Support Specialist	Office & Admin. Specialist Sr.	SMP
1	Filled	Investigation Support Specialist	State Program Admin	OIG/SIU

Article 1, Section 18, paragraph (d) MDE assumes no additional costs associated with entering into an interagency agreement with the Office of the Inspector General. Any work required to develop and execute the agreement can be completed within existing resources.

Article 2 MDE assumes no additional fiscal impact, as these are revisions to existing authority. Any additional responsibilities related to notifications, hearings, payment withholding, and reporting can be managed within existing agency resources.

Expenditure and/or Revenue Formula

SF856 10E	FY 2026	FY 2027	FY 2028	FY 2029
MDE's OIG/SIU staff costs that will transfer to the new OIG			-2,218,000	-2,218,000

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

Agency Contact: Jennifer Hoppenstedt (651) 582-8472

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Date: 3/3/2026 12:28:21 PM

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
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: Adam Bolling **Date:** 3/5/2026 12:02:06 PM
Phone: 651-296-6053 **Email:** adam.bolling@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 an advisory committee and an Office of the Inspector General. Requires reports, transfers certain agency duties, places limits and prohibits certain programs from receiving public funds. Makes conforming and technical changes, provides for interagency agreements, appropriates money, amends Minnesota Statutes.

Assumptions

The legal and appointments team will prepare the appointment 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: Hannah Quinn (651-888-0589)

Agency Fiscal Note Coordinator Signature: Hannah Quinn

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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		-	-	499	499	499
Total		-	-	499	499	499
Biennial Total				499		998

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund		-	-	2.5	2.5	2.5
Total		-	-	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: Zac Reeves **Date:** 3/11/2026 11:39:56 AM
Phone: 651-284-6437 **Email:** zac.reeves@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	-	-	499	499	499
Total	-	-	499	499	499
Biennial Total			499		998
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	499	499	499
Total	-	-	499	499	499
Biennial Total			499		998
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 The Minnesota Department of Health (MDH) to investigate fraud related to Women, Infants, and Children (WIC) and related food support programs, but it also states that the OIG has authority to conduct independent investigations related to WIC programs.

Assumptions

The bill does not include an appropriation to MDH. The bill directs the Office of the Inspector General to enter into the interagency agreement with MDH. We assume the department will require an appropriation of \$499,000, annually.

General Counsel and Internal Audit

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 legal advice and counsel to MDH due to the creation of an OIG and the increase in oversight. In particular, there will be a need for legal review of reports to the OIG, of referrals from the OIG, ensuring compliance with data privacy laws when sharing data with the OIG, addressing the complex interaction of federal WIC program requirements while cooperating with OIG investigative activities in that program area.

With an influx of reports and reporting requirements, the MDH Internal Audit and Assessments Office, the main point of contact at the agency for all external audit and investigatory activities, would need an additional 1.0 FTE, Administrative Officer, to serve as the primary liaison between MDH and the OIG. This role would ensure timely communication, consistent interpretation of reporting requirements, coordinate and conduct investigations with the OIG, and follow up on any program integrity findings or recommendations from the OIG.

Grants

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 work is 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.

WIC

MDH WIC requires a 1.0 FTE Health Care Program Investigator to collaborate with and coordinate reporting to the 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. MDH assumes that WIC staff time would be needed to comply with the bill's language and send all final investigative findings to the Office of the Inspector General (OIG). Based on past experience, MDH assumes it would send final investigative reports for about 60 vendor investigations and 15 participant investigations per year. Although the state submits an annual Food Delivery Portal (FDP) report to the USDA that includes vendor case findings, it is formatted only for the FDP system, is not easily understood by external parties, and may be submitted up to 20 months after a case is closed. As a result, MDH assumes that WIC would need to prepare separate, timely, and externally readable reports for OIG as each case is finalized. Currently, WIC conducts investigations internally using specialized systems and trained staff, integrating findings directly into its workflow without producing standalone external reports. MDH assumes that under this bill, WIC would perform an additional parallel reporting process, requiring WIC to extract and translate complex data from multiple systems, prepare formal case summaries, and provide ongoing technical assistance to OIG to ensure accurate interpretation of WIC rules and transaction data. Because WIC is federally required to report and resolve all investigations, MDH assumes that WIC would also need to ensure timely receipt, review, and integration of any OIG findings into its federal reporting.

