DEPARTMENT OF HUMAN SERVICES

# Minnesota Department Human Services

# 2024 Supplemental Budget Book

TABLE OF CONTENTS

## Department of Human Services
## FY 2024-25 Biennial Budget Change Item
## Change Item Title: Expanding Access to DCT Care (DC- 41)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 4,965 | 2,742 | 2,711 |
| Revenues | 0 | (1,084) | (1,127) | (1,127) |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 3,881 | 1,615 | 1,584 |
| **FTEs** | **0** | **0** | **0** | **0** |

**Request:**
The Governor recommends investments of $4.97M in FY 2025, $2.74M in FY2026 and $2.71 in FY2027 to increase the number of psychiatric treatment beds in the behavioral health care system operated by the Department of Human Services (DHS) through its Direct Care and Treatment (DCT) administration. This proposal repurposes existing DCT facilities and reallocates funding to focus on the urgent need to increase psychiatric treatment capacity (beds) and improve access (admissions) at state-operated psychiatric facilities.

**Rationale/Background:**
DCT is a large, highly specialized behavioral health care system that cares for more than 12,000 patients and clients each year. DCT serves a unique role in Minnesota's mental health services, providing care to those whose conditions are so clinically complex and challenging to treat that private providers cannot or will not serve them. Nearly all DCT's patients and clients have been civilly committed. Many are under more than one type of civil commitment.

DCT operates an extensive statewide network of psychiatric hospitals and other inpatient mental health facilities, residential substance use disorder (SUD) treatment facilities, group homes and vocational services for people with disabilities, outpatient and telehealth services and special care dental clinics. It also operates the nation's largest program for civilly committed sex offenders.

Demand for admission to DCT's psychiatric hospitals for adults and children has risen substantially; however, there are not enough beds within the system to meet the demand. This has resulted in substantial waitlists for admissions at the Forensic Mental Health Program (FMHP) in St. Peter; the Anoka-Metro Regional Treatment Center (AMRTC), which is the state's largest psychiatric hospital; and the Child and Adolescent Behavioral Health Hospital (CABHH) in Willmar.

The FMHP treats patients who have been civilly committed as mentally ill and dangerous (MI&D). Beds do not turnover quickly in this program. On average, patients spend more than five years there before being provisionally discharged. Currently, the program is full and patients committed as MI&D are being admitted to AMRTC instead. Because they are long-term patients who cannot be stabilized and discharged in a matter of weeks or months like most other patients at AMRTC, these MI&D patients greatly reduce the total number of patients AMRTC can admit and treat in a year. To improve access to timely treatment, DCT needs more beds in the FMHP to accommodate these long-term patients, which in turn will free up beds and provide greater access at AMRTC.

To meet the rising demand for admission to the CABHH, DCT needs additional funding to operate the hospital for children and teens at its full 16-bed capacity. Currently, the hospital is funded and staffed to operate eight beds.

## Proposal:

DCT currently operates the Community Addiction Recovery Enterprise (CARE) program, a group of 16-bed residential SUD treatment facilities in Anoka, Carlton, Fergus Falls, St. Peter and Willmar.

The CARE program will be discontinued in St. Peter and the 16-bed facility will be repurposed for use by the FMHP. Patients at AMRTC who have been civilly committed as MI&D will transfer to the converted St. Peter site, freeing up psychiatric beds at AMRTC and allowing the psychiatric hospital to increase admissions. Because beds at AMRTC turnover relatively quickly, transferring MI&D patients to St. Peter will allow AMRTC to admit and treat several dozen more patients each year. Current CARE St. Peter staff will be offered jobs in the new program and additional staffing will also be necessary.

To help offset the increased costs of this proposal, the CARE facility in Carlton will be closed and its funding redirected to support this proposal. Closing this program makes sense because CARE Carlton has had difficulties recruiting and retaining staff and its leased building is in need of significant repair. Staff at CARE Carlton will be offered positions at other DCT facilities.

This proposal also seeks full funding the CABHH in Willmar. This change will allow DCT to move toward operating the psychiatric hospital at its full 16-bed capacity. Without full funding, capacity will not exceed eight beds. The CABHH has had difficulty recruiting and retaining employees due to the tight health care labor market in the region. To help alleviate that staff shortage, the CARE facility in Willmar will be discontinued by June 31, 2024, and staff will be offered positions at the CABHH or other nearby DCT programs.

This proposal is in line with the Task Force on Priority Admissions recommendation to immediately begin to increase DCT treatment capacity and access. This proposal takes action on this recommendation by converting existing beds into inpatient psychiatric beds, which are the beds most urgently needed to address the concerns of the task force.

This proposal also examines the utilization of beds at the FMHP to identify opportunities for most effective utilization of secured programming. To meet this task, this proposal creates a Mentally Ill and Dangerous Commitment Reform Task Force. The task force will be charged with reviewing the current statute and making recommendations that optimize the use of state-operated mental health resources and increase equitable outcomes for Minnesotans.

Finally, this proposal also creates a resource within DCT to provide support, technical assistance and medication specific recommendations to county correctional facilities.

## Impact on Children and Families:

This proposal helps achieve the administration's priorities for children and families by increasing access to mental health supports at a time when demand for inpatient children's mental health services is at an all-time high. This proposal intends to increase the number of psychiatric beds available at the CABHH for children that require hospital level of care.

## Equity and Inclusion:

DCT operates an array of residential and treatment programs serving people with mental illness, developmental disabilities and chemical dependency. Many of those DCT serves are also part of one or more of the following groups: BIPOC, people with disabilities, people in the LGBTQ community, other protected classes,

and veterans. Further, Black, Indigenous, Hispanic, Latino, and historically oppressed people of color represent a higher percent of all DCT patients (21 percent) civilly committed to the Commissioner of Human Services when compared to Minnesota's general population (14 percent). In addition, there is evidence that the use of indeterminate civil commitment for placement at FMHP disproportionately impacts people from historically marginalized groups.

All DCT patients are disproportionally impacted by health inequities because of serious and persistent mental illness and substance use disorders, and because they tend to have more physical health diagnoses than average. DCT's patients are sicker by far than the general population. By enhancing bed capacity in DCT treatment programs, DCT will ensure equity and inclusion are central to DCT's continued care and services with a goal to reduce disparities in care outcomes.

### Tribal Consultation:

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

☐Yes
☒No

This proposal was shared with Minnesota Tribal governments in the Fall of 2023.

### Impacts to Counties:

This proposal will help counties place more individuals with behavioral health needs that require the level of care provided in DCT treatment programs by increasing bed capacity in DCT treatment programs and reducing the waitlist for individuals awaiting transfer to DCT programs.

### IT Costs

There are no IT costs for this proposal.

### Results:

This proposal will have the following results:

1) Demonstrated increase in available beds at the CABHH and FMHP.
   a. Beds at the CABHH will increase by 8.
   b. Beds at the FMHP will increase by 16.

2) Increase in number of people served per year at the AMRTC, CABHH and FMHP.

Based on 01/01/2023 – 12/31/2023

| Program | Total Admissions | Annual Expected Admissions Post-Implementation |
|---|---|---|
| AMRTC | 256 | 306 |
| CABHH | 20 | 40 |
| FMHP | 53 | 69* |

*Length of stay for patients at the FMHP will impact the number of additional patients that the program will be able to serve annually.

## 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 | | | 0 | 3,881 | 3,881 | 1,615 | 1,584 | 3,199 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | **0** | **3,881** | **3,881** | **1,615** | **1,584** | **3,199** |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 61 | MHSATS | 0 | (2,718) | (2,718) | (4,487) | (4,487) | (8,974) |
| GF | 63 | Forensic svcs | 0 | 7,182 | 7,182 | 6,612 | 6,612 | 13,224 |
| GF | 65 | DCT Support Svcs | 0 | 501 | 501 | 617 | 586 | 1,203 |
| GF | REV2 | Cost of Care Collections | 0 | (1,084) | (1,084) | (1,127) | (1,127) | (2,254) |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |

## Statutory Change(s):

N/A

## Department of Human Services
## FY 2024-25 Biennial Budget Change Item

# Change Item Title: Acute care transitions for people with disabilities and complex health conditions (AD-48)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 931 | 1,880 | 4,791 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 931 | 1,880 | 4,791 |
| **FTEs** | **0** | **3** | **3** | **3** |

**Request:**

The Governor and Lieutenant Governor recommend strategies to address systemic barriers for people with disabilities and complex support needs, such as co-occurring behavioral health conditions or medical complexity, who are residing in hospitals because appropriate community-based services are not available or cannot meet their needs. Hospitals and health systems are struggling to discharge people to appropriate settings and report they are unable to provide the supports people need. In turn, this leads to decompensation of people's conditions and a diminished ability to find willing providers to support people.

This proposal includes strategies to improve outcomes for children and adults who are stuck in hospitals and not getting the care and therapeutic services needed to live and thrive in the community and in their family homes. This proposal invests $931,000 million in the FY24-25 biennium and $6.7 million in the FY26-27 biennium.

**Rationale/Background:**

Hospitals across the nation report significant delays in discharging children and adults from emergency departments with complex, high-acuity support needs to the community. These conditions can range from intellectual developmental disabilities (IDD), labeled "disruptive or aggressive" behaviors, complex trauma, and physical health complexities. Hospital overcrowding and complications related to disruptive behaviors for children and adults are having a negative impact on the quality of life for patients and their families.

Emergency departments are not historically places you check in for the night. If you have a heart attack, you're likely to get access to inpatient care. If you break a bone, you'll get treatment and be discharged. However, if your brain is unwell, there's a chance you will get stuck there without options for inpatient treatment or referral to other supportive services. Families, advocates, and hospitals have shared that hospitals are unable to provide therapeutic care. This has led to the warehousing of youth and adults with complex support needs. While this situation has been amplified by increasing mental health needs because of the pandemic, the system has been grappling with this issue since the beginnings of deinstitutionalization movements.

When stuck in hospitals, youth report feeling desperate, isolated, and liken their experience to one of imprisonment. Separated from family, caregivers, pets, school, friends, and other community activities individuals may lose hope and respond to this experience with self-harm or disruptive behaviors. Parents, caseworkers, and clinicians note that the longer people remain in hospitals, the more their conditions decline.

When hospitals resort to chemical or mechanical restraints instead of positive support strategies, conditions and behaviors are exacerbated making it harder for patients to find a place to go. The cycle perpetuates with patients and families growing listless and hospital staff feeling weary and unsupported.

The causes for the current acute-care backlog are multi-faceted, impacting people and providers across the acute and long-term care system. Hospitals report that the most common barrier to identifying appropriate discharge locations is the complexity of the support needs presented by the patient, making it more difficult to find long-term services and mental health providers that can meet the needs of the person in the community or in a lower level of care such as a children's residential facility (CRF) or psychiatric residential treatment facility (PRTF). These individuals are often referred to as "high acuity" patients or people with complex support needs.

People who engage in disruptive behavior, experience psychotic episodes, impulse control, or neurological disorders are more likely to revisit hospital emergency departments. Families, caregivers, and staff often choose hospitalization when the person is a danger to themselves or others because they do not know what to do and are exhausted. Like hospitals, providers often feel that they do not have the training, technical assistance, or resources to address challenges related to and transitions back into the community.

Research and lived experience demonstrate that using evidence-based positive support practices and a person-centered model of service delivery is an effective approach to ensuring people with complex needs are supported in their communities, maintain their safety, and improve the quality of life (Fixsen et al., 2005; Horner, Sugai, & Fixsen, 2017). This approach can be combined with clinical and medical interventions to create a cohesive support plan that helps the person live the life they want in the community and family home. On the flip side, research strongly suggests that seclusion and restraint "have deleterious physical or psychological consequences. The incidence of PTSD after seclusion or restraint ranges from 25% to 47%, which is not negligible, especially in patients with past traumatic events." (Chieze, Hurst, et. al., 2019). Restraints performed, even with the best intentions, can traumatize individuals, especially people that are Black, Brown, and Native, exacerbating their conditions.

Minnesota's ongoing workforce crisis adds to the challenges of discharging patients, particularly to post-acute care settings. There is a severe shortage of mental health and long-term care professionals to meet the needs of people and families. Related, but not included in this proposal, are other solutions such as increases in mental health and personal care assistance (PCA) reimbursement rates to address the issue of acute care transitions. These investments address issues upstream proactively and support increasing availability of post-acute services and supports.

People and their experiences are complex and diverse. Health care and human services systems are often complex, siloed, and slow to respond. These realities have been particularly evident as we embark on continued deinstitutionalization efforts and address the burgeoning work force crisis. The State, community providers, hospitals, and lead agencies all have a role to play in addressing acute care transitions. As we continue to collaborate, this proposal is a steppingstone to building the community supports we all envision and know are possible.

## Proposal:

This proposal addresses issues that people with complex support needs experience as they navigate the service system and are increasingly finding themselves "stuck" in hospital emergency departments when they don't meet hospital level of care criteria, but cannot transition to a more supportive living environment. This proposal includes the following provisions:

(1) Allows disability waiver workers to provide services in hospitals and study allowing PCA in hospitals;

(2) MnCHOICES flexibilities to remove RN assessor experience requirements and prevent initial assessments from "timing out;"
(3) Supporting people on the elderly waiver with high behavioral health support needs;
(4) Alternative Care transition planning;
(5) Funding to develop a Tribal VA/DD targeted case management benefit;

***(1) Disability waiver services in hospitals***
*Invests $2.2 million over FY24-27*

During an acute care hospital stay, people with a disability receiving residential or direct care often experience gaps in care due to the inability for current providers to provide direct support in the hospital setting. This limitation was a result of federal law originally intended to ensure no duplication in services, however federal laws changed in acknowledgement that acute hospital stays do not meet all the needs of people with disabilities. In 2020, United States Code, title 42, section 1396(h) was amended to allow people receiving home and community based services (HCBS) to have their direct support professional assist them during a short-term hospital stay under the following conditions:

- The hospital is identified in the individual's person-centered service plan,
- The services are not a substitute for services the hospital is otherwise obligated to provide under Federal or state law,
- The services are designed to ensure smooth transitions between acute care settings and home and community-based settings, or to preserve the individual's functional abilities.

This proposal would make changes to Minnesota's disability waiver plans to allow this flexibility. It would also fund ongoing DHS staff time to work towards non-duplicative personal care assistance services in hospitals to support people with disabilities and mental health conditions.

***(2) MnCHOICES workforce flexibilities and addressing assessment backlog***
*Invests $51,000 for systems upgrades from FY24-27*

In an effort to widen the pool of potential applicants for these positions, the Minnesota Legislature removed experience requirements from many of the qualifications need for certified assessor eligibility. The experience requirement for Registered Nurses, however, was not removed thus RNs currently need more experience than most other qualified applicants. This proposal would remove the RN experience requirements and ensure initial MnCHOICES assessment stay open for up to one year (instead of 60 days) to improve access to assessments and disability eligibility determinations.

Currently, Minnesota statute specifies that the Long-term care consultation assessment is only valid for 60 days. If a person is determined to meet functional eligibility criteria for an HCBS waiver program and chooses to go on a waiver, the lead agency cannot open a person to an HCBS waiver until the other two eligibilities are also met. For people to access HCBS waivers, they must satisfy three distinct eligibilities:

- Meet functional eligibility criteria, including an institutional Level of Care (LOC), as determined by the LTSS assessment (MnCHOICES assessment)
- Meet financial eligibility criteria for Medical Assistance
- For disability waivers, be determined to have a disability, as determined by the Social Security Administration (SSA) or the State Medical Review Team (SMRT)

Navigating the coordination of these requirements can be confusing and challenging for applicants. Lead agency staff also experience challenges in facilitating the interdependent elements of these required conditions. If the other two eligibilities are not met within 60 days, the lead agency has the option to conduct an "eligibility update," which is another assessment conducted remotely that provides an additional 60 days. If the other two eligibilities are still not met within the additional 60 days, a total of 120 days, the clock starts over, and the lead agency must perform an additional in-person assessment. Under this structure, there is a potential a person may receive three assessments (2 in-person and 1 remote) before meeting all three eligibilities and determined eligible for services.

This proposal removes the 60-day limitation and aligns with most other states in the nation in allowing an assessment to be valid for 365 days from the date of assessment would ease the burden on lead agencies to conduct additional assessments while waiting for a person's financial eligibility or disability status to be determined. This proposal will have a significant impact on reducing the burden on county and tribal assessment staff and allow them to streamline internal processes address the backlog and waiting lists for new assessments, resulting in people receiving services sooner.

***(3) Supporting older adults to access complex support services***
*Invests $5 million over FY24-27*

Many older adults requiring treatment and care for complex behavioral health conditions face numerous barriers in accessing a higher level of service in the community and often experience unnecessary hospital admissions and/or incarcerations as a result. The Elderly Waiver (EW) program funds home and community-based services for people age 65 and older who require the level of care provided in a nursing facility but choose to reside in the community. People age 65 and older face a unique set of challenges, as the individual budgets and rates available through EW are not sufficient to provide the level of support needed for daily living due for those with complex needs. The lack of sufficient resources for home and community-based services creates a barrier for people 65 and older, who would otherwise be able to successfully live in their communities if a broader range of services, supports, and assistance was available.

Through the budget cap and rate exception process, individuals with complex behavioral health needs who face difficulties discharging from hospitals will enroll in EW. Upon federal approval, this proposal expands the EW program by offering an enhanced budget and rates through an exception process for people who have complex needs, require intensive support to live in the community, and who meet a defined eligibility threshold. This proposal will serve people ready to leave Anoka Metro Regional Treatment Center (AMRTC), Minnesota Security Hospital (MSH), a Community Behavioral Health Hospital (CBHH), or who are hospitalized in the community beyond medical necessity but are otherwise unable to discharge due to lack of community options. This change is necessary to address the issue that individual budgets and rates available under EW are not currently sufficient to help some people with complex needs transition back to a community setting.

***(4) Transition Planning in the Alternative Care Program***
*Invests $50,000 over FY24-27*

The Alternative Care (AC) Program is for people 65+ who are not financially eligible for Medicaid but require a nursing facility level of care. Transitional Services are available to those on Elderly Waiver to pay for assistance transitioning from the facility to the community.

Each year, several counties request Alternative Care discretionary funds to provide transitional services to older adults 65+. The purpose of the discretionary funding is to pay for services needed for individuals in their counties to address gaps in the Alternative Care program. This proposal will allow statewide access and ensure

all counties and tribal nations can utilize. Now, they are dependent on requesting discretionary funds through AC for this service.

Current and future Alternative Care enrollees will have access to a new service that allows the county or tribal nation to authorize services that allow them to transition from facilities and certain licensed settings to the community setting of their choice. Currently, only certain AC participants have access to this service based on counties or tribal nations who apply to use AC discretionary funds from the state to pay for this type of assistance.

In addition, counties and Tribal Nations will no longer have to submit an annual request to DHS to request the use of discretionary funds to pay for transitional services for AC participants. This will reduce the administrative burden for counties and tribal nations as the service will be available for all participants statewide.

***(5) Funding to work with Tribal Nations to develop a Tribal MA Vulnerable adult/developmental disability Targeted Case Management (VA/DD- TCM) benefit***
*Invests $453,000 over FY24-27*

This provision provides funding for administrative resources to develop a new Tribal MA VA/DD-TCM MA benefit. VA/DD-TCM services are provided to older adults or people with developmental disabilities to coordinate and link social and other services. VA/DD-TCM services help people gain access to needed protective, social, health care, mental health, habilitative, educational, vocational, recreational, advocacy, legal, chemical, health and other related services. It helps people attain or maintain living in an integrated community settings.

Other states have developed TCM benefits that are Tribally-specific and Tribally-administered. Tribal Nations in Minnesota have expressed a desire to develop a Tribal VA/DD-TCM MA benefit. Mainstream models of social services don't always address the support needs of Tribal members. Tribal elders and people with disabilities are likely to benefit from case management services that honor the importance of culture, language, multifaceted identity, generational trauma, relationship to land, and traditional medicine. Available data confirms that risk factors for being stuck due to complex support needs include individuals who have a trauma history and individuals who are underserved, which largely impacts Black and Indigenous populations. Creating culturally specific options for Tribes will better support Tribal members who have complex support needs and qualify for VA/DD-TCM.

