This proposal was identified as a high priority by the Minnesota Association of County Social Service Administrators (MACSSA). This has been a priority for MACSSA since at least 2019.

Proposal:

This proposal would permanently modify the CCAP BSF waiting list. This permanently moves families eligible for TYE to the lowest priority for BSF. In counties with waiting lists, this would mean the county could serve families who are not currently receiving assistance before serving families on TYE child care. Families on TYE child care currently receive assistance and will continue to receive assistance under this proposal. This will likely result in families staying on TYE child care longer since families in the other four waiting list priorities will be served before them.

This proposal funds the cost for families staying on TYE child care longer under permanent reprioritization. These costs are for the MFIP child care program since TYE child care is funded through the forecasted MFIP child care program.

This proposal compliments the department's efforts to ensure Minnesota's children and families have access to quality, reliable, and affordable child care. This proposal would impact MFIP child care because it would increase the amount of time some families will stay on TYE child care. There is not an impact to the MFIP cash program.

The effective date is June 1, 2023. Because this would not change administration of waiting lists until May 31, 2024, there is not an impact to the budget until State Fiscal Year 2025.

Impact on Children and Families:

CCAP helps families pay for child care so that parents can work or go to school. It helps ensure that families can access affordable child care and children are supported to achieve their highest potential in child care settings that best meet family needs and preferences. CCAP typically serves approximately 15,000 families and 30,000 children each month. An average of 2,650 providers receive CCAP payments each month.

This proposal builds on recommendations from local CCAP administrators and advocates for children and families to help increase access to BSF child care, expands access to affordable and quality child care and early education, and helps Minnesota's children and families access CCAP more quickly.

Equity and Inclusion:

This proposal will permanently reprioritize Basic Sliding Fee waitlist to maximize the number of children who can receive CCAP. As of September 2022, there were 1,165 families on waiting lists statewide. In the last ten years the number of families on the waiting list has ranged from 372 (April 2022) to 8,300 (January 2014).

In State Fiscal Year 2021, 61% of all children receiving CCAP through BSF child care were children of color, specifically Black or African-American, Asian/Pacific Islander, Hispanic/Latino, multiple races, and American Indian children. Of all children served, 46% are Black or African-American. Accordingly, increasing access to BSF child care will more greatly impact and benefit Black and African-American children and families and help eligible families access CCAP more quickly.

Tribal Consultation:

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

☒Yes
☐No

This proposal would impact White Earth Nation and Red Lake Nation specifically because they administer CCAP in partnership with the state, but administrative impact would be minimal since they typically have not had waiting lists for BSF. Other Tribal Nations may have participants receiving CCAP, but those cases are administered through a county or local agency.

Impacts to Counties:

This proposal could impact counties financially. Funds from this proposal will serve more families through BSF and increase caseloads for county workers. Counties have indicated they can manage those changes. Permanently reprioritizing the Basic Sliding Fee waiting list will make waitlist management easier for local agencies because they will not have to try to account for families in their MFIP transition year when managing other families on the BSF waiting list.

Counties had brought forward this proposal in previous sessions and have identified reprioritization as a major priority. CCAP has discussed this proposal with counties and they continue to support reprioritization of the BSF waiting list.

IT Costs:

This proposal has no systems costs or changes as it does not require any changes to MEC[2].

Results:

This proposal permanently modifies the existing BSF child care waiting list priorities. The results of this proposal would be measured in the number of families receiving CCAP through BSF child care and the number of families who are on the statewide and county waiting lists.

Since reprioritizing the BSF waiting list in the 2021 legislative session, program waiting lists have decreased significantly. Prior to reprioritization, in February 2020, there were 2,265 families on the BSF waiting list. As of July 2022, there were 766 families on the waiting list statewide.

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								
HCAF								
Federal TANF								
Other Fund				7,363	7,363	8,406	8,809	17,215
Total All Funds				7,363	7,363	8,406	8,809	17,215
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 26-27**
CCDF	22	MFIP/TYE		7,363	7,363	8,406	8,809	17,215
		Requested FTE's	0	0	0	0	0	0
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 26-27**

Statutory Change(s):

Minn. Stat. § 119B.03

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Child Care Assistance Program Basic Sliding Fee Investments

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	15,000	15,000	15,000	15,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	15,000	15,000	15,000	15,000
FTEs	**0**	**0**	**0**	**0**

Request:

The Governor recommends investing $15 million from the general fund annually to support the Child Care Assistance Program (CCAP) Basic Sliding Fee (BSF). These additional funds ongoing will help local agencies to increase the number of families served by CCAP and reduce the existing BSF waiting list

Rationale/Background:

This proposal impacts children and families who are eligible to receive child care assistance but do not or cannot participate in the Minnesota Family Investment Program (MFIP). Families who have not participated in MFIP or the Diversionary Work Program (DWP) in the past year but meet income limits and other eligibility criteria may qualify for Basic Sliding Fee (BSF) child care. The BSF portion of the CCAP program is a capped allocation, so in some counties and tribal agencies, there is a waiting list for families to access BSF child care. The MFIP child care program is forecasted; families who currently participate or have participated in MFIP or DWP in the past year do not have to wait to receive child care assistance.

In previous years, BSF has received one time infusions of funds in part through COVID-19 relief dollars from the federal government. These dollars helped increase the number of children and families who can access CCAP, but because the funds have been one time, local agencies been limited in the number of families they can serve from their waiting lists.

Proposal:

This proposal increases the base amount of funding available for BSF statewide by $15 million dollars each year.

Impact on Children and Families:

CCAP helps families pay for child care so that parents can work or go to school. It also helps ensure that children are well cared for and prepared to enter school ready to learn. CCAP typically serves approximately 15,000 families and 30,000 children each month. An average of 2,650 providers receive CCAP payments each month.

This proposal will increase annual investments to BSF by $15 million each year to help increase the availability of CCAP for children and families statewide. This investment could serve approximately 560 additional families (1,120 additional children) in the first year and up to 500 (1,000 children) in the following years. Over the course of FY 2024-2027, this proposal could serve approximately 2,000 additional families (4,000 children). As of November 2022, there were 2,238 families on waiting lists statewide.

Equity and Inclusion:

In State Fiscal Year 2021, 61% of all children receiving CCAP through BSF child care were children of color, specifically African-American, Asian/Pacific Islander, Hispanic/Latino, multiple races, and American Indian children. Of all children served, 46% are African-American. Accordingly, increasing access to Basic Sliding Fee child care will more greatly impact and benefit African-American children and families.

Public Engagement:

The department has engaged with MACSSA, tribal agencies, and organizations representing families and providers during the previous legislative sessions on how to best support providers and families, including addressing the waiting list for Basic Sliding Fee CCAP staff discussed ideas with the following:

- CCAP Program Integrity Work Group, June 30, 2022
- Minnesota Department of Education, July 7, 2022
- Minnesota Tribal Resources for Early Childhood Care (MNTRECC), July 14, 2022
- Early Childhood Education Advocates, July 19, 2022
- Family Friend Neighbor (FFN) Direct Support Grantees, July 28, 2022
- Minnesota Association of County Social Service Administrators (MACSSA) Self Sufficiency Group, July 12, 2022 and August 9, 2022
- CCAP Agencies, August 9, 2022
- CCAP Provider Cohort, August 10, 2022
- First Children's Finance, August 18, 2022
- County and MACSSA – Basic Sliding Fee CCAP discussion group, August 18, 2022
- Metro CCAP Agencies, September, 2022

Impacts to Counties:

This proposal will increase the workload for county agencies administering CCAP. Although counties will have more cases to manage, counties have been supportive of establishing an ongoing investment to BSF to allow them to better manage waiting lists. Local agencies plan how they will manage waiting lists 2-3 years in advance, so ongoing funding rather than one time funding will improve their ability to manage their allocated funds.