Expenditure and/or Revenue Formula

Program Implementation - Health Improvement					
Expenditure (Actual Dollars)	Amount	FY 2026	FY 2027	FY 2028	FY 2029
Full-time Equivalent (FTE) Staff		FTE	FTE	FTE	FTE
Health Care Program Inves Sr	185,897		1.0	1.0	1.0
	FTE	0.00	1.00	1.00	1.00
	Subtotal	0	185,897	185,897	185,897
Information Technology:					
	Subtotal	0	0	0	0
Other Operating Costs:					
	Subtotal	0	0	0	0
Total Expenditures	Total	0	185,897	185,897	185,897
Fiscal Tracking (Dollars in Thousands)		FY 2026	FY 2027	FY 2028	FY 2029
1000 - General Fund (GF)					
Health Improvement BACT 01		0	186	186	186
Program Implementation		0	186	186	186

Program Implementation - Health Operations					
Expenditure (Actual Dollars)	Amount	FY 2026	FY 2027	FY 2028	FY 2029
Full-time Equivalent (FTE) Staff		FTE	FTE	FTE	FTE
Admin Officer	196,386		1.0	1.0	1.0
Staff Attorney 3	233,362		0.5	0.5	0.5
	FTE	0.00	1.50	1.50	1.50
	Subtotal	0	313,067	313,067	313,067
Information Technology:					
	Subtotal	0	0	0	0
Other Operating Costs:					
	Subtotal	0	0	0	0
Total Expenditures	Total	0	313,067	313,067	313,067
Fiscal Tracking (Dollars in Thousands)		FY 2026	FY 2027	FY 2028	FY 2029
1000 - General Fund (GF)					
Health Operations BACT 04		0	313	313	313
Program Implementation		0	313	313	313

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Brendan Wright

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Date: 3/11/2026 8:06:09 AM

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	2,721	3,204	3,204
Total	-	-	2,721	3,204	3,204
Biennial Total			2,721		6,408

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	21	28	28
Total	-	-	21	28	28

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 submitted by DHS (Department of Human Services) cannot be verified for reasonableness and accuracy with the information provided by the department. Accordingly, the Legislative Budget Office (LBO) has not determined the DHS estimate to be reasonable at this time. However, the remaining fiscal estimates in this consolidated fiscal note have been reviewed and deemed reasonable. For this reason, the LBO has released the consolidated fiscal note.

LBO Signature: Kate Schiller **Date:** 4/1/2026 4:58:33 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	-	-	2,721	3,204	3,204
Total	-	-	2,721	3,204	3,204
Biennial Total			2,721		6,408
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	2,721	3,204	3,204
Total	-	-	2,721	3,204	3,204
Biennial Total			2,721		6,408
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

There is likely to be an increase in tips and expectations to investigate those tips when a new Office of Inspector General is created. If DHS receives direction from the Central OIG to conduct investigations or reviews of claims that will necessitate additional resources than are currently available. The department anticipates additional staff of nine FTEs. This will require an expansion of DHS OIG Program Integrity Oversight (OIG-PIO) preliminary investigations team. Two more preliminary investigator FTEs (MAPE 11L) are needed. Additionally, the OIG-PIO provider investigations team requires an additional four FTEs (MAPE 14L). Three FTEs (MAPE 17L) will be focused on Limits on Receiving Public Funds-oriented work.

