

color and American Indians comprise approximately 45% of the SNAP caseload,<sup>2</sup> 64% of the MFIP caseload,<sup>3</sup> and 68% percent of the CCAP caseload,<sup>4</sup> while representing approximately 22% of the state population.<sup>5</sup> This proposal also impacts vulnerable populations on public health care programs, including MA for employed persons with disabilities and MA for seniors age 65 or older who may supplement retirement income via a part-time job. The paperwork burdens and complexities of public assistance programs add to the stress already imparted by the experience of poverty and wage or employment instability. Using a third-party income verification system such as The Work Number increases access and relieves some of the administrative burden placed on families when they turn to cash, food, or childcare assistance during periods of economic hardship.

### **Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Access to TWN is important for tribal administration of human services programs. White Earth Nation and Red Lake Nation are the two tribes that use TWN in their administration of TANF, SNAP and CCAP. While this proposal was not identified during the 2021 or 2022 tribal summits as a tribal priority, tribes have indicated in previous discussions with DHS that TWN is very important to them in serving their tribal members. If the state were to discontinue its contract with TWN, tribes that administer public assistance programs would need fund their own contract with a third party vendor to verify wage and employment information for public assistance participants.

### **Impacts to Counties:**

Access to TWN is important for county administration of human services programs. Counties have expressed strong interest in seeing access to TWN continue. Continued state support for this tool has been noted as a priority among counties at numerous legislative engagement sessions over the past several years, and the Minnesota Association of County Social Service Administrators (MACSSA) included state funding for TWN in its legislative platform in 2020, 2021, and 2022.<sup>6</sup> Without a full and permanent funding solution for DHS, the fiscal responsibility for continued access to TWN may fall on individual county budgets. If the state were to discontinue its contract with TWN, counties would need fund their own contract with a third party vendor to verify wage and employment information for public assistance participants.

### **IT Costs:**

N.A.

### **Results:**

64 of 78 county agencies responded to DHS' 2016 survey assessing the use of TWN among its county partners. Of those who responded to the survey, 92% used TWN for employee income verifications, and only 18% had their own online service contract. In addition, 84% rated continued access to the service as "very important" or "extremely important," and 74% responded that a discontinuation of the service would have either a "highly

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<sup>2</sup> Minnesota Department of Human Services, *Characteristics of People and Cases on the Supplemental Nutrition Assistance Program*, 2018. <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-5182M-ENG>.

<sup>3</sup> Minnesota Department of Human Services, *Minnesota Family Investment Program and Diversionary Work Program: Characteristics of Cases and People*, 2018. <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-4219U-ENG>.

<sup>4</sup> Minnesota Department of Human Services, *Child Care Assistance Program: State Fiscal Year 2021 Family Profile*, 2022. <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6664I-ENG>.

<sup>5</sup> U.S. Census Bureau, "Quick Facts," 2021. <https://www.census.gov/quickfacts/fact/table/MN,US/PST045221>.

<sup>6</sup> Minnesota Association of County Social Service Administrators (MACSSA), "Legislative Positions." <http://www.macssa.org/legislative/index.php>.

negative” or “extremely highly negative” impact on their business. The table below shows the number of annual transactions made using TWN by fiscal year.

FY	Annual Transactions	
2018	175,039	
2019	181,437	4%
2020	220,286	21%
2021	267,676	22%
2022	383,165	43%

**Fiscal Detail:**

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			1,000	1,000	2,000	1,000	1,000	2,000
HCAF								
Federal TANF								
Other Fund -- Systems								
<b>Total All Funds</b>								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	12	Children and Families P/T Contract	1,000	1,000	2,000	1,000	1,000	2,000
<b>Requested FTE's</b>								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27

**Statutory Change(s):**

N.A.

## Human Services

### FY 2024-25 Biennial Budget Change Item

#### Change Item Title: Expanding Child Care Supports for Foster Care and Relative Caregivers

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	89	13,149	26,222	26,222
Revenues	0	0	0	0
Federal Funds				
Expenditures	0	(539)	(1,114)	(1,114)
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	89	12,610	25,108	25,108
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends investing \$13.2 million in FY 2024-2025 and \$52.4 million in general fund dollars in FY 2026-2027 to change the Child Care Assistance Program (CCAP) definition of applicant and family to include foster care families, relative custodians, and successor custodians or guardians. This recommendation increases access to affordable, high-quality child care for these children and families.

#### Rationale/Background:

The Child Care Assistance Program (CCAP) helps families pay for child care so that parents can work or go to school. It also helps ensure children are well cared for and prepared to enter school. The program typically serves approximately 30,000 children from 15,000 families each month. Basic Sliding Fee (BSF) child care assistance helps eligible families who do not receive Minnesota Family Investment Program (MFIP) or Diversionary Work Program cash assistance pay for child care costs while parents participate in employment and/or approved education programs or job search activities. In State Fiscal Year 2021, the Basic Sliding Fee (BSF) Program served 12,209 children from 6,158 families.

Currently, to receive CCAP, the applicant must be either (1) an eligible relative caregiver or (2) a legal guardian under Minnesota Statutes<sup>1</sup> or tribal law. Generally, legal guardianship is granted when parental rights have been terminated or the parents are deceased. This narrow definition of legal guardian excludes many other types of custody arrangements, including cases where a child has been placed in foster care, or there has been a transfer of permanent legal and physical custody (TPLPC) of a child in foster care to their relative foster parent.

Children are placed in foster care<sup>2</sup> to ensure their safety or to access treatment. A child in foster care is under the placement and care responsibility of a local social services agency, and in most cases, is placed away from their parent/guardian. While there are several types of foster care settings, this proposal focuses on family foster home settings in which there is an individual or family who is typically licensed for child foster care. Northstar Foster Care (NFC) provides financial assistance to foster parents on behalf of eligible children in foster care to help support their care; foster care providers receive foster care payments on behalf of children in their care.

<sup>1</sup> Minn. Stat. § 119B.011 subdivision 13

<sup>2</sup> "Family foster home" means the home an individual or family who is licensed for child foster care (Under Minn. Stat. § 245A) or licensed or approved by a tribe in accordance with tribal standards with whom the foster child resides. Family foster home includes an emergency unlicensed relative placement (Under Minn. Stat. § 245A.035).

A TPLPC is one of two permanency options for children in foster care who cannot be reunified with their primary caregivers, the other being adoption. The adult caretakers in TPLPC situations typically would have first served as children's foster parents, and under statute must be considered a child's relative.<sup>3</sup> Following a court-ordered TPLPC, these adult caretakers are known in statute as the "permanent relative custodians"<sup>4</sup> or "permanent legal and physical custodians"<sup>5</sup> of a child who had been in foster care and have primary rights and responsibilities for a child's protection, education, care, supervision and decision-making on behalf of the child. Northstar Kinship Assistance (NKA) provides financial assistance to relative custodians on behalf of eligible children in their care following a TPLPC. Many (though not all) relative custodians receive NKA payments on behalf of children in their care.

The narrow definition of legal guardian in CCAP statutes has a history of causing confusion for local agencies and applicants. Since 2010, Department of Human Services (department) CCAP staff have addressed several policy questions from local agencies about the definition of legal guardian for the purpose of CCAP eligibility. In 2019, a local agency approved a CCAP application submitted by a permanent relative custodian in error. Later, they terminated the applicant's child care assistance, resulting in an appeal. The applicant had permanent legal and physical custody of a child,<sup>6</sup> but for the purposes of CCAP eligibility, this applicant was not the child's "legal guardian."

Though the decision to terminate the applicant's child care assistance was affirmed by the human services judge, the State of Minnesota Ombudsperson for Families said that the applicant not being a legal guardian "is a matter of semantics" because for all purposes the applicant, as a legal custodian, "has the same rights, responsibilities, and decision-making as a parent or guardian."<sup>7</sup> Additionally, the ombudsperson for American Indian Families reviewed the appeal and had concerns about the way CCAP staff advised local agencies to apply the definition of legal guardian. The ombudsperson recommended the department amend its policy to include "legal custodian" to be in the same category as legal guardian.

