

**Subject** Fraud

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## Overview

This bill is the anti-fraud package recommended by Governor Tim Walz. It includes funding and/or initiatives for the following agencies and constitutional officers: attorney general, Department of Education, Department of Human Services, Department of Management and Budget, Department of Public Safety, Department of Commerce, and Department of Corrections. It also increases criminal penalties for those who commit a theft of public funds.

## Article 1: Appropriations

This article appropriates funding in fiscal years 2026 and 2027 to the attorney general and specified state agencies.

### Section Description – Article 1: Appropriations

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- 1 Appropriations.**  
Explains the effect of, and format for, this appropriations article.
- 2 Attorney general.**  
Appropriates funds to increase staffing in the AG's Medicaid Fraud Division.
- 3 Department of Children, Youth, and Families.**  
Appropriates funds for additional compliance efforts and improved program integrity and services deliver in the child care assistance program.
- 4 Department of Education.**  
Appropriates funds for fraud prevention and detection.

**Section Description – Article 1: Appropriations**

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- 5      **Department of Human Services.**  
Appropriates funds for finance and management functions, as well as program integrity investigative analytics infrastructure. Authorizes the commissioner of human services to transfer positions and funds within the department with approval from the commissioner of Minnesota Management and Budget and quarterly notification to the legislature.
- 6      **Department of Management and Budget.**  
Appropriates funds for additional financial and human resource oversight capacity.
- 7      **Department of Public Safety.**  
Appropriates funds for the Bureau of Criminal Apprehension’s Financial Crimes and Fraud Section.
- 8      **Department of Commerce.**  
Reduces other legislatively enacted appropriations during the 2025 session for the Department of Commerce’s enforcement program.
- 9      **Department of Corrections.**  
Appropriates funds for increased correctional facility bed costs associated with modifications to the theft of public funds crime in article 6, section 22.
- 10     **Appropriations and transfers given effect once.**  
Provides that if an appropriation, reduction, or transfer in this article is enacted more than once during the 2025 session, it must be given effect only once.

**Article 2: Department of Human Services**

This article establishes anti-kickback policies and criminal violations for human services programs, modifies substance use disorder treatment program licensing and service requirements, establishes recovery residence certification requirements, modifies human services background study requirements, establishes provisional licensure for early intensive developmental and behavioral intervention (EIDBI) agencies, and adds several provisions related to human services program license holder and applicant eligibility when a license holder, applicant, or controlling individual is the subject of a pending investigation. The article also modifies welfare system and investigation data disclosure provisions and allows the commissioner to withhold payments to individuals and entities for reasons related to fraud, theft, and misconduct.

**Section Description – Article 2: Department of Human Services**

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**1 General.**

Amends § 13.46, subd. 2. Allows disclosure of welfare system private data to any agent, rather than only an agent of the welfare system, or investigator acting on behalf of a county, the state, or the federal government in the investigation or prosecution of a criminal, civil, or administrative proceeding relating to the administration of a program.

**2 Investigative data.**

Amends § 13.46, subd. 3. Allows disclosure of welfare system investigative data to any agent, rather than only an agent of the welfare system, or investigator acting on behalf of a county, the state, or the federal government in the investigation or prosecution of a criminal, civil, or administrative proceeding relating to the administration of a program. Allows the commissioner of human services to disclose the reduction or withholding of payments.

Makes this section effective July 1, 2025.

**3 Administrative disqualification of child care providers caring for children receiving child care assistance.**

Amends § 142E.51, subd. 5. Adds receiving or providing a kickback to intentional program violations for purposes of CCAP administrative disqualification.

**4 Prohibited hiring practices.**

Amends § 142E.51, subd. 6. Adds paragraph (b), prohibiting CCAP program participants from receiving or providing a kickback or payment in exchange for obtaining or attempting to obtain CCAP benefits for their own financial gain. Specifies conduct that is not prohibited.

Adds paragraph (c), clarifying that an attempt to buy or sell access to a family's child care subsidy benefits to an unauthorized person by an applicant, a participant, or a provider constitutes a kickback, an intentional program violation, and wrongfully obtaining assistance.

**5 Withholding of payments.**

Amends § 245.095, subd. 5. Adds reasons for the commissioner of human services to withhold payments to a provider, vendor, individual, associated individual, or associated entity, as follows:

- If the individual, the entity, or an associated individual or entity was convicted of a crime in state or federal court with an offense involving fraud or theft against a program administered by the commissioner or another Minnesota state or federal agency.

