

This Document can be made available  
in alternative formats upon request

State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETY-FOURTH SESSION  
H. F. No. 2040

03/10/2025 Authored by Nadeau, Curran, Fischer, Bierman, Bakeberg and others  
The bill was read for the first time and referred to the Committee on Human Services Finance and Policy

1.1 A bill for an act

1.2 relating to human services; directing the commissioner of human services to provide  
1.3 updates and seek federal approval for children's mental health projects; funding  
1.4 gaps in children's residential facilities; establishing crisis stabilization facility;  
1.5 creating a legislative task force on children's residential facilities; requiring licensing  
1.6 for facilities for youth with sexual behavior concerns; providing for rulemaking;  
1.7 requiring a financial study; requiring reports; appropriating money; amending  
1.8 Minnesota Statutes 2024, sections 245.4874, subdivision 1; 245A.03, subdivision  
1.9 7; proposing coding for new law in Minnesota Statutes, chapter 245A.

1.10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.11 Section 1. Minnesota Statutes 2024, section 245.4874, subdivision 1, is amended to read:

1.12 Subdivision 1. **Duties of county board.** (a) The county board must:

1.13 (1) develop a system of affordable and locally available children's mental behavioral  
1.14 health services according to sections 245.487 to 245.4889;

1.15 (2) consider the assessment of unmet needs in the county as reported by the local  
1.16 children's mental health advisory council under section 245.4875, subdivision 5, paragraph  
1.17 (b), clause (3). The county shall provide, upon request of the local children's mental health  
1.18 advisory council, readily available data to assist in the determination of unmet needs;

1.19 (3) assure that parents and providers in the county receive information about how to  
1.20 gain access to services provided according to sections 245.487 to 245.4889;

1.21 (4) coordinate the delivery of children's mental health services with services provided  
1.22 by social services, education, corrections, health, and vocational agencies to improve the  
1.23 availability of mental health services to children and the cost-effectiveness of their delivery;

2.1       (5) assure that mental health services delivered according to sections 245.487 to 245.4889  
2.2       are delivered expeditiously and are appropriate to the child's diagnostic screening, needs  
2.3       assessment, and individual treatment plan;

2.4       (6) provide for case management services to each child with severe emotional disturbance  
2.5       according to sections 245.486; 245.4871, subdivisions 3 and 4; and 245.4881, subdivisions  
2.6       1, 3, and 5;

2.7       (7) provide for screening and needs assessment of each child under section 245.4885  
2.8       upon admission to a residential treatment or juvenile detention facility, acute care hospital  
2.9       inpatient treatment, or informal admission to a regional treatment center;

2.10       (8) prudently administer grants and purchase-of-service contracts that the county board  
2.11       determines are necessary to fulfill its responsibilities under sections 245.487 to 245.4889;

2.12       (9) assure that mental health professionals, mental health practitioners, and case managers  
2.13       employed by or under contract to the county to provide mental health services are qualified  
2.14       under section 245.4871;

2.15       (10) assure that children's mental health services are coordinated with adult mental health  
2.16       services specified in sections 245.461 to 245.486 so that a continuum of mental health  
2.17       services is available to serve persons with mental illness, regardless of the person's age;

2.18       (11) assure that culturally competent mental health consultants are used as necessary to  
2.19       assist the county board in assessing and providing appropriate treatment for children of  
2.20       cultural or racial minority heritage; and

2.21       (12) assure that a child involved in the juvenile justice system sees a mental health  
2.22       professional for a diagnostic assessment as early as possible; and

2.23       (12) (13) consistent with section 245.486, arrange for or provide a children's mental  
2.24       health screening for:

2.25       (i) a child receiving child protective services;

2.26       (ii) a child in out-of-home placement;

2.27       (iii) a child for whom parental rights have been terminated; or

2.28       (iv) a child found to be delinquent; or involved in the juvenile justice system.

2.29       (v) a child found to have committed a juvenile petty offense for the third or subsequent  
2.30       time.

3.1        A children's mental health screening and needs assessment is not required when a  
3.2        screening or diagnostic assessment has been performed within the previous 180 days, or  
3.3        the child is currently under the care of a mental health professional.

