



Commerce Department Overview 2025 Governor's Budget Recommendations

Commissioner Grace Arnold

February 13, 2025

Mission and Strategic Priorities

Protect and assist
consumers

Oversight: 40+
industry areas

Engagement with all
communities

Protect the Public Interest

Trusted Resource

Reduce Economic Barriers

Climate Change Resilience

Strong, Competitive, Fair Marketplace

With You Every Day

Commerce is with you every day,
whether you are ...

- Filling up on gas
- Purchasing a home
- Working to reduce your energy use
- Rebuilding after a disaster

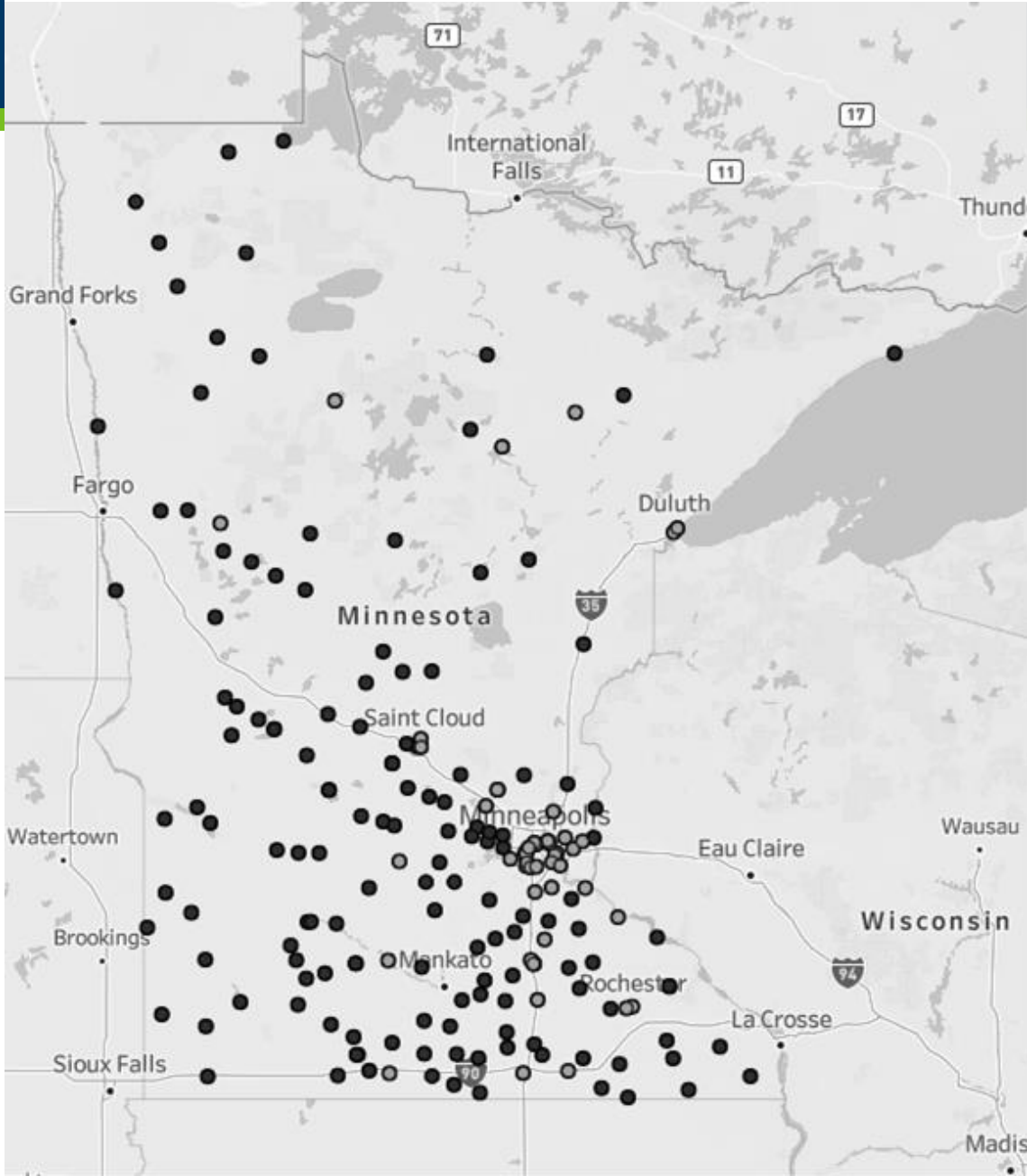




Commerce Department Leadership Team

- Commissioner Grace Arnold
- Assistant Commissioner/Chief of Staff - Hali Kolkind
- Administration Deputy Commissioner/COO - Tim Jahnke
- Deputy Commissioner of Energy Resources - Pete Wyckoff, PhD
- Assistant Commissioner of Energy Regulatory Affairs - Sydnie Lieb, PhD
- Assistant Commissioner of Energy Federal and State Initiatives - Lissa Pawlisch
- Senior Director of Financial Institutions – Michael Crow
- Deputy Commissioner of Insurance – Julia Dreier
- Assistant Commissioner of Enforcement - Jacqueline Olson

Minnesota State Chartered Banks



Statewide Reach

Commerce services and programs reach across the state in many ways.

Commerce programs with regional staff or partners include:

- Financial Institutions
- Licensing
- Energy Assistance Program
- Weights & Measures

Financial Institutions Division

State-chartered banks and credit unions

Oversight ensures the safety and solvency of banks and credit unions to protect consumers and promote a fair and competitive marketplace

- 187 state-chartered banks totaling about \$65.5 billion in assets and \$55.7 billion in deposits
- 60 state-chartered credit unions totaling over \$32 billion in assets
- In March 2024, Commerce issued charter for first new state-chartered credit union in 23 years: Arise – first Black-led credit union in Minnesota

Financial Institutions Division

Securities & Investments registers, examines and regulates:

- 447 Investment Advisers – managing \$11 billion of Minnesotans' money in more than 51,700 accounts
 - Currently five FTEs responsible for oversight for Investment Advisers
- Almost 10,000 local Investment Adviser Representatives
- Many other securities entities and products

Financial Institutions Division

Non-depository financial institutions (nonbanks)

- 1,600 non-depository financial institutions
- More than 8,000 individual mortgage loan officers
- Money transmitters, such as PayPal and MoneyGram
- Payday and installment lenders
- Debt management, settlement and credit repair
- Auto finance companies
- Residential mortgage originators and servicers
- Student loan servicers and lenders (added 2025)
- Check cashing and nonbank ATMs