State and federal law include a preference for relative placement for children in foster care, including as permanency options when children cannot be reunified with their parents.<sup>8</sup> Placement with relatives helps minimize trauma children experience when they are removed from their homes. Relatives typically have the same or similar cultural and family traditions and norms and can support children in developing a positive sense of self and a better understanding of their heritage.<sup>9</sup> Unfortunately, relatives also tend to have lower incomes than non-relative providers and need access to services that can support them in providing foster care and permanent placement for children.<sup>10</sup>

While some children's NKA or NFC payments may include a small child care allowance, based on an assessment of their child care needs through the Minnesota Assessment of Parenting for Children and Youth (MAPCY), in all cases, the amount of the child care allowance is not enough to cover full time child care. The high cost of child care is a burden and deterrent to relatives and others who may otherwise provide temporary foster care or become a child's permanent relative custodian. Expanding the statute associated with the CCAP definition of applicant and family would better ensure children who must be placed in foster care can remain with relatives temporarily in foster care and, if reunification is not possible, on a permanent basis through TPLPC.

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<sup>3</sup> [Minn. Stat. § 260C.007](#)

<sup>4</sup> [Minn. Stat. § 260C.151, subdivision 4](#)

<sup>5</sup> [Minn. Stat. § 260C.515, subdivision 4](#)

<sup>6</sup> Pursuant to [Minn. Stat. § 260C.515](#)

<sup>7</sup> [The Decision of State Agency Appeal](#) discusses this more in depth.

<sup>8</sup> [Minn. Stat. § 260C.212, subdivision 2](#); [42 U.S.C. § 671 \(a\)\(19\)](#)

<sup>9</sup> See, for example, [Working With Kinship Caregivers](#)

<sup>10</sup> See, for example, [This report from Casey Family Programs](#)

Of the 56 CCDF states and territories, many recognize custody arrangements outside of legal guardianship for the purposes of applicant eligibility for their child care subsidy program:

- In 46 states and territories, relative caretakers are eligible to apply for subsidies
- In 34 states and territories, non-relative caretakers are eligible to apply for subsidies. Depending on the state, non-relative caretakers can be non-relatives who are acting in loco parentis, have full-time physical custody of the child, or meet other conditions.
- Minnesota is one of six states where foster families are not eligible for the child care subsidy.

**Proposal:**

This proposal would increase the number of families who are eligible to receive CCAP through BSF by expanding the definition of applicant and family to include foster care families, relative custodians, and successor custodians or guardians. The total cost of this proposal is \$13.2 million in FY 2024-2025 and \$52.44 million in FY 2026-2027 from the state general fund.

These numbers assume an increase in costs for BSF and a savings in costs for Northstar Care for Children. Cost drivers include an increase in the number of potential families serviced through BSF and a decrease in the number of children receiving child care allowance through Northstar Care for Children. The costs are paid for by increasing the CCAP BSF grant fund. The additional operating costs are the MN.IT costs to change and maintain the MEC<sup>2</sup> system.

This proposal assumes families will use CCAP for child care payments rather than the Northstar child care allowance. Increases to the monthly payment amount are based on assessed need for child care. There is a higher allowance available for children ages birth-6 in NFC (up to \$448 per month in SFY 2023) than there is for children ages birth-6 receiving NKA (up to \$224 per month in SFY 2023; for some children age 6 receiving NKA, up to \$448 per month in SFY 2023). Children ages 7-12 in NFC or receiving NKA are also eligible for this allowance (up to \$224 per month in SFY 2023; for some children ages 7-12 receiving NKA, up to \$112 per month in SFY 2023). Families receiving CCAP are not eligible for a Northstar child care allowance.

This proposal also assumes that 75% of children whose relative custodians receive NKA will receive CCAP over the NKA benefit and 40% of children whose foster parents receive NFC will receive CCAP over the NFC benefit. This proposal also assumes 75% of children whose relative custodians do not receive NKA will receive CCAP. The caregivers must meet all CCAP eligibility requirements (i.e., income and activity requirements) in order to receive the CCAP assistance. NKA and NFC participants who choose to receive CCAP would not receive a child care allowance in their monthly NKA or NFC payments.

This proposal will support children and the caregivers responsible for them by providing continuous, consistent child care assistance and care through CCAP. This proposal supports families that are providing temporary care for children in foster care, and families providing permanent care for children formerly in foster care, in affording childcare while they are working.

**Effective date:** August 25, 2024 to accommodate changes to MEC<sup>2</sup>, department development of new guidance issued to local agencies, and department outreach to agencies, advocates and others who work with families who might benefit from this change.

**Impact on Children and Families:**

Expanding the definition of family would allow children in kinship and foster care situations to receive CCAP if their caregivers met the other eligibility qualifications, and to have access to affordable childcare, particularly for tribal communities who frequently do not terminate parental rights. By making CCAP funding accessible to relative custodians and foster parents, access to child care is improved or maintained, which supports the child's development, particularly in the early years. This proposal affects children when they are moving from their legal parents or guardians into foster care, and from foster care into permanency with a relative custodian, reducing

trauma to children who are experiencing family disruption. This proposal affects families by supporting extended family members who want to take care of children but may not have the financial means to do that.

CCAP currently provides nearly 15,195 children of color access to child care every month, and approximately 53% of all children served are African American. This tracks with the reality that Minnesota's American Indian and African American families face significant disparities with regard to income and poverty, as well as some of the worst achievement gaps in the nation.

Additionally, American Indian children, African American children, and children of two or more races are consistently disproportionately represented in out-of-home placement, and research shows out-of-home placement is associated with a greater likelihood of experiencing negative outcomes later in life.

To help narrow income disparities and the achievement gap, children of color must have access to quality early learning opportunities that can improve school readiness.

### **Equity and Inclusion:**

This proposal intends to achieve outcomes that are more equitable for children and families of color and American Indian children and families by increasing access to CCAP for foster care parents and relative caregivers, thereby reducing racial inequity in accessing financial support for child care.

In State Fiscal Year 2021, 60 percent of children served by Basic Sliding Fee program alone were children of color or American Indian children, specifically African American, Asian/Pacific Islander, Hispanic/Latino, multiple races, and American Indian. Of all children served by Basic Sliding Fee, 45 percent were African American. Accordingly, any impact on children and families receiving child care assistance or the providers who serve them is likely to disproportionately affect African American children.

Likewise, Minnesota has significant racial disparities in out-of-home care; African American and American Indian children, and children of two or more races, are disproportionately likely to experience an out-of-home placement.<sup>11</sup> Additionally, through stakeholder engagement, it was reported that many tribes prefer to use transfers of permanent legal and physical custody over adoption, in order to avoid permanently terminating a parent's parental rights.

Currently, adoptive parents receiving Northstar Adoption Assistance are able to receive CCAP. Having disparate access to CCAP, depending on permanency outcome, is an equity issue, particularly considering tribal preference for TPLPC over adoption for many Tribal Nations.

Northstar Care for Children was also touted as a program that ensured equity in benefits so caregivers did not have to decide if they could afford a reduction in benefits in order to adopt or accept a TPLPC of a child in their care. While CCAP is not a Northstar benefit, other programs (such as MFIP) treat NAA and NKA benefits similarly/equitably, for example, MFIP requires households to exclude kids receiving NAA or NKA.

NKA is a benefit program that provides financial assistance and medical assistance to eligible children in foster care whose relative foster parents accept a transfer of permanent legal and physical custody. In March of 2022, 4,442 children received an NKA payment. Of those, 34% were American Indian, 18% were two or more races, and 11% were African American/Black. The addition of NKA families may increase American Indian representation in CCAP.

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<sup>11</sup> According to [Minnesota's Out-of-home Care and Permanency Report for 2020](#): "American Indian children were 16.4 times more likely, African American/Black children 2.4 times more likely, and those identified as two or more races were 6.8 times more likely than white children to experience care, based on Minnesota population estimates from 2019."

**Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

This proposal particularly affects American Indian children and families because many Tribes do not believe in terminating parental rights, so a transfer of permanent legal and physical custody is the preferred permanency option for children in foster care who cannot be reunified with their caregivers. The impact on Tribal members is an equity consideration. This proposal supports relative custodians who have permanent legal and physical custody of children by allowing them to apply for the Child Care Assistance Program.

As noted earlier, the Ombudsperson for American Indian Families also expressed support for CCAP to expand their definition of legal guardian.

**Impacts to Counties:**

Department CCAP staff and CSP consulted with counties by meeting with financial workers, supervisors, CSP representatives from local agencies and attorneys from Hennepin County, including lobbyists from MACSSA, specifically engaging with them on July 21, August 11, August 19 and August 26 in 2021. Counties broadly supported this proposal and cited its valuable impact on reducing disparities. Additionally, one county has consistently engaged department staff over the past few years in proposing legislation that would allow relative custodians access to CCAP, pointing out equity concerns particularly for American Indian families as well as permanency delays for younger children in foster care, as relatives often must take into consideration their ability to care for children financially as they experience both a reduction in Northstar payments once they become permanent relative custodians and exclusion from other financial benefit programs such as MFIP and CCAP.

