



Chair Jim Nash and Lead Ginny Klevorn
Minnesota House of Representatives

Re: HF 2

February 18, 2025

Dear Chair Nash, Lead Klevorn, and members of the State Government Finance and Policy committee,

The Minnesota Council of Nonprofits (MCN) is the largest statewide association of nonprofits in the country, representing about 2,200 member organizations across the state. Through MCN, nonprofits join together across interest areas to work on issues of common interest to all. MCN works to inform, promote, connect, and strengthen individual nonprofits and the nonprofit sector.

We write with both gratitude for the intentions and concern for the implementation of requirements in House File 2. Our comments center on the belief that grant oversight is imperative for nonprofits to fully carry out our mission that is grounded in public trust. We embrace transparency and accountability to ensure that all resources – public and private – are being used responsibly to strengthen communities and address critical needs.

As you know, nonprofits are key partners for the state and the legislature, carrying out the legislature's priorities in delivering essential services in communities around the state. It is in the state's interest to right-size oversight measures to ensure the relationship between nonprofits and the state is productive and effective.

We remain concerned with provisions in HF 2 that create operational challenges. We appreciate the bill author's attention and adjustments based on our previously raised concerns but believe continued discussion is needed. However, we remain deeply concerned that the bill continues to present significant challenges and unintended consequences that could undermine its intended goals. We welcome further discussions on potential solutions that ensure both accountability and practicality.

Overall, while the intent behind the added language appears straightforward and practical, its true impact will depend on how it is implemented—something the legislature ultimately cannot control. Given past precedent, the Office of Grants Management is likely to interpret and apply this language in ways that could inadvertently create significant barriers for nonprofit partners. This would result in overly burdensome administrative requirements, delays in funding, or restrictive compliance measures that limit the state's ability to effectively collaborate with nonprofits to meet community needs.

While these are not our only concerns with the bill, we share the most significant:

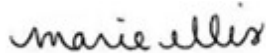
- Eliminating the commissioner's ability to approve exceptions to these new requirements presents serious challenges. Given the wide range of grant sizes and purposes, a one-size-fits-all approach is impractical and could create unintended barriers. Some level of flexibility is essential to ensure that grants can be administered efficiently and

effectively, particularly in cases where rigid compliance would hinder rather than enhance program outcomes.

- While site visits can be an important tool for oversight, they are also time-intensive. In 2024 DEED alone oversaw 1,973 grants agreements over \$50,000, to 859 unique organizations. In-person monitoring visits require DEED to conduct a minimum of 859 site visits, almost 2,000 if the language is strictly adhered to. Requiring state agency staff to take on these additional responsibilities without corresponding resources will significantly strain their capacity and hinder their ability to fulfill other critical functions of the office effectively.
- “Financial reconciliation” is already a requirement for grants, at different levels of specificity depending on the grant. Again, the legislature will not be able to determine how this language is implemented, and our concern is that it would be interpreted to require receipt match up for every single expense, down to the penny. While this may seem ideal, the time required to perform that level of financial reconciliation will require the exact “waste” this committee is seeking to prevent.

Thank you for the opportunity to provide feedback. We welcome further discussions on potential solutions that ensure both accountability and practicality.

Sincerely,



Marie Ellis
Public Policy Director
mellis@minnesotanonprofits.org
651-757-3060