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➡ Designates that this item is a change item



Protecting, maintaining and improving the health of all Minnesotans

January 27, 2009

To the 2009 Minnesota Legislature,

As you are aware, Minnesota consistently ranks in the top four as one of the healthiest states in the nation thanks to our commitment to public health and the strength of our unique state/local partnerships. MDH employs a variety of program models and strategies in the pursuit of our mission: to protect, maintain, and improve the health of all Minnesotans. Additionally, our policies reduce overall costs by focusing on immediate interventions and long-term prevention.

We approach this work through core agency values of integrity, collaboration, science, and accountability. Also important are our close partnerships with local public health departments, tribal governments, the federal government, other state agencies, and many health-related organizations.

MDH faces a variety of new concerns in the coming biennium. These include increasing demand for services with decreasing financial resources, growing public concern about new emerging health threats, and maintaining our focus on long-term prevention and reform goals in the midst of immediate short-term needs.

The following pages reflect the difficult economic times facing the state in the coming biennium, and contain strategies MDH believes will address the fiscal realities facing our agency while still accomplishing our goals. These strategies support our recently refocused agency strategic priorities:

- Health care reform
- Focus on prevention risk factors
- Public health threats

There are three strategic themes to incorporate across our strategic priorities: eliminate health disparities, align with and influence the changing culture, and use economic conditions for health's advantage. We are establishing improved goals and performance measures to accompany these priorities and themes to ensure our progress toward cost-effective outcomes for all Minnesotans.

MDH is committed to finding new and innovative ways to accomplish our mission. I look forward to working with you on our FY2010-2011 biennial budget so that Minnesotans can continue to live in one of the healthiest states in the nation.

Sincerely,

A handwritten signature in black ink that reads "Sanne Magnan".

Sanne Magnan, M.D., Ph.D.
Commissioner
P.O. Box 64975
St. Paul, MN 55164-0975

Agency Purpose

The statutory mission of the Minnesota Department of Health (MDH) is to protect, maintain, and improve the health of all Minnesotans. MDH approaches its work through core agency values of integrity, collaboration, respect, science-based decision making, and accountability.

MDH is the state's lead public health agency, responsible for operating programs that prevent infectious and chronic diseases, promote clean water, safe food, quality health care, and healthy living. The department also plays a significant role in making sure that Minnesota is ready to effectively respond to serious emergencies, such as natural disasters, emerging disease threats, and terrorism.

The department carries out its mission in close partnership with local public health departments, tribal governments, the federal government, foreign countries, and many health-related organizations.

Public health programs contribute to longer, healthier lives. According to the federal Centers for Disease Control and Prevention, public health is credited with adding 25 years to the life expectancy of people in the United States over the past century. Minnesota is consistently ranked one of the healthiest states in the country, in part because of its strong public health system, led by the Minnesota Department of Health.

Core Functions

While MDH is perhaps best known for responding to disease outbreaks, the department's core functions are very diverse and far-reaching, and focus on preventing health problems before they occur.

- ◆ Health Care Reform: MDH is the lead agency implementing Minnesota's recently-enacted health reform initiative. The reforms are focused on improving the health of Minnesota's population, improving the effectiveness and efficiency of the health care delivery system, increasing the health status of people with chronic health conditions, and reforming the way we pay for health care services in a way that supports high quality, low cost, efficient health care delivery.
- ◆ Preventing Diseases: MDH detects and investigates disease outbreaks, controls the spread of disease, encourages immunizations, and seeks to prevent chronic and infectious diseases, including HIV/AIDS, tuberculosis, diabetes, asthma, cardiovascular disease, and cancer. The department's public health laboratories analyze complex and dangerous biological, chemical, and radiological substances, employing techniques not available privately or from other government agencies.
- ◆ Preparing for Emergencies: MDH works with many partners – including local public health departments, public safety officials, health care providers, and federal agencies – to prepare for significant public health emergencies. The department takes an "all-hazards" approach to planning so that Minnesota is prepared to respond quickly and effectively to any type of public health emergency, ranging from natural disasters to terrorism to an influenza pandemic.
- ◆ Reducing Environmental Health Hazards: MDH identifies and evaluates potential health hazards in the environment, from simple sanitation to risks associated with toxic waste sites and nuclear power plants. The department protects the safety of public water supplies and the safety of the food eaten in restaurants. It also works to safeguard the air inside public places.
- ◆ Protecting Health Care Consumers: MDH safeguards the quality of health care in the state by regulating many people and institutions that provide care, including hospitals, health maintenance organizations, and nursing homes. Minnesota has pioneered improvements in the health care system, including the development of policies that assure access to affordable, high-quality care which are models for the nation. The department monitors trends in costs, quality, and access in order to inform future policy decisions. The department also reports to consumers on health care quality through the nursing home report card, adverse health events report and other special projects.

At A Glance

- ◆ MDH is one of the top state health departments in the country.
- ◆ MDH has earned an international reputation for being on the cutting edge of disease detection and control, and developing new public health methods.
- ◆ MDH workforce of approximately 1,300 includes many MD's, PhD's, nurses, health educators, biologists, chemists, epidemiologists, and engineers.
- ◆ MDH program resources are deployed in the Twin Cities and seven regional offices statewide, to better serve the state population.

- ◆ Promoting Good Health: MDH provides information and services to help people make healthy choices. Eating nutritiously, being physically active and avoiding unhealthy substances, such as tobacco, can help prevent many serious diseases and improve the overall health of the state. The department also protects the health of mothers and children through the supplemental nutrition program Women, Infants and Children (WIC) and services for children with special health needs. Minnesota was one of the first states to regulate smoking in public places, and has developed tobacco prevention strategies used nationwide. MDH programs also address occupational safety, injury, and violence prevention.
- ◆ Achieving Success Through Partnership: Minnesota has a nationally renowned public health system built on well-articulated state and local government roles. MDH provides both technical and financial assistance to local public health agencies so they can provide programs and services meeting the unique needs of their communities.

Operations

Many core public health functions are carried out directly by MDH staff. Examples include:

- ◆ Scientists and epidemiologists who work in the laboratories and the cities and neighborhoods of the state to identify the nature, sources, and means of treatment of disease outbreaks and food borne illness.
- ◆ Nursing home inspectors who make sure that elderly citizens are provided with safe and appropriate health care, and are treated with respect and dignity.
- ◆ Environmental engineers who work with cities and towns to assure that municipal water systems provide water that is safe for families to drink.
- ◆ Laboratory scientists who conduct sophisticated tests to detect treatable metabolic errors in all newborn babies.
- ◆ Chronic disease specialists who work with health plans, nonprofit organizations and individuals across the state to develop and implement plans and strategies for preventing and reducing the burden of chronic diseases.
- ◆ Scientists and policy experts who collect and evaluate information about environmental trends, the health status of the public, quality of health services, health disparities, and other emerging issues; and carry out public health improvement programs.

MDH provides technical and financial assistance to local public health agencies, public and private care providers, non-governmental organizations, and teaching institutions. Technical assistance provides partners with access to current scientific knowledge and is commonly in the form of direct consultation, formal reports, and training.

Budget

MDH receives approximately 85% of its funding from non-general fund resources – the federal government, dedicated fees, the health care access fund, and other revenues. The general fund accounts for the remaining 15% of the budget. Approximately 62% of the budget is “passed through” to local governments, nonprofit organizations, community hospitals, and teaching institutions in the form of grants; 21% represents the cost of the professional and technical staff that carry out the department’s core functions; and 17% is for other operating costs, primarily for technology and space.

Contact

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Agency Overview: <http://www.health.state.mn.us/orginfo.html>

Agency Performance Measures <http://www.departmentresults.state.mn.us/health/index.html>

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|---------------|---------------|------------------|---------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 84,814 | 74,544 | 74,544 | 74,544 | 149,088 |
| Recommended | 84,814 | 74,544 | 68,309 | 63,116 | 131,425 |
| Change | | 0 | (6,235) | (11,428) | (17,663) |
| % Biennial Change from 2008-09 | | | | | -17.5% |
| Petroleum Tank Release Cleanup | | | | | |
| Current Appropriation | 1 | 0 | 0 | 0 | 0 |
| Recommended | 1 | 0 | 0 | 0 | 0 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -100% |
| State Government Spec Revenue | | | | | |
| Current Appropriation | | 37 | 43,767 | 43,767 | 87,534 |
| Recommended | | 37 | 45,415 | 45,415 | 90,830 |
| Change | | 0 | 1,648 | 1,648 | 3,296 |
| % Biennial Change from 2008-09 | | | | | 3.7% |
| Health Care Access | | | | | |
| Current Appropriation | | 38 | 23,168 | 23,168 | 46,336 |
| Recommended | 14,130 | 23,168 | 20,725 | 19,094 | 39,819 |
| Change | | 0 | (2,443) | (4,074) | (6,517) |
| % Biennial Change from 2008-09 | | | | | 4.9% |
| Miscellaneous Special Revenue | | | | | |
| Current Appropriation | 8,550 | 8,550 | 8,550 | 8,550 | 17,100 |
| Recommended | 8,550 | 8,550 | 8,550 | 8,550 | 17,100 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 0% |
| Federal Tanf | | | | | |
| Current Appropriation | 11,418 | 11,733 | 11,733 | 11,733 | 23,466 |
| Recommended | 11,418 | 11,733 | 11,733 | 11,733 | 23,466 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 1.4% |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Recommended | 0 | 0 | 1,250 | 2,500 | 3,750 |
| Change | | 0 | 1,250 | 2,500 | 3,750 |
| % Biennial Change from 2008-09 | | | | | n.m. |

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|--|----------------|----------------|------------------|----------------|----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 843 | 3,625 | 0 | 0 | 0 |
| Health Care Access | 296 | 326 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 382 | 2,409 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 80,837 | 75,352 | 68,309 | 63,116 | 131,425 |
| Petroleum Tank Release Cleanup | 1 | 0 | 0 | 0 | 0 |
| State Government Spec Revenue | 36,456 | 47,250 | 45,415 | 45,415 | 90,830 |
| Health Care Access | 11,715 | 25,342 | 20,725 | 19,094 | 39,819 |
| Federal Tanf | 9,997 | 13,154 | 11,733 | 11,733 | 23,466 |
| Remediation Fund | 824 | 280 | 0 | 0 | 0 |
| Clean Water Fund | 0 | 0 | 1,250 | 2,500 | 3,750 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 157 | 174 | 174 | 174 | 348 |
| Health Care Access | 22 | 32 | 32 | 32 | 64 |
| Miscellaneous Special Revenue | 148 | 254 | 150 | 150 | 300 |
| Statutory Appropriations | | | | | |
| Drinking Water Revolving Fund | 474 | 521 | 521 | 521 | 1,042 |
| Miscellaneous Special Revenue | 49,656 | 59,304 | 47,361 | 47,297 | 94,658 |
| Federal | 206,328 | 210,309 | 206,706 | 206,194 | 412,900 |
| Medical Education & Research | 83,885 | 79,399 | 86,642 | 96,489 | 183,131 |
| Gift | 14 | 144 | 0 | 0 | 0 |
| Total | 482,035 | 517,875 | 489,018 | 492,715 | 981,733 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 99,306 | 109,749 | 107,463 | 108,137 | 215,600 |
| Other Operating Expenses | 79,228 | 100,626 | 65,617 | 57,201 | 122,818 |
| Capital Outlay & Real Property | 4 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 103,498 | 109,112 | 108,366 | 108,366 | 216,732 |
| Local Assistance | 199,163 | 192,924 | 208,147 | 219,586 | 427,733 |
| Other Financial Transactions | 836 | 5,464 | 0 | 0 | 0 |
| Transfers | 0 | 0 | (575) | (575) | (1,150) |
| Total | 482,035 | 517,875 | 489,018 | 492,715 | 981,733 |
| <u>Expenditures by Program</u> | | | | | |
| Community & Family Hlth Prom0 | 212,932 | 229,784 | 227,058 | 221,760 | 448,818 |
| Policy Quality & Compliance | 140,155 | 149,979 | 138,452 | 146,518 | 284,970 |
| Health Protection | 98,200 | 96,821 | 91,574 | 92,503 | 184,077 |
| Administrative Support Service | 30,748 | 41,291 | 31,934 | 31,934 | 63,868 |
| Total | 482,035 | 517,875 | 489,018 | 492,715 | 981,733 |
| Full-Time Equivalent (FTE) | 1,306.7 | 1,327.4 | 1,294.4 | 1,264.0 | |

| <i>Dollars in Thousands</i> | | | | |
|---|---------------|--------------------|---------------|----------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 74,544 | 74,544 | 74,544 | 149,088 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | (3,880) | (3,880) | (7,760) |
| Fund Changes/consolidation | | 146 | 146 | 292 |
| Pt Contract Base Reduction | | (7) | (7) | (14) |
| Transfers Between Agencies | | 208 | 208 | 416 |
| Subtotal - Forecast Base | 74,544 | 71,011 | 71,011 | 142,022 |
| Change Items | | | | |
| Behavioral Risk Surveillance Survey | 0 | 550 | 550 | 1,100 |
| E-Health Initiative | 0 | 350 | 350 | 700 |
| Tuberculosis Prevention and Control | 0 | 200 | 200 | 400 |
| Grant Elimination | 0 | (1,208) | (1,208) | (2,416) |
| Local Public Health Grant Payment Delay | 0 | 0 | (5,193) | (5,193) |
| Grant Reduction - Family Planning | 0 | (1,050) | (1,050) | (2,100) |
| General Fund Administrative Reduction | 0 | (1,834) | (1,834) | (3,668) |
| 2007 & 2008 Session Laws Adjustment | 0 | 290 | 290 | 580 |
| Total Governor's Recommendations | 74,544 | 68,309 | 63,116 | 131,425 |
| Fund: PETROLEUM TANK RELEASE CLEANUP | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Total Governor's Recommendations | 0 | 0 | 0 | 0 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| FY 2009 Appropriations | 43,767 | 43,767 | 43,767 | 87,534 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | 78 | 78 | 156 |
| One-time Appropriations | | (209) | (209) | (418) |
| Program/agency Sunset | | (200) | (200) | (400) |
| Subtotal - Forecast Base | 43,767 | 43,436 | 43,436 | 86,872 |
| Change Items | | | | |
| Adverse Health Events Program Fee | 0 | 73 | 73 | 146 |
| Food Manager Certification Program | 0 | 163 | 163 | 326 |
| Food, Beverage, & Lodging Program | 0 | 823 | 823 | 1,646 |
| Youth Camp Licence & Inspection Program | 0 | 50 | 50 | 100 |
| Manufactured Home Parks & Rec Camping | 0 | 320 | 320 | 640 |
| X-Ray Program Fee | 0 | 250 | 250 | 500 |
| Lead Program-Pre-Renovation & Renovation | 0 | 100 | 100 | 200 |
| Infected Health Care Workers Program | 0 | 50 | 50 | 100 |
| Environmental Certification Fee | 0 | 150 | 150 | 300 |
| Total Governor's Recommendations | 43,767 | 45,415 | 45,415 | 90,830 |
| Fund: HEALTH CARE ACCESS | | | | |
| FY 2009 Appropriations | 23,168 | 23,168 | 23,168 | 46,336 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Biennial Appropriations | | 600 | 0 | 600 |
| Current Law Base Change | | 20,621 | 27,130 | 47,751 |
| Fund Changes/consolidation | | (146) | (146) | (292) |
| One-time Appropriations | | (9,518) | (9,518) | (19,036) |
| Subtotal - Forecast Base | 23,168 | 34,725 | 40,634 | 75,359 |

| | <i>Dollars in Thousands</i> | | | Biennium 2010-11 |
|---|-----------------------------|------------------------------|----------------|---------------------|
| | FY2009 | Governor's Recomm. FY2010 | FY2011 | |
| Change Items | | | | |
| Statewide Health Improvement Program | 0 | (14,000) | (21,000) | (35,000) |
| Health Reform - Essential Benefit Set | 0 | 0 | (540) | (540) |
| Total Governor's Recommendations | 23,168 | 20,725 | 19,094 | 39,819 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| FY 2009 Appropriations | 8,550 | 8,550 | 8,550 | 17,100 |
| Subtotal - Forecast Base | 8,550 | 8,550 | 8,550 | 17,100 |
| Total Governor's Recommendations | 8,550 | 8,550 | 8,550 | 17,100 |
| Fund: FEDERAL TANF | | | | |
| FY 2009 Appropriations | 11,733 | 11,733 | 11,733 | 23,466 |
| Subtotal - Forecast Base | 11,733 | 11,733 | 11,733 | 23,466 |
| Total Governor's Recommendations | 11,733 | 11,733 | 11,733 | 23,466 |
| Fund: CLEAN WATER FUND | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| Drinking Water Contaminants | 0 | 445 | 890 | 1,335 |
| Source Water Protection | 0 | 805 | 1,610 | 2,415 |
| Total Governor's Recommendations | 0 | 1,250 | 2,500 | 3,750 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Planned Open Spending | 174 | 174 | 174 | 348 |
| Total Governor's Recommendations | 174 | 174 | 174 | 348 |
| Fund: HEALTH CARE ACCESS | | | | |
| Planned Open Spending | 32 | 32 | 32 | 64 |
| Total Governor's Recommendations | 32 | 32 | 32 | 64 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Open Spending | 254 | 150 | 150 | 300 |
| Total Governor's Recommendations | 254 | 150 | 150 | 300 |
| Fund: DRINKING WATER REVOLVING FUND | | | | |
| Planned Statutory Spending | 521 | 521 | 521 | 1,042 |
| Total Governor's Recommendations | 521 | 521 | 521 | 1,042 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Planned Statutory Spending | 3,625 | 0 | 0 | 0 |
| Total Governor's Recommendations | 3,625 | 0 | 0 | 0 |
| Fund: HEALTH CARE ACCESS | | | | |
| Planned Statutory Spending | 326 | 0 | 0 | 0 |
| Total Governor's Recommendations | 326 | 0 | 0 | 0 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 61,713 | 47,361 | 47,297 | 94,658 |
| Total Governor's Recommendations | 61,713 | 47,361 | 47,297 | 94,658 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 210,309 | 206,706 | 206,194 | 412,900 |
| Total Governor's Recommendations | 210,309 | 206,706 | 206,194 | 412,900 |
| Fund: MEDICAL EDUCATION & RESEARCH | | | | |