**Key Themes:**

- The number of families served under CCAP would increase, with estimated costs covered by additional funds.
- Counties and tribes may experience higher CCAP caseloads and increased need for coordination.

Additionally, counties will realize a direct cost savings as a result of reduced spending on Northstar child care as families shift to BSF. These savings are estimated to be \$771 thousand in FY2024 and \$1.6 million in FY2025. These savings are not reflected elsewhere in this proposal because the state or federal government will not recoup them.

**IT Costs:**

The Minnesota Electronic Child Care Systems, or MEC<sup>2</sup>, the automated system that supports the Child Care Assistance Program, will need changes in order to implement this proposal. MN.IT estimates an initial total cost of \$162,261 in FY 2024. MN.IT estimates the ongoing maintenance cost at \$32,452 in FY's 2025, 2026, and 2027.

**Results:**

If this proposal passes, CCAP staff will be able to track how many families meeting these criteria are served annually. The CCAP Family Profile would include the results.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Notes</i>
Quantity	Number of Foster Care and Kinship families served (by race and ethnicity).	0	0	Foster Care and Kinship Assistance families are not currently served by CCAP.
Anticipated Results	Number of Foster Care and Kinship families served (by race and ethnicity) that are estimated to switch to receiving care from the CCAP Basic Sliding Fee (BSF).	0	709 Northstar Kinship Assistance 462 Northstar Foster Care	After implementing this proposal, an estimated 1,171 additional families could receive care from CCAP BSF.

Expanding access to CCAP to these families reduces the financial burden of being a foster care parent or a relative custodian. The financial burden of child care is significant. For example, a caregiver of three children (aged 1 year, 4 years, and 8 years) in Hennepin County could face \$3024 under NKA, and a \$2576 monthly shortfall under NFC, using data from the 2021 Market Rate Survey.

**Fiscal Detail:**

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			89	13,149	13,238	26,222	26,222	52,444
HCAF								
Federal TANF								
Federal Fund				(539)	(539)	(1,114)	(1,114)	(2,228)
<b>Total All Funds</b>			89	12,610	12,699	25,108	25,108	50,216
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
1000	12	Systems (MEC2 state share @ 55%)	89	18	107	18	18	36
3000	26	Northstar federal	-	(539)	(539)	(1,114)	(1,114)	(2,228)
1000	26	Northstar state	-	(1,156)	(1,156)	(2,391)	(2,391)	(4,782)
1000	42	Basic Sliding Fee	-	14,287	14,287	28,595	28,595	57,190
<b>Requested FTE's</b>								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27

**Statutory Change(s):**

Minn. Stat. § 119B.011 (Federal law allows states to define who counts as an eligible applicant.)



## Human Services

### FY 2024-25 Biennial Budget Change Item

#### Change Item Title: Building Assets for Minnesota Families

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,438	2,719	5,219	5,219
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,438	2,719	5,219	5,219
<b>FTEs</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

#### Recommendation:

The Governor recommends an investment of \$4.2 million in FY 2024-2025 and \$10.4 million in FY 2026-2027 from the general fund to increase base funding for the Family Assets for Independence in Minnesota (FAIM) program. State funding for FAIM is currently \$325,000 per year, or \$650,000 per biennium.

The Governor also recommends amending the Family Assets for Independence in Minnesota statute to:

- Allow Tribal Nations and nonprofits to administer the program with the goal to reach more diverse participants
- Allow participants to contribute to an emergency savings account or college savings account for their children
- Increase the financial match limit to counteract rising costs and support more families in asset acquisition

#### Rationale/Background:

Family Assets for Independence in Minnesota, commonly known as FAIM, helps working Minnesotans with low incomes increase their savings, build financial assets, and enter the financial mainstream. The program combines matched savings accounts with personal finance education, asset-specific training, and ongoing coaching. This approach helps working families acquire assets, improve their financial capabilities, and increase their economic security. Eligible program participants open an Individual Development Account (IDA), a matched savings account that provides financial incentives to save. Participants receive financial matches at a rate of a 3-to-1 for every dollar of earned income deposited. The matched savings account helps Minnesota's low-wage earners build assets through purchase of a home or automobile, pursuit of higher education, or launching or growing a small business. State funds for this program support the financial match for the IDAs and financial coaching. FAIM is Minnesota's only statewide IDA program and is delivered by a statewide multi-site collaborative of Community Action Agencies, community-based nonprofits, Tribal Nations, and Bremer Bank.

In 2016, Minnesota received a 5-year, \$1,000,000 Assets for Independence grant from U.S. Health and Human Services for the FAIM program. This funding ended in April 2021, and the federal program was eliminated.

#### Proposal:

This proposal invests \$4.2 million in FY 2024-2025 and \$10.4 million in FY 2026-2027 from the general fund to increase base funding for the FAIM program. It includes 2 FTEs, a grant manager and a supervisor to manage the expanded work of the Community Action team. This proposal also amends the FAIM statute to:

- Allow Tribal Nations to administer the program

- Allow other nonprofit organizations to administer the program
- Allow participants to contribute to a Minnesota 529 college savings plan for their children
- Allow participants to contribute to an emergency savings account for unexpected expenses like car repairs or medical bills; and
- Increase the financial match limit from \$6,000 to \$12,000.

This investment in FAIM will benefit a larger and more diverse group of FAIM account holders, increase its capacity to serve up to 500 additional families per year, and allow for much-needed evaluation and redesign opportunities. This proposal expands the FAIM program, which helps people achieve wealth through asset acquisition, by including saving for college for their children. Currently, the program focuses on saving for a home, small business, a vehicle, or education expenses.

**Impact on Children and Families:**

In families where assets are owned, children do better in school, voting participation increases, and family stability improves.<sup>1</sup> Reliance on public assistance decreases as families use their assets to access higher education and better jobs, reduce their housing costs through ownership, and create their own job opportunities through entrepreneurship.<sup>2</sup> Research also shows that as little as \$500 in college savings can make a difference in encouraging higher education for children from families with low incomes.<sup>3</sup> Increasing state funding for FAIM will benefit working Minnesotans with low incomes that want to increase their savings and build financial assets.

**Equity and Inclusion:**

Income and asset ownership disparities for people of color and American Indians are significant. The FAIM program specifically addresses asset attainment. Increasing state funding for this program will reduce asset ownership disparities for people of color and American Indians. Research from the IDA field suggests that people with very limited incomes can and do save money and accumulate assets when given incentives, financial education, and institutional supports.

To achieve long-term economic security, working individuals with low incomes and those leaving public assistance need opportunities to build savings, plan for emergencies, and acquire financial assets. The gap in wealth and financial assets between people with low incomes and people with higher incomes is significantly larger than the income gap itself. The wealth and financial assets gap also is disproportionately higher for communities of color and American Indian communities. Increasing state funding for this program will help close the financial asset gap for people of color and American Indians.

The race/ethnicity of FAIM participants: 50% white, 34% Black or African American, 4% Asian, 2% American Indian, 6% multiple races, and 4% declined to identify (20% of people identified as Latino/Hispanic of any race).

**Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

This proposal amends the Family Assets for Independence in Minnesota statute to allow Tribal Nations to administer the program. This proposal was presented to all Tribal Nations at the Tribal Summit in 2022.

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<sup>1</sup> [Washington University in St Louis, Center for Social Development, 2020](#)

<sup>2</sup> [Washington University in St Louis, Center for Social Development, 2020](#)

<sup>3</sup> [Small-Dollar Children’s Savings Accounts, Income, and College Outcomes](#), Washington University in St Louis, Center for Social Development, 2013

The poverty rate for American Indians in Minnesota is more than 4 times higher than the poverty rate for white Minnesotans.<sup>4</sup> Unemployment rates for American Indian workers were more than 3 times higher than white workers even before the COVID-19 pandemic.<sup>5</sup>

**Impacts to Counties:**

This proposal does not impact counties financially. FAIM is delivered by a statewide multi-site collaborative of Community Action Agencies, community-based nonprofits, Tribal Nations, and Bremer Bank.

**IT Costs:**

Not applicable.

**Results:**

As of April 2022, 1,114 Minnesotans had participated in FAIM, collectively saving \$4.92 million. FAIM delivers a strong return on investment for the public dollars invested. Purchases boost local economies through increased home ownership, property taxes, newly created jobs, small business purchases, and increased professional skills.