Nonbank entities such as Rocket Mortgage have become the mortgage originator and servicer for the majority of home buyers and owners in Minnesota

Insurance lines with Commerce oversight:

Auto, health, homeowners, life, long-term care, workers' compensation

- Examine, analyze and license insurance carriers to ensure financial safety and claims-paying ability
- Review form and rate filings - fair and reasonable
- Accreditation renewed in 2022 by National Association of Insurance Commissioners (NAIC)
- Monitor markets
- Make policy recommendations to maintain market health and stability

Insurance Division

- Collaborate with other state agencies (including Health Subcabinet) and stakeholders to identify health policy options and solutions for consumers
- Administer and oversee Minnesota's health reinsurance program (Minnesota Premium Security Plan) – renewed in 2022 legislative session
- License pharmacy benefit managers and oversee PBM business practices
- Providers of last resort: Help to ensure coverage for Minnesotans who otherwise cannot purchase insurance

Insurance Division

Minnesota Commerce is leader in nationwide collaboration on insurance issues:

The Insurance Division works extensively with the National Association of Insurance Commissioners (NAIC) to develop policies that protect Minnesota consumers.

Examples include:

- Setting standards to reflect changing business practices
- Developing and passing a model law allowing innovative long-term care insurance products. These protect middle income Minnesotans and fill gaps in coverage.
- Establishing the first Midwest pre-disaster mitigation program: Strengthen Minnesota Homes

Enforcement Division

Enforcement Division services:

- Protect and educate consumers, ensure marketplace fairness, and prevent unlawful activity in Commerce-regulated industries and licensed services.
- Assist consumers and organizations with questions about our regulatory areas

Initiates investigations in:

- Insurance: All lines of regulation
- Multi-industry: Consumer finance investigations, money transmitters, nonbank lenders, debt collectors, debt settlement, credit services, ticket sales
- Real estate: mortgage, title, appraisers, appraisal management companies, real estate agents, brokers, and companies
- Securities and franchises

Enforcement Division

Enforcement Division 2024 Summary

- 15,456 calls from general public
- 9,161 civil investigations opened
- \$23 million recovered on behalf of consumers
- \$2.2 million in civil penalties assessed

Commerce Fraud Bureau – Moving to BCA at DPS

- In 2023, fielded 3,000 insurance fraud referrals.
- In 2023, the cases referred for prosecution had an economic impact of \$35 million.
- In 2022 added 5 FTEs and had jurisdiction expanded to include investigating financial crimes.