**Section Description – Article 2: Department of Human Services**

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- If the provider is operating after a Minnesota state or federal agency orders the suspension, revocation, or decertification of the provider's license.
- If the provider, vendor, associated individual, or associated entity has a background study disqualification that has not been set aside and for which no variance has been issued, except under specified circumstances.
- If the commissioner determines by a preponderance of the evidence that the provider, vendor, individual, associated individual, or associated entity intentionally provided materially false billing information.

Makes this section effective July 1, 2025.

**6 Data practices.**

Amends § 245.095 by adding subd. 6. Allows the commissioner of human services to exchange information, including claims data, with state or federal agencies, boards, departments, or programs for purposes of investigations or proceedings related to suspected fraud or program exclusion.

**7 Application for licensure.**

Amends § 245A.04, subd. 1. Prohibits completion of a DHS licensing application if the applicant or a controlling individual is the subject of a pending administrative, civil, or criminal investigation.

**8 Denial of application.**

Amends § 245A.05. Allows the commissioner to deny a licensing application if the applicant or controlling individual is the subject of a pending administrative, civil, or criminal investigation.

**9 Temporary immediate suspension.**

Amends § 245A.07, subd. 2. Adds “controlling individual” to reasons for temporary immediate license suspensions; expands criminal charge provision to include fraud or theft against any state or federal agency program. Adds paragraph (c) to allow for a temporary immediate suspension if the license holder or controlling individual is the subject of a pending administrative, civil, or criminal investigation related to program fraud.

**10 Early intensive developmental and behavioral intervention provisional licensure.**

Proposes coding for § 245A.142. Establishes provisional licensing and regulation for early intensive developmental and behavioral intervention (EIDBI) agencies. Requires provisional licenses effective for up to one year to operate an EIDBI agency; specifies DHS regulatory functions, provisional license requirements, maltreatment reporting and background study requirements, sanctions, and reconsideration processes.

**Section Description – Article 2: Department of Human Services**

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- 11      **Activities pending completion of background study.**  
Amends § 245C.13, subd. 2. Specifies that for a child care center or certified license-exempt child care center background study, notice of more time needed to complete a study must not be issued until the commissioner receives a qualifying result for the individual for the national criminal history record check or the criminal history information from the BCA.  
  
Adds clause (8), establishing background study procedures for EIDBI providers.  
  
Makes this section effective January 15, 2026.
- 12      **Two-year disqualification.**  
Amends § 245C.14 by adding subd. 4c. Adds two-year disqualification for violations of human services and children, youth, and families statutes related to fraud, theft, and program misconduct.
- 13      **Disqualification from owning, operating, or billing.**  
Amends § 245C.14 by adding subd. 6. Requires the commissioner to disqualify an individual from any position of ownership, management, or control of a program or billing activities if a background study shows violations of human services and children, youth, and families statutes related to fraud, theft, and program misconduct.
- 14      **Permanent disqualification.**  
Amends § 245C.15, subd. 1. Adds child torture crime to permanent disqualifications.  
  
Makes this section effective July 1, 2025.
- 15      **Licensed family foster setting disqualifications.**  
Amends § 245C.15, subd. 4a. Adds child torture crime to permanent disqualifications for licensed family foster setting background studies.  
  
Makes this section effective July 1, 2025.
- 16      **Determining immediate risk of harm.**  
Amends § 245C.16, subd. 1. Adds EIDBI background studies to exception to immediate risk of harm determination provisions.  
  
Makes this section effective the day following final enactment.
- 17      **Individual counseling.**  
Amends § 245G.01 by adding subd. 13d. Defines “individual counseling” in chapter 245G (substance use disorder treatment program licensure).

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- 18      **Psychoeducation.**  
Amends § 245G.01 by adding subd. 20f. Defines “psychoeducation” in chapter 245G.
- 19      **Psychosocial treatment services.**  
Amends § 245G.01 by adding subd. 20g. Defines “psychosocial treatment services” in chapter 245G.
- 20      **Recovery support services.**  
Amends § 245G.01 by adding subd. 20h. Defines “recovery support services” in chapter 245G.
- 21      **Treatment coordination.**  
Amends § 245G.01 by adding subd. 26a. Defines “treatment coordination” in chapter 245G.
- 22      **Exemption from license requirement.**  
Amends § 245G.02, subd. 2. Modifies subdivisions in exemption for a license holder providing the initial set of substance use disorder services, to include psychoeducation services and exclude services previously listed in section 245G.07, subdivisions 1 and 2.  
  