OIG Office of Legal Counsel would need additional resources as well to work through increased investigations, tips, and referrals. A total of nine FTEs is needed for the anticipated increases. One senior attorney (staff attorney 3, MAPE 22L) to serve as the Limit on Receiving Public Funds expert attorney and for the increased need for Memoranda of Understanding (MOUs) and data sharing agreements between DHS and the Central OIG. They will also be need for further MOUs/data sharing agreements, further coordination with the US Department of Justice (USDOJ), the Medicaid Fraud Control Unit (MFCU) and the Minnesota Bureau of Criminal Apprehension (BCA), under the assumption that there is increased need for advising on the impact of other agency actions/authorities on DHS' authority. All of these issues will be in the purview of the staff attorney 3.

OIG Legal Counsel require an additional three FTEs. These attorneys (MAPE 19L) are needed for anticipated increases in referrals for investigations, referrals for potential preponderance of the evidence disqualifications (POEs) and other disqualifications (DQs). As well as more program integrity and licensing actions based on Limit on Receiving Public Funds. The four attorney FTEs will be overseen by a staff attorney supervisor (MMA 27K)

Due to the increase in attorney FTEs, there is an additional need for support staff. OIG Legal Counsel require three FTEs to coordinate the added legal work, including an FTE (MAPE 14L) for data and project management, an FTE (MAPE

7L) for increased systems work and an additional FTE (human services program rep 1, MAPE 11L) to handle the increased volume of legal actions. The legal support staff will be coordinated and overseen by a supervisor (MMA 18K)

The DHS OIG-Background Studies Division will need one additional FTE (human services program rep 1, MAPE 11L) to act as a liaison responsible for engaging across the various Department OIG's to educate and answer process related questions for other agency OIG staff regarding DHS' statewide background study system and statewide fingerprinting/photo service requirements.

The DHS requires additional support staff in their Healthcare Research and Quality (HRQ) division, with six FTEs (MAPE 17L) to support additional data requests that may be received through subpoenas, service/utilization reports and other ad hoc requests that are anticipated with the creation of a statewide OIG. DHS also needs three FTEs (MAPE 11L) in the Medicaid Payment and Provider Services (MPPS) division to handle increases to provider related transactions as it relates to payment investigations and recoveries.

FTEs are assumed to begin October 2026, and require 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 contract.

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY26	FY27	FY28	FY29
GF	18	OIG Admin FTEs (0, 14.25, 19, 19)	0	2,883	3,394	3,394
GF	13	HCA Admin FTEs (0, 4.5, 6, 6)	0	941	1,113	1,113
REV1	11	Admin FFP @ 32%	0	(1,223)	(1,442)	(1,442)
GF	11	HCA Admin FTEs (State Share @ 29%) (0, 2.2 5, 3, 3)	0	120	139	139
		Total Net Fiscal Impact	0	2,721	3,204	3,204
		Full Time E equivalents	0	21	28	28

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 PM**
 Agency: **Labor and Industry 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	
	FY2025	FY2026	FY2027	FY2028	FY2029
Workers Compensation	-	-	27	27	27
Total	-	-	27	27	27
Biennial Total			27		54

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Workers Compensation	-	-	.25	.25	.25
Total	-	-	.25	.25	.25

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: Karl Palm **Date:** 3/5/2026 3:46:40 PM
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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
Workers Compensation	-	-	27	27	27
Total	-	-	27	27	27
Biennial Total			27		54
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Workers Compensation	-	-	27	27	27
Total	-	-	27	27	27
Biennial Total			27		54
2 - Revenues, Transfers In*					
Workers Compensation	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

SF 856 would amend Section 3.971 of Minnesota Statutes 2024 to require the legislative auditor to refer all reports from the public about potential fraud or misuse to the inspector general. The legislative auditor may coordinate reviews and investigations for efficiency so long as it does not compromise the reviews.

Section 2 adds the Office of the Inspector General as an agency head and requires publication of the agency head's salary on the website.

Section 3 defines the Office of the Inspector General as an independent entity responsible for ensuring accountability, transparency, and integrity in the operations of state agencies and programs. It establishes the OIG out in the executive branch and requires that it operate independently of all state executive branch agencies and report directly to the Governor. The inspector general serves in the unclassified service and must not be subject to direction of interference from any executive or legislative authority.