FAIM Post-Secondary Education

- 40% of respondents indicated that their employment had improved since completing their education.<sup>6</sup>
- 57% indicated their incomes had increased.<sup>6</sup>

FAIM Home Ownership

- 97% still owned their own home.<sup>6</sup>
- 39% had no debt other than their mortgage.<sup>6</sup>

FAIM Small Business

- 89% of surveyed FAIM-sponsored businesses were still in operation more than two years after opening compared to a national average of 44%.<sup>6</sup>
- 65% of businesses achieved an increase in their sales and income after applying their FAIM matched savings to improve their businesses.<sup>6</sup>
- Of the 130 small business account holders responding, the total estimated revenue was \$4.64 million per year.<sup>6</sup>

This proposal would increase the amount of FAIM clients by a significant amount - over 10 times the current number of enrolled clients - and expand asset types to give clients more choice over their short and long-term asset goals.

Evidenced Based Practice	Source
Individual development accounts (IDAs) help low-income families save by matching their personal savings for specific investments, such as a first home, business capitalization, or higher education and training.	Source: OPRE, <a href="https://www.urban.org/sites/default/files/publication/101287/from-savings-to-ownership.pdf">https://www.urban.org/sites/default/files/publication/101287/from-savings-to-ownership.pdf</a>

<sup>4</sup> Kaiser Family Foundation estimates based on the Census Bureau's American Community Survey, 2008-2018

<sup>5</sup> Minnesota Department of Employment and Economic Development, 2016

<sup>6</sup> Minnesota Community Action Annual Report, 2019

**Fiscal Detail:**

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 27-28
General Fund			1,438	2,719	4,157	5,219	5,219	10,438
HCAF					-			-
Federal TANF					-			-
Other Fund					-			-
<b>Total All Funds</b>			<b>1,438</b>	<b>2,719</b>	<b>4,157</b>	<b>5,219</b>	<b>5,219</b>	<b>10,438</b>
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 27-28
General Fund	47	Children's Services Grants	1,250	2,500	3,750	5,000	5,000	10,000
General Fund	12	Children and Families Admin (2 FTEs)	277	322	599	322	322	644
General Fund	REV1	FFP @ 32%	(89)	(103)	(191)	(103)	(103)	(206)
<b>Requested FTE's</b>								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 27-28
			2	2	2	2	2	2

**Statutory Change(s):**

Minn. Stat. § 256E.35



# Human Services

## FY 2024-25 Biennial Budget Change Item

### Change Item Title: Child Support Improvements and Investments

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	218	268	110	110
Revenues	0	0	0	0
Other Funds – Special Revenue				
Expenditures	64	32	32	32
Revenues	64	32	32	32
Net Fiscal Impact = (Expenditures – Revenues)	218	268	110	110
FTEs	0	0	0	0

### Recommendation:

The Governor recommends an investment of \$390,000 in the FY24-25 biennium and \$78,000 per year ongoing for updates to child support guidelines, enforcement, and compliance with federal regulation from the state general fund. Additionally, \$96,000 in FY24-25 and \$32,000 ongoing is requested to transfer to the special revenue to support the child support division’s compliance with federal review. The changes will make necessary adjustments to relieve the negative impacts of child support arrears and help prevent them in the future.

### Rationale/Background:

#### Guidelines Changes

Over the last decade, child support arrears have nearly doubled in Minnesota, causing negative consequences for payers, with the disproportionate impact falling on African American and American Indian payers. One reason for increased child support arrears is orders that are set too high for the payer’s financial circumstances. Minnesota’s child support guidelines are used by courts to set child support obligations. Special provisions apply to parents who are not working or make very little money. These provisions include attributing “potential” income to a parent when calculating support even if the parent does not have income,<sup>1</sup> and requiring the parent to pay a minimum order.<sup>2</sup> This ensures that even the very lowest income parents will have an obligation set. Minnesota law allows the court to set a \$0 order when a parent is unable to pay, but the standard for inability to pay is difficult to meet. For payers receiving assistance from the Minnesota Family Investment Program (MFIP), General Assistance (GA), or Supplemental Security Income (SSI), child support obligations will likely result in arrears, causing harm to the payer while not helping the child. Those who have suddenly become disabled can be left with significant arrears accrual before their disability benefits are approved. A county/state workgroup has made recommendations, reflected in this proposal, on areas of the guidelines that affect especially vulnerable payers who are unlikely to be able to pay.

#### Driver’s License Suspension

Many stakeholder organizations have raised concerns with the use of driver’s license suspension to remedy nonpayment of child support.<sup>3</sup> Federal law requires states to have a process for suspending driver’s licenses for nonpayment of child support, but states are given discretion to determine when and how to use this enforcement remedy.<sup>4</sup> License suspension is a valuable tool when a child support payer is willfully refusing payment. For those

<sup>1</sup> See: [Minn. Stat. § 518A.32](#)

<sup>2</sup> See: [Minn. Stat. §518A.42, subd. 2](#)

<sup>3</sup> See: [Minn. Stat. 518A.65](#)

<sup>4</sup> [45 C.F.R. §303.31\(a\)\(2\)](#)

unable to pay, it creates an additional barrier to employment and can get in the way of co-parenting. Stakeholders have overwhelmingly requested a reduction in use of this remedy. To respond, the Department of Human Services (department), along with participating counties and the federal Office of Child Support Enforcement, created a procedural justice informed pilot project to rework the driver's license suspension process. County participants from that group worked with the state to create a legislative proposal intended to refine the remedy so it applies in cases where it is likely to be successful and will not apply in cases where it will only have a negative impact on families. Final results of the pilot will not be received until January, but this proposal represents common sense changes based on what county pilot participants learned.

### Medical Support Reforms

When child support is determined in Minnesota, there are three types of support: basic support, childcare support, and medical support. Each parent with income available for support is expected to contribute financially to their child's basic needs, childcare expenses, and medical insurance/uninsured medical costs based upon their proportional share of the parents' combined incomes.<sup>5</sup> In 2016 new federal regulations were implemented that allow states more flexibility in how they set medical support obligations.<sup>6</sup> A state/county workgroup met to redraft the medical support statutes to be responsive to both the new federal rules and the changing environment of medical support as coverage has become more expensive and changes to medical assistance have made more families eligible for public coverage.

### Quadrennial Review

The quadrennial review of the child support guidelines, due every 4 years under federal law,<sup>7</sup> will be due again in 2026. Updated federal regulations have made the report more labor intensive than previous years and require the department to obtain the assistance of an economist to provide analysis on new required data points. The federal changes require the department to obtain public input on the guidelines and any potential proposed changes to them. To do this work, the department requires resources for public engagement activities. Additionally, legislation enacted during the 2022 session added a January 1, 2032 sunset date to the quadrennial review, which is not compliant with federal law requiring this report every four year.

## **Proposal:**

### Guidelines Changes

To address unpayable child support orders, this proposal would clarify that parents in certain situations should not have income imputed to them and should not be subject to a minimum order. This will make it easier for a court to set a \$0 order when the payer has no ability to pay, thus reducing arrears balances for the most vulnerable. For those who have benefits approved following disability, the proposal will allow payment of child support arrears by the derivative benefits that flow to the child. Specifically, the proposal does the following:

- Prohibits courts from assigning the child support payer with a minimum order when the payer is on MFIP or GA.
- Exempts all recipients of MFIP from the application of potential income when determining child support. Currently, the statute exempts recipients of TANF only. This proposal would also allow those who do not receive cash and those who receive state funded MFIP to qualify for the exemption.
- Exempts recipients of SSI/GA from the application of potential income when determining child support.
- Allows lump sum derivative payments to satisfy arrears that accrued during the eligibility period for Social Security or VA benefits (allowing payments from Social Security or VA to pay for child support that was owed during the period the benefits are for).

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<sup>5</sup> See: Minn. Stat. 518A.34

<sup>6</sup> [https://www.acf.hhs.gov/sites/default/files/documents/ocse/fem\\_final\\_rule\\_summary.pdf](https://www.acf.hhs.gov/sites/default/files/documents/ocse/fem_final_rule_summary.pdf)

<sup>7</sup> 45 C.F.R. § 302.56(h)

- Subtracts derivative benefits prior to application of the self-support reserve when determining the payer’s ability to pay.<sup>8</sup>

The cost for these provisions is \$396,099 in the FY 2024–2025 biennium, and \$79,220 per year ongoing for changes to PRISM, the state’s automated child support IT system, and the Minnesota Child Support Web Calculator. **Effective date:** January 1, 2025.

