



Date: March 16, 2026

To: House and Senate Committee Chairs and Ranking Members with Jurisdiction over State Government, Judiciary, Education and Health and Human Services

From: Erin Campbell, Commissioner

EC

RE: Report on State Agency Payment Withholding

Enacted in the 2025 state government omnibus bill, Minn. Stat. § 15.013 provides temporary authority for state agencies to withhold payments 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.

Subdivision 5 of this section directs state agencies to report to Minnesota Management and Budget (MMB) by March 1 those instances when they used the withholding authority under Minn. Stat. § 15.013. MMB is required to submit a report to the legislature by March 15 summarizing the agencies' reports.

State agencies have not reported any withholding of payments under Minn. Stat. § 15.013 as of March 1, 2026. Minnesota Statutes provide several agencies more specific authorities to withhold payments within their programs:

- Department of Education – Minn. Stat. § 127A.21 subd. 5
- Department of Human Services – Minn. Stat. § 256B.064, subd. 2 and Minn. Stat. § 245.095, subd. 5
- Department of Children Youth and Families – Minn. Stat. § 142A.12

In total, from January 1, 2025, to March 1, 2026, these agencies report having used their authorities to withhold payments from 489 entities. We are also aware that agencies rely on the terms and conditions of state contracts and grants to stop payments.

These agency-specific payment withholding authorities listed above that resulted in payment withholding are notably stronger than the authority granted for use across state government in Minn. Stat. § 15.013. For example, Minn. Stat. § 15.013 requires a preponderance of evidence before a payment can be withheld, while the agency-specific authorities generally require a credible allegation standard (Minn. Stat. § 256B.064, subd. 2, Minn. Stat. § 245.095, subd. 5, and Minn. Stat. § 142A.12) or credible indicia (127A.21 subd. 5). The use of these agency-specific tools indicates Minn. Stat. § 15.013 should be strengthened to better match them.

In order to make it easier for agencies to withhold payments when necessary, the governor is proposing to strengthen and make permanent the payment withholding authority in Minn. Stat. § 15.013. This proposal is traveling as HF 3621 (Klevorn) and SF 4283 (Rest). The bills change the threshold for withholding a payment to the standard of credible allegation and expand the authority of agencies to withhold payments to an entity receiving funding from their own agency on the basis of a credible allegation of fraud related to that entity at a different agency.