Minnesota Department of Human Services

2015 Governor's Supplemental Budget
Significantly Revised and New Proposals
House Health and Human Services Finance
March 24, 2015

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Change Item: Child Protection Oversight

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	26,128	26,052	26,072	26,072
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	26,128	26,052	26,072	26,072
FTEs	11	11	11	11

Recommendation:

Effective July 1, 2015, the Governor recommends additional funding for oversight of the state's child protection system, and additional investments to improve child safety and reduce disparities in the child protection system. This funding will support an oversight infrastructure that includes monitoring systems for child maltreatment screening and child mortality review; guideline and best practice development; training of child protection workers around intake and screening decisions; examinations of child fatalities and near fatalities; and recommendations made by the Governor's Task Force on the Protection of Children. Also included in this proposal are funds for additional county staffing to address statutory changes, and funding for culturally specific services to help reduce disparities in child welfare for communities of color and American Indian children.

Rationale/Background:

The Governor signed Executive Order 14-15 on September 22, 2014. This order established the Task Force on the Protection of Children to advise the Governor and the Legislature on system and practice improvements in the child protection system. The task force provided initial recommendations to the Governor's Office, the Legislature and the public on December 31, 2014. Final recommendations are expected on March 31, 2015. Recommendations may include legislative changes.

Child protective services must receive, screen, and conduct a child protection response with fidelity to laws, standards and best practices. The upfront portion of the child protective system is when the least is known about a child and family, and critical child safety decisions are required.

Child protection screening is about ensuring child safety. A monitoring and improvement system is critical to ensuring that counties and tribes are making sound screening decisions in accordance with Minnesota Statute. While DHS has established Child Protection Screening Guidelines, there is a lack of uniformity in their application across the state. The task force is recommending changes to those guidelines.

Monitoring child protection screening practices, and practices designed to prevent child fatalities and near fatalities, through a case review process will improve child safety by increasing accountability for county and tribal child welfare agency decisions. It will also improve child safety and wellbeing by increasing adherence to established procedures and best practice strategies.

African American and American Indian children are involved in Minnesota's child welfare system at a substantially higher rate than Caucasian children. Families living in poverty also experience the child welfare system at a higher rate. Racial disproportionality within the child welfare system can begin to be safely addressed through culturally affirming practice provided by culturally relevant providers.

Funding for child welfare services in Minnesota relies primarily on county local property tax dollars and federal funds. The aggregate state share of child welfare costs is 14 percent, one of the two lowest state shares in the country.

Proposal:

This proposal increases the Department of Human Services' oversight, capacity, and expertise in the following activities:

- Best practice protocols for child maltreatment screening and child mortality review, inclusive of monitoring systems to ensure best practice implementation and fidelity to Minnesota Statute and guidelines

- Best practices training to include curriculum development and delivery
- Real-time technical assistance to counties and tribes that can be delivered at the moment when and where the need is greatest to inform child safety decision-making
- Ongoing review of child maltreatment screening decision-making throughout the state
- Prompt and thorough review of child fatalities and near fatalities with a specific focus on child welfare practice
- Review and monitoring of child protection front-end practice

Eleven full-time department positions are needed to provide ongoing monitoring and improvement. This will improve child safety by increasing the accountability of county and tribal child welfare agencies. It will also support the use of best practice strategies at critical decision points in the child protection continuum. Child safety is also improved through the review of child welfare practices in cases of child fatalities and near fatalities.

Positions funded through this proposal will:

- Develop and oversee child fatality and near fatality review process, conduct on-site fatality and near fatality reviews and work with local county and tribal child welfare agencies to improve practice (four positions)
- Review and monitor front-end practice and conduct reviews on screening decisions (three positions)
- Develop safety-focused guidelines and best practices to ensure child safety and provide ongoing program development and implementation throughout the state (two positions)
- Ensure guidance, best practice standards and bulletins are in accordance with state and federal requirements; provide consultation on all elements of Minnesota's child protection system; and work with counties to develop multi-disciplinary teams for screening, family investigation and family assessment (one position)
- Produce high quality practice guides, bulletins, technical assistance memos and other information (one position)

(Dollars in thousands)

Administrative Oversight and Review	2016	2017	2018	2019
Child Protection Oversight (11 staff, sal/fringe/overhead)	$1,298	$1,142	$1,141	$1,141
Other Admin	438	476	508	508
FFP @35%	(608)	(566)	(577)	(577)
Total	$1,128	$1,052	$1,072	$1,072

County and tribal child welfare agencies vary throughout the state in terms of available staff, resources, and social work supervision. Counties are currently responsible for about half of all child welfare expenditures. These agencies will also require adequate resources to implement changes recommended by the Governor's Task Force on the Protection of Children.

This proposal also includes provisions that support resources statewide in protecting children from abuse and neglect:

1. *Increase state funding for county coordination of services in child welfare.*
   Currently child welfare costs are funded primarily with county and federal funds. In calendar year 2013, the costs for placements and services for children was $387.5 M. This proposal would provide state funding for county staffing to carry out additional case work responsibilities as a result of the Child Protection Task Force recommendations. These funds would be allocated to counties, with ten percent of the funds awarded based on outcomes related to the use of best-practices
   Cost: $44 M per biennium

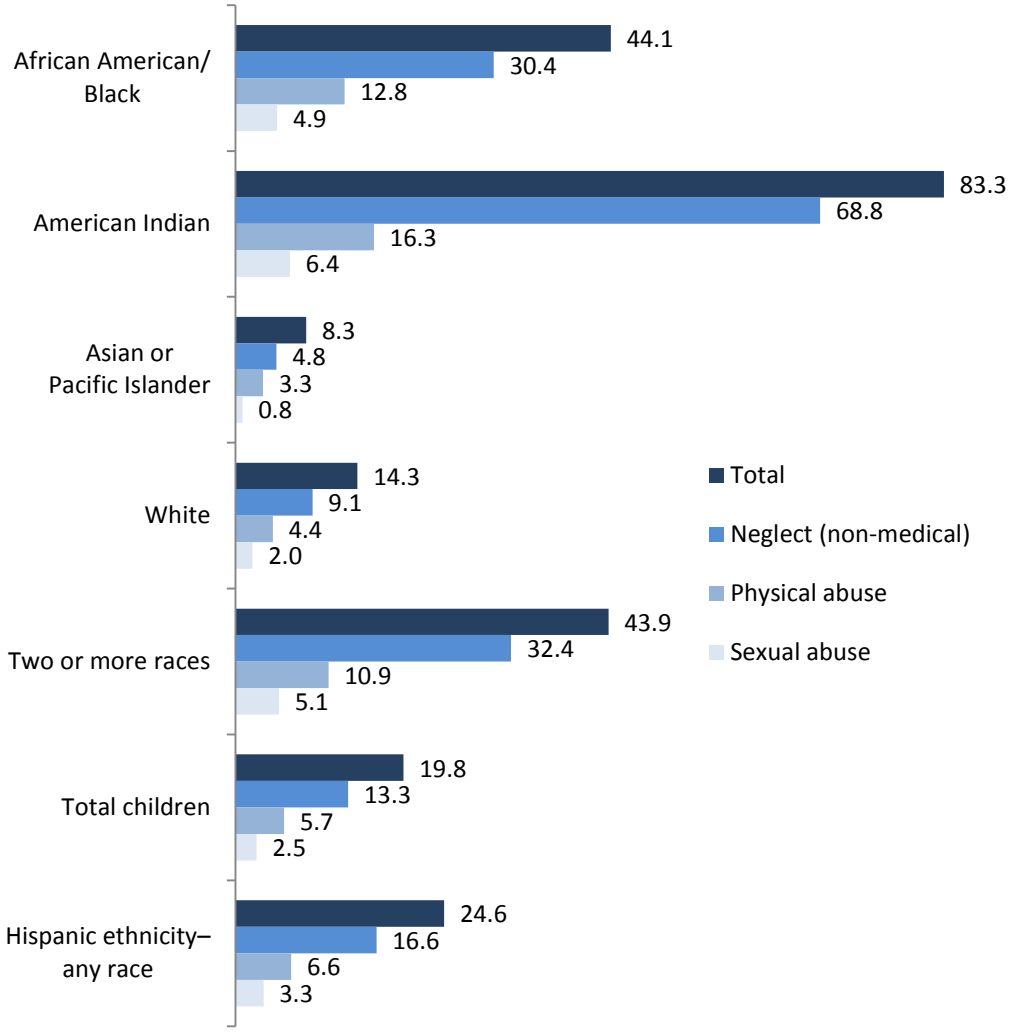
2. *Provide funding to community organizations and counties to support the use of evidence-based practices in child welfare to address disparities in the child protection system for children of color and American Indian children.* Included would be funding for community organizations and counties to provide a network of cultural navigators to help families involved with child protection. Navigators would receive training, certification and ongoing guidance from a provider and would work closely with local county and tribal agencies to help families. Cost: $6 M in 2016-17 per biennium.