Impacts to Tribes

This proposal will impact White Earth Nation and Red Lake Nation specifically as they administer CCAP in partnership with the state. Other tribal nations may have participants receiving CCAP, but those cases are administered through a county or local agency.

This proposal will increase the workload for White Earth Nation and Red Lake Nation and they will manage additional cases. White Earth Nation and Red Lake Nation typically do not currently have waiting lists, but this policy change could increase the number of applicants for CCAP.

Results:

This proposal will increase the number of families who are able to access CCAP without having to spend time on waiting lists. As of November 2022, there were 2,238 families on waiting lists statewide. In the last ten years, the number of families on waiting lists has ranged from 500 (August 2021) to 8,300 (January 2014). This proposal could serve approximately 560 additional families (1,120 additional children) in the first year and up to 500 (1,000 children) in the following years. Over the course of FY 2024-2027, this proposal could serve approximately 2,000 additional families (4,000 children).

IT Related Proposals:

This proposal does not require changes to the Minnesota Electronic Child Care Systems (MEC^2).

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			15,000	15,000	30,000	15,000	15,000	30,000
HCAF								
Federal TANF								
Other Fund								
		Total All Funds	15,000	15,000	30,000	15,000	15,000	30,000
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 26-27**
GF	42	Basic Sliding Fee	15,000	15,000	30,000	15,000	15,000	30,000
		Requested FTE's						
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 26-27**

Statutory Change(s):

There is no statute change needed, just appropriation language.

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Supporting the Child Care Industry and Workforce

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	173,236	179,764	172,760	172,775
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	173,236	179,764	172,760	172,775
FTEs	**22.5**	**22.5**	**22.5**	**22.5**

Recommendation:

The Governor recommends investing $353 million in fiscal years 2024-2025 and $345.535 million in fiscal years 2026-2027 from the general fund to address Minnesota's child care shortage and strengthen and expand the child care industry.

This investment includes:

1. Retention payments to child care programs to help ensure child care capacity is consistently available to families throughout Minnesota. These payments will include funding for child care programs to increase wages and benefits for early eductors.
2. Funding to provide ongoing training, recruitment and higher education scholarships to increase the number of qualified early educators to work in child care programs, and address the workforce shortage.
3. Grants and supports to equip providers with information and tools to start up and effectively operate child care businesses, including local technical assistance for child care providers, family child care shared services alliances, and support for provider business practices through training, consultation, and technology access.

Rationale/Background:

While access to child care is critical to Minnesota's economic growth and vitality, child care shortages persist across the state. The need for equitable, affordable and sustainable child care is essential for strong child development and economic stability of families and communities. The challenges facing the industry are tied to market failures that create tensions between affordability for families and a sustaining career path for child care providers.

The federal American Rescue Plan Act (ARPA) provided states with a unique opportunity to support the struggling child care industry. Minnesota used ARPA and other one-time federal funding to provide stabilization grants to licensed family child care providers, licensed child care centers, and certified child care centers[1] for a variety of purposes throughout the pandemic, including support for operational expenses, employee wages, business consultation, and facility revitalization. Stabilization grants end June 30, 2023 and federal funds for the program must be expended by September 30, 2023. These efforts stemmed the loss of child care access during the

[1] Certified child care centers are license-exempt child care centers that participate in the Child Care Assistance Program. These centers are typically located in public school-based settings, and serve either preschool-age or school-age children.

pandemic and are starting to show impacts; however, too many Minnesota families still have very limited or no access to child care.

While all of Minnesota's businesses are struggling with workforce shortages and pandemic recovery, child care programs are uniquely burdened. Many are small businesses that operate on thin margins, with unstable business models. Provider revenue is currently insufficient to keep many programs in business and to provide competitive wages and benefits to their employees.

Shortages in child care providers and staff has a cascading effect on broader workforce participation. This proposal takes targeted steps, consistent with recommendations in the Minnesota Business Vitality Child Care Sprint Report[2] and the Governor's Economic Expansion Roadmap[3], to strengthen the child care industry and in turn our state's economy.

Through engagement with child care providers, the Minnesota Department of Human Services (department) continues to hear concerns about the child care shortage, the child care worker crisis, and the need for continued financial supports and other resources that can help existing child care providers stay in business and expand, or new providers to join the industry. Strengthening this sector and addressing its market failures requires a transformation of child care financing.

The initiatives in this proposal will allow the department to robustly strengthen and expand the child care industry by providing much needed financial and business supports for providers. Doing so will help ensure availability of child care for Minnesota's workforce. These strategies will also support child care programs to develop stronger business practices, use technology, establish new or expand existing child care programs to serve more children, and continue to support training and professional development to strengthen Minnesota's child care workforce.

Proposal:

This proposal provides permanent funding to strengthen the child care sector through a Child Care Retention Program and other supports to build and maintain the supply of child care in Minnesota.

Transition Child Care Stabilization Grants

This proposal provides $46.55 million in fiscal year 2024 to continue Child Care Stabilization Grants[4] from July 1 through September 30, 2023. The extension of this existing program will allow three months of transition grants to ensure continued financial support for child care programs while the department prepares for the launch of the new child care retention program established by this proposal beginning in October 2023.

Child Care Retention Payments

This proposal establishes a new state-funded Child Care Retention Program. The program will provide payments to eligible child care providers to provide increases in compensation and benefits for early educators working in eligible programs, moving this workforce closer to a livable wage.

Child care centers will be required to use these payments only for increased compensation and benefits. Family child care providers will be provided flexibility in use of these funds, recognizing their unique business models. While some family child care providers have paid staff, and some have incorporated their businesses, most do not have paid staff and are sole proprietors. As a result, their businesses are run very differently than child care centers. The design of this program will recognize these differences to ensure ease of participation for family child care providers.

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[2] Link to Minnesota Vitality Council Child Care Business Supports Working Group: Final Report and Recommendations. April 2022.

[3] Link to Minnesota's Moment: Roadmap for Equitable Economic Expansion. June 30, 2022.

[4] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 14, § 21

Costs and Payment Amounts

The cost for retention payments is $120 million in fiscal year 2024, $168.704 in fiscal year 2025, $161.7 million in fiscal year 2026, and $161.715 million in fiscal year 2027 (and ongoing) to beginning October 1, 2023.

All licensed and certified child care programs will be eligible to receive retention payments each month via an application process that confirms that they are open and operating and willing to meet other requirements for use of funds.

The funding amount per program will be based on a per Full-Time Equivalent (FTE) basis, with one FTE defined as 32 hours per week working directly with children, and no one individual counting as more than 2 FTEs.

Payments will be increased by 25% for child care programs that 1) serve children receiving funding from the Child Care Assistance Programs or Early Learning Scholarships, or 2) are located in Child Care Access Equity Areas. Child Care Access Equity Areas are areas of the state with low access to child care, higher poverty and unemployment rates, and lower homeownership and median household incomes. The process of establishing Child Care Access Equity Areas would use a method developed by the department. Approximately 1,900 child care programs would receive this bonus.

Numbers Served

In fiscal year 2024, it is estimated that this program will benefit:

- Over 230,000 children served in participating programs
- Approximately 1,500 licensed child care centers, 500 certified centers, and 4,700 family child care programs, and
- 35,000 early educators.

Program Requirements and Continuous Improvement

Participating programs will be required to serve a minimum of three children per family child care or center classroom, or two children for family child care providers with a Class B1 license, who serve only infants and toddlers. In order to ensure this requirement is met, participating programs will be required to regularly report on child enrollment and attendance.

Licensed and certified centers will be required to use this funding to provide or contribute to annual increases in staff compensation or benefits. A wage and benefits ladder, consistent with the compensation framework currently under development by the Great Start Task Force, will be provided as a guideline for participating programs.