3.4        (b) When a child is receiving protective services or is in out-of-home placement, the  
3.5        court or county agency must notify a parent or guardian whose parental rights have not been  
3.6        terminated of the potential mental health screening and the option to prevent the screening  
3.7        by notifying the court or county agency in writing.

3.8        (c) When a child is ~~found to be delinquent or a child is found to have committed a~~  
3.9        ~~juvenile petty offense for the third or subsequent time involved in the juvenile justice system,~~  
3.10       the court or county agency must obtain written informed consent from the parent or legal  
3.11       guardian before a screening is conducted unless the court, notwithstanding the parent's  
3.12       failure to consent, determines that the screening is in the child's best interest.

3.13       (d) The screening and needs assessment shall be conducted with a screening instrument  
3.14       approved by the commissioner of human services according to criteria that are updated and  
3.15       issued annually to ensure that approved screening instruments are valid and useful for child  
3.16       welfare and juvenile justice populations. Screenings and needs assessments shall be conducted  
3.17       by a mental health practitioner as defined in section 245.4871, subdivision 26, or a probation  
3.18       officer or local social services agency staff person who is trained in the use of the screening  
3.19       and needs instrument. Training in the use of the instrument shall include:

- 3.20       (1) training in the administration of the instrument;
- 3.21       (2) the interpretation of its validity given the child's current circumstances;
- 3.22       (3) the state and federal data practices laws and confidentiality standards;
- 3.23       (4) the parental consent requirement; and
- 3.24       (5) providing respect for families and cultural values.

3.25       If the screen indicates a need for assessment, the child's family, or if the family lacks  
3.26       mental health insurance, the local social services agency, in consultation with the child's  
3.27       family, shall have conducted a diagnostic assessment, including a functional assessment.  
3.28       The administration of the screening shall safeguard the privacy of children receiving the  
3.29       screening and their families and shall comply with the Minnesota Government Data Practices  
3.30       Act, chapter 13, and the federal Health Insurance Portability and Accountability Act of  
3.31       1996, Public Law 104-191. Screening results are classified as private data on individuals,  
3.32       as defined by section 13.02, subdivision 12. The county board or Tribal nation may provide

4.1 the commissioner with access to the screening results for the purposes of program evaluation  
4.2 and improvement.

4.3 (e) When the county board refers clients to providers of children's therapeutic services  
4.4 and supports under section 256B.0943, the county board must clearly identify the desired  
4.5 services components not covered under section 256B.0943 and identify the reimbursement  
4.6 source for those requested services, the method of payment, and the payment rate to the  
4.7 provider.

4.8 Sec. 2. Minnesota Statutes 2024, section 245A.03, subdivision 7, is amended to read:

4.9 **Subd. 7. Licensing moratorium.** (a) The commissioner shall not issue an initial license  
4.10 for child foster care licensed under Minnesota Rules, parts 2960.3000 to 2960.3340, which  
4.11 does not include child foster residence settings with residential program certifications for  
4.12 compliance with the Family First Prevention Services Act under section 245A.25, subdivision  
4.13 1, paragraph (a), or adult foster care licensed under Minnesota Rules, parts 9555.5105 to  
4.14 9555.6265, under this chapter for a physical location that will not be the primary residence  
4.15 of the license holder for the entire period of licensure. If a child foster residence setting that  
4.16 was previously exempt from the licensing moratorium under this paragraph has its Family  
4.17 First Prevention Services Act certification rescinded under section 245A.25, subdivision 9,  
4.18 or if a family adult foster care home license is issued during this moratorium, and the license  
4.19 holder changes the license holder's primary residence away from the physical location of  
4.20 the foster care license, the commissioner shall revoke the license according to section  
4.21 245A.07. The commissioner shall not issue an initial license for a community residential  
4.22 setting licensed under chapter 245D. When approving an exception under this paragraph,  
4.23 the commissioner shall consider the resource need determination process in paragraph (h),  
4.24 the availability of foster care licensed beds in the geographic area in which the licensee  
4.25 seeks to operate, the results of a person's choices during their annual assessment and service  
4.26 plan review, and the recommendation of the local county board. The determination by the  
4.27 commissioner is final and not subject to appeal. Exceptions to the moratorium include:

4.28 (1) a license for a person in a foster care setting that is not the primary residence of the  
4.29 license holder and where at least 80 percent of the residents are 55 years of age or older;

4.30 (2) foster care licenses replacing foster care licenses in existence on May 15, 2009, or  
4.31 community residential setting licenses replacing adult foster care licenses in existence on  
4.32 December 31, 2013, and determined to be needed by the commissioner under paragraph  
4.33 (b);

5.1       (3) new foster care licenses or community residential setting licenses determined to be  
5.2       needed by the commissioner under paragraph (b) for the closure of a nursing facility, ICF/DD,  
5.3       or regional treatment center; restructuring of state-operated services that limits the capacity  
5.4       of state-operated facilities; or allowing movement to the community for people who no  
5.5       longer require the level of care provided in state-operated facilities as provided under section  
5.6       256B.092, subdivision 13, or 256B.49, subdivision 24;

5.7       (4) new foster care licenses or community residential setting licenses determined to be  
5.8       needed by the commissioner under paragraph (b) for persons requiring hospital-level care;  
5.9       or

5.10       (5) new community residential setting licenses determined necessary by the commissioner  
5.11       for people affected by the closure of homes with a capacity of five or six beds currently  
5.12       licensed as supervised living facilities licensed under Minnesota Rules, chapter 4665, but  
5.13       not designated as intermediate care facilities. This exception is available until June 30,  
5.14       2025-; or

5.15       (6) new child foster residence setting or community residential setting licenses determined  
5.16       to be needed by the commissioner under paragraph (b) to allow movement to the community  
5.17       for a person who no longer requires the level of care provided under section 256B.0625,  
5.18       subdivisions 1 and 1a. This exception is available when:

5.19       (i) the person has not required the level of care provided in a hospital setting for 30 or  
5.20       more days but has been unable to discharge from the hospital; or

5.21       (ii) the person has been unable to discharge from the hospital due to the person's needs  
5.22       being unable to be met within the existing child foster residence setting or community  
5.23       residential setting capacity of the region.

5.24       (b) The commissioner shall determine the need for newly licensed foster care homes or  
5.25       community residential settings as defined under this subdivision. As part of the determination,  
5.26       the commissioner shall consider the availability of foster care capacity in the area in which  
5.27       the licensee seeks to operate, and the recommendation of the local county board. The  
5.28       determination by the commissioner must be final. A determination of need is not required  
5.29       for a change in ownership at the same address.

5.30       (c) The commissioner may grant a license to a child foster residence setting to prepare  
5.31       beds available in advance for individuals with complex behavioral or medical support needs  
5.32       if the setting accepts individuals described in the exceptions in paragraph (a).

6.1       ~~(e)~~ (d) When an adult resident served by the program moves out of a foster home that  
6.2       is not the primary residence of the license holder according to section 256B.49, subdivision  
6.3       15, paragraph (f), or the adult community residential setting, the county shall immediately  
6.4       inform the Department of Human Services Licensing Division. The department may decrease  
6.5       the statewide licensed capacity for adult foster care settings.

6.6       ~~(d)~~ (e) Residential settings that would otherwise be subject to the decreased license  
6.7       capacity established in paragraph (c) must be exempt if the license holder's beds are occupied  
6.8       by residents whose primary diagnosis is mental illness and the license holder is certified  
6.9       under the requirements in subdivision 6a or section 245D.33.

6.10       ~~(e)~~ (f) A resource need determination process, managed at the state level, using the  
6.11       available data required by section 144A.351, and other data and information must be used  
6.12       to determine where the reduced capacity determined under section 256B.493 will be  
6.13       implemented. The commissioner shall consult with the stakeholders described in section  
6.14       144A.351, and employ a variety of methods to improve the state's capacity to meet the  
6.15       informed decisions of those people who want to move out of corporate foster care or  
6.16       community residential settings, long-term service needs within budgetary limits, including  
6.17       seeking proposals from service providers or lead agencies to change service type, capacity,  
6.18       or location to improve services, increase the independence of residents, and better meet  
6.19       needs identified by the long-term services and supports reports and statewide data and  
6.20       information.