(Dollars in thousands)

Local Staffing and Early Intervention/Disparities	2016	2017	2018	2019
Funding for Local Child Protection Staffing	$22,000	$22,000	$22,000	$22,000
Grants for Early Intervention Services to Reduce Disparities in Child Protection	3,000	3,000	3,000	3,000
Total	$25,000	$25,000	$25,000	$25,000

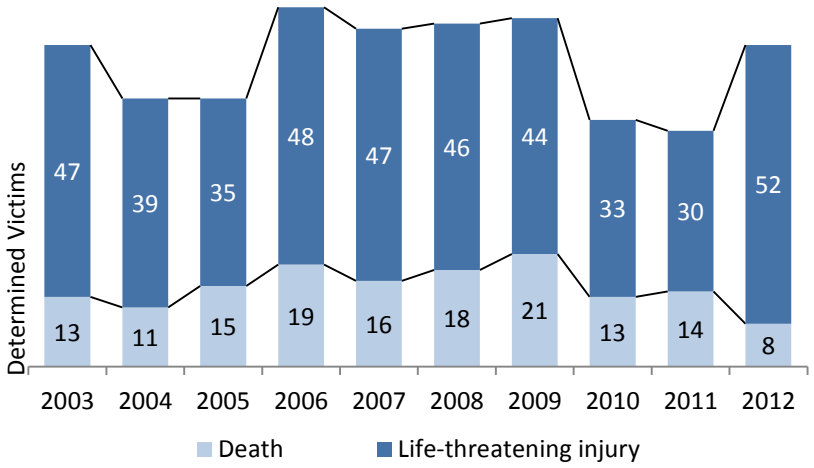
Results:

In the total Minnesota child population, 19.8 children per thousand were alleged victims of child maltreatment in 2013. American Indian and African American/Black children were more likely than children of other races to be involved with the child protection system. They were six and three times more likely than a Caucasian child to be subjects of an allegation of maltreatment, respectively. Asian or Pacific Islander children had the lowest rate of reports to child protection overall, and for each maltreatment type. American Indian children had the highest rates overall, and for each maltreatment type.



Children per 1,000 in the Minnesota Child Population

An average of 15 deaths and 42 life-threatening injuries to children occurred per year from 2003-2012.



Performance Measure	*2010*	*2011*	*2012*
Percent of Children Not Experiencing Repeated Abuse or Neglect Within 6 Months of a Prior Report	95.1%	95.6%	97.5%

- Quality: Monthly review of 240 screened-out child maltreatment allegations to determine if the screening decisions were made in accordance with statute, maltreatment screening guidelines, and that no current child safety concerns exist. The number of cases reviewed each month will vary slightly to ensure the sample size is statistically significant so that inferences can be related back to the entire pool of screened-out child maltreatment allegations. The sample will be stratified in age and race/ethnicity to ensure sufficient representation during randomization.
- Quality: Child fatalities and near fatalities will be reviewed as they occur. In the past 10 years, an average of 15 child fatalities due to maltreatment occurred each year, an average of 42 child near fatalities due to maltreatment occurred. Under this proposal, the department would conduct approximately five reviews monthly and provide training/technical assistance to counties or tribes involved. Results would be used to make program improvements at the policy level and practice improvements at a statewide level.

Statutory Change(s):

Specific statutory changes will be identified.

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund		26,128	26,052	52,180	26,072	26,072	52,144
HCAF							
Federal TANF							
Other Fund							
Total All Funds	$0	26,128	26,052	52,180	26,072	26,072	52,144

Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	12	Children & Families (sal/fringe) 11 FTEs		963	974	1,937	974	974	1,948
GF	12	Children & Families(Overhead) 11 FTEs		335	168	503	167	167	334
GF	12	Children & Families (other admin operating)		438	476	914	508	508	1,016
GF	REV1	Admin FFP @ 35%		(608)	(566)	(1,174)	(577)	(577)	(1,154)
GF	45	Children's Services Grants		25,000	25,000	50,000	25,000	25,000	50,000
Requested FTE's									
GF	12	Children & Families (Oversight)		11	11		11	11	

Change Item: Close Child & Adolescent Behavioral Health Services

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	(1,750)	(5,341)	(5,341)	(5,341)
Revenues	(4,200)	(4,200)	(4,200)	(4,200)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,450	(1,141)	(1,141)	(1,141)
FTEs	(36.7)	(36.7)	(36.7)	(36.7)

Recommendation:

Effective December 31, 2015, the Governor recommends closing the Direct Care and Treatment (DCT) State Operated Child and Adolescent Behavioral Health Services (CABHS) program located in Willmar. The closure of this program would be in coordination with the establishment of contracted extended-stay hospital psychiatric beds for children and youths in need of intensive services and the development of Psychiatric Residential Treatment Facilities (PRTF), which is a separate Governor's recommendation. The closure of CABHS results in a net state cost of $1.3 million in the FY2016-17 biennium and savings of $2.3 million in the following biennium.

Rationale/Background:

CABHS, located in Willmar, is a 16-bed psychiatric hospital providing services to children and adolescents with complex mental health conditions. The target population for the hospital includes children with the highest unmet treatment needs including those with autism spectrum disorder, reactive attachment disorders, Post Traumatic Stress Disorder (PTSD), co-occurring mental health and developmental disability, borderline personality disorder, schizophrenia, fetal alcohol spectrum disorder, brain injuries, and complex medical issues. Though licensed as a 16-bed hospital, the daily census averages 4 – 5 patients due to the current physical plant structure.

Proposal:

This proposal would close the CABHS program in coordination with the opening of extended-stay hospital psychiatric beds that would increase the community-based capacity to serve patients in the most appropriate setting closer to family and other supports for the child/adolescent. These beds are included in a separate proposal to establish a Psychiatric Residential Treatment Facility (PRTF) benefit and contract with community hospitals for extended stay mental health treatment capacity for children and youth.

The planned target date for closing CABHS is December 13, 2015. PRTF providers will be selected through a request for proposals (RFP) to ensure geographic balance and appropriate capacity. Department of Human Services - Direct Care and Treatment (DCT) may respond as a potential service provider to the RFP. During the interim, the Department will establish contracts with community providers to ensure children and adolescents in need of extended inpatient mental health care do not fall through the cracks of the current continuum of care.

As this proposal will close the Willmar facility, Minnesota Statutes § 246.129 requires that the Department and the respective bargaining units arrive at a mutually agreed upon solution to transfer affected state employees to other state jobs. If this agreement cannot be reached, the closure of the facility will require legislative approval.

Results:

The closure of CABHS program in coordination with the implementation of the extended-stay contract beds will result in children and adolescents being served closer to family and their other supports. We will track and expect to see a reduction in the number of children needing intensive services who are placed out of state due to lack of beds.

Statutory Change(s):

None

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				2,450	(1,141)	1,309	(1,141)	(1,141)	(2,282)
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	2,450	(1,141)	1,309	(1,141)	(1,141)	(2,282)
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	61	SOS Mental Health		(1,750)	(5,341)	(7,091)	(5,341)	(5,341)	(10,682)
GF	Rev2	SOS Cost of Care Recoveries		4,200	4,200	8,400	4,200	4,200	8,400
Requested FTE's									
GF	61	SOS Mental Health		(36.7)	(36.7)		(36.7)	(36.7)	

Change Item: Increased Capacity for Individuals with Complex Conditions

Fiscal Impact ($000s)	FY2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund					
Expenditures	1,000	5,107	5,793	11,026	16,258
Revenues	0	1,122	1,122	1,122	1,122
Transfer In	1,000	0	0	0	0
Other Funds					
Expenditures	3,200	0	0	0	0
Revenues	0	740	1,480	1,480	1,480
Transfer In	3,200				
Transfer Out	4,200	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	3,245	3,191	8,424	13,656
FTEs	0	50.77	50.77	92.32	133.87

Recommendation:

Effective July 1, 2015, the Governor recommends increasing the general fund base for Direct Care & Treatment (DCT) State Operated Mental Health Services to provide funding for the creation of three new state-operated service locations – one Intensive Residential Treatment Services (IRTS) facility and two Community Behavioral Health Hospitals (CBHHs). The proposal also requests additional funding to support a staffing model at the existing CBHHs to allow these facilities to more fully utilize their licensed bed capacity.

The state cost of this proposal is $8.7 million in the FY16-17 biennium and $25 million in the FY18-19 biennium. The cost of this recommendation is partially offset by the county share of the cost of care and other dedicated revenue.

Effective the day following final enactment, the Governor also recommends making some one-time reallocations of a portion of the receipts earned by state-operated Intensive Residential Treatment Services and foster care services that are not currently dedicated to another purpose: $3.2 million is to be transferred to the Minnesota State Operated Community Services (MSOCS) enterprise account to prevent that account from ending fiscal year 2015 with a negative cash balance; and $1.0 million is to be transferred to the State Operated Services Mental Health budget activity, to help alleviate the significant fiscal year 2015 budget pressures from increased costs in that part of the department's direct care and treatment budget.

Rationale/Background:

The state needs increased capacity to serve individuals with the most complex conditions as current capacity is not adequately meeting the need. Anoka Metro Regional Treatment Center (AMRTC) is licensed as a psychiatric hospital with an operating bed capacity of 110. Due in part to a lack of system-wide capacity to serve individuals with the most complex mental health conditions, AMRTC has a lengthy waiting list — over 75 people as of January 2015.

In addition, on any given day 40% of the individuals at AMRTC do not require a hospital level of care but cannot be discharged due to placement barriers. A group of these individuals require on-going mental health rehabilitation services, but their needs do not fit into the current model of residential services being provided. This leaves these individuals "stuck" in a higher, more costly level of care than they need, and restricts the ability of AMRTC to admit individuals who need hospital level of care.