This includes funding for a contract, along with one FTE to coordinate the work across different divisions in DHS.

## Impact on Children and Families:

Families and children with complex behavior and or mental health needs have increasingly relied on emergency departments (ED) for care. Pediatric mental/behavioral health ED visits are typically repeat visits (Frosch et al., 2011; Cloutier et al., 2017). There are many factors associated with mental/behavioral health ED visits and revisits (Cushing et al., 2022). Families and caregivers often choose hospitalization when the child or adolescent is a danger to themselves or others because they do not know what to do and are exhausted. Improved evidenced-based intervention and support services for children and families is needed to reduce pediatric mental health ED uses and ensure access to appropriate supports for the family. Effective and sustainable implementation of evidence-based supports won't happen without a systemic approach.

There are many children with complex behavioral needs that are stuck in hospitals. This proposal helps increase statewide capacity to leverage different systems of care and provide wrap-around supports, thus increasing the likelihood that the child will remain stable in the out-of-home placement and create a pathway toward family reunification. Building positive support capacity in Minnesota will benefit children and families

because it will create more community capacity to support families and align efforts with a focus on outcome evaluation and continuous improvement.

**Equity and Inclusion:**

This proposal could potentially impact any person with a disability receiving long-term services and supports by reducing the incidence and potential longevity of a hospital stay. According to data from the LTSS Demographic Dashboard, as of January 2022, there were 128,452 Minnesotans receiving LTSS. Of people receiving services, 60.5% were white and 33.2% were Black, Indigenous and People of Color. Minnesota's overall population was 79.1% white in the same timeframe.

It is expected that this proposal would particularly target individuals with an Intellectual and Developmental Disability (IDD) with a co-occurring mental health condition. It has been estimated that the rate of mental health conditions for those with IDD is two to three times higher than for the general population. Research findings have varied widely with prevalence rates for co-morbidity of IDD and mental health conditions ranging from 13.9% to 75.2%[1].

Estimates of the frequency of psychiatric disorders and emotional disturbance in this population vary widely. However, many professionals have adopted the estimate that 30%-35% of individuals with Intellectual and Developmental Disabilities have a psychiatric disorder. The full range of psychopathology that exists in the general population also can co-exist in people who have Intellectual and Developmental Disabilities. Communication issues often make it difficult for clinicians to assess individuals with IDD for emotional or psychiatric disorders. Another obstacle is "diagnostic overshadowing," which occurs when a health care professional overlooks or minimizes the signs of psychiatric disturbance and instead attributes those manifestations to the person's developmental disability. This causes barriers to service and supports.

The literature and data in education points to the trend that children of color are disproportionately overrepresented and labeled with disabilities categories. Furthermore, children of color are overrepresented and often labeled with emotional or behavioral disturbances. More often they are referred for special services due to behavioral outburst. This leads to high rates of suspension for children of color and sends them down a track leading to more special services and recommendations for out of home treatments. Families struggle to find the supports they need or have issues accessing appropriate services. As stated previously, people of color are not accessing LTSS services as much as their white counterparts. This could be due to a variety of issues, including having a label of multiple diagnoses, being aggressive or being known as difficult to support. In Minnesota, there may be a lack of providers from diverse backgrounds who have the skills and training to support people with complex needs.

Too many systems of care for people with IDD continue to focus on controlling and managing challenging behaviors without adequate consideration of the potential for underlying mental health or medical conditions as the cause of the behavior or taking cultural considerations in to account. The focus of treatment has historically been developing behavior management plans to promote compliance or the use of medications to control the behaviors. In both cases the treatment is targeting the behavior and not the actual mental health or medical condition making recovery unlikely. Often times in practice we have found that there are large cultural differences in people from diverse backgrounds that are different from the Western majority culture. This can directly impact the interpretation and analysis of a behavior of concern. Long-standing access problems for kids and patients seeking providers that are Black, Indigenous, People of Color continue. Nearly 89% of the state's

[1] Freeman, R., DePasquale, M., Rotholz, D., Moore, M., Moore, T., & Malbica, A. (2020). How positive behavior support can assist in implementation of Home and Community Based Services (HCBS) [positive behavior support brief]. White paper on positive behavior support in the field of intellectual and developmental disabilities. Association for Positive Behavior Support.

mental health workforce is white, compared with 78% of the population, according to the Minnesota Department of Health.

Navigating the human services system is already challenging for people with disabilities. But for people of color with disabilities, racial bias and human judgment can make it even more difficult to get the support they need to succeed.

In addition, a growing number of Elderly Waiver (EW) and Alternative Care (AC) participants are people are from BIPOC communities. Between 2016 and 2020, the number of BIPOC participants on EW and AC grew from 26 to 32 percent. All individuals who are served by Elderly Waiver component in this proposal are considered persons with a mental health disability.

### Tribal Consultation:

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

☒Yes
☐No

Tribal Nations have requested the development of a Tribal specific VA/DD benefit. Tribal Nations that act as lead agencies may be positively impacted by the changes to MnCHOICES.

### Impacts to Counties:

Several provisions in this proposal are direct responses to county requests. DHS has been engaged with counties on acute care transitions, on the ground level to resolve specific cases and at the public policy level to identify solutions. Counties generally support this policy direction. DHS will continue to collaborate with counties to generate reform ideas, ensure streamlined implementation, and avoid county workflow challenges.

### IT Costs

This proposal has several IT costs, primarily in MMIS and MnCHOICES. The cost for both systems involves updating payment methodologies integrated in the systems. All MnCHOICES items are one-time costs, while MMIS updates involve ongoing maintenance.

### 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 | 0 | 931 | 931 | 1,880 | 4,791 | 6,671 |
| HCAF | | | | | | |
| Federal TANF | | | | | | |
| Other Fund | | | | | | |
| **Total All Funds** | 0 | 931 | 931 | 1,880 | 4,791 | 6,671 |

| Fund | BACT# | Description | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 26-27 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| GF | 14 | Admin - ADSA FTE (0,1,1,1) | 0 | 150 | 150 | 177 | 177 | 354 |
| GF | REV1 | Admin FFP @ 32% | 0 | (48) | (48) | (56) | (56) | (112) |
| GF | 33 | MA LW - FFS DSP Hospital | 0 | 268 | 268 | 707 | 726 | 1,433 |
| GF | 11 | Systems - MMIS DSP Hospital | 0 | 32 | 32 | 6 | 6 | 12 |
| GF | 33 | MA ED - MC EW - Older Adults | 0 | 0 | 0 | 473 | 2,191 | 2,664 |
| GF | 33 | MA LW - FFS EW - Older Adults | 0 | 0 | 0 | 53 | 243 | 296 |
| GF | 33 | MA ED - MC HC - Older Adults | 0 | 0 | 0 | 264 | 1,223 | 1,487 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| GF | 33 | MA LW - FFS HC - Older Adults | 0 | 0 | 0 | 7 | 31 | 38 |
| GF | 11 | Systems - MMIS - Older Adults | 0 | 49 | 49 | 10 | 10 | 20 |
| GF | 11 | Systems - MnCHOICES - Older Adults | 0 | 62 | 62 | 0 | 0 | 0 |
| GF | 14 | ADSA Admin (FTEs 0,1,1,1) - Older Adults | 0 | 150 | 150 | 177 | 177 | 354 |
| GF | REV1 | Admin FFP @ 32% | 0 | (48) | (48) | (56) | (56) | (112) |
| GF | 34 | AC - Transition Svc | 0 | 1 | 1 | 3 | 4 | 7 |
| GF | 11 | Systems - MMIS - Trans Svc | 0 | 12 | 12 | 2 | 2 | 5 |
| GF | 11 | Systems - MnCHOICES - Trans Svc | 0 | 25 | 25 | 0 | 0 | 0 |
| GF | 11 | Systems - MMIS - LTSS Assess | 0 | 9 | 9 | 2 | 2 | 4 |
| GF | 11 | Systems - MNCHOICES - LTSS Assess | 0 | 38 | 38 | 0 | 0 | 0 |
| GF | 14 | ADSA Admin - FTE (0,1,1,1) | 0 | 140 | 140 | 163 | 163 | 326 |
| GF | 14 | ADSA Admin - Contracts | 0 | 200 | 200 | 0 | 0 | 0 |
| GF | REV1 | Admin FFP @ 32% | 0 | (109) | (109) | (52) | (52) | (104) |
| **Fund** | **BACT#** | **FTEs Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| | | | | | | | | |
| GF | 14 | ADSA FTE | 0 | 3 | | 3 | 3 | |

**Statutory Change(s):**

256B.0911, 256B.4914, newly codified sections

## Human Services
## FY 2024-25 Biennial Budget Change Item

## Change Item Title: Reducing recidivism and preventing overdoses (BH-42)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| **General Fund** | | | | |
| Department of Human Services | 0 | 3,118 | 4,205 | 5,396 |
| Department of Corrections | 0 | 1,649 | 1,924 | 2,364 |
| **Other Funds** | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 4,767 | 6,129 | 7,760 |
| **FTEs** | **0** | **19** | **27.5** | **27.5** |

**Request:**

The Governor and Lieutenant Governor recommend investing $4.767 million in fiscal years 2024-25 and $13.889 million in fiscal years 2026-2027 to support successful reentry of incarcerated individuals into the community, ensuring public safety, racial justice, and equitable behavioral health outcomes. This proposal includes ongoing administrative funding for the Bridging Benefits program and (2) authority and funding to commence the first phase of a Medicaid demonstration waiver that will reimburse for certain physical and behavioral health services in prisons and jails, 90 days prior to reentry.

**Rationale/Background:**

Stable housing, access to healthcare, and economic stability is critical for successful reentry into Minnesota communities. When individuals are released from incarceration, access to employment, housing, positive connections in the community, medical care and medication are directly connected to greater public safety. In calendar year 2021, almost 20% of people leaving Minnesota correctional facilities were released to sheltered or unsheltered homelessness. Over 50% of people released to sheltered or unsheltered homelessness are Black, Indigenous, and other People of Color.

Current efforts to support successful reentry following incarceration include The Bridging Benefits project (formerly known as the "Joint Departmental Initiative" or "Combined Application Form Pilot Project"), which provides people identified as having a "high" or "very high" risk of recidivism with access to early connection to public assistance benefits (cash, emergency aid, food, or housing) prior to their release from incarceration. This program, a collaboration between Minnesota's Departments of Corrections (DOC)and Human Services, reduces recidivism by improving people's wellbeing and stability in the community. The 2021 Legislature temporarily increased staffing for the Bridging Benefits program to expand it statewide. The temporary funding allowed DHS/DOC to improve ongoing care coordination and to support new counties. The funding is set to expire at the end of March 2024.

Currently, Minnesota's Medical Assistance (MA) behavioral health service continuum does not cover populations that are incarcerated. The federal Medicaid inmate exclusion policy limits Medicaid reimbursement for incarcerated individuals to only inpatient care at approved settings, such as hospitals. This policy has resulted in states terminating or suspending benefits for people who receive care through Medicaid, even if they are otherwise eligible and incarcerated for a short period of time. In Minnesota, coverage is

suspended during incarceration. Under this system, there remain barriers to people accessing MA coverage and needed services in a timely and seamless manner.

While incarcerated, an individual's health care becomes the responsibility either of the State of Minnesota through the DOC's prison system or local governments through jails and detention facilities. Shifting between distinct systems of health care causes people to become disconnected from treatment, which leads to worsening overall health. For people with mental health conditions and substance use disorders, this common, inconsistent health care coverage can have grave impacts. Recent data confirms that drug overdose is now a leading cause of death among formerly incarcerated individuals; those who are recently released from incarceration in prisons and jails are up to forty times more likely to die of an opioid overdose than the general population. In Minnesota between 2010 and 2019, drug overdoses accounted for one in three deaths occurring within one year of release from the Department of Corrections— with 20 percent of those deaths occurring in just the first two weeks of release.

In April 2023, the Centers for Medicare and Medicaid Services (CMS) announced a new section 1115 demonstration that will allow states to partially waive the inmate exclusion and provide Medicaid coverage for select services in a period of time shortly before reentry into the community. Section 1115 waivers allow states to test new approaches in Medicaid that differ from federal rules if they promote the objectives of the Medicaid program. The Biden-Harris administration has strongly encouraged states to use the opportunity to address the opioid crisis and reduce health care disparities.

The 2023 Legislature provided funding to DHS to study and develop an MA benefit design to apply for an 1115 reentry waiver. DHS executed a contract to commence a feasibility study and begin drafting a waiver application. Currently 16 states have already submitted reentry demonstration requests; California and Washington have already been approved. States with pending justice-involved demonstration requests include: Arizona, Kentucky, Massachusetts, Montana, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, Utah, Vermont, Washington, and West Virginia.

CMS requires states to provide a minimum benefit package of three covered services under the demonstration:

- Case management/care coordination;
- Medication Assisted Treatment (MAT), which must include medication in combination with counseling/behavioral therapies, as appropriate and individually determined; and
- 30-day supply of all prescription medications provided to the beneficiary immediately upon release from the correctional facility.

In addition, states have flexibility to cover additional physical and behavioral health services that support reentry. States can be flexible in determining the following: eligibility for reentry services; the time period covering pre-release services; eligible correctional facilities; and who will act as eligible providers. States that rely on correctional health care providers, instead of community-based providers, must ensure that they comply with state MA provider participation policies.

This demonstration does not absolve correctional authorities of their obligation to ensure health care is furnished to inmates in custody. This is a constitutional obligation in Minnesota. It is not intended to transfer the financial obligation from a federal, state, or local correctional authority to the Medicaid program. Accordingly, CMS will not approve proposals for existing correctional health care services that are currently funded with state or local dollars unless states agree to reinvest the total amount of new federal matching funds received for such services under the demonstration into activities that increase access to or improve the quality of health care services for individuals who are incarcerated or were recently released from incarceration, or for health-related social services that may help divert individuals from criminal justice

involvement. Consistent with this expectation, states will need to commit to a reinvestment plan and will develop and submit the plan for CMS approval during the post-approval period.

The Medicaid Reentry Section 1115 Demonstration Opportunity focuses on covering high-quality services for incarcerated populations who are eligible for Medicaid and returning home to their communities. This population is vastly disproportionately and historically underserved and adversely impacted by persistent poverty, health disparities, and other inequities. Improving health care transitions and addressing social determinants of health for individuals after they have been released from correctional settings increases the likelihood that they will continue to receive substance-use disorder, mental health, and other health care treatment. It also holds promise for reducing emergency department visits, inpatient hospital admissions, overdose, and overdose deaths. Addressing people's underlying health needs improves their ability to succeed and thrive during reentry and the stability provided by these outcomes will lower the risk of recidivism, helping make our communities safer.

## Proposal:

This proposal includes (1) ongoing administrative funding for the Bridging Benefits program and (2) funding to implement a Medicaid demonstration waiver that would cover certain healthcare services in prisons and jails, up to 90 days prior to reentry. The legislative approval of the proposal will allow Minnesota to apply for the Medicaid Reentry Section 1115 Demonstration.

### *(1) Administrative funding for the Bridging Benefits program*

The current Bridging Benefits project connects people identified as high-risk for recidivism to public benefits like food, health care, supportive services, and cash assistance programs. Additionally, it connects people to resources to help them apply for federal disability benefits. The Bridging Benefits project began as a pilot project in 2017 with one FTE. This program has been proven to reduce recidivism by 49% and homelessness by 26% after three years. This program provides key learnings and a stepping stone from which to expand MA care coordination in jails and prisons. Based on the success of this program, the state received temporary funding through fiscal year 2024 to expand the project statewide by hiring two additional FTEs. This proposal provides ongoing funding for these FTEs.

### *(2) Implementation of Medicaid reentry demonstration waiver*

Effective January 1, 2026 or upon federal approval, DHS will implement a Medicaid 1115 demonstration waiver to support MA-eligible populations in jails and prisons, 90 days prior to release. The waiver design is contemplated in three phases, beginning with a set number of Department of Corrections prisons and local jails participating. Implementation of this waiver will require significant coordination and collaboration between state health and human services agencies, state and local correctional authorities, Tribal governments, providers, community-based organizations, and others.

Phase One will take place over a two-year period from the date of CMS approval of the state's implementation plan for the 1115 Reentry Demonstration. During Phase One, the state will establish systems infrastructure and workforce sufficient to meet the needs of all Medicaid-eligible individuals.

*Eligible Facilities*

The first phase of the demonstration will include:

- Three state correctional facilities – two men's prisons to be determined by the DOC and the women's prison in Shakopee;
- Two locally operated juvenile facilities, identified in coordination with the Minnesota Juvenile Detention Association and the Minnesota Sheriffs' Association;

- Four local adult correctional facilities – identified in coordination with the Minnesota Sheriff's Association and the Association of Minnesota Counties; and
- One correctional facility owned and managed by a tribal government, or a facility located outside of the 7-county metropolitan area that has an inmate census with a large proportion of Tribal members or American Indians.

*Services*
The services that will be covered in the 1115 benefit in phase one include:

- Care coordination;
- Prescription coverage up to 90 days prior to release and a 30-day supply of prescriptions upon release;
- Substance Use Disorder comprehensive assessments, treatment coordination, peer recovery services, individual and group counseling, and Medications for Opioid Use Disorder (MOUD) and Medication Assisted Treatment (MAT);
- Mental health diagnostic assessment, group and individual psychotherapy, and peer specialist services;
- Family planning and obstetrics and gynecology; and
- Physical health well-being and screenings and care for adults and youth.

Correctional settings will have the option of providing services via qualified in-program staff or qualified community providers. Services will be reimbursed at the existing rates for the corresponding service, except for care coordination which is a unique service not discretely covered by MA. The reimbursement rate for care coordination will align with a similar MA service, relocation care coordination targeted case management, which is currently reimbursed at $15.53/per 15-minute unit.

Care coordination is currently most often covered under MA as part of existing service rates or service rate bundles. Care coordination will promote continuity of care and timely access to care for justice-involved populations, address social determinants of health, and have the potential to enhance health outcomes and reduce recidivism. While the Department of Corrections currently provides similar services through their pre-release planners, jails are less likely to be equipped to provide in-house care coordination. DHS anticipates that many jails will forge new partnerships to implement this program. There will be a significant need for DHS technical assistance as these partnerships are explored, solidified, and improved.

Services provided during incarceration will be paid for via fee-for-service. Individuals with service needs that are covered by managed care will transition to Prepaid Medical Assistance Program (PMAP) coverage following release.

*Eligibility for the 1115 benefit and MA post-release*
DHS will collaborate with the DOC, local governments, and Tribal governments to develop a streamlined approach for determining MA eligibility in participating sites. This process will ensure individuals who are not already MA recipients are able to apply for MA to determine eligibility. Eligibility and enrollment support will be available to all individuals incarcerated in demonstration facilities and pre-release outreach will be done well in advance of the 90-day pre-release period. For people who are already MA recipients prior to incarceration, DHS will collaborate with the DOC and local facilities to ensure a streamlined eligibility process for the 1115 benefit. Lastly, the process will ensure that when people are released from correctional facilities, access to the full MA benefit will occur without delay.

*Collaboration, Community Engagement, and Program Evaluation*
This demonstration requires significant collaboration between the Department of Human Services, Department of Corrections, Tribal governments, counties and cities, people experiencing incarceration and those with lived experience, community partners such as the Sheriff's association, community-based organizations, and service providers, and many others. This proposal includes the establishment of a council to inform the development and implementation of the benefit, as well as dedicated resources for community engagement. This proposal

also includes dedicated resources for training on MA eligibility, provider enrollment, and billing, start-up funds for local sites, and evaluation of the program's impact.

*Phase 2 and 3*
Additional settings will be added in phases two and three. Additional services may also be added. Modifications may be made to the various phases of implementation as additional information is collected in partnership with community and technical experts. Additional legislative approval and spending authority for changes may be required ahead of waiver submission which is tentatively slotted for mid-late July of 2025.