Licensed family child care providers will not be required to increase compensation and benefits, but rather will be encouraged to use the wage and benefits ladder to establish compensation and benefits that provide a livable wage for themselves and any paid staff. This flexibility is necessary for licensed family child care providers because most are sole proprietor small business owners, and do not have paid employees. Those with paid employees would be required to document they have paid staff, and the hours worked each month.

The department will establish a process to evaluate and improve this new program over time, updating program requirements as appropriate and to ensure that the program is administered to achieve its intended purposes, with strong internal controls and accountability strategies for child care providers receiving these funds.

Legal Non-licensed (LNL) Providers

Legal non-licensed (LNL) providers[5] will be eligible for one-time retention payments of up to $500 for the month they begin receiving CCAP. The purpose of the one-time payment is to support LNL providers in providing child care to CCAP-eligible children and can be used for costs including, but not limited to, training and equipment. It is estimated that up to 50 LNL providers will participate per year.

Recruitment, Training and Higher Education Scholarships

This proposal will increase the number of individuals qualified to work in the child care industry in Minnesota through recruitment, training and higher education scholarships.

- $1.3 million in fiscal year 2025 and ongoing is to extend the Empower to Educate Program. This workforce development grant program was established in 2021 with $3 million in ARPA funds to recruit and provide child care training, job skills and job placement, targeted to economically disadvantaged individuals, to increase the number of people prepared to enter the early care and education workforce.[6] This program is carried out by organizations operating child care resource and referral programs under Minnesota Statutes, section 119B.19.
- $695,000 in fiscal year 2025 and ongoing is for higher education scholarships through the TEACH program.[7] This is consistent with an increased appropriation for TEACH in 2021 paid for with $2 million in ARPA funds.[8]

Supports for Expansion of Child Care Programs

This proposal will also strengthen the child care sector in Minnesota by providing funding to equip providers with information and tools to start up and effectively operate child care businesses and support the child care workforce, including through increased access to technology for child care providers, and extending existing funding for supports for new and existing child care programs. Currently, funding through ARPA pays for many of these supports, but ARPA funds will end in fiscal years 2023 and 2024; additional funds are needed to continue these programs on an ongoing basis.

Supports for child care programs will include:

- $2.920 million in fiscal year 2025 and ongoing to extend Child Care Wayfinder, the Child Care One-Stop Assistance Network. This program was established in 2021 using $3 million in ARPA funds to develop a network to support the start-up of new child care programs, and expand and sustain existing child care programs.[9] This program is carried out by organizations operating child care resource and referral programs under Minnesota Statutes, section 119B.19.
- $1.250 million in fiscal year 2024 and $1.5 million in fiscal year 2025 and ongoing for child care business training and supports under Minnesota Statutes 119B.25. This program was established in 2021 and paid for with $3 million in ARPA funds.[10]
- $500,000 in fiscal year 2024 and ongoing for Shared Services Alliances. These alliances help family child care providers achieve economies of scale and run more efficient programs, boosting provider wages, increasing enrollment, and leveraging shared support services to improve quality. This funding would follow a pilot program for Shared Services Alliances established in 2021 and paid for using $200,000 in ARPA funds.[11]

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[5] Legal Non-Licensed (LNL) providers are typically family, friends or neighbors that meet specific requirements and are registered to receive payments for care through the Child Care Assistance Program.

[6] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 8, § 11(c)

[7] TEACH is a scholarship program that helps early childhood and school-age educators increase their levels of education, compensation, and commitment to the field by earning college credits and degrees. Minn. Stat. § 136A.128

[8] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 8, § 11(c)

[9] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 2, §§ 79 & 84(a)

[10] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 8, § 11(c)

[11] Laws of Minnesota 2021, 1st Special Session, Ch. 7, Art. 14, §§ 16 & 23(i)

- $300,000 in fiscal year 2024 and ongoing for technology grants or other supports to child care providers to improve their access to computers, the Internet, and subscriptions to online child care management applications that could be used to help them improve their business practices. It will also provide funding for technical assistance around use of technology for providers.

Administrative Costs for Proposal

This proposal includes $6.818 million in fiscal year 2024 and $5.655 million in fiscal year 2025 from the general fund and ongoing for the department to administer these activities. There are 22.5 permanent FTEs included in this proposal. These FTEs would provide the support needed to administer the program, including:

- 7 FTEs in the Child Care Services Division for project management, policy development and implementation, provider communication and technical assistance, payments administration, data analysis, and supervision of staff implementing this program.
- 5 FTEs in the Office of Inspector General (OIG) Data and Analytics unit for data analysts to carry out analyses needed for program integrity purposes, and supervision of OIG Data and Analytics unit staff.
- 6 FTEs in the OIG Financial Fraud & Abuse Investigations Division (FFAID) to establish a robust and responsive unit within the Child Care Assistance Program within FFAID. Four auditor/investigator positions to audit and investigate compliance with program requirements, and one supervisor to oversee the new unit. Lastly, one staff attorney is necessary to manage an anticipated increase in appeals.
- 1 FTE for Financial Operations to oversee associated financial operations and support funding dissemination through grant contracts needed to implement the program.

Administrative costs for this proposal also include 3.5 FTEs for the Minnesota information technology agency, MN.IT. These positions would support implementation of the payments module and ongoing support. In addition to staff FTEs, this proposal provides $3.025 million in fiscal year 2024 for payments module software, integration with child care management software systems used by child care programs, and a contracted support team to configure the payments module. Software integration costs in the following fiscal years will be $1.6 million to integrate additional child care management software systems, and for ongoing payments module consulting support, and ongoing software and associated costs.

The proposal includes $233,000 in fiscal year 2024 and $56,000 in fiscal year 2025 for contracted project management. This funding will ensure a smooth transition from the Child Care Stabilization Grants Program to the new Child Care Retention Program, and will oversee set up of the new application and data systems needed to administer the new Child Care Retention Program payments.

This proposal provides $600,000 annually starting in fiscal year 2024, to ensure that a grantee, Child Care Aware of Minnesota, has adequate staff to answer questions and provide technical assistance to child care providers when they apply for Child Care Retention Program payments.

This contract also provides $100,000 in fiscal year 2024 and $200,000 in fiscal year 2025 and on-going for a professional technical contract for evaluation, to support the department in understanding program impacts.

Impact on Children and Families:

This proposal helps address the Walz administration's One Minnesota goal of increasing the number of Minnesota families with adequate access to child care. It also builds on and complements work that began before and during the COVID-19 pandemic, including the Child Care Stabilization Grant Program, Child Care Economic Development grants provided by the Minnesota Department of Employment and Economic Development (DEED), and grants and supports provided by the Minnesota Initiative Foundations to address rural child care shortages.

The activities in this proposal will increase access for children and families to quality child care through:

- Retention payments to retain child care programs, strengthening their businesses; this will be particularly helpful to rural family child care programs, which are often the only child care option in their areas. The proposal also helps to bridge the opportunity gap for children by providing higher payment amounts to providers serving families receiving CCAP and Early Learning Scholarships, or those who are located in areas with low access to child care.

- Coaching and consultation to support the establishment of new child care programs to open and connect new providers to child care program supports.
- Strengthening child care businesses through access to technology, as well as training and consultation on business skills, use of technology, and shared services alliances.

The proposal will also support new people to join the child care workforce and stay in the workforce by providing:

- Retention payment funds to help child care programs hire and retain a qualified workforce.
- Training and supports to financially-challenged individuals to join the child care workforce.
- Higher education scholarships through the TEACH program.

Many of the ideas in this proposal originated from recommendations made by the Family Child Care Task Force in its report[12] released in January 2021. This task force included representatives from family child care, families, and other advocacy groups. Family child care providers were also engaged to provide feedback in the development of the Child Care Retention Program. Some of their feedback included information passed along from client families.