Furthermore, the state is not able to fully utilize its existing licensed capacity to serve individuals with the highest needs. DCT operates seven CBHHs around the state. CBHHs are 16-bed licensed psychiatric hospitals that treat individuals who are committed to the commissioner. Much like AMRTC, there is a waiting list for these facilities. Almost all of these sites are currently operating below their licensed bed capacity due to current funding levels that do not support the staffing required to care for individuals with complex needs. Under the current funding level DHS is only able to appropriately staff 86 out of the 112 licensed CBHH beds.

Lastly, some areas of the state do not have sufficient access to any inpatient mental health services for adults with complex needs and this requires individuals to travel long distances to receive the services they need. This further exacerbates the pressure on the rest of the system.

Proposal:

This proposal seeks to increase the capacity of the state to serve individuals with the most complex conditions by creating three new state-operated service locations — one Intensive Residential Treatment Services (IRTS) facility and two Community Behavioral Health Hospitals (CBHHs).

This proposal will add a new state-operated IRTS facility, which will serve as an alternative level of care for individuals currently being served at AMRTC who do not require hospital level of care but still need a higher level of care than can be found in most residential treatment facilities. This new level of care would reduce discharge barriers for people at AMRTC and reduce the number of days spent in an inappropriate and more restrictive level of care. This facility will be operational in FY16 and serve an average daily census of 12-14 once it is fully operational.

The proposal will establish two additional CBHHs in order to expand service availability in currently underserved geographic areas of the state. Each new CBHH (1 in FY18 and 1 in FY19) will serve an average daily census of 12-14 once they are fully operational.

All three of the new programs will need additional direct care staff including registered nurses, human services technicians, mental health professionals and other direct care staff.

The proposal also requests additional funding to support a staffing model at the existing CBHHs to allow these facilities to more fully utilize their licensed bed capacity. This proposal will allow the state to utilize an additional 11 licensed CBHH beds in existing facilities that are not currently being used by providing funding to support the appropriate staffing levels.

Effective the day following final enactment, the proposal also makes two one-time reallocations of a portion of the receipts earned by state-operated Intensive Residential Treatment Services and foster care services that are not currently dedicated to another purpose: using $3.2 million for the Minnesota State Operated Community Services (MSOCS) enterprise account, to prevent that account from ending fiscal year 2015 with a negative cash balance; and using $1.0 million to increase funding for the State Operated Services Mental Health budget activity, to help alleviate the significant fiscal year 2015 budget pressures from increased costs in that part of the department's direct care and treatment budget.

Results:

The opening of the new state-operated IRTS facility is expected to reduce the number of unnecessary hospitalization days at AMRTC by providing an additional step-down treatment location. We will monitor changes in our count of Do Not Meet Criteria (DNMC) days to evaluate the effectiveness of this proposal in positively impacting this measure.

AMRTC Do Not Meet Criteria (DNMC)	CY2010	CY2011	CY2012	CY2013	CY2014 (YTD)
Number of days	11,758	10,837	13,995	14,064	9,423

Statutory Change(s):

Rider in Appropriations article, section 2, subdivision 7

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				3,985	4,671	8,656	9,904	15,136	25,040
HCAF									
Federal TANF									
Other Fund: DED			0	(740)	(1,480)	(2,220)	(1,480)	(1,480)	(2,960)
Total All Funds			$0	3,245	3,191	6,436	8,424	13,656	22,080
Fund	**BACT#**	**Description**	**FY 15**	**FY 16**	**FY 17**	**FY 16-17**	**FY 18**	**FY 19**	**FY 18-19**
GF	61	SOS Mental Health		5,107	5,793	10,900	11,026	16,258	27,284
GF	REV2	SOS Cost Recoveries		(1,122)	(1,122)	(2,244)	(1,122)	(1,122)	(2,244)
DED	REV2	SOS Specialty Health Care Receipts		(740)	(1,480)	(2,220)	(1,480)	(1,480)	(2,960)
DED	REV	SOS Specialty Health Care Receipts – revenue available	(4,200)						
DED	TRO	SOS Specialty Health Care Receipts – transfer out	4,200						
GF	TRI	SOS Mental Health – transfer in	(1,000)						
GF	EXP	SOS Mental Health	1,000						
DED	TRI	SOS Enterprise Services (MSOCS) – transfer in	(3,200)						
DED	EXP	SOS Enterprise Services (MSOCS)	3,200						
Requested FTE's									
GF	61	SOS Mental Health	0	50.77	50.77		92.32	133.87	

Change Item: Transition Initiatives Flexibility

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	382	1,259	2,210	3,333
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	382	1,259	2,210	3,333
FTEs	0	0	0	0

Recommendation:

The Governor recommends expanding eligibility for the *Transition to Community Initiative* to help more people being served in state-operated facilities transition back to the community, regardless of age. This recommendation expands eligibility for the 2013 *Transition to Community Initiative* to people age 65 and older who are receiving services at Anoka Metro Regional Treatment Center, the Minnesota Security Hospital, or the Forensic Nursing Home in St. Peter and who no longer require hospital level of care. With this recommendation the Governor also expands eligibility to adults over age 65 being served at Community Behavioral Health Hospitals (CBHHs). This proposal invests $382 thousand in FY16 and $1.26 million in FY17.

Rationale/Background:

The 2013 Legislature created the *Transition to Community Initiative* to help people being served at Anoka Metro Regional Treatment Center (AMRTC) and the Minnesota Security Hospital (MSH), who no longer require the level of care provided at these facilities, to transition to the community. That initiative provides access to a range of services, including home and community based services waivers, to help people leave these facilities and live successfully in the community. DHS central office staff also work with staff at AMRTC and MSH, counties, tribes, and other stakeholders as part of this initiative to identify and address barriers for people who are ready to return to the community but who have not been able to do so. These efforts have resulted in a successful return to the community for a number of people.

The *Transition to Community Initiative* is on-going and will continue supporting people transitioning from AMRTC and MSH. We have learned that individuals over the age of 65 could also benefit from this type of transition support. People over age 65 also face an additional set of unique challenges. Under the current federally-approved Medicaid waiver plans and current state law, individuals age 65 and over who were not being served on a Brain Injury (BI) waiver or Community Alternatives for Disabled Individuals (CADI) waiver prior to entering AMRTC and MSH are not eligible for these waivers. In addition, for many individuals age 65 and older who are discharging from AMRTC and MSH, the level of funding available through the Elderly Waiver (EW) is not sufficient to meet their complex needs. This creates a barrier to an appropriate and timely discharge.

Proposal:

This proposal will support the transition of people, regardless of age, who have complex needs, and are trying to return to the community after receiving treatment at state-operated facilities. The goal of this proposal is to transition these individuals into and to see them remain in the community setting of their choice.

The proposal will expand eligibility for the *Transition to Community Initiative* to people age 65 and older who are receiving services at Anoka Metro Regional Treatment Center (AMRTC), the Minnesota Security Hospital (MSH), or the Forensic Nursing Home in St. Peter and who no longer require hospital level of care. It would also include people over age 65 who are being served at Community Behavioral Health Hospitals (CBHHs).

Transition grant funds already available under the *Transition to Community Initiative* will also be used to assist eligible individuals, across populations, and their providers in preparing for the move to the community and will meet any needs that cannot currently be met with MA-funded services.

This proposal will also provide an enhanced budget through the Elderly Waiver (EW) program for people over age 65 who are exiting these state operated institutional settings. This will address the issue that resources available under the EW program may not be sufficient to help people with complex needs transition to more integrated settings.

DHS anticipates serving 41 additional individuals, across eligible populations and settings, by FY 2019 under this proposal.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percent of people with disabilities who receive home and community-based services	93.7%	94.2%	2012-2013
Quantity	Percent of seniors served who receive home and community-based waiver services	67.1%	68.5%	2012-2013

To assess the effectiveness of this proposal we will measure the number of individuals, regardless of age, that transition from AMRTC or MSH under this proposal.

Statutory Change(s): M.S. §256.478; §256B.0915; §256B.092; §256B.49

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (000's)			FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund			382	1,259	1,641	2,210	3,333	5,543
HCAF Fund								
Federal TANF								
Other Fund								
Total All Funds			382	1,259	1,641	2,210	3,333	5,543
Fund	BACT #	Description	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	33	MA Grants – LW	374	1,236	1,610	2,177	3,298	5,475
GF	33	MA Grants – ED	8	23	31	33	35	68
Requested FTE's								

Change Item: Consolidated Chemical Dependency Treatment Fund Rate Change

Fiscal Impact ($000s)	FY2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund					
Expenditures	3,200	7,709	10,222	8,354	8,498
Revenues	0	0	0	0	0
Transfer In	3,200	0	0	0	0
Other Funds					
Expenditures	2,000	0	0	0	0
Revenues	0	0	0	0	0
Transfer In	2,000				
Transfer Out	5,200	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	7,709	10,222	8,354	8,498
FTEs		0	0	0	0

Recommendation:

Effective July 1, 2016, the Governor recommends a change to the rate structure for the Consolidated Chemical Dependency Treatment Fund (CCDTF) to provide a new base rate for providers who are state-certified in Integrated Dual Diagnosis Treatment (IDDT), meet certain staffing requirements, and are serving individuals committed to the Commissioner of Human Services who present with complex issues and who may present a risk to public safety. This rate will apply to private residential chemical dependency treatment providers as well as the state-operated Community Addiction Recovery Enterprise (C.A.R.E.) program.