*Fiscal Impact of the 1115 Waiver*
Below is a summary of the resources needed to implement the 1115 demonstration project.

Department of Human Services:
This proposal requires 13 FTEs in fiscal year 2025 and 14.5 FTEs ongoing beginning in fiscal year 2026. These FTEs are needed for the following:

- Designing and leading the creation and implementation of the 1115 benefit;
- Coordinating the 1115 waiver submission with CMS and submitting ongoing reports to CMS as required;
- Conducting readiness assessments of local sites, managing grant funds to local sites to assist with start-up and readiness costs, and providing training to participating correctional facilities;
- Designing data collection, conducting data analysis and developing and implementing the evaluation plan;
- Conducting community outreach with people with lived experience and community partners and managing the work of the advisory council;
- Setting up enrollment, billing, and training needs for providers; and
- Determining eligibility for MA and the 1115 benefit (occurring at DHS rather than at the county or tribe) and coordinating with DOC and local facilities to shift access from the waiver benefit set to the full MA benefit set upon release.

This proposal also includes other resources needed to create and implement this benefit, including:

- $1.25 million through FY 2026 in grants to local sites to assist with the start-up and readiness costs (for example systems, training, and hiring costs);
- Contract funds to assist with the development of the benefit and evaluation plan, as well as facilitation of community engagement to ensure co-creation of the program;
- Participation funds for people with lived experience assisting in this project and per diems for non-state employee advisory council members; and
- Systems costs to effectuate the changes across multiple DHS systems.

Lastly, this proposal will increase the number of people receiving MA and the amount of services paid for under the MA program. These costs are anticipated to be $4.30 million over the budget horizon.

*Department of Corrections*
This proposal requires the following resources:

- A Medicaid services manager to oversee the planning and implementation of the program;
- Planning staff at each state site participating in the first phase to support planning and implementation at their unique location;
- Specialized release planners at each state facility participating in the first phase to assist with application support and coordination with DHS;
- A coordinator to facilitate work with in-reach providers;

- Medicaid billing coordinators and third-party vendor costs to support developing and implementing MA billing processes; and
- MNIT staffing and systems changes to facilitate data collection and exchanges.

### Impact on Children and Families:

An estimated 13% of youth in Minnesota have an incarcerated or previously incarcerated parent, making parental incarceration one of the most frequently reported Adverse Childhood Experience (ACE) for this population (MN Student Survey, 2022). Across Greater Minnesota, between 15% to 22% of eighth, ninth, and 11th graders reported having a parent or guardian in jail or in prison currently or in the past, on the 2022 Minnesota Student Survey. That compares to 10% of similar students in the metro reporting having an incarcerated parent or guardian in jail or in prison currently or in the past. These rates represent a decrease since the 2019 MSS, likely due to decreased incarceration during the pandemic—a temporary trend which has since reversed. An estimated two-thirds of adults in Minnesota jail are parents with minor children and most lived with one of their minor children before their arrest.

Incarceration breaks up families and creates ripple effects in impacted communities. It creates an unstable environment for children and youth that often has lasting effects on their development and well-being. These outcomes are particularly acute in low-income neighborhoods, especially if they live in a community where a significant number of residents, particularly men, are in or returning from jail or prison. Different challenges emerge once parents are released and reengage in their roles as caregivers, employees, and neighbors. Preventing recidivism among parents and supporting them as they reenter community has the potential to have generational impacts on children and families. Care coordination provided through the Bridging Benefits program and an MA reentry waiver would help individuals establish parenting supports, family psychotherapy, housing, and other supportive behavioral health and social services.

According to national data compiled by CMS, youth who are incarcerated have a high incidence of adverse childhood experiences, with as many as 90 percent of youth having experienced trauma. They are also at higher risk for having experienced sexual and physical abuse and for having behavioral health disorders. Further, they are often multi-system involved, with a significant overlap between youth in foster care. Depending on how broadly multi-system involvement is defined, it is possible that as high as 50 percent of youth referred to the juvenile justice system are also involved with the child welfare system. Youth correctional facilities vary in terms of health care provided, from very robust and comprehensive care to limited care. As with adults in the correctional system, there is a disproportionate rate of incarceration for youth that are Black and Native. Linkages to care for youth who move between the correctional and foster care systems are extremely important to promote continuity of care, particularly for youth with mental health needs and SUD. Providing screening for physical and behavioral health needs while incarcerated and facilitating connections to physical and behavioral health care in the community will support youth who are incarcerated in transitioning more successfully back to the community.

Emerging research shows that youth do better emotionally, physically, and educationally when placed in smaller, home-based family settings and the use of more restrictive congregate care placements are limited. Attachment disruptions from primary caregivers may underlie some youths' mental health issues. Correctly diagnosing mental health and SUD in youth is critical and may be complicated by youth self-medicating for emerging mental health conditions. Female youth who are incarcerated have higher rates of unintended pregnancies than same-age peers, so providing family planning services is critically necessary.

### Equity and Inclusion:

Minnesota has one of the lowest national rates of incarceration, but some of the largest racial disparities in terms of arrests, bail denied, incarceration, and probation revocations. Research shows that racial disparities in the Minnesota criminal justice system cannot be attributed to crime commission rates alone. For example, People of Color commit drug offenses at the same rates as whites. Minnesota's racial disparities in juvenile

detention were among the nation's worst in 2019, according to newly released data from the national advocacy group The Sentencing Project. Indigenous youth were nearly 12 times more likely than white youth to be sent to juvenile detention or treatment facilities in Minnesota, according to the report. Black youth were over eight times more likely than white youth to face detention, and Latino youth were 2.7 times more likely.

According to the Department of Corrections' 2022 Legislative Report, over half of individuals exiting into sheltered and unsheltered homelessness are Black, Indigenous and People of Color. By connecting these individuals to benefits and providing an opportunity for stable transition into housing, the state would significantly alleviate these extreme inequities.

As of July 2023, 51% of adults incarcerated were white compared to a statewide population of 82.6%; 37% of incarcerated adults were Black compared to a statewide population of 7.6%; 9% of incarcerated adults were Native American compared to a statewide population of 1.4%.

### Tribal Consultation:

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

☒Yes
☐No

This proposal includes a correctional facility owned and managed by a tribal government, or a facility located outside of the 7-county metropolitan area that has an inmate census with a large proportion of Tribal members or American Indians.

### Impacts to Counties:

While counties advocate for this waiver, local county jails are likely to need technical assistance. This technical assistance and collaboration will occur across 87 counties, requiring significant DHS administrative resources to support the effort. The ability for counties to leverage MA funding to cover these services has the potential to positively impact county policy and fiscal priorities such as reducing overdose deaths and improved recidivism rates.

### IT Costs

This proposal requires systems changes at both the Department of Human Services and Corrections. At DHS, multiple systems are impacted. These systems changes are estimated to require 8,984 hours of work, take approximately 12 months to complete, and cost of a total of $1,326,877 (state and federal share combined) for initial development as well as ongoing maintenance costs. DOC systems changes are also required for the implementation of this project, estimated to cost $1 million in fiscal year 2025 and $100,000 ongoing.

### Results:

Maintaining increased FTEs in the Bridging Benefits project will support a greater number of individuals served by the Bridging Benefits program and enhance opportunities for in-person Bridging Benefit seminars at DOC facilities as well as overall processing of applications. Impacts will be measured by:

- Total Number of individuals served by Bridging Benefits
- Annual number of in-person Bridging Benefit seminars
- Breakout of benefits accessed through the Bridging Benefit program: food, health care, supportive services, Housing Support, and cash assistance programs.

As part of the 1115 Demonstration, Minnesota will be required to submit an implementation plan, a monitoring protocol, quarterly and annual monitoring reports, a mid-point assessment report, an evaluation design, and interim evaluation reports. Minnesota will be expected to complete all implementation activities necessary to achieve the following milestones:

- Increasing coverage and ensuring continuity of coverage for individuals who are incarcerated;
- Covering and ensuring access to the minimum set of pre-release services for individuals who are incarcerated to improve care transitions upon return to the community;
- Promoting continuity of care;
- Connecting to services available post-release to meet the needs of the reentering population; and
- Ensuring cross-system collaboration.

DHS will work closely with contracted experts, MMB's Impact Evaluation unit, the Department of Corrections, and counties to set measurable benchmarks aligned with CMS requirements and routinely collect data to document outcomes and create evaluation reports.

## Fiscal Detail:

**Department of Human Services**

| Net Impact by Fund (dollars in thousands) | | | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 26-27 |
|---|---|---|---|---|---|---|---|---|
| General Fund | | | | 3,118 | 3,118 | 4,205 | 5,396 | 9.601 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | | 3,118 | 3,118 | 4,205 | 5,396 | 9.601 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |
| GF | 13 | HCA Admin - Contracts | | | | 5 | 9 | 14 |
| GF | 15 | BHDH Admin – Community Engagement Contracts | | 200 | 200 | 200 | 200 | 400 |
| GF | 13 | HCA Admin - FTEs (0, 4.5, 4.5, 4.5) | | 621 | 621 | 721 | 721 | 1,442 |
| GF | 11 | HCA Admin - FTEs (0, 1, 1, 1) | | 38 | 38 | 44 | 44 | 88 |
| GF | 11 | Systems | | 261 | 261 | 50 | 50 | 100 |
| GF | 15 | BHDH Admin - 1115 FTEs (0, 4.5 ,6, 6) | | 749 | 749 | 1,021 | 1,021 | 2,042 |
| GF | 15 | BHDH Admin - Bridging Benefits FTEs (0, 2, 2, 2) | | 281 | 281 | 327 | 327 | 654 |
| GF | 15 | BHDH Admin - Contract (Design & Evaluation) | | 300 | 300 | 250 | 250 | 500 |
| GF | 15 | BHDH Admin - Contract (Council Facilitation) | | 150 | 150 | 150 | 150 | 300 |
| GF | 15 | BHDH Admin - Other Admin (Council) | | 7 | 7 | 10 | 10 | 20 |
| GF | 11 | OPS Admin (FOD) - FTEs (0, 1, 1, 1) | | | | 152 | 152 | 304 |
| GF | REV1 | FFP @ 32% | | (739) | (739) | (908) | (909) | (1,817) |
| GF | 33 | MA Grants | | - | - | 933 | 3,371 | 4,304 |
| GF | 57 | Start Up Grants to Local Sites | | 1,250 | 1,250 | 1,250 | 0 | 1,250 |
| | | | | | | | | |
| **Fund** | **BACT#** | **FTEs Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| | | | | | | | | |
| GF | 11 | Operations Admin | | 1 | | 1 | 1 | |
| GF | 13 | HCA admin | | 5.5 | | 5.5 | 5.5 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| GF | 15 | BHDH admin | | 6.5 | | 8 | 8 | |
| **Total** | | | | 13 | | 14.5 | 14.5 | |

## Department of Corrections

| Net Impact by Fund (dollars in thousands) | | | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 26-27 |
|---|---|---|---|---|---|---|---|---|
| General Fund | | | | 1,649 | 1,649 | 1,924 | 2,364 | 4,288 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | | 1,649 | 1,649 | 1,924 | 2,364 | 4,288 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |
| GF | | DOC FTEs | - | 516 | 516 | 1,451 | 1,451 | 2,902 |
| GF | | DOC Systems Costs | - | 1,000 | 1,000 | 100 | 100 | 200 |
| GF | | DOC-MNIT FTEs | - | 133 | 133 | 177 | 177 | 354 |
| GF | | DOC Billing Vendor Costs | - | - | - | 196 | 636 | 832 |
| **Fund** | **BACT#** | **FTEs Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| | | | | | | | | |
| | | | | 6 | | 13 | 13 | |

## Statutory Change(s):

Newly codified section of law 256B.0760.

## Change Item Title: Supporting Child Welfare Infrastructure (CF-54)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 15,000 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 15,000 | 0 | 0 |
| **FTEs** | **0** | **1** | **1** | **1** |

**Request:**
The Governor recommends investing $15 million in fiscal year 2025 to begin designing and implementing a data-driven, federally compliant Comprehensive Child Welfare Information System (CCWIS) that will allow local agency staff to spend less time on paperwork and more time helping children and families.

**Rationale/Background:**
Addressing child welfare workload burden through system updates and modernization is a shared staff retention need among counties and Tribal Nations that access Minnesota's Social Services Information System (SSIS). There are 6,000 daily users of SSIS, most of whom use it to track, manage, and pay for child welfare related casework. Numerous problems within SSIS negatively impact child welfare agencies' ability to serve families efficiently. SSIS does not have mobile capabilities; it does not meet useability requirements under the Americans with Disabilities Act (ADA); it is plagued with performance and stability problems; it has suffered from a lack of design resources and user experience input; and there are fewer and fewer skilled developers available to support this system that is programmed in a dying language.

Counties and American Indian Child Welfare Initiative Tribes (Initiative Tribes) have been clear in their position that replacement of SSIS with an information technology (IT) system that is modern, mobile, and stable; respects data sovereignty; and supports them in their work is a high priority. They have shared with the department and the legislature that SSIS modernization is crucial for workforce retention, reduced administrative burdens for case workers, and better care for children and families.

Consistent with findings from the 2016 and 2019 child welfare workforce stability studies,[2,3] administrators of local agencies have reported higher turnover among child protection workers as a direct result of the IT system burden. Child welfare staff lose important data entry due to system crashes, slowness, and unavailability. Efforts to resolve these problems within the current maintenance and operations framework over the last two years have not been successful. New federal regulations for state child welfare data systems, called the Comprehensive Child Welfare Information System (CCWIS), went into effect in 2016. The new requirements include measures to ensure user-friendliness, data quality, and bi-directional data sharing with the courts, the

[2] Piescher, K., LaLiberte, T., & Goodenough, K. (2016, August). *Workforce stabilization study 2016*. Center for Advanced Studies in Child Welfare, University of Minnesota. https://cascw.umn.edu/portfolio-items/workforce-stabilization-study-2016/
[3] Piescher, K., LaLiberte, T., & VanMeter, F., Goldberg, R., Glesener, D., & Blue, M. (2022, September). *Workforce stabilization study 2019*. Center for Advanced Studies in Child Welfare, University of Minnesota. https://cascw.umn.edu/portfolio-items/workforce-stabilization-study-2019/

Minnesota Department of Education and school districts, and juvenile corrections. Other states are further in the process of becoming CCWIS-compliant, and expectations for Minnesota to have an implementation plan are mounting.

These new requirements, in addition to calls from local social service agencies for urgent improvements in the current system, require investment beyond the existing budget. The 2023 Minnesota Legislature appropriated $2 million for the department to conduct a comprehensive review of the existing system with the services of an external vendor, resulting in an assessment and recommendations for a modernized system. Without additional funding, the department will not be able to implement recommendations.

SSIS also supports all other program areas that county and Tribal social services provide, such as Adult Protection, Adult and Children's Mental Health, Developmental Disabilities, Elderly Services, child welfare prevention and early intervention. As SSIS moves forward toward replacement, those programs will also benefit from modernization.

## Proposal:

This proposal seeks funding to implement the recommendations of a vendor assessment, secure the participation of MNIT Enterprise consultants in planning, and hire one permanent FTE to manage budget, federal revenue enhancement, reporting, and accountability for purposes of modernizing SSIS. The vendor modernization recommendations are likely to include a combination of contracting with a software development company and contractors managed by the department for system redesign; hiring new MNIT maintenance and operations staff; and purchasing new application technology such as cloud space, security, and database management.

The funding requested in this proposal is a down payment – more funding will be needed to complete system replacement. However, investment in this proposal will move significantly toward transformation of our IT system in ways that are meaningful and that better support both positive end user experiences and the children and families in our child welfare system.

Aligned with the Report of the Governor's Technology Advisory Council (January 2023), activities are already underway at the department and beyond to move to a more customer-centric way of redesigning business processes and the IT products that support them. This transformation is known as Product & Agile. Product & Agile Benefits:

- Prioritizes customer-centric decision making by ensuring that all strategies, initiatives, and investments are evaluated in the context of their impact on the customer and by allowing for early and constant customer feedback and review.
- Empowers cross-functional collaboration through breaking down silos across agencies that serve the same people and enabling small, fast-moving cross-functional teams that work together to deliver solutions.
- Improves incrementally and iteratively, encourages teams to adapt quickly based on customer and partner feedback, and continuously improves services and products.

## Impact on Children and Families:

By investing in Minnesota's child welfare infrastructure, this proposal helps ensure children and families have the support and assistance they need from county and Tribal child welfare staff. Staff turnover, often the result of SSIS complexity and instability, contributes to high caseloads and workloads. In turn, high caseloads and workloads negatively impact child welfare staff's ability to effectively serve children and families, including achieving permanency goals and timely responding to maltreatment reports, and to attend training to further

advance skills and abilities.[4] Addressing county and Tribal agencies' child welfare workforce needs through investments toward replacing SSIS will help reduce turnover rates, caseload size, and workload burden, allowing child welfare staff to better support children and families, leading to improved outcomes.

**Equity and Inclusion:**
Implementation of this proposal may not have a direct impact on children and families from communities disproportionately involved in the child welfare system. However, the investment in child welfare IT infrastructure ensures county and Tribal agency staff are better equipped, have access to resources and supports, and can access information that they need in a timely and more efficient manner so that they can better serve and support children and families involved in the child welfare system. American Indian and African American/Black children and families are overrepresented in the state's child welfare system. Having a modernized IT system will allow case workers more time to work with children and families, which will support better outcomes and reduce child protection system involvement.

Additionally, investing in SSIS will allow the department and local agencies to record and track demographic and financial data more efficiently, which will help identify disparities and disproportionalities within the child welfare system as well as any gaps and inequities in access to funding and other services and resources. Being able to track these issues in real time will allow the department, counties, and Tribal Nations to address concerns in a more timely and effective way.

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

☒Yes
☐No

Investments in SSIS modernization will directly impact the work of Initiative Tribes. More time for case workers to address the needs of a child and their family will also have a positive impact on the care provided to Indian children and families in the child welfare system. Additionally, modernizing the state's child welfare IT system will better address data sovereignty of Tribes.

**Impacts to Counties:**
This proposal is expected to positively impact counties by reducing administrative and workforce burdens. Child protection case workers are likely to have increased job satisfaction, counties are likely to see reduced employee turnover, and the children and families served by counties are likely to experience more attentive service because workers will spend more time with them and less at a computer screen.

**Results:**
Currently, the department relies on performance measures found in the state and federal Child and Family Service Reviews (CFSR) to track program performance. As SSIS is modernized, these measures combined with the annual workforce survey, will allow the department to determine the impact of systems modernization on the workforce.

**Fiscal Detail:**

[4] Child Welfare Information Gateway. (2022). *Caseload and workload management*. U.S. Department of Health and Human Services, Administration for Children and Families, Children's Bureau. https://www.childwelfare.gov/pubs/case-work-management/

| Net Impact by Fund (dollars in thousands) | | | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 27-28 |
|---|---|---|---|---|---|---|---|---|
| General Fund | | | - | 15,000 | 15,000 | - | - | - |
| HCAF | | | | | - | | | - |
| Federal TANF | | | | | - | | | - |
| Other Fund | | | | | - | | | - |
| **Total All Funds** | | | - | 15,000 | 15,000 | - | - | - |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| General Fund | 12 | SSIS transformation manager (0,1,0,0) | - | 505 | 505 | - | - | - |
| General Fund | 11 | Systems - Functional child welfare system - transfer to DCYF systems account. SSIS @ 52% state share. | | 14,657 | 14,657 | | | - |
| General Fund | REV1 | FFP @ 32% | | (162) | (162) | - | - | - |
| | | **Requested FTE's** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| General Fund | 12 | Children and Family Services FTEs | 0 | 1 | 1 | 0 | 0 | 0 |

## Statutory Change(s):

N/A

## Change Item Title: Opioid Allocation Modifications and Sunset Elimination (CF-41)

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

**Request:**
The Governor recommends amending Minnesota Statutes, section 256.043, related to the Child Welfare Opioid Epidemic Allocation (allocation), to modify the allocation formula and expand how the funds may be used to allow expenditures on prevention related activities and programs prior to entering the child welfare system. The governor also recommends removing the sunset on fees from opioid manufacturers and distributors to ensure that ongoing funding is available to support the continued and sustained impacts of the opioid epidemic on people, families, and communities across the state. Lastly, the Governor recommends amending Minnesota Statutes, section 256.042, to clarify that the director of the Office of Addiction and Recovery (OAR), or their designee, is an ex-officio nonvoting member of The Opioid Epidemic Response Advisory Council (OERAC).