The Great Start Task Force will release its final report in February 2023. Based upon task force work to date, it is anticipated that many of the ideas in this proposal will align with their final recommendations.

Equity and Inclusion:

The Child Care Retention Program centers equity by providing 25 percent higher payment amounts to child care providers serving children receiving funding through the Child Care Assistance Program or Early Learning Scholarships program, or that are located in Child Care Access Equity Areas. Child Care Access Equity Areas are areas of the state with low access to child care, higher poverty and unemployment rates, and lower homeownership and median household incomes. The Child Care Access Equity Areas would be established by the department. In addition, we know that the majority of children receiving funding through the Child Care Assistance Program are also Black, Indigenous, and People of Color (BIPOC).

Communities in Greater Minnesota have traditionally relied upon family child care providers to serve the needs of their communities. Therefore, the steady ongoing loss of family child care providers has impacted rural communities more. While there has been an increase in the number of child care centers, these spaces are disproportionately located in the Twin Cities metro area.

The programs funded in this proposal would address racial, economic, and geographic equity. Implementation of these programs will center racial equity, with focused efforts for child care capacity-building to ensure recruitment is targeted strategically to places with higher numbers of BIPOC families to ensure the need to address lack of access to child care in these communities is addressed. The financial and other supports in this proposal should reduce the loss of family child care providers across the state, and help prospective family child care providers establish new businesses.

Tribal Consultation:

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

☒Yes
☐No

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[12] Link to report of the Minnesota Family Child Care Task Force. Legislative Report. February 2021.

The department met with representatives from tribes to discuss the ideas included in this proposal. Tribes were also engaged in the development of these strategies through work groups on these topics, and ongoing meetings with department staff.

Implementation of the programs in this proposal may result in a need for staff to provide support for tribally licensed programs. A grantee, Minnesota Tribal Resources for Early Child Care (MNTRECC), will receive separate Child Care Development Fund funding to help connect individuals interested in becoming licensed with staff in Child Care Aware agencies, help tribal programs access resources, and help Child Care Aware agencies serve tribal programs well.

Impacts to Counties:

Representatives from some counties were engaged in workgroups to develop the Child Care One-Stop Assistance Network and Workforce Development Grant programs, now called Child Care Wayfinder and Empower to Educate. If this proposal results in a significant increase in the number of licensed child care programs, counties may need more licensors to keep up with the need to process license applications, which includes onsite visits. The department will continue having conversations with counties about the impact of this proposal on their licensing services.

Results:

This proposal is part of a broader statewide effort to increase access to child care for families, led by the Child Care Action Team, coordinated by the Minnesota Children's Cabinet. These efforts collectively are working toward the One Minnesota Goal of increasing the number of families in Minnesota with adequate access to child care from 75% to 91%. The progress of our state toward this goal will be tracked ongoing through a collaboration between department staff and the University of Minnesota's Child Care Access project (www.childcareaccess.org).

<u>Child Care Retention Program</u>

DHS will provide financial support to the following number of child care programs:

- Approximately 1,500 licensed child care centers, 500 certified centers, and 4,700 family child care programs
- An estimated 35,000 early educators will benefit from these payments annually through increased compensation and benefits.

DHS will collect and synthesize data on how funds were used to determine impacts of the program. The department will also assess if these funds were distributed equitably by analyzing the following data:

- Program location and the percent located in Child Care Access Equity Areas
- Race and ethnicity of the center director or provider

<u>Supports that equip providers with information and tools to start up and effectively operate child care businesses and support the child care workforce</u>

The goal is to serve approximately:

- 600 child care providers per year through coordinated supports provided by Child Care Wayfinder, the One Stop Assistance Network.
- 750 early educators per year through Empower to Educate, funded with the Workforce Development Grants
- 300 family child care providers through shared services alliances
- 300 child care providers through the technology supports
- 2,400 early educators per year through child care business training and supports
- 90 early educators per year through the TEACH program

DHS will track progress using the following measures:

- Number of slots created by year
- Number of new child care programs opened, including geographical data
- Number of child care programs that closed, including for recipients and non-recipients of Child Care Retention Program payments
- Increased wages and benefits of early educators employed in child care programs receiving Child Care Retention Program payments
- Number of individuals trained and qualified to join the child care workforce
- Number early educators retained
- Job placements
- Jobs received

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			173,236	179,764	353,000	172,760	172,775	345,535
HCAF					-			-
Federal TANF					-			-
Other Fund					-			-
Total All Funds			173,236	179,764	353,000	172,760	172,775	345,535
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 27-28**
GF	43	Child Care Retention Program Payments	120,000	168,704	288,704	161,700	161,715	323,414
GF	43	Transition Grants	46,550					
GF	43	Child Care One-Stop Assistance Network		2,920	2,920	2,920	2,920	5,840
GF	43	Workforce Development Grants		1,300	1,300	1,300	1,300	2,600
GF	43	Shared Services	500	500	1,000	500	500	1,000
GF	43	Technology grants	300	300	600	300	300	600
GF	43	Business training and supports	1,250	1,500	2,750	1,500	1,500	3,000
GF	43	TEACH		695	695	695	695	1,390
GF	12	Children and Family Services Admin	4,589	3,505	8,094	3,505	3,505	7,010
GF	11	Office of Inspector General Admin	1,432	1,619	3,051	1,619	1,619	3,238
GF	11	MNIT support	675	391	1,066	391	391	782
GF	11	Financial Operations (1 FTE)	122	140	262	140	140	280
GF	REV1	Admin FFP @ 32%	(2,182)	(1,810)	(3,991)	(1,810)	(1,810)	(3,619)
Requested FTE's								
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 27-28**
GF	12	Children and Family Services Admin	7.00	7.00	7.00	7.00	7.00	7.00
GF	11	Office of Inspector General Admin	11.00	11.00	11.00	11.00	11.00	11.00
GF	11	MNIT Admin	3.50	3.50	3.50	3.50	3.50	3.50
GF	11	Financial Operations	1.00	1.00	1.00	1.00	1.00	1.00

Statutory Change(s):

This proposal requires rider language and the addition of new sections in Chapter 119B.

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Supporting Working Minnesotans

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	703	1,838	17,242	22,293
Revenues	0	0	0	0
Federal Funds				
Expenditures	0	1,453	16,680	20,158
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	703	3,291	33,922	42,451
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends investments of $2.5 million from the general fund and $1.5 million from the TANF fund in FY 2024-25 and $39.3 million from the general fund and $36.4 million from the TANF fund in FY 2026-27 to make the Minnesota Family Investment Program and General Assistance more effective at supporting economic stability for low wage workers and to simplify program administration.

Rationale/Background:

Adults who turn to Minnesota's cash assistance programs see significant income changes from month to month. For instance, 44% of the families turning to Minnesota Family Investment Program (MFIP) experience extreme income instability; in any month they have a 30% chance to have either no income at all or twice their average monthly income. This volatility is true of low wage workers in general. The budgeting method and budget periods Minnesota uses to determine monthly benefits contribute to the income instability instead of stabilizing household income and incentivizing working. This effect undermines the intent of Minnesota's public assistance programs to support work and help move households to economic stability.

Complex public assistance policies also divert county staff time, set the stage for frequent errors, and create even more stress for people in crisis who have turned to assistance. The fact that the policies differ from program to program adds to the complexity and the possibility of confusion and errors. County staff spend more time on cash assistance cases than on Supplemental Nutrition Assistance Program (SNAP) cases. In 2018, the counties spent an average of about $128 per case per month to administer MFIP cases and $42 per case per month to administer General Assistance cases. That is compared to about $37 per case per month to administer SNAP cases.