Makes this section effective July 1, 2026.
- 23      **Treatment service.**  
Amends § 245G.07, subd. 1. Removes distinction between residential and nonresidential programs for purposes of treatment services. Moves services from clauses in paragraph (a) to new subdivisions. Adds paragraph (c) to specify that a supportive service alone is not a treatment service; lists supportive services. Adds paragraph (d) to require that treatment services provided in a group setting be provided in a cohesive manner and setting.
- 24      **Psychosocial treatment service.**  
Amends § 245G.07 by adding subd. 1a. Outlines requirements for providing psychosocial treatment services.
- 25      **Treatment coordination.**  
Amends § 245G.07 by adding subd. 1b. Outlines requirements for providing one-to-one treatment coordination services.

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- 26     **Ancillary treatment service.**  
Amends § 245G.07 by adding subd. 2a. Outlines requirements for providing ancillary treatment services; lists ancillary treatment services.
- 27     **Treatment service providers.**  
Amends § 245G.07, subd. 3. Replaces “counselors” with treatment service providers; requires all treatment services to be provided by an individual specifically qualified to provide the service. Lists provider requirements for psychosocial treatment services, treatment coordination, recovery support services, and peer recovery support services.
- 28     **Location of service provision.**  
Amends § 245G.07, subd. 4. For license holders providing telehealth treatment services, requires a physical location in Minnesota and requires them to offer in-person psychosocial treatment services to each client. Modifies reference to ancillary treatment services.
- 29     **Paraprofessionals.**  
Amends § 245G.11, subd. 6. Clarifies paraprofessional responsibilities; allows paraprofessionals to perform intake and orientation tasks and to be the designated staff member responsible for the delivery of treatment services; specifies treatment services a paraprofessional is not qualified to provide.
- 30     **Treatment coordination provider qualifications.**  
Amends § 245G.11, subd. 7. Modifies alternative qualifications for treatment coordination providers; removes bachelor’s degree requirement.
- 31     **Behavioral health practitioners.**  
Amends § 245G.11 by adding subd. 12. Establishes qualifications for behavioral health practitioners, to align with mental health practitioner qualifications. Specifies scope of practice for behavioral health practitioners to provide recovery support services. Requires at least one hour of supervision per month.
- 32     **Waiting list.**  
Amends § 245G.22, subd. 11. Updates cross-reference.
- 33     **Nonmedication treatment services; documentation.**  
Amends § 245G.22, subd. 15. Updates cross-reference.

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**34 Psychosocial treatment services.**

Amends § 254B.01, subd. 10. Updates language for psychosocial treatment services provisions added in the bill.

**35 Recovery residence.**

Amends § 254B.01, subd. 11. Changes terminology from “sober home” to “recovery residence.”

Makes this section effective January 1, 2027.

**36 Licensure or certification required.**

Amends § 254B.05, subd. 1. Updates references and terminology; adds reference to peer recovery support services.

**37 Room and board provider requirements.**

Amends § 254B.05, subd. 1a. Prohibits room and board services vendors from being approved after June 30, 2025, to receive behavioral health fund payments. Allows for continued payments for those already approved until June 30, 2027.

Makes this section effective the day following final enactment.

**38 Prohibition of duplicative claim submission.**

Amends § 254B.06 by adding subd. 5. Requires time-based claim submissions to follow guidance on appropriate units of time from the Centers for Medicare and Medicaid Services' Healthcare Common Procedure Coding System and the American Medical Association's Current Procedural Terminology.

Requires more than half of the duration of a time-based code to be spent performing the eligible service; specifies what constitutes a duplicative claim submission.

Allows a provider to round up to the next whole number of service units only when more than one and one-half times the defined value of the code has occurred and no additional time increment code exists.

Makes this section effective July 1, 2025.

