

Subject Fraud

Authors Niska and others

Analyst Colbey Sullivan

Date March 2, 2026

Overview

This bill would require budget cuts, a corrective action plan, staff dismissal, and a freeze on new enrollment when a state agency withholds payment to a program participant suspected of committing fraud, or a law enforcement agency refers for prosecution a case of suspected fraud committed against a state program.

The targeted budget cuts and enrollment freeze would continue until the agency refers all evidence to law enforcement, fires each employee who bears responsibility for the fraud, and recovers at least a specified portion of the amount of state money fraudulently obtained by the perpetrator(s).

Summary

Section	Description
---------	-------------

1	Citation.
---	------------------

Provides that this act may be cited as the “Fraud Isn’t Free Act.”

2	Fraud; corrective action plans and other requirements.
---	---

Subd. 1. Definitions. Defines key terms, including “fraud,” “program,” and “law enforcement agency.” For purposes of this bill, “agency” means any executive branch officer or agency including the Minnesota State Colleges and Universities.

Subd. 2. Fraud suspected. Requires agencies to report the total amount of money fraudulently obtained under an agency program to Minnesota Management and Budget and the chair and vice-chair of the bipartisan, bicameral Legislative Audit Commission no later than 30 days after (1) the agency withholds payment to a recipient due to suspected fraud, or (2) a law enforcement agency reports suspected fraud to the agency as required under subdivision 6. The grounds for withholding payment under clause (1) could vary depending on the legal authority used by the agency to withhold the funds (e.g., general state agency authority to withhold payment when a preponderance of the evidence show a participant has committed fraud under Minn. Stat. § 15.013,

Section	Description
---------	-------------

the Department of Human Services determines there is a credible allegation of fraud under Minn. Stat. § 256B.064, etc.).

Subd. 3. Corrective action plan. Requires an agency that reports under subdivision 2 to submit a corrective action plan to leaders of the legislative committees of jurisdiction. Specifies required plan elements.

Subd. 4. Enrollment suspended. Requires an agency that reports under subdivision 2 to suspend further enrollment in the affected program until the agency completes the requirements in section 3.

Subd. 5. Leadership and employee dismissal; hiring prohibited. Requires an agency that reports under subdivision 2 to fire each agency employee whose intentional or negligent act, or failure to act, abetted or allowed the fraud to occur. Provides that any person discharged under this subdivision is prohibited from state employment for five years.

Subd. 6. Law enforcement investigations; reporting. Requires law enforcement, when referring a fraud case for prosecution, to promptly notify the affected state agency and the chair and vice-chair of the Legislative Audit Commission and provide specified information. Requires the agency and the leaders of the Legislative Audit Commission to treat the information provided by law enforcement as criminal investigative data under the Government Data Practices Act. (Criminal investigative data are governed by Minn. Stat. § 13.82, subd. 7. In general, criminal investigative data collected or created by law enforcement to prepare a case against someone are confidential or protected nonpublic data until the prosecutorial authority decides not to pursue the case, or any appeal rights are exhausted or expire for a person convicted on the basis of the investigative data.)

3 **Agency budget reductions due to fraud.**

Subd. 1. Budget reduction required. Requires Minnesota Management and Budget to reduce the administrative budget and commissioner's salary of any agency that reports suspected fraud under subdivision 2 of section 2. The agency's administrative budget for the remainder of the current biennium would be reduced by ten percent, and the commissioner's salary for the remainder of the biennium would be reduced by 25 percent. The appropriation base for these purposes would also be reduced by ten percent and 25 percent, respectively. These reductions would continue until the agency head certifies compliance with the requirements in paragraph (b) of this subdivision.

Subd. 2. Reporting. Requires Minnesota Management and Budget to report each reduction under subdivision 1 to the leaders of the legislative committees of

Section	Description
	jurisdiction, the senate's Committee on Finance, and the house's Committee on Ways and Means.
4	Forecast parameters. Requires Minnesota Management and Budget to address fraud in state budget forecasts, as specified in section 5.
5	Fraud in state programs. Specifies that budget forecasts must include an estimate and discussion of fraud's impact on the state budget and summarize actions the administration has taken since the previous forecast to detect and prevent fraud in programs funded or administered by the state.
6	Repealer. Repeals the July 1, 2027, expiration date for a statute that authorizes agencies to withhold funds to a program participant when the agency determines that a preponderance of the evidence shows that the participant has committed fraud to obtain a payment.



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn.gov/hrd | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155