Enforcement Division

Enforcement functions:

**Consumer Service
Center and
External Appeals**

**Insurance
Investigations**

**Real Estate
Investigations**

**Market
conduct
examinations**

**Multi-Industry
Investigations**

**Mental Health
Parity Office**

**Senior Financial
Fraud Team**

**Student Loan
Advocate**

**Securities
Enforcement**

**Consumer
Finance
Investigations**

Senior Financial Fraud Protection

- Safe Senior Financial Protection Act (SSFPA) passed in 2018, expanded in 2020
- Financial professionals can *report* suspected financial exploitation of elderly (age 65+) or vulnerable clients to Commerce and the Minnesota Adult Abuse Reporting Center and can *notify* a trusted third party.
- 2020 expansion: Financial professionals and institutions (banks, credit unions) can place *temporary delay* of up to 25 days on transactions or disbursement of suspected financial exploitation while Commerce, law enforcement investigate.
- In 2024, the Senior Fraud team opened 1,058 cases and held funds in the amount of \$7.7 million to prevent fraud and financial exploitation from occurring.

Senior Financial Fraud Protection

Examples of financial exploitation:

Trusted family or friends are the source of 90% of senior financial fraud

Social media romance scams:
Does that guy who works on an oil rig really love me?

Phone scams:
Is this really the IRS?
My bank? My utility company?

Text message or email scams:
Did I really win the lottery?

Licensing Division

Administers over 300,000 professional and business licenses each year for:

- Insurance agents
- Insurance adjusters
- Real estate agents and brokers
- Appraisers and appraisal management companies
- Debt collections
- Other businesses and professionals

Commerce Financial Institutions is responsible for licenses in finance areas.

Unclaimed Property

Property returned

- Almost \$75 million returned to Minnesotans in 2024

Property unclaimed

- Held by a business/organization that has not had contact with the legal owner/heirs for a specific number of years
- Took in \$158 million in last FY from businesses/organizations

Types of unclaimed property:

- Dormant bank accounts or unclaimed safety deposit boxes
- Uncashed checks and unclaimed wages
- Insurance claim payments or benefits
- Stocks or bonds

- Manages the state's program for providing reimbursement to address leaking petroleum storage tanks
- 13,950 = Number of leak sites addressed 1987 to June 2024
- \$476 million = Approximate number of reimbursements paid out to eligible applicants 1987 to June 2024
- 675 abandoned underground petroleum storage tanks removed from 446 properties 2004 to June 2024

Weights & Measures



Established in 1885 – State of Minnesota’s oldest consumer protection unit

- Ensures consumers and businesses receive accurate price for products sold by weight or volume, including fuel and groceries
- Tests fuel samples and inspects commercial and measuring devices at 10,730 gas stations, grocery stores, bulk plants, grain elevators, mines, terminals, airports, other businesses
- Provides accredited metrology calibration services for 229 companies and gov’t agencies

OUR SITES

- Money & Banking
- Insurance
- Energy & Utilities
- Business Regulation
- Licensing
- Consumer Help

The Commerce Department oversees more than 40 industries, consumer interests and ensure a fair and competitive marketplace in our state.