#### Changes Related to Driver’s License Suspension

This proposal would make several changes to the way that child support arrears lead to driver’s license suspensions. Specifically, the proposed legislation would:

- Only apply the remedy in cases where the parent has a valid driver’s license. Currently the remedy may apply even when the payer does not have a license, including when a license was suspended for another reason. In these cases, a suspension for nonpayment of child support is unlikely to result in child support payments. Despite the low likelihood of coercing a payment, there remains a high likelihood of harm to the obligor from the suspension. Multiple suspension reasons can be confusing and overwhelming, creating mounting barriers to obtaining the license, reducing the likelihood of them resolving the reasons and increasing the likelihood that the parent will drive without a license.
- Provide funding to update PRISM so that cases will be excluded when the last known address of the payer is known to be an address that is no longer applicable. It is unfair to the parent and will not likely result in child support payments if the driver’s license suspension remedy applies without actual notice to the parent.
- Exclude payers from the remedy when they are receiving MFIP, GA, or Supplemental Security Income (SSI) and when participants are recently released from incarceration.<sup>9</sup> These payers are unlikely to be able to make payments, so suspending their driver’s license will not incentivize child support payments. Rather, this remedy is more likely to create barriers to employment, future payment of child support, and co-parenting their children.
- Allow child support officers and courts more discretion in whether to apply the remedy and whether to end suspension when it is in place. This would allow more licenses to be maintained or returned based on an assessment of the facts and whether the suspension is more likely to result in child support payments or cause harm to the family.
- The cost for these provisions is \$461,835 in the FY2024–2025 biennium and \$92,367 per year ongoing to update PRISM. **Effective date:** July 1, 2023 for provisions relating to increased discretion, and July 1, 2026 for provisions related to limiting eligible cases that require PRISM updates.

#### Medical Support Reforms

These provisions are intended to create efficiencies in the child support system and update the guidelines so they are more in line with the changing health insurance landscape in Minnesota. Changes would be effective July 1, 2024.

- *Definition of Health Insurance.* A change to federal rule expands the definition of “health care coverage” for child support purposes to include public coverage.<sup>10</sup> Minnesota law currently excludes public coverage from its definition of “health care coverage” when determining medical support for child support purposes.<sup>11</sup> To conform to federal law, this proposal amends the definition of “health care coverage” in Minnesota law to include public health care coverage.
- *Public Coverage Presumed Appropriate.* When determining medical support, if a child is not already covered on a private insurance policy, the court must consider what health care coverage is available to

<sup>8</sup> The self support reserve is an amount subtracted from the child support payer’s income when calculating child support. The self support reserve is equal to 120 percent of the federal poverty guidelines for one person. See: [Minn. Stat. § 518A.42, subd. 1\(b\)](#)

<sup>9</sup> The proposed language allows the court or child support agency to decline to suspend a license for up to six months after incarceration or inpatient treatment.

<sup>10</sup> See: [45 C.F.R. § 303.31\(a\)\(2\)](#)

<sup>11</sup> See: [Minn. Stat. § 518A.41, subd. 1\(a\)](#)



the parties for their children and order coverage if the court finds it is “appropriate.”<sup>12</sup> This proposal would deem public coverage “appropriate” if a child is already enrolled in and remains eligible for Medical Assistance when a court is making medical support determinations. Under this change, a court could order that Medical Assistance continue without making further findings. This change would eliminate the inefficient and time-consuming process for the court to review different insurance options when a child is already receiving Medical Assistance and remains eligible.

- *Administrative Suspension of Medical Support.* When a parent who is paying basic support is ordered to cover the child on their health insurance, the parent receiving support is ordered to pay medical support to the parent paying basic child support. To avoid the absurdity of both parents paying the other, statute allows the recipient’s medical obligation to offset the payer’s basic support obligation.<sup>13</sup> Therefore, the parent paying support would pay their basic support, less the medical support owed by the parent receiving the basic support. Should a parent ordered to pay basic support and to provide medical insurance fail to keep the child insured, the offset may be stopped administratively, allowing the child support agency to collect the entire basic support amount. This effectively ceases enforcement of the medical support obligation.

There is no similar administrative procedure to stop collection of medical support when a parent receiving child support is also ordered to provide medical insurance for the child. This proposal would allow collection of the medical support obligation from the parent paying support to be administratively suspended by the child support agency. This proposal creates parity between parents as this suspension of enforcement is already allowed when the other parent owes the medical support obligation.

- *Determination of Obligated Parent’s Eligibility for Public Coverage.* When a child receives medical assistance, the parent paying child support may also be required to pay a contribution toward the cost of public medical coverage.<sup>14</sup> Currently, statute excludes child support payers from this requirement if they are eligible for public medical coverage or receiving public assistance.<sup>15</sup>

Local child support agencies do not have access to all information needed to determine whether a payer is eligible for public medical coverage. For example, a spouse’s income may be needed to determine eligibility for medical coverage, but that income is not counted in a child support case. Absent an ability to determine eligibility, child support calculators compare a child support payer’s Parental Income for Child Support against the medical assistance eligibility standard for a household of one. This arbitrary standard may leave out payers who are eligible for or receiving medical assistance because a household size of one is not accurate to their circumstances.

This proposal provides that a child support payer with income below 200% of the federal poverty guideline, currently \$27,080/year, would not be ordered to pay a contribution toward a joint child’s public medical coverage. This helps ensure payers are not improperly charged for public medical coverage and avoids the inefficient process of collecting unnecessary information.

- *Define “Reasonable in Cost.”* Federal child support rules require state guidelines to define what is “reasonable in cost” for medical coverage when determining child support obligations.<sup>16</sup> States may use the definition in the federal rules or a reasonable alternative.<sup>17</sup> The department has long provided

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<sup>12</sup> See: [Minn. Stat. § 518A.41, subd. 4](#)

<sup>13</sup> See: [Minn. Stat. 518A.41, subd. 16](#)

<sup>14</sup> See: [Minn. Stat. § 518A.41, subd. 4 and 14](#)

<sup>15</sup> See: [Minn. Stat. § 518A. 41, subd. 4\(f\)\(3\)](#)

<sup>16</sup> See: [45 CFR 303.31](#)

<sup>17</sup> This definition was in a prior version of federal rule. The current definition that states can, but are not required to, use is: “Cash medical support or the cost of health insurance is considered reasonable in cost if the cost to the parent responsible for providing medical support

guidance to local child support agencies that defined the cost of health care coverage as reasonable if the marginal cost of adding the child to a parent's individual health insurance coverage does not exceed 5% of the parties' combined parental income for child support (PICS). However, department policy guidance to local agencies does not govern private child support cases. This means there is not uniformity statewide, and Minnesota is not in full compliance with federal requirements. This proposal codifies department guidance creating a statewide definition of "reasonable in cost" when determining medical support, with additional discretion to consider high deductibles and costs to cover the parent if that is a prerequisite to covering the child.

The cost for these provisions is \$289,674 in the FY2024–2025 biennium and \$57,935 per year ongoing to update PRISM. **Effective date:** January 1, 2025.

#### Quadrennial Review

States are required to complete a review of their child support guidelines every four years.<sup>18</sup> Federal rule changes made in 2016 require states to analyze additional economic information and authentically engage with the public to obtain input on child support guidelines. For the 2022 review, the Child Support Division was able to leverage the work of the Child Support Task Force and the work of its economist to complete the quadrennial review. In 2026, the Division will not be able to complete the work absent additional resources. An appropriation in 2024 is imperative to ensure the department has sufficient time to contract with an economist and complete the work for the 2026 review, keeping Minnesota in federal compliance. This proposal provides the agency with the necessary resources to prepare a federally compliant report in 2026 and ongoing. Specifically, new federal requirements require:

- Analysis of labor market data (such as unemployment rates, employment rates, hours worked, and earnings) by occupation and skill-level for the State and local job markets, the impact of guidelines policies and amounts on custodial and noncustodial parents who have family incomes below 200 percent of the Federal poverty level, and factors that influence employment rates among noncustodial parents and compliance with child support orders.
- Analysis of the rates of default and imputed child support orders and orders determined using the state's low-income adjustment. The analysis must include a comparison of payments on child support orders by case characteristics.
- The department to provide a meaningful opportunity for public input, including input from low-income child support payers and recipients, and local child support agencies.

Most of the requested appropriation would be used to hire an economist to assist DHS with the newly required data analysis. Other funds would pay for the costs associated with accessible public meetings, including facilitation services, captioning, and translation. Because the report is due every four years, a special revenue fund would be established for all activities related to the report. This will enable the department to enter into a contract with an economist every four years and allow the department to schedule public meetings throughout the report period.