Section 4 defines agency program, fraud, investigation, misuse, and personal gain, and would take effect retroactively on January 1, 2026.

Section 5 names minimum education and experience qualifications for the inspector general, requiring a professional certification from the association of inspectors general, law enforcement, or related area. This section also calls out that former agency heads are not eligible to serve in this role within five years of their service in these roles. The section also lays out the process for appointing, confirming, filling the vacancy and removing of the inspector general and names that a term lasts for five years, with unlimited terms available. The section also articulates affiliation disclosure requirements and calls out the inspector general be nonpartisan. The section calls out required compliance with conflict of interest and code of ethics requirements.

Section 6 calls out powers and responsibilities, which include conducting inspections, evaluations, referral of matters to other entities, recommendation of legislative or policy changes, publishing annual reports, alerting other parties, and establishing /maintaining an exclusion list. This section clarifies the relationship to powers and duties of other agencies. This section requires and provides detail about the inspector general alerting agencies of issues and seeking court orders to freeze funds.

Section 7 provides significant authorization and detail about law enforcement powers.

Section 8 details auxiliary powers, including subpoena power, inquiry and inspection power, and penalties.

Section 9 details the identification of fraud reporting tools and agency head responsibilities related to such tools.

Section 10 details data practices and defines different types of data.

Section 11 details resources for the Office of the Inspector General, including staff requiring at least one attorney to serve as legal counsel and notes that all staff shall serve in the classified civil service and notes some details related to compensation and bargaining units.

Section 12 details reporting and transparency expectations, including public reports detailing completed audits, investigations, and corrective actions taken, handling of public tips, and reports on inactive investigations, which are due by December 1, 2026, and each December 1 thereafter.

Section 13 details professional standards and review, allowing the governor to contract for an external quality assurance review every three years, with findings made available to the public.

Section 14 details the Legislative Inspector General Advisory Commission, including membership details, terms, chairs, duties, per diem, meeting space and staff, and open meetings, all taking effect the day following enactment. (Notes January 1, 2026 in draft bill.)

Section 15 amends section 609.456, subdivision 2 of 2024 Minnesota Statutes to add inspector general to the legislative auditor and adds fraud and other unlawful use of public funds as reportable discoveries.

Section 16 details the establishment and transition of the Office of the Inspector General and notes February 1, 2026, as the date by which the governor must appoint; office must be fully operational by September 1, 2026, and all employees must be transitioned. This section also details parameters for transition of employees.

Section 17 details the appointments, first meeting, and chair election for the Legislative Inspector General Advisory Commission. Appointments were to be made by August 1, 2025.

Section 18 details interagency agreements with DHS, DCYF, and MDE. Effective date is January 1, 2026, with multiple deadlines of December 31, 2026, or "as soon as practicable."

Section 19 appropriates one-time funding from the general fund for establishment and base funding for on-going operations, with transfers possible through Commissioners of Administration and Management and Budget.

Article 2

Section 1 adds OIG to list of agencies that carry on a law enforcement function.

Sections 2- 7 amends MDE statute to conform with Article 1 changes.

Section 8 and 9 amends DCYF statute to conform with Article 1 changes.

Section 10 amends Department of Health statute to conform with Article 1 changes.

Section 11 updates 181.932 by adding public employee reporting in good faith fraud or misuse in programs of state agency or political subdivision.

Section 12 and 13 amends DHS statute to conform with Article 1 changes.

Section 14 amends Peace Office statutes to conform with Article 1 changes.

Section 15 abolishes the Dept. of Education's Office of Inspector General and transfers the caseload to the new Office of Inspector General. Effective July 1, 2025.

Repeals 13.321 subd 12 and 127A21 subd 1, 2, 3, 4, 6, and 7. Effective after OIG assumes full responsibility.