**39 Requirements.**

Amends § 254B.181, subd. 1. Updates terminology; modifies and adds requirements for recovery residences, related to certification, safety policies and procedures, opiate antagonist staff training, residency termination and eviction procedures, separation of client funds, substance abstinence and drug screening policies, posting of rules and policies, search policies and procedures, code of ethics policies and



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- procedures, resident governance involvement, and procedures to maintain a respectful environment.
- 40 **Bill of rights.**  
Amends § 254B.181, subd. 2. Updates terminology for recovery residences; adds certifying entity to contact information provided.
- 41 **Complaints.**  
Amends § 254B.181, subd. 3. Updates terminology for recovery residences; adds certifying entity to complaint provision.
- 42 **Resident records.**  
Amends § 254B.181 by adding subd. 5. Requires recovery residences to maintain documentation for each resident of a written agreement prior to beginning residency; specifies what the agreement and resident documentation must include. Specifies that resident records are private data under the data practices act.
- 43 **Staff requirements.**  
Amends § 254B.181 by adding subd. 6. Requires certified level 2 recovery residence programs to have staff to model and teach recovery skills and behaviors; lists policies such programs must have.
- 44 **Recovery residence certification.**  
Proposes coding for § 254B.182. Requires the commissioner of human services to certify all recovery residences in Minnesota beginning January 1, 2027.  
  
Requires the commissioner to publish a list of recovery residences; specifies what the list must include. Requires the commissioner to make certification requirements publicly accessible, review and recertify every three years, compile an annual report, review and certify all recovery residences beginning July 1, 2027, and make certification decisions within 90 days of application.  
  
Allows for decertification with 30 days' notice. Establishes reconsideration procedures.
- 45 **Level of care requirements.**  
Amends § 254B.19, subd. 1. Updates terminology and references.
- 46 **Wrongfully obtaining assistance.**  
Amends § 256.98, subd. 1. For human services and children and families assistance programs, adds language prohibiting kickbacks and other prohibited payments, and

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- aiding or abetting the submission of a willfully false claim, to acts that constitute wrongfully obtaining assistance.
- 47     **Funding.**  
Amends § 256.983, subd. 4. Modifies commissioner program compliance activities for any county or Tribal agency from three consecutive months of failure to comply or meet standards to a quarterly timeframe.  
  
Makes this section effective July 1, 2025.
- 48     **Provider enrollment.**  
Amends § 256B.04, subd. 21. Requires the commissioner to revalidate a Medicaid-only provider type the commissioner deems “high risk,” at the commissioner’s discretion.  
  
In paragraph (l), specifies that any action to obtain monetary recovery or sanctions from a surety bond must occur within six years from the date the debt is affirmed by a final agency decision.  
  
Makes this section effective July 1, 2025.
- 49     **Certified community behavioral health clinic services.**  
Amends § 256B.0625, subd. 5m. Updates cross-reference.
- 50     **Requirements for provider enrollment of personal care assistance provider agencies.**  
Amends § 256B.0659, subd. 21. For personal care assistance provider agency enrollment in medical assistance, requires that any action to obtain monetary recovery or sanctions from a surety bond must occur within six years from the date the debt is affirmed by a final agency decision.  
  
Makes this section effective July 1, 2025.
- 51     **Behavioral health home services staff qualifications.**  
Amends § 256B.0757, subd. 4c. Updates cross-reference.
- 52     **Definitions.**  
Amends § 256B.0949, subd. 2. Adds definition of “employee” in EIDBI definitions section.  
  
Makes this section effective the day following final enactment.

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- 53      **EIDBI provider qualifications.**  
Amends § 256B.0949, subd. 15. Updates terminology to “employee” throughout the subdivision.  
  
Makes this section effective the day following final enactment.
- 54      **Agency duties.**  
Amends § 256B.0949, subd. 16. Adds EIDBI agency duties to provide clinical supervision and in-person supervision sessions as specified.
- 55      **Provisional licensure.**  
Amends § 256B.0949 by adding subd. 18. Specifies that the commissioner will begin issuing provisional EIDBI agency licenses on January 1, 2026; provides 60 calendar days to apply for provisional licensure for agencies enrolled by December 31, 2025. Requires the commissioner to act on the application within 90 days of receipt.
- 56      **Legal representation.**  
Amends § 256B.12. Makes technical changes; adds cross-reference to new human services program crimes statute.
- 57      **Requirements for enrollment of CFSS agency-providers.**  
Amends § 256B.85, subd. 12. For community first services and supports provider agency enrollment in medical assistance, requires that any action to obtain monetary recovery or sanctions from a surety bond must occur within six years from the date the debt is affirmed by a final agency decision.  
  
Makes this section effective July 1, 2025.
- 58      **License required; staffing qualifications.**  
Amends § 256I.04, subd. 2a. Effective January 1, 2027, allows the commissioner to enter into housing support agreements with board and lodging establishments that are certified recovery residences. Specifies that DHS is the lead agency for the agreement.
- 59      **Facilities and schools.**  
Amends § 260E.14, subd. 1. Specifies that DHS is the agency responsible for screening and investigating allegations of maltreatment in a provisionally licensed EIDBI agency.  
  
