



March 2, 2026

Leader Niska, Co-Chair Nash and House State Government Committee Members,

Minnesota is the best place to raise a family because we are committed to delivering evidence-based services through programs that improve lives. Fraud against these public programs is a crime that hurts Minnesotans. Any amount of fraud is too much, and in Minnesota, it will be met with zero tolerance. The administration will fully prosecute anyone who steals from taxpayers and ensure they are held accountable under the law.

We appreciate the committee's attention already this session to the topic of fraud prevention, specifically the benefits a centralized Office of Inspector General may provide. We note below additional proposals state agencies are bringing to the legislature this session to prevent, detect, investigate, and prosecute fraud.

**Shared Concept in HF 3395 and HF 3683: Fraud Against State Programs Estimate in Budget Forecast**

Minnesota Management and Budget (MMB) strives to ensure that the twice-yearly *Budget and Economic Forecast* contains information that helps policymakers understand issues influencing the state's budget outlook and major changes from previous projections. Under current practice, the forecast is updated with the most up to date information on expected spending in a state program, including program integrity efforts. While we appreciate the interest in creating additional tools to inform the legislature and public on this topic of fraud prevention, our twice a year forecasts are not the place for this analysis.

A forecast is a forward-looking budgeting tool, including projections of state revenues and spending. If MMB or another state agency knew that fraud was driving spending in state programs, we would stop the fraudulent activity, rather than continue to count it as new spending. The way this would appear in the forecast is as a reduction in spending from the previous forecast, and this work routinely happens during forecast preparation. There are recent examples of changes to state spending projections in our forecasts in light of new fraud prevention efforts. The February forecast released on Friday includes early data from the Medical Assistance prepayment review process, which has resulted in \$238 million in forecast savings across the budget horizon through the impact of the payment delay, cost avoidance, and denied claims. The Department of Human Services will continue to analyze and investigate impacted claims. With that analysis, more specific estimates of fraud, waste, and abuse within the 14 impacted programs will be completed. In addition, our November 2025 forecast also reflected changes resulting from fraud prevention activities. After the elimination of the Medical Assistance Housing Stabilization Services program due to program integrity concerns, we removed any future costs for the program from the forecast, which reduced projected general fund spending by state services \$70 million this biennium and \$102 million in the next.

I want to call attention to language in HF 3683 Section 2, Subd. 1b, paragraph b, which is of great concern to me. The language instructs MMB to consult with legislators on the impact of fraud on the forecast and to inform

them of changes in the estimates of fraud from the previous forecast before it is released publicly. Although current law requires pre-forecast consultation with legislative chairs and fiscal staff, that consultation is limited to methodology and variables. This language is distinct in that it suggests sharing actual forecast outcomes, which is a significant departure from current practice. Sharing a narrow set of data ahead of the release risks politicizing the forecast process and fails to provide sufficient context to policymakers receiving the information.

MMB works hard to ensure the integrity of the forecasts. The forecast is developed by strictly nonpartisan staff people. Agency commissioners, including myself, are not consulted and do not influence the contents of the forecast, nor does the Governor's Office. All contents of the forecast are embargoed within MMB until the day of its release. Politicizing the forecast would be deeply problematic and I strongly advise against it.

### **Alignment with HF 3395 on State Agency Payment Withholding Authority**

We appreciate the provision in the bill to repeal the sunset on the new payment withholding authority for state agencies enacted in the 2025 session. MMB agency bill HF 3621 (Rep. Klevorn) would strengthen this authority in addition to making it permanent. The bill improves this authority by updating the threshold for withholding a payment to the standard of credible allegation and extending the authority to withhold payments to that entity in other programs, including at another agency.

### **Additional Concerns in HF 3395**

State agencies need additional tools and resources to take on the criminals attempting to defraud state programs, as reflected in the proposals below. In our analysis of the provisions of HF 3395, the bill seems to take a step in the wrong direction by depriving state agencies of the resources they need to combat fraud. Our core concerns in the bill are:

- The bill would cut funding to fight fraud for the agencies most likely to encounter it. Agency central offices where fraud prevention and compliance functions and tools are often housed are targeted for reductions. Even a small number of reports of fraud reports would severely hamper an agency's response capacity following successive 10 percent budget reductions. These funds could only be restored after successful recovery efforts, a process that, if possible, typically takes months or longer.
- The bill seems to cut an agency's budget even in situations where neither the agency nor its payee were responsible for a fraud incident and the agency's preventative controls caught the attempt. For example, a fraudster impersonates a grantee and applies for a grant or a fraudster impersonates a vendor and attempts to change the vendor's banking information.
- Eligible beneficiaries of state programs might be harmed during the potentially lengthy enrollment suspensions the bill would require.
- Discipline changes seem to undermine employee due process rights and contemplate discharging employees without an independent and impartial investigation.
- The bill seems to require significant cuts and disruptions to programs even in situations when fraud is initially suspected but not ultimately substantiated. The bill directs that no later than 30 days after an agency suspends a payment due to suspected fraud, it must submit a corrective action plan, suspend program enrollment, and discharge responsible state employees.

### **Anti-Fraud Legislative Proposals from State Agencies**

Agencies from across the administration are bringing forward a comprehensive legislative package aimed at preventing, detecting, investigating, and holding accountable those who commit fraud in Minnesota's state programs.

Key elements of the administration's anti-fraud package include:

**Better Detection and Oversight**

- Strengthens program integrity in Managed Care Organizations.
- Expands audit and internal control capacity to ensure funds are properly spent and misused dollars are recovered.
- Uses predictive analytics and machine learning to identify suspicious billing earlier.
- Prohibits legislatively named grants, requiring competitive processes to ensure fairness and transparency.
- Adds new internal auditors at MMB to enable independent validation of state agency progress on high-risk audit findings and reduce statewide risk exposure.

**Strengthened Investigative and Enforcement Authority**

- Establishes a centralized Office of Inspector General to lead statewide fraud prevention, set standards, and refer cases for civil or criminal enforcement.
- Expands the Bureau of Criminal Apprehension Financial Crimes and Fraud Unit capacity and subpoena authority.
- Enhances authority for on-site investigations across Minnesota Health Care Programs, including providers who have not yet billed claims.
- Adds capacity for fraud prevention at the Department of Revenue and the Attorney General's Medicaid Fraud Unit.
- Establishes permanent bans from state contracts and grants for individuals convicted of fraud, including new businesses and subcontractors.

**Increased Criminal Penalties**

- Creates a new Theft of Public Funds statute, increasing penalties by 20 percent.
- Extends statutes of limitations to seven years for certain fraud-related crimes.

I look forward to working with you this session to find agreement on opportunities to aid state agencies in preventing, detecting, investigating, and holding accountable those who commit fraud in Minnesota's state programs.

Sincerely,



Erin Campbell  
Commissioner