Assumptions

Section 6:

DLI assumes that the OIG may conduct investigations into multiple DLI programs at any given time. These investigations will require data to be retrieved, analyzed, organized, shared, and tracked. The collaboration will require internal DLI program expertise to properly facilitate and interpret data that are shared. DLI estimates that a 0.25 FTE internal control auditor (MAPE 10L) position would be required to respond to data requests, provide agency expertise and assist in the preparation of any fraud investigation reports.

DLI assumes programs will modify their business processes to review the OIG exclusion list and the list of programs for which the OIG has obtained a court order to freeze or cease distribution of funds. These business process changes should incur nominal costs and will be absorbed by the agency.

Section 9:

DLI maintains the agency website and assumes nominal costs 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. These costs will be absorbed by the agency.

DLI assumes the Department of Administration will update their grant contract policy and template requiring nonprofit grant recipients to prominently 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. DLI will use the updated template and be responsible for monitoring compliance, ensuring the grantee is in compliance for the life of the grant agreement. Costs associated with this work are nominal and will be absorbed by the agency.

Article 2, Section 11:

DLI assumes Minnesota Management and Budget will update the State Code of Ethical Conduct policy to include the additional prohibition of retaliation language. DLI will update its Fraud and misconduct reporting requirements policy. This would be considered a nominal cost and will be absorbed by the agency.

DLI does not have enforcement authority over section 181.932 and will therefore have no enforcement related costs associated with the changes to retaliation language.

Expenditure and/or Revenue Formula

Auditor (MAPE 14G-10L)	FY26	FY27	FY28	FY29
FTE	0.00	0.25	0.25	0.25
Salary		71,138	71,138	71,138
Fringe Benefits (37% of Salary)		26,321	26,321	26,321
Indirect (16% of Salary/Fringe)				
Total Salary/Fringe/Indirect		24,365	24,365	24,365
Total Non-Personnel Services		2,827	2,827	2,827
Cumulative Cost		27,192	27,192	27,192

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

NA

Agency Contact: Kristy Swanson 651-284-5528

Agency Fiscal Note Coordinator Signature: Kristy Swanson

Phone: 651-284-5528

Date: 3/5/2026 8:44:41 AM

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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	-	-	29	7	7
Total	-	-	29	7	7
Biennial Total			29		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:** 3/5/2026 5:44:43 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	-	-	29	7	7	
Total	-	-	29	7	7	
Biennial Total			29		14	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	54	19	19	
Absorbed Costs	-	-	(25)	(12)	(12)	
Total	-	-	29	7	7	
Biennial Total			29		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 and its first meeting must occur by September 15. Candidate recommendations by the commission must be submitted by January 1. 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. Each State agency must highlight on its website the fraud reporting tools administered by the OIG and the OLA.

Assumptions

1. This fiscal note assumes all implementation dates are moved out one year from those identified within the bill language.
2. The Office of the Governor will develop the inspector general position description.
3. 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.
- 4.

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.