6.21       ~~(f)~~ (g) At the time of application and reapplication for licensure, the applicant and the  
6.22       license holder that are subject to the moratorium or an exclusion established in paragraph  
6.23       (a) are required to inform the commissioner whether the physical location where the foster  
6.24       care will be provided is or will be the primary residence of the license holder for the entire  
6.25       period of licensure. If the primary residence of the applicant or license holder changes, the  
6.26       applicant or license holder must notify the commissioner immediately. The commissioner  
6.27       shall print on the foster care license certificate whether or not the physical location is the  
6.28       primary residence of the license holder.

6.29       ~~(g)~~ (h) License holders of foster care homes identified under paragraph (f) that are not  
6.30       the primary residence of the license holder and that also provide services in the foster care  
6.31       home that are covered by a federally approved home and community-based services waiver,  
6.32       as authorized under chapter 256S or section 256B.092 or 256B.49, must inform the human  
6.33       services licensing division that the license holder provides or intends to provide these  
6.34       waiver-funded services.

7.1        ~~(h)~~ (i) The commissioner may adjust capacity to address needs identified in section  
7.2        144A.351. Under this authority, the commissioner may approve new licensed settings or  
7.3        delicense existing settings. Delicensing of settings will be accomplished through a process  
7.4        identified in section 256B.493.

7.5        ~~(i)~~ (j) The commissioner must notify a license holder when its corporate foster care or  
7.6        community residential setting licensed beds are reduced under this section. The notice of  
7.7        reduction of licensed beds must be in writing and delivered to the license holder by certified  
7.8        mail or personal service. The notice must state why the licensed beds are reduced and must  
7.9        inform the license holder of its right to request reconsideration by the commissioner. The  
7.10       license holder's request for reconsideration must be in writing. If mailed, the request for  
7.11       reconsideration must be postmarked and sent to the commissioner within 20 calendar days  
7.12       after the license holder's receipt of the notice of reduction of licensed beds. If a request for  
7.13       reconsideration is made by personal service, it must be received by the commissioner within  
7.14       20 calendar days after the license holder's receipt of the notice of reduction of licensed beds.

7.15       ~~(j)~~ (k) The commissioner shall not issue an initial license for children's residential  
7.16       treatment services licensed under Minnesota Rules, parts 2960.0580 to 2960.0700, under  
7.17       this chapter for a program that Centers for Medicare and Medicaid Services would consider  
7.18       an institution for mental diseases. Facilities that serve only private pay clients are exempt  
7.19       from the moratorium described in this paragraph. The commissioner has the authority to  
7.20       manage existing statewide capacity for children's residential treatment services subject to  
7.21       the moratorium under this paragraph and may issue an initial license for such facilities if  
7.22       the initial license would not increase the statewide capacity for children's residential treatment  
7.23       services subject to the moratorium under this paragraph.

7.24       **Sec. 3. [245A.0952] ADOPTION OF RULES FOR LICENSURE FOR YOUTH**  
7.25       **WITH SEXUAL BEHAVIOR CONCERNS.**

7.26       The commissioner of human services shall adopt rules to govern the licensure of treatment  
7.27       facilities for youth with sexual behavior concerns.

7.28       **Sec. 4. DIRECTION TO COMMISSIONERS; RULES ON RESTRICTIVE**  
7.29       **PROCEDURES.**

7.30       The commissioner of corrections and the commissioner of human services must amend  
7.31       Minnesota Rules, part 2960.0710, to require training to ensure trauma-responsive and  
7.32       culturally appropriate practices. Notwithstanding any other requirements for good cause  
7.33       exempt rulemaking, the commissioner may use the procedure under Minnesota Statutes,

8.1 section 14.388, subdivision 1, clause (3), for changes to Minnesota Rules pursuant to this  
8.2 section. Minnesota Statutes, section 14.386, does not apply to rules adopted pursuant to this  
8.3 section except as provided under Minnesota Statutes, section 14.388.