The Governor also recommends restructuring the C.A.R.E. program to reduce bed-capacity from 174-beds, across six sites, to 70 beds, across up to four sites by January 1, 2017. Effective July 1, 2015, the Governor recommends providing a general fund appropriation to sustain the C.A.R.E. program as it restructures.

Effective the day following final enactment, the Governor also recommends the one-time transfers of unspent funds in the Consolidated Chemical Dependency Treatment Fund (CCDTF) for two purposes: $2.0 million is to be transferred to the Community Addiction Recovery Enterprise (C.A.R.E) enterprise account to prevent that account from ending fiscal year 2015 with a negative cash balance; and $3.2 million is to be transferred to the State Operated Services Mental Health budget activity, to help alleviate the significant fiscal year 2015 budget pressures from increased costs in that part of the Department of Human Services' direct care and treatment budget.

Rationale/Background:

In fiscal year 2012, the rate structure for the services provided under the Consolidated Chemical Dependency Treatment Fund (CCDTF) was changed from a county negotiated rate for each provider to a standardized rate table used for all providers. The rate methodology uses a base rate with a select number of add-ons for client complexities based on a provider's program set-up. One of the add-ons is an enhancement for residential services for clients with co-occurring chemical dependency and mental health disorders. Despite the availability of this add-on, the complex needs of certain clients often exceed the level of services supported by the enhanced rate and provided by private vendors. This has required the state-operated Community Addiction Recovery Enterprise (C.A.R.E.) program to serve these clients.

A 2013 Report by the Office of the Legislative Auditor (OLA) recommended clarifying that the role of state-run facilities is to serve individuals who would not be adequately served by other providers. C.A.R.E. currently operates at 174-bed capacity, across six sites with an average daily census of 150 -155 clients. The program specializes in the treatment of vulnerable people with complex substance abuse needs for whom no other providers are available. C.A.R.E. operates on the revenues generated from services provided to clients, with the primary payer source being the Consolidated Chemical Dependency Treatment Fund (CCDTF). Other payers include third-party payment sources such as commercial insurance, counties, and the individuals themselves. In addition, all current C.A.R.E. facilities have greater than 16 beds which prevents federal financial participation through Medical Assistance (MA) within the CCDTF. This approach to funding a state operated safety net service has become more difficult as payment rates do not adequately fund the treatment needs of the most complex clients or the cost increases for state employee salary and benefits.

In an attempt to stay within the available funds being generated, program staffing levels at the various C.A.R.E. facilities have not been adjusted to appropriately reflect the needs of the individuals being served, which has required facilities to reduce the number of admissions. This has led to less revenues being generated and a deficiency that the programs cannot recover through existing funding streams. As a result, C.A.R.E. has sought additional one-time funding requests during the past two legislative sessions as it struggles to find a balance between client needs and funding. C.A.R.E. serves clients who often have co-occurring substance abuse, mental health, physical health and public safety concerns. As currently structured, C.A.R.E. does not have sufficient resources to address all of these issues during the course of a client's stay in the program.

At the same time, it is anticipated that private providers could serve many of the clients currently served by C.A.R.E. with appropriate staffing and a payment that is sufficient to support this infrastructure. A review of the CCDTF rate structure is now underway in accordance with statute and is set to be completed within the fiscal year. The 2014 Legislature directed the Department to seek federal authority to develop new payment methodologies related to 1) state-operated vendors and 2) for persons who are committed to the Commissioner of Human Services, present with complex needs and may present a risk to public safety regardless of the service provider. Costs for serving these clients greatly exceeds the current rate structure payments and the imbalance is leading providers to either not serve these clients, or serve them and suffer significant losses.

The 2011 Legislature had directed DHS to adopt a new rule that would create a certification process for integrated dual disorder treatment providers. The rules creating the certification have been adopted and are in the implementation process. The certification requires programs to use a single integrated treatment plan to address co-occurring disorders and identify integrated treatment interventions, provide mental illness and substance use disorder treatment within the same episode of care, and incorporate evidence-based treatment practices shown to be effective in treating mental illness, substance use disorders, and co-occurring disorders. This certification, along with enhanced staffing, will be prerequisites for private providers to receive an enhanced rate to serve committed clients with complex needs.

The transfer of unspent funds in the CCDTF is possible because of lower-than-forecasted spending in the CCDTF. This transfer does not affect services eligible recipients will receive or the number of people that will be served.

Proposal:

This proposal will provide a new base rate of $475 per client, per day, for providers who are state-certified in Integrated Dual Diagnosis Treatment (IDDT), meet certain staffing requirements, and are serving individuals committed to the commissioner of human services who present with complex issues and who may pose a risk to public safety. This rate, referred to as "IDDT-complex", will apply to private residential chemical dependency treatment providers (commonly known as Rule 31 providers) as well as the state-operated Community Addiction Recovery Enterprise (C.A.R.E.) program.

Implementing the new rate will require amending Minnesota's Medicaid State Plan. This proposal assumes Federal approval will be received and new rates will be implemented by January 1, 2017. The proposal includes statutory changes to require providers to meet the staffing requirements necessary to serve these clients.

The proposal will restructure the C.A.R.E. program over a year and a half beginning July 1, 2015. By January 1, 2017 bed-capacity for the C.A.R.E. program will be reduced from 174-beds, across six sites, to approximately 70 beds, across up to four sites. The intent is to close two sites and reduce the bed capacity at the remaining sites. Beginning July 1, 2015, the C.A.R.E. site located in Carlton will be closed and sites in Brainerd, St. Peter and Willmar will be reduced to 16-beds. Reducing to 16-beds will allow the state to capture federal reimbursement for serving individuals on Medical Assistance. The site in Anoka will reduce capacity from 29 to 22 beds by July 1, 2016. The Fergus Falls site will be closed by January 1, 2017.

It is estimated that the approximate capacity of 70-beds will be sufficient to meet the needs once the new IDDT-complex rate has been established and private providers increase capacity. However, if during the course of the restructuring of C.A.R.E. if it is determined that demand exceeds the planned bed capacity, the agency will bring forward a supplemental budget proposal to retain additional state-operated capacity at C.A.R.E. Anoka and C.A.R.E. Fergus Falls.

The proposal includes a general fund supplement to cover the C.A.R.E. programs' projected deficiency in FY2016-17 as C.A.R.E. restructures. The proposal also includes an on-going general fund supplement beginning in FY 2018-19 to pay for costs to the C.A.R.E. program not covered by the IDDT-complex rate.

Effective the day following final enactment, the proposal also makes two one-time transfers of unspent funds in the CCDTF: using $2.0 million for the Community Addiction Recovery Enterprise (C.A.R.E) enterprise account, to prevent that account from ending fiscal year 2015 with a negative cash balance; and using $3.2 million to increase funding for the State Operated Services Mental Health budget

activity, to help alleviate the significant fiscal year 2015 budget pressures from increased costs in that part of the department's direct care and treatment budget.

Results:

Individuals with co-occurring substance use and mental health disorders, who are committed to the Commissioner, will have increased access to clinically-appropriate, community-based care.

Statutory Change(s):

M.S. § 254B.05, subd. 5; riders

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				7,709	10,222	17,931	8,354	8,498	16,852
HCAF									
Federal TANF									
Other Fund: DED			0						
Total All Funds			0	7,709	10,222	17,931	8,354	8,498	16,852
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	62	SOS Enterprise Svcs (C.A.R.E.)		6,481	3,208	9,689	776	776	1,552
GF	35	CD Treatment Fund		1,228	7,014	8,242	7,578	7,722	15,300
DED	REV	CD Treatment Fund balance available	(5,200)						
DED	TRO	CD Treatment Fund transfer out	5,200						
DED	TRI	SOS Adult Mental Health – transfer in	(3,200)						
DED	EXP	SOS Adult Mental Health	3,200						
DED	TRI	SOS Enterprise Services (C.A.R.E.) – transfer in	(2,000)						
DED	EXP	SOS Enterprise Services (C.A.R.E.)	2,000						
Requested FTE's									

Change Item: Economic Stability for Families

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	5,621	15,554	15,376	15,743
Revenues	0	0	0	0
Federal TANF Fund				
Expenditures	23,400	23,633	24,025	23,713
Transfers Out	(23,400)	(23,633)	(24,025)	(23,713)
Net Fiscal Impact = (Expenditures & Transfers Out – Revenues)	5,621	15,554	15,376	15,743
FTEs				

Request:

Effective October 1, 2015, the Governor recommends $68.2 million in 2016 and 2017 to increase the Minnesota Family Investment Program (MFIP) cash grant by $100 per month. This change will help address the growing number of children who are homeless, increase the economic stability of families, and support state efforts to increase school achievement. Funding for this proposal is shared between the General Fund ($21.175M) and the TANF Fund ($47.033M) in FY 2016-17. Temporary Assistance for Needy Families (TANF) resources were made available through a related Department of Revenue proposal to fund the Working Family Tax Credit in the General Fund.

Rationale/Background:

Between 1991 and 2012, the number of homeless Minnesota children and youth has almost quadrupled; in 2012, about 3,500 children with their parents were homeless on any given night.[1] Being homeless is the most concrete manifestation of the growing number of Minnesota's children in poverty and in deep poverty. That poverty costs not only the children, but the state – especially because of the strong correlation between childhood poverty and poor educational outcomes.