5. 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.
6. The LIGAC will meet two times between September 15, 2026, and September 30, 2026, 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 FY27 interim.
7. The inspector general position will be posted and open for application between October 1, 2026, and October 31, 2026.
8. 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 FY27. Additional funds will be needed by the LCC.
9. 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 FY27 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.
10. Criminal background checks will be conducted as a part of the candidate screening process at a total cost of \$1,000 in FY2027. Additional funds will be needed by the LCC.
11. Members of the LIGAC will conduct professional reference checks for finalists or will request this be performed by the LCC. The LCC will conduct a partisan review of candidates. Associated cost will be absorbed.
12. The LIGAC will meet six times between November 1 and December 31, 2026, to interview candidates and identify candidates to recommend to the governor. The meetings will occur during the FY27 interim.
13. The commission will hold three meetings prior to January 1, 2027, to provide recommendations on merging the Financial Crimes and Fraud Section of the Department of Public Safety into the OIG. These meetings will occur during the FY27 interim.
14. The LIGAC will conduct meetings every other month beginning in January 2027 through December 2027 to review the work of the inspector general. Beginning in January 2028 they will meet quarterly. This equates to an additional three meetings in FY27 (all occurring during session), a total of six meetings in FY28 (three during session and three interim), and total of four meetings beginning FY29 and beyond (one during session and three interim).
15. 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 .03 FTE in FY27 and then .01 FTE FY28 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.
16. 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 .03 FTE in FY27 and then .01 FTE beginning FY28 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.
17. The LCC director will follow the meetings and the general work of the LIGAC. This will equate to an additional dedication of .04 FTE in FY27 and then .02 FTE beginning FY28 and beyond.
18. 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 FY27 and then .02 FTE beginning FY28 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 FY27, and .01 FTE beginning FY28 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.
19. 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 \$110 round trip mileage (152 round trip mile average). Half of the legislative members will be reimbursed for lodging expenses (\$200/night senators, \$175/night representatives). New funds would be needed for the associated costs.
20. The inspector general will serve a five-year term with the position and may be appointed to unlimited terms. It is assumed the LIGAC will meet every 5 years to review the appointment, as well as any time there is a vacancy in the position, to make recommendations to the Governor.

21. The appointment of the inspector general is subject to a vote of three-fifths of the senate. It is assumed that this vote will occur as part of the work of the senate and will not require any additional resources.
22. 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

<u>LIGAC Member Meeting Participation Cost</u>				
Cost Category	FY26	FY27	FY28	FY29
Senate Member Mtg Participation Cost	0	13,033	3,554	3,554
House Member Mtg Participation Cost	0	12,483	3,404	3,404
Total Member Mtg Participation Cost (rounded)	0	26,000	7,000	7,000
<u>Staffing Cost</u>				
Cost Category	FY26	FY27	FY28	FY29
SCRFA staff support - Counsel & Analyst II (.03 FTE FY27, .01 FY28 - FY29, cost absorbed by Senate)	0	4,647	1,549	1,549
HRD & HFA staff support - Counsel & Analyst II (.03 FTE FY27, .01 FTE FY28 - FY29, cost absorbed by the House)	0	4,635	1,545	1,545
LCC Executive Director (.04 FTE FY27, .02 FTE FY28 - FY29, cost absorbed by the LCC)	0	10,462	5,231	5,231
LCC Commission Assistant (.04 FTE FY27, .02 FTE FY28-FY29, cost absorbed by the LCC)	0	3,947	1,974	1,974
LCC IS Specialist (.02 FTE FY27, .01 FTE FY28-FY29 cost absorbed by the LCC)	0	1,284	1,284	1,284
Total Staff Cost (rounded)	0	25,000	12,000	12,000
Senate Staff Cost Absorbed	0	(4,647)	(1,549)	(1,549)
House Staff Cost Absorbed	0	(4,635)	(1,545)	(1,545)
LCC Staff Cost Absorbed	0	(15,694)	(8,489)	(8,489)
Total Staff Cost Absorbed (rounded)	0	(25,000)	(12,000)	(12,000)
Net Staff Cost (rounded)	0	0	0	0
<u>Candidate Search Related Cost</u>				
	FY26	FY27	FY28	FY29
Posting of Inspector General Position	0	2,000	0	0

Background Search of Final Candidates	0	1,000	0	0
Total Candidate Search Related Cost (rounded)	0	3,000	0	0
<u>Total Cost</u>				
Cost Category	FY26	FY27	FY28	FY29
Total Member Mtg Participation Cost (rounded)	0	26,000	7,000	7,000
Total Staff Cost (rounded)	0	25,000	12,000	12,000
Total Candidate Search Cost (rounded)	0	3,000	0	0
Total Cost (rounded)	0	54,000	19,000	19,000
Total Cost Absorbed (existing legislative staff) (rounded)	0	(25,000)	(12,000)	(12,000)
Net Total Cost (rounded)	0	29,000	7,000	7,000