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|---|--------|--------------------|--------|---------------------|
| | | FY2010 | FY2011 | |
| Planned Statutory Spending | 79,399 | 86,642 | 96,489 | 183,131 |
| Total Governor's Recommendations | 79,399 | 86,642 | 96,489 | 183,131 |
| <i>Fund: GIFT</i> | | | | |
| Planned Statutory Spending | 144 | 0 | 0 | 0 |
| Total Governor's Recommendations | 144 | 0 | 0 | 0 |
| <u>Revenue Change Items</u> | | | | |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| Change Items | | | | |
| Occupational Therapy Duplicate Lic Fee | 0 | 1 | 1 | 2 |
| Hearing Instrument Dispenser Cert Fee | 0 | 204 | 209 | 413 |
| Vital Records Technology Improvement Fee | 0 | 1,200 | 1,200 | 2,400 |
| Adverse Health Events Program Fee | 0 | 73 | 73 | 146 |
| Well Program Fees | 0 | 325 | 325 | 650 |
| Swimming Pool Inspection & Plan Review | 0 | 211 | 211 | 422 |
| Food Manager Certification Program | 0 | 61 | 61 | 122 |
| Food, Beverage, & Lodging Program | 0 | 559 | 559 | 1,118 |
| Youth Camp Licence & Inspection Program | 0 | 50 | 50 | 100 |
| Manufactured Home Parks & Rec Camping | 0 | 234 | 234 | 468 |
| X-Ray Program Fee | 0 | 460 | 460 | 920 |
| Lead Program-Pre-Renovation & Renovation | 0 | 50 | 75 | 125 |
| Environmental Certification Fee | 0 | 100 | 150 | 250 |

HEALTH DEPT**Program: POLICY QUALITY & COMPLIANCE****Change Item: Behavioral Risk Factor Surveillance Survey**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$550 | \$550 | \$550 | \$550 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$550 | \$550 | \$550 | \$550 |

Recommendation

The Governor recommends funding \$550,000 per year from the general fund to provide stable funding for the Behavioral Risk Factor Surveillance System (BRFSS) and allow for analysis of data by region, as well as collection of data for Minnesota's major racial and ethnic groups.

Background

The BRFSS is a Centers for Disease Control and Prevention (CDC)-sponsored state-based telephone survey that collects information on chronic conditions, including diabetes, asthma, arthritis, high blood pressure, cardiovascular disease, and obesity. The BRFSS survey also collects information on the prevalence of health risk behaviors such as smoking and binge drinking and preventive health practices such as physical activity, nutrition, immunization, and health screenings. The Minnesota Department of Health (MDH) has administered the BRFSS survey annually since 1984.

The BRFSS program is the main source of data for many department and community programs. BRFSS data is used to monitor state-level trends in chronic disease, health risk behavior, and preventive health behavior prevalence, measure progress towards departmental and statewide public health goals, and develop programs designed to decrease the burden of chronic disease in Minnesota.

Currently, the majority of the funding for the BRFSS program comes from federal funds. The CDC, provides BRFSS funding to each state. In addition to the CDC funds, the department has used other federal funding to support the BRFSS. Beginning with the next grant cycle, CDC will require a 4 to 1 match (\$4 federal money must be matched with \$1 state funds.) At the same time, the other federal sources the department has used for BRFSS are becoming less available and the department cannot rely on these grants as a stable funding source.

As health reform moves Minnesota in the direction of increased coordination of care and a growing focus on prevention of chronic disease as a strategy for lowering overall healthcare costs, the BRFSS program will be an ever more important source of data for tracking improvement in the health of Minnesotans. BRFSS data will also be a key element in measuring progress towards departmental and statewide goals related to the elimination of health disparities between and among Minnesota's ethnic and racial communities.

However, while BRFSS has the potential to be an important source of data for evaluation of the Statewide Health Improvement Program (SHIP) program, the Eliminating Health Disparities Initiative (EHDI), and broader health reform efforts, the current sample size for the BRFSS survey limits the usability of the data. Currently, the sample size for BRFSS is slightly less than 5,000 respondents per year. This sample size is insufficient to allow for comparisons of results across racial/ethnic categories, or to allow for analysis of regional data at a level of geographic detail beyond metro/non-metro. The current budget of the BRFSS program, most of which comes from the CDC, is not sufficient to allow expansion of the sample beyond the current size.

For many MDH programs, this lack of geographic and racial/ethnic detail means it is difficult, if not impossible, to compare prevalence data across communities, or to measure awareness of and utilization of preventive measures such as screenings or immunizations. The lack of data on racial/ethnic groups has been a particular challenge for the EHDI program; several EHDI measures could make use of BRFSS data if racial/ethnic data were available.

Proposal

This proposal would provide a stable funding source for the BRFSS program including necessary federal match. The proposal would also allow for the BRFSS to increase the sample size to allow for comparison results across racial/ethnic categories and for analysis of regional data. Absent additional funding, the BRFSS is at risk. Minnesota could be the first and only state not to conduct a BRFSS.

Relationship to Base Budget

There is currently no base funding for this program in the general fund. This proposal would increase Health Policy division general fund administration base by 47% and the overall department's general fund administrative base by 2%.

Key Goals

Minnesota Milestones: Minnesotans will be healthy. By continuing to conduct the BRFSS, the department will be able to measure how the state is performing in reducing health disparities and other health care reform goals.

Key Measures

- ◆ Breast and cervical cancer screening rates by ethnicity
- ◆ Heart disease prevalence by ethnicity
- ◆ Diabetes prevalence by ethnicity

Alternatives Considered

None

Statutory Change: Not applicable.

HEALTH DEPT**Program: POLICY QUALITY & COMPLIANCE****Change Item: E-Health Initiative**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$350 | \$350 | \$350 | \$350 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$350 | \$350 | \$350 | \$350 |

Recommendation

The Governor recommends \$350,000 per year from the general fund for base funding for the Center for Health Informatics in order to ensure statutory mandates are achieved.

Background

The Center for Health Informatics is charged with implementing the following e-health requirements (M.S. 62J.495-.497):

- ◆ Convene the Minnesota e-Health Advisory Committee to provide stakeholders the opportunity to jointly set community priorities for the best use of health information technologies.
- ◆ Develop and maintain a statewide plan to meet the statutory requirement that all health care providers have an interoperable electronic health record by 2015.
- ◆ Develop and maintain a statewide plan to meet the statutory requirement that all health care providers, group purchasers, prescribers, and dispensers must establish and maintain an electronic prescription drug program by 2011.
- ◆ Administer the electronic health record revolving account and loan program.
- ◆ Develop/adopt uniform standards to be used by interoperable electronic health record systems for sharing and synchronizing patient data across systems.
- ◆ Develop recommendations that encourage the use of innovative health information technologies that improve patient care and reduce the cost of care, including applications relating to disease management and personal health management that enable remote monitoring of patients' conditions, especially those with chronic conditions.
- ◆ Develop recommendations to ensure all Minnesotans access to an online personal health portfolio.
- ◆ Develop recommendations and solutions to eliminate or reduce barriers to the exchange of health information, while maintaining or strengthening patient privacy protections.

The 2007 Legislature provided two years of funding for the Center for Health Informatics as part of Governor Pawlenty's e-health budget initiative. Although the Governor's budget proposal provided on-going base funding, the Legislature chose to fund the program for only two years in order to ensure that Minnesota Department of Health (MDH) demonstrated progress toward meeting the statutory requirements. Since that time, much has been accomplished and an additional mandate to achieve electronic prescribing has been passed.

The 2007 funding was used to achieve the following milestones:

- ◆ Completion of the first edition of a Statewide Implementation Plan for the 2015 Electronic Health Record (HER) mandate titled, *A Prescription for Meeting Minnesota's 2015 Interoperable Electronic Health Record Mandate—A Statewide Implementation Plan*. The plan includes a guide to addressing barriers to EHR adoption and to adopting e-health standards in Minnesota.
- ◆ Administer \$14.5 million in funded grants and interest-free loans split over state FY 2008 and 2009.
- ◆ Participate in the development of a public/private collaboration that established the Minnesota Health Information Exchange (MN-HIE) to exchange health information need for treatment.
- ◆ Develop a statutory requirement that all health care providers and payers must establish and use an e-prescribing system by 1/01/2011.
- ◆ Develop statutory standards that all prescription and prescription-related information must be transmitted using HL7 messages or the NCPDP SCRIPT Standard.

- ◆ Develop a statutory standard that all electronic health record systems must be certified by the Certification Commission for Healthcare Information Technology.
- ◆ Provide training and education on the requirements of the Minnesota Health Records Act (M.S. 144.291-.298), which was revised and re-codified in 2007 to ensure that all privacy requirements (e.g., consent) are updated to facilitate the appropriate exchange of data while continuing to ensure patients' confidentiality.
- ◆ Organize and host two forums for 400+ health leaders to increase understanding of progress, barriers and opportunities to more effectively use health information technology and make progress toward the goal of interconnected electronic health records.

This funding is necessary for MDH to retain a leadership role with e-health statewide and help achieve the current mandates. Without this funding MDH would need to reduce almost all of its e-health activities and as a result, Minnesota would:

- ◆ Have a less collaborative and coordinated approach to the use of health information technologies.
- ◆ Be at risk of not meeting the 2011 e-prescribing and 2015 electronic health records mandates.
- ◆ Put rural and underserved communities at greater risk of lagging behind in the use of health information technologies.
- ◆ Need to eliminate its e-health summits.
- ◆ Miss opportunities to leverage state funding for federal funding.

Relationship to Base Budget

There is currently no base budget for this program in the general fund. This proposal would increase the Health Policy division general fund administration base by 29% and the overall department's general fund administrative base by 1.3%.

Key Goals

Minnesota Milestones: Minnesotans will be healthily. This proposal will aid in improve safety and health outcomes for Minnesotans.

Key Measures

- ◆ Percentage of health care providers using an electronic health record.
- ◆ Percentage of prescriptions routed electronically.

Statutory Change: Not applicable.

HEALTH DEPT**Program: HEALTH PROTECTION****Change Item: Tuberculosis Prevention and Control**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$200 | \$200 | \$200 | \$200 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$200 | \$200 | \$200 | \$200 |

Recommendation

The Governor recommends \$200,000 annually from the general fund to increase funding for Tuberculosis (TB) to address the critical need for laboratory testing, treatment and prevention within Minnesota communities.

Background

Active TB cases in Minnesota have increased 69% in 15 years, from 141 in 1992 to 238 in 2007. TB incidence in Minnesota (4.6 cases/100,000 persons in 2007) now exceeds the national rate (4.4/100,000) for the first time since surveillance began in 1953, and it is 3.5 times higher than in our four neighboring states (1.3/100,000.) Active TB disease is “the tip of the iceberg”; for every TB case, approximately nine others have the latent form of the disease. Minnesota’s first extensively drug-resistant TB case occurred in 2006.

TB is unique because managing and investigating each case requires close, ongoing collaboration between medical providers, laboratories, hospitals, local and state health departments, and others. TB treatment, which requires daily supervision of each patient by a local public health nurse, lasts at least six months for routine cases and up to three years for drug-resistant strains. The public health investigation needed to identify, evaluate and treat exposed contacts of each TB patient can last anywhere from three months to over a year. In addition, TB is becoming much more complex clinically (e.g., HIV co-infection) and socially (e.g., cultural and language differences, substance abuse, and homelessness.) Handling these complexities requires additional resources and new strategies.

According to the Institute of Medicine (2000), “the price of neglect reflected in the funding reductions (of the 1970s and 1980s) was a resurgence of TB throughout the United States.” This resurgence cost New York City alone nearly \$1 billion. Unfortunately, federal TB dollars are again decreasing, and progress toward eliminating TB has slowed. In the opinion of most TB experts, if we let down our guard again, we risk a much more serious situation. Multi- and extensively- drug resistant strains threaten to make TB incurable.

Here in Minnesota, drug-resistant TB has increased in the last decade and is higher than the national average. At the same time, the cost of TB medications is increasing and federal funding for laboratory testing and case management is decreasing. A major consequence of inadequate public health funding is that physicians lack access to timely laboratory testing essential to diagnosing and treating TB. Specifically, inadequate funding has contributed to the Minnesota Department of Health (MDH) TB laboratory’s inability to meet national standards for reporting drug susceptibility results within 28 days. Testing and treatment delays unnecessarily lengthen the period of infectiousness, increasing the chance that TB will spread and that further drug resistance will develop.

Controlling TB requires disease investigation, lengthy case management, and laboratory capacity at the state and local levels. Current state and federal funding are inadequate to support these core programs.

Proposal

This proposal funds \$200,000 annually for two FTEs and laboratory supplies for TB testing. The two FTE’s include: one FTE bacteriologist to perform rapid tests for TB detection and drug sensitivity testing, and one FTE for a TB nurse.

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Tuberculosis Prevention and Control

The funding in this proposal will help stop the spread of TB by ensuring prompt laboratory diagnosis of TB and access to treatment and prevention services for patients. The proposal will also reduce the financial burden of TB on the health care system, thereby lowering health care costs.

All Minnesota residents will benefit through (1) reduced risk of acquiring TB, (2) increased chance of being appropriately treated for TB, (3) less upward pressure on the cost of health care, (4) reduced drug resistance, and (5) improved prevention and control of the TB in our communities.

Relationship to Base Budget

This proposal would increase the Infectious Disease Epidemiology Prevention and Control general fund base for administration by 7.5% and the overall department general fund administration base by .7%.

Key Goals

Minnesota Milestones: Minnesotans will be healthy. Detecting and controlling infectious disease is critical to ensuring Minnesotans are healthy.

Key Measures

Percent of new TB patients who complete therapy in 12 months.

Alternatives Considered

None

Statutory Change: Not Applicable.

HEALTH DEPT

Change Item: Statewide Health Improvement Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|------------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | (14,000) | (21,000) | 6,000 | 6,000 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(14,000) | \$(21,000) | \$6,000 | \$6,000 |

Recommendation

The Governor recommends reducing and extending this existing program from \$47 million over two years to \$24 million over four years from the Health Care Access Fund. This would maintain a smaller annual funding base but over a longer term, providing \$6 million per year in both competitive grants to Community Health Boards (CHBs) and tribal governments statewide and funding for administrative support. 10% of this funding amount will be designated for program administration each year of the program.

Background

The Statewide Health Improvement Program (SHIP) initiative was passed in the 2008 session, providing \$20 million in FY2010 and \$27 million in FY2011 from the Health Care Access Fund. The SHIP initiative is modeled after a successful comprehensive federal initiative aimed at reducing chronic disease prevalence called Steps to a HealthierUS (<http://www.cdc.gov/steps/>). The Steps Initiative uses effective, evidence-based strategies to create changes in policies, environments, and systems to support healthy behaviors in the population. It targets four major settings for interventions to reach the broadest population possible: communities, schools, worksites, and health care.

The model for the SHIP initiative includes the following components. Together, these components create a sustainable model for a statewide health improvement program.

- ◆ Community input into planning, implementation and evaluation
- ◆ Adherence to the socio-ecological model
- ◆ Health promotion in four settings: community, schools, worksites, and health care
- ◆ Local program advocates
- ◆ Evidence-based interventions
- ◆ Focus on common risk factors; tobacco and obesity
- ◆ Extensive and comprehensive evaluation linked to program planning
- ◆ Policy, systems, and environmental change that supports healthy behavior
- ◆ Accountability and oversight

With SHIP funding reduced in half and spread over four years, grantees will build and maintain a solid infrastructure in order to address obesity and tobacco use prevention in their communities. The grants will be competitively awarded to tribes and CHB's most ready for implementation.

Relationship to Base Budget

This proposal reduces funding for SHIP by \$23 million or 49%. This funding is not part of the agency's base funding, and will end on June 30, 2013. Legislation requires the Commissioner to make a recommendation regarding continued funding of the program beyond this appropriation.

Key Goals and Measures

Minnesota Milestone: Minnesotans will be healthy. This program focuses on issues of obesity and tobacco.

- ◆ Percent of Minnesota adults who meet national recommendations for healthy weight, physical activity and fruit and vegetable consumption.

- ◆ Reducing the percentage of Minnesota high school youth who report that they have used tobacco in the last 30 days.

Alternatives Considered

None

Statutory Change: Rider language indicating the funding changes.

HEALTH DEPT**Program: POLICY QUALITY & COMPLIANCE****Change Item: Health Reform - Essential Benefit Set**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | (540) | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$(540) | \$0 | \$0 |

Recommendation

The Governor recommends replacing activities associated with defining an “essential benefit set” with a less expensive study on value-based insurance design using existing Health Economics Program research capacity.

Background

As enacted, the 2008 health reform bill requires the Commissioner of Health to convene a workgroup with representation from health care providers, health plans, state agencies, and employers. This workgroup is charged with making recommendations on the design of a health benefit set that:

- ◆ Provides coverage for a broad range of services and technologies;
- ◆ Is based on scientific evidence that the services and technologies are clinically effective and cost-effective; and
- ◆ Provides lower enrollee cost sharing for services and technologies that have been determined to be cost-effective.

