MN HOUSE RESEARCH

Act Summary

Chapter 122

2026 Regular Session

Subject	**State government**
Bill	**H.F. 3629**
Analyst	**Colbey Sullivan**
Date	**June 10, 2026**

Overview

This act enhances the authority of state agencies to withhold payments when the recipient is the subject of an investigation concerning a credible allegation of fraud. It also modifies statutes that govern state grantmaking and requires the Department of Children, Youth, and Families and the Department of Human Services to submit annual program integrity reports to the legislature.

Governor Tim Walz signed this act into law on May 26, 2026.

Summary

Section	Description
1	**Program payments withheld; fraud.** Modifies a law enacted in 2025 that granted all state agencies the authority to withhold payment for up to 60 days to a legal entity when the agency determines that a preponderance of the evidence shows that the entity committed fraud to obtain payment. Modifications include lowering the evidentiary standard from preponderance of the evidence to a credible allegation of fraud, removing the 60-day maximum, expanding the definition of "program participant" to include individuals, and allowing other agencies to also withhold payment when the subject of an investigation is also participating in other state programs. Provides that a payment withhold must end if the agency determines there is insufficient evidence of fraud or legal proceedings are completed, unless the agency is authorized by law to take additional action against the individual or entity.
2	**Duties.** Expands the Department of Administration's authority to approve exceptions to the department's grants management policies. Requires the department to report each approved exception to leaders of the legislative committees of jurisdiction. Under prior law, the department's authority to approve exceptions was limited to a program-by-program basis. Under prior law and this act, the department's grants management policies generally apply to all state agencies that award grants.

Section	Description
3	**Data classification.** Eliminates the Department of Administration's authority to share with the relevant grantmaking agency the identity of a person who alleged that the agency violated a state grantmaking policy or alleged that fraud or misuse exists in a state grantmaking process.
4	**Encumbrance exception.** Fixes a cross-reference error.
5	**Criminal conviction.** Defines "recipient" for purposes of a mandatory clause in state agreements providing for the termination of a state grant when a recipient is convicted of a criminal offense relating to the grant agreement. Defines "recipient" for this purpose to include individuals, entities, and key personnel of entities, as well as any individual with a fiduciary responsibility related to the grant.
6	**Program integrity report.** Requires the Department of Children, Youth, and Families to submit an annual report to the legislative committees of jurisdiction regarding the department's program integrity functions. Specifies required report elements, including an update from the department's internal Office of Inspector General regarding caseloads, site visit data, child care assistance program investigations and administrative reviews, and the results of recipient fraud investigations that involved multiple benefits.
7	**Program integrity report.** Requires the Department of Human Services to submit an annual report to the legislative committees of jurisdiction regarding the department's program integrity functions. Specifies required report elements, including updates and certain data from the Background Studies Division and the Licensing and Program Integrity Oversight Divisions within the department's internal Office of Inspector General.