Poverty is ultimately about having too little money to meet expenses for basic needs. Since the mid-1980s both wages and safety net assistance have stagnated, putting low-wage workers in financial distress, whether working or not working.

Wages

Minnesota took a major step toward solving some elements of the wage problem by backing an increase in the minimum wage. Low-wage workers, however, continue to face the reality of jobs that are often part-time, and offer unpredictable and inconsistent hours, where workers have no control. In fact, the demographers' office points out that two-thirds of Minnesota's children in poverty have working parents.[2] In addition, low-wage workers are twice as likely to lose their jobs as higher paid workers, but only half as likely to collect unemployment insurance when that happens.[3]

Assistance

Unemployed low-wage workers with children can turn to the Minnesota Family Investment Program. In fact, 80 percent of parents who enroll in cash assistance have been in Minnesota's labor market. But families today receive the same amount of monthly assistance when they turn to cash assistance as families received in 1986. If the assistance levels had the same buying power as in 1986, a family of three would receive more than $1,100 a month and children would be at 70 percent of poverty. What once paid the rent for families in crisis now will pay only half the cost of a two-bedroom apartment in the Twin Cities metropolitan area, according to the Department of Housing and Urban Development's published Fair Market Rent levels. The current assistance levels do not help families out of deep or extreme poverty, defined as living below 50 percent of the federal poverty line. The Minnesota Family Investment Program exists to

[1] Wilder Research, Statewide Homeless Study,

[2] Poverty and Aging Trends in Minnesota, Andi Egbert, Minnesota State Demographic Center, January 14, 2014, a PowerPoint for the Nutritious Food Conference, January 14, 2014.

[3] "Unemployment Insurance: Low Wage Workers and Part-time Workers Continue to Experience Low Rates of Receipt", Report to the Chairman, Subcommittee on Income Security and Family Support, Committee on Ways and Means, House of Representatives, by Government Accountability Office, August 2007.
http://www.gao.gov/new.items/d071147.pdf

get income support to the poorest children and their families, yet it cannot adequately house a family when facing a crisis such as a lost job, serious illness, or domestic violence.

Increasing assistance would support the department's mission to "help people meet their basic needs so they can live in dignity and achieve their highest potential," and would support closing income inequities.

Proposal:

This proposal would increase the Minnesota Family Investment Program transitional standard cash grant by $100 per month effective October 1, 2015. Federal Temporary Assistance for Needy Families (TANF) block grant funds that are currently transferred to the Working Family Tax Credit are eliminated and replaced with general fund dollars in a proposal from the Department of Revenue. The federal TANF funds that are no longer transferred to the Working Family Tax Credit are then used to pay for a portion of the funds required to increase the cash benefit.

Results:

For MFIP: The department will measure and monitor the number of children living in deep poverty, defined as below 50% of the poverty level. The department will develop a measure for children on MFIP who are living in deep poverty and measure the change in the number of MFIP children living in deep poverty.

Statutory Change(s):

MS 256J.24, subd. 5. and Rider

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				5,621	15,554	21,175	15,376	15,743	31,119
HCAF									
Federal TANF				0	0	0	0	0	0
Other Fund									
Total All Funds				5,621	15,554	21,175	15,376	15,743	31,119
Fund	BACT#	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	21	MFIP/DWP Grants		5,280	13,860	19,140	13,588	13,909	27,497
TANF	91	Technical Activities		(23,400)	(23,633)	(47,033)	(24,025)	(23,713)	(47,738)
TANF	21	MFIP/DWP Grants		23,400	23,633	47,033	24,025	23,713	47,738
GF	22	MFIP Child Care Assistance		331	1,694	2,025	1,788	1,834	3,622
GF	11	Operations – Systems (MAXIS)		10	0	10	0	0	0
FTEs									

Change Item: Homeless Youth Act Funding

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	1,000	1,000	1,000	1,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	1,000	1,000
FTEs	1	1	1	1

Recommendation:

Effective July 1, 2015, the Governor recommends $2 million in 2016-2017 in additional funding for services provided under the Homeless Youth Act. This recommendation provides increased funding for grants to non-profits and tribal governments to provide street outreach, drop-in centers, transitional living programs and supportive housing for runaway and homeless youth.

Rationale/Background:

Based on Wilder Research findings from the 2012 Statewide Homeless Study, an *estimated 4,080* unaccompanied Minnesota youth are homeless on any given night. This includes an estimated 2,211 minor youth ages 17 and under, and 1,869 young adults ages 18 - 21. According to the researchers, these numbers are conservative estimates; the actual number of unaccompanied youth is likely considerably higher. This is because many homeless people, particularly youth who often couch-hop or find temporary places to stay, as well as homeless people in Greater Minnesota where there are fewer shelter beds, are outside the shelter system and not counted on the night of the study. Compared to their representation in the total Minnesota population, youth ages 21 and younger are the group most likely to be homeless.

Four in 10 youth (42 percent) identified by the Wilder study as homeless were found in Greater Minnesota. In 2013, there were 108 emergency shelter beds designated for unaccompanied youth statewide, 15 of which were in Greater Minnesota. There were 341 transitional housing program units designated for unaccompanied youth, 159 of which were in Greater Minnesota and on reservations. Two-hundred-fifty-eight units of permanent supportive housing were designated for unaccompanied homeless youth, with 12 in Greater Minnesota. The total statewide capacity of 108 emergency shelter beds and 599 units of housing for youth in 2013 fell short of meeting the needs of homeless youth.

Proposal:

Current base funding for the Homeless Youth Act is $6.3 million per biennium. This proposal increases funding for homeless youth services and housing by $2 million per biennium. This will allow the department to expand services and housing for homeless youth to better meet needs statewide, particularly in Greater Minnesota. Funding for one position is included in this proposal to assist in establishing increased capacity in Greater Minnesota, and to oversee and monitor grants.

Results:

Homeless Youth Act grantees are currently required to collect data and submit reports to the Department of Human Services to provide information regarding the population served, services provided and program outcomes. Data collection and reporting requirements are based on Homeless Youth Act-funded activities. These are new measures reflecting five months of activity.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of youth in shelter	N/A	172	July 1, 2014- Nov.30, 2014
Quantity	Number of youth in housing	N/A	349	July 1, 2014- Nov.30, 2014
Quantity	Number of youth provided prevention services	N/A	5,595	Nov. 1, 2014 – Sept. 30, 2014

- Prevention services include street outreach, drop-in centers, crisis counseling and family reunification.

- Data is currently being collected to determine results such as: housing stability at exit from program, employment, education and income.
- Data will be communicated through a legislative report every two years, as required by statute.

Statutory Change(s):

None

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				1,000	1,000	2,000	1,000	1,000	2,000
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	$1,000	$1,000	$2,000	$1,000	$1,000	$2,000
Fund	BACT#	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	47	Children & Economic Support Grants		933	943	1,876	943	943	1,886
GF	12	Children & Families Operations (1 FTE)		103	88	191	88	88	176
GF	REV1	FFP @35%		(36)	(31)	(67)	(31)	(31)	(62)
Requested FTE's									
GF	12	Children & Families Operations		1	1	1	1	1	1

Change Item: Safe Harbor Services for Sexually Exploited Youth

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	2,000	2,000	2,000	2,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	2,000	2,000
FTEs	3.0	3.0	3.0	3.0

Recommendation:

Effective July 1, 2015, the Governor recommends an increased appropriation to the Department of Human Services of $1.6 million in the 2016-2017 biennium for Safe Harbor shelter and housing to provide services for sexually exploited youth. Current base funding for the program is $2 million over the biennium. This funding increases the base by 80 percent.

The Governor also recommends an increased appropriation to the Department of Health of $2.4 million in the 2016-2017 biennium for Safe Harbor activities. Current base funding for the MDH Safe Harbor Program is $3 million over the biennium. This funding increases the base by 80 percent.

Rationale/Background:

In response to the devastation of sexual exploitation, including trafficking, the Minnesota Departments of Health, Human Services, and Public Safety work collaboratively to provide regional navigators, comprehensive services, shelter, foster care, and transitional and supportive housing for sexually exploited youth, and to provide protocols and training on the new approach and best practices for working with victims of sexual exploitation.

The Department of Human Services currently funds grants for non-profit organizations to provide a new set of programs specific to sex-trafficked minors through specialized emergency shelter, transitional living, youth supportive housing programs and specialized foster care. Programs are in the start-up phase, developing specialized programming, securing housing sites, having sites licensed through the department, and training staff who provide services.

The Department of Health currently funds grants to eight organizations to provide regional navigators, who serve as the main points of contact for sexually exploited youth and professionals who engage with exploited or at-risk youth. The navigators are responsible for connecting youth with services and serving as regional experts for communities. MDH also has recently funded grants to thirteen organizations to provide trauma-informed, culturally-specific services for exploited youth. These organizations will offer services in a variety of ways, depending on culture, gender and the needs of the region, ensuring that services are easily accessed by youth.

The collaboration among three state agencies to achieve the goals of the Safe Harbor legislation and funding appropriations has been beneficial as this issue touches several disciplines and industries. Sexual exploitation of minors is a public health issue; youth who have been sexually exploited need intensive, trauma-informed services and appropriate housing options. Training needs to be provided to professionals who come into contact with sexually-exploited youth so they know how to properly engage with and refer to appropriate assistance. Safe Harbor legislation is a comprehensive approach to addressing the issue of serving youth who have been sexually exploited, which requires coordination and collaboration between several state and community systems.