**Rationale/Background:**
In the late 1990s, pharmaceutical companies reassured the medical community that patients would not become addicted to opioid pain relievers and healthcare providers began to prescribe them at greater rates. Increased prescriptions of opioid medications led to widespread misuse of both prescription and non-prescription opioids before it became clear that these medications could indeed be highly addictive. In 2017, the United States Department of Health and Human Services declared the opiate crisis to be a public health emergency.

The current state of the opioid crisis in Minnesota is alarming. Between 2000 and 2020, the number of annual opioid deaths increased from 54 to 655 per year. The trend is escalating; between 2020 and 2021 alone, the number of deaths increased by 44 percent.

The opioid crisis has had significant impacts on the child protection system as well. Minnesota's 2021 Out of home Placement and Permanency report states that during the past 5 years the most common primary reason for removal of children from their homes by child protective services has shifted from neglect to caretaker drug use.[5] The same report notes that nearly two out of three children under the age of three entered out of home care due to prenatal exposure to drugs or alcohol or caretaker use of drugs and alcohol.

The 2019 Minnesota Legislature passed a bill related to opiates that established an Opiate Epidemic Response account funded by licensing and registration fees for opioid manufacturers and distributors. (See Minn. Stat. 256.043.)

[5] Minnesota's Out-of-Home Placement Report, 2021

A portion of these fees is allocated to county social service agencies and Tribal Nations that have assumed all child welfare responsibilities by participating in the American Indian Child Welfare Initiative (Minnesota Statutes, section 256.01, subd. 14b) to provide supplemental child protection services to children and families affected by addiction. Since 2020 between $4 million to $5.7 million per year has been allocated to counties and Initiative Tribes. Funds support several new and expanded projects, programs, and services across the state. Children and families have benefited in many ways, including through direct assistance in housing, transportation, treatment costs, and sober activities; support for family placements and independent living for youth; cultural activities; increased availability of supervised visitation supports; parent mentors and coaches; additional staff to serve families; culturally specific training for staff; and other programs and services.

The child protection allocation has had positive impacts. Efforts by counties and Tribes to prevent out-of-home placements due to parental drug abuse have been successful. In 2020, there were 1,603 placements of children related to parental drug abuse. In 2021, there were 1,557 placements, down 3% from the previous year. And in 2022, there were 1,379 placements, down 11% from the previous year.

The current child protection allocation formula is based solely on out-of-home placement data. This effectively penalizes county and Tribal agencies that are experiencing success with services funded by the allocation. For example, one county agency experienced an 80% decrease in out of home placements from 2019 to 2022. The county reports this decrease is directly attributable to services to families and staff training that were only affordable because of the allocation funds. Because the out-of-home placement rate has decreased, this county's allocation will decrease as well, thereby constricting their ability to continue offering the very services that increased child safety while having children remain in their homes. Children and families are best served outside of the child welfare system with voluntary services that best meet their needs. Child protection intervention can cause unnecessary stress and trauma to families. More efforts are needed to preserve families. Adjustments to the allocation formula uses can support these efforts across the state and support ongoing county and Tribal success at reducing the need for out of home placements.

Another portion of the licensing and registration fee revenue is used to provide grants to support (1) promising practices related to prevention and education; (2) training on treatment of opioid addiction; (3) enhancement and expansion of a continuum of care for opioid-related substance use disorders; and (4) development of measures to assess and protect the ability of persons suffering chronic pain who need prescription medications.

Under current law, if Minnesota receives $250 million (1) because of a settlement agreement related to the marketing, sale, or distribution of opioids; (2) from opioid manufacturer application and renewal fees and registration fees; or (3) from a combination of both, application, and renewal fees from drug manufacturers of opiate-containing controlled substances licensing fees would be reduced and opiate registration fees would be repealed. The fee reduction and repeal cannot occur before July 1, 2031.

Under current statute, local agencies are limited to using these funds for prevention services to families after entering the child welfare system. Expanding the definition of allowable uses for these funds would enable local child welfare agencies to support families before entering the child welfare system. Children and families are best served outside of the child welfare system with voluntary services that best meet their needs. Child protection intervention can cause unnecessary stress and trauma to families. More efforts are needed to preserve families. Adjustments to the formula and definition can help support these efforts across the state.

In addition to the Opiate Epidemic Response account, the 2019 Minnesota Legislature also established the Opiate Epidemic Response Advisory Council (OERAC) to develop and implement a comprehensive and effective statewide effort to address the opioid addiction and overdose epidemic in Minnesota (See Minn. Stat. 256.042). The council includes legislators, Tribal Nations, state agency representatives, providers, individuals

and advocates with personal experience in the opioid crisis, and representatives from law enforcement, social service agencies and the judicial branch.[6]

## Proposal:

This proposal amends Minnesota Statutes, section 256.043, related to the Child Welfare Opioid Epidemic Allocation (allocation) by:

1. Modifying the formula used to calculate allocation rewards.
2. Expanding the use of the funds to enable prevention related activities.
3. Eliminating the sunset on fees from opioid manufacturers and distributors

**Modification to the child protection allocation formula and uses**. This proposal amends the child protection allocation formula to include screening related data regarding substance use and number of assessments and investigations related to substance use. The formula would continue to use the existing number of out of home placements related to drug abuse but would include a three-year average to help stabilize the formula. The change in formula ensures that there are financial resources for counties and Tribes to continue successful interventions funded by the child protection opioid formula. The allocation is based on a calendar year and would take effect for the calendar year 2025 allocation.

This proposal also expands the use of these funds to support additional ways to serve families. Widening how Child Welfare Opioid Epidemic Allocations may be used to include prevention services allows local child welfare agencies to support families before entering the child protection system. Examples of expanded uses include support for families through Community Resource Centers and enhanced community partner response to prenatal exposure prior to birth. Ongoing financial support with a broad range of uses is critical to establishing successful prevention and family preservation efforts to reduce out of home placements and the long-term impacts family separation has on the health and well-being of caregivers, their children, and society.

Current statutory language requires counties and Initiative Tribes to make annual reports to the commissioner. The impacts of changes to allowable uses of the child protection allocation would be monitored through this method.

**Repeal of Sunset**. This proposal also removes sunset provisions under Minnesota Statutes, section 256.043, for the reduction of licensing fees and repeal of registration fees for opioid manufacturers. This change ensures ongoing revenue to address the primary impacts of the opioid epidemic and the long-lasting tertiary impacts that will require extensive healing for communities across the state. Because the current fee sunset cannot occur before July 1, 2031, removing the sunset provisions is budget-neutral in the current budget horizon.

**Clarifying OERAC Membership.** This proposal also amends Minnesota Statutes, section 256.042, related to the Opiate Epidemic Response Advisory Council (OERAC) to clarify that the director of the Office of Addiction and Recovery (OAR), or their designee, is an ex-officio nonvoting member of OERAC.

The Office of Addiction and Recovery (OAR) supports the Subcabinet on Opioids, Substance Use, and Addiction, and the Governor's Advisory Council on Opioids, Substance Use, and Addiction. OAR is led by the addiction and recovery director who is also the chair of the Subcabinet on Opioids, Substance Use, and Addiction. OAR works across state and local governments to coordinate and align efforts and better target the state's role in addressing addiction, treatment, and recovery. The office conducts public engagement to build relationships with communities to ensure people with direct experience in the opioid and substance use crises are involved

[6] https://mn.gov/dhs/opioids/oer-advisory-council.jsp/.

in the identification and development of community-driven solutions to address these crises.[7] This change is budget-neutral since participating in OERAC is within the scope and duties of OAR's already-funded work.

**Impact on Children and Families:**
Focusing on prevention related services and programs supports families before entry in the child welfare system. This can prevent unnecessary intervention from the child protection system, which can contribute to further harm to families. Directing and allowing funds to be used for prevention has a direct benefit to children and families. Maintaining long-term funding will ensure that efforts to address the opioid crisis are not arbitrarily ended while they are still mitigating the harmful impact opioids have had on Minnesota's people and our society.

**Equity and Inclusion:**
Minnesota has the worst disparities in the nation when it comes to opioid use disorder outcomes. While the white mortality rate of 10.7 per 100,000 is one of the lowest rates in the nation, Black Minnesotans are three times more likely than white people to die from opioid overdose and Native Minnesotans are 10 times more likely than white people to die from opioid overdose. The disparate outcomes are increasing. In 2020, 131 per 100,000 American Indians experienced opioid overdose deaths, compared to 49 per 100,000 African American residents and 16 per 100,000 white residents. In 2021, 192 per 100,000 American Indians experienced opioid overdose deaths, compared to 67 per 100,000 African American people and 19 per 100,000 of white people. Between 2020 and 2021 American Indian overdose deaths increased by 47%, African American deaths increased by 37%, and white deaths increased by 19%. Eliminating the sunset on the licensing and registration fees better ensures that the state can continue life-saving efforts to end the opioid crisis.

There is also a disproportionate involvement of people of color and Native Americans in the child protection system. By allowing and directing efforts related to prevention and family preservation, families of color and Native American families could benefit from this proposal. Further, poverty is inextricably linked to child welfare involvement. This proposal could also benefit families experiencing financial related issues.

Out-of-home placements of African American children due to parental drug abuse have fluctuated in the last couple of years. In 2020, there were 93 placements of children related to parental drug abuse. In 2021, there were 78 placements, down 16% from the previous year. And in 2022, there were 113 placements, up 45% from the previous year.

Out-of-home placements of American Indian children due to parental drug abuse have gone down in the last couple of years. In 2020, there were 324 placements of children related to parental drug abuse. In 2021, there were 290 placements, down 10% from the previous year. And in 2022, there were 267 placements, down 8% from the previous year.

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

☒Yes
☐No

With the adjustment to the allocation formula, there may be slight modifications to the distribution of funds. Attention will be needed to monitor major changes in allocation amounts. However, due to the variance of funding amounts available in the Opioid Epidemic Response Account, there are already variations in allocation

[7] https://mn.gov/mmb/oar/.

amounts across years. Further, without an adjustment in the formula, there will be variations in amounts due to decreasing numbers of children in out of home care due to parental substance abuse.

This proposal would impact the three Initiative Tribes. Tribal engagement efforts will elicit feedback related to this proposal. Expanded uses of these funds will support Tribal innovation and work to prevent out-of-home placement. Knowing these funds will not sunset will enable tribes to engage in long-term planning for how they are used.

### Impacts to Counties:

As is true for Initiative Tribes, the adjustment to the allocation formula might result in slight modifications to the distribution of funds. Attention will be needed to monitor major changes in allocation amounts. However, due to the variance of funding amounts available in the Opioid Epidemic Response Account, there are already variations in allocation amounts across years. Further, without an adjustment in the formula, there will be variations in amounts due to decreasing numbers of children in out of home care due to parental substance abuse.

Counties will be able to use these funds in additional ways, however, with the expansion of the eligible uses of the funds to include prevention services and family preservation activities. Knowing these funds will not sunset will enable counties to engage in long-term planning for how they are used. Additionally, this would also benefit smaller agencies, with fewer placements, that can vary drastically from year to year.

### IT Costs

There are no IT costs related to this proposal.

### Results:

County and Tribal social service agencies receiving funds from the Opiate Epidemic Response Account must submit a plan to DHS on how they plan to use the funds. County and Tribal agencies must also provide an annual report to the commissioner on how funds were used to provide child protection services.

DHS also monitors data using the data dashboard related to substance use, including maltreatment reports and out-of-home placements. This data will continue to be monitored.

### 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 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| HCAF | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal TANF | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Fund | | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Total All Funds | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | Requested FTEs | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |

**Statutory Change(s):**
Minn. Stat. 256.042; 256.043

## Change Item Title: Summer Electronic Benefit Transfer Program Funding

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Department of Human Services | 4,135 | 6,053 | 5,162 | 5,162 |
| Department of Education | 1,882 | 1,542 | 572 | 572 |
| Federal Funds | | | | |
| Expenditures | 49,560 | 49,560 | 49,560 | 49,560 |
| Revenues | 49,560 | 49,560 | 49,560 | 49,560 |
| Net Fiscal Impact = (Expenditures – Revenues) | 6,017 | 7,595 | 5,734 | 5,734 |
| **FTEs** | **19** | **26** | **26** | **26** |

**Request:**
The Governor recommends a general fund appropriation of $6.017 million in fiscal year (FY) 2024, $7.595 million in FY 2025, and $5.734 million each year thereafter to provide the required 50 percent state administrative funding match for Minnesota to participate in the new U.S. Department of Agriculture (USDA) Summer Electronic Benefit Transfer Program (Summer EBT), which officially launches in summer 2024. This funding will cover staffing at the Department of Human Services (DHS), Minnesota Department of Education (MDE) and Minnesota Information Technology Services (MNIT), software solutions, benefit issuance, and vendor payments. Participation is estimated to bring in more than $49 million in federal funds annually to benefit Minnesota families.

**Rationale/Background:**
The Consolidated Appropriations Act, 2023, authorized a permanent, nationwide Summer Electronic Benefit Transfer Program (Summer EBT) beginning in Summer 2024. The Act required the U.S. Department of Agriculture (USDA) to promulgate interim final rules for the program, which were recently issued by USDA's Food and Nutrition Service (FNS).[8] In order to participate in the program, states are federally required to provide a 50% funding match from non-federal sources to cover administrative costs.

This recommendation will use existing infrastructure from the Pandemic Electronic Benefit Transfer Program (P-EBT) to start this program in Minnesota in summer 2024. While using these systems, MNIT will develop and build an in-house portal for Summer EBT implementation in future years. For convenience, the Minnesota Department of Education (MDE) and DHS plan to use the same vendors and systems to issue benefits for Summer EBT as those currently used by the Supplemental Nutrition Assistance Program (SNAP).

Although Summer EBT eligibility figures are not final, FNS estimates that over 400,000 children in Minnesota will be eligible for Summer EBT benefits. Under Summer EBT, they would each be eligible for a benefit of $120 over the summer months. Summer EBT benefits will come in the form of pre-loaded cards that families can use to purchase groceries. Based on these numbers, this program could bring in more than $49 million in federal funds annually to benefit Minnesota families.

[8] 7 CFR Part 292. eCFR :: 7 CFR Part 292 – Summer Electronic Benefits Transfer Program.

This program would have a positive impact on food security for families with school-aged children. However, the work for Summer EBT cannot begin until the State of Minnesota identifies the necessary state match of non-federal funds required to administer this program. Therefore, it is crucial that state funding is allocated as soon as possible to begin work and bring these additional benefits to students in need by summer 2024. To ensure that Summer EBT is ready to launch in the summer of 2024, MDE and DHS are using current resources to temporarily cash flow administration and early implementation costs in the current fiscal year. This budget proposal includes funding in FY2024 to reimburse DHS for the cash flow costs.

### Proposal:

This recommendation provides the required 50 percent state administrative funding match for Minnesota to participate in the new U.S. Department of Agriculture (USDA) Summer Electronic Benefit Transfer Program (Summer EBT), which officially launches in summer 2024.

The recommended appropriation includes staffing at Minnesota Department of Education (MDE), the Department of Human Services (DHS), and Minnesota Information Technology Services (MNIT), software solutions, benefit issuance, and vendor payments. Costs in FY2024 and FY2025 include staffing and technical costs to develop and operationalize the program. Beginning in FY 2026 and each year thereafter, the ongoing cost to administer Summer EBT will be $5.734 million. This recommendation also reallocates the annual $150,000 in MN State Statute 124D.111 currently used to incentivize Summer Food Service Program (SFSP) sponsor participation to cover a portion of the Summer EBT state administrative funding match requirement.

The Summer EBT funding and program responsibilities in this recommendation for the Department of Human Services will transfer to the Department of Children, Youth, and Families once it is operational.

### Impact on Children and Families:

During the COVID-19 pandemic, USDA created the pandemic electronic benefit transfer program. This program was successful in assisting low-income families afford food when school meal programs were unavailable. Similarly, this program is intended to assist these families in the summer when school is traditionally out of session. With increased cost of living in recent years, this program is essential in giving our youth a healthy start.

Summer EBT will reduce childhood hunger during the summer months, which are the hungriest time of year for students who miss the meals offered during the school year. Research shows that providing families with summer grocery benefits reduces child hunger and supports healthier diets. USDA tested Summer EBT as a demonstration project in select states for several years. Rigorous evaluations showed that Summer EBT decreased the number of kids with very low food security by about one-third.[9] Current estimates show that over 400,000 children in Minnesota will benefit from Summer EBT.

### Equity and Inclusion:

Summer EBT provides grocery-buying benefits to low-income families with school-aged children when schools are closed for the summer. Children who are currently receiving assistance through the Supplemental Nutrition Assistance Program (SNAP), Minnesota Family Investment Program (MFIP), Tribal TANF, Medical Assistance, and foster care are also eligible for Summer EBT through a direct certification process. People of color and American Indians are overrepresented in public assistance programs in Minnesota. Summer EBT will reduce childhood hunger during the summer months, especially for Black, Indigenous, and children of color who are overrepresented among children who are eligible for the program.

[9] Summer Electronic Benefit Transfer for Children (SEBTC) Demonstration: A Summary Report. United States Department of Agriculture – Food and Nutrition Service. 2016. https://fns-prod.azureedge.us/sites/default/files/ops/sebtcfinalreport-summary.pdf.

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

☒Yes
☐No

Unlike what was seen with Pandemic Electronic Benefit Transfer (P-EBT), USDA has indicated that Tribal Nations are allowed to participate in Summer EBT on their own. Because of this, Tribal representation will be sought for the planning and implementation of Summer EBT in Minnesota, with check-ins being scheduled through MDE and DHS Tribal Liaisons. Tribes have not yet indicated this proposal as a priority but they did participate in P-EBT and have a significant impact on SNAP participation. Therefore, the relationship and impact of P-EBT is assumed to be similar for Summer EBT.

**Impacts to Counties:**
Summer EBT will be administered by the state rather than county human services agencies. This program should not have a fiscal, programmatic, or operational impact county human services agencies.

**Results:**
Summer EBT will provide grocery-buying benefits to low-income families with school-aged children when schools are closed for the summer. Beginning in Summer 2024, eligible families will receive $40 per child, per month, over the summer months. FNS estimates that at over 400,000 children in Minnesota will benefit from Summer EBT. Summer EBT is based on USDA's Summer EBT for Children demonstration projects and Pandemic EBT,[10] which have been proven to reduce child hunger and improve diet quality.

Families will receive Summer EBT benefits on pre-loaded cards that they can use to purchase groceries. These benefits work together with other available FNS nutrition assistance programs, such as summer meal sites, SNAP, and WIC, to help ensure kids have consistent access to critical nutrition when school is out.

**Fiscal Detail:**
The table below details administrative expenses at the Department of Human Services. This program is expected to fully transition to the Department of Children, Youth and Families. Standard federal fund participation rates applied to administrative and systems costs for DHS programs is noted below.

| Net Impact by Fund (dollars in thousands) | | | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 27-28 |
|---|---|---|---|---|---|---|---|---|
| General Fund | | | 4,135 | 6,053 | 10,188 | 5,162 | 5,162 | 10,323 |
| HCAF | | | | | - | | | - |
| Federal TANF | | | | | - | | | - |
| Other Fund | | | | | - | | | - |
| **Total All Funds** | | | 4,135 | 6,053 | 10,188 | 5,162 | 5,162 | 10,323 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |

[10] United States Department of Agriculture-Food and Nutrition Service. Summer Electronic Benefit Transfer for Children: Previous Demonstrations. Summer Electronic Benefit Transfer for Children (SEBTC) | Food and Nutrition Service (usda.gov).