This proposal would replace the requirement for Minnesota Department of Health (MDH) to convene, facilitate, and staff a workgroup with a research study to be performed by the Health Economics Program. The study would summarize the “state of the art” of research on value-based insurance design, and could be done using existing Health Economics Program research capacity assuming that no other new studies are required by the 2009 Legislature.

Reasons for scaling back the level of this activity include:

- ◆ Minnesota has attempted to create consensus on a standard benefit set in the past with limited success. The workgroup is not required to consider issues related to the cost of the essential benefit set, which further suggests that the group’s recommendations may not be useful to policymakers who are concerned with affordability as well as adequacy of coverage.
- ◆ Convening, facilitating, and staffing this workgroup will be an expensive and challenging effort. Designing a standardized, value-based benefit set will be a technically complex, time-consuming, and costly undertaking. To our knowledge, no other state has done anything as comprehensive as this effort, although Oregon has had a “prioritized list” of health care services based on clinical and cost effectiveness for many years. The evidence to date on the impact of selectively reducing enrollee cost sharing for certain types of services is extremely limited (especially evidence that has been published in peer-reviewed academic literature), and mostly relates to how reducing enrollee cost sharing for certain types of prescription drugs affects overall use of health care services and health care costs.
- ◆ Lack of clarity on the intended uses of the study results (e.g., to change benefits in public programs, to establish a “benchmark” benefit set for subsidizing the purchase of private insurance, or to establish a market wide standard for adequacy of coverage) further complicates the task, since workgroup members are likely to disagree on the purpose of the work.
- ◆ This work has no connection to any of the other pieces of the 2008 health reform bill. While it may be intended to inform future reform efforts, scaling back this effort will have no impact on the state’s ability to implement the other reforms that were enacted in 2008.

Relationship to Base Budget

This proposal would reduce the Health Policy division health care access fund (HCAF) administration base for fiscal year 2011 by 7.2% and overall MDH HCAF administrative base for fiscal year 2011 by 5.4%. This funding was one-time and is not part of the 2012-13 base.

Key Goals

Reduce the rate of uninsured Minnesotans in 2001 below the 2004 rate.

Key Measures

Reduced long-term health care costs

Alternatives Considered

None

Statutory Change: repeal of M.S. 62U.08

Rider

The commissioner of health, in consultation with the commissioners of human services, commerce, and finance, shall study and report to the Legislature on value-based insurance designs that vary enrollee cost sharing based on clinical or cost-effectiveness of services. In performing this study, the commissioner shall consult with and seek input from health plans, health care providers, and employers. The commissioner shall report to the Legislature by January 15, 2010.

HEALTH DEPT

Change Item: Grant Elimination

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(1,208) | \$(1,208) | \$(208) | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,208) | \$(1,208) | \$(208) | \$0 |

Recommendation

The Governor recommends elimination of the following time-limited single source grants:

- ◆ Community Health Care Demonstration
- ◆ Medical Education Research Costs – Federal Compliance

Background

The Community-Based Health Care Demonstration Project (CBHC) grant is a five-year grant program that was passed in 2007 to provide funding to a local foundation to coordinate a community-based health care coverage program within Carlton, Cook, Lake, and St. Louis Counties. The program is designed to develop and operate a community-based health care coverage program that offers individuals the option of purchasing health care coverage on a fixed prepaid basis without meeting the usual state health insurance requirements.

The CBGC grant was originally funded at \$212,000 per year but was reduced in the 2008 session by 1.8%, leaving \$208,000 per year for FY 2009-2012. The number of individuals that can be provided health insurance coverage through this project is modest due to the limited funding. This demonstration project will sunset on December 21, 2012.

The Medical Education Research Cost (MERC) Federal Compliance grant is supplemental to the annual MERC grant awarded to the Mayo clinic to compensate a portion of its costs for clinical training programs. Legislation in 2007 changed the distribution formula to comply with federal regulation. The change reduced the annual amount that Mayo receives. This supplemental payment was intended to help the Mayo clinic transition to the new funding level. The MERC Federal Compliance Grant was funded at \$6.250 million in FY 2008 and \$4.240 million in FY 2009. The base for FY 2010 and FY 2011 is \$1 million. This grant will sunset on June 30, 2011.

Proposal

This proposal would eliminate funding for the Community-Based Health Care Demonstration Project and the MERC – Federal Compliance Grant. Neither of these grants have statewide impact, as they are targeted to single entities with no other entities being eligible to apply. The grants are time-limited and this proposal would sunset funding early.

Relationship to Base Budget

This proposal eliminates funding for two grants and reduces Health Policy division general fund grants by 13.3% in FY 2010-11. This proposal reduces overall department's general fund grants by 2.74% in FY 2010 and 2011.

Key Goals

Reduce the rate of uninsured Minnesotans in 2011 below the 2004 rate.

Key Measures

Rate of uninsured Minnesotans.

Statutory Change: Laws 2007, chapter 147, article 19, section 3, subdivision 6, paragraph e, should be stricken.

~~Community-Based Health Care Demonstration Project. Of the general fund appropriation, \$212,000 each year is to be transferred to the commissioner of health for the demonstration project grant described in Minnesota~~

~~Statutes, section 62Q.80, subdivision 1a. This appropriation shall remain part of base level funding until June 30, 2012. Notwithstanding any contrary provision in this article, this rider expires July 1, 2012.~~

There is a rider in Laws 2008, chapter 363, article 18, section 4, subdivision 3. It is recommended the following rider be included in any budget bill to address the issues of the 2008 rider:

MERC Federal Compliance. Notwithstanding Laws 2008, chapter 363, article 18, section 4, subdivision 3, the base level funding for the commissioner to distribute to the Mayo Clinic for transition funding while federal compliance changes are made to the medical education and research cost funding distribution formula shall be \$0 for FY 2010 and 2011.

HEALTH DEPT**Program: COMMUNITY & FAMILY HLTH PROM0****Change Item: Local Public Health Grant Payment Delay**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$(5,193) | \$5,193 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$(5,193) | \$5,193 | \$0 |

Recommendation

The Governor recommends changing the Local Public Health Grants monthly payment schedule to a quarterly payment and delaying the April - June 2011 payment to counties and cities until July 2011. This delay will result in a one time general fund savings of \$5.193 million in state fiscal year 2011 and one-time costs in FY 2012.

Background

Currently, the department awards grants to the counties and cites for Local Public Health activities based on a formula. These awards are then divided into 12 equal parts, and the department processes payments equal to this amount around the 25th of each month. This payment is to reimburse these organizations for expenses incurred for the month.

By switching from a monthly to a quarterly payment, local public health entities will be paid up front for the quarter. By delaying the April quarter payment to July in calendar year 2011, counties and cities would be asked to cash flow their Local Public Health programs for these three months. However, this would be at a time counties and cities are receiving property tax revenue and by delaying implementation until calendar year 2011, counties and cities will have time to plan for the one-time shift. Counties and cites would still receive their full allocation of the Local Public Health Funds for calendar year 2011 under this proposal.

Relationship to Base Budget

The delay of processing the June payments to counties and cites would result in a one time general fund budget reduction of \$5.193 million for state fiscal year 2011 and would have no effect on future base funding.

Local governments would receive the same level of funding for each calendar year.

Key Goals and Measures

Protect public health by increasing the level of essential local public health activities performed by all local health departments.

Percent of essential local public health activities performed by all local public health departments.

Alternatives Considered

Delay grants temporarily within calendar 2011 only. This alternative would result in a cost in FY 2012 equal to the savings for 2011.

Statutory Change: Rider.

FUNDING USAGE: Up to 75% of the fiscal year 2012 appropriation for local public health grants may be used to fund calendar year 2011 allocations for this program. This reduction for FY 2011 is one-time and the base funding for local public health grants shall be increased by \$5.193 million.

HEALTH DEPT**Program: COMMUNITY & FAMILY HLTH PROM0****Change Item: Grant Reduction - Family Planning**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(1,050) | \$(1,050) | \$(1,050) | \$(1,050) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,050) | \$(1,050) | \$(1,050) | \$(1,050) |

Recommendation

The Governor recommends a \$1.05 million reduction in FY 2010 and FY 2011 to base funding for Family Planning Special Project grants in the general fund.

Background

Family Planning Special Project grants were established in 1978 to reduce unintended pregnancies. These grants provide funds to clinics for outreach services, family planning counseling and pregnancy prevention services throughout Minnesota. Grantees include government and non-profit organizations.

In 2006, the Department of Human Services implemented the Minnesota Family Planning Waiver program. The Medical Assistance (MA) waiver program allows family planning services for persons with incomes at or below 200 percent of federal poverty guidelines and who are not enrolled in Minnesota Health Care Programs. The MA waiver program for family planning is funded with state and federal funds with some services funded with 90% federal financial participation. This program served over 25,000 individuals in FY 2007 and 34,000 individuals in FY 2008. The program is anticipated to serve over 39,000 individuals a year by FY 2011.

With the anticipated growth in persons receiving services through the Family Planning Waiver, the reduction of Family Planning Special Project grant funds is not anticipated to have an impact on unintended pregnancies.

Relationship to Base Budget

The departments base for Family Planning Special Project Grants include \$4.197 million in general funds per year and \$1.156 million in Temporary Assistance for Needy Families (TANF) funds. This proposal reduces the Family Planning Special Project Grants by 19.6% (TANF and general fund) and the Community and Family Health division general fund grants by 3.6% in fiscal years 2010-11. This proposal reduces overall department's general fund grants by 2.4% in fiscal years 2010 and 2011.

Key Goals and Measures

Healthy People 2010 Objective: Increase the proportion of pregnancies that are intended.

Number of women who participate in the Minnesota PRAMS survey who indicate they became pregnant intentionally.

Statutory Change: None

HEALTH DEPT**Program: ADMINISTRATIVE SUPPORT SERVICE****Change Item: General Fund Administrative Reduction**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(1,834) | \$(1,834) | \$(1,834) | \$(1,834) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,834) | \$(1,834) | \$(1,834) | \$(1,834) |

Recommendation

The Governor recommends a 7.5% reduction of the Minnesota Department of Health's general fund administrative budget.

Background

The Minnesota Department of Health's FY 2010-11 general fund administration base budget is \$48.9 million. This includes rent, executive office and agency program administration. Rent accounts for \$16.068 or 33% of the department's administrative budget. The balance includes \$1.970 million for the executive office and \$30.862 million for program administration. Since rent is a fixed cost and cannot be reduced, a 7.5% reduction of the administrative budget equates to a 11% reduction to the balance of the department's administrative budget which is mostly program administration.

Proposal

This proposal reduces the department's base general fund administrative budget by 7.5%. Cost savings could be realized through staffing reductions, restructuring, or possible elimination of some services currently provided. Reductions will occur throughout the agency. This reduction equates to 20.3 FTEs or 13.5% of the department's base general fund FTEs.

Relationship to Base Budget

This proposal reduces the department's base general fund administrative budget by 7.5%.

Key Goals

Minnesota Milestones: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.

Key Measures

See measures included on program budget page narratives.

Statutory Change: None

HEALTH DEPT

Change Item: 2007 & 2008 Session Laws Adjustment

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$290 | \$290 | \$290 | \$290 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$290 | \$290 | \$290 | \$290 |

Recommendation

The Governor recommends a technical adjustment to resolve a discrepancy in the 2007 Health and Human Services (HHS) Omnibus bill and HHS session tracking (\$263,000 each year) and in 2008 Laws (\$27,000 each year). This increase reflects a portion of a general fund lead abatement grant (\$163,000), support for department emergency preparedness and response activities (\$100,000), and to restore reductions from the Federally Qualified Health Centers (\$27,000).

Background

Federally Qualified Health Centers (FQHC): In 2008, session laws reduced the \$1.5 million general fund appropriation for the FQHC program to \$0 (Laws 2008, Chapter 358, Article 5, Section 4, Subdivision 3). In 2008, session laws also directed Minnesota Department of Health (MDH) to reduce grants by 1.8% at the allotment level. The law included FQHC in the reduction calculation and reduced FQHC by 1.8% of \$1.5 million or \$27,000 (Laws 2008 Chapter 363, Article 18, Section 4, Subdivision 3). Since the grants were already reduced to \$0, the total compensation expenditure category was reduced in the Health Statistics section to comply with the duplicated \$27,000 reduction.

This technical adjustment will restore \$27,000 to MDH that was reduced twice in Laws of 2008.

Lead Abatement Grant Program: In 2007, session tracking indicated funding for lead abatement at \$551,000 in fiscal year 2008, and \$225,000 in fiscal year 2009. Appropriations to MDH reflected the funding specified in tracking. However, rider language in the bill directed MDH to spend \$388,000 each fiscal year (Laws 2007, Chapter 147, Article 19, Section 4).

The problem arises in fiscal year 2009 when the MDH appropriation for lead abatement is \$225,000 and the rider directs MDH to spend \$388,000. MDH awarded \$388,000 of the \$551,000 appropriated in fiscal year 2008 and carried forward the remaining \$163,000 into fiscal year 2009 to award at that time to comply with session law.

This technical adjustment will provide funds for MDH to continue to spend \$388,000 each year as indicated in the Laws of 2007.

Emergency Preparedness and Response: In 2007, session tracking indicated funding for emergency preparedness and response activities including epidemiology, laboratory services, exercises, training, and planning (\$115,000), and to purchase antiviral medications and prepare and manage a stockpile of health care supplies (\$3.97 million) in fiscal year 2008. There is not an appropriation in fiscal year 2009.

Session tracking indicated funding for emergency preparedness and response at \$100,000 in fiscal year 2010 and 2011. The problem arises in fiscal year 2010 because rider language was inadvertently omitted in the 2007 session laws that should have directed MDH to enter a base adjustment for fiscal year 2010 and 2011 at \$100,000. This technical change request is needed to carry out legislative intent and restore funding indicated in session tracking.

Relationship to Base Budget

The **Federally Qualified Health Centers** are appropriated \$2,500,000 from the Health Care Access Fund in both fiscal years 2010 and 2011 to offset uncompensated care costs.

The **Lead Abatement Grant Program** was transferred from the Minnesota Department of Education in FY 2006 (Laws of 2005, 1st Special Session, Chapter 5, Article 8) along with \$100,000 per year. In 2007, MDH was appropriated \$388,000 per year for a total grant of \$488,000 per year.

The **Emergency Preparedness and Response Program** was appropriated \$115,000 in fiscal year 2008 to support activities including epidemiology, laboratory services, exercises, training, and planning over the 2008-09 biennium. The current base budget is \$0.

Key Goals and Measures

See program goals on budget page narratives.

Statutory Change: Not Applicable

HEALTH DEPT

Program: **POLICY QUALITY & COMPLIANCE**

Change Item: **Occupational Therapy Duplicate Lic Fee**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 1 | 1 | 1 | 1 |
| Net Fiscal Impact | (\$1) | (\$1) | (\$1) | (\$1) |

Recommendation

The Governor recommends establishing a new fee for issuing a duplicate copy of an occupational therapy license. The duplicate license fee will generate an estimated \$1,000 of revenue to the state government special revenue fund and is intended to recover the administrative cost only from those licensees needing a duplicate license.

Background

The Health Occupations Program has regulated Occupational Therapy Practitioners, including both Occupational Therapists (OTs) and Occupational Therapy Assistants (OTAs) since 1996. There are currently 2,663 OTs and 852 OTAs. Currently, there is no fee for requesting a duplicate license. About 40 duplicate licenses are requested annually. The requests are due to some employers seeking original license documents for their files and licensees needing a replacement or duplicate of their wallet cards.

Proposal

This proposal implements a new \$25 fee for Minnesota Department of Health (MDH) to produce a duplicate license document. The fee will pay for staff time, materials and mailing. The new fee has a small fiscal impact on a self-selected group of licensees. The Occupational Therapy licensing program has previously absorbed this cost, but should no longer do so. Issuance of duplicate licenses is a discrete service and one for which many other health licensing programs charge a fee.

Relationship to Base Budget

This is a small change as the additional revenue is 0.2% of total revenue received in the licensing program over the biennium.

Key Goals

Minnesota Milestones: **Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.** The new fee will help assure that total revenues are not less than total costs and will only impact those needing duplicate credentials.

Key Measures

Fees will recover the cost involved in providing services.

Alternatives Considered

None.

Statutory Change: Add a new subdivision to M.S. 148.6445.

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 204 | 209 | 103 | 105 |
| Net Fiscal Impact | (\$204) | (\$209) | (\$103) | (\$105) |

Recommendation

The Governor recommends increasing the certification fee and the examination fee for hearing instrument dispensers so that total biennial revenues will approximate biennial expenditures. The program account is annually accruing significant deficits without a fee adjustment, and the increased revenue will reverse accumulation of excessive deficits in the account in the next biennium.

Background

The Health Occupations Program has regulated hearing instrument dispensers (HID's) since 1988, and currently certifies by examination approximately 190 persons. During this period, annual fees for dispensers have ranged from \$140 to \$820, with several fee adjustments occurring to bring account deficits or surpluses into balance so that revenues approximate regulatory expenditures. Fees were last changed in 2003, and currently, primary revenues to cover regulatory costs come from an annual certification fee of \$350. An examination fee of \$250 for each part of the two-part examination (written and practical) is paid only by persons testing to become certified dispensers. In 2003 an account surplus was reduced by a \$51,000 transfer to the general fund, and in 2004, further reduced by a one-year certification fee holiday.

In 2005 legislation repealed the requirement that audiologists be certified, and consequently fee revenues fell in FY 2006 as the number of certified persons decreased from about 450 dispensers to less than 175. Since 2006 the account has been accumulating annual deficits that now total about (\$130,000) and are growing annually by \$90,000. In 2007, the Department requested adjustments to certification and examination fees (from \$350 to \$1200 and from \$250 to \$700 respectively) to address projected deficits in the certification account. The legislature responded by requiring a report regarding the need and reasons for any fee increase.