Makes this section effective the day following final enactment.

**Section Description – Article 2: Department of Human Services**

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**60 Recovery residence title protection.**

Amends § 325F.725. Updates terminology for recovery residences.

Makes this section effective the day following final enactment.

**61 Human services program crimes.**

**Subd. 1. Definition.** Defines “federal health care program” consistent with the definition in federal law. The definition primarily includes Medicaid, Medicare, and VA health care benefits.

**Subd. 2. Prohibited payments made relating to human services programs.** Establishes a crime if a person intentionally offers or provides another person with money or another thing of value in order either (1) to induce the person to apply for or receive a service when any portion of the payment is from a federal health care program, a state behavioral health program (such as a mental health or substance abuse program), or a family program (such as child care assistance), or (2) in return for purchasing a good or service when any portion of the payment is from a federal health care program, state behavioral health program, or a family program.

**Subd. 3. Receipt of prohibited payments relating to human services programs.** Establishes a crime if a person intentionally solicits or receives money or another thing of value in return for either (1) applying for or receiving a service when any portion of the payment is from a federal health care program, a state behavioral health program, or a family program, or (2) purchasing a good or service when any portion of the payment is from a federal health care program, state behavioral health program, or a family program.

**Subd. 4. Exemptions.** Establishes exceptions to the new crimes created in subdivisions 2 and 3. Adopts exceptions from the federal Anti-Kickback Statute and establishes exceptions for certain payments to employees, discounts, and financial assistance allowed under family programs.

**Subd. 5. Sentence.** Establishes that a person who violates subdivision 2 or 3 may be sentenced under the penalties established for theft offenses. Establishes that, to determine the appropriate penalty, the “value” means the value of the good or service received as the result of a payment or the amount of the payment solicited or received. Penalties could be:

- a misdemeanor if the value is less than \$500;
- a gross misdemeanor if the value is more than \$500 but not more than \$1,000;

**Section Description – Article 2: Department of Human Services**

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- a felony with a maximum sentence of five years if the value is more than \$1,000 but not more than \$5,000 or if the value is \$5,000 or less and the money used for the payments consists of public funds; or
- a felony with a maximum sentence of ten years if the value exceeds \$5,000.

**Subd. 6. Aggregation.** Allows the total amount paid, solicited, or received in a six-month period to be combined in order to determine the total value used to identify the appropriate penalty.

**Subd. 7. False claims.** States that, in addition to the criminal penalties under this section, a claim that involves a violation of the section constitutes a false or fraudulent claim for purposes of section 15C.02. That section creates civil liability and related financial penalties for presenting a false or fraudulent claim for payment.

**62 Lead investigative agency.**

Amends § 626.5572, subd. 13. Adds provisionally licensed EIDBI agencies to vulnerable adults act designation of lead investigative agency.

Makes this section effective the day following final enactment.

**63 Transition to nonprovisional EIDBI license; future licensure standards.**

Requires the commissioner to develop a process and transition plan for full EIDBI agency licensure by January 1, 2026. Requires the commissioner to draft standards and submit proposed legislation to the legislature for full EIDBI licensure by December 1, 2026.

Makes this section effective August 1, 2025.

**64 Working group for recovery residences.**

Requires the commissioner to convene a working group on recovery residences. Outlines the duties of the working group and individuals and entities that must be included in the working group, to be appointed by the commissioner by October 1, 2025. Requires the working group to meet at least monthly, beginning no later than January 15, 2026, and requires the commissioner to provide administrative support and meeting space. Requires the working group to submit a legislative report by January 1, 2027.

**65 Revisor instruction.**

Instructs the revisor to change the term “mental health practitioner” to “behavioral health practitioner” throughout chapter 245I.

**Section Description – Article 2: Department of Human Services**

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**66 Repealer.**

Repeals sections 245G.01, subdivision 20d (definition of skilled treatment services); 245G.07, subdivision 2 (additional treatment service); and 254B.01, subdivision 5 (local agency definition), effective July 1, 2025. Repeals section 254B.04, subdivision 2a (eligibility for room and board services for persons in outpatient substance use disorder treatment), effective July 1, 2027.