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| General Fund | 12 | Program management, operations and evaluation (6,6,6,6) | 435 | 1,027 | 1,462 | 1,027 | 1,027 | 2,054 |
| General Fund | 11 | Financial Operations Accountant (0,1,1,1) | - | 152 | 152 | 152 | 152 | 304 |
| General Fund | 12 | Call center staff (10,10,10,10) | 454 | 1,115 | 1,569 | 1,226 | 1,226 | 2,452 |
| General Fund | 11 | Program integrity (0,2,2,2) | - | 280 | 280 | 327 | 327 | 654 |
| General Fund | 12 | Support and training (3,7,7,7) | 186 | 1,042 | 1,228 | 1,140 | 1,140 | 2,280 |
| General Fund | 11 | Electronic Benefit Transaction Vendor @ 50% | 1,500 | 1,500 | 3,000 | 1,500 | 1,500 | 3,000 |
| General Fund | 11 | MNIT system build @ 50% | 859 | 1,205 | 2,064 | 241 | 241 | 482 |
| General Fund | 11 | System applications @ 50% | 10 | 18 | 27 | 18 | 18 | 35 |
| General Fund | 12 | Printing and mailing | 370 | 370 | 740 | 370 | 370 | 740 |
| General Fund | 12 | Employee support | 26 | 59 | 85 | 59 | 59 | 118 |
| General Fund | 12 | Additional operational support | 1,127 | 854 | 1,981 | 704 | 704 | 1,407 |
| General Fund | REV1 | FFP @ 32% | (831) | (1,568) | (2,399) | (1,601) | (1,601) | (3,203) |
| | | **Requested FTE's** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| General Fund | 12 | Program FTEs | 19 | 23 | 23 | 23 | 23 | 23 |
| General Fund | 11 | Operations (Financial Operations and Program Integrity) | 0 | 3 | 3 | 3 | 3 | 3 |

## Statutory Change(s):

N.A.

## Change Item Title: Human Services Response Contingency Account (OP-54)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 10,000 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 10,000 | 0 | 0 |
| **FTEs** | **0** | **1** | **0** | **0** |

### Request:

The Governor recommends an investment of $10,000,000 from the general fund in fiscal year 2025 to establish the Human Services Response Contingency Account. This contingency account will be available for the Commissioner of Human Services to deploy resources to respond to emerging or immediate needs related to supporting the health, welfare, or safety of people and for which no other funding source is available.

### Rationale/Background:

Recent experience from the COVID-19 pandemic has shown that it is vital to have flexible resources available to respond to emergent needs experienced by people in Minnesota. During the pandemic, State Fiscal Recovery Funds from the American Rescue Plan (ARP) were key to providing a flexible and effective response in supporting the health, welfare or safety of people during times of hardship.

Leveraging those lessons learned, the Human Services Response Contingency Account would offer nimbleness and flexibility to the Commissioner of Human Services to respond to emergencies that take place outside the timing of legislative session and the biennial budget process. This account is structured similarly to the Public Health Response Contingency Account authorized for the commissioner of public health to use in instances where a public health response is needed.

### Proposal:

This proposal establishes the Human Services Response Contingency Fund in the Special Revenue Account to enable the state to provide support to people and communities where there are emerging or immediate needs related to supporting the health, welfare, or safety of people.

### Impact on Children and Families:

The Human Services Response Contingency Account is a new account that will allow the commissioner of human services to respond to the emergency needs of Minnesotans, including children and families, in a flexible and timely manner.

DHS helps keep children safe and provides families with supports to care for their children. This includes health care, child protection services, out-of-home care, permanent homes for children, child support, food and economic assistance programs, child care services and children's mental health services. This account will allow DHS, working collaboratively with DCYF if needed, to enhance its ability to respond to the emergency needs of Minnesota’s children and families.

**Equity and Inclusion:**
Equity analyses will be conducted related to uses of the funds.

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

☐Yes
☒No

Tribal Nations may be impacted depending on uses of the funds.

**Impacts to Counties:**
Counties may be impacted depending on uses of the funds.

**IT Costs**
This proposal does not have any IT costs.

**Results**
Outcomes will be measured for all uses of the funds and these will be dependent on each use. Measures will include how many people are impacted by the funds deployed and how they were impacted.

**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 | | | | 10,000 | 10,000 | | | |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | | 10,000 | 10,000 | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 48 | Human Services Response Contingency Account | | 9,656 | 9,656 | | | |
| GF | 11 | FTE (0,1,0,0) | | 504 | 504 | | | |
| GF | REV1 | FFP @ 32% | | (160) | (160) | | | |
| | | | | | | | | |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 11 | OPS - MAPE 17L | | 1.0 | | | | |

**Statutory Change(s):**
New section created; Rider language

## Department of Human Services
## FY 2024-25 Biennial Budget Change Item

## Change Item Title: Public Option Implementation Plan

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Department of Human Services | 0 | 72 | 0 | 0 |
| Department of Commerce | | 200 | | |
| MnSure | | 315 | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 587 | 0 | 0 |
| **FTEs** | **0** | **0** | **0** | **0** |

**Request:**
The Governor and Lieutenant Governor recommend additional funding necessary to complete a comprehensive implementation plan for a Minnesota public option. This proposal requires an investment of $587,000 in the FY2024-2025 biennium, and $0 in the FY2026-2027 biennium.

**Rationale/Background:**
Since the passage of the Affordable Care Act (ACA), Minnesota has been a leader in health insurance coverage and health innovation. However, many Minnesotans still do not have access to affordable health care, regardless of how and if they have health care coverage.

Minnesota's uninsurance rate of 5.3 percent in 2020 remains below the national average of 8.6 percent; however, the state no longer ranks in the top 10 states with the lowest uninsurance rates.[1] An estimated 294,000 Minnesotans remain uninsured, and, of those 294,000, about half are likely eligible for Minnesota Health Care Programs (MHCP), Medical Assistance or MinnesotaCare, as they exist today. Another 36.5 percent are likely eligible for advanced premium tax credits (APTCs) through MNsure. Additionally, even for insured Minnesotans, high out-of-pocket costs may prevent them from seeking necessary medical care. Minnesota has the highest rate of out-of-pocket (OOP) spending in the country ($3,750 annually), which is roughly twice the national average ($1,768 annually).

Research indicates that three groups of Minnesotans continue to need help accessing and affording health insurance:

- People who are uninsured;
- People in qualified health plans (QHPs) with unaffordable coverage (i.e., those with high-deductible plans); and
- People in employer-sponsored insurance (ESI) with unaffordable out-of-pocket costs.

The 2023 Minnesota Legislature directed the Minnesota Department of Human Services and Department of Commerce to develop an actuarial and economic analysis for a public option, which would provide more affordable coverage options for people who are uninsured or currently eligible for a QHP. This analysis examined the impact the public option would have on available federal funding, the state budget, and enrollment in a public option plan. That report was published on February 1, 2024.

While that legislation was an important step in identifying program impacts, such a fundamental change in service delivery will require additional planning to ensure that potential public option enrollees are able to apply for and enroll in coverage.

## Proposal:

With the goal of implementing a public option, the Governor and Lieutenant Governor recommend additional resources to identify the administrative, legislative, and systems changes needed for a smooth and effective implementation of a public option.

$2.5 million was appropriated in the 2023 session to begin the analytical work of developing a public option. This proposal continues to utilize remaining resources from that appropriation along with additional resources needed for implementation planning of a public option.

Additional work includes:

1) $600,000 in community engagement dollars ($200,000 to DHS and $400,000 to MNsure) to allow agencies to continue to engage with external partners to identify eligibility and enrollment processes and systems that will result in meaningful and equitable access to health care coverage;
2) $50,000 for project management to identify needed administrative resources at the Department of Human Services and MNsure so that enrollees, providers, and plans are able to reach out to and receive information from agencies in a timely manner;
3) $500,000 to DHS and $200,000 to MNsure to work with information technology vendors to inform a simple, easy-to-use, and understandable eligibility and enrollment process for coverage that integrates appropriately with public program and MNSure systems;
4) $500,000 for DHS to update the 2023 actuarial analysis to prepare for a 1332 waiver application;
5) $200,000 in funding to Commerce for support for regulatory consultation and submission of the 1332 waiver, including examining the impact the public option may have on the individual market;
6) $65,000 to MNsure to inform new pathways for populations that aren't currently served by QHPs, including people who are undocumented and not eligible for the existing MinnesotaCare program or federal subsidies, and;
7) $50,000 to MNsure to ensure equitable marketing so that communities most in need of accessible health care coverage receive needed information about the public option.

The cost of this proposal is offset by the amount projected to remain at the end of the fiscal year in the current one-time appropriation of $2.5 million.

This request will ensure the legislature has the necessary information, fiscal analysis, and statutory language in time for the 2025 legislative session. This planning period will allow agencies to thoughtfully design, in collaboration with external partners, a rollout of a MinnesotaCare Public Option that will improve access to low-cost, high-quality, equitable health care coverage. Subsequent direction from the legislature will be required for implementation of any recommendations or plans.

## Impact on Children and Families:

A public option will allow children and families to have better access to health insurance coverage. A recent report by SHADAC found that, nationally, 5% of children age 17 and under lacked health insurance between 2016 and 2020. While the analysis showed that Minnesota's uninsurance rate for children was significantly below the national average, at 3.3%, there is still room to improve access to health insurance for children and their families in Minnesota, even as implementation of continuous Medical Assistance coverage for kids aged 19 and under helps to fill remaining gaps in access.

## Equity and Inclusion:

According to a SHADAC analysis of 2018-2019 American Community Survey data, populations of color are overrepresented in the number of uninsured Minnesotans. Black Minnesotans represent 6.5% of the total population, buy 11.3% of the uninsured; similarly, Hispanic/Latino Minnesotans represent 5.5% of the total population, but 18.9% of the uninsured.

### Tribal Consultation:

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

☐Yes
☒No

This proposal will not have a substantial direct effect on tribal governments, however Tribal Nations will be consulted with on the effort to create an implementation plan for the public option.

### Impacts to Counties:

This proposal does not directly impact counties, but counties will be consulted with on the effort to create an implementation plan for the public option.

### IT Costs

Resources in this proposal will allow agencies to contract with IT vendors to identify systems specifications and requirements that meaningfully support the implementation of a Public Option.

### Results:

| *Type of Measure* | *Name of Measure* | *Current Value* | *Date* | *Projected Value (without)* | *Projected Value (with)* | *Date* |
|---|---|---|---|---|---|---|
| Quantity | Number of uninsured Minnesotans | | | | | |
| Quality | Number of Minnesotans who enroll in the public option | N/A | Sept. 2022 | 0 | TBD | |
| Results | Minnesota uninsurance rate | 4.0% | 2021 MN Health Access Survey | TBD | TBD | Annual |

## 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 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| HCAF | | | 0 | 587 | 587 | 0 | 0 | 0 |
| Federal TANF | | | | | | | | 0 |
| Other Fund | | | | | | | | 0 |
| **Total All Funds** | | | | 587 | 587 | 0 | 0 | 0 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| HCAF | 13 | HCA Admin Contract | - | 72 | 72 | | | |
| HCAF | | MNsure | | 315 | 315 | | | |
| HCAF | | COMM | | 200 | 200 | | | |
| | | | | | | | | |
| **Fund** | **BACT#** | **FTEs Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| | | | | | | | | |

## Change Item Title: Addressing Food Security for Minnesotans

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 5,000 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 5,000 | 0 | 0 |
| **FTEs** | **0** | **0** | **0** | **0** |

**Request:**
The Governor recommends investing $5 million from the general fund in FY 2025 to address the food security needs of Minnesotans. This appropriation will provide a onetime funding increase for the following programs:

- $2 million for the Minnesota Food Shelf Program under Minnesota Statutes, section 256E.34. Base funding is currently $4.7 million per year.
- $1 million for the American Indian Food Sovereignty Funding Program under Minnesota Statutes, section 256E.342. Base funding is currently $3 million per year.
- $2 million for regional food banks the commissioner contracts with for the purposes of the federally-funded The Emergency Food Assistance Program (TEFAP).

This proposal will provide critical funding to community-based food shelves, regional food banks, and Tribal Nations in Minnesota that are experiencing high levels of demand for food resources in their communities.

**Rationale/Background:**
The Legislature made significant investments in the state's emergency food system during the 2023 legislative session, following recommendations in the Governor's 2024-25 biennial budget to increase funding for food shelves, provide capital for facility improvements, and establish state-funded programs for Tribal food security and SNAP outreach. Despite these critical investments, food support continues to be in high demand across Minnesota due to high prices for food and other necessities impacting family budgets.[11] The end of programs such as emergency Supplemental Nutrition Assistance Program (SNAP) allotments, or E-SNAP, that temporarily increased monthly grocery-buying benefits for thousands of low-income Minnesota households during the pandemic has also contributed to the strain on family budgets.[12]

Minnesota had a record number of food shelf visits in 2023. Food shelves served over 7.5 million visits from January 2023 to December 2023. This represents over 1.8 million more visits than the previous record set in 2022.[13] The demand for food assistance in Minnesota reflects trends nationally: According to data from the United States Department of Agriculture (USDA), 12.8 percent, or 17 million U.S. households, were food

[11] Federal Reserve Bank of St. Louis. Consumer Price Index for All Urban Consumers: Food in U.S. City Average. https://fred.stlouisfed.org/series/CPIUFDSL.
[12] Minnesota Department of Human Services. Extra COVID Emergency SNAP Has Ended. https://mn.gov/dhs/snap-changes/end-of-e-snap/.
[13] Hunger Solutions Minnesota. Food Shelf Visits 2023. https://www.hungersolutions.org/wp-content/uploads/2024/02/Food-Shelf-Visits-2023.pdf.

insecure during some time in 2022, an increase from 10.5 percent of U.S. households in 2019.[14] USDA data show similar food insecurity trends among households with children.[15]

Grants to food shelves and food banks will direct critical resources to the emergency food system, which is currently under strain given high demand for additional food support across Minnesota. Funding for Tribal Nations will help ensure that additional resources are provided directly to American Indian communities, which experience higher rates of food insecurity and other socioeconomic disparities than the general population. This recommendation builds on the investments from the 2023 legislative session by providing an additional, onetime increase to Minnesota's emergency food system to close funding gaps and increase access to food.

**Proposal:**

This proposal invests $5 million from the general fund in FY 2025 to address the food security needs of Minnesotans. This is a onetime appropriation that will provide funding increases for the following programs.

Minnesota Food Shelf Program

$2 million will be distributed to nonprofit and Tribal food shelves under the Minnesota Food Shelf Program. The Minnesota Food Shelf Program provides grants to support the food purchasing and operational needs of Minnesota food shelves. Eligible uses of grant funds include, but are not limited to:

- food, including culturally relevant foods
- diapers and hygiene supplies
- equipment, technology, personnel, and outreach
- space and rental
- transportation expenses (mileage, gas cards, delivery fees, supplies)
- translation and interpretation services

American Indian Food Sovereignty Funding Program

$1 million will be distributed to Tribal Nations under the American Indian Food Sovereignty Funding Program. This program was established by the Minnesota Legislature in 2023 to support the food security needs of Minnesota's Tribes. The Department of Human Services (DHS) currently contracts with nine of Minnesota's 11 Tribes for the purposes of the program. Tribal Nations can use these designated resources to meet their needs including with entities such as food banks, regional wholesalers, small businesses, and local growers and producers. Funding flexibility allows for staffing and other gaps to create access to food. This investment will support Tribal Nations with flexible funding, allowing each Tribe to determine how the additional resources can best meet the food security needs of their communities.

Minnesota Food Bank Funding

$2 million will be distributed to Minnesota's six regional food banks that contract with DHS for the purposes of the federally-funded The Emergency Food Assistance Program (TEFAP). TEFAP distributes U.S. Department of Agriculture (USDA) foods to individuals and families who use food shelves, on-site meal programs, and shelters.

The program provides nutritious, domestically produced food to Minnesotans in need, and provides direct support to the agriculture community. Funds are used to cover costs associated with storage, distribution, and

[14] United States Department of Agriculture. Trends in U.S. Food Security. https://public.tableau.com/views/TrendsinU_S_FoodSecurity/FoodSecurityCharacteristics?amp;:display_count=n&:embed=y&:sid=&:toolbar=n&:origin=viz_share_link.

[15] United States Department of Agriculture. Trends in U.S. Food Security among Households with Children. https://public.tableau.com/views/TrendsinfoodinsecurityinU_S_householdswithchildren/FoodSecurityCharacteristics?:language=en-US&:display_count=n&:embed=y&:origin=viz_share_link&:sid=&:toolbar=n.

administration of USDA foods and programs. This onetime state funding increase will supplement approximately $4.5 million in annual federal TEFAP funding.

### Impact on Children and Families:

Data show that food insecurity rates among households with children have increased in recent years, particularly among Black and Hispanic households with children.[16] Household food insecurity affected 17.3 percent (6.4 million) of U.S. households with children in 2022.[17] In Minnesota, more than half of SNAP recipients are children and their families. Children also represent over one-third of food shelf visits in the state. Adequate food security leads to emotional, spiritual, and physical well-being that leads to long-term healthy and independent communities. Access to food, including culturally relevant food, supports children and families to thrive in school, at work, and in their communities. This proposal will increase access to food for children and their families.

### Equity and Inclusion:

Poverty rates among Minnesota's Black and Indigenous residents (25 percent and 30 percent, respectively) were two to three times higher than the statewide poverty rate of 9.6 percent in 2022. Additionally, nearly 17 percent of Hispanic Minnesotans were below the poverty level in 2022 compared to 7.2 percent of the non-Hispanic white population.[18] Food insecurity is not experienced equally and reflects these broader socioeconomic and racial disparities, both nationally and in Minnesota. In the U.S., Black and Hispanic households experience food insecurity at over double the rate of white households.[19] Food insecurity data in Minnesota show similar disparities between people of color and white Minnesotans.[20] People of color and American Indians are 22 percent of the state's population but 47 percent of adults receiving SNAP benefits. Black adults are 27 percent of the SNAP caseload and 8 percent of the state's population. American Indian adults are 4.5 percent of the SNAP caseload and 1.4 percent of the state's population.

Additional funding for food shelves, food banks, and Tribal Nations will increase the availability of food, including culturally relevant food, and help support food security for Minnesotans, including those that are most impacted by the state's socioeconomic racial disparities and resulting inequities in access to food.

### Tribal Consultation:

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

☒Yes
☐No

DHS contracts with nine of Minnesota's 11 Tribal Nations for the American Indian Food Sovereignty Funding Program. The program was generated from meetings and interviews with Tribal Nations and American Indian organization representatives via the American Indian Food Security Work Group over the course of a year and half of its work. Representatives from the Tribes and American Indian organizations have been regularly engaged in designing the program.

### Impacts to Counties:

[16] United States Department of Agriculture. Trends in U.S. Food Security among Households with Children. https://public.tableau.com/shared/XZDJZX5MM?:toolbar=n&:display_count=n&:origin=viz_share_link&:embed=y.
[17] United States Department of Agriculture. Key Statistics and Graphics. USDA ERS - Key Statistics & Graphics.
[18] Minnesota Compass. Poverty Rates By Race. https://www.mncompass.org/chart/b6768-1/poverty-disparities-race-0.
[19] United States Department of Agriculture. Trends in food insecurity by race and ethnicity, 2001–22. https://public.tableau.com/shared/38R7MNBWS?:toolbar=n&:display_count=n&:origin=viz_share_link&:embed=y.
[20] Wilder Foundation, New Food Insecurity Data Highlight Minnesota's Continuing Disparities and the Need for Multi-Sector Solutions, 2020.

This proposal does not impact counties financially and or impact county operations.

### IT Costs
Not applicable.

### Results:
This proposal will increase funding for food shelves, food banks, and Tribal Nations in Minnesota to address the food security needs of Minnesotans. This proposal will ease pressure on Minnesota's emergency food distribution system and result in fewer Minnesotans experiencing food insecurity.

