

HF2845 - 0 - Commerce Fraud Bureau; Duties Modified

Chief Author: **Heather Edelson**
 Committee: **Commerce Finance and Policy**
 Date Completed: **2/18/2022 4:57:31 PM**
 Agency: **Commerce 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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	2,374	2,245	2,245	
Total	-	-	2,374	2,245	2,245	
Biennial Total			2,374		4,490	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
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.

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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	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	-	2,374	2,245	2,245	
Total	-	-	2,374	2,245	2,245	
Biennial Total			2,374			4,490
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	2,374	2,245	2,245	
Total	-	-	2,374	2,245	2,245	
Biennial Total			2,374			4,490
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-			-

Bill Description

HF 2845 would expand the jurisdiction of the Commerce Fraud Bureau (CFB) from its current authority of “offenses related to insurance fraud,” to “offenses related to insurance fraud, financial fraud, and automobile theft, as defined in section 65B.84, subdivision 5.”

HF2845 also increases the allowable administrative cost cap to increase from 10% to 25%.

Assumptions

Automobile Theft Investigation Authority

Minnesota Statute § 65B.84 subd. 5 defines automobile theft as “automobile-related theft.” That distinction is noteworthy as it is assumed Commerce assumes ‘related crimes’ would include criminal acts such as theft of catalytic converters, theft from automobiles, cloned vehicles, the exportation of stolen automobiles, and carjackings. Since 2016, the rate of motor vehicle thefts per 100,000 Minnesota residents has increased dramatically, from 156 per 100,000 in 2016 to 246 to 100,000 in 2020. Official 2021 auto theft numbers will not be known until the summer of 2022.

Commerce assumes that as part of the jurisdiction expansion in HF 2845, CFB would assist other law enforcement agencies. Commerce assumes the CFB would not have the capacity to investigate individual occurrences of the above-mentioned acts on its own; the investigation of those crimes would remain the responsibility of the agency with primary jurisdiction.

Commerce assumes that, when requested by a law enforcement agency, the CFB would offer special agents, analysts, and equipment to assist local agencies with: 1) saturation details targeting particular geographic areas experiencing new or high rates of automobile-related theft offenses; 2) investigating organized groups committing automobile-related offenses; and 3) investigations involving complex factors, such as cloned vehicles, chop shops, the exportation of vehicles, or mid-to high-level suspects who act as a clearinghouse for stolen automobiles or catalytic converters.

Because activities related to automobile theft would be new for the CFB, Commerce assumes a new investigative group would be needed to perform these activities. This would include:

- 1 Supervisory Special Agent
- 2 Analyst

8 Special Agents

Commerce assumes CFB special agents assigned to the auto theft unit would split their time between two types of activities: surveillance/enforcement details and conducting automobile related theft investigations. Commerce assumes an equal FTE split between those two activities. It is generally anticipated that surveillance/enforcement assistance to local agencies would last, on average, 3-5 days. If an average detail lasted 32 hours, that would allow for approximately 31 assistance details over the course of a year ($1,000 \text{ hrs} \div 32 \text{ hrs} = 31.25$). Given current CFB surveillance details are typically authorized with at least 4 special agents participating, Commerce assumes one group of 4 CFB special agents would annually be deployed on an average of 31 details. Given there would be 2 groups of 4 special agents in the auto theft unit, the CFB would be able to provide assistance to law enforcement agencies an average of 62 details per year ($31 \text{ details} \times 2 \text{ groups} = 62$).

Similarly, each special agent would have approximately 1,000 available hours each year to conduct traditional investigations of complex automobile-related theft investigations. Given the complex nature of these investigations, it is difficult to estimate the number of hours an average investigation would require. Currently, CFB special agents are assigned 15-20 cases at any given time. For purposes of providing an estimate, Commerce assumes the types of cases assigned to special agents would vary in complexity, thus an average investigation may require approximately 50 hours. CFB officer safety protocols generally require special agents to always have a partner when conducting interviews, arrests, or basic surveillance. As a result, Commerce assumes that each investigation would be assigned to two special agents. Using that logic, 4 pairs of special agents would annually have approximately 4,000 hours available to investigate complex automobile-related theft offenses. Commerce assumes each investigation will require an average of 50 hours and that the CFB auto theft unit would conduct at least 80 complex automobile-related theft investigations annually.

Commerce assumes that two analysts would support the special agents, based on the current ratio of analysts to agents within the CFB investigatory teams. CFB special analysts perform highly detailed work that often identifies connections within criminal organizations. Their work often involves examining records from financial institutions, monitoring social media accounts, creating demonstrative exhibits, and finding ways to connect suspects to addresses, vehicles or other individuals. Also, analysts are consistently looking to identify emerging crime trends and patterns.

This structure would allow for a statewide application of CFB auto theft prevention resources and facilitates teams that could specialize in assistance to metro-based agencies and agencies in Greater Minnesota as well as implementation of an equipment and technology lending program.

Commerce assumes the CFB would purchase and pool specialized equipment with the intention of lending it to local law enforcement agencies. For reference, the FY23 awarded Auto Theft Prevention Program (ATPP) grants are estimated at \$3.3 million ($\$3.3\text{M} \times 25\% = \$825,000$ available for equipment and administrative costs). Currently, many law enforcement agencies apply for ATPP grants to purchase equipment. While agencies could continue to apply for an equipment grant through the ATPP, the CFB would make a lending library of equipment available to all agencies that traditionally has short term or limited local use. For example, bait cars have a very short period of time in which they are effective in a local area. This concept would allow the CFB to purchase bait cars and share across the state rather having grant money go to what could be a very limited use item.

Commerce assumes this would increase efficiency by: 1) decreasing or eliminating grantee maintenance and logistical considerations associated with additional equipment and tools such as bait cars, portable license plate readers and high-tech surveillance equipment which have significant storage and upkeep requirements; and 2) create an inventory of tools that would be maintained and updated in a manner that would provide all agencies free access to the most up-to-date equipment possible; 3) by shifting certain equipment purchases to the CFB this would increase the grant funds available to local jurisdictions for staffing and training by eliminating the need for ongoing equipment costs. CFB special agents would work with requesting jurisdictions on the most effective methods for implementing the available tools and enabling local officers to maximize the effectiveness of the programs implemented.

Financial Fraud Investigation Authority

The bill authorizes CFB to conduct investigations concerning financial fraud not directly linked to allegations of insurance fraud, giving latitude to investigate allegations in other areas under the jurisdictional authority of the Commerce Department. It is anticipated that the CFB would assist on or investigate no less than 50 financial fraud cases each year, which is based on historical information along with financial fraud estimates.

To assume these cases and provide investigative assistance to law enforcement agencies, the CFB would add 2 special agents. These special agents would be added to the existing CFB investigative groups, providing a designated financial fraud special agent to each group. These additions increase overall capacity and will enhance current insurance fraud investigations.

Expenditure and/or Revenue Formula

13 FTE: 1 Supervisory Special Agent, 2 Analysts, 10 Special Agents

Equipment to include fleet vehicle leases (\$600 per month), retrofitting of vehicles (\$4,000 for each of 11 vehicles), and special agent equipment including vest, firearm, related equipment, and computer (\$7,700 per 11 special agents).

			FY23	FY24	FY25
Salary			1,294,589	1,294,589	1,294,589
Fringe			388,377	388,377	388,377
Other Personnel Related Costs			483,296	483,296	483,296
			2,166,261	2,166,261	2,166,261
Fleet Vehicles			123,200	79,200	79,200
Special Agent Equipment			84,700	-	-
Total Cost			2,374,161	2,245,461	2,245,461

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

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