Long-Term Fiscal Considerations

Every five (or more frequently if a vacancy exists) there will be additional work, similar to the FY27 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: 3/5/2026 5:39:35 PM

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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: Chloe Burns **Date:** 3/9/2026 2:25:55 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

SF856-10E 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 SF856-10E 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 navigate 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

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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:** 3/5/2026 8:23:13 AM
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 bill relates to state government; establishes an Office of Inspector General; creating an advisory committee; requiring reports; transferring certain agency duties; placing limits and prohibiting certain programs from receiving public funds; making conforming and technical changes; providing for interagency agreement; appropriates funds; and proposes codification of new law in Minnesota Statutes, chapters 3 and 15.

Article 1, Section 1 of the bill requires the legislative auditor to refer all reports from the public about potential fraud or misuse to the inspector general. The legislative auditor may coordinate reviews and investigations with the inspector general when coordination conserves resources and does not compromise the reviews or investigations.

Section 6 of the bill requires the inspector general to refer all reports from the public about potential fraud or misuse to the legislative auditor, and to the commissioner of human services for reports related to Medicaid. The inspector general may coordinate investigations with the legislative auditor, and the commissioner of human services for investigations related Medicaid, when coordination conserves resources and does not compromise an investigation.

Section 9 of the bill requires state agencies to prominently feature fraud reporting tools on their websites. It also requires grant agreements between the state and nonprofit organizations to include provisions directing grantees to highlight the agency's fraud reporting tools on their websites.

Section 12 of the bill requires the inspector general to submit a report to, among other entities, the legislative auditor regarding investigations that were not opened or are no longer being pursued. The report must also identify referrals made to other agencies or to the legislative auditor.

Article 2, section 11 of the bill requires any state employee or officer, or an employee or officer of certain other organizations, to promptly report fraud, theft, embezzlement, or other unlawful use of public funds or property to the legislative auditor or the inspector general.

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: Scott Dunning

Agency Fiscal Note Coordinator Signature: Scott Dunning

Phone: 651-358-9953

Date: 3/5/2026 8:01:08 AM

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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:** 3/5/2026 8:39:52 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

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

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SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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: Jim Carlson **Date:** 2/25/2026 4:19:30 PM
Phone: 651-284-6540 **Email:** jim.carlson@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.

Article 1, section 8, 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.

Article 1, section 9, 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, 2027.

Assumptions

It is assumed that the gross misdemeanor takes effect January 1, 2027, 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

Phone: 651-757-1725

Date: 2/25/2026 3:20:48 PM

Email: jill.payne@state.mn.us

SF856 - 10E - Office of Inspector General Established

Chief Author: **Heather Gustafson**
 Committee: **Finance**
 Date Completed: **4/1/2026 9:48:55 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:** 3/11/2026 8:50:44 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

SF856-10E (the "Bill") establishes an Office of the Inspector General (OIG), codified at Minn. Stat. §§ 15D.01-.08 to ensure accountability, transparency, and integrity in the operations of state agencies and programs.

Relevant to the judicial branch:

Under section 6 of the bill, section 15D.04, the inspector general has the authority and responsibility to investigate state executive branch agencies and programs, to refer matters for civil or criminal action, and to seek a court order to freeze or stop distribution of public funds. Under section 7, section 15D.041, the inspector general may establish a law enforcement agency to conduct investigations and make arrests on with respect to conduct under the jurisdiction of the OIG and/or enter into agreements with other law enforcement agencies to enforce these laws.

Section 8 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 also provides for the transition of certain officers and employees employed in an office of inspector general of a state agency to employment under the OIG; appropriates funds; and makes conforming amendments.

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 sections 6 - 8 would not have a measurable impact on case filing rates or judicial branch resources. Other agencies and entities already have authority to investigate these types of violations of the law and refer them for civil or criminal action. It is also assumed that some cases referred for criminal charges will be prosecuted in federal court rather than state court. Additionally, 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:

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