### 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 | | | | 5,000 | 5,000 | | | |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | | 5,000 | 5,000 | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 47 | Minnesota Food Shelf Program | | 2,000 | 2,000 | | | |
| GF | 47 | American Indian Food Sovereignty Funding Program | | 1,000 | 1,000 | | | |
| GF | 47 | Minnesota Food Bank Funding | | 2,000 | 2,000 | | | |
| | | | | | | | | |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |

### Statutory Change(s):
Not applicable.

## Change Item Title: Disproportionate share program offramp (AD-58)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | (1,451) | (4,112) | (4,791) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | (1,451) | (4,112) | (4,791) |
| **FTEs** | **0** | **0** | **0** | **0** |

**Request:**
The Governor recommends sunsetting the Disproportionate Share Program on January 1, 2025. This proposal generates a savings of $1.5 million for FY25 and $8.9 million in savings for the FY26-27 biennium.

**Rationale/Background:**
The Disproportionate Share Program provides a Customized Living rate floor for Elderly Waiver (EW) residents of eligible facilities who serve a high proportion of waiver participants. The disproportionate share rate program was designed to be a temporary program to address the fact that the customized living rates under EW were not fully funded and therefore providers who serve a high proportion of people on EW had a particularly difficult time covering the costs of delivering services. The program was intended to sunset once the Elderly Waiver rates were fully phased in.

Minnesota Statute 256S.205, Subd. 5, paragraph (d) states:

> "(d) The commissioner shall not implement the rate floor under this section if the customized living rates established under sections 256S.21 to 256S.215 will be implemented at 100 percent on January 1 of the year following an application year."

Now that the rates are fully funded and the "phase-in" between historic rates and the new rate methodology has been repealed, the rationale for the program no longer exists.

*Background*
The Elderly Waiver (EW), Alternative Care (AC) and Essential Community Supports (ECS) programs fund home and community-based services for people 65 years old and older on Medical Assistance (MA), and who require the level of care provided in a nursing home but choose to live in the community. The EW, AC, and ECS programs have had particularly low direct care staff wages due to low reimbursement rates spanning many years[21].

The 2017 Minnesota Legislature enacted new rate-setting methods in 256S for a wide array of home and community-based services provided for older adults under EW, AC, and the ECS programs. These new rate-setting methods are more accurate to the provider's costs of service and ensure service rates for EW will be based on the level of need and amount of support each person receives.

[21] prior to the historic investments into the Elderly Waiver program made by the 2023 legislature

However, when the reforms took effect on January 1, 2019, they were only partially phased-in (based on 10% of the new rate methods in statute, and 90% of the rates in effect as of June 30, 2017). A 2018 study of the 256S rate-setting methods found that despite the partial phase-in of the new methodology, the existing rates for many service rates were not adequate to cover providers' costs and that fully phasing in the methods would yield appropriate rates. Additional investments followed in 2021, this time funding 18.8% of the new rate methods (with still over 80% of the rates based on the previous rate methodology).

Then in 2023, the Legislature made an historic investment to address Minnesota's workforce crisis by funding the full phase-in of the new EW rate-setting methodologies. The Elderly Waiver customized living rates are fully funded as of January 1, 2024, and the rates generated from the rate-setting process should be sufficient to cover provider costs.

**Proposal:**
This proposal provides clear direction in statute to sunset the Disproportionate Share Program as of January 1, 2025, to align with the legislative intent. The overall impact will generate savings as the program sunsets.

**Impact on Children and Families:**
This proposal does not have a direct or discernable impact on children and families.

**Equity and Inclusion:**
The eligibility for this program is limited, therefore the number of people receiving services from a "disproportionate share" provider is minimal. EW participants who receive customized living (not limited to those in disproportionate share facilities) are disproportionately white, compared to the overall population of EW participants.

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

☐Yes
☒No

**Impacts to Counties:**
This proposal does not have an impact on county finances or operations.

**IT Costs**
N/A

**Results:**
A total of 27 providers are eligible to receive the rate floor in calendar year 2024. The result of this proposal is that the rate methodologies are consistent across all EW recipients and service rates will be based on the level of need and amount of support each person receives.

**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 | 0 | (1,451) | (1,451) | (4,112) | (4,791) | (8,903) |
| HCAF | | | | | | |
| Federal TANF | | | | | | |
| Other Fund | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total All Funds** | | | 0 | (1,451) | (1,451) | (4,112) | (4,791) | (8,903) |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 33 | Elderly Waiver MA LW | 0 | (145) | (145) | (411) | (479) | (890) |
| GF | 33 | Elderly Waiver MA ED | 0 | (1,306) | (1,306) | (3,701) | (4,312) | (8,013) |
| | | | | | | | | |
| | | | | | | | | |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |

**Statutory Change:**
256S.205

## Change Item Title: Implementation of Federally Funded Health Care for DACA Recipients (HC-55)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 566 | 126 | 128 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | (2,456) | (2,404) | (2,377) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | (1,891) | (2,278) | (2,249) |
| **FTEs** | **0** | **0** | **0** | **0** |

### Request:

The Governor recommends conforming with federal law changes that make federally funded Medical Assistance (MA) and MinnesotaCare available to Deferred Action for Childhood Arrival (DACA) recipients, alongside other lawfully present immigrants. This proposal would result in a savings of $1.891 million in the FY2024-2025 biennium and a savings of $4.527 million in the FY2026-2027 biennium.

### Rationale/Background:

The DACA program was created in 2012 to protect eligible immigrants who came to the United States as children from deportation. While DACA has many other benefits, including providing recipients with authorization to work, it does not grant recipients the right to access many federal assistance programs, including Medicaid and MinnesotaCare.

Currently in Minnesota, DACA recipients may be eligible for state-funded MinnesotaCare, CHIP-funded Medical Assistance for pregnant people, and Emergency Medical Assistance. The 2023 legislature authorized[22] the Department of Human Services to make federally funded MA and federally funded MinnesotaCare available to Minnesotans who are DACA recipients in accordance with regulations proposed by CMS, upon their finalization.

### Proposal:

This proposal will amend Minnesota law to comply with final regulations issued by the Centers for Medicare & Medicaid Services (CMS) that allow Deferred Action for Childhood Arrival (DACA) recipients to qualify for certain federally funded Medical Assistance (MA) programs and for federally funded MinnesotaCare. Upon the effective date of the new CMS rule, DACA recipients who otherwise meet eligibility criteria will qualify for federally funded programs, as follows:

- Pregnant people will qualify for MA instead of CHIP-funded MA.
- Children under age 21 will qualify for MA instead of state-funded MinnesotaCare.

[22] Laws of Minnesota 2023, Chapter 70, Article 1, section 42

- Non-pregnant adults will qualify for federally-funded MinnesotaCare, instead of state-funded MinnesotaCare.
- DACA recipients will also continue to qualify for Emergency Medical Assistance.

**Impact on Children and Families:**
Minnesota Health Care Programs' eligibility for DACA recipients is limited. Currently, DACA recipients are only eligible for federally funded Medicaid if they have a medical emergency that qualifies for coverage under Emergency Medical Assistance. DACA recipients are also eligible for Children's Health Insurance Program (CHIP)-funded MA if they are pregnant and during the postpartum period. This change will allow DACA recipients to access Medical Assistance on an ongoing basis, which is crucial to improving health care outcomes and reducing barriers to access for this population. Reports show that 27% of DACA recipients reported not being covered by any kind of health insurance[23], compared to the 10% of U.S. born individuals in the same age group[24].

**Equity and Inclusion:**
DACA recipients will be considered lawfully present noncitizens for purposes of Minnesota Health Care Programs. Expanding eligibility for federally funded health coverage options to DACA recipients will likely reduce their uninsured rates and improve access to care.

As of December 31, 2022, there were roughly 580,000 active DACA recipients from close to 200 different countries of birth residing all over the United States.[25] DACA recipients are young, with the majority under age 36, and over half are female. Seven in ten DACA recipients are single, while nearly three in ten are married. The top countries of birth for active DACA recipients include Mexico (81%), El Salvador (4%), and Guatemala (3%).

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

☐Yes
☒No

**Impacts to Counties:**
Currently, counties do not process applications for DACA recipients. If counties receive a paper application with a DACA recipient, they fax it to the Department of Human Services. Under this proposal, DACA recipients would now have eligibility determined by the online application, and counties would now be processing those applications, requesting verifications, sending notices, and managing the cases.

Counties with higher populations of DACA recipients will process more applications and manage more cases than counties with lower or no DACA recipients. Currently, there are 656 DACA recipients enrolled in MinnesotaCare, and 3462 who are pregnant or in the 12-month postpartum period. The MA income limit is 278% of the Federal Poverty Line (FPL), and MCRE is 200% FPL, so it is assumed that some individuals would lose coverage for being over income after pregnancy, while others would either move to MA or stay in MinnesotaCare.

**IT Costs**
This proposal will require systems changes in Stream EDS, FileNet, MMIS, MAXIS, and METS.

[23] National Immigration Law Center, DACA Recipients' Access to Health Care: 2023 Report, May 2023, pg. 1.
[24] Kaiser Family Foundation, Key Facts on Deferred Action for Childhood Arrivals, Uninsured Rates for Individual Likely Eligible for DACA, April 13, 2023.
[25] Key Facts on Deferred Action for Childhood Arrivals (DACA) | KFF

**Results:**
The impact of this change can be quantified by the number of state-funded MinnesotaCare enrollees with DACA recipient status that move to federally-funded MA and federally-funded MinnesotaCare. There may also be increased enrollment of people who are DACA recipients in MA and MinnesotaCare, as the stigma of being treated like undocumented noncitizens, and the fear of requesting benefits at least with regard to health care programs, may dissipate for this population after the final regulations are issued.

## 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 | | | 0 | 566 | 566 | 126 | 128 | 255 |
| HCAF | | | 0 | (2,456) | (2,456) | (2,404) | (2,377) | (4,781) |
| Federal TANF | | | | | 0 | | | 0 |
| Other Fund | | | | | 0 | | | 0 |
| **Total All Funds** | | | 0 | (1,891) | (1,891) | (2,278) | (2,249) | (4,527) |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| HCAF | 33 | MA Grants | 0 | (6) | (6) | 12 | 14 | 26 |
| HCAF | 31 | MinnesotaCare Grants | 0 | (2,456) | (2,456) | (2,404) | (2,377) | (4,781) |
| HCAF | 11 | MMIS (State Share @ 29%) | 0 | 18 | 18 | 4 | 4 | 7 |
| HCAF | 11 | MAXIS (State Share @ 55%) | 0 | 133 | 133 | 27 | 27 | 53 |
| HCAF | 11 | METS (State Share @ 38%) | 0 | 370 | 370 | 74 | 74 | 148 |
| HCAF | 11 | StreamEDS (State Share @ 50%) | 0 | 34 | 34 | 7 | 7 | 14 |
| HCAF | 11 | FileNet (State Share @ 50%) | 0 | 17 | 17 | 3 | 3 | 7 |
| | | | | | | | | |
| **Fund** | **BACT#** | **FTEs Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| | | | | | | | | |

## Statutory Change(s):
The following statutory updates are needed:

- Minn. Stat. § 256B.06, subd. 4.
- Minn. Stat. § 256L.04, Subd. 10.

## Change Item Title: SNAP, TANF, and Title IV-E Federal Compliance (CF-47)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 508 | 469 | 469 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 508 | 469 | 469 |
| **FTEs** | **0** | **4** | **4** | **4** |

**Request:**
The Governor recommends investing $508,000 in FY 2025 and $939,000 in FY 2026-27 from the General Fund to ensure compliance with federal laws and regulations because of recent changes to the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) that were passed as part of the federal debt ceiling agreement (Fiscal Responsibility Act of 2023), and compliance with federal laws regarding labor trafficking of youth and missing children.

**Rationale/Background:**

SNAP and TANF Compliance
The Department of Human Services (DHS) is in the process of implementing recent changes to SNAP and TANF that were passed as part of the federal debt ceiling agreement. The Fiscal Responsibility Act of 2023 was signed into law on June 3, 2023, and includes several changes to SNAP and TANF:

- Raising the age at which adults without dependents may be exempted from SNAP work requirements from 49 to 54.
- Exempting veterans, people experiencing homelessness, and former foster youth (under the age of 25) from SNAP work requirements.
- Recalibration of the caseload reduction credit for TANF. The caseload reduction credit is calculated based on a comparison of the current number of families receiving TANF cash assistance with the caseload in 2005. The agreement changes the comparison year from 2005 to 2015.
- A requirement to report on the share of recipients with earnings and median earnings two quarters after leaving TANF.
- A requirement to report on employment four quarters after exit for those recipients with employment in the second quarter.
- A requirement to report whether those under age 24 who were subject to work requirements and in high school while receiving TANF attain a high school degree or its equivalent within a year after leaving TANF.

Federal Compliance – Missing and Labor Trafficked Children
The federal Preventing Sex Trafficking and Strengthening Families Act of 2014 (Public Law 113-183) requires a child welfare response to missing children, addressed in Minnesota law. Federal audits identified gaps in the

required response, including gaps in screening for sex trafficking and untimely reporting and communication between child welfare agencies, the National Center for Missing and Exploited Children (NCMEC) and law enforcement.[26]

Labor trafficking is a form of human trafficking that is not currently child maltreatment under Minnesota law, nor part of screening when a child is recovered from a missing episode. It occurs when a person is forced, coerced, tricked, or held in bondage through intimidation or debt so that they will provide labor or services for another person. Child labor trafficking commonly occurs in construction, forced criminality, domestic work, and restaurants, and victims may not be identified or may be criminalized.[27] Children experiencing labor trafficking are often isolated, unidentified, and unsupported by child welfare and Safe Harbor response.

Changes to Minnesota law are needed to ensure federal compliance regarding missing and labor trafficked children.

**Proposal:**

SNAP and TANF Compliance

This proposal provides funding to implement and ensure compliance with federal laws and regulations because of recent changes to SNAP and TANF that were passed as part of the federal debt ceiling agreement (Fiscal Responsibility Act of 2023). This includes system changes to the MAXIS eligibility system to:

- Raise the age at which adults without dependents may be exempted from SNAP work requirements from 49 to 54.
- Exempt veterans, people experiencing homelessness, and former foster youth (under the age of 25) from SNAP work requirements.

In addition to the system costs, this proposal includes 4 FTEs to:

- Provide technical assistance to counties and Tribal Nations and implement new SNAP policies and procedures.
- Create tools that can be used internally and externally for use in implementing these complex policies, including:
    - Determining whether a SNAP recipient is a veteran.
    - Determining whether a SNAP recipient aged out of foster placement.
    - Developing reports to help internal and external staff understand the impact of the SNAP policy changes.
    - Adapting reporting to compensate for work arounds that will be used until changes can be made in MAXIS.
- Recalibrate the caseload reduction credit. The caseload reduction credit is calculated based on a comparison of the current number of families receiving TANF cash assistance with the caseload in 2005. The agreement changes the comparison year from 2005 to 2015.
- Report on the share of recipients with earnings and median earnings two quarters after leaving TANF.
- Report on employment four quarters after exit for those recipients with employment in the second quarter.
- Report whether those under age 24 who were subject to work requirements and in high school while receiving TANF attain a high school degree or its equivalent within a year after leaving TANF.

[26] Office of Inspector General, 2023. State Agencies Did Not Always Ensure That Children Missing From Foster Care Were Reported to the National Center for Missing and Exploited Children in Accordance With Federal Requirements, A-07-21-06102 (hhs.gov)
In Five States, There Was No Evidence That Many Children in Foster Care Had a Screening for Sex Trafficking When They Returned After Going Missing OEI-07-19-00371 07-05-2022 (hhs.gov)

[27] *National Human Trafficking Hotline*, 2023. https://humantraffickinghotline.org/en/statistics

Federal Compliance – Missing and Labor Trafficked Children

This proposal changes state law to make labor trafficking a mandated report, create a required child protection response to all reports of labor trafficking, expand child protection training requirements, and broaden opportunities for identification, collaboration, and services. This proposal also implements new federal requirements for information provided in missing reports and communication with NCMEC and law enforcement, to facilitate expedient location of youth and improved identification of harms like human trafficking; clarifies parties to a case who must be notified of a youth's missing status; and requires notification of tribes.

This proposal requires minor updates to the Social Services Information System (SSIS) to add labor trafficking to the new response path for sex trafficking established in 2023.

## Impact on Children and Families:

SNAP and TANF Compliance

This proposal helps ensure that children and families in Minnesota receive the SNAP benefits for which they are eligible. More than half of SNAP recipients in Minnesota are children and their families.[28]

Federal Compliance – Missing and Labor Trafficked Children

This proposal has the potential to make children in Minnesota safer and prevent harm to vulnerable and at-risk youth. It builds upon coordinated efforts between the public-private Safe Harbor response, law enforcement, child welfare, and the Missing and Murdered Indigenous Relatives (MMIR) office. Changes to Minn. Stat., section 260C.212, subd. 13 have the potential to impact every child in Minnesota (and their families) who is in the custody of a county or Tribal social services agency. There will be a direct impact on children and youth who have at least one missing episode while in foster care (between 2-3%).[29] Clarifying the required response allows child welfare agencies to act quickly to recover a missing child and identify harms they may have experienced while missing.

## Equity and Inclusion:

SNAP and TANF Compliance

People of color and American Indians are disproportionately served by SNAP in Minnesota. People of color and American Indians are 22 percent of the state's population but 47 percent of adults receiving SNAP benefits. Black adults are 27 percent of the SNAP caseload and 8 percent of the state's population. American Indian adults are 4.5 percent of the SNAP caseload and 1.4 percent of the state's population.[30]

Veterans, people experiencing homelessness, and former foster youth (under the age of 24) will be exempt from SNAP work requirements because of changes passed as part of the federal debt ceiling agreement. According to the U.S. Department of Veterans Affairs, most Minnesota veterans identify as white (94%). However, among veterans experiencing homelessness, 26% identify as African American and 8% identify as American Indian, illustrating large racial disparities among veterans experiencing homelessness. Most people experiencing homelessness (66 percent) in Minnesota identified as Black, Indigenous, or people of color. African Americans make up 37% of homeless adults and American Indians make up 12% of homeless adults.[31]

[28] Characteristics of People and Cases on the Supplemental Nutrition Assistance Program, Minnesota Department of Human Services, 2022.

[29] Minn. Dept. Of Human Services, Social Services Information System, Aug. 2023. To honor their data sovereignty request, data excludes Red Lake Nation.

[30] QuickFacts Minnesota, U.S. Census Bureau, 2022. Characteristics of People and Cases on the Supplemental Nutrition Assistance Program, Minnesota Department of Human Services, 2022.

[31] Homelessness in Minnesota, Wilder Research, 2020.

American Indian children were 16.4 times more likely, African American/Black children 2.4 times more likely, and those identified as two or more races were 6.8 times more likely than white children to experience out-of-home care (i.e., foster care), based on Minnesota population estimates from 2019.[32] This proposal will benefit African American and American Indian populations who are overrepresented among people experiencing homelessness. This proposal will also benefit American Indian youth, African American youth, and youth who identify as two or more races who are overrepresented among foster care youth.

Federal Compliance – Missing and Labor Trafficked Children

There are disproportionate impacts and representation among children and youth who experience missing episodes or labor trafficking. African American/Black children made up 14% of the total children in out-of-home care in 2021, but 25.78% of the total children with missing episodes, with missing episodes that lasted 3.77 days longer than average. Children of American Indian descent had missing episodes that lasted 14.52 days longer on average.[33] Children of color and foreign national minors experience labor trafficking at higher rates than white children, according to national data and experience in the Minnesota Safe Harbor network.

Both the MMIR and Missing and Murdered African American Women Task Forces identified racist stereotypes and biases as making others less likely to see Black and Indigenous children as vulnerable, victimized, and worthy of help, and identified a lack of documentation in missing and sexual assault reports as reducing the likelihood of thorough investigations. The MMIR office and American Indian Well-Being Unit have also identified a lack of Tribal notifications when a child goes missing.

## Tribal Consultation:

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

☐Yes
☒No

SNAP and TANF Compliance

This proposal will benefit Tribal Nations that administer SNAP by having staff dedicated to providing data and technical assistance, updating policy and procedure manuals, managing system fixes or workarounds, and providing training.