The cost for these provisions is \$64,000 in the FY2024 and \$32,000 per year ongoing. These funds will transfer into a special revenue fund to ensure that the funds are available for expenditure every four years. The 2024 cost is slightly higher to ensure that the department has sufficient funds for the 2026 review. **Effective date:** July 1, 2023.

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does not exceed five percent of his or her gross income, or at state option a reasonable alternative income-based numeric standard defined in state law." The department has concerns that the federal definition will result in higher numbers of uninsured children in Minnesota.

<sup>18</sup> 45 C.F.R. § 302.56(h)

### **Impact on Children and Families:**

When child support, including medical support, is set in amounts that parents can pay, child support reduces child poverty, promotes parental responsibility and improves children's educational outcomes.<sup>19</sup> However, if support is set in an amount the parent cannot pay, the child does not receive the support and the parent who pays support accrues child support debts. Child support debts trigger enforcement remedies and can negatively affect the relationship between parents.

The driver's license suspension remedy can create barriers to employment and exercising parenting time with the child. Ensuring health care coverage for children is affordable increases the likelihood that a child will have medical coverage. When children have medical insurance, their parents can bring the child to well-child visits, obtain routine vaccinations, and not choose between providing food and housing or paying hospital bills should a child have a chronic illness or suffer an injury in need of emergency care.

Providing resources for the department to complete the quadrennial review in compliance with federal rules will enable the state to carefully analyze child support guidelines and the impact they have on the ability of parents to support themselves and their children. The quadrennial review will help the state ensure "right sized orders" for child support. Orders that are right sized can be paid in full and on time to provide the financial support the child needs and ensure that the child support orders do not result in unnecessary and harmful debt.

### **Equity and Inclusion:**

Black, Indigenous and other people of color disproportionately experience poverty in Minnesota, with African Americans and American Indians experiencing poverty at a rate four times higher than that for white Minnesotans.<sup>20</sup> Indigenous and African American families also have the lowest median incomes in Minnesota.<sup>21</sup> Racial disparities in income and employment result in a disproportionate number of African American and Indigenous parents participating in the MFIP program.<sup>22</sup> In Minnesota, 18% of American Indians live with a disability, higher than all other racial or ethnic groups in the state<sup>23</sup>

Reflecting these persistent disparities, African American and Indigenous parents are overrepresented in the IV-D child support system. These populations are also most likely to be in arrears, with African American child support payers owing 33% of all arrears tracked in PRISM while representing 22% of the caseload. This table illustrates the disproportionate overrepresentation of African American and Indigenous child support payers in the IV-D system:

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<sup>19</sup> <https://www.ncsl.org/research/human-services/how-child-support-affects-low-income-fathers.aspx>

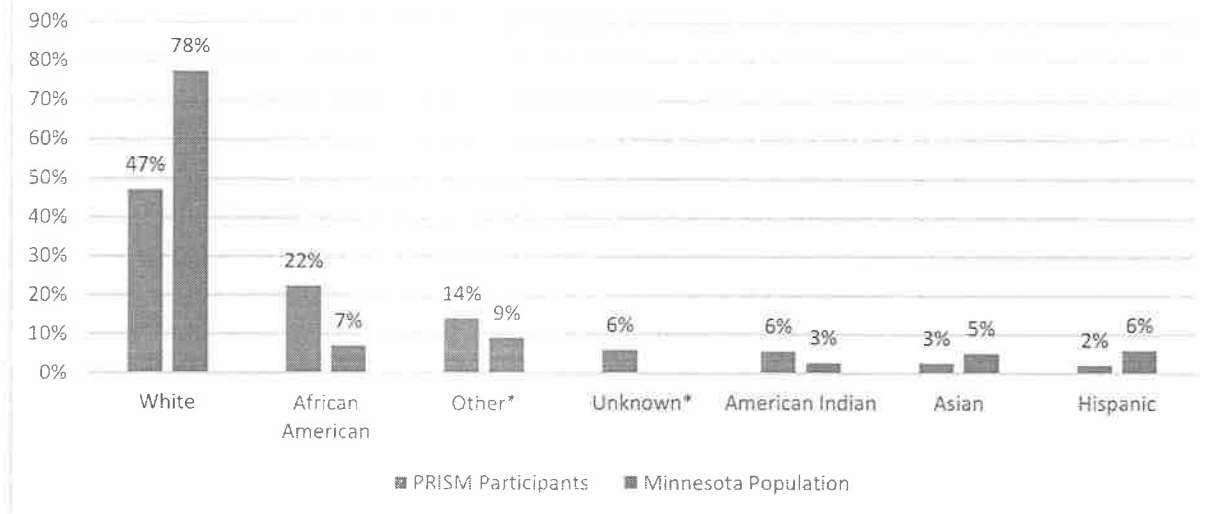
<sup>20</sup> Minnesota Department of Health, [People in Poverty in Minnesota](#), 2019.

<sup>21</sup> <https://www.mncompass.org/disparities/race#1-9529-g>

<sup>22</sup> <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-4219U-ENG>

<sup>23</sup> <https://www.mncompass.org/topics/demographics/disability>

## PRISM Population vs. Minnesota Demographics



Provisions in this proposal can help reduce disparities based upon race and economic status that are made worse by child support policies. Specifically, this proposal will:

- Prevent the accrual of child support arrears for the most economically vulnerable child support payers.
- Address the potential damage caused by driver's license suspension as a remedy for child support arrears.
- Better ensure child support orders are right sized by limiting the amount of child support obligations ordered for those who are most likely unable to pay.

Additionally, ensuring Minnesota's quadrennial review complies with the new federal emphasis on factors related to income and employment will likely highlight the interaction between the child support guidelines and well-known racial disparities in education,<sup>24</sup> unemployment,<sup>25</sup> and participation in certain industries,<sup>26</sup> as well as disparities in employment tied to disability status<sup>27</sup> and former incarceration.<sup>28</sup> The more detailed analysis of the impact child support guideline policies and order amounts have on child support payers and recipients, particularly those who have family incomes below 200% of the federal poverty level, will help the state better ensure child support orders are not causing harm to payers experiencing poverty as well as to develop equitable child support policies.

In addition, funding for community engagement will not only allow the department to comply with federal requirements, but it will also ensure that Minnesotans impacted by the child support guidelines have their voices heard by policymakers.

<sup>24</sup> The share of Minnesotans without a diploma are highest for immigrants and Native Americans. [https://mn.gov/admin/assets/the-economic-status-of-minnesotans-chartbook-msdc-jan2016-post\\_tcm36-219454.pdf](https://mn.gov/admin/assets/the-economic-status-of-minnesotans-chartbook-msdc-jan2016-post_tcm36-219454.pdf). Asian and to a lesser extent white Minnesotans are most likely to have a bachelors degree. [https://mn.gov/admin/assets/MNSDC\\_EconStatus\\_2018Report\\_FNL\\_Access.pdf\\_tcm36-362054.pdf](https://mn.gov/admin/assets/MNSDC_EconStatus_2018Report_FNL_Access.pdf_tcm36-362054.pdf)

<sup>25</sup> Unemployment rates for American Indian, African American, and Latinx workers are 2-3 times higher than white workers. Minnesota Department of Employment and Economic Development, *How Does Minnesota Unemployment Compare*, 2015.

<sup>26</sup> Minority populations, including African American, Indigenous, and Hispanic populations are more likely to participate in certain industries, in particular lower-wage jobs in the health care industry. [https://mn.gov/deed/assets/041018\\_tc\\_disparities\\_tcm1045-341196.pdf](https://mn.gov/deed/assets/041018_tc_disparities_tcm1045-341196.pdf)

<sup>27</sup> Disabled Minnesotans are less likely to be employed and those who are employed are more likely to be employed part-time. <https://www.disability.state.mn.us/information-and-assistance/employment-fact-sheet/>

<sup>28</sup> <https://mn.gov/deed/newscenter/publications/trends/september-2015/prisoners-dilemma.jsp>

**Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

**Impacts to Counties:**

The changes to child support guidelines in this proposal originated with counties and will result in processes that are more efficient and pleadings when establishing or modifying child support. Limiting the number of cases in which county agencies and courts must discover and assess all available medical coverage, as currently required, will reduce local agency work when determining medical support in some cases. Counties currently follow state guidance related to the affordability of medical coverage. Because this proposal simply codifies that guidance, that provision will not affect counties. Finally, by treating parents responsible for paying basic support or receiving basic support differently when a parent stops providing court-ordered medical coverage, counties report child support payers believe the system is biased against them. By allowing administrative action to stop collection of medical support or eliminate the offset of basic support when a parent fails to carry coverage as ordered, parents will be treated equally in state law.