A 2008 report by the Health Occupations Program found that:

- ◆ An estimated that in 2006 Minnesotans purchased hearing aids valued at over \$100 million,
- ◆ About 180 certified dispensers may have sold a combined total of over \$58 million worth of hearing instruments and services; and
- ◆ The average price of a hearing instrument is more than \$1,900.

The report showed a continuing need to protect the hearing impaired in Minnesota, a population predominately aged 65 or older that is projected to more than double before 2030. The report also showed that regulatory costs (consumer assistance, complaint investigation and credentialing administration) are not covered by current fee levels.

Proposal

This initiative proposes increases to the certification and examination fees to bring the regulatory account into balance. In addition a surcharge fee would be assessed to recover the accumulated deficit. The fee for certification would increase from \$350 to \$700 per year, and the exam fee would increase from \$500 to \$1,000. The surcharge would be \$550 per year for two years.

Fee calculations assume a growth in the number of hearing instrument dispensers of five per year. This assumption was reduced from ten per year on advice of dispenser representatives who see industry changes adversely affecting the occupation. Lesser or greater numbers of new entrants to the occupation will affect the account balance. These fee increases are lower than estimated in 2007 due to assigning support staff to handle consumer information and assistance, and not filling a staff vacancy. Reducing staffing further will compromise

consumer protection. Current and future staffing for consumer protection, including investigation and credentialing activity, totals 1.45 FTEs.

Relationship to Base Budget

The changes in the fee amounts represent a 100 percent increase. However, practitioners who have been in the field for the last five years have also experienced one fee holiday, as well as four years of no fee increases.

Key Goals

Minnesota Milestones: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. As current fees under recover the regulatory cost for this hearing instrument consumer protection service, it is appropriate to establish a fee that will recover the cost.

Key Measures

Fees will recover the cost involved in providing services.

Alternatives Considered

Changes to program operations have maintained effectiveness and reduced service costs. Staff levels have been reduced, but further reductions will compromise consumer protection. The amount of the current account deficit attributable to unrecovered costs incurred in FY 2006 and FY 2007 could be excluded from the surcharge fee calculation under legislative policy stated in M.S. 16A.1285, subd. 2. However, limiting recovery to the two fiscal years immediately preceding the fee adjustment shifts recovery of the costs to other unrelated regulatory programs funded by the state government special revenue fund.

Statutory Change: Chapter 153A

HEALTH DEPT

Program: **POLICY QUALITY & COMPLIANCE**

Change Item: **Vital Records Technology Improvement Fee**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 1,200 | 1,200 | 1,200 | 1,200 |
| Net Fiscal Impact | (\$1,200) | (\$1,200) | (\$1,200) | (\$1,200) |

Recommendation

The Governor recommends maintaining the Vital Records Technology Improvement Fee at current levels. Adequate funding ensures that the Minnesota vital records system can be continually maintained and upgraded for efficient collection with greatly enhanced security, improved data accuracy, and ease of use. This proposal does not require an increase in program appropriations, only maintenance of the current fee structure that will support the current level of spending.

Background

The Minnesota Department of Health's (MDH's) Office of the State Registrar (OSR) registers all births and deaths in Minnesota through a secure centralized electronic system. Together with funeral homes, medical examiner and coroner offices, hospitals, and hundreds of physicians throughout Minnesota, OSR expects to register over 75,000 births and 38,000 deaths for Minnesota this year. In addition, OSR and local registrar staff in 110 city and county offices use this system to issue over 750,000 birth and death certificates and process over 35,000 corrections, amendments to, and replacements of records each year. It is imperative that these identity documents are held securely yet are accessible for citizens with tangible interest who need certificates for legal purposes.

The \$2 under consideration here was enacted 8/01/2005 to fund information technology for Minnesota's vital records system. With the added \$2, Minnesota's fees for birth (\$16) and death (\$13) certificates are comparable to other states. The surcharge is funding the development of a new, highly secure, rapid and accurate statewide vital records system that will replace the current system in 2010. On June 30, 2009, this \$2 surcharge on the sale of birth and death certificates will sunset.

Proposal

This proposal maintains the current \$2 surcharge for Vital Records Technology Improvement in the vital records program fee structure. Ongoing implementation funding is needed to ensure proper completion, training, support, software and hardware maintenance, and upgrades to the system. Keeping pace with the latest in secure technology is essential because this mission-critical system must prevent unauthorized access to Minnesotans' most fundamental identity documents—birth and death certificates. It is estimated that approximately \$1.2 million will be collected from the surcharge each year.

Relationship to Base Budget

Maintaining the surcharge will continue the current fee structure and will not require an increase in program appropriations. The OSR is funded through fees. If money to properly support the vital records system cannot be raised through fees, then maintenance and upgrades to the hardware application will need to be prioritized, scaled back, and replacement delayed.

Key Goals and Measures

Minnesota Milestones: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Maintaining the vital records system appropriately will uphold the public's trust in MDH to provide strong protection of identity documents.

Key Measure

- ◆ Number of birth certificates processed
- ◆ Number of death certificates processed

Alternatives Considered

None

Statutory Change: The sunset in M.S. 144.226, Subd. 4 (b), will be removed, making the technology surcharge permanent.

HEALTH DEPT**Program: POLICY QUALITY & COMPLIANCE****Change Item: Adverse Health Events Program Fee**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 73 | 73 | 73 | 73 |
| Revenues | 73 | 73 | 73 | 73 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends increasing the fee for the adverse health events reporting program for hospitals and ambulatory surgical centers, to provide an additional \$73,000 annually to support the program. This change will allow the program to continue to operate at its current level.

Background

The adverse health care events reporting law was passed in 2003, and amended in 2004 and 2007. It mandates that all Minnesota hospitals and ambulatory surgical centers report to the Minnesota Department of Health (MDH) whenever one of 28 serious adverse events occurs. As part of the Department's responsibilities under the reporting law, MDH is required to review all events, along with the accompanying root cause analyses and corrective action plans, to determine patterns of systemic failure in the health care system and successful methods to correct these failures.

As originally passed in 2003, the adverse health care events reporting law required reporting of 27 serious adverse events. A revision to the statute was passed during the 2007 legislative session, updating the list of reportable events to include a 28th event and to modify several existing events. At the same time, MDH and the Minnesota Hospital Association agreed on a change in the definition of an existing event, broadening its scope. As a result of these two changes, the number of adverse health events reported to the Department annually has significantly increased. During 2008, the first year in which these changes went into effect, the number of reported events was more than double that of previous years as a result of these definitional changes.

The increased number of adverse events has significantly increased the work required to administer the adverse health events law. A team of clinical and quality improvement experts evaluates the root cause analyses and corrective actions for every event; the work of this group has increased proportionately to the increase in events.

The adverse health events reporting system is funded through a fee on hospitals and ambulatory surgical centers. This fee has not increased since the system was first established despite a significant increase in the number of events and in the amount of outreach, education, and research that is conducted as a part of the reporting system.

Proposal

This proposal would increase the fees for both hospitals and ambulatory surgical by about 21.5 percent. This proposal would increase funding by \$73,000 a year for the adverse health events reporting system. This program has been in place for five years with no budget adjustment, during a time period in which the requirements of the law have expanded significantly.

| | Current | Proposed | Percent Increase |
|---------------------------------|----------------------|----------------------|-------------------------|
| Hospital Fees | \$500 + \$13 per bed | \$600 + \$16 per bed | ~22 percent |
| Ambulatory Surgical Center Fees | \$1,837 | \$2,200 | ~20 percent |
| Total Budget | \$340,000 | \$412,500 | ~21.5 percent |

Relationship to Base Budget

The current base for the adverse health events programs is \$340,000. This fee increase represents an increase of approximately 21.5 percent over the current budget for the adverse health events reporting system (see table). The adverse health events program is funded through fees. If money to properly support the program cannot be raised through fees, then the review process for all reported events will need to be prioritized, scaled back, and potentially delayed.

Key Goals

Minnesota Milestones: Minnesotans will be healthy. The fee increase will allow for increased resources to be dedicated to the review process, so that serious reportable events can be reviewed as quickly as possible by MDH, and will also allow for the development of additional resources (such as adverse event prevention toolkits, sample forms, best practices, and other tools) for the prevention of these events.

Key Measures

- ◆ The number of events that are reported each year.
- ◆ The timeliness with which adverse events are reviewed by a clinical team and feedback given to reporting facilities.

Alternatives Considered

None.

Statutory Change: Minnesota Statutes, section 144.122.

HEALTH DEPTProgram: **HEALTH PROTECTION**Change Item: **Drinking Water Contaminants**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 445 | 890 | 890 | 890 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$445 | \$890 | \$890 | \$890 |

Recommendation

The Governor recommends that Clean Water Land and Legacy Amendment funding be appropriated to assess and address public health concerns related to contaminants found in Minnesota drinking water for which no health-based drinking water standard is available.

Background

Emerging contaminants may be substances that the Minnesota Department of Health (MDH) has not yet studied or detected in Minnesota drinking water and for which no Minnesota drinking water standards are available. This proposal is intended to expand MDH's capacity for identifying and researching emerging contaminants, developing and implementing water analysis for emerging contaminants, analyzing risks from exposures to contaminants of concern, and communicating results of these activities to the public and other public health and environmental protection programs.

Fundamental to this new activity is coordination and communication with stakeholders (including other state agencies, academic and industry researchers, nonprofit environmental groups and organizations, and federal programs) in order to solicit advice and research support on candidates for further research; set priorities for investigating emerging contaminants; and plan and conduct research on substances. Also fundamental to this work is research on toxicity and exposure data, and development of health-based guidance for exposures. MDH will communicate the results of research on emerging contaminants with well owners, the general public, policy makers, and peer scientists.

MDH could initiate these activities in the first biennium that Clean Water Land and Legacy Amendment funding is available. These activities form a Center for Emerging Drinking Water Contaminants that will focus initially (first biennium) on planning and coordination to research and recommend to the state contaminants of concern, and shift (late in first biennium and future years) to conducting laboratory and risk analysis, and communicating results; work that is likely to continue for the next decade. All of the activities planned for the Center are either designated as new or as underfunded drinking water protection efforts. These activities will protect and plan for use of drinking water resources; and support and complement drinking water protection and public health efforts by local government and state agencies.

Additional information about current MDH activities on emerging issues may be found at <http://www.health.state.mn.us/divs/eh/eissues/>.

Relationship to Base Budget

The base budget for the MDH Section of Drinking Water Protection, which includes the Source Water Protection Unit, is \$14.1 million annually. \$8.5 million of the current budget of the Section is from fees and \$5.6 million from federal funds and grants.

Key Goals

Minnesotans will be healthy, Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy; and Minnesotans will improve the quality of the air, water and earth. In addition, MDH's Environmental Health activities respond to two MDH goals: 1) all children get a healthy start in life; and 2) prepare for emergencies.

Key Activity Measures

Characterize potential new contaminants in Minnesota drinking water: Based on public input, stakeholder involvement, thorough research, and scientific review, new priority contaminants to investigate in Minnesota drinking water will be identified, assessed for potential risk (including developing health-based guidance), investigated through further research, and the results of this work communicated to regulators, stakeholders, and the public. These are new activities that do not have baseline measures.

| Measure | Current | 2010-11 | 2012-13 | 2014-15 |
|--|---------|---------|---------|---------|
| Number of emerging drinking water contaminants researched and characterized (cumulative) | 0 | 10 | 22 | 34 |

Alternatives Considered

The alternative considered was to address issues on an ad hoc basis, as done currently. The work MDH conducted to characterize exposure and toxicity of perfluorochemicals is an example of the effort that has been necessary to respond to a new drinking water contaminant.

Statutory Change: Not Applicable.

HEALTH DEPTProgram: **HEALTH PROTECTION**Change Item: **Source Water Protection**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$805 | \$1,610 | \$1,610 | \$1,610 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$805 | \$1,610 | \$1,610 | \$1,610 |

Recommendation

The Governor recommends that Clean Water Land and Legacy Amendment funding be appropriated to strengthen protection of drinking water sources by providing enhancing source water characterization, accelerating the development of source protection plans, improving data sharing, and enhancing technical assistance.

Background

This proposal is intended to strengthen drinking water source protection, including: 1) drinking water resource characterization to define the physical and chemical characteristics of untreated drinking water; 2) accelerate the development and implementation of wellhead or surface water intake protection plans for public water suppliers whose source of drinking water is at risk of contamination from human activities; 3) technical assistance focused on enabling private citizens and local governments to more directly protect their drinking water; and 4) improved access to drinking water data to support public and private drinking water protection efforts.

The Minnesota Department of Health (MDH) could initiate these activities in the first biennium that Clean Water Land and Legacy Amendment funding is available. All activities listed are either designated as new or as expanded drinking water protection efforts. Some activities may be completed in the first biennium whereas others may require multiple years to complete. These activities will protect and plan for use of surface and groundwater resources used as drinking water sources and will complement drinking water protection efforts by local government units and state agencies including the Minnesota Department of Natural Resources, Pollution Control Agency, Department of Agriculture, Public Finance Authority, and Board of Water and Soil Resources. A correlated goal is to increase coordination of agencies' drinking water protection efforts.

Drinking water source protection planning efforts are authorized by M.S. 103I.101 and related Minn. Rules, parts 4720.5100 – 4720.5590. Plans help to protect groundwater from contamination and are required to be updated every 10 years. Additional information about MDH Source Water Protection efforts can be found at <http://www.health.state.mn.us/divs/eh/water/swp/index.htm>.

Relationship to Base Budget

The base budget for the MDH section of Drinking Water Protection, which includes the Source Water Protection Unit, is \$14.1 million. \$8.5 million of the current budget of the Section is from fee revenues (SGSR) and \$5.6 million from federal funds and grants. The current base budget for specifically for MDH Source Water Protection activities is \$2.0 million per year. The \$1.6 million proposed in this change item is a significant increase for this program, of approximately 75 percent.

\$370,000 per year of the funding is proposed as grants to public water suppliers and local agencies for a variety of related source water protection activities.

Key Goals

Minnesota Milestones: Minnesotans will be healthy. Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy; and Minnesotans will improve the quality of the air, water and earth.

Key Activity Measures

- ◆ Accelerate the development of community-based wellhead protection plans

| | History | In process | Current | Target | Target |
|--|----------------|-------------------|----------------|---------------|---------------|
| Number of wellhead protection plans completed (cumulative) | 2000 | 2008 | 2008 | 2011 | 2019 |
| | 0 | 125 | 175 | 350 | 1200 |

Alternatives Considered

The alternative considered was to not support or accomplish the activities proposed, or to take a longer time frame to complete these activities.

Statutory Change: Not Applicable.

HEALTH DEPT**Program: HEALTH PROTECTION****Change Item: Well Program Fees**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 325 | 325 | 325 | 325 |
| Net Fiscal Impact | \$(325) | \$(325) | \$(325) | \$(325) |

Recommendation

The Governor recommends the following changes to address the current budget shortfall, and to ensure minimum operating levels of the state Well Program:

- ◆ removing the current government exemption from Well Program fees;
- ◆ creating a reduced fee for government-owned monitoring well maintenance permits, and;
- ◆ creating a graduated fee structure for larger groundwater thermal heat exchange systems.

Background**Well Management Program**

The state Well Program performs two essential functions to protect the health and safety of Minnesotans: the protection of the drinking water sources for 70% of all Minnesotans, and the finding and sealing of abandoned wells, which, when buried and forgotten, act as permanent conduits for any future contamination to drain into our deep, geologically-protected water bearing aquifers.

During the past two decades, the Well Program has protected drinking water by dramatically improving the sanitary construction of new water wells, and by nearly eliminating wells constructed too close to landfills, sewers, and septic systems, wells constructed with reject casing pipe salvaged from oil fields, and runaway flowing wells, which can wash out hillsides and permanently devalue property. It is estimated that in 1989 between one third and one half of all new water wells were not constructed to minimum sanitary standards. The program now inspects 20-25% of all new wells, and assures that every well contractor in the state receives a minimum amount of inspections each year. Under this program, 96% of new water wells now meet all sanitary requirements.

There are an estimated half million abandoned wells in Minnesota, some of which are buried or bulldozed every year, lost from memory, and thereafter can spread groundwater contamination. This program works actively with many industries and private citizens to have abandoned wells properly sealed, especially after property transfer. During the past 18 years, the well program has overseen the permanent sealing of more than 225,000 abandoned wells in the state, strengthening the protection of one of Minnesota's greatest natural assets, its groundwater.

Monitoring wells that are placed on or near contamination sites to monitor contaminant levels can present a particularly significant risk to groundwater. To prevent contaminant spread, monitoring wells are only allowed under a permit, and monitoring wells in existence more than 14 months must be under an annual "maintenance permit." An annual maintenance permit fee of \$175 is assessed to fund the prevention activities of the program, and to provide a disincentive to leaving an unused monitoring well unsealed when it is no longer needed. This has worked very well for the private sector, but because federal, state, and local agencies have been exempt from the fees, they have had less incentive to track and seal their unused monitoring wells.

When the Well Program's fee structure was originally established in 1989, a provision was included in M.S. 1031 to exempt governments from paying the fees for the program services provided to them. Therefore, during the past two decades, federal, state, and local agencies in Minnesota have been receiving considerable Well Program services for free, even though most of those same governmental agencies charge other governmental agencies for services they provide. Because the annual permits have been free, many governmental agencies automatically renew all their permits, whether the wells are still in use or not. Consequently, there is a growing number of unused government-owned monitoring wells that are not being sealed and present an increased threat to groundwater.