Federal Compliance – Missing and Labor Trafficked Children

The American Indian Child Welfare Initiative Tribes will be directly impacted by the child welfare provisions in this proposal as they will be required to implement new responses, will receive mandated reports of labor trafficking, and may receive an increase in notifications of missing children and youth. This proposal will have a low financial impact for Tribes due to increased case worker time and capacity needed to implement the required changes. Department staff engaged with Tribal partners through the Minnesota Indian Family Presentation Act Tribal Working Group and the Indian Child Welfare Act Advisory Council in October 2023. Engagement will continue as the new requirements are implemented.

## Impacts to Counties:

SNAP and TANF Compliance

This proposal will benefit counties by providing additional technical assistance and support to assist with the implementation of the new SNAP policies. This includes updating policy and procedure manuals, managing

[32] Minnesota's Out-of-home Care and Permanency Report, Minnesota Department of Human Services, 2022.
[33] Minn. Department of Human Services, Social Services Information System, Aug. 2023. Data span 2018-2022. To honor their data sovereignty request, data excludes Red Lake Nation.

system fixes or workarounds, and providing training. SNAP staff will also work with MNIT to update MAXIS and implement the new polices.

Federal Compliance – Missing and Labor Trafficked Children
Counties will be directly impacted by this proposal as they will be required to implement new responses, will receive mandated reports of labor trafficking, and may need to increase their notifications to Tribes of missing children and youth. This proposal will have a low financial impact for counties due to increased case worker time and capacity to implement the required changes. In some larger counties, additional staffing may be needed over time. Changes will clarify the county's role and specific actions they must take when a child or youth goes missing, the information they must collect and report, and the individuals and agencies they must notify and communicate with during a missing episode. It will also ensure that all forms of trafficking are assessed for when a child or youth is recovered from a missing episode, which will result in a likely increase in mandated reports and additional staffing needs for capacity building around intake and response to labor trafficking.

More than 25 counties have participated in the development of the new labor trafficking response, as well as the improvement to the child welfare system response to all forms of human trafficking, over the past five years, largely through the department's Child Trafficking and Exploitation Work Group. Engagement with the Minnesota Association of County Social Services Administrators is ongoing.

## IT Costs:

| SSIS | 2025 | 2026 | 2025 / 2026 | 2027 | 2028 | 2027 / 2028 |
|---|---|---|---|---|---|---|
| Cost by System | $56,679 | $0 | | $0 | $0 | |
| Operational Cost | $0 | $11,336 | | $11,336 | $11,336 | |
| Total Cost | $56,679 | $11,336 | $68,015 | $11,336 | $11,336 | $22,672 |
| | | | | | | |
| **Total of All System Costs by Fiscal Year** | **$56,679** | **$11,336** | **$68,015** | **$11,336** | **$11,336** | **$22,672** |

## Results:

SNAP and TANF Compliance
Effective October 1, 2024, Minnesota must report the following information as part of the federal TANF report:

- Report on the share of recipients with earnings and median earnings two quarters after leaving TANF.
- Report on employment four quarters after exit for those recipients with employment in the second quarter.
- Report whether those under age 24 who were subject to work requirements and in high school while receiving TANF attain a high school degree or its equivalent within a year after leaving TANF.

Federal Compliance – Missing and Labor Trafficked Children
Because labor trafficking is not currently a type of child abuse in Minnesota, data is not available in SSIS. This proposal will create the structure needed in SSIS to gather data and allow for performance measurement in the future.

## 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 | - | 508 | 508 | 469 | 469 | 939 |
| HCAF | | | - | | | - |
| Federal TANF | | | - | | | - |
| Other Fund | | | - | | | - |
| **Total All Funds** | - | 508 | 508 | 469 | 469 | 939 |

| Fund | BACT# | Description | FY 24 | FY 25 | FY 24-25 | FY 26 | FY 27 | FY 27-28 |
|---|---|---|---|---|---|---|---|---|
| GF | 12 | FTEs (0,3,3,3) - Additional research, evaluation, and SNAP policy staff | - | 356 | 356 | 499 | 499 | 998 |
| GF | 11 | FTEs (0,1,1,1) - Reports and forecast staff to comply with updated federal reporting requirements | 0 | 147 | 147 | 172 | 172 | 344 |
| GF | 12 | Other Admin - Community engagement contract | 0 | 75 | 75 | 0 | 0 | 0 |
| GF | 11 | Systems Account - MAXIS updates @ 55% | 0 | 67 | 67 | 13 | 13 | 26 |
| GF | 11 | Systems Account – SSIS updates @ 52% | 0 | 48 | 48 | 0 | 0 | 0 |
| GF | REV1 | FFP @ 32% | 0 | -185 | -185 | -215 | -215 | -429 |
| | | **Requested FTE's** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 27-28** |
| GF | 12 | Policy staff | 0 | 3 | 3 | 3 | 3 | 3 |
| GF | 11 | Reports and forecasts | 0 | 1 | 1 | 1 | 1 | 1 |

## Statutory Change(s):

Minn. Stat. sections 260.761, 260.762, 260C.007, 260C.212, 260E.02, 260E.03, 260E.14, 260E.17, 260E.18, 260E.20, 260E.24, 260E.33, 260E.35 and 260E.36.

## Change Item Title: Weighted Risk System for Licensed Child Care (IG-51)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | 0 | 228 | 122 | 122 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 228 | 122 | 122 |
| **FTEs** | **0** | **1** | **1** | **1** |

### Request:

The Governor recommends $228k in FY 2025 and $244k in FY 2026-27 for the implementation of a tiered weighted risk system (WRS) to evaluate licensing compliance for child care centers and family child care providers. This proposal would replace Minnesota's child care fix-it tickets under 245A.065 with a weighted risk system which is a tiered enforcement framework that is weighted to reflect the level of risk for each child care licensing regulation. The weighted risk system was developed through extensive stakeholder engagement and survey analysis of nearly 2,400 respondents conducted through the Child Care Regulation Modernization Projects.

It is anticipated that a weighted risk system for family child care providers and child care centers will result in greater consistency among child care licensors and their reviews of child care programs. The weighted risk system will also ensure that state and county resources are directed towards providers most in need of technical assistance and guidance.

### Rationale/Background:

In 2021, Minnesota passed legislation and allocated federal funding to support regulation modernization projects for both licensed family child care and child care centers.[34] The department contracted with the National Association for Regulatory Administration (NARA) to support these projects. One component of the Child Care Regulation Modernization Projects involves the development of a risk-based tiered violation system referred to as the Child Care Weighted Risk System (WRS).[35]

DHS and NARA have worked to develop a tiered enforcement framework that is weighted to reflect the level of risk that a child care provider violation poses to children. Surveys and focus groups were used to solicit input from stakeholders and find agreement on the level of risk violations poses to children in care. The input from these stakeholders, including licensors, providers, parents, and early childhood organizations, led to the development of the Weighted Risk System (WRS). The WRS assigns a numerical score, or weight, to each child care center and family child care rule, ranging from 1 – 10. By assigning a weight to each rule, Minnesota will

[34] Laws of Minnesota 2021, 1st Special Session, chapter 7, article 2, sections 75 and 81.
[35] Minnesota Department of Human Services Child Care Regulation Modernization Projects website, available at: https://mn.gov/dhs/partners-and-providers/licensing/child-care-and-early-education/child-care-regulation-modernization.jsp

have a quantifiable, objective, stakeholder-supported method to show the potential impact to children in care if a rule is violated.

In September 2023, a pilot project was initiated to test the WRS. The findings from the pilot will aid NARA and DHS in refining the WRS and preparing a for a report and proposed legislation to implement the WRS which will be provided to the Legislature once findings are complete.

The proposed WRS is anticipated to create a weighted risk score for each regulation and allow for subsets of regulations below a certain risk threshold to be eligible for Documented Technical Assistance (DTA). Items cited for DTA would not be cited as correction orders or publicly posted as a violation but, nonetheless, would be documented. This new data-and stakeholder-driven WRS would replace the need for the current "fix-it ticket" system, which is administratively cumbersome for both licensors and licensees.

Minnesota Statute 245A.065 created the regulatory enforcement mechanism for licensed child care called the "fix-it ticket." The fix-it ticket was created to allow child care license holders 48 hours to correct infractions that were believed to not immediately endanger children served in their programs without receiving a correction order required by Minn. Stat. 245A.06.

The WRS would expand the tiered violation system framework used to identify fix-it ticket eligible infractions. DHS anticipates the WRS would eliminate the need for the fix-it ticket process if it is approved by the legislature.

### Proposal:

After consulting with licensed child care stakeholders and NARA, the commissioner recommends: 1) adoption of the proposed weighted risk system (WRS) to evaluate child care licensing violations; and 2) repeal of the fix-it ticket requirement specified in MN Statutes 245A.065.

Implementing these activities requires one permanent position for training and implementation support (Human Services Program Representative 2) to support counties related to their licensing of family child care providers.

System modifications performed by MNIT will be required to the modify the ELICI system to implement this proposal. These systems changes are estimated to take approximately 3 months to complete. Additionally, systems modifications performed by its third party vendor (Salesforce) will be required to the licensing provider and reporting hub related to existing ELICI web services.

### Impact on Children and Families:

The WRS enforcement framework is based on proven analysis utilized in several other states and Canadian provinces. The WRS would support fair and consistent licensing enforcement throughout the state while also meeting the department's priority of ensuring all children have access to a healthy start, quality child care and early education.

### Equity and Inclusion:

This proposal could improve guidance for licensors by producing an objective and easily comparable set of information about a licensees' compliance history, prior to an inspection. This in turn could improve consistency in licensing decision-making, which may benefit smaller child care providers in under-resourced communities who have reported more challenges with licensing compliance compared to larger and better-resourced providers. Anecdotally, we have heard from providers that larger providers or "bigger shops" have an easier time with being compliant, versus "smaller shops" which are penalized or disproportionately impacted by licensing enforcement.

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

☐Yes
☒No

**Impacts to Counties:**
This proposal impacts counties and licensees in several ways. Child care licensors and licensees agree that the fix-it ticket process is inefficient and often requires follow up to verify the infraction has been corrected. This proposal would allow providers to resolve documented low-risk licensing infractions without the issuance of a fix-it ticket or correction order. Low-risk violations would result in a published correction order if the same infraction were present during the next inspection.

This proposal promotes consistency by standardizing the enforcement of licensing rules throughout the state. This benefits state and county licensors and their supervisors by providing them with data-driven tools, such as a pre-licensing inspection profile and a tiered system that sorts each regulation into a suggested enforcement "bucket" based on its weighted risk score (e.g., Documented Technical Assistance for low-risk, Correction Order for medium risk, and possible adverse licensing action for high-risk rules.

Licensors have been engaged throughout extensive stakeholder engagement efforts conducted by the child care regulation modernization project to develop this proposal, including focus groups and the weighted risk system survey. There are currently a small number of county licensors actively testing out the WRS concept in a pilot project being conducted by DHS and NARA. See the "Public and Stakeholder Engagement" section below for a full overview of engagement conducted.

**IT Costs**

| ***Category*** | ***FY 2024*** | ***FY 2025*** | ***FY 2026*** | ***FY 2027*** | ***FY 2028*** | ***FY 2029*** |
|---|---|---|---|---|---|---|
| Payroll | | | | | | |
| Professional/Technical Contracts | 0 | 80,000 | 0 | 0 | 0 | 0 |
| Infrastructure | | | | | | |
| Hardware | | | | | | |
| Software | | | | | | |
| Training | | | | | | |
| Enterprise Services | 0 | 53,353 | 10,671 | 10,671 | 0 | 0 |
| Staff costs (MNIT or agency) | | | | | | |
| **Total** | **0** | **133,353** | **10,671** | **10,671** | **0** | **0** |
| MNIT FTEs | | | | | | |
| Agency FTEs | | | | | | |

## 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 | | | 0 | 228 | 228 | 122 | 122 | 244 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | 0 | 228 | 228 | 122 | 122 | 244 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 11 | OIG Licensing FTE (Salary and Fringe) | 0 | 140 | 140 | 163 | 163 | 326 |
| GF | 11 | MNIT System Costs | 0 | 53 | 53 | 11 | 11 | 22 |
| GF | 11 | SalesForce System Costs | 0 | 80 | 80 | 0 | 0 | 0 |
| 11 | REV | Admin FFP (32%) | 0 | (45) | (45) | (52) | (52) | (104) |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 11 | OIG Licensing FTE | 0 | 1 | | 1 | 1 | |

## Statutory Change(s):

The proposal will require repeal of fix-it tickets in Minn. Stat. 245A.065 and replace with language to adopt the WRS.

## Minnesota Management and Budget
## FY 2024-25 Supplemental Budget Change Item

# Change Item Title: Transition to the New Department of Children, Youth, and Families

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| **Department of Children, Youth, and Families** | | | | |
| General Fund | | | | |
| Expenditures | 0 | 1,024 | 4,190 | 3,952 |
| **Department of Human Services** | | | | |
| General Fund | | | | |
| Expenditures | 0 | 824 | 1,648 | 1,648 |
| **Department of Education** | | | | |
| General Fund | | | | |
| Expenditures | 0 | 173 | 345 | 345 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 2,021 | 6,183 | 5,945 |
| **DCYF FTEs** | **0** | **56.0** | **56.0** | **56.0** |
| **DHS FTEs** | **0** | **19.5** | **19.5** | **19.5** |
| **MDE FTEs** | **0** | **2.6** | **2.6** | **2.6** |

### Request:

The Governor recommends priority investments at DCYF related to legislative recommendations and community feedback on the importance of engagement, partnership, and navigation. The request also includes additional resources for agency operations to support high-quality services at the new Department of Children, Youth, and Families (DCYF) and addresses key gaps in central functions at the Department of Human Services (DHS) and Department of Education (MDE) resulting from transferring resources to the new agency. The proposal provides necessary resources so all agencies can successfully operate programs serving Minnesotans.

The proposal will provide staff to support meaningful and effective engagement with counties and consultation with Tribes, and funding for leadership positions focused on family navigation and coordination for children and youth with mental health needs and/or who have or are at risk for disabilities. It also establishes a central operations budget at the new DCYF and addresses critical gaps at originating agencies that may result from transferring proportional operating resources to the new agency.

### Rationale/Background:

The 2023 legislature appropriated funding for executive team functions and temporary, one-time planning funds for the new Department of Children, Youth, and Families, but expected agencies to continue planning and analyzing the ongoing operational needs for the new agency. Since then, Minnesota Management and Budget (MMB) has been engaging communities and external partners, staff and employees as well as analyzing operating budgets and evaluating agency structures to develop a staffing model that will support the array of programs transferring to the new agency.

Central operations include those shared resources that support the collective programs across an agency. It includes externally facing functions, like community engagement experts and Tribal liaison leaders, as well as internally facing teams, like human resources and financial operations. While internal infrastructure supporting programs is often invisible to most Minnesotans, they are critical to a well-functioning agency. These are the services needed to ensure that community engagement is effective, that program staff have the tools needed to do their jobs, and that payments to program participants and vendors are made timely and accurately.

***Intergovernmental Engagement***

Legislation establishing DCYF directed Minnesota Management & Budget (MMB) to recommend a method:

> [T]o coordinate and partner with county and Tribal governments, including through the use of a governing authority, such as an intergovernmental advisory committee. The recommendations must be developed in coordination with county and Tribal governments.[36]

Counties and Tribes are key local partners in administering many of the programs transferring to DCYF, particularly those currently at the Department of Human Services (DHS). DCYF can be most effective in its supervision of programs that are administered by counties and Tribes when it engages those governments and their human services leaders in a regular and meaningful way. In addition to their key administrative role, counties fund about 30 to 45 percent of children's social services program costs in Minnesota.[37]

As reflected in the DCYF transition report, MMB's DCYF Implementation Office met twice monthly with county leaders identified by the Association of Minnesota Counties (AMC) and Minnesota Association of County Social Services Administrators (MACSSA) and developed a mutually agreeable approach to ongoing engagement.

The Administration actively engaged in Tribal consultations and meetings with Tribal leaders, members, and others from indigenous communities in the state. In these conversations the Implementation Office heard that each Tribe would likely want to make an independent decision about the method of consultation from DCYF and that such consultation may or may not include participation in an intergovernmental advisory committee comprised of mostly county members –noting the distinction in Tribal governance status.

***Family Navigation***

The Department of Children, Youth, and Families (DCYF) transition implementation has included robust engagement activities. Through dialogue with advocates, the administration has heard specific recommendations for leadership positions that would elevate and coordinate policy, budget, engagement, and other administrative actions to improve navigation of services with a specific focus on outcomes and coordination for children and youth with mental health needs and/or who have or are at risk for disabilities.

Families who have children with disabilities are largely facing challenges navigating services across education, health, human services, and many other systems. Similarly, the mental health needs of children and youth are growing. With children's mental health and disability programs and services in multiple agencies, the administration recommends leadership at the new agency to ensure coordination of programs and services to better address these needs.

Additionally, advocates for the new agency have asked for leadership focused on family navigation and being proactively responsive to program and service navigation concerns for children and families to make it easier for them to get what they need.

***Central Agency Operations***

Since July 2023, Minnesota Management and Budget has been coordinating cross-agency analysis of central operating functions and structures to develop a staffing model that will support the programmatic needs of the Department of Children, Youth, and Families. Research has included interviews with state agency leaders at several cabinet level agencies, analysis of central operation organizational structures and functions, and feedback from subject matter experts with experience operating programs that will transition to the new

[36] MN Session Laws 2023, Ch. 70, Section 31 (b).

[37] *Minnesota County Human Service Cost Report for 2020*, p. 53, Table 12, May 15, 2023; and *Minnesota County Human Service Cost Report for 2019*, p. 53, Table 12, May 5, 2021; Minnesota County Human Service Cost Report for 2018, p. 53, Table 12, October 8, 2020. (These are the most recent published reports available.)

agency. Potential models were evaluated against comparable state agencies to develop a final recommendation that accounts for the unique characteristics and complexity of DCYF.

The model represents the total central functions contingent needed to ensure that the new agency can successfully manage the third-largest general fund budget among all state agencies, as well as a complex mix of forecasted, state, and federally funded programs. It also accounts for the large grant portfolio that the new agency will be responsible for administering. Additionally, DCYF will need to successfully engage in governance and partnership with county and tribal administered program and community organizations. It will need resources to be responsive to a diverse array of partners and people who access services.

DCYF is expected to have about 900 FTE once all programs and operations transition. Based on the size and functions, it is estimated to need a central operations made up of 173 FTE, or 19 percent of the total agency FTE. This comparable in size to other similar agencies, such as the Departments of Human Services, Revenue, Education, and Pollution Control.

The majority of the central functions resources for DCYF are expected to transfer from the Department of Human Services and Department of Education as programs transition. Chapter 70 required agencies to identify proportional operating resources supporting DCYF programs. In coordination with Minnesota Management and Budget, originating agencies have identified resources to transfer. For example, DHS identified 118 FTE and MDE identified 2.6 FTE that would move to DCYF.

However, central operating structures supporting program areas identified to transfer oftentimes also support programs that will remain at originating agencies. In some cases, the proportional resources represent a fraction of a person's time. In other cases there are specialized functions or individual positions that will be needed by both agencies. As a result, the identification of capacity and resources for transfer is a more complex analysis that requires re-organization of operating structures and staffing for all impacted agencies. Transferring all of the proportional resources may leave critical operating gaps at the originating agencies that need to be addressed in order to maintain program operations.

### Proposal:

This proposal:

- Includes priority investments related to legislative recommendations and community feedback on the importance of engagement, partnership, and navigation;
- Invests in agency operations to support high-quality services for children, youth, and families;
- Addresses critical gaps in central functions at DHS and MDE resulting from transferring resources to the new agency.

### Priority Investments for Engagement, Partnership, and Navigation

The recommendation includes funding for leadership positions to support stronger partnership with counties and tribes, and leadership positions focused on family navigation and coordination based on legislative, community, and family feedback.