OUR SITES

- ➔ Money & Banking
- ➔ Insurance
- ➔ Energy & Utilities
- ➔ Business Regulation
- ➔ Licensing
- ➔ Consumer Help

Site organized into six areas and includes:

- File a complaint or external appeal
- License look-up
- Report senior fraud
- Search regulatory actions
- Unclaimed Property

Commerce 2025 Budget Overview

FY26-FY27 priorities

- \$3 million - Operating Increase: \$1 million – FY26, \$2 million – FY27
- \$235 million – Premium Security Plan FY27
- \$1 million – Petrofund FY26-FY27
- \$1.47 million – Office of Securities staffing needs FY26-FY27
- \$ 220,000 – Earned Wage Services Act FY26-FY27
- \$ 178,000 Electric Vehicle Supply Equipment (EVSE) Testing FY27

State Benchmarking Plan – Savings of \$7.9 million starting in FY 2028-29

Operating Increase

Operating Adjustment

FY26 - \$1,162,000

FY27 - \$1,840,000

General Fund support for:

- Current services
- Increases in employee compensation and insurance
- IT services and other operating costs



Premium Security Plan (Cost-Neutral)

Premium Security Plan:

Lowers premiums for the 187,000 Minnesotans who purchase health insurance in the individual market.

- **Reinsurance Issuer Fee on MCHA Plans:**
 - FY27 - \$235 million
 - FY28 - \$276 million
- Ongoing, stable funding source for a program that is currently funded through the state's general fund.
- No impact on MinnesotaCare.

Petrofund IT and Program Support (Cost-Neutral)

Petrofund Tank Release Cleanup Fund – IT and Program Support

- \$500,000 increase per fiscal year ongoing
 - First meaningful increase to the Petrofund in over 20 years
 - Petrofund has not had a fully operational database for three years, leading to:
 - Inefficient program processes
 - Inability to easily generate and analyze required data and reports.
- Appropriation to cover:
 - New database construction and maintenance
 - Increased expenses related to inflation

Security Staffing Needs (Cost-Neutral)

Security Staffing Needs

- \$735,000 - FY26 and ongoing – from General Fund

Proposal:

- Add 4 FTEs in FY26, one FTE FY27 – Office of Securities currently has four FTEs with oversight responsibilities for industry with **\$11 billion in assets**
- Allow the Securities unit to provide more timely examinations
- Expenditures offset by increased licensing fees on investment advisors and brokers

Earned Wage Services Act (Cost-Neutral)

Earned Wage Services Act

- \$110,000 in FY26 and ongoing from the Financial Institutions special revenue fund.
- One FTE for licensing and examination duties
- Earned Wage/Early Wage/Buy-now-Pay-later services are currently unlicensed:
 - Authorizes Commerce to license these services by amending Minn. Stat. 47.60 and 47.601
- Expenditures will be offset by the new license fees collected from these Financial Institutions.

Electric Vehicle Supply Equipment Testing (Cost-Neutral)

Electric Vehicle Supply Equipment (EVSE) Testing

- \$178,000 - FY27 – for one FTE; \$312,000 – FY28 – for one additional FTE
- Authorizes Weights & Measures to test and inspect EVSEs.
- New section in Chapter 239 and establish Commerce's need to conduct rulemaking to adopt the 2025 Edition of NIST Handbook 44 in MN Chapter 7601 (released in January 2025).
- New Special Revenue Account for inspections and equipment
- Expenditures will be more than offset by the fees collected from businesses undergoing EVSE inspections.

State Benchmarking Plan (Savings)

State Benchmarking Plan

- Updates state benchmark plan to reduce defrayal payment
- Commerce Department anticipates submitting this new benchmark plan to the Centers for Medicare & Medicaid Services (CMS) for approval in May 2025.
- This new benchmark plan would be required for plans beginning in January 2027, which will decrease state defrayal obligations beginning in FY28.
- FY28 – Savings \$3,969,000 in General Fund each year

Commerce Policy Bills 2025

Consumer Protection and Transparency Bill

- Addresses consumer concerns surrounding transparency in the insurance, mortgage and crowdfunding industries.
- Clarifies existing laws and codifies standard best practices.

Insurance Policy Bill

- Adopts NAIC standards on long-term care insurance, changes around data collection, auto insurance updates

Technical and housekeeping Bill

- Five technical changes to reduce administrative burdens and compliance barriers

Commerce Policy Bills 2025

NAIC Model Act Group Capital Calculation/Liquidity Stress Test

- Adopts changes to NAIC model acts necessary for accreditation in January 2026

Health Policy Bill

- Addresses Medicare Supplement Market

Mortgage Index and Usury Modernization

- Replaces defunct mortgage index rate with Average Prime Offer Rate published by CFPB.

Commerce Government Affairs Team

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