Cash assistance programs use a budgeting method no other programs use and set month-to-month budget periods, which are especially problematic for people with earnings because earnings for low-income workers often fluctuate from month-to-month. This proposal:

- Supports work by stabilizing the incomes of low wage workers receiving assistance and reducing the heavy paperwork burden currently imposed on people who get jobs while receiving assistance.
- Simplifies the process of determining benefits.
- Enacts changes in support of the Integrated Services Business Model, which counties and the department have identified as a goal.

Proposal:

This proposal builds on the mission of supporting work for people receiving public assistance and on legislation enacted in 2014 and 2015 that streamlined reporting, income calculations, and asset determination policies, by making many of those policies uniform across multiple programs, and by eliminating inefficient processes. This proposal creates more uniform methods for calculating benefits across public assistance programs and eliminates the administratively costly and time-consuming requirements of redetermining benefits every month for all Minnesota Family Investment Program (MFIP) cases and some General Assistance cases.

Cash assistance programs are forecast programs. These policy changes will lead to a change in the base funding for the programs. In FY24-27 in one-time Temporary Assistance for Needy Families (TANF) reserve funds are used to reduce the general fund costs. The general fund will cover this portion in future years.

This proposal will closely align Minnesota's policies for cash assistance programs with the federal Supplemental Nutrition Assistance Program (SNAP). The two cash programs would make two significant changes:

1. **Stabilize benefits for six-month periods.**

Benefits would be set for six-month budget periods instead of month-to-month. Households with earnings would experience more stable benefits over that six-month period. Regularly scheduled six-month reviews would examine income and household composition to determine eligibility and benefit levels for the next six months. General Assistance households with at least $100 per month in earnings and all MFIP households would now be subject to those six-month budget periods. This change means that:

- Households would still have to report changes in essential information that determine whether they are categorically eligible for the program at the time the change occurs.
- Households would still have the option to have benefits adjusted if their income fell or household membership grew before a scheduled six-month review.
- The programs would align with SNAP and Housing Support, which use six-month periods for calculating benefits.

2. **Use more current income for budgeting benefits.**

MFIP and General Assistance would use income from the last 30 days to set benefit levels for a six-month period – as SNAP and Housing Support do. Currently, benefits for a month are determined based on income from two months earlier. Minnesota is the only state that still uses this method (called retrospective budgeting) for its TANF cash assistance program. The change in the budgeting method means that:

- Eligibility workers will only need to learn one budgeting process for public assistance programs.
- The people we serve can anticipate how their income will be treated across different programs.

Impact on Children and Families:

The Minnesota Family Investment Program (MFIP) is the primary income support program provided to children in deep poverty and their families. Women are 82% of the adults enrolled in MFIP and there are approximately 48,000 children in families that have turned to MFIP. More than half the families that have turned to the program have a child younger than six.[1] As a result, these policy changes will disproportionately benefit families with children and women by simplifying and aligning budgeting and reporting processes for cash assistance programs. These families will have more predictable and stable benefits to support housing, child care, and other necessary family expenses.

Equity and Inclusion:

Cash assistance programs reflect Minnesota's racial economic disparities. Poverty rates for African Americans and American Indians in Minnesota are about four times higher than the poverty rate for white Minnesotans.[2]

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[1] Minnesota Department of Human Services, Minnesota Family Investment Program and Diversionary Work Program: Characteristics of Cases and People, 2020.

[2] Minnesota Department of Health, People in Poverty in Minnesota, 2019.

Unemployment rates for American Indian, African American, and Latinx workers are 2-3 times higher than white workers.[3]

African American adults are 33 percent of the Minnesota Family Investment Program (MFIP) caseload**Error! Bookmark not defined.** but only 7 percent of state residents.[4] American Indian adults are 6 percent of the MFIP caseload**Error! Bookmark not defined.** but only 1.4 percent of state residents.[4] Overall, people of color and American Indians make up 64 percent of the MFIP caseload**Error! Bookmark not defined.** but are 21 percent of state residents.[4] In addition, at least 36 percent of families that turn to the program have a family member with serious health problems or a disability.**Error! Bookmark not defined.** African Americans are the most likely to be employed while also receiving assistance and therefore are particularly subject to the increased reporting burdens imposed on employed participants.

The paperwork burden and the unpredictability caused by program complexity add to the stress already imparted by poverty and discrimination experienced by the people we serve. Low wage workers in retail, hospitality, food service, health care, and temporary agencies account for the vast majority of adults who turn to public assistance when unemployed or underemployed. They are also the industries in which people of color and American Indians receiving MFIP are most likely to be employed.[5] These jobs are subject to inconsistent work schedules, high turnover, and no benefits. These workers rarely receive unemployment insurance. The public assistance system they turn to during a time of crisis is unnecessarily complicated. The proposed policy changes will disproportionately benefit these workers by incentivizing work and simplifying budgeting and reporting processes for cash assistance programs.

Tribal Consultation:

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

☒Yes
☐No

Tribal Nation offices would recognize reduced administrative burden as illustrated by the following:

- Tribal Nation eligibility workers would no longer be examining and readjusting more than 13,000 cases per month.
- A monthly, 5-page report form would no longer be used and in its place, people receiving cash assistance would complete the same form used by SNAP and health care programs for six-month reviews.
- The 14 pages in the state's manual for eligibility workers on instructions about reporting would be reduced by almost half.

Impacts to Counties:

County offices would recognize reduced administrative burden as illustrated by the following:

- County eligibility workers would no longer be examining and readjusting more than 13,000 cases per month.
- A monthly, 5-page report form would no longer be used and in its place, people receiving cash assistance would complete the same form used by SNAP and health care programs for six month reviews.
- The 14 pages in the state's manual for eligibility workers on instructions about reporting would be reduced by almost half.

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[3] Minnesota Department of Employment and Economic Development, How Does Minnesota Unemployment Compare, 2015.
[4] U.S. Census, QuickFacts, Minnesota, 2021.
[5] Minnesota Department of Employment and Economic Development, Minnesota Economic Disparities by Race and Origin, 2020.

Results:

Cash assistance programs would more effectively support working adults and would more effectively help households, particularly children, move out of deep poverty and manage the destabilizing income volatility that low income households experience. Under this proposal, individuals who get jobs would no longer have to engage in monthly benefit recalculations and the uncertainty those create for their income. Housing Support introduced six-month budget periods and prospective budgeting for recipients with earnings in 2015 and saw the number of recipients with earnings more than double in the years since then.

About 44% of MFIP households experience extreme income volatility, meaning in any month they have a 30% chance of having no income or double their average monthly income. This is particularly true of those with earnings. Low wage work often provides unstable income because of unpredictable schedules and shifts. Research indicates that income volatility increases the risks of experiencing mental health problems and the rate of emergency room visits. Stable public assistance benefits for six-month periods incentivizes work for recipients and makes household budgeting more predictable and stable employment more likely.

Evidenced Based Practice	Source
A welfare-to-work program that combines mandatory participation in employment and training services with earnings supplements for participants who do find work.	Source: OPRE, https://www.urban.org/sites/default/files/publication/101287/from-savings-to-ownership.pdf

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			703	1,838	2,541	17,242	22,293	39,535
HCAF					-			-
Federal TANF			-	1,453	1,453	16,680	20,158	36,838
Other Fund					-			-
Total All Funds			703	3,291	3,994	33,922	42,451	76,373
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 27-28**
GF	11	MAXIS & MEC2 update (state share @ 55%)	703	467	1,170	186	279	465
GF	21	MFIP/DWP		811	811	9,796	12,525	22,321
TANF	21	MFIP/DWP		1,453	1,453	16,680	20,158	36,838
GF	22	MFIP Child Care		298	298	4,225	5,722	9,947
GF	23	General Assistance		262	262	3,035	3,767	6,802
		Requested FTE's						

Statutory Change(s):

Chapters 119B, 256D, 256I, 256J, and 256P.

