This Document can be made available
in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3395

02/17/2026 Authored by Niska; Demuth; Schultz; Anderson, P. E.; Robbins and others
The bill was read for the first time and referred to the Committee on State Government Finance and Policy

A bill for an act

relating to state government; establishing the Fraud Isn't Free Act; requiring corrective action plans, enrollment freezes, agency budget reductions, and employee dismissal when fraud is committed against a program administered by the state; incorporating fraud impacts in budget forecasts; repealing the expiration of agency payment withholding authority; amending Minnesota Statutes 2024, section 16A.103, by adding a subdivision; Minnesota Statutes 2025 Supplement, section 16A.103, subdivision 1a; proposing coding for new law in Minnesota Statutes, chapters 15; 16A; repealing Minnesota Statutes 2025 Supplement, section 15.013, subdivision 6.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **CITATION.**

This act may be cited as the "Fraud Isn't Free Act."

Sec. 2. **[15.0135] FRAUD; CORRECTIVE ACTION PLANS AND OTHER REQUIREMENTS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Agency" has the meaning given in section 16B.01, subdivision 2, and includes the Minnesota State Colleges and Universities.

(c) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception. Fraud includes knowingly submitting false information to a federal, state, or local government entity for the purpose of obtaining greater compensation or benefit than the person is legally entitled. Fraud also includes acts that constitute a crime against any program, or the attempts or plans to commit those crimes,

including but not limited to theft in violation of section 609.52, perjury in violation of section 609.48, and aggravated forgery and forgery in violation of sections 609.625 and 609.63, and substantially similar federal laws.

(d) "Law enforcement agency" means an agency of the state or a political subdivision with the power to conduct criminal investigations.

(e) "Program" means any program administered by an agency and funded by the state or the federal government that involves the transfer or disbursement of public funds or other public resources.

Subd. 2. **Fraud suspected.** An agency head must report the total estimated amount of money fraudulently obtained under a program to the commissioner of management and budget and the chair and vice-chair of the Legislative Audit Commission, and take the actions required under subdivisions 3 to 5, no later than 30 days after:

(1) the agency head withholds payment due to suspected fraud under section 15.013, section 256B.04, or another state or federal law; or

(2) a law enforcement agency completes an investigation of alleged fraud committed against a program and reports to the agency head and the chair and vice-chair of the Legislative Audit Commission as required under subdivision 6.

Subd. 3. **Corrective action plan.** (a) The agency head must submit a corrective action plan to the chairs and ranking minority members of the legislative committees with jurisdiction over the agency's operating budget.

(b) The plan must include the following elements:

(1) a summary of the suspected fraud, including the total estimated amount of money fraudulently obtained, how the suspected fraud may have been perpetrated, and the agency staff who are responsible for the program at issue;

(2) any steps, including but not limited to staff dismissal, staff discipline, or, at a minimum, staff training, that the agency has taken or will take to better detect or prevent fraud moving forward;

(3) any recommended changes to state law; and

(4) the agency's plan to recover all money that was fraudulently obtained.

Subd. 4. **Enrollment suspended.** The agency head must suspend further enrollment in the program until the agency has completed the requirements under section 16A.093, subdivision 1, paragraph (b).

Subd. 5. **Leadership and employee dismissal; hiring prohibited.** (a) The agency head must discharge each employee of the agency whose intentional or negligent act or failure to act abetted the fraud or allowed it to occur. For purposes of this paragraph, "employee" includes but is not limited to:

(1) the deputy or assistant agency head responsible for the division or unit that administers the program; and

(2) the director or other head of the division or unit identified in clause (1).

(b) The discharge procedure is as provided in section 43A.33, subdivision 3.

(c) A person discharged under this subdivision is prohibited from state employment for five years.

Subd. 6. **Law enforcement investigations; reporting.** (a) When a law enforcement agency completes an investigation of alleged fraud committed against a program and refers the case for prosecution to the United States attorney for the district of Minnesota, the attorney general, or a county attorney, the law enforcement agency must promptly notify the head of the state agency that administers the program and the chair and vice-chair of the Legislative Audit Commission. The notification must identify all suspects, the program at issue, and the time period. The notification must also summarize evidence of fraud.

(b) The agency head and the chair and vice-chair of the Legislative Audit Commission must treat the information provided by a law enforcement agency under paragraph (a) as criminal investigative data under chapter 13.

Sec. 3. **[16A.093] AGENCY BUDGET REDUCTIONS DUE TO FRAUD.**

Subdivision 1. **Budget reduction required.** (a) When the commissioner receives a fraud report under section 15.0135, the commissioner must reduce unexpended allotments in the current biennium for the reporting agency's administration or central office functions by ten percent, and for the reporting agency head's salary as prescribed under section 15A.082 or other law by 25 percent. Notwithstanding any other law to the contrary, the commissioner is empowered to defer or suspend prior statutorily created obligations that would prevent effecting such reductions. The commissioner must also reduce the appropriation base for agency administration by ten percent, and the appropriation base for agency head salary by 25 percent, for the subsequent biennium.

(b) The reductions required under paragraph (a) continue until the agency head certifies to the commissioner and the chairs and ranking minority members of the legislative committees with jurisdiction over the agency's operating budget that:

(1) the agency has referred all relevant evidence to law enforcement;

(2) responsible agency staff have been identified and discharged as required under section 15.0135, subdivision 5; and

(3) ..... percent of the state money fraudulently obtained has been recovered by the proper authority and deposited in the general fund.

Subd. 2. **Reporting.** The commissioner must promptly report each reduction under subdivision 1 to the chairs and ranking minority members of the legislative committees with jurisdiction over the agency's operating budget and to the chairs and ranking minority members of the Committee on Finance in the senate and the Committee on Ways and Means in the house of representatives.

Sec. 4. Minnesota Statutes 2025 Supplement, section 16A.103, subdivision 1a, is amended to read:

Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of inflation and variables outside the control of the legislature. Expenditure estimates related to the amount of state bonding must not include any assumptions of future authorizations of state general obligation bonds. The forecast must address fraud in state programs as required under subdivision 1k.

Sec. 5. Minnesota Statutes 2024, section 16A.103, is amended by adding a subdivision to read:

Subd. 1k. **Fraud in state programs.** The forecast must include an estimate and discussion of the impact of fraud on the state budget and summarize any actions the administration has taken since the last forecast to detect and prevent fraud in programs funded or administered by the state.

Sec. 6. **REPEALER.**

Minnesota Statutes 2025 Supplement, section 15.013, subdivision 6, is repealed.

15.013 PROGRAM PAYMENTS WITHHELD; FRAUD.

Subd. 6. **Sunset.** This section expires July 1, 2027.