Proposal

This proposal will require local governments to begin paying Well Program fees, including a reduced fee of \$50 (the usual fee is \$175) for each annual monitoring well maintenance permit. This will result in an increase in annual program revenue of approximately \$325,000, which will help offset the current budget shortfall caused by the housing market collapse, and help to maintain the state Well Program at minimum operating levels. Typical costs to federal, state, and local governments will be \$215 to construct a new public well, \$50 to seal an unused well, and \$50 per year to operate a monitoring well.

Ground Water Thermal Exchange

Groundwater thermal exchange systems are becoming increasingly popular as a cost-effective means of heating and cooling with a renewable source of energy. Some systems use “vertical heat loops” that are installed in borings 150-200 feet deep, and the number of vertical heat loop systems installed in Minnesota has doubled in just the past year. The fee to install any vertical heat loop system is currently \$215, even though some of the larger systems have dozens or even hundreds of loops, and often require much more time to approve and inspect.

Proposal

This proposal would retain the current fee to install a heat loop system serving an individual residence (typically less than 10 “tons” of heating/cooling capacity), double the fee (to \$425) for systems of 10 to 50 tons, and triple the fee (to \$650) for systems greater than 50 tons.

Relationship to Base Budget

Base funding from the state government special revenue (SGSR) fund for the Well Management Program is currently \$3.807 million. No change in base funding is requested during this biennium.

Key Goals and Measures

Drinking Water Safety: Proper location and construction of wells protects the safety of our drinking water, and usually eliminates the need for costly water treatment. During this biennium, the program will strive to assure that at least **95%** of all new wells meet all sanitary standards, and that all violations of standards are corrected.

Sealing Abandoned Wells: Abandoned wells threaten groundwater by acting as channels for contaminated surface water to drain deep into the ground, contaminating deeper, geologically protected groundwater. During this biennium, the program plans to oversee the permanent sealing of approximately 10,000 more abandoned wells, bringing the total number sealed during the past two decades to more than 235,000.

Sealing Unused Government-owned Monitoring Wells: During this biennium, the program will work with governmental agencies to assure that their unused monitoring wells are identified, that all unused monitoring wells are placed on a schedule for sealing, and that at least **35%** are properly and permanently sealed.

Vertical Heat Loop Construction: Vertical heat loops must be properly constructed to assure that they will not spread groundwater contamination. During this biennium, the program will strive to assure that at least **95%** of new vertical heat loops meet all construction requirements.

Alternatives Considered

None.

Statutory Changes: This proposal removes the government exemption from Well Program fees, in M.S. 103I.112. This proposal also modifies M.S.103I.208 to create several new fees as described above.

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Swimming Pool Inspection & Plan Review

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 211 | 211 | 211 | 211 |
| Net Fiscal Impact | \$(211) | \$(211) | \$(211) | \$(211) |

Recommendation

The Governor recommends an adjustment to the public swimming pool licensing and plan review fees to reflect cost of service and to maintain staffing levels needed to perform legislatively mandated requirements.

Background

The Minnesota Department of Health (MDH) swimming pool program is an effective means to ensure health protection through comprehensive, consistent oversight for construction of public swimming pools and spas. The purpose of the public swimming pool program is to ensure proper design, construction, maintenance and operation of public swimming pools and spas. The MDH provides public swimming pool and spa plan review and construction inspection for all public pools throughout Minnesota. Ongoing compliance inspection responsibilities are conducted in 48 Minnesota counties. The compliance inspection responsibility is shared with 41 local health agencies that establish their own license fees for service. Staff also provides technical assistance to the local health agencies on issues related to pool safety and sanitation.

In 2008, M.S. 144.1222 was amended to create the Abigail Taylor Pool Safety act. Plan review and license fees were not adjusted at that time. The present fees do not support the enhanced and expanded inspections, plan review, or administrative requirements to carry out the mandates of the act. The last fee adjustment for plan review was in 2003 and for licensing in 2005. Ensuring adequate funding allows program services to continue to be provided.

To see more about this program, visit the web site at <http://www.health.state.mn.us/divs/eh/pools/index.html>.

Proposal

This proposal will adjust public swimming pool licensing and plan review fees to reflect cost of service and to provide funding necessary to maintain staffing levels needed to perform legislatively mandated requirements. New fees will increase revenues approximately 45%.

Relationship to Base Budget

No change in base funding is requested during this biennium. The current annual revenue for this program is \$465,000. The requested fee increase will raise revenue by \$211,000 annually, for total projected annual revenue of \$676,000.

Key Goals and Measures

Goal: Minnesotans will be healthy. Inspecting for safe and sanitary conditions reduces health risks and hazards at regulated establishments.

Inspections of regulated establishments will meet statutory requirements.

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Swimming Pool Inspection & Plan Review

Measures:

- ◆ Number of plans reviewed
- ◆ Average time to review a plan
- ◆ Number and percent of establishments inspected

Alternatives Considered

None

Statutory Change: M.S. 144.1222 and 157.16

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Food Manager Certification Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 163 | 163 | 163 | 163 |
| Revenues | 61 | 61 | 61 | 61 |
| Net Fiscal Impact | \$102 | \$102 | \$102 | \$102 |

Recommendation

The Governor recommends adjusting the Food Manager Certification fees and appropriation level to reflect cost of service.

Background

The current Food Managers Certification program requires statewide professional certification for managers of food establishments. Food service managers are required to complete a training course that teaches safe food preparation, handling, sanitation and the prevention of food borne illness.

This program provides support to 41 local health programs that have delegation agreements for the food, beverage and lodging program and the Minnesota Department of Agriculture. In addition, this program works with the hospitality industry and educators.

Food Manager Certification fees are expected to cover the cost of service and provide funding necessary to administer the program. The current fee for certification is \$28 every three years. There is also a \$15 fee for issuing duplicate certifications.

Proposal

This proposal increases the appropriation for the Food Certification Program by \$163,000 per year. The increased appropriation will enable improved services to the public and regulated parties by increasing the number of food establishments with a certified food manager; and provide needed program oversight and transparency. This proposal also raises the certification fee from \$28 to \$35 and the duplicate certification fee from \$15 to \$20 to ensure the revenues of the program cover the costs.

Relationship to Base Budget

The current appropriation for this program is \$207,000. This proposal would increase the base for this program by 27%. Costs for this program are borne by food service workers and managers.

Key Goals and Measures

Goals: Minnesotans will be healthy. Increasing the number of food establishments with certified food managers will reduce risks to the public for food born illness.

Measures:

Number and percent of food establishments that have a certified food manager: as of July 2008, there are 28,195 current certified food managers in Minnesota. In 2006, 85% of the establishments inspected had a certified food manager. That number has increased to nearly 87% in 2007.

Alternatives Considered

None

Statutory Change: M.S. 157.16

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Food, Beverage, & Lodging Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 823 | 823 | 823 | 823 |
| Revenues | 559 | 559 | 559 | 559 |
| Net Fiscal Impact | \$264 | \$264 | \$264 | \$264 |

Recommendation

The Governor recommends fee and appropriation adjustments for food, beverage and lodging establishment activities related to licensing, inspection and plan review. These adjustments reflect cost of service, adjustments to staffing levels, and restructuring of programs needed to perform legislatively mandated requirements.

Background

Minnesota Department of Health (MDH) license fees support the inspection, licensing, and plan review activity for approximately 9,000 restaurants, bars, hotels, motels, resorts and lodging establishments, and 2,500 temporary food stands in 48 counties. Establishments are routinely inspected to identify and reduce risk factors found to cause illness. Fees reflect cost of service and provide funding necessary to maintain the staffing levels needed to perform legislatively mandated requirements. The last fee adjustment was in 2005.

Ongoing demands resulting from a global food supply, emergency preparedness, increase tourism and technological advances continually challenge the program and require improved services and approaches.

Proposal

This proposal would increase fees under the food, beverage and lodging program. Most current fees would increase about 20%. This proposal will also restructure new construction and remodeling fees for inspection and plan review. It is estimated that the fee increases will generate \$559,000 in additional revenue per year. The proposal will also increase appropriation for the food, beverage and lodging establishments licensing, inspection and plan review program by \$823,000 per year.

If the food, beverage and lodging fees are not increased, there will be a reduction of inspection staff, and elimination or reduction of inspections for licensed establishments. A reduction in the inspection frequency level would put the program in violation of statute. In addition, patrons will be placed at an increased level of risk of illness or injury at these establishments and the department's ability to respond to emergencies will be reduced. The increased funding will allow the program to restructure and adjust staffing, which will improve services to the public, regulated parties, provide greater program efficiency, and provide needed program oversight and transparency.

Relationship to Base Budget

The current appropriation for this program is \$4.277 million. This proposal will increase the appropriation by 19%, which will be funded with a combination of existing fee revenue plus the revenue generated by the requested fee increase of \$559,000. An increase in fees and appropriation will fund staff and program improvements. Costs for this program are borne by owners of food, beverage and lodging establishments.

Key Goals and Measures

Goal: Minnesotans will be healthy. Inspecting for safe and sanitary conditions reduces health risks and hazards at regulated establishments.

Inspections of regulated establishments will meet statutory requirements.

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Food, Beverage, & Lodging Program

Measures:

- ◆ Number and percent of inspection of regulated establishments.
- ◆ Average time to complete plans reviews.
- ◆ Number of training and evaluation programs offered.

Alternatives Considered

None

Statutory Change: M.S. 157.01 – 157.22

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Youth Camp License & Inspection Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$50 | \$50 | \$50 | \$50 |
| Revenues | \$50 | \$50 | \$50 | \$50 |
| Net Fiscal Impact | 0 | 0 | 0 | 0 |

Recommendation

The Governor recommends creating a youth camp licensing fee and appropriating funds to cover the costs of inspection of youth camps.

Background

The Minnesota Department of Health currently carries out youth camp inspections and illness investigations without a fee, accruing a cost to the state. There are approximately 100 youth camps in the state that the department inspects annually and which do not pay a licensing fee.

Youth camps are regulated under Minnesota Statutes, section 144.71 to 144.74. These camps prepare, serve food, and provide lodging to youth. It is in the interest of public health to continue to inspect for safe and sanitary conditions at these camps and it is in the interest of the state to recover the cost of providing services through a fee.

Proposal

This proposal creates a licensing fee for youth camps of \$500 per year to cover the cost of inspections and food-borne illness investigations conducted at youth camps. The license fee will be added to Minnesota Statutes 157 and is similar to other food and lodging establishments covered by that statute. By implementing a fee, a level playing field will be created for all camp operators statewide. This initiative relates to the division's strategic plan in that it is sound public policy to develop fees that are fair and equitable for both the agency and operators.

Relationship to Base Budget

There is currently no appropriation for this program. This request provides a \$50,000 in base funding in the state government special revenue fund, which will be funded by the requested fee revenue of \$50,000.

Key Goals and Measures

Goals: Minnesotans will be healthy. Inspecting for safe and sanitary conditions reduces health risks and hazards at regulated establishments

Meet statutory requirements for inspections of youth camps.

Measures:

- Number and percent of youth camps inspected per year.

Alternatives Considered

None

Statutory Change: Minnesota Statutes, sections 157.15-157.16 and 144.72

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: Manufactured Home Parks & Rec Camping

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 320 | 320 | 320 | 320 |
| Revenues | 234 | 234 | 234 | 234 |
| Net Fiscal Impact | \$86 | \$86 | \$86 | \$86 |

Recommendation

The Governor recommends creating statutory language for operating standards for special event camping areas, a license fee category for these short term camping areas, and adjustment of fees and appropriation for year round camping areas and manufactured home parks.

Background

The Minnesota Department of Health (MDH) licenses approximately 1200 Manufactured Home Parks (MHP) and Recreational Camping Areas (RCA). The manufactured home park/recreational camping area license fees have not been changed since 1991. The current fees are considerably less than required to provide required services. The current fees for year round camping areas and manufactured home parks are in rule, and are being moved to statute as required by M.S. 16A.1283.

In addition, the department licenses approximately 15 Special Event Camping Areas (SECA) each year. SECAs are events that typically operate a few days a year. Variances from Recreational Camping Area standards have been allowed at SECAs because of the special conditions that exist for these short term events. In addition, SECAs are charged the same licensing fee as permanent RCAs because there is no specific fee structure for these events that reflect cost of service. As an example, the Minnesota State Fair sought legislative relief in the 2008 legislative session to reduce their fee from \$20,000 to \$9,000. This proposal creates specific operating standards, and a separate licensing fees structure for SECAs.

Proposal

This proposal includes standardization and simplification of the fee structure and moves license fees for manufactured home parks and recreational camping areas from rule into statute. In addition, this proposal codifies standards that reflect the conditions that are currently applied through a variance process for SECAs.

This proposal also adjusts fees for year round camping areas and manufactured home parks and creates a reasonable license fee category for short term camping areas. The resulting 110% increase in revenue will allow the MDH to restructure this program and adjust staffing, which will improve services to the public and regulated parties, provide greater program efficiency, and provide needed program oversight and transparency.

Relationship to Base Budget

The current appropriation for this program is \$160,000. This proposal requests a 200% increase in appropriation, which will be funded with a combination of existing fee revenue plus the revenue generated by the requested fee increase of \$234,000. An increase in fees will fund staff and program improvements. Costs for this program are borne by licensed operators.

Key Goals and Measures

Goal: Minnesotans will be healthy. Inspecting for safe and sanitary conditions reduces health risks and hazards at regulated establishments.

Inspections of regulated establishments will meet statutory requirements

Measures:

- ◆ Number and percent of establishments inspected.
- ◆ Number of plans reviewed per year.
- ◆ Number of days to complete a review.

Alternatives Considered

None

Statutory Change: M.S. 327.14 – 327.20

HEALTH DEPT**Program: HEALTH PROTECTION****Change Item: X-Ray Program Fee**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 250 | 250 | 250 | 250 |
| Revenues | 460 | 460 | 460 | 460 |
| Net Fiscal Impact | \$(210) | \$(210) | \$(210) | \$(210) |

Recommendation

The Governor recommends increasing the appropriations and fees for the x-ray licensing and inspection program to ensure compliance with statutory requirements to inspect all x-ray facilities every four years, develop a electronic data systems and electronic business transactions and recover the cost of the program.

Background

The X-ray program is a fee based inspection program established in 1973. It was established to protect the citizens of Minnesota from receiving unnecessary exposure to ionizing radiation. This is accomplished through:

- ◆ Establishing public health standards for ionizing radiation producing equipment in all facilities - medical, veterinary, industrial, research, and educational,
- ◆ Providing educational standards for operators of radiation producing equipment,
- ◆ Providing public information, answering consumer concerns, and working with health licensing boards and associations to inform facilities and staff of regulatory and compliance issues,
- ◆ Registering and thereby maintaining an inventory of radiation producing equipment used in Minnesota,
- ◆ Identifying service providers and assuring that training is appropriate for the equipment that they install, maintain, and repair, and
- ◆ Annually inspecting one quarter of the 4,400 facilities having ionizing radiation-producing equipment.

The currently set fees have not kept pace with the cost of providing this service. Fees for the x-ray program have not been increased since 1997. In FY 2008, registration fees were converted from biannual to annual. The fees also support the following activities that do not currently generate revenue for the program:

- ◆ Shielding Plan Review;
- ◆ Diagnostic Screening Plan Review, and;
- ◆ Service Provider Registration.

These activities are required under rule amendments that were developed and established in 2007. The program has continuously struggled to achieve its statutorily mandated requirement to inspect each facility every four years because of inadequate staffing levels. With current staff levels the program has progressed towards that goal. Studies in other states have shown that compliance is most successful on a three-year inspection cycle. The program is also working towards efficiencies in business operations through electronic business processes and enhanced inspection procedures. With the increasing demand for electronic business operations, the need to replace antiquated field inspection equipment, increased department indirect costs and appropriate staff levels the program will need to expend additional funds in order to efficiently provide services.

Proposal

This proposal seeks to increase the current fees and appropriation for services in order to support operation of the program. This proposal also seeks an increased appropriation to ensure compliance with statutory requirements to inspect all x-ray facilities every four years, develop a electronic data systems and electronic business transactions and recover the cost of the program

Fees that will be increased include:

- ◆ Facility base fee: proposed fee = \$100, existing fee = \$66;
- ◆ Dental equipment fee (Non-CT): proposed fee = \$40, existing fee = \$33;

HEALTH DEPT

Program: HEALTH PROTECTION

Change Item: X-Ray Program Fee

- ◆ Dental CT and non-dental equipment fee: proposed fee = \$100, existing fee = \$53;
- ◆ Accelerators – flat fee per facility and dropping equipment fee: proposed fee = \$500, existing fee = base fee plus per equipment fee.

Fees that will be eliminated are:

- ◆ Electron microscopes – current configuration of these devices does not present a hazard to operators or the public. This will cause minimal fiscal impact to the overall program budget. The compliance activity associated with this equipment will also be eliminated.

More information on the program can be found at <http://www.health.state.mn.us/xray> .

Relationship to Base Budget

The current base funding for the x-ray program is \$1.108 million. This proposal would increase funding by 22.5%. As indicated previously, the increase is essential to maintain sufficient staff to meet the legislative mandate to inspect these facilities every four years. The increase will also speed up the process of developing electronic business processes to make transactions easier for the regulated community.

Key Goals and Measures

Goal: Minnesotans will be healthy. This initiative focuses on clear priorities for improving health outcomes by ensuring the safe operation of x-ray equipment through establishment of standards and inspecting for compliance.

Inspections of regulated establishments will meet statutory requirements.

Measures:

- ◆ Facilities will be inspected every four years – 4,400 total facilities of which 1,900 are dental facilities.
- ◆ Electronic business transactions available for the regulated community.