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Family First Prevention Services Act (FFPSA) Phase 3 and Operational Investments

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	12,961	20,771	23,662	23,645
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	12,961	20,771	23,662	23,645
FTEs	**20**	**20**	**20**	**20**

Recommendation:

The Governor recommends investing $33.7 million in FY 2024-2025 and $47.3 million in FY 2026-27 to fund implementation and expansion of the Family First Prevention Services Act (FFPSA). This proposal will also provide funding to better ensure the Child Safety and Permanency Division (CSP) at the Department of Human Services (department) has adequate staffing infrastructure to implement complicated new programs and policies established at the state and federal level. This investment is the third phase of FFPSA implementation.

Rationale/Background:

The FFPSA is a federal law enacted as part of the federal Bipartisan Budget Act of 2018.[1] It seeks to encourage enhanced support to children and families and prevent foster care placements through the provision of evidence-based mental health and substance abuse prevention and treatment services, in-home parent skill-based programs, and kinship navigator services. The FFPSA also places stricter standards on congregate foster care settings and requires additional background studies for staff working in those settings. Changes to state statute to comply with FFPSA standards were enacted during the 2019, 2020 and 2021 legislative sessions. To meet these new requirements and support the ongoing implementation of FFPSA in Minnesota, additional staff and systems changes are necessary.

FFPSA Prevention Services Implementation

The FFPSA shifts costs for congregate foster care placements to the states, but also provides the opportunity for states to access Title IV-E[2] funding for services that were previously ineligible for Title IV-E reimbursement. This new funding stream permits prevention funding under Title IV-E for the delivery of evidence-based services that prevent out-of-home placement. While states are not required to seek Title IV-E funding for prevention services, the FFPSA gives Minnesota the opportunity to build a robust prevention program that expands the number of children and families served while utilizing collaborative efforts, research and data to deliver the most effective evidence-based services.

The FFPSA gives county child welfare agencies and tribes participating in the American Indian Child Welfare Initiative the ability to receive 50% reimbursement for federally approved services for children at imminent risk of

[1] Family First Prevention Services Act

[2] Federal Title IV-E is an annually appropriated program with specific eligibility requirements and fixed allowable uses of funds for foster care, kinship, adoption, prevention services, training and administrative costs. Funding is awarded to states by formula as an open-ended entitlement grant and is contingent upon an approved title IV-E plan to administer or supervise the administration of the program.

out-of-home placement and their caregivers. The FFPSA establishes placement prevention services to strengthen families, prevent maltreatment, and address other conditions that lead to out-of-home placement. This is an unprecedented opportunity to make transformative changes in the child welfare system. A state must develop a Five-Year Title IV-E Prevention Plan (Plan) that meets the federal requirements.

To obtain federal Title IV-E reimbursement for approved services, the state must first submit a prevention services plan approval by the federal Children's Bureau. An initial state investment is necessary to achieve the rigorous requirements outlined in FFPSA. Ongoing investments will be necessary to achieve Minnesota's vision for supporting family preservation. This vision includes:

- Building an initial program that creates a strong foundation for transformational changes in child welfare.
- Continuing to build the FFPSA prevention continuum by creating and expanding services, including kinship navigator services that focus on FFPSA values and are informed by system collaborators and families.
- Utilizing continuous quality improvement strategies that identify areas of growth and opportunity to expand both in services and those who are served.
- Coordinating with other systems, programs and initiatives to build a robust prevention continuum in and outside of FFPSA opportunities.

The capacity-building created by this proposal should result in more children being served with their families or kin prior to a potential removal from the home and placement in a foster care setting.

Kinship navigator

FFPSA amended Title IV-E of the Social Security Act to allow Title IV-E agencies the option to receive Title IV-E funding for Kinship Navigator programs that have been federally-approved and are part of a FFPSA Prevention Services Plan.

Kinship Navigator programs have a long history in Minnesota rooted in the work of the Minnesota Kinship Caregiver Association (MKCA). This association led the state in providing supportive services to informal and formal kin caregivers. In 2009, MKCA participated in a three-year federally funded project designed to enhance and evaluate these services provided to kin. MKCA dissolved in 2013 when federal Family Connection grants were ended. Lutheran Social Services of Minnesota (LSS) Kinship Family Supports now runs a similar program and that is funded in part by the Metropolitan Area Agency on Aging (MAAA).

The Department of Human Services (department) has used federal Title IV-B[3] funds to contract with LSS to develop a kinship navigator model for kinship caregivers of children not receiving foster care services and these federal funds must be used by Sept. 1, 2023. This proposal is requesting funds to expand state funding for a kinship navigator program, add a tribal community agency to provide kinship services, and evaluate the program. The program evaluation is required to receive federal approval by the Title IV-E Prevention Services Clearinghouse,[4] which would make kinship services eligible for Title IV-E reimbursement.

QRTP Assessments and QIs

To encourage states to rely less on placing children in child care institutions (congregate care), the FFPSA established stricter standards for these types of foster care placements. The new federal standards require congregate care facilities to become certified qualified residential treatment programs (QRTP's). Effective Oct. 1, 2021, Title IV-E eligible children who are placed in congregate care settings that are not family foster homes are eligible for only two weeks of federal reimbursement. After two weeks, unless a child care institution becomes a

[3] The federal Title IV-B program provides grants to states for the purpose of keeping families together with services that: protect and promote the welfare of all children; prevent the neglect, abuse or exploitation of children; support at-risk families through services which allow children, where appropriate, to remain with their families or return to their families in a timely manner; promote the safety, permanence and well-being of children in foster care and adoptive families; and provide training, professional development and support to ensure a well-qualified workforce.

[4] See: the Title IV-E Prevention Services Clearinghouse

certified QRTP, no federal Title IV-E reimbursement is available to offset placement costs. This means counties and Initiative tribes become 100% responsible for the cost of care in a facility that does not meet FFPSA requirements.

In addition to new facility requirements, the FFPSA requires an assessment to determine whether or not a child can receive services within their family or community setting instead of placement in a QTRP. This assessment must be completed by a qualified individual (QI) who can be either a licensed clinician or member of the community who becomes a trained QI professional. The assessment is to be conducted within the context of a child's culture and community, so it is critical that culturally competent QIs be available to serve children from Black, Indigenous and other People of Color (BIPOC) communities and Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) communities who are in foster care. BIPOC and LGBTQ children are overrepresented at all points in the child protection system, including placements in foster care. Parents and older youth can request a specific QI. If the Indian Child Welfare Act (ICWA) and Minnesota Indian Family Preservation Act (MIFPA) apply, a child's tribe must be involved in this decision-making process.

This proposal will provide counties, tribes, parents, and older youth with a centralized statewide pool of contracted QI's rather than have individual counties and the department contract for QI's separately. Counties will continue to have the option to designate county staff as a QI under a federal waiver. The QI is responsible for completing the QRTP assessment process, which includes:

- Interviewing the child/youth and parent(s)
- Collaborating with family and permanency team members, including school personnel, mental health professionals and others
- Completing the required Commissioner's approved Child and Adolescent Needs and Strengths (CANS) functional assessment
- Documenting required assessment findings on the QRTP assessment and recommendation form that determines whether a child's needs can be met by the child's family members or through placement in a family foster home. If the child's needs cannot be met in one of those settings, the assessment will determine which residential setting would provide the child with the most effective and appropriate level of care in the least restrictive environment. Assessment information is shared with the court.

To complete the QRTP assessment a QI must be trained and certified to administer the CANS assessment tool. All QIs must have a background check, (Minnesota Statutes, sections 299C.60 - 299C.64) and attend a two-day training on their role and responsibilities and use of the CANS. There is an annual re-certification that is required.