8.4 **Sec. 5. LEGISLATIVE TASK FORCE ON CHILDREN'S RESIDENTIAL MENTAL**  
**HEALTH FACILITY LICENSING.**

8.6 Subdivision 1. Establishment. A legislative task force is established to create specific  
8.7 licensing standards for unique levels of mental health care for children's residential facilities  
8.8 licensed under Minnesota Rules, parts 2960.0580 to 2960.0690.

8.9 Subd. 2. Duties. The task force shall:

- 8.10 (1) identify gaps in the current licensing system;
- 8.11 (2) review any national, interstate, or nongovernmental licensing systems or best practices;
- 8.12 (3) solicit comments from state agencies, Tribal Nations, cities, counties, providers,  
8.13 patients, and stakeholders on potential licensing changes; and
- 8.14 (4) draft a report identifying what changes to Minnesota Rules are required to implement  
8.15 specific licensing standards for unique levels of mental health care for children's residential  
8.16 facilities licensed under Minnesota Rules, parts 2960.0580 to 2960.0690.

8.17 Subd. 3. Membership. (a) The task force shall include the following members:

- 8.18 (1) two members from the house of representatives, one appointed by each of the leaders  
8.19 of the two largest caucuses;
- 8.20 (2) two members from the senate, one appointed by the majority leader and one appointed  
8.21 by the minority leader;
- 8.22 (3) the commissioner of human services or a designee;
- 8.23 (4) the commissioner of corrections or a designee;
- 8.24 (5) the commissioner of children, youth, and families or a designee;
- 8.25 (6) two county employees, one from the seven-county metropolitan area and one from  
8.26 outside the seven-county metropolitan area, appointed by the commissioner of human  
8.27 services;
- 8.28 (7) the ombudsperson for families;
- 8.29 (8) two children's residential facility providers, appointed by the commissioner of human  
8.30 services; and

9.1        (9) two members of the community who have been patients of a children's residential  
9.2        facility and received mental health services or had an immediate family member who did,  
9.3        appointed by the commissioner of human services.

9.4        (b) The speaker of the house and the senate majority leader shall each appoint a member  
9.5        from the task force to be chair and vice-chair. The chair and vice-chair shall rotate after  
9.6        each meeting.

9.7        Subd. 4. Meetings. (a) The task force shall meet at least once per month. The meetings  
9.8        shall take place in person in the Capitol complex. The chair may direct that a meeting be  
9.9        conducted electronically if doing so would facilitate public testimony or would protect the  
9.10        health or safety of the members of the task force.

9.11        (b) The task force shall invite input from the public, the leadership of advocacy groups,  
9.12        and provider organizations.

9.13        (c) The chair designated by the speaker of the house shall convene the first meeting of  
9.14        the task force no later than August 1, 2025.

9.15        Subd. 5. Expenses; per diem. Members serving on the task force shall receive the  
9.16        following per diem:

9.17        (1) the community members shall receive the per diem listed in Minnesota Statutes,  
9.18        section 15.059, subdivision 3; and

9.19        (2) all other task force members shall not receive a per diem.

9.20        Subd. 6. Report. The task force shall submit a report with recommendations to the chairs  
9.21        and ranking minority members of the legislative committees with jurisdiction over health  
9.22        and human services finance and policy, children and families, and public safety by January  
9.23        15, 2027.

9.24        Subd. 7. Expiration. The task force expires January 31, 2027.

9.25        **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.26        **Sec. 6. UPDATES ON CHILDREN'S RESIDENTIAL MENTAL HEALTH CRISIS**  
9.27        **STABILIZATION BENEFIT.**

9.28        (a) By July 1, 2025, the commissioner must provide an update to the chairs and ranking  
9.29        minority members of the legislative committees with jurisdiction over human services policy  
9.30        and finance on the progress in developing the covered children's residential mental health  
9.31        crisis stabilization benefit required under Laws 2024, chapter 127, article 61, section 30.

10.1 (b) By August 1, 2025, the commissioner must share a draft of the report and  
10.2 recommendations required under Laws 2024, chapter 127, article 61, section 30, paragraphs  
10.3 (b) and (d), with the counties.