Alternatives Considered

None

Statutory Change: M.S. 144.121

Technology Funding Detail

(Dollars in thousands)

| Funding Distribution | FY 2010-11 Biennium | | FY 2012-13 Biennium | | FY 2014-15 Biennium | |
|----------------------|---------------------|-------------|---------------------|-------------|---------------------|-------------|
| | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| Personnel | \$14 | \$13 | \$29 | \$37 | \$7 | \$7 |
| Supplies | | | | | | |
| Hardware | | | | | | |
| Software | 3 | 3 | 4 | 4 | 3 | 3 |
| Facilities | | | | | | |
| Services | | | 10 | 10 | 10 | 10 |
| Training | | | | | | |
| Grants | | | | | | |
| TOTAL | \$17 | \$16 | \$43 | \$51 | \$20 | \$20 |

NOTE: Personnel: planning and development of improved compliance monitoring data base system along with electronic business applications [submission of e-payments and records]. Services: estimated cost for e-business transactions.

HEALTH DEPT**Program: HEALTH PROTECTION****Change Item: Lead Program-Pre-Renovation & Renovation**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 100 | 100 | 100 | 100 |
| Revenues | 50 | 75 | 100 | 125 |
| Net Fiscal Impact | \$50 | \$25 | \$0 | \$(25) |

Recommendation

The Governor recommends that the department be given the authority to develop rules to adjust fees for pre-renovation notification of lead hazards and the regulation of renovation, repair and painting activities that impact lead based paint in child occupied facilities. These activities are currently mandated by the U.S. Environmental Protection Agency (EPA). Development of this program will ultimately result in the department seeking approval to operate the program in lieu of EPA

It is anticipated that this initiative will support lead reduction activities in housing and reduce unnecessary exposure of children to lead.

Background

In April 2008, EPA established work practice, cleaning, and certification requirements for contractors performing renovation, repair and painting activities in pre-1978 child occupied facilities. These activities were exempt from the licensing requirements established in 1998. Renovation, repair and painting activities are not currently regulated by the state. The federal requirements call for contractors to pay a certification fee for performing renovation, repair and painting activities. Individuals are required to be trained through an approved course and their training course diploma becomes their certification. Renovator and dust sampling technician training courses are also required to receive approval to provide courses and pay a fee.

Development of these requirements at the state level would ensure continued federal Housing and Urban Development (HUD) funding to the state for lead hazard reduction activities for both state and local programs. One of the requirements for local and state agencies when applying to HUD for activities impacting lead is that the state has a lead compliance program that is recognized by EPA. Future federal healthy homes funding opportunities may also be impacted by the status of a state's full implementation of an EPA recognized lead program.

Proposal

This initiative would incorporate the 2008 EPA requirements into existing statute which would allow the department to develop rules and seek authority from EPA to administer these program elements within the state.

Current state fee that will be used to facilitate implementation of this program are as follows:

- ◆ Lead Firm Certification: \$100 initial;
- ◆ Lead Firm Certification: \$100 renewal/every year;
- ◆ Initial Training Course Permit: \$500 initial;
- ◆ Initial Training Course Permit: \$250 renewal/every year;
- ◆ Refresher Training Course Permit: \$250 initial;
- ◆ Refresher Training Course Permit: \$125 renewal/every year;
- ◆ Lead Supervisor: \$100 initial, and;
- ◆ Lead Supervisor: \$100 renewal/every year.

These fees along with certification fees for lead supervisors, workers, inspectors, risk assessors and management planners currently generate approximately \$50,000 per year.

Equivalent federal fees are as follows:

- ◆ Renovation Firm Certification: \$300 initial;
- ◆ Renovation Firm Certification: \$300 renewal/every five years;
- ◆ Initial Renovator or Dust Sampling Technician Course: \$560 initial;
- ◆ Initial Renovator or Dust Sampling Technician Course: \$340 renewal/every four years;
- ◆ Refresher Renovator or Dust Sampling Technician Course: \$400 initial, and;
- ◆ Refresher Renovator or Dust Sampling Technician Course: \$340 renewal/ every four years.

This change will impact firms or contractors that conduct renovation work in pre-1978 housing by requiring them to work safely with potential lead hazards. There are approximately 15,000 licensed general contractors through Department of Labor and Industry (DOLI). The Minnesota Home Builders Association which includes home renovators has approximately 5,000 members state wide in 14 regional associations. This initiative will have a positive impact on reducing potential lead exposures in the state, it is difficult to determine to what extent. National studies have indicated that up to 30% of lead poisonings are the result of renovation activities.

Additional information:

Minnesota Department of Health Lead Program: <http://www.health.state.mn.us/divs/eh/lead/index.html>

US EPA Pre-Renovation Lead Education Rule: <http://www.epa.gov/lead/pubs/leadrenf.htm>

US EPA Renovation, Repair and Painting Rule: <http://www.epa.gov/lead/pubs/renovation.htm>

Relationship to Base Budget

This proposal requests an additional \$100,000 per year. This is an increase from the current base budget of \$50,000. Increased staff activity would be required initially to develop the proposed program and there after to maintain the program and provide technical assistance and compliance activity. The licensing activity would increase the fees generated under the existing program. Over time, adoption of this program could reduce the state's dependence on US EPA to fund the operation of the lead compliance program.

Key Goals and Measures

Goal: Minnesotans will be healthy. Reduced exposure of children to lead hazards from renovation work will result in reduced societal costs in the future.

Increase the number of contractors trained in lead safe work practices.

Measures:

- ◆ Number of contractors trained in lead safe work practices.
- ◆ Number of contractors licensed for lead work.
- ◆ Compliance activity associated with renovation work.
- ◆ Elevated blood lead levels continue to drop within the state.

Alternatives Considered

None

Statutory Change: Changes to M.S. 144.9501-9509

HEALTH DEPT**Program: HEALTH PROTECTION****Change Item: Infected Health Care Workers Program**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 50 | 50 | 50 | 50 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$50 | \$50 | \$50 | \$50 |

Recommendation

The Governor recommends an increase in appropriations of \$50,000 for the Infected Health Care Worker Monitoring Program from the state government special revenue (SGSR) fund. This increase will ensure that the state is able to effectively evaluate and monitor all health care workers who are infected with HIV, hepatitis B (HBV), and hepatitis C (HCV).

Background

The Infected Health Care Worker Monitoring Program was created in 1992. M.S. 214.19, requires certain persons or institutions that know that a "regulated person" (e.g., dentist, physician, registered nurse) is infected with HIV, HBV, or HCV to report that person to the commissioner of health. M.S. 214.23, further requires the boards of dentistry, medical practice, nursing, and podiatric medication to enter into a contract with the commissioner of health to evaluate and monitor these infected health care workers.

The Minnesota Department of Health (MDH) has administered the Infected Health Care Worker Program since 1992. The program ensures that licensed health care professionals infected with diseases transmissible by blood and body fluid contact (i.e., HIV, HBV, and HCV) are evaluated and monitored on an ongoing basis so they can safely continue to practice. This reduces the threat that a health care worker infected with one of these diseases will infect a patient.

Over time the number of health care workers evaluated and monitored by the program has grown. In 1992, MDH only monitored for HIV and HBV. From 1992 through 1999, the number of new cases remained relatively small; an average of four per year, thus resulting in about 20 that required monitoring on an ongoing basis. However in 2000, statute was amended and now requires monitoring of health care workers infected with HCV. Currently, the program is monitoring or investigating 140 infected health care workers. As a result, program costs have increased.

Proposal

This proposal asks for an additional \$50,000 to fund the Infected Health Care Worker Program to ensure that the MDH is able to effectively investigate and monitor health care workers infected with HIV, HBV, and HCV so these infectious diseases do not spread beyond the health care worker to their patients or family members.

Relationship to Base Budget

Currently, MDH receives \$162,000 annually in SGSR funding for the Infected Health Care Worker Program. This proposal requests a 31 percent increase in funding to maintain current service levels. This additional funding will be used to cover rising programmatic costs, and additional funding will be used for .2 FTE to fund a supervisor to support the health care worker program. Other additional funding will go to increased Attorney General costs, travel, and educational materials needed to address the increase in health care workers monitored under this program.

Key Goals and Measures

Minnesota Milestones Goal: Minnesotans will be healthy. Preventing, detecting, and controlling infectious disease is critical to ensuring Minnesotans are healthy. For example, due to public health interventions and improved treatment, years of potential life lost to HIV/AIDS and hepatitis B and C have decreased over the last decade.

Key Measures

- ◆ Percent of all Health Care Workers reported to the commissioner of health by licensing boards that are evaluated and monitored on an ongoing basis so they can safely continue to practice. (Goal 100 percent)

Alternatives Considered

None

Statutory Change: Not Applicable.

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 150 | 150 | 150 | 150 |
| Revenues | 100 | 150 | 200 | 200 |
| Net Fiscal Impact | \$50 | \$0 | (\$50) | (\$50) |

Recommendation

The Governor recommends an appropriation of \$150,000 in FY 2010 and \$150,000 in FY 2011 to support the continuation of Minnesota's Environmental Laboratory Accreditation Program. The Governor further recommends changing fees from biannual to annual and increasing fees to ensure recovery of costs.

Background

The Environmental Laboratory Accreditation Program provides assurance to the U.S. Environmental Protection Agency (EPA) that federal regulatory program testing is performed by laboratories accredited to meet EPA specifications and the State of Minnesota is in compliance with EPA primacy requirements.

The Environmental Laboratory Accreditation Program evaluates and inspects municipal and private laboratories that perform testing for the state of Minnesota. Laboratories must be accredited to conduct testing for the federal Safe Drinking Water, Clean Water, Resource Conservation and Recovery, and Underground Storage Tank Programs in Minnesota. To be accredited for a specific program, the laboratory must use the data quality assurance, sample collection, analysis, preservation and handling techniques specified by EPA. The state of Minnesota must guarantee that accredited laboratories perform this testing. These federal programs are administered in Minnesota by the Minnesota Department of Health (Safe Drinking Water), and the Minnesota Pollution Control Agency (Clean Water, Resource Conservation and Recovery, and Underground Storage Tank).

The state of Minnesota requires that laboratories which perform water, soil, and waste testing for government agencies for regulatory purposes must be accredited as specified in M.S. 144 and Minn. Rule 4740. The department's Environmental Laboratory Accreditation Program accredits laboratories that have provided assurance that appropriate systems are in place to generate reliable data.

Minnesota Department of Health (MDH) must meet program requirements that are specified in statute and be supported entirely by fees. The program last requested and received a fee increase in 2005. The current program costs now exceed program revenues. Growing demands from the laboratory community for services such as training, database management, and technical consultations have also caused pressure to the program.

To reduce expenditures, the program would severely limit its on-site inspections, training sessions, and technical consultations to private testing laboratories and municipalities. In addition, without a fee increase the program cannot add staff to meet the growing expectations by the laboratory community for services such as training, database management, and technical consultations.

Proposal

This proposal would increase the appropriation and fees for the Environmental Laboratory Accreditation Program to meet current service demands and ensure statutory requirements are met. The increased appropriation will cover the cost of staff, supplies and training at a level needed to meet statutory requirements. This proposal also changes the fees for the Environmental Laboratory Accreditation Program from biannual to annual and proposes an increase of fees. Without the recommended increase in user fees, the MDH Environmental Laboratory Accreditation Program will run a financial deficit within a year.

Relationship to Base Budget

The current base for the lab certification program is \$581,000. This proposal will increase the base by 25 percent.

Key Goals and Measures

- ◆ Quality Assurance – The program will improve its ability to assure the quality of data generated by Minnesota accredited laboratories by maintaining an average frequency of inspections once every two years.
- ◆ Compliance with Federal Requirements – The program will provide assurance to EPA that federal regulatory program testing is performed by laboratories accredited to meet EPA specifications.
- ◆ Cost Effective Service Delivery – The program will continue its emphasis on minimizing costs to the regulated community by striving for uniformity in accreditation programs nationwide and building mutually beneficial reciprocal arrangements with other states.
- ◆ Collaboration with Other Agencies – The program will continue to work closely with the Minnesota Pollution Control Agency and environmental health programs within the MDH to assure the accuracy of data used to make decisions of public health significance.

Alternatives Considered

The program has considered the reduction of expenditures as an alternative to a user fee increase. However, this alternative would impact the ability of Minnesota to meet the primacy compliance requirements of the EPA.

Statutory Change: Fees are established in M.S. 144.98.

Program Description

The purpose of the Community and Family Health Promotion Program is to improve health through bringing together diverse expertise and systems to effectively direct resources to measurably improve the health of individuals, families, and communities – with particular attention to those experiencing health disparities.

Budget Activities

- ◆ Community and Family Health
- ◆ Health Promotion and Chronic Disease
- ◆ Office of Minority and Multicultural Health

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 49,118 | 47,928 | 47,928 | 47,928 | 95,856 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (3,448) | (3,448) | (6,896) |
| Subtotal - Forecast Base | 49,118 | 47,928 | 44,480 | 44,480 | 88,960 |
| Governor's Recommendations | | | | | |
| Local Public Health Grant Payment Delay | | 0 | 0 | (5,193) | (5,193) |
| Grant Reduction - Family Planning | | 0 | (1,050) | (1,050) | (2,100) |
| Total | 49,118 | 47,928 | 43,430 | 38,237 | 81,667 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 870 | 875 | 875 | 875 | 1,750 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 358 | 358 | 716 |
| Program/agency Sunset | | | (200) | (200) | (400) |
| Subtotal - Forecast Base | 870 | 875 | 1,033 | 1,033 | 2,066 |
| Total | 870 | 875 | 1,033 | 1,033 | 2,066 |
| Health Care Access | | | | | |
| Current Appropriation | 4,050 | 5,274 | 5,274 | 5,274 | 10,548 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (3,586) | (3,586) | (7,172) |
| Current Law Base Change | | | 20,454 | 27,531 | 47,985 |
| One-time Appropriations | | | (500) | (500) | (1,000) |
| Subtotal - Forecast Base | 4,050 | 5,274 | 21,642 | 28,719 | 50,361 |
| Governor's Recommendations | | | | | |
| Statewide Health Improvement Program | | 0 | (14,000) | (21,000) | (35,000) |
| Total | 4,050 | 5,274 | 7,642 | 7,719 | 15,361 |
| Federal Tanf | | | | | |
| Current Appropriation | 11,418 | 11,733 | 11,733 | 11,733 | 23,466 |
| Subtotal - Forecast Base | 11,418 | 11,733 | 11,733 | 11,733 | 23,466 |
| Total | 11,418 | 11,733 | 11,733 | 11,733 | 23,466 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 32 | 155 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 45,029 | 46,657 | 43,430 | 38,237 | 81,667 |
| State Government Spec Revenue | 676 | 1,466 | 1,033 | 1,033 | 2,066 |
| Health Care Access | 404 | 1,784 | 7,642 | 7,719 | 15,361 |
| Federal Tanf | 9,997 | 13,154 | 11,733 | 11,733 | 23,466 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 3,001 | 4,355 | 2,872 | 2,841 | 5,713 |
| Federal | 153,787 | 162,155 | 160,348 | 160,197 | 320,545 |
| Gift | 6 | 58 | 0 | 0 | 0 |
| Total | 212,932 | 229,784 | 227,058 | 221,760 | 448,818 |

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROM0

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 19,269 | 22,794 | 22,205 | 22,445 | 44,650 |
| Other Operating Expenses | 10,497 | 17,303 | (1,029) | (7,949) | (8,978) |
| Payments To Individuals | 102,184 | 107,208 | 106,830 | 106,830 | 213,660 |
| Local Assistance | 80,982 | 82,479 | 99,354 | 100,736 | 200,090 |
| Transfers | 0 | 0 | (302) | (302) | (604) |
| Total | 212,932 | 229,784 | 227,058 | 221,760 | 448,818 |
| <u>Expenditures by Activity</u> | | | | | |
| Community & Family Health | 178,825 | 190,631 | 186,703 | 181,563 | 368,266 |
| Health Promo & Chronic Disease | 26,557 | 30,686 | 32,224 | 32,066 | 64,290 |
| Minority & Multicultural Hlth | 7,550 | 8,467 | 8,131 | 8,131 | 16,262 |
| Total | 212,932 | 229,784 | 227,058 | 221,760 | 448,818 |
| Full-Time Equivalent (FTE) | 251.6 | 286.4 | 275.6 | 267.8 | |

Activity Description

Through partnerships with local and tribal governments, health care providers, and community organizations, this activity ensures a coordinated state and local public health infrastructure; works to improve the health of mothers, children, and families; promotes access to quality health care for vulnerable and underserved populations; and provides financial support, technical assistance, and accurate information to strengthen community-based health systems.

Population Served

The entire population of the state is served by this activity with special emphasis on: mothers and children (especially those experiencing the greatest disparities in health outcomes) and children with special health care needs and their families.

Services Provided

- ◆ Help local health departments fulfill a set of essential local public health activities by administering state and federal funding, providing technical assistance to local health boards and staff, and providing public health training to local public health staff.
- ◆ Improve the health and nutritional status of pregnant and postpartum women, infants, young children, and the elderly by providing nutrition education and counseling, foods to meet key nutritional needs, and referrals for health and social services.
- ◆ Maintain access to quality health care services by providing statewide grants for pre-pregnancy family planning services and by providing specialized medical assessments to children with chronic illness and disabilities.
- ◆ Improve the health and development of infants and children by supporting programs that provide early, comprehensive and on going screening, intervention and follow up.
- ◆ Improve pregnancy outcomes and enhance the health of pregnant and postpartum women and their infants by supporting programs that encourage early access to prenatal care, provide necessary support services, and increase knowledge of healthy behaviors.
- ◆ Assess and monitor maternal and child health status, including children with special health care needs.
- ◆ Collaborate with the public and private sectors for quality improvement and measurement of health status to ensure accountability.