This proposal recommends supporting counties and tribes in meeting the federal requirements for QI's by having the department contract with one community agency to manage a statewide pool of QI's. This proposal also includes the funding necessary for the department to:

- Hire 1 FTE to manage the RFP and contracting with the community agency
- Cover the costs for QI's to maintain their annual certification on the CANS
- Cover the costs for background study checks on QI's
- Cover the costs for specific trainers in the Child Welfare Training Academy to ensure the required QI training is routinely provided.

<u>Staffing Infrastructure</u>
The work, staffing, and infrastructure of the Child Safety and Permanency Division (CSP) has grown substantially since 2015. This growth has led to a need for additional fiscal, contracting, project management, administrative support, and communications staffing to ensure that CSP is able to develop and implement policies and procedures to ensure accountability in the execution of complicated new programs.

Since March 2015, when Governor Mark Dayton's Task Force on the Protection of Children generated 93 large scale systemic policy and program recommendations for improving the pre-court portion of Minnesota's child protection system, CSP has been implementing the recommendations which has driven the need for more policy and program subject matter experts. Additional implementation efforts driving the need for improved operations infrastructure include implementation of major federal child welfare reform stemming from the FFPSA. Additionally, in June 2022, the Office of the Legislative Auditor (OLA) released a report that made several recommendations with implications for CSP. These recommendations include the need for improvements in the provision and documentation of services offered to families to prevent child removals as well as shorter, easier to read case plans so families know the steps they need to take to pursue reunification. The recommendations also include the creation of a work group to develop training for law enforcement regarding removal of children from their home.

CSP does not have sufficient staffing for necessary complex project management, specialized fiscal staff, contracting, and staff trained in engaging meaningfully with the people we serve. Specialized staff is needed for these purposes.

Proposal:

<u>FFPSA Prevention Services Implementation</u>

In September 2022, the department submitted Minnesota's Prevention Services Plan to the Children's Bureau for federal approval. In order to implement the state's initial program, state investments are needed in the following areas to implement and sustain initial prevention services across the state. This proposal includes the following investments to implement Minnesota's plan:

- FFPSA requires fidelity monitoring for each service that the state implements. It also requires an overall CQI monitoring process of the state's prevention plan. These are new activities for the department, thus internal capacity must be built to complete this required task. Ensuring the state is compliant with federal prevention services fidelity monitoring, evaluation and CQI requirements requires 4 FTEs.
- FFPSA introduced new practices and procedures for local welfare agencies, representing a significant need for training.
- Based upon the department's stakeholder engagement, Motivational Interviewing (MI) is planned to be an initial prevention service. Implementation of MI will require support from the Minnesota Child Welfare Training Academy, which will also support the fidelity monitoring components. The department needs 1 FTE to implement training needs related to prevention services.
- Additional prevention services will need to be analyzed, planned, and eventually implemented. To support growth of a prevention services array the department needs two additional FTEs.
- Funding is needed to support MI fidelity monitoring requirements, including a MI coding tool or process. The cost for this work will increase as the use of MI as a prevention service expands.
- As the prevention services array continues to be developed and monitored, community and lived experience voice need to be included and compensated accordingly. This proposal includes $50,000 per fiscal year starting in FY24 to support ongoing community engagement necessary for implementation of the state's prevention services plan and fidelity monitoring.
- Transformation means change at the local level to support local child welfare agencies in service development and expansion; the addition of staff to support implementation in administration, data collection and case management; local community engagement; and training. While FFPSA allows reimbursement for evidence-based services, it fails to address other barriers to family preservation, such as basic needs, transportation, and other concrete needs that support families in achieving their goals. This proposal includes annual funding to support local child welfare agency infrastructure, staffing, and concrete support for families. The amount of this appropriation was determined based on spending on Family Assessment Response (FAR) allocations to local child welfare agencies. FAR services are similar to FFPSA in-home case management. This is roughly the amount local agencies currently use for a service that is similar to FFPSA in-home case management.
- Funding is required to expand initial prevention services, support promising practices and plan for additional services that focus on family preservation. Annual funding is requested to support expansion of

prevention services eligible for Title IV-E reimbursement in Minnesota. This appropriation would allow two new services to be piloted in various regions of the state, including evaluation expenses.

Kinship navigator

This proposal seeks funding to continue development of a kinship navigator model for submission to the federal Title IV-E Prevention Services Clearinghouse for approval. This model would serve kinship caregivers to prevent foster care by expanding services statewide, adding a tribal community agency and evaluation of the program that is required for federal approval. The total one-time cost for this provision is $1.7 million in the 2024-25 biennium.

QRTP Assessments and QIs

To support counties and Initiative tribes to come into compliance with this new federal requirement, the department developed a program using one-time federal Family First Transition Act (FFTA) funds to operate a pilot program to hire 30 contracted individuals. For the past 10 months the pilot program has received on average 16 QRTP referral requests a month. This pilot has been successful and demonstrated a need to continue this support for counties and Initiative tribes to meet the QRTP assessment requirements. The pilot has also demonstrated contracting limitations and staffing needs to transition from a pilot to an ongoing program.

The federal requirement that a QI perform an assessment for children entering a QRTP is an unfunded federal mandate that in a state supervised-local agency administered child welfare system could increase costs for counties and Initiative tribes. County advocates have expressed a desire to have a centralized statewide pool of QIs managed by the department and paid for using state general funds. A state funded program would protect county property taxpayers and help ensure there are not disparities in access to QIs based upon geography or the size of a county's property tax base. Investing state funds to establish a centralized pool of QIs would also enable the department to focus on recruiting individuals from a child's community.

To implement a statewide QI program, the department would contract with a community agency for program administration. The community agency's responsibilities would include recruiting and hiring a diverse pool of QIs, managing the referral process, handling performance issues, and ensuring timely completion of QRTP assessments. This grantee would manage county and tribal agency referrals of approximately 300 assessments a year, contract with up to 100 individuals to serve as QIs, and track data or trends.

The appropriation for this proposal includes:

- Contract with a community agency to manage the program:
  - $250,000 annual cost to administer and manage the program and
  - The cost to complete 300 QRTP assessments by 100 QI's at the cost of $667 per assessment is $200,100 for QRTP assessments annually;
- 1 FTE to manage the grant classified as a 14L.
- Initial and annual QI training (including payments to QIs for attending training $7,200 annually; and purchase CANS certifications for up to 100 QIs at annually cost of $1,200.) COST: $8,400
- The cost of background studies for QIs, at $33.25 for each study. COST: $3,325;
- Cost of a contract with the Praed Foundation to maintain the evidence-based assessment tool. COST: $10,000 per year; and
- Cost for Child Welfare Training Academy to hire community trainers Child Welfare Trainer Academy trainer. COST: $16,800 annually for six two-day training.

Staffing Infrastructure

To ensure proper administration of CSP programs and implementation of complex projects to address state and federal policy changes, 12 full-time staff are needed to provide additional division operations support, including advanced fiscal management, project management, and continuous quality improvement efforts. These four staff include:

- 1 FTE for managing and supervising the Operations Unit in CSP – (Permanent)

- 4 FTEs for project management – (Permanent)
- 1 FTEs for budgeting and fiscal management – (Permanent)
- 1 FTE for request for proposal development, contract development, and contract monitoring – (Permanent)
- 1 FTE Information Officer to assist with the significant increase in communications requests (i.e., editing, publishing)-(Permanent)
- 1 FTE to serve as a constituency services policy consultant to assist in responding to increase in constituent service requests- (Permanent)
- 1 FTE to serve as a case planning and reunification policy consultant required by OLA Evaluation Report 2022 – (Permanent)
- 1 FTE for curriculum development for law enforcement required by OLA Evaluation Report 2022 – (2 – years)
- 1 FTE to serve as a subject matter expert for SSIS case planning required by OLA Evaluation Report 2022 – (2-years)
- Additionally, to implement the recommendations of the OLA report, this proposal includes an appropriation of $75,000 for three years ($25,000 per year) for costs associated with workgroup implementation processes and stakeholder engagement for stipends, meeting facilitation, and hosting community members for input into policy and practice.