Two of the positions will actively engage the 87 counties and nearly 80 county human services agencies, around the nearly 90 county-administered programs and grants. This includes the administration of an intergovernmental advisory committee comprising leadership from Department of Children, Youth, and Families (DCYF), counties, and --at the option of each Tribe-- Tribes. In addition, one FTE is planned to be dedicated to consult with each of the 11 Tribal nations and their human services agencies to supplement a Tribal consultation FTE that was authorized in the 2023 session.

In addition to regular engagement, the staff would support a new intergovernmental advisory committee. Legislation would codify an ongoing expectation of the DCYF commissioner to co-develop a process with AMC and MACSSA to meet at least quarterly with a new intergovernmental advisory committee, with the likelihood of additional meetings of workgroups. The committee is established to provide advice, consultation, and recommendations to the commissioner on the planning, design, administration, funding, and evaluation of services to children, youth, and families.

The recommendation also includes two FTE and funding to support the beginnings of an office for family navigation within DCYF. Based on community learnings, the Governor's recommendation includes policy language to direct the commissioner of DCYF to have dedicated leadership to coordinate across the new agency and with other agencies to focus on and improve service navigation and coordination, especially for children with or at risk for disabilities and mental health needs, and a budget to fund leadership roles.

### Investments in Department of Children, Youth, and Families Agency Operations

This proposal includes 36 FTE for central operating functions at the new Department of Children, Youth, and Families. While the majority of the central operations resources that DCYF needs will transfer from originating agencies, these additional staff are needed to ensure the new department has the capacity needed to support the programs transferring to the new department. Examples of positions that will be needed include communications specialists to ensure information is accessible for partners and families, grant and contract specialists to support effective grantmaking for state staff and vendors, and financial cost-allocation experts to maximize federal match on administrative costs. The central operations analysis and planning also identified opportunities to claim federal reimbursement for the DCYF administrative funding provided by the 2023 legislature, which was not expected to be available when the original appropriation was made. Additionally, some of the positions funded by this request are knowledge transfer positions that were temporarily funded by the 2023 legislature for the transition period.

This proposal also includes $350,000 in FY2026 for one-time costs associated with moving furniture when the new agency moves to a new location after the current lease ends.

In addition to agency staff, the request includes 15 IT roles that will be responsible for standing up IT operations of DCYF and ensuring continuity of services. The roles support DCYF's priorities to use data-driven decision-making and person-centered approach to technology. Examples of positions that will be needed by the new agency include staff overseeing security controls, developing and managing system architecture, network infrastructure, and data structures.

### Addressing Critical Gaps at Originating Agencies

This proposal includes 19.5 FTE for the Department of Human Services and 2.6 FTE for the Department of Education to address critical gaps in operating resources as a result of transferring resources to the new agency. Minnesota Management and Budget, in partnership with DHS and MDE, analyzed agency budgets and identified critical operating functions that would need resources in order to maintain services. Agencies are planning to restructure teams and redistribute work in response to newly sized functions. In addition, interagency agreements will support some common functions needed across agencies. However, there are some operating needs that cannot be addressed through either option. For example, some positions, such as budget management staff or external relations positions, are needed by both agencies and cannot easily be shared.

## 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 | | | 0 | 2,021 | 2,021 | 6,183 | 5,945 | 12,129 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | 0 | 2,021 | 2,021 | 6,183 | 5,945 | 12,129 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | | DCYF Total | 0 | 3,279 | 3,279 | 7,183 | 6,833 | 14,016 |
| GF | | DCYF Admin FFP | 0 | (866) | (866) | (1,866) | (1,754) | (3,620) |
| GF | | DCYF Admin FFP for 2023 Base Appropriation | 0 | (1,390) | (1,390) | (1,127) | (1,127) | (2,253) |
| GF | 11 | DHS Total | 0 | 1,212 | 1,212 | 2,424 | 2,424 | 4,847 |
| GF | REV1 | DHS Admin FFP | 0 | (388) | (388) | (776) | (776) | (1,551) |
| GF | | MDE | 0 | 173 | 173 | 345 | 345 | 690 |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | | DCYF | | 56 | 56 | 56 | 56 | 56 |
| GF | 11 | DHS | | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 |
| GF | | MDE | | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |

## Department of Human Services
## FY 2024-25 Biennial Budget Change Item

## Change Item Title: DCT Separation Authority (DC-46)

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

### Request:
The Governor recommends that the effective date Direct Care and Treatment (DCT) separates from the Department of Human Services (DHS) and becomes a separate state agency be changed from January 1, 2025, to July 1, 2025, to align with the start of the state fiscal year and biennium.

### Rationale/Background:
DCT is a large, highly specialized behavioral health care system that cares for more than 12,000 patients and clients each year. DCT serves a unique role in Minnesota's mental health services, providing care to those whose conditions are clinically complex and highly challenging to treat. Nearly all of DCT's patients and clients have been civilly committed. Many are under more than one type of civil commitment. Private providers cannot or will not serve these patients and clients.

DCT operates an extensive statewide network of psychiatric hospitals and other inpatient mental health facilities, residential SUD treatment facilities, group homes and vocational services for people with disabilities, and special care dental clinics. It also operates the nation's largest program for civilly committed sex offenders.

Current law states DCT shall operate as a standalone state agency on January 1, 2025. This date is in the middle of a state fiscal year and biennium. Extending the cutover date by six months to July 1, 2025, will align with the start of a new state fiscal year and the beginning of a new biennium. It also provides a longer transitional period for both DCT and DHS to finalize separation activities and gives the DCT executive board members more time for onboarding and in-depth training.

### Proposal:
This proposal includes statutory language that:

1) Changes the effective date of the DCT separation
2) Establishes the DCT Executive Board as required by law
3) Includes various statutory requirements DCT is subject to as part of DHS
4) Provides authority customarily held by other standalone state agencies

<u>Establish DCT Executive Board</u>
In the 2023 regular session, the Legislature authorized the separation of DCT from DHS. The governance structure of DCT in the legislation requires the creation of an executive board. In order to effectuate this separation, DHS is mandated to prepare legislation for the 2024 legislative session that creates and develops

the DCT Executive Board and defines its responsibilities, powers, and functions as required by Laws 2023, Chapter 61, article 8, section 9, subdivision 2, paragraph (a).

DCT Inclusion under the Minnesota Government Data Privacy Act

DHS is included under the definition of "welfare system" in the Minnesota Government Data Privacy Act (MGDPA). Data on individuals collected, maintained, used, or disseminated by the welfare system are private data on individuals, and shall not be disclosed except in specific circumstances outlined by statute. Currently, as part of DHS, DCT is included within the definition of "welfare system" and subject to statutory requirements of the MGDPA. As a separate state agency, DCT will require inclusion under the definition of "welfare system" and other parts of chapter 13 to maintain compliance with the MGDPA.

Government-to-Government Consultations

Government to government consultation with Minnesota tribal nations is required regarding matters that have tribal implications such as rules, legislative proposals, policy statements, or other actions that have substantial direct effects on one or more Minnesota Tribal government, or on the distribution of power and responsibilities between the state and Minnesota Tribal governments. DCT currently falls under the DHS requirement for government-to-government consultation in section 10.65. DCT seeks to have this requirement in place as a standalone state agency.

DCT Remains Under Peer Review for Health Care Entities

Peer review for health care entities includes DCT as part of DHS under sections 145.61-145.66. Peer review for health care entities protects peer review participants through immunity, privilege, and confidentiality. This process provides ongoing opportunities for interdisciplinary evaluation, review, and collaboration, to improve the provision of health care. Currently, DCT completes significant internal peer review. If DCT is not included under the statute as a standalone state agency, not all DCT sites will be covered. DCT seeks to continue its inclusion for peer review for health care entities.

DCT Special Dedicated Account Creation

Like other state agencies that have special revenue fund accounts for operational activities, DCT will require its own special revenue fund accounts when it is a standalone state agency. This proposal creates necessary special revenue fund accounts for facility maintenance; computer and security systems; and for the maintenance of cemeteries on DCT campuses.

Authority to Design and Construct

Currently, design and construction for DCT goes through a process with the Department of Administration. This process lengthens the amount of time that a both the design and construction processes take and increases associated costs. This is challenging given the demands on DCT to make changes to adapt to demand for services.

Other state agencies, such as the Department of Natural Resources, Department of Transportation, and Department of Military Affairs have the authority to design and construct. This proposal gives DCT the same authority and will decrease the length of time for the design and construction process and associated costs.

Authority to Manage Bond Funds Account

DCT owns a significant number of buildings. Currently, DCT has an established team with expertise in bond management. This proposal gives DCT the authority to manage its own 3600 (Bond Funds) accounts. Given the number of buildings owned by DCT and its expertise and role in the current bond management process, this change aligns DCT with other state agencies that possess capital infrastructure.

This authority is held by other state agencies that possess capital infrastructure such as the Department of Natural Resources, Department of Transportation, Department of Employment and Economic Development, and the Minnesota Zoo.

### Impact on Children and Families:
This proposal is not related to this initiative.

### Equity and Inclusion:
This proposal is not related to this initiative.

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

☐Yes
☒No

### Impacts to Counties:
This proposal does not impact counties, but DCT will share this proposal with the counties to solicit feedback and address any concerns.

### IT Costs
This proposal does not have IT costs.

### Results:
This section does not apply to this initiative.

### 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 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |

### Statutory Change(s):
Section 246C.02 and possible Rider language related to transfers.

## Agency Name
## FY 2024-25 Biennial Budget Change Item

# Change Item Title: 2023 Budget Bill Technical Cleanup (OP-50)

| Fiscal Impact ($000s) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| General Fund | | | | |
| Expenditures | (5,291) | 5,291 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | (5,291) | 5,291 | 0 | 0 |
| **FTEs** | **0** | **0** | **0** | **0** |

### Request:
The Governor and Lieutenant Governor recommend making technical changes to ensure that the Department of Human Services can implement policy changes as intended by the legislature. This proposal is budget neutral.

### Rationale/Background:
The 2023 legislature passed a historic number of changes and appropriations in health and human services across multiple bills. This proposal fixes technical errors, ensuring that the Department of Human Services can implement policy changes as intended by the legislature.

### Proposal:

***Administrative Carryforward Amounts***
In its historic work during the 2023 legislative session, the legislature provided appropriations that were either one-time in the FY24-25 biennium or were heavily frontloaded in the FY24-25 biennium. To mitigate challenges in administering this volume of one-time funds, the legislature also specified carryforward authority for both grant and administrative funds. This proposal corrects the following errors in the amount of administrative funding that should carryforward:

- Chapter 61 Central office operations: The FY2024 appropriation with carryforward authority to 6/30/27 should be increased by $592,000 to align with the same carryforward periods of the corresponding programmatic dollars.
- Chapter 61 Central office aging and disability services: The FY2024 appropriation with carryforward authority to 6/30/27 should be increased by $1.347 million to add carryforward authority for the presumptive eligibility study under Ch. 61, Article 1, Section 81.
- Chapter 70 Central office behavioral health, deaf and hard of hearing, and housing services: The FY2025 appropriation with carryforward authority to 6/30/27 should be increased by $136,000 to align with the same carryforward periods of the corresponding programmatic dollars.

***Improve the Applicant and Enrollee Experience for MA and MinnesotaCare***
This proposal modifies the rider for Medical assistance and MinnesotaCare accessibility improvements (Ch. 70, Article 20, Sec. 2, Subdiv 5(a)) to align the appropriation amount with the spreadsheet and the carryforward timeline to January 30, 2027.

***Navigator Funding***

Over the last year, DHS has worked diligently with counties, tribes, other state agencies, and many more community partners to implement the unwinding of continuous coverage requirements in Medical Assistance and MinnesotaCare that were stood up as a result of the COVID-19 pandemic. In Chapter 22, the 2023 legislature provided one-time funding of $3 million in fiscal year 2024 to fund payments to Navigator organizations as they assist people to retain healthcare coverage during the unwinding period. This proposal provides carryforward authority for those funds as the unwinding period stretches into fiscal year 2025.

***Financially Distressed Nursing Facility Loan Program***

The 2023 legislature established the Financially Distressed Nursing Facility Loan Program to provide operating loans to eligible nursing facilities. The law (Minnesota Statutes 256R.55) specifies that nursing facilities don't have to start repayment for 18 months after receiving the loan and then can have 72 months to repay. The law also establishes carryforward authority through June 30, 2029 and specifies an expiration date of June 30, 2029. Given the repayment terms specified in the law, it is likely that some facilities will continue to repay the loan beyond the statute's expiration date. This proposal removes the expiration date to ensure legal authority is maintained throughout the life of the program.

***Home Care Orientation Trust***

In Chapter 61, the 2023 legislature appropriated $1 million in fiscal year 2024 to establish a Home Care Orientation Trust under Minnesota Statutes section 179A.54 subdivision 11. The commissioner is required to disburse this appropriation to the board of trusties of the Home Care Orientation trust for deposit into an account designated by the board of trustees. This proposal amends the rider (Ch. 61, Article 9, Sec. 2, Subdiv 16(j)) to specify that the funds are available until June 30, 2025 to give adequate time for the board of trustees to become established.

***Self-Advocacy Grants***

This proposal modifies the rider for the self-advocacy grants for persons with intellectual and developmental disabilities (Ch. 61, Article 9, Sec. 2, Subdiv 16(o)) to clarify that it is a one-time appropriation. This aligns the rider language with the spreadsheet and amount appropriated for this program.

***Mobile Crisis and Tribal Mobile Crisis Grants***

This proposal modifies the riders for mobile crisis grants (Ch. 70, Article 20, Sec. 2, Subd 29(e)) and tribal mobile crisis grants (Ch. 70, Article 20, Sec. 2, Subd 29(a)) to clarify that they are for both adult and children crisis grants.

***Transition to Community Grants***

Beginning in fiscal year 2025, this proposal moves the appropriation for Transition to Community grants from the Adult Mental Health Grants budget activity to the Disability Grants budget activity. This shift will reflect how the agency is structuring our work around acute care transitions.

***Housing Support Supplemental Services***

The 2023 Legislature passed the Revisor's bill (Chapter 25) making technical, non-substantive corrections to state law. Under statute, Revisor's bills are technical in nature and limited to clarifying and correction provisions. See section 3C.04, subdivision 4. Chapter 25 erroneously repealed a provision (256B.051, Subd 7) as obsolete, however this provision is not obsolete as it clarifies how housing support supplemental service rates should be established when authorized for a person who is also eligible for the Medicaid service Housing Stabilization Services (HSS). This proposal fixes this error included in the Revisor's bill.

***Minnesota Food Assistance Program***
Previous session law included a rider that specified carryforward authority for this grant, which is administered alongside SNAP and cash assistance forecast programs. This proposal establishes carryforward authority for this biennium.

***Family Assets for Independence in Minnesota (FAIM)***
Chapter 70 appropriated an increase to the base for the FAIM program under the Children Services Grants budget activity (Ch. 70, Article 20, Sec. 2, Subd 22 (o)), however, the base funding is under the Children and Economic Support Grants budget activity. This proposal aligns the increased funding with the base funding.

***Youth Cash Stipend***
Policy language in Chapter 70 says, "This section expires June 30, 2027." (Art. 11, Sec. 13, subd. 8 – line 543.22) however the appropriations language says, "This is a onetime appropriation and is available until June 30, 2028." (Art. 20, Sec. 2, Subd. 24, para. g – lines 802.14-802.16). This proposal aligns the rider language with the policy language by modifying the carryforward through June 30, 2027.

***Community Action Agency***
The Community Action Agency appropriation was mistakenly included in BACT 46 Children and Community Service Grants while it should be in BACT 47 Children and Economic Support Grants. This proposal moves the appropriation to the correct budget activity.

***TANF Operating Adjustment in incorrect budget activity***
The operating adjustment in TANF was appropriated in central office operations budget activity (BACT 11) when it should have been in central office children and families (BACT 12). This proposal corrects this error.

***Updating special revenue fund language for FFPSA grants & kinship navigator program***
Chapter 70 established two special revenue funds under Minnesota Statutes 256.4793, subd 3 and 256.4794, sub 3. (Ch. 70, Article 14, Section 2, subd 3 and Ch. 70, Article 14, Section 3, subd 3). The Family First Prevention Services Act (FFPSA) allows states to retain Title IV-E reimbursement for prevention-related activities, this proposal would clarify the original intent of the proposal. This proposal adds language to allow administrative funds to transfer into the current special revenue fund to support child welfare prevention services and retain federal reimbursement. Current reporting requirements would remain in place.

***Fraud Prevention Investigations (FPI) Grant Appropriations***
Fraud Prevention Investigations grant funding administered by the Office of Inspector General (OIG) has been appropriated in both BACT 47 and BACT 11. This proposal creates a new BACT for grant funding administered by OIG and transfers all FPI grant funding into the new BACT.

***Providing advisory council stipend funding***
This proposal clarifies that funds appropriated to administer Community Resource Centers (Ch 70, Article 20, Sec. 2, Sub 4, (e)), may be used to compensate advisory council members under MS 15.0575.

***Medicare Economic Index (MEI) timing***
This provision amends the Medicare Economic Index (MEI) changes made during the 2023 session for Assertive Community Treatment (ACT), Intensive Rehabilitative Mental Health Services (IRMHS), Intensive Residential Treatment Services (IRTS), and Residential Crisis Stabilization (RCS) rates. This modification will allow DHS to use third quarter instead of fourth quarter data. This budget neutral change will minimize payment delays for providers.

***Self-Support Reserve***

This provision corrects an error in statutory language related to the self-support reserve used when determining child support. Included in Laws of Minnesota 2023, chapter 70, article 14, beginning January 1, 2025 the error unintentionally eliminates the ability to provide a self-support reserve adjustment for any child support payers or recipients who are incarcerated or receive GA, SSI, TANF and/or MFIP, resulting in unaffordable obligations for some low-income child support payers.

***Opioid Treatment Programs***

The 2023 legislature modified the rate methodology used for Opioid Treatment Programs (OTPs). The bill language had an effective date of January 1, 2024 or upon federal approval. However, the spreadsheet appropriated funds based on an effective date of January 1, 2026 or upon federal approval, which reflects the timing needed for systems changes and the federal approval process. This proposal updates the bill language to align with the effective date reflected in the spreadsheet.

***Family First Prevention and Early Intervention Allocation Program***

The 2023 legislative session established a new allocation to counties and Tribal Nations under Minnesota Statutes 260.014. Statute states that the commissioner may "distribute funds for a two-year period." This proposal further clarifies that funds appropriated for this program are available for two fiscal years from the date they were appropriated.

## Impact on Children and Families:

This proposal ensures that funds appropriated in the 2023 legislative session are able to be used as intended by the legislature.

## Equity and Inclusion:

This proposal ensures that funds appropriated in the 2023 legislative session are able to be used as intended by the legislature. This proposal does not have a substantive impact on equity and inclusion.

## Tribal Consultation:

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

☐Yes
☐No

This proposal does not have a substantive impact on Tribal Nations.

## Impacts to Counties:

This proposal does not have a substantive impact on counties.

## IT Costs:

This proposal does not have IT costs.

## Results:

This proposal fixes technical errors in current law, ensuring that the Department of Human Services can implement policy changes as intended by the legislature.

## 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 | | | (5,291) | 5,291 | 0 | | | |
| HCAF | | | | | | | | |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| **Total All Funds** | | | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| GF | 11 | BACT 11 admin carryforward provisions | (592) | 592 | 0 | | | |
| GF | 13 | BACT 13 admin carryforward provisions | (3,216) | 3,216 | 0 | | | |
| GF | 14 | BACT 14 admin carryforward provisions | (1,347) | 1,347 | 0 | | | |
| GF | 57 | BACT 57 carryforward provisions | (136) | 136 | 0 | | | |
| | | **Requested FTEs** | | | | | | |
| **Fund** | **BACT#** | **Description** | **FY 24** | **FY 25** | **FY 24-25** | **FY 26** | **FY 27** | **FY 26-27** |
| | | | | | | | | |

## Statutory Change(s):

Multiple statutory changes are included in this proposal.