Activity at a Glance

- ◆ Provide administrative oversight of approximately \$168 million in grant funds.
- ◆ Provide technical and financial assistance to the state's 53 local public health boards.
- ◆ Provide nutrition services and supplemental food to over 140,000 low-income pregnant women and young children.
- ◆ Provide commodity food products to over 14,000 children and seniors each month.
- ◆ Provide prenatal services to almost 11,000 women.
- ◆ Provide family planning services to almost 30,000 individuals.
- ◆ Provide services to more than 7,000 children with special health care needs.

Historical Perspective

The federal Women, Infant and Children (WIC) Program and Title V Maternal Child Health (MCH) Block Grant have long provided a foundation for ensuring the health of Minnesota's mothers and children. Minnesota enjoys some of the best health status and health system measures for mothers, infants, and children. However, there remain significant issues that need ongoing attention: disparities in health status based on race, ethnicity, and poverty; improved pregnancy outcomes; early identification and intervention services; oral health promotion; mental health promotion; and obesity reduction. Community and Family Health provides leadership, accountability, resources, and partnerships for continued work on these challenging issues.

The Office of Public Health Practice provides coordination and support to the local public health system which works in tandem with MDH to fulfill public health responsibilities. This interlocking system of state and local effort is critical to mounting an effective response to public health threats. Minnesota has delineated a set of essential local public health activities that characterize local roles for carrying out disease prevention, public health emergency preparedness, environmental health, health promotion, maternal and child health, and connecting people to needed health services.

HEALTH DEPT

Program: COMMUNITY & FAMILY HEALTH PROMOTION

Activity: COMMUNITY & FAMILY HEALTH

Narrative

Key Activity Goals

"All children get a healthy start in life" is a primary goal of this activity. This is one of the department's identified primary goals and is tracked under department results at www.departmentresults.state.mn.us/health/index.html.

Key Measures

These measures will help us achieve the goal of all children having a healthy start in life.

- ◆ Protect public health by increasing the level of essential local public health activities performed by all local health departments.

| History | Current | Target |
|---------|---------|--------|
| 2006 | 2008 | 2010 |
| 47% | 55% | 75% |

Source: Minnesota Department of Health

- ◆ Increase the percent of Minnesota parents with a child with a special health care need who report that their child has a "medical home". A "medical home" in this national telephone survey is defined as comprehensive, recurring medical care from a regular primary health care professional that assures that all the child's medical and non-medical needs are met.

| History | Current | Target |
|---------|---------|--------|
| 2002 | 2008 | 2010 |
| 48% | 52% | 55% |

Source: National Survey of Children with Special Health Care Needs – CDC

- ◆ Decrease the percentage of children, ages two to five years, receiving WIC services that are at risk for being overweight or who are overweight. (Body Mass Index [BMI] at or above the 85th percentile).

| History | Current | Target |
|---------|---------|--------|
| 2002 | 2008 | 2010 |
| 29% | 30% | 28% |

Source: Pediatric Nutrition Surveillance System - CDC

- ◆ Decrease the disparity in infant mortality rates for American Indians and populations of color as compared to whites.

| Ethnicity | 1995-1999 | 2001-2005 | EHDI Target* |
|------------------|-----------|-----------|--------------|
| African American | 13.2 | 9.3 | 9.4 |
| American Indian | 13.5 | 10.3 | 9.5 |
| Asian/Pacific | 7.1 | 4.8 | 6.3 |
| Hispanic/Latino | 7.0 | 4.9 | 6.3 |
| White | 5.5 | 4.4 | -- |

*Target is 50% deduction in disparity between Populations of Color and White rate

Source: Minnesota Department of Health

Activity Funding

This activity is funded primarily from appropriations from the general fund, health care access fund, state government special revenue fund, and from various federal grants.

Contact

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HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: COMMUNITY & FAMILY HEALTH

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium |
|--|----------------|----------------|--------------------|----------------|----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 30 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 31,968 | 32,315 | 30,658 | 25,465 | 56,123 |
| State Government Spec Revenue | 633 | 1,418 | 1,033 | 1,033 | 2,066 |
| Health Care Access | 404 | 1,784 | 1,642 | 1,719 | 3,361 |
| Federal Tanf | 7,500 | 9,970 | 8,735 | 8,735 | 17,470 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 471 | 960 | 542 | 543 | 1,085 |
| Federal | 137,818 | 144,162 | 144,093 | 144,068 | 288,161 |
| Gift | 1 | 22 | 0 | 0 | 0 |
| Total | 178,825 | 190,631 | 186,703 | 181,563 | 368,266 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 8,537 | 9,910 | 9,710 | 9,630 | 19,340 |
| Other Operating Expenses | 6,408 | 8,813 | 7,711 | 7,844 | 15,555 |
| Payments To Individuals | 98,631 | 103,816 | 103,876 | 103,876 | 207,752 |
| Local Assistance | 65,249 | 68,092 | 65,406 | 60,213 | 125,619 |
| Total | 178,825 | 190,631 | 186,703 | 181,563 | 368,266 |
| Full-Time Equivalents (FTE) | 111.2 | 129.1 | 124.9 | 118.5 | |

Activity Description

The Health Promotion and Chronic Disease Division improves the health of all Minnesotans by implementing public health interventions to prevent and control chronic diseases and injuries, by monitoring the occurrence of chronic diseases and injuries, and by providing leadership in the development of statewide programs and policies to reduce the burden of tobacco use, obesity, injuries, cancer, heart disease, stroke, diabetes, asthma, arthritis, oral ill health, and other chronic diseases in Minnesota.

Population Served

This activity serves the entire population of Minnesota. Efforts are focused on youth, among whom prevention efforts have the biggest potential impact; on women, who are disproportionately disabled by chronic disease; and on American Indians and populations of color, who are more likely than white Minnesotans to die from chronic diseases and injuries.

Activity at a Glance

- ◆ Screened 17,200 low-income women for breast and cervical cancer in FY 2008, at more than 380 clinics across the state.
- ◆ Registered 24,260 newly-diagnosed invasive cancers in the Minnesota Cancer Surveillance System in 2005.
- ◆ Registered almost 7,500 people for the on-line Get Fit Twin Cities 2008 physical activity challenge, which included activity tracking, tips, resources, and incentives.
- ◆ Provided 21 grants in FY 2008 to community organizations and tribes to reduce youth exposure to tobacco influences and create tobacco-free environments.

Services Provided**Help Minnesotans adopt healthy behaviors to prevent and control chronic diseases and injuries:**

- ◆ Develop and disseminate innovative and effective policy, systems, and environmental health improvement strategies, consistent with best practices and statewide chronic disease prevention and control plans.
- ◆ Support health care providers and systems, public health agencies, community-based organizations, and employers in their prevention efforts.
- ◆ Fund and support community-driven interventions to reduce obesity, the use of tobacco, and exposure to secondhand smoke.
- ◆ Provide information to health care providers and the public about identifying and treating persons at risk for or affected by: cancer, diabetes, heart disease, stroke, asthma, arthritis, and traumatic brain and spinal cord injury.

Monitor the occurrence of cancer, stroke, injuries, and other chronic diseases:

- ◆ Operate a statewide system of surveillance for all newly-diagnosed cancer cases in the state.
- ◆ Examine and report on the disparities in and the prevalence and trends of heart disease, stroke, cancer, asthma, diabetes, obesity, tobacco use, injuries, and oral health.
- ◆ Identify workplace hazards, illnesses, and injuries and investigate work-related deaths.

Increase access to services and improve the quality of health care to reduce death and illness due to chronic diseases:

- ◆ Provide free breast and cervical cancer screening, follow-up cancer diagnostic services, and cardiovascular risk factor screening, referral, and counseling to medically underserved women.
- ◆ Work with health care providers to develop, accept, implement, and evaluate best practices to prevent, detect, and control chronic diseases and injuries.
- ◆ Provide physicians, individuals, and families with the tools to better manage asthma, diabetes, cancer, heart disease, stroke, and arthritis.
- ◆ Translate health research and information into practice.

Provide leadership in the development and maintenance of effective public/private partnerships to prevent and control chronic diseases and injuries:

- ◆ Facilitate effective collaborations and partnerships.
- ◆ Convene forums to identify common interests and foster action.

HEALTH DEPT

Program: COMMUNITY & FAMILY HEALTH PROMOTION

Activity: HEALTH PROMO & CHRONIC DISEASE

Narrative

- ◆ Work with and support health care providers and systems, public health agencies, and other community-based organizations involved in statewide prevention and planning efforts.
- ◆ Support the implementation of statewide plans for heart disease, stroke, cancer, diabetes, asthma, arthritis, oral health, obesity, and injury and violence prevention with multiple partners.

Historical Perspective

Chronic diseases, such as cancer, heart disease, stroke, diabetes, and arthritis, are the leading causes of death and disability in Minnesota. Although chronic diseases are among the most common and costly health problems, they are also among the most preventable; adopting healthy behaviors can prevent or control these diseases. Injuries are also a serious public health problem because of their health impact, including premature death, disability, and the burden on our health care system. Like many chronic diseases, many injuries are preventable.

Key Activity Goals

This activity supports the Minnesota Milestones statewide goal “Minnesotans will be healthy,” particularly the indicators for life expectancy, premature death, smoking and tobacco use, and suicide.

Key Activity Measures

- ◆ Reduce deaths from colorectal, cervical, lung, and female breast cancer through improvements in healthy behaviors, screening and treatment. (Mortality rate is number of deaths per 100,000, by year of diagnosis, age-adjusted.)

| | History | | Current | Target |
|----------------------|---------|---------|---------|--------|
| | 2000-01 | 2003-04 | 2005-06 | 2010 |
| Colorectal | 18.2 | 16.8 | 15.1 | 13.0 |
| Cervical | 1.4 | 1.8 | 1.6 | 1.0 |
| Female Breast | 25.7 | 22.6 | 21.4 | 19.0 |
| Lung | 46.8 | 46.5 | 45.0 | 44.0 |

Source: Minnesota Cancer Surveillance System based on deaths reported to the Center for Health Statistics

- ◆ Improve health by increasing the percent of Minnesota adults who meet national recommendations for healthy weight, physical activity, and fruit and vegetable consumption.

| | History | | Current | Target |
|--------------------------------|---------|------|---------|--------|
| | 2003 | 2005 | 2007 | 2018 |
| Healthy Weight | 39% | 39% | 38% | 47% |
| Physical Activity | 49% | 51% | 49% | 75% |
| Fruits & Vegetables | 24% | 24% | 19% | 48% |

Source: Minnesota Behavior Risk Factor Surveillance Survey

- ◆ Improve youth health by reducing the percent of Minnesota high school youth who report that they have used tobacco in the last 30 days.

| | History | | | Current | Target |
|--------------------------|---------|------|------|-----------------|--------|
| | 2000 | 2002 | 2005 | 2008 | 2011 |
| Youth tobacco use | 39% | 34% | 29% | avail. in Sept. | 23% |

Source: MN Youth Tobacco Survey

HEALTH DEPT**Program: COMMUNITY & FAMILY HEALTH PROMOTION****Activity: HEALTH PROMO & CHRONIC DISEASE**

Narrative

- ◆ Eliminate racial and ethnic disparities in the burden of chronic disease and injury.

| Breast and Cervical Cancer Screening | History | | Current | MN Population 2007 |
|--------------------------------------|---------|---------|---------|--------------------|
| | 1995-99 | 2000-04 | 2007 | |
| African American | 2.5% | 3.8% | 5.1% | 2.8% |
| American Indian | 10.3% | 6.4% | 7.7% | 0.9% |
| Asian | 0.7% | 1.1% | 2.0% | 2.4% |
| Latino | 3.7% | 7.7% | 16.0% | 2.0% |

Sources: Sage Screening Program (percentage of women screened) and US Census Bureau population estimates (percentage of Minnesota women ages 40-64)

| Heart Disease Mortality Rate | History | | Current | 2002-06 White Rate |
|------------------------------|---------|---------|---------|--------------------|
| | 1995-99 | 2000-04 | 2002-06 | |
| African American | 221.6 | 159.4 | 147.0 | 146.1 |
| American Indian | 263.3 | 239.7 | 225.3 | |
| Asian | 112.4 | 71.4 | 72.5 | |
| Latino | 155.5 | 107.8 | 74.5 | |

Source: Deaths reported to the Minnesota Center for Health Statistics

Mortality rate is age-adjusted and per 100,000 population

| Diabetes Mortality Rate | History | | Current | 2002-06 White Rate |
|-------------------------|---------|---------|---------|--------------------|
| | 1995-99 | 2000-04 | 2002-06 | |
| African American | 59.7 | 54.6 | 53.4 | 22.4 |
| American Indian | 108.8 | 86.5 | 92.7 | |
| Asian | 21.1 | 22.5 | 20.6 | |
| Latino | 37.7 | 37.5 | 33.9 | |

Source: Deaths reported to the Minnesota Center for Health Statistics

Mortality rate is age-adjusted and per 100,000 population

| Unintentional Injury Mortality Rate | History | | Current | 2002-06 White Rate |
|-------------------------------------|---------|---------|---------|--------------------|
| | 1995-99 | 2000-04 | 2002-06 | |
| African American | 40.7 | 35.7 | 32.4 | 34.8 |
| American Indian | 75.8 | 95.4 | 88.5 | |
| Asian | 36.1 | 24.0 | 23.4 | |
| Latino | 40.2 | 31.0 | 27.9 | |

Source: Deaths reported to the Minnesota Center for Health Statistics

Mortality rate is age-adjusted and per 100,000 population

Activity Funding

This activity is funded primarily by federal funds and appropriations from the general fund.

Contact

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HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: HEALTH PROMO & CHRONIC DISEASE

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium |
|--|---------------|---------------|--------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 2 | 155 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 8,022 | 9,399 | 7,837 | 7,837 | 15,674 |
| State Government Spec Revenue | 43 | 48 | 0 | 0 | 0 |
| Health Care Access | 0 | 0 | 6,000 | 6,000 | 12,000 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,516 | 3,250 | 2,325 | 2,293 | 4,618 |
| Federal | 15,969 | 17,800 | 16,062 | 15,936 | 31,998 |
| Gift | 5 | 34 | 0 | 0 | 0 |
| Total | 26,557 | 30,686 | 32,224 | 32,066 | 64,290 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 10,154 | 12,120 | 11,753 | 12,073 | 23,826 |
| Other Operating Expenses | 3,882 | 7,932 | (9,079) | (16,132) | (25,211) |
| Payments To Individuals | 3,553 | 3,392 | 2,954 | 2,954 | 5,908 |
| Local Assistance | 8,968 | 7,242 | 26,898 | 33,473 | 60,371 |
| Transfers | 0 | 0 | (302) | (302) | (604) |
| Total | 26,557 | 30,686 | 32,224 | 32,066 | 64,290 |
| Full-Time Equivalents (FTE) | 133.4 | 150.0 | 144.1 | 143.5 | |

Program Description

The Office of Minority and Multicultural Health exists to close the gap in health disparities affecting American Indians and populations of color in Minnesota and to improve the overall health of the state's racially and ethnically diverse communities.

Population Served

This activity serves Minnesota's tribal communities and populations of color. Disparities in health status between European majority and other populations in Minnesota exist. These disparities are a result of a complex interplay of many factors, including cultural barriers, access to health care, genetics, social conditions, and health behaviors.

Services Provided

Provide leadership to improve the health status of American Indians and populations of color in Minnesota:

- ◆ Develop and implement a comprehensive and coordinated plan to reduce health disparities.
- ◆ Build capacity to meet the needs of people of color in the areas of health promotion, disease prevention, and the health care delivery system.
- ◆ Promote workforce diversity and cultural proficiency in workplaces and health care settings.

Support local efforts to improve the health status of American Indians and populations of color in Minnesota:

- ◆ Award/manage grants and provide technical assistance to community organizations and tribal governments to address racial and ethnic health disparities.
- ◆ Assist communities to assess the public health needs of American Indians and populations of color and to close the Minnesota health disparity gap through solutions grounded in community asset strategies and interventions.
- ◆ Partner with existing Minnesota Department of Health (MDH) grant programs to increase their impact on closing health disparities gaps.

Ensure valid, available, and reliable data about the health status of American Indians and populations of color in Minnesota:

- ◆ Assess risk behaviors associated with health disparities.
- ◆ Establish measurable outcomes to track Minnesota's progress in reducing health disparities.
- ◆ Support ongoing research and studies regarding health status and concerns of American Indians and populations of color.
- ◆ Raise awareness of the recording and reporting of race/ethnicity health-related data.

Historical Perspective

MDH established the Office of Minority Health in 1993 to assist in improving the quality of health and eliminating the burden of preventable disease and illness in populations of color. In 2001, it became Office of Minority and Multicultural Health to reflect the ethnic specific focus on health with a multicultural approach to eliminating health disparities in populations of color and American Indians. The office works collaboratively with other divisions in MDH, other state departments, community-based agencies, health plans, and others to address the needs of populations of color and American Indians. In 2002, the Eliminating Health Disparities Initiative was launched.

Activity at a Glance

- ◆ Continue to track outcomes to measure Minnesota's progress toward reducing health disparities.
- ◆ Award grants (15 in 2008) to address immunizations for adults and children and infant mortality in American Indians and populations of color.
- ◆ Award grants (52 in 2008) to address breast and cervical cancer, HIV/AIDS and sexually transmitted infections, cardiovascular disease, diabetes, and unintentional injuries and violence in American Indians and populations of color.
- ◆ Award grants (21 in 2008) to promote healthy youth development by promoting healthy nutrition, and reduce infant mortality by addressing high teen pregnancies rates in American Indians and populations of color.
- ◆ Mobilize and work with American Indians and populations of color to practice healthy lifestyle choices.

HEALTH DEPT

Program: COMMUNITY & FAMILY HEALTH PROMOTION

Activity: MINORITY & MULTICULTURAL HEALTH

Narrative

Minnesota's population is becoming increasingly diverse. In the 1980 census, 3.4% of Minnesotans identified themselves as non-white or Hispanic/Latino; in the 2007 census estimate update, 14.7% did so.