### **Article 3: Department of Children, Youth, and Families**

**Section Description – Article 3: Department of Children, Youth, and Families**

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**1 Record-keeping requirement.**

Amends § 142E.16, subd. 7. Requires child care providers who participate in CCAP to submit data on child enrollment and attendance to the commissioner of children, youth, and families as a condition of payment under the program. Makes a technical change to specify the section of statute that identifies the actions the commissioner may take against child care providers that do not comply with CCAP record-keeping requirements.

Makes the section effective June 22, 2026.

### **Article 4: Department of Revenue**

**Section Description – Article 4: Department of Revenue**

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**1 Standards of conduct.**

Removes a reference to the assignment of Minnesota education credits from the “standards of conduct” governing tax preparers. The governor’s budget proposes repealing the assignment process, and the repeal language is carried in the governor’s proposed tax bill.

Effective for taxable years beginning after December 31, 2025.

### **Article 5: Department of Education**

This article modifies provisions related to the Office of the Inspector General (OIG) at the Department of Education (MDE), including provisions related to data practices, definitions, sanctions, appeals, and others. It also modifies charter school requirements related to

procurement, performance reports, and contracts with management organizations, and makes other changes.

**Section Description – Article 5: Department of Education**

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- 1 Department of Education Office of the Inspector General; investigative data.**  
Requires data used in an investigation by the OIG to be maintained as confidential or protected nonpublic data, and not be disclosed except under specified circumstances. Requires data referred to in this section to be classified as public data upon submission to a court in a civil or criminal proceeding or when the investigation is no longer active, except as required under other statutes. Allows the existence of an investigation by the OIG or withholding of payment by the commissioner to be disclosed if the commissioner, after consulting with the inspector general, determines it will not compromise the investigation.
- 2 Application. [Comprehensive law enforcement data]**  
Adds the MDE OIG to list of agencies that carry a law enforcement function.
- 3 Federal child and adult care food program and federal summer food service program; criteria and notice; board of directors; salaries.**  
Establishes criteria to evaluate a nonprofit organization applying for sponsorship as a multisite sponsoring organization under the federal child and adult care food program and federal summer food service program, in addition to federal requirements. Requires a nonprofit organization’s board of directors to meet certain requirements. Requires the commissioner of education to post on MDE’s website the salary ranges for certain positions at multisite sponsoring organizations under the federal child and adult care food program and federal summer food service program.
- 4 Definitions. [Charter schools]**  
Defines “competitive procurement process.” Modifies requirements for market need and demand studies.
- 5 Audit report. [Reports]**  
Requires a charter school to submit all supplemental information included with an audit to the commissioner and authorizer. Requires a charter school to include a copy of any management agreement with a charter management organization or educational management organization.
- 6 Authorizer performance evaluation report. [Reports]**  
Requires a charter school to publish on its website the authorizer’s performance evaluation within 15 business days of receipt and provide it to enrolled families in languages parents understand.

**Section Description – Article 5: Department of Education**

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- 7      **Required policy components. [Use of state money]**  
Modifies charter school procurement policy requirements relating to competitive procurement. Allows purchase between \$25,000 and \$175,000 to be made by direct negotiation instead of competitive procurement.
- 8      **Competitive procurement. [Use of state money]**  
Establishes requirements for charter school procurement by sealed bids and procurement by proposals.
- 9      **Reduction in aid. [Use of state money]**  
Allows the commissioner to reduce a charter school’s state aid if the charter school makes a purchase that does not comply with statute on use of state money.
- 10     **Establishment of the OIG; powers; duties. [OIG]**  
Adds preventing and detecting theft to the purpose and duties of the OIG.
- 11     **Definitions. [OIG]**  
Modifies definition of “abuse” and provides examples. Defines “excluded” and “theft.” Modifies definition of “fraud” and provides examples. Modifies definitions of “program participant” and “waste.”
- 12     **Access to records. [OIG]**  
Requires program participants to give the OIG immediate access without prior notice to any locations of potential record storage and the records themselves, and to any records related to a department program. Provides that denying access to requested records is cause for immediate suspension of payment. Allows the OIG to copy any record related to a department program.
- 13     **Sanctions; appeal. [OIG]**  
Modifies grounds for sanctions.
- 14     **Data practices. [OIG]**  
Modifies cross-references to data practices statutes, referencing new statute governing the OIG and investigative data (section 13.3211 (section 1 above)) and statute on comprehensive law enforcement data (section 13.82) rather than statute governing data collected by a government entity as part of an active investigation related to a civil action (section 13.39). Strikes audit data from list of types of data governed by these cross-referenced statutes.
- 15     **Interference prohibited. [OIG]**  
Strikes reference to statute providing employment protections for whistleblowers.