Proposal:

This proposal increases funding for Safe Harbor Shelter and Housing by $1.6 million for the 2016-17 biennium for the Department of Human Services. This will allow the department to expand services for shelter and housing for sexually exploited youth to better meet the statewide need.

This proposal also increases Safe Harbor funding by $2.4 million for the 2016-17 biennium for the Department of Health. This will allow MDH to:

- Increase the availability of regional navigators to twelve ($1.2 million for grants and $240,000 for a grant manager and maintenance costs for a database reporting system)

- Provide training for professionals across disciplines who engage with exploited or at-risk youth ($580,000 for a training coordinator, training event costs, and contracts with trainers and speakers)
- Implement statewide protocols and best practices for effectively identifying, interacting with, and referring sexually exploited youth to appropriate resources ($380,000 for an implementation coordinator and contracts with trainers and speakers)

IT Related Proposals:

This proposal includes $30,000 per year to the Department of Health for the maintenance costs of the centralized intake and multi-program data tracking software program currently being procured for use by Safe Harbor grantees.

Results:

The Department of Human Services and the Department of Health coordinate their collection of Safe Harbor data. All Safe Harbor grantees are currently required to collect data and submit reports to provide information on a number of data elements. A joint evaluation of Safe Harbor is currently being conducted, and results will be shared through a report to the Legislature by September 1, 2015.

Type of Measure	*Name of Measure*	*Current*	*Dates*
Quantity	# of eligible* youth referred to housing	56	May 2014 – January 2015
Quality	# of eligible* youth served in shelter or housing	49	May 2014 – January 2015
Results	# of housing program exits	24	May 2014 – January 2015
Quantity	# of eligible* youth referred to Regional Navigators	113	August 2014 – January 2015
Quality	# of eligible* youth served by Regional Navigators	98	August 2014 – January 2015
Quantity	# of professionals and community members trained by Regional Navigators	3,250	August 2014 – November 2014
Quality	# of partnerships formed by Regional Navigators with system professionals, law enforcement, and service providers	350	August 2014 – November 2014

*Youth under the age of 18 who have been sexually exploited or trafficked are eligible for Safe Harbor services.

Statutory Change(s):

None needed.

Fiscal Impact Detail by Agency

Human Services	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	800	800	800	800
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	800	800	800	800
FTEs	0	0	0	0

Health Department	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	1,200	1,200	1,200	1,200
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	1,200	1,200	1,200	1,200
FTEs	3.0	3.0	3.0	3.0

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				800	800	1,600	800	800	1,600
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	$800	$800	$1,600	$800	$800	$1,600
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	47	Children & Economic Support Grants		800	800	1,600	800	800	1,600
Requested FTE's									

MDH Fiscal Detail for Budget Tracking

EXPENDITURES	SFY15	SFY16	SFY17	SFY18	SFY19
Salary and Fringe Benefits	0	232	232	232	232
Other Operating Costs	0	321	321	321	321
Grants	0	600	600	600	600
Administrative Services	0	47	47	47	47
TOTAL EXPENSES	0	1200	1200	1200	1200

Change Item: Reducing Incidence of Fetal Alcohol Spectrum Disorder (FASD)

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	540	540	540	540
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	540	540	540	540
FTEs	0	0	0	0

Recommendation:

Effective July 1, 2015, the Governor recommends establishing an on-going Fetal Alcohol Spectrum Disorder (FASD) grant program. As part of the grant program, the Governor recommends continuing funding for an FASD program currently operating in Olmsted County and expanding grants to two additional counties. The existing program and each of the new programs would receive $180,000 in grant funding annually.

Rationale/Background:

Comprehensive services for pregnant and parenting women are essential to reduce the incidence of fetal alcohol spectrum disorders and other prenatal drug-related effects in children in Minnesota by identifying and serving pregnant women suspected of or known to use or abuse alcohol or other drugs.

The 2013 legislature enacted a one-time appropriation of $360,000 ($180,000 per year) to the Department of Human Services for a grant to the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) to support a program in Olmsted County that provides Fetal Alcohol Spectrum Disorder (FASD) services. MOFAS administered the grant to the Community of Recovery Aiding Families in Transition program (CRAFT). That grant will end on June 30, 2015.

The current grant requires CRAFT to provide recovery services to pregnant and parenting women by maintaining a comprehensive, gender-specific service delivery system that is centered on a supportive, multi-disciplinary case management team approach. The deliverables of the grant include reduce substance abuse among women in treatment who are either pregnant or have dependent children by providing case management services to meet participants basic needs, stabilize their family situation, improve their involvement in pre-treatment, treatment support and post-treatment recovery activities in order to maintain optimal health.

This program served 48 women and 77 children between July 2013 and June 2014 and has proven very successful. This program requires on-going funding to continue and other areas of the state would greatly benefit from similar services and supports as well.

Proposal:

This proposal would establish ongoing funding for an FASD grant program at the Department of Human Services to provide comprehensive, gender-specific, services to pregnant and parenting women suspected of or known to use or abuse alcohol or other drugs. This would allow for continued funding of the CRAFT program in Olmsted County as well as provide funding to support similar programs in two additional counties.

Results:

- Expected outcomes of this proposal, once fully implemented is a reduction in the incidence of fetal alcohol syndrome disorders and other prenatal drug-related effects in children in Minnesota by identifying and serving pregnant women suspected of or known to use or abuse alcohol or other drugs.
- Grant recipients would provide intensive services to chemically dependent women in order to increase positive birth outcomes.
- Grant recipients would report to the commissioner of human services semi-annually by January 15 and July 15 on the services and programs funded by the appropriation.
- The report would include measurable outcomes for the previous year, including the number of pregnant women served and the number of drug free babies born.

Statutory Change(s):
Rider.

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				$540	$540	$1,080	$540	$540	$1,080
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	$540	$540	$1,080	$540	$540	$1,080
Fund	BACT#	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	59	CD Treatment Support Grants		540	540	1,080	540	540	1,080
Requested FTE's									

Change Item: ABLE Act Accounts

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	73	32	0	0
Revenues	0	0	0	0
Special Revenue				
Expenditures	0	49	98	98
Revenues	0	49	98	98
Net Fiscal Impact = (Expenditures – Revenues)	73	32	0	0
FTEs	1	1	1	1

Recommendation:

Effective July 1, 2015, the Governor recommends funding to establish Achieving a Better Life Experience (ABLE) accounts for people with disabilities. The funding will be used to provide initial administrative resources to implement and maintain the ABLE accounts. This recommendation invests $105 thousand from the general fund in the FY 16-17 biennium and is budget neutral (fee-supported) in the FY 18-19 biennium.

Rationale/Background:

People with disabilities may struggle with having enough resources to pay for daily living expenses. Public health care programs provide necessary supports for people to live and work in the community; however, the income and asset limits for these programs often do not provide people with the opportunity to save for future expenses. In December 2014, the federal government passed the Achieving a Better Life Experience (ABLE) Act of 2014. According to the congressional summary of the bill, the goals of this federal law are to:

(1) encourage and assist individuals and families in saving private funds for the purpose of supporting individuals with disabilities to maintain health, independence, and quality of life; and
(2) provide secure funding for disability-related expenses of beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, Supplemental Security Income (SSI), Medicaid or Social Security, the beneficiary's employment, and other sources.

These accounts are available to all individuals with disabilities; they are not limited to those served by the Medicaid program. However, the balance in the accounts is excluded from consideration when determining eligibility for means-tested federal programs such as Medicaid (Medical Assistance is Minnesota's Medicaid program), SSI, SNAP, MFIP, etc. The federal law also requires that states are creditors for the purpose of seeking repayment of Medicaid upon the death of the account beneficiary.

The ABLE accounts are modeled after the 529 plans that are available to pay for higher education costs. However, at the present time, the section of the Internal Revenue Code regarding provisions for these savings accounts and provisions for the ABLE Act are not yet codified.

Proposal:

This proposal requests $105,000 in the FY 16-17 biennium to manage a contract for an outside entity to manage the ABLE accounts.

The proposal would also allow the Department of Human Services (DHS) to charge annual fees to account holders for service costs. DHS would contract with a private entity to administer these accounts, as the agency does not currently administer savings accounts for the public. This part of the proposal is budget neutral and the administrative activity will be paid for by the service fees from the accounts. However, since we do not have codified rules, we are unable to calculate the exact fees and services costs that would be needed at this time.

One FTE is needed to implement the ABLE account program, and manage the ABLE account contract. It is assumed that within 18 months, rules will be promulgated and enough revenue will be generated from fees to cover the cost of this FTE.

