

15.013 PROGRAM PAYMENTS WITHHELD; FRAUD.

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

(b) "Entity" means any corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, or any other legal entity that engages in either nonprofit or profit-making activities.

(c) "Evidence" means credible evidence obtained from an internal agency investigation, audits, court records, law enforcement investigations, or investigations by other state or federal agencies.

(d) "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 a 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.

(e) "Individual" means a natural person.

(f) "Program" means any program funded by a state or federal agency that involves the transfer or disbursement of public funds or other public resources.

(g) "Program participant" means an entity, or an individual on behalf of an entity, that receives, disburses, or has custody of funds or other resources transferred or disbursed under a program.

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

Subd. 2. **Administrative withholding of payments.** (a) The head of an agency may withhold payments to a program participant in a program administered by that agency for a period not to exceed 60 days if the agency head determines that a preponderance of the evidence shows that the program participant has committed fraud to obtain payments under the program.

(b) Notwithstanding subdivision 3, the agency head must notify the program participant of the decision to withhold payments at least 24 hours before withholding a payment. The notice must:

(1) state that payments will be withheld in accordance with this section;

(2) state the date the administrative withholding of payments is effective;

(3) state the reasons for withholding payments, excluding specific information that may jeopardize an active investigation;

(4) state the date the administrative withholding period terminates;

(5) inform the program participant of the right to submit written evidence for consideration by the agency head; and

(6) inform the program participant of their rights under chapter 14 to appeal the decision to withhold payment.

(c) Following notice and to the extent practicable, the agency must ensure that any person whose public funds are interrupted and who is not implicated in the suspected fraud receives notice of their rights related to continued receipt of the public funds, services, or programs for which they are eligible. The agency head must provide a point of contact for the impacted persons.

(d) A program participant may appeal an agency head's decision under this subdivision by initiating a contested case proceeding under chapter 14 or by petitioning the court for relief, including injunctive relief.

(e) This subdivision does not apply if an agency is precluded from withholding payments to a program participant by federal law or obligations under a contract.

Subd. 3. Data classification and access. (a) During the administrative payment withholding period under subdivision 2, data relating to evidence of fraud are classified as: (1) confidential data on individuals pursuant to section 13.02, subdivision 3; or (2) protected nonpublic data pursuant to section 13.02, subdivision 13, in the case of data not on individuals.

(b) All data relating to evidence of fraud become public at the termination of the withholding period unless classified as not public data under state or federal law. The identity of a complainant is private data on individuals, as defined in section 13.02, subdivision 12.

(c) An agency may disclose data classified as confidential or protected nonpublic under this section to a federal, state, or local government agency or a law enforcement agency if the agency determines that access will help prevent fraud against public programs or aid the law enforcement process.

Subd. 4. Court order. The head of an agency may petition the court for a temporary order pursuant to Rule 65 of the Minnesota Rules of Civil Procedure to withhold payments to a program participant in a program administered by that agency if the agency head determines that a preponderance of the evidence shows that the program participant has committed fraud to obtain payments under the program.

Subd. 5. Report. (a) An agency that has withheld a payment under this section must report the following to the commissioner of management and budget by March 1, 2026:

- (1) the number of program participants from whom payments have been withheld;
- (2) a description of the reason the payments were withheld from the program participant;
- (3) the dollar amount of payments withheld;
- (4) the identification of the program;
- (5) whether the payments withheld were state or federal funds; and
- (6) whether the withholding of payment was challenged by a program participant and the outcome of the challenge.

(b) The commissioner of management and budget must compile the reports from the agencies under paragraph (a) and submit the compiled report to the chairs and ranking minority members of the committees in the house of representatives and the senate with jurisdiction over state government, judiciary, health and human services, and education by March 15, 2026.

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

History: 2025 c 39 art 2 s 22