The changes to the driver’s license suspension remedy will be unlikely to have measurable impacts for county workers. The legislation will shift the process towards one that is more manual, which tends to increase work for county child support officers. However, the changes will likewise eliminate some cases from the process altogether, by requiring a known address and a valid driver’s license be in place.

The counties will not be directly impacted by the quadrennial review, though they will benefit from the strength of the research it contains.

**IT Costs:**

<i>Category</i>	<i>FY 2024</i>	<i>FY 2025</i>	<i>FY 2026</i>	<i>FY 2027</i>	<i>FY 2028</i>	<i>FY 2029</i>
Payroll						
Professional/Technical Contracts						
Infrastructure						
Hardware						
Software						
Training						
Enterprise Services						
Staff costs (MNIT or agency)	452	608	212	212	212	212
<b>Total</b>	<b>452</b>	<b>695</b>	<b>229</b>	<b>229</b>	<b>229</b>	<b>229</b>
MNIT FTEs						
Agency FTEs						

**Results:**

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>FFY 2021</i>	<i>FFY 2020</i>	<i>FFY 2019</i>
Quantity	Collection on current support	75.75%	75.41%	74.40%
Quantity	Collection on arrears	72.30%	79.65%	72.91%
Quantity	Program cost effectiveness	\$3.09	\$3.26	\$3.14

In general, changes to the guidelines for lower income payers and some of the medical support provisions contribute to “right sized orders.” Orders that can be paid completely and reliably while allowing the paying parent to support themselves and their child when in their care are right sized. In some cases, a right sized order may be a \$0 order. This proposal will result in more right sized orders, which will improve several performance measures.

Collections on current support. Provisions related to imputed income, exemptions from the minimum order, setting clear affordability limits for medical coverage, allowing presumptive medical assistance, and not ordering reimbursement for medical assistance for payers earning under 200% of the federal poverty level will reduce the amount of child support due in Minnesota, as well as reduce the amount of child support that is not collected. Thus, Minnesota’s IV-D agencies would collect a higher percentage of child support owed.

Collection on arrears. Provisions helping ensure child support orders are right sized will better ensure child support payers can pay their child support obligations and reduce any existing arrears. The provision in this proposal related to lump sum payments for derivative benefits would, in some cases, result in a significant payment toward reducing a payer’s child support arrears. Accordingly, this proposal may result in improvements in the ratio of payments on arrears to total of arrears owed.

Program cost effectiveness. In FFY 2021, for every dollar local child support agencies spent on child support enforcement, they collected \$3.09. Some of the provisions in this proposal will increase local agency effectiveness. For example, a presumption of a \$0 order for cases where a payer is on GA, MFIP, or SSI will reduce the need for complicated court pleadings and result in fewer legal disputes. Allowing medical assistance to be presumed appropriate coverage will save county workers time, allowing them to focus on collection efforts that are more productive. Accordingly, this proposal may result in improvements to the ratio of dollars expended for collecting child support to the amount of child support collected.

Driver’s License suspension reform. Anecdotal evidence from county child support workers indicates that the possibility of driver’s license suspension can compel payment compliance from payers who do have the ability to pay choose not to pay. However, there is little evidence in Minnesota or nationwide that systemic application of a driver’s license suspension improves child support performance overall. Data in this area is nearly impossible to capture because it is difficult to measure whether a payment that was received was in response to license suspension. For this reason, it is not anticipated that the program can measure success based on standard federal child support performance measures. However, the very high rate of cases in PRISM with an active driver’s license suspension indicates that for many people, this enforcement remedy does not work because they are unable to pay their full child support obligation, not choosing not to pay. Nearly 20% of payers in the PRISM computer system have an active driver’s license suspension. If the remedy were effective, many more of these payers would have responded, paid their arrears, and avoided the actual suspension. Because the driver’s license remedy is known to be harmful, any reduction in the use of the enforcement tool should be seen as a removal of barriers to employment and parenting. If passed, we expect the ratio of payers with a suspension to decrease significantly.

**Fiscal Detail:**

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			218	268	486	110	110	220
HCAF					0			0
Federal TANF					0			0
Other Fund - Special Revenue Fund			0	0	0	0	0	0
<b>Total All Funds</b>			<b>218</b>	<b>268</b>	<b>486</b>	<b>110</b>	<b>110</b>	<b>220</b>
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	11	Systems (PRISM state share @ 34%)	154	236	390	78	78	156
GF	12	Children and Family Services Admin – Transfer Out	64	32	96	32	32	64
SRF	12	Children and Family Services Admin – Transfer In	64	32	96	32	32	64
SRF	12	Children and Family Services Admin – Transfer In	(64)	(32)	(96)	(32)	(32)	(64)
<b>Requested FTE's</b>								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27

**Statutory Changes:**

- Minn. Stat. § 518A.31
- Minn. Stat. § 518A.32, subds 3 and 4
- Minn. Stat. § 518A.34
- Minn. Stat. § 518A.41
- Minn. Stat. § 518A.42, subds 1 and 3
- Minn. Stat. § 518A.65

## Human Services

### FY 2024-25 Biennial Budget Change Item

#### Change Item Title: Administrative Improvements for Child Care Providers

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	633	467	689	717
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	633	467	689	717
FTEs	1	4	6	6

#### Recommendation:

The Governor recommends investing \$1.1 million in the FY 2024-2025 biennium and \$1.4 million in the FY 2026-2027 biennium to centralize and streamline provider registration and renewals for the Child Care Assistance Program (CCAP) and remove duplicative background studies for Legal Non licensed (LNL) providers in CCAP.

This proposal includes the following:

- Six FTEs to establish a centralized childcare provider registration and renewal unit at the Department of Human Services (department) for CCAP.
- \$368,598 to MNIT in Fiscal Years 2024-2027 for necessary changes in MEC<sup>2</sup> for centralized provider registration.
- \$54,015 to MNIT in Fiscal Years 2024-2027 for necessary changes to MEC<sup>2</sup> for changes to LNL background study frequency.
- \$75,000 to IA, the NETStudy 2.0 development vendor. Changes to NETStudy 2.0 are needed for the department to register LNL providers, including the initiation of LNL provider background studies.
- \$275,000 in FY2024 and \$55,000 ongoing to build and maintain a centralized provider registration system.

#### Rationale/Background:

##### Centralize and Streamline Provider Registration

Families who receive childcare assistance apply for assistance at the Child Care Assistance Program (CCAP) agency where they live. CCAP agencies are counties, tribes, or subcontracted agencies that administer CCAP. When a family on CCAP selects a childcare provider, that childcare provider must be registered with the same CCAP agency the family receives their assistance from to receive CCAP payments.

Currently, the CCAP childcare provider registration process is paper based. In 2023, childcare providers will be able to register for CCAP online, as part of the childcare systems transformation product. With this online tool in place, the department will be well positioned to process CCAP provider registrations. Centralizing CCAP registration through DHS will complement the streamlined online provider registration process.

Childcare providers often serve families who live in multiple counties. This results in about 40% of childcare providers registering for CCAP with multiple agencies. This is redundant and burdensome to providers and CCAP agencies. Furthermore, by registering and interacting with multiple CCAP agencies, providers experience inconsistencies in the process, which causes frustration. Examples of how the use of multiple CCAP agencies for provider registration and renewals affects providers include:



- Different CCAP agencies have varying standards for recording information from the CCAP provider registration form to the Minnesota Eligibility Child Care system (MEC<sup>2</sup>), which can result in inaccurate, incomplete, or conflicting information in MEC<sup>2</sup> (Minnesota’s automated IT system used to manage CCAP).
- Using multiple agencies for provider registration and renewal creates multiple points of contact at multiple agencies with responsibility for provider data, communicating with providers, and taking actions against providers. CCAP agencies vary in how they maintain a provider’s registration and make decisions on when to close a provider’s registration. This can result in inconsistencies in oversight during the CCAP registration and renewal process.
- For providers who are registered with multiple agencies, these renewal periods are often at different times. This causes providers to give duplicative information to the government. Depending on the CCAP agency, providers renew their registrations at either one or two years.

Providers perceive these inconsistent practices as confusing and unfair. Additionally, these redundant processes disincentivize providers from registering to receive CCAP payments, which can limit childcare options and availability for families on CCAP.

Centralizing provider registrations, renewals and closures with the Minnesota Department of Human Services (department) would lessen administrative burdens for CCAP agencies and childcare providers and reduce barriers that might discourage providers from registering for CCAP.