In addition, this proposal currently does not affect Medical Assistance (MA) income and assets. Since the ABLE Act is not yet codified, we are unable to determine the impact to MA.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of people with disabilities establishing ABLE accounts.	New	New	

Statutory Change(s):

To be determined

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				73	32	105	0	0	0
HCAF									
Federal TANF									
Other Fund: Dedicated Revenue				0	0	0	0	0	0
Total All Funds				73	32	105	0	0	0
Fund	BACT#	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	14	CCA FTE start up from GF		113	49	162	0	0	0
DED	EXP	CCA admin FTE ongoing fees supported		0	49	49	98	98	196
DED	REV	Special Revenue- Fees		0	(49)	(49)	(98)	(98)	(196)
GF	REV1	35% FFP		(40)	(17)	(57)	0	0	0
Requested FTE's									
GF	14	CCA admin			1.0	.5		0	0
DED	14	CCA admin			0	.5		1.0	1.0

Change Item: Supportive Housing Pay for Performance Pilot

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Request:

The Governor recommends a Pay for Performance Pilot Project to provide targeted supportive housing options for individuals with disabilities or mental illness currently served at the Minnesota State-Operated Community Services (MSOCS) or in Adult Foster Care. This unique performance payment structure and supportive housing intervention will allow for individuals with intellectual or developmental disabilities or mental illness to live in community-integrated housing with relatively little financial risk to the state. The state savings will be used to make performance payments to the service provider.

Rationale/Background:

Supportive housing is an effective tool for individuals with disabilities and mental illness to live independently in the community. It will also help the state achieve the goals of its Olmstead plan by providing targeted assistance to individuals with disabilities and mental illness who want to move into more integrated and independent housing, with specific focus on people with multiple and significant barriers to transitioning.

Proposal:

The Department of Human Services, along with the Minnesota Housing Finance Agency, will establish a Pay for Performance Pilot Project to transition individuals from MSOCS and Medical Assistance (MA) waiver programs to community-integrated supportive housing. Up front capital and administrative support from a third party service provider will provide the means to expand the supportive housing infrastructure that is needed before individuals can transition to less restrictive environments. Because they are expected to transition to less expensive housing with supports, the pilot is expected to generate savings to MA, which is the state's Medicaid program. To the extent that state savings are realized from the transition, the state would pay the intervention service provider retrospectively.

The pilot project expects to transition people with intellectual or developmental disabilities and people with mental illness to more community-integrated settings over the next four years. The pilot will transition 100 people to supportive housing services. The individuals moving to supportive housing will come from Adult Foster Care settings or MSOCS.

The proposed transition is expected to be one-third completed by the end of FY16, two-thirds completed by the end of FY17, and fully completed by the end of FY18.

Transitioning individuals to community settings is expected to result in state share savings in the MA program of approximately $1,700 per person per month served in supportive housing. The corresponding cost of the intervention is expected to be about $1,400 per person per month.

For each participant in supportive housing, monthly average MA costs during the months of residence in supportive housing will be compared to the monthly average MA costs for the same services for the same individual during the twelve months prior to the beginning of residence in supportive housing. To the extent MA costs for the pilot group of individuals are less than current projected costs for the same services, the difference will be considered savings. State savings are not currently projected as part of this proposal since they have not yet been demonstrated through the completion of the pilot project. If savings occur, a portion, to be determined through contract negotiation, would be paid to the intervention provider that supported the housing project with up front capital. If there

are net costs, they will be the responsibility of the intervention provider. Savings amounts will be transferred to the agency with the performance contract with the housing provider (Minnesota Management and Budget or the Minnesota Housing Finance Agency).

Results:

Proposed performance measures for this Supportive Housing Pilot will include

- Quantity: Number of individuals living in a more community-integrated setting
- Quality: Housing stability and consumer satisfaction
- Result: Improved quality of Life for individuals with intellectual and developmental disabilities and mental illness

Statutory Change(s):

New provision in MS chapter 256; amendments to MS secs. 16A.94 to 16A.96

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				($0)	($0)	($0)	($0)	($0)	($0)
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	($0)	($0)	($0)	($0)	($0)	($0)
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	33	MA LW program savings	$0	($0)	($0)	($0)	($0)	($0)	($0)
GF	33	MA LW supportive housing costs	$0	($0)	($0)	($0)	($0)	($0)	($0)
Requested FTE's									

Change Item: Employer Contributions for Permanently Disabled Employees

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	34	68	102
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	34	68	102
FTEs	0	0	0	0

Recommendation:

Effective July 1, 2015, the Governor recommends that the Department of Human Services and the Department of Corrections continue employer contributions for medical and dental benefits to certain employees who are totally and permanently disabled as a direct result of an assault by a patient or client.

Rationale/Background:

This proposal provides ongoing support to individuals who were permanently and totally disabled caring for and supervising individuals in Department of Human Services (DHS) and Department of Corrections (DOC) facilities.

Proposal:

This proposal will provide the employer share of health and dental insurance to a former DHS or DOC employee meets all of the following criteria:

- A member of the Minnesota State Retirement System (MSRS) General Employee Retirement Plan or MSRS Correctional Employee Retirement Plan
- Worked at a forensic services program or at the Minnesota sex offender program operated by the Commissioner of Human Services or at a Department of Corrections facility
- Is determined to be totally and permanently disabled under laws governing the MSRS (M.S. section 352.01, subd.17) as a direct result from an assault that occurred during employment

If all of these criteria are met, the health insurance benefits continue to the individual and any dependents until the person reaches age 65, provided the person makes the required employee contributions. For FY 2015, the annual employer contribution for health and dental insurance is $17,045 for family/dependent coverage.

It is estimated that every year, beginning in FY 2017, one former employee from each agency, DHS and DOC, will become eligible for the insurance benefit continuation established by this proposal.

Results:

The ideal outcome is that no DHS and DOC employees are assaulted by patients or clients. However, recognizing that these assaults occur and that employees have become totally and permanently disabled as a result, this proposal seeks to provide stability and care to these state employees.

Statutory Change(s):

MS 43A.241

Fiscal Impact Detail by Agency

Corrections	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	17	34	51
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	0	17	34	51
FTEs	0	0	0	0

Human Services	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	17	34	51
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact =	0	17	34	51
FTEs	0	0	0	0

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				0	17	17	34	51	85
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	$0	$17	$17	$34	$51	$85
Fund	**BACT#**	**Description**	**FY 15**	**FY 16**	**FY 17**	**FY 16-17**	**FY 18**	**FY 19**	**FY 18-19**
GF	63	SOS Mn Security Hospital		0	17	17	34	51	85
Requested FTE's									

Change Item: Managed Care Audit Requirements

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	358	326	326	326
Revenues				
Other Fund				
Expenditures				
Revenues				
Net Fiscal Impact = (Expenditures – Revenues)	358	326	326	326
FTEs	3.5	3.5	3.5	3.5

Recommendation:

The Governor recommends increasing oversight and auditing of managed care organizations (MCOs) that contract with the Department of Human Services (DHS) to provide health care services to Medical Assistance (MA) and MinnesotaCare enrollees.

Rationale/Background:

Over 75 percent of MA and MinnesotaCare enrollees are enrolled in managed care including children, pregnant women, parents, adults without children, seniors, and people with disabilities. DHS contracts with eight MCOs that provide health care services to these enrollees. Payments to MCOs total $5 billion annually for all enrollees in managed care.

In 2013, the legislature enacted additional financial reporting requirement for MCOs to submit directly to DHS. The legislature also required the Office of the Legislative (OLA) to conduct independent audits of the MCOs. The audits, including additional questions from the legislature, directed the OLA to audit MCO administrative expenses. The OLA provided this report to the 2015 Legislature, with recommendations including increased audits by DHS of MCO administrative expenses.

Proposal:

This proposal would provide additional funding for staff and a state contractor to conduct ad hoc audits of MCOs under contract with DHS to ensure increased oversight of MCO administrative expenses. This oversight work would include:

- Allocation methods of administrative expenses for state public programs
- Appropriateness of administrative expenses
- Validation of administrative and medical expenses provided for rate-setting purposes, including unallowable expenses
- Validation of documentation and contracts to support administrative and medical expenses

This proposal includes funding for 3.5 FTEs to conduct the audits and implement audit recommendations and $150,000 for a state contractor that will provide financial and actuarial expertise to assist DHS is conducting these audits.

Results:

This proposal will improve the oversight of managed care organizations. The department believes that having dedicated audit staff working on MCO compliance/rate setting issues provides the best opportunity to develop the expertise needed to provide effective oversight. These staff will allow the department to implement ad-hoc audits of data reported by managed care organizations, and will work closely with the department's Health Care Administration to identify items and issues needing enhanced instructions, definitions, and technical guidance.

Statutory Change(s):

MS section 256B.69, subd. 9d

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				358	326	684	326	326	652
HCAF									
Federal TANF									
Other Fund									
Total All Funds									
Fund	BACT#	Description	FY 15						
GF	11	Central Office – Internal Audits		229	200	429	200	200	400
GF	13	Central Office – Health Care Administration + Contractor		322	301	623	301	301	602
GF	REV1	FFP @ 35%		(193)	(175)	(368)	(175)	(175)	(350)
Requested FTE's									
GF	11	Central Office – Internal Audits		2.0	2.0		2.0	2.0	
GF	13	Central Office – Health Care Administration		1.5	1.5		1.5	1.5	

Change Item: Establishing the Minnesota Task Force on Health Care Financing

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	500	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	500	0		
FTEs	1	0	0	0

Recommendation:

The Governor recommends establishing a task force on health care financing that will consider future options for coverage and purchasing reforms for the state's public health care affordability programs (Medical Assistance, MinnesotaCare) and MNsure. These options will include opportunities under federal law for waivers and the health insurance exchange. This proposal has a net cost to the general fund of $500,000 in the FY2016-17 biennium.