**Section Description – Article 5: Department of Education**

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- 16 **Immunity and confidentiality. [OIG]**  
Provides immunity from civil liability to a person making a good faith report or participating in an investigation. Requires the reporter’s name and identifying information to be kept confidential after an investigation is complete.
- 17 **Limits on receiving public funds; prohibition. [OIG]**  
Provides that subdivision does not authorize reducing or pausing state or federal aid to a district, charter school, cooperative unit, library, library system, or library district. Establishes requirements for and consequences of excluding a participant from a department program.
- 18 **Notice. [OIG]**  
Requires the commissioner to provide a program participant notice when excluding a participant from a department program.
- 19 **Appeal. [OIG]**  
Allows a program participant excluded from a department program to request a contested case hearing.
- 20 **Withholding of payments. [OIG]**  
Provides that subdivision does not authorize withholding payments of state or federal aid to a school district, charter school, cooperative unit, library, library system, or library district. Requires the inspector general to recommend to the commissioner to withhold payments to a participant in any department program if there is a credible allegation of fraud or theft for which an investigation is pending. Requires the commissioner to notify the participant when withholding payments. Prohibits appeals of withholding of payments.
- 21 **Use of data. [DEED data privacy]**  
Adds the MDE OIG to the list of agencies that may receive data from the Unemployment Insurance program without the consent of the subject of the data, for investigations related to fraud, theft, waste, and abuse or other misuse of public funds.

## **Article 6: Department of Public Safety**

This article eliminates the Commerce Fraud Bureau and moves its duties to the Bureau of Criminal Apprehension (BCA) in the Department of Public Safety. It establishes a new Financial Crimes and Fraud Section within the BCA. The bill also establishes a new crime of theft of public funds.

**Section Description – Article 6: Department of Public Safety**

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- 1 Application.**  
Makes a conforming change related to removing the law enforcement functions in the Department of Commerce.
- 2 Compensation for law enforcement officers.**  
Makes a conforming change related to transferring law enforcement officers and duties from the Department of Commerce to the BCA.
- 3 Duties.**  
Amends the duties of the commissioner of commerce to remove requirements related to criminal investigations consistent with the transfer of investigatory duties to the BCA. Amends the authority of the commissioner of commerce to clarify the continuing ability to perform certain investigations related to suspected insurance fraud.
- 4 Criminal insurance fraud investigations.**  
Establishes that the BCA must conduct investigations of insurance fraud. Requires Department of Commerce to notify the BCA when the department identifies insurance fraud-related crimes.
- 5 Insurance fraud prevention account.**  
Makes conforming changes to the fraud prevention account in the special revenue fund. Amends the source of funds and appropriates money in the account to the commissioner of public safety.
- 6 Assessment.**  
Amends the requirement that insurers authorized to sell insurance in the state remit an assessment to direct the assessment to the commissioner of public safety instead of the commissioner of commerce. Requires the commissioner of public safety to consult with the commissioner of commerce to calculate the amount of an assessment.
- 7 Investigations; health-related boards.**  
Makes a conforming change to replace the Commerce Fraud Bureau with the BCA consistent with the transfer of insurance fraud investigation duties.
- 8 Administrative penalty for insurance fraud.**  
Makes a conforming change related to renumbering the insurance fraud prevention account.

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- 9        **Authorized person.**  
Makes a conforming change consistent with eliminating the law enforcement duties at the Department of Commerce.
- 10       **Notice to and cooperation with the Bureau of Criminal Apprehension.**  
Makes conforming changes consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 11       **Tolling of time periods.**  
Makes conforming changes consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 12       **Reward for information.**  
Makes a conforming change consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 13       **Review.**  
Authorizes the commissioner of commerce to share an insurer’s antifraud plan with the BCA.
- 14       **Other law enforcement authority.**  
Makes a conforming change consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 15       **Automobile theft prevention program.**  
Makes conforming changes consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA. Directs the commissioner to transfer unobligated balances in the auto theft prevention account to the insurance fraud prevention account.
- 16       **Use of data.**  
Makes a conforming change consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 17       **Data privacy.**  
Makes a conforming change consistent with the transfer of insurance fraud investigations from the Department of Commerce to the BCA.
- 18       **Automobile theft prevention account.**  
Amends a reference to the insurance fraud prevention account based on renumbering that provision.