10.4 **Sec. 7. 1115 WAIVER FOR MEDICAL ASSISTANCE REENTRY**

10.5 **DEMONSTRATION FOR JUVENILES.**

10.6 (a) By September 1, 2025, the commissioner of human services must submit an  
10.7 application to the United States Secretary of Health and Human Services to implement a  
10.8 medical assistance reentry demonstration for detained and incarcerated juveniles compliant  
10.9 with the Consolidated Appropriations Act, Public Law 117-328. The application must  
10.10 include behavioral health screening, diagnostic, and targeted case management services  
10.11 provided to detained and incarcerated juveniles 30 days prior to release and 30 days after  
10.12 release.

10.13 (b) The commissioner must produce a draft of the application under this section to  
10.14 counties and providers for comment by May 30, 2025.

10.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.16 **Sec. 8. IMPLEMENTATION OF OUTPATIENT AND BEHAVIORAL HEALTH**  
10.17 **SERVICE RATES.**

10.18 By July 1, 2025, the commissioner of human services must begin phased implementation  
10.19 of the recommendations from the second report of the Minnesota health care programs  
10.20 fee-for-service outpatient services rate study required under Laws 2021, First Special Session  
10.21 chapter 7, article 17, section 18.

10.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.23 **Sec. 9. MEDICAL ASSISTANCE RESIDENTIAL CHILDREN'S FACILITIES**  
10.24 **FINANCIAL STUDY.**

10.25 (a) The commissioner of human services must conduct an analysis of the current financial  
10.26 model for all residential children's facilities. By January 1, 2026, the commissioner must  
10.27 issue a request for proposals for frameworks and modeling of residential children's facilities.  
10.28 Financial models must be predicated on a framework that is transparent, sustainable,  
10.29 culturally responsive, and supportive of staffing needed to treat a patient's assessed needs,  
10.30 quality service delivery, integration of care, and patient choice. The commissioner must  
10.31 consult with providers from across each region of the state, including but not limited to

11.1 culturally responsive providers, in developing the request for proposals and for the duration  
11.2 of the contract.

11.3 (b) By January 15, 2027, the commissioner of human services shall submit a report to  
11.4 the chairs and ranking minority members of the legislative committees with jurisdiction  
11.5 over human services policy and finance. The report must include a detailed fiscal analysis  
11.6 and proposed legislation necessary to modify existing or implement sustainable financial  
11.7 models.

11.8 **Sec. 10. APPROPRIATION; RESIDENTIAL CHILDREN'S FACILITIES**  
11.9 **FINANCIAL STUDY.**

11.10 \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the general  
11.11 fund to the commissioner of human services for the analysis and reporting required under  
11.12 section 9.

11.13 **Sec. 11. APPROPRIATION; RESIDENTIAL CHILDREN'S FACILITIES INTERIM**  
11.14 **FINANCIAL GAPS.**

11.15 \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the general  
11.16 fund to the commissioner of human services to address financial gaps for the existing seven  
11.17 children's residential treatment facilities until the financial study under section 9 is  
11.18 implemented.

11.19 **Sec. 12. APPROPRIATION; REGIONAL CONTINUUM OF CARE.**

11.20 \$12,500,000 in fiscal year 2026 and \$7,500,000 in fiscal year 2027 are appropriated  
11.21 from the general fund to the commissioner of human services for a grant to Anoka, Carver,  
11.22 Dakota, Hennepin, Olmsted, Ramsey, Scott, and Washington Counties for staffing, programs,  
11.23 services, and facilities for a regional continuum of care to fill gaps for high-need youth who  
11.24 need services. This is a onetime appropriation.

11.25 **Sec. 13. APPROPRIATION; CRISIS STABILIZATION FACILITY.**

11.26 \$2,000,000 in fiscal year 2025 and \$9,000,000 in fiscal year 2026 are appropriated from  
11.27 the general fund to the commissioner of human services for a grant to Hennepin County to  
11.28 design and construct or adapt a facility for a regional youth behavioral health crisis  
11.29 stabilization center that will increase access to services that appropriately meet the needs  
11.30 of youth and address a gap in the existing system.

11.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.