Rationale/Background:

State and federal health care reforms in recent years have provided Minnesota with opportunities to establish innovative approaches to health care coverage and purchasing. The Task Force will consider policy and programmatic options that strengthen health while making the best use of state financial resources. Under this proposal, the Task Force will review future options for public health care programs and MNsure, including consideration of whether Minnesota should continue to operate its own exchange or switch to the federal exchange.

Consideration will be given to federal waivers that allow states the ability to waive certain requirements of the Affordable Care Act related to qualified health plans, health insurance exchanges, benefit design, and cost sharing requirements. Starting in 2017, the ACA permits states to obtain tax subsidies that would otherwise have gone to residents and businesses through health insurance exchanges and propose an alternative framework for insurance affordability programs provided it is no more expensive to the enrollees or to the federal government than the existing programs.

The Task Force also will review and explore options to expand current delivery system and payment reform efforts using arrangements that incent performance, reduce cost and improve health outcomes. These payment mechanisms may include risk-based contracting that holds organizations accountable for performance on cost and quality, including consideration of social determinants of health.

Proposal:

The Task Force will consider the state's options for coverage and purchasing reforms and provide the Governor and Legislature with recommendations based on analysis of the fiscal impact to the state and the impact of these options on consumers and their health.

The Task Force will include representatives from the legislature, health care leaders, counties, consumers, community organizations, and representatives from state agencies. In developing these options, the Task Force will require policy, financial, and actuarial analysis to consider the effect of options and a facilitator to manage the Task Force and stakeholder processes. Recommendations developed under this proposal must be submitted to the Governor and the legislature by January 1, 2016.

Statutory Change(s):

Uncoded provision.

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				500					
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	$500	$0	$0	$0	$0	$0
Fund	BACT #	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	13	HCA Admin		770					
GF	REV1	FFP @ 35%		(270)					
Requested FTE's									
				1					

Change Item: Nursing Facility Workforce Enhancement

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	7,790	17,340	17,432	17,484
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	7,790	17,340	17,432	17,484
FTEs	0	0	0	0

Recommendation:

Effective January 1, 2016, the Governor recommends a one-time operating payment rate increase for nursing facilities to provide funds to be used entirely for wage increases and associated costs. The goal of this recommendation is to help nursing facilities compete more successfully in the labor market and hire and retain direct care staff. This proposal invests $25 million in the FY2016-17 biennium and $35 million in the FY2018-19 biennium.

Rationale/Background:

- With the economic recovery, nursing facilities are experiencing increasing difficulty competing in the labor market. Some facilities are declining to admit new residents because of lack of staff necessary to provide care. Competition for workers is especially acute near hospitals and other major industries. Direct care employee retention has declined significantly in the last couple of years.
- State law sets Medicaid (Medical Assistance) payment rates for nursing facilities and also limits the amount that facilities may charge to private paying residents.

Proposal:

This proposal:

- Allows nursing facilities to request rate increases that would apply to their Medical Assistance (MA) and private pay residents. These one-time increases are effective January 1, 2016, to nursing facilities who apply for the rate increase.
- Requires that 100% of the additional money available from these rate increases be dedicated to providing wage increases and associated costs.
- Bases funding level decisions on local labor market conditions. The requests (applications) submitted by nursing facilities would be required to include information on local or regional wage levels for comparable positions, either in nearby hospitals or other employers that recruit individuals with comparable qualifications. This information would be used to establish a target wage level for each facility. The proposal includes $200,000 in the first year of the FY2016-17 biennium for a professional/technical contractor that would evaluate market data in received applications, using predetermined methods.
- Directs the Department of Human Services (DHS) to compute the state share of the cost of all requested rate increases, and fund them all fully if the appropriation is sufficient. The appropriation provided is $25 million for the FY2016-17 biennium. If the requests exceed the appropriation, all requests will be funded at an equal percentage level, such that the appropriation is not exceeded.
- Applies to all staff directly employed by and working in the facility except staff being paid a base wage of $40 per hour or more.
- Is expected to provide an average rate increase of 5%.

The goal of this rate increase is to increase wages for nursing home workers so that staffing levels and direct care employee retention improves. Improved staff retention can result in improved care for nursing home residents and improve access to nursing facilities.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Direct care employee retention	75.0%	69.6%	2009 and 2013

Statutory Change(s):

A new subdivision in M.S. §256B.441; rider

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (dollars in thousands)			FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
General Fund				7,790	17,340	25,130	17,432	17,484	34,916
HCAF									
Federal TANF									
Other Fund									
Total All Funds			$0	7,790	17,340	25,130	17,432	17,484	34,916
Fund	BACT#	Description	FY 15	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
GF	33	MA Grants – LF		7,660	17,340	25,000	17,432	17,484	34,916
GF	14	CCA Admin – P/T Contract		200	0	200	0	0	0
GF	REV1	Admin FFP @ 35%		(70)	0	(70)	0	0	0
Requested FTE's									
				0	0		0	0	

Change Item: Replace Working Family Credit TANF Funds with General Funds

Fiscal Impact ($000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures				
Revenues	(23,400)	(23,633)	(24,025)	(23,713)
Other Funds				
TANF Expenditures				
Revenues				
Net Fiscal Impact = (Expenditures – Revenues)	23,400	23,633	24,025	23,713
FTEs				

Request:
The Governor recommends replacing the amount of Temporary Assistance for Needy Families (TANF) funds used to pay for the Minnesota Working Family Credit with funding from the General Fund.

Rationale/Background:
This proposal funds the Working Family Credit entirely from the General Fund. Under current law, the Working Family Credit is funded with a combination of General Fund and TANF funds. In 2000, the Legislature began using TANF funds to pay for a part of an expansion to the Working Family Credit as there was an available balance of TANF funds and it was an allowable use of TANF. TANF funded programs at DHS now have need and capacity to fully use the federal funds and this proposal will restore those funds to TANF programs.

Proposal Details:
By replacing federal TANF funds with general funds for the Working Family Credit, this proposal returns TANF funds to DHS programs, such as the Minnesota Family Investment Program and the Diversionary Work Program, to help pay for a separate recommendation to increase cash assistance to low-income families with children. This proposal would maintain the level of funding for the Working Family Credit by replacing TANF funds with general funds.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, & Accountability	Increase

Statutory Change(s):
Minnesota Statute 290.0671, 6a, 6b

Program: Tax Aids, Credits, and Refunds
Activity: Homestead Credit State Refund

www.revenue.state.mn.us

AT A GLANCE

In FY 2013:

- 395,000 homeowners received refunds
- The average refund was $785
- Recent law changes will increase the number of homeowners receiving a refund beginning in FY 2015

PURPOSE & CONTEXT

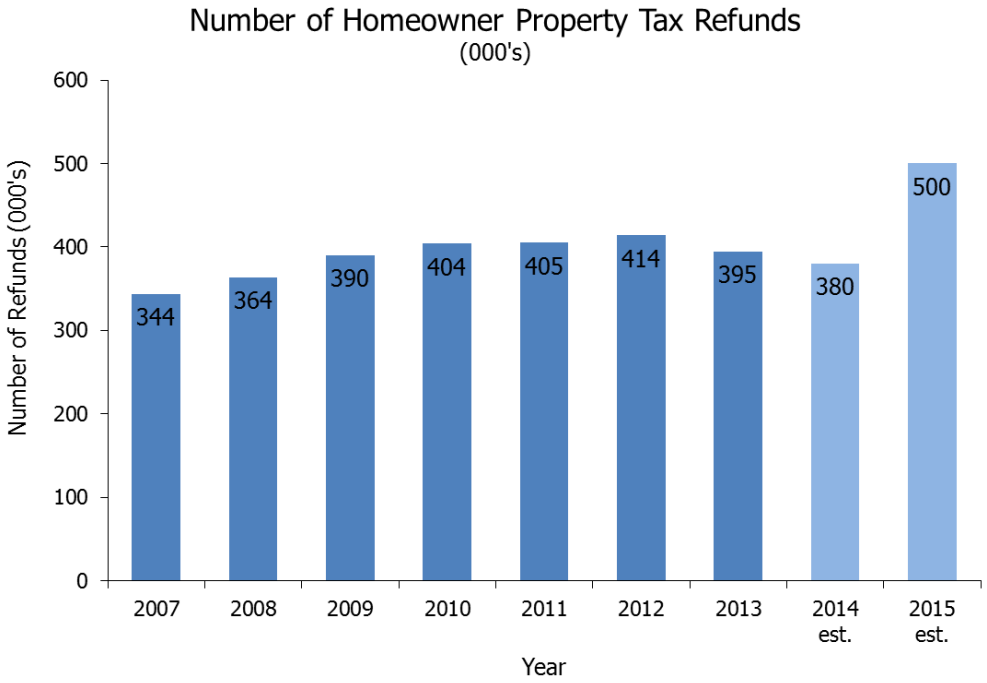
Property taxes account for a high share of household income for some taxpayers. The Homestead Credit State Refund program is designed to provide property tax relief to households that pay high property taxes relative to their household income.

Funding source: State General Fund

SERVICES PROVIDED

The program provides property tax relief to homeowners based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount.

RESULTS



Property taxes are less regressive for households with lower incomes because of the property tax refunds (PTR).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	Suits index - homeowner property taxes before PTR	-0.197	-0.176	2011 – 2013
Quality	Suits index - homeowner property taxes after PTR	-0.161	-0.133	2011 – 2013
Results	Reduction in regressivity due to PTR	18%	24%	2011 – 2013