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19 **Financial Crimes and Fraud Section.**

**Subd. 1. Definitions.** Defines “fraud involving state funded or administered programs or services” and other terms for the purposes of this new section.

**Subd. 2. Financial Crimes and Fraud Section.** Requires the superintendent of the BCA to operate a Financial Crimes and Fraud Section to perform investigations into suspected insurance fraud, financial crimes, wage theft, and fraud involving state funded or administered programs or services.

**Subd. 3. Duties.** Establishes the duties of the Financial Crimes and Fraud Section including reviewing reports and conducting investigations related to insurance fraud, wage theft, and other financial crimes.

**Subd. 4. Mandatory referral; duty to investigate.** Requires state agencies to refer all suspected fraudulent activity of \$100,000 or more to the Financial Crimes and Fraud Section unless federal law requires a referral to the Medicaid Fraud Control Unit. Directs the section to perform appropriate investigations and determine necessary actions. Authorizes the attorney general to refer suspected fraudulent activity to the section.

**Subd. 5. Discretionary referral.** Authorizes state agencies to refer suspected fraudulent behavior involving amounts of less than \$100,000 to the Financial Crimes and Fraud Section.

**Subd. 6. Data-sharing authorized.** Authorizes agencies to share data related to fraudulent activity, including data classified as not public, with the Financial Crimes and Fraud Section. Authorizes the section to share active criminal investigative data concerning insurance fraud with the Department of Commerce.

**Subd. 7. State agency reporting.** Directs every state agency to submit an annual report to the Financial Crimes and Fraud Section describing fraud involving money or programs the agency oversees that totals \$10,000 or more. States that the subdivision does not apply to information obtained by the attorney general when acting in a civil or criminal law enforcement capacity.

**Subd. 8. Annual report.** Requires the superintendent of the BCA to report to the commissioner of public safety, governor, and legislature on the activities of the Financial Crimes and Fraud Section in the previous year. Also requires agencies to report to the superintendent regarding referrals to the state Medicaid Fraud Control Unit every two years.

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**Subd. 9. Funding allocation.** Appropriates money for an assessment in subdivision 10 (which is not included in the section) for investigation of insurance fraud and related crimes.

**Effective date.** States the subdivisions 1, 2, 3, 6, and 9 are effective July 1, 2025. Subdivisions 4, 5, 7, and 8 are effective January 1, 2026.

20 **Definitions.**

Makes a conforming change to remove the Commerce Fraud Bureau from the definition of “law enforcement agency” in the section related to the Comprehensive Incident-Based Reporting System.

21 **Definitions.**

Makes a conforming change to remove the Commerce Fraud Bureau from the definition of “appropriate agency” in the section related to forfeiture of property in forfeiture provisions.

22 **Theft of public funds.**

**Subd. 1. Definitions.** Defines the terms “public funds” and “government entity” for purposes of this section.

**Subd. 2. Acts constituting theft of public funds.** Establishes the ways in which a person can commit the offense of theft of public funds. The violation can include taking public funds from a government entity without claim of right and with the intent to permanently deprive the government of the funds, obtaining funds through false representation, or swindling to obtain public funds.

**Subd. 3. Sentence.** Establishes felony penalties for the offense of theft of public funds based on the value of the funds stolen and allows the total amount stolen over a six-month period to be aggregated. Sets the penalties as follows:

- if the value is “more than \$1,000 but not more than \$5,000,” the maximum sentence is six years;
- if the value “exceeds \$5,000,” the maximum penalty is 12 years;
- if the value is “more than \$35,000,” the maximum penalty is 24 years.

23 **Peace officer.**

Makes a conforming change by removing a reference to the Commerce Fraud Bureau from the definition of “peace officer.”

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- 24     **Definitions.**  
Makes a conforming change by removing a reference to the Commerce Fraud Bureau from the definition of “peace officer.”
- 25     **Revisor instruction.**  
Directs the revisor of statutes to renumber existing statutory provisions in chapter 45 to place them in chapter 299C consistent with the transfer of duties from the Department of Commerce to the Department of Public Safety.
- 26     **Repealer.**  
Repeals section 45.0135, subdivisions 2a, 2c, 2d, 2e, 2f, 3, 4, and 5. Also repeals section 325E.21, subdivision 2b.



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