#### Remove duplicative background studies for Legal Non licensed (LNL) Providers

State and federal law allow for some childcare providers to be excluded from licensure requirements. One category of these providers is frequently referred to as “family, friend, and neighbor” providers. They are exempt from licensure if they provide childcare only for children who are relatives (not their own children) or children from one nonrelated family.<sup>1</sup> Family, friend, and neighbor providers fill an essential gap in the continuum of childcare in Minnesota. They frequently provide childcare for children and families with specific language, dietary or cultural needs, as well as families who need childcare on evenings and weekends. Legal non licensed (LNL) childcare providers are family, friend, and neighbor providers registered with CCAP.<sup>2</sup>

State and federal law require individuals working in childcare programs or providing care to undergo background studies. Minnesota law was amended in 2017 to provide that background studies for these individuals be renewed every five years.<sup>3</sup> This requirement applies to licensed family childcare programs, licensed childcare centers, certified license-exempt childcare centers and LNL providers. A five-year renewal cadence aligns with how background studies are completed in NETStudy 2.0, Minnesota’s automated background study IT system used for childcare providers and other provider types.

When the statute was amended in 2017, a section of statute requiring LNL providers to renew their background studies every 2 years was erroneously not amended. This has created a conflict in state law<sup>4</sup> that results in unnecessary administrative burdens and costs that can be a barrier to family, friend, and neighbor providers becoming LNLs, and is misaligned with how NETStudy 2.0 background studies are completed. This conflict in law and practice should be remedied.

#### **Proposal:**

##### Centralize and Streamline Provider Registration

This proposal would move the CCAP provider registration, renewal, and registration closure processes from CCAP agencies to the department. The department would register providers, maintain their registrations, and make

<sup>1</sup> See: [Minn. Stat. § 245A.03, subd. 2](#)

<sup>2</sup> See: [Minn. Stat. § 119B.011, subd. 16](#)

<sup>3</sup> See: [Minn. Laws, 2017, 1<sup>st</sup> Special Session, Ch. 6, Art. 16, § 21](#), amending [Minn. Stat. § 245C.04, subd. 1](#)

<sup>4</sup> See: [Minn. Stat. § 119B.125, subd. 1a](#), requiring LNL providers to renew background studies every two years

decisions about a provider's registration in collaboration with CCAP agencies. Moving these processes to one entity would have numerous benefits.

Providers would no longer need to register with multiple agencies at multiple times in a registration period. Communication to and from providers would be streamlined since providers would have one point of contact instead of several should they need to discuss their CCAP registration with the registering agency. This proposal would also provide the department with more accurate information on its CCAP registered providers. Roles and decision-making when a provider's eligibility for CCAP is in question would be clear to the department, providers, and CCAP agencies.

Decentralized data can make some forms of fraud easier to accomplish. Centralized registration and renewal would allow the department to standardize the provider registration process and policies that effect providers and their registration. Additionally, centralizing this process would allow for better review and tracking of registration materials. This would improve consistency and oversight. Consistent policies will address stakeholder and program compliance concerns.

**Effective date:** April 28, 2025.

#### Remove duplicative background studies for Legal Non licensed (LNL) Providers

This proposal would require LNL providers to renew their background studies every five years rather than every two years. This change is consistent with background study renewals for other childcare provider types and aligns with existing NETStudy 2.0 background study functionality. It also reduces an unnecessary administrative burden for family, friend, and neighbor providers to become LNLs.

This work compliments changes CCAP has recently made regarding LNL provider rates and recent investments in family, friend, and neighbor childcare. These changes are intended to support LNL providers and the children and families they serve.

**Effective date:** April 28, 2025, to align with centralizing provider registration.

#### **Impact on Children and Families:**

##### Centralize and Streamline Provider Registration

This proposal would have a positive impact on children and families. Childcare providers have identified the CCAP provider registration process as a barrier to accepting childcare assistance payments. This proposal makes the registration process easier. As a result, more providers may register to care for children receiving CCAP. This gives families using childcare assistance more options when selecting a childcare provider.

##### Remove duplicative background studies for Legal Non licensed (LNL) Providers

This proposal reduces barriers to family, friend, and neighbor providers becoming LNLs, enabling more CCAP families to utilize this type of care while pursuing work or educational opportunities. In State Fiscal Year 2021, approximately 184 CCAP children received care from a LNL provider. This proposal will maintain or increase access for these families, supporting their ability to choose the type of care that best meets their needs.

During engagement sessions discussing the use of federal COVID-19 Relief funds, families and representatives from groups representing families mentioned the importance of reducing barriers for providers, which would allow children and families to access safe and reliable childcare more easily.

#### **Equity and Inclusion:**

In State Fiscal Year 2021, 68 percent of all children served by CCAP were children of color or American Indian children, specifically Black/African American, Asian/Pacific Islander, Hispanic/Latino, multiple races, and American

Indian children. Of all children served, 54% are Black/African American. Accordingly, any policy changes to CCAP are likely have the greatest positive impact on Black/African American children and families.

Centralize and Streamline Provider Registration

This provision will support children of color by reducing barriers for providers who serve them and expanding family choice of childcare providers.

Remove duplicative background studies for Legal Non licensed (LNL) Providers

This provision will support Native American and American Indian children as well as Black/African American, especially African Immigrant families. Historically, American Indian populations have utilized LNL providers at a high rate relative to other racial and ethnic groups. There has been an increase in Black or African American families who utilize LNL providers, especially among African immigrants. This provision supports family choice in childcare providers and the availability of culturally responsive childcare by reducing barriers that might prevent family, friend, and neighbor providers from becoming LNLs.

**Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Centralizing provider registrations moves a CCAP function currently done by tribal agencies to the department. This would decrease a tribal agency’s workload but would not result in a financial impact. Allowing LNL providers to renew background studies every five years will not have a direct impact on tribal agencies. However, tribal CCAP agencies and stakeholders that represent tribal families who receive CCAP from a county agency support policies that would make it easier for LNL providers to serve children and families receiving CCAP.

**Impacts to Counties:**

Centralizing provider registrations moves a CCAP function currently done by counties to the department. This would decrease county administrative burdens but would not affect counties financially. Allowing LNL providers to renew background studies every five years rather than every two would reduce workload for CCAP agency workers. Currently, CCAP agency workers must ensure LNL background studies are performed at their registration renewal, and in some CCAP agencies, a worker initiates the LNL background study.

**IT Costs:**

A portion of the funding for IT changes to support this proposal will be used to make changes in MEC<sup>2</sup> so providers are registered with all CCAP agencies; to disable county and tribal security to enter or approve provider registration information in MEC<sup>2</sup>; to automate the process of sending registration renewals; to create new alerts; to create a new security role and serving agency that allows department staff to enter, update, approve, and send notices related to provider registrations; and for updates to MEC<sup>2</sup> PRO (CCAP’s electronic billing system). The remainder of IT funding for this proposal will be used to make changes in MEC<sup>2</sup> so registrations will auto close if a new background study is not completed after 5 years rather than after 2 years. These are general fund costs.

<i>Category</i>	<i>FY 2024</i>	<i>FY 2025</i>	<i>FY 2026</i>	<i>FY 2027</i>	<i>FY 2028</i>	<i>FY 2029</i>
Payroll						
Professional/Technical Contracts						
Infrastructure						

Category	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Hardware						
Software						
Training						
Enterprise Services						
Staff costs (MNIT or agency)	\$264,132	\$52,827	\$52,827	\$52,827		
<b>Total</b>	<b>\$264,132</b>	<b>\$52,827</b>	<b>\$52,827</b>	<b>\$52,827</b>		
MNIT FTEs						
Agency FTEs						

**Results:**

Centralize and Streamline Provider Registration

*Reduced redundancies for childcare providers*

Current state: Approximately 1,440 providers are registered with multiple CCAP agencies. This requires providers to submit the same registration materials to multiple CCAP agencies. Registration materials are about 13 pages of information. This results in 52,910 pages of redundant CCAP registration information to flow between childcare providers and CCAP agencies.

Future result: Duplicative registration information is eliminated for 1,440 childcare providers. Multiple CCAP agencies are no longer responsible for independently storing duplicative provider information at their agency.

*Increased number of licensed childcare providers registered with the Child Care Assistance Program*

- Current state: The number of childcare providers registered with the CCAP is decreasing. (See table on the next page.)
- Future result: This proposal could increase the number of licensed childcare providers registered with CCAP because barriers to registration would be reduced.