Impact on Children and Families:

The capacity-building created by this proposal should result in more children being served with their families or kin prior to a potential removal from the home and placement in a foster care setting. It will also enhance the skill set of the workforce using Motivational Interviewing to better serve children and families. Improved processes and resources for budgeting, contracting, and project management will better position CSP to prioritize funding and contracting toward equity initiatives. This proposal should also help ensure that children and families who are African American, Native American, two or more races, or who may be LGBTQ have access to a qualified individual from their communities.

Equity and Inclusion:

Disproportionality among children experiencing out-of-home care remains an ongoing challenge for the Minnesota child welfare system, paralleling opportunity gaps experienced by American Indian and African American children and families, and LGBTQ youth across the state. This proposal should result in more children, including African American and American Indian children, being served with their families or kin prior to a potential removal from the home and fewer placements in residential treatment facilities. Data on these aspects will be tracked through the implementation across the state. Ensuring CSP has adequate staffing infrastructure supports proactive collaboration with county and tribal partners and improved project coordination.

Tribal Consultation:

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

☒Yes
☐No

Tribes participating in the American Indian Child Welfare Initiative (Initiative Tribes) will benefit from the department incorporating the QRTP assessment in the Social Services Information System as well as the having the eligibility and approval process for determining Title IV-E candidates. This will reduce administrative time and costs and may result in increased access to Title IV-E reimbursements. Ensuring the availability of properly trained and certified QIs will help ensure Initiative Tribes can meet FFPSA requirements for placement of a child in a QRTP and may result in increased access to Title IV-E reimbursements.

Tribes will be provided additional resources to reinforce their current efforts related to family preservation. Tribes with IV-E agreements with the state will also be able to claim Title IV-E for applicable prevention services. Tribal child welfare staff will have the ability to be trained in motivational interviewing, further increasing their skill and capacity to support families. Tribes have been engaged in a number of ways, including through formal government to government consultation, information sharing and review meetings, and discussions at the ICWA advisory council.

Impacts to Counties:

Counties will benefit from the department incorporating the QRTP assessment (CANS) in the Social Services Information System as well as the having the eligibility and approval process for determining Title IV-E candidates. This will reduce administrative time and costs and may result in increased access to Title IV-E reimbursements.

Ensuring the availability of properly trained and certified QIs will help ensure counties can meet FFPSA requirements for placement of a child in a QRTP and may result in increased access to Title IV-E reimbursements. Counties have requested a statewide pool of QIs, and this investment provides support to the cost incurred by counties and initiative tribes to implement FFPSA.

Counties will be provided additional resources to support family preservation. This should result in cost savings, as fewer children will be in out of home care. Staff will be trained in Motivational Interviewing and be provided additional resources to support families in meaningful ways to support safety and well-being.

IT Costs:

This proposal includes costs to integrate the CANS assessment tool and foster care candidacy into SSIS. The projected total cost for these provisions to implement is $344,622 with ongoing maintenance cost of $71,632. The fiscal detail section of this proposal reflects state share.

The case plan summary documents will require an enhancement to SSIS at a cost of $31,601 with ongoing maintenance cost of $6,320.

Category	*FY 2024*	*FY 2025*	*FY 2026*	*FY 2027*	*FY 2028*	*FY 2029*
Payroll	272,714	142,316	142,316	142,316	142,316	142,316
Professional/Technical Contracts						
Infrastructure						
Hardware						
Software	Case Plan 31,601 CANS/IVE 344,622	Case Plan 6,320 CANS/IVE 71,632	Case Plan 6,320 CANS/IVE 71,632	Case Plan 6,320 CANS.IVE 71,632	Case Plan 6,320 CANS/IVE 71,632	Case Plan 6,320 CANS/IVE 71,632
Training						
Enterprise Services	5,773	5,773	5,773	5,773	5,773	5,773
Staff costs (MNIT or agency)						
Total	**278,487**	**148,089**	**148,089**	**148,089**	**142,089**	**142,089**
MNIT FTEs	3.58	2.32	2.32	2.32	2.32	2.32
Agency FTEs						

Results:

This phase of FFPSA implementation should result in increased placements with relatives, increase the ability of relatives to care for children, and ensure families are able to provide the necessary supports for children who are at imminent risk of entering foster care but who can safely remain in the child's home or in a kinship placement as long as appropriate and necessary services are provided. Efforts to support children and their families at risk of out-of-home placement should reduce the actual number and length of placements and the resulting costs associated with placements.

Data on existing child welfare measures, including data by race/ethnicity and by age of child, can be found on public Minnesota child welfare data dashboard can be found on the child welfare dashboard (public). In addition, data is and will continue to be maintained on the number of allegations and substantiations of child maltreatment, as well as out-of-home placements of children, by race/ethnicity. Additional data can be found in the 2020 Child Maltreatment Report and the 2020 Out-of-Home Placement report.

Evidence-based Practice	Source of Evidence
MI is a client-centered, directive method designed to enhance client motivation for behavior change. It focuses on exploring and resolving ambivalence by increasing intrinsic motivation to change. MI can be used by itself, as well as in combination with other treatments. It has been utilized in pretreatment work to engage and motivate clients for other treatment modalities.	Source: CEBC, https://www.cebc4cw.org/program/motivational-interviewing/

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			12,961	20,771	33,732	23,662	23,645	47,307
HCAF					-			-
Federal TANF					-			-
Other Fund					-			-
Total All Funds			12,961	20,771	33,732	23,662	23,645	47,307
Fund	**BACT#**	**Description**	**FY 24**	**FY 25**	**FY 24-25**	**FY 26**	**FY 27**	**FY 26-27**
GF	12	Program evaluation of kinship navigator services	200		200			-
GF	45	Grant for kinship navigator services	514	514	1,028	500	500	1,000
GF	45	Grant to tribal nation for kinship navigator services	250	250	500	250	250	500
GF	12	FFPSA Staff Infrastructure (7)	948	1,099	2,047	1,099	1,099	2,198
GF	12	FFPSA Implementation - MI Coding & community compensation	168	390	558	568	568	1,136
GF	12	FFPSA Implementation community compensation	50	50	100	50	50	100
GF	45	Family Assessment Response Grants to Counties	6,100	9,800	15,900	9,800	9,800	19,600
GF	45	Evidenced-based programs eligible for IV-E reimbursement	3,000	7,000	10,000	10,000	10,000	20,000
GF	45	Grants to organization to manage QI work	450	450	900	450	450	900
GF	12	Children and Families Admin QI work (1)	364	364	728	364	364	728
GF	12	FTE to manage QI program (1 FTE)	133	153	286	153	153	306
GF	12	Admin staff (7 FTE)	1,232	1,429	2,661	1,429	1,429	2,858

GF	12	Workgroup expenses for stakeholder engagement	25	25	50	25		25
GF	12	OLA Audit Implementation (3 FTE, 2 temp, 1 permanent)	406	471	877	153	153	306
GF	11	SSIS updates (@ 60% state share)	249	50	299	50	50	99
GF	REV	Admin FFP @ 32%	(1,128)	(1,274)	(2,402)	(1,229)	(1,221)	(2,450)
		Requested FTE's						
Fund	**BACT#**	**Description**	**FY 22**	**FY 23**	**FY 22-23**	**FY 24**	**FY 25**	**FY 24-25**
GF	12	Implementation staff	20	20	20	20	20	20

Statutory Change(s):

Minn. Stat. 260C.704
New section in Chapter 260