Minnesota Population Change: 1980-2007

| Racial/Ethnic Group | 1980 Census | 1990 Census | 2000 Census ¹ | 2007 Census ¹ | Average Annual Percent Change |
|-------------------------------------|------------------|------------------|--------------------------|--------------------------|-------------------------------|
| African American | 53,344 | 94,944 | 171,731 | 232,909 | 13% |
| American Indian | 35,016 | 49,909 | 54,967 | 60,928 | 3% |
| Asian | 32,226 | 77,886 | 143,947 | 182,473 | 18% |
| Hispanic | 32,123 | 53,884 | 143,382 | 205,896 | 21% |
| White | 3,935,770 | 4,130,395 | 4,400,282 | 4,640,074 | 1% |
| Total Population² | 4,075,970 | 4,375,099 | 4,919,479 | 5,197,621 | 1% |

Source: U.S. Bureau of Census

¹The population base for 2000 and 2005 Census data is using the "race alone."

²The population count for each racial/ethnic group does not add up to "Total Population" because Hispanic, who can be of any race, are counted in the racial groups and because "Some other race alone" and "Two or more races" categories are excluded from the table.

Key Activity Goals

This activity supports the Minnesota Milestones statewide goal "Minnesotans will be healthy," focusing on reducing racial and ethnic health disparities.

| Priority Health Area | Disparity Status by Race/Ethnicity | | | |
|---------------------------|------------------------------------|-----------------|--------------|--------------|
| | African American | American Indian | Asian | Latino |
| Breast cancer deaths | Better | Lack of Data | No Disparity | Lack of Data |
| Cervical cancer deaths | Lack of Data | Lack of Data | No Disparity | Lack of Data |
| Cardiovascular Disease | Better | Better | Better | Better |
| Diabetes | Better | Better | Worse | Better |
| Healthy Youth Development | Better | Better | Better | Better |
| HIV/AIDS | Worse | Better | No Disparity | Better |
| Immunizations | Better | Better | Better | Better |
| Unintentional Injury | Better | Worse | Better | Better |

Source: 2007 EHDI Legislative Report

Key Measures

- ◆ Improve health by decreasing the disparity in infant mortality rates for American Indians and populations of color, as compared to rates for whites.

Number of deaths of live-born infants before age one, per 1,000 births

| Racial/Ethnic Group | History | | | Target | Progress |
|------------------------|-----------|-----------|-----------|--------|------------|
| | 1989-1993 | 1995-1999 | 2000-2004 | 2010 | |
| American Indian | 16.2 | 13.5 | 10.2 | 9.5 | |
| Asian/Pacific Islander | 6.2 | 7.1 | 5.0 | 6.3 | Met Target |
| Black/African American | 16.5 | 13.2 | 9.5 | 9.4 | |
| Hispanic or Latino | 7.3 | 7.0 | 5.3 | 6.3 | Met Target |
| White Population | 6.4 | 5.5 | 4.5 | 5.5 | Met Target |

Source: MDH Center for Health Statistics

HEALTH DEPT

Program: COMMUNITY & FAMILY HEALTH PROMOTION

Activity: MINORITY & MULTICULTURAL HEALTH

Narrative

Activity Funding

The office is funded by appropriations from the general fund and also receives federal funding.

Contact

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HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: MINORITY & MULTICULTURAL HLTH

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 5,039 | 4,943 | 4,935 | 4,935 | 9,870 |
| Federal Tanf | 2,497 | 3,184 | 2,998 | 2,998 | 5,996 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 14 | 145 | 5 | 5 | 10 |
| Federal | 0 | 193 | 193 | 193 | 386 |
| Gift | 0 | 2 | 0 | 0 | 0 |
| Total | 7,550 | 8,467 | 8,131 | 8,131 | 16,262 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 578 | 764 | 742 | 742 | 1,484 |
| Other Operating Expenses | 207 | 558 | 339 | 339 | 678 |
| Local Assistance | 6,765 | 7,145 | 7,050 | 7,050 | 14,100 |
| Total | 7,550 | 8,467 | 8,131 | 8,131 | 16,262 |
| Full-Time Equivalents (FTE) | 7.0 | 7.3 | 6.6 | 5.8 | |

Program Description

The purpose of the Policy, Quality, and Compliance Program is to promote access to quality health care at a reasonable cost for Minnesotans; assess and report on the health of the population; and monitor compliance with laws and rules designed to protect the health and safety of Minnesota's nursing home residents, home care clients, hospital patients, and clients of certain allied health professional groups.

Budget Activities

- ◆ Compliance Monitoring
- ◆ Health Policy

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

| | | | <i>Dollars in Thousands</i> | | Biennium 2010-11 |
|---|---------------------------|---------------|------------------------------------|---------------|-----------------------------|
| | Current FY2008 | FY2009 | Governor Recomm. FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 11,862 | 8,686 | 8,686 | 8,686 | 17,372 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 2,760 | 2,760 | 5,520 |
| Current Law Base Change | | | (3,926) | (3,926) | (7,852) |
| Fund Changes/consolidation | | | 146 | 146 | 292 |
| Transfers Between Agencies | | | 208 | 208 | 416 |
| Subtotal - Forecast Base | 11,862 | 8,686 | 7,874 | 7,874 | 15,748 |
| Governor's Recommendations | | | | | |
| Behavioral Risk Surveillance Survey | | 0 | 550 | 550 | 1,100 |
| E-Health Initiative | | 0 | 350 | 350 | 700 |
| Grant Elimination | | 0 | (1,208) | (1,208) | (2,416) |
| 2007 & 2008 Session Laws Adjustment | | 0 | 27 | 27 | 54 |
| Total | 11,862 | 8,686 | 7,593 | 7,593 | 15,186 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 13,469 | 13,920 | 13,920 | 13,920 | 27,840 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 400 | 400 | 800 |
| Current Law Base Change | | | (11) | (11) | (22) |
| One-time Appropriations | | | (209) | (209) | (418) |
| Program/agency Sunset | | | 0 | 0 | 0 |
| Subtotal - Forecast Base | 13,469 | 13,920 | 14,100 | 14,100 | 28,200 |
| Governor's Recommendations | | | | | |
| Adverse Health Events Program Fee | | 0 | 73 | 73 | 146 |
| Total | 13,469 | 13,920 | 14,173 | 14,173 | 28,346 |
| Health Care Access | | | | | |
| Current Appropriation | 10,748 | 17,894 | 17,894 | 17,894 | 35,788 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 3,586 | 3,586 | 7,172 |
| Biennial Appropriations | | | 600 | 0 | 600 |
| Current Law Base Change | | | 167 | (401) | (234) |
| Fund Changes/consolidation | | | (146) | (146) | (292) |
| One-time Appropriations | | | (9,018) | (9,018) | (18,036) |
| Subtotal - Forecast Base | 10,748 | 17,894 | 13,083 | 11,915 | 24,998 |
| Governor's Recommendations | | | | | |
| Health Reform - Essential Benefit Set | | 0 | 0 | (540) | (540) |
| Total | 10,748 | 17,894 | 13,083 | 11,375 | 24,458 |
| Miscellaneous Special Revenue | | | | | |
| Current Appropriation | 8,550 | 8,550 | 8,550 | 8,550 | 17,100 |
| Subtotal - Forecast Base | 8,550 | 8,550 | 8,550 | 8,550 | 17,100 |
| Total | 8,550 | 8,550 | 8,550 | 8,550 | 17,100 |

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 785 | 10 | 0 | 0 | 0 |
| Health Care Access | 296 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 12,441 | 8,771 | 7,593 | 7,593 | 15,186 |
| State Government Spec Revenue | 10,436 | 14,278 | 14,173 | 14,173 | 28,346 |
| Health Care Access | 11,311 | 23,558 | 13,083 | 11,375 | 24,458 |
| Open Appropriations | | | | | |
| Health Care Access | 22 | 32 | 32 | 32 | 64 |
| Miscellaneous Special Revenue | 148 | 254 | 150 | 150 | 300 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 17,998 | 19,405 | 13,104 | 13,063 | 26,167 |
| Federal | 2,833 | 4,230 | 3,675 | 3,643 | 7,318 |
| Medical Education & Research | 83,885 | 79,399 | 86,642 | 96,489 | 183,131 |
| Gift | 0 | 42 | 0 | 0 | 0 |
| Total | 140,155 | 149,979 | 138,452 | 146,518 | 284,970 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 22,990 | 25,181 | 24,566 | 24,520 | 49,086 |
| Other Operating Expenses | 15,493 | 21,950 | 18,399 | 16,664 | 35,063 |
| Payments To Individuals | 1,304 | 1,880 | 1,512 | 1,512 | 3,024 |
| Local Assistance | 99,532 | 95,504 | 93,898 | 103,745 | 197,643 |
| Other Financial Transactions | 836 | 5,464 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 77 | 77 | 154 |
| Total | 140,155 | 149,979 | 138,452 | 146,518 | 284,970 |
| <u>Expenditures by Activity</u> | | | | | |
| Compliance Monitoring | 24,275 | 26,748 | 24,987 | 24,997 | 49,984 |
| Health Policy | 115,880 | 123,231 | 113,465 | 121,521 | 234,986 |
| Total | 140,155 | 149,979 | 138,452 | 146,518 | 284,970 |
| Full-Time Equivalent (FTE) | 288.7 | 295.2 | 279.7 | 267.5 | |

Activity Description

The Compliance Monitoring Division monitors compliance with laws and rules designed to protect the health and safety of Minnesota's nursing home residents, home care clients, hospital patients, developmentally disabled clients, enrollees of health maintenance organizations and county based purchasing plans, and clients of certain allied health professional groups.

Population Served

This activity serves patients, consumers, and providers of health care services; state and local policy makers.

Services Provided

- ◆ Monitor compliance with federal and state laws and rules designed to protect health and safety, through unannounced inspections and surveys.
- ◆ Investigate reports of maltreatment in accordance with the Vulnerable Adult Act and other complaints of abuse, neglect, or maltreatment; investigate complaints against HMOs filed by enrollees and providers.
- ◆ Conduct reviews of requests for set-asides of criminal /maltreatment cases.
- ◆ Approve architectural and engineering plans for all new construction or remodeling of health care facilities to assure that the facilities' physical plants meet life safety and health standards.
- ◆ Conduct annual reviews of at least 15% of Medicaid and private pay residents in certified nursing facilities to verify that payment classification matches acuity needs.
- ◆ Regulate funeral service providers to ensure the proper care and disposition of the dead.
- ◆ Regulate individuals who want to practice as audiologists, hearing instruments dispensers, speech language pathologists, and occupational therapists.
- ◆ Regulate HMOs and County Based Purchasing entities to ensure compliance with statutes and rules governing financial solvency, quality assurance, and consumer protection.
- ◆ Respond to several thousand calls annually seeking information and assistance from the health information clearinghouse.
- ◆ Provide information to regulated entities regarding current standards.

Activity at a Glance

- ◆ Monitor 7260 health care facilities and providers for safety and quality
- ◆ Review qualifications and regulate more than 5,000 allied health practitioners
- ◆ Monitor ten health maintenance organizations (HMOs) and three county based purchasing organizations that provide health care services to 1.2 million Minnesotans
- ◆ Conduct hospital and nursing home construction plan reviews.
- ◆ Ensure criminal background checks are conducted on 136,000 applicants for employment in health care facilities.
- ◆ Maintain a registry of more than 53,000 nursing assistants.
- ◆ Maintain the nursing home report card web site, which has had more than 107,000 visits since it was introduced in January 2006.
- ◆ Inspect 350 funeral establishments and license 1300 morticians and funeral directors each year.

Historical Perspective

Housing with services providers are the fastest growing industry in the long-term care arena. This is reflective of consumer desires for less institutional care and more demand for community-based options by the elderly. Compliance monitoring is working with providers, consumer representatives, and advocates to determine the proper alignment of regulatory activities to assure consumers safety while maintaining affordable fees to support the regulation. In addition, division staff members have been involved with numerous projects to develop additional options along a "care continuum," including the "Care Center of the Future" project, the Culture Change Coalition, Transform 2010, and the Community Consortium project.

Key Activity Goals

- ◆ Ensuring quality care in nursing homes and other health care facilities--see department website at <http://www.health.state.mn.us/about/mission.html>
- ◆ Preparing for an aging population--develop regulatory infrastructure that will be needed as we change from nursing homes to home care.

- ◆ Prevent nearly 1,900 persons from working in health care facilities due to past maltreatment, neglect, or other disqualifying activity.

Key Activity Measures

- ◆ Remain below the current national average of 48% of low risk residents that are incontinent and to reduce to 42% by 2013 – see the department results website at: http://www.departmentresults.state.mn.us/health/DeptDetail.htm#Everyone_living_healthy_from_adolescence_into_old_age. This is important because incontinence is often a pivotal factor in determining whether a person can live at home or needs care in a facility. In addition, incontinence increases the risk of skin breakdown and pressure ulcers.
- ◆ Continue to meet the two indicators under the federal Government Performance Results Act (GPRA) for nursing facilities collectively in the state. The first is to have no more than 6.4% of patients whose care assessments indicate the use of physical restraints; Minnesota currently satisfies this overall goal at 3.5%. The second is for no more than 8.8% of patients whose care assessments indicate pressure ulcers; Minnesota currently satisfies this overall goal at 6.1% of residents with pressure ulcers. The additional goal for both measures is to increase compliance so that each nursing home meets these goals.

Activity Funding

This activity is funded primarily by federal funding, the state government special revenue fund and the general fund.

Contact

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HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Activity: COMPLIANCE MONITORING

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 478 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 165 | 171 | 2,994 | 2,994 | 5,988 |
| State Government Spec Revenue | 6,197 | 8,932 | 9,577 | 9,577 | 19,154 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 16,997 | 17,248 | 12,020 | 12,030 | 24,050 |
| Federal | 438 | 397 | 396 | 396 | 792 |
| Total | 24,275 | 26,748 | 24,987 | 24,997 | 49,984 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 15,448 | 16,021 | 15,835 | 15,845 | 31,680 |
| Other Operating Expenses | 8,707 | 10,727 | 9,075 | 9,075 | 18,150 |
| Local Assistance | 120 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 77 | 77 | 154 |
| Total | 24,275 | 26,748 | 24,987 | 24,997 | 49,984 |
| Full-Time Equivalent (FTE) | 186.1 | 180.4 | 170.0 | 159.7 | |

Activity Description

The Health Policy Division provides policy research, analysis, design, and implementation of programs and reforms to improve health care value, quality, and accessibility. We promote access to quality, affordable health care for vulnerable, underserved, and rural populations. We streamline and reduce health care administrative burdens and costs; accelerate electronic health records and e-prescribing use; provide financial and technical assistance to community-based health systems; improve vital records data collection and distribution; and support medical professionals' training. We assess and report on population health, adverse health events, the health care marketplace, and workforce issues to help target programs and funding to their best use.

Population Served

We serve all Minnesota citizens, including health care providers, purchasers, payers, and policy makers.

Services Provided

- ◆ Provide support of health reforms, including payment system reforms, performance measurement, and increased transparency of health care quality and cost.
- ◆ Assist health care payers and providers to standardize administrative processes to reduce health care costs.
- ◆ Conduct surveys and perform research to inform policy makers; analyze data to monitor and understand access; health market conditions, trends and competition; health care spending; and capital expenditures.
- ◆ Conduct surveys and report on health status, trends, disparities, health behaviors, conditions, and disease.
- ◆ Collaborate with health care organizations, providers and consumers to provide informatics leadership and technical assistance to meet statutory mandates for use of health information technology.
- ◆ Administer the statewide trauma system, including trauma hospital designations, collection and analysis of trauma data for statewide system improvement, and interagency coordination. Provide consultative and technical expertise to hospitals caring for trauma patients
- ◆ Provides \$40-\$50 million in funds each year to clinical health professional training sites in Minnesota.
- ◆ Maintain statewide access to quality health care services by directing state and federal assistance to Minnesota's safety net health care providers, including community clinics and rural providers.
- ◆ Analyze and report on Minnesota's rural and underserved urban health care delivery system and health workforce in order to focus planning for future needs.
- ◆ Collect information on adverse health events in Minnesota hospitals and ambulatory surgical centers; and provide information to providers, health plans, patients, and others about patient safety in Minnesota.
- ◆ Maintain birth and death records which are needed by citizens who need records for legal purposes and used by researchers to enhance timely response to public health issues.

Historical Perspective

Private and public health care spending in Minnesota totals over \$35 billion annually and is the state's single fastest growing budget item. To fight this trend, the Health Policy Division has significant new responsibilities for implementing health care payment reform, administrative simplification, and e-health mandates. The division gives technical assistance in the development of state health policy by serving as an unbiased source of timely information and analysis to policymakers. The staff monitors key indicators such as the rate of uninsurance, overall health care spending, the rate of growth of health insurance premiums, and the use of health information

Activity at a Glance

- ◆ Track and report health care cost growth and trends in the health care marketplace.
- ◆ Produce more than 500,000 legal birth and death certificates each year.
- ◆ Identify e-health standards and best practices required to meet the 2015 interoperable electronic health record mandate.
- ◆ Adopt rules for standard health care electronic transactions for providers and payers.
- ◆ Conduct surveys to determine insurance coverage and access to health care.
- ◆ Monitor and report on the prevalence of adverse events in Minnesota hospitals.
- ◆ Provide grants and loan forgiveness to support medical education activities.
- ◆ Provide grant funding and technical support to health care providers to accelerate the adoption of health information technology.

technologies (e.g., electronic health records and e-prescribing) to help policy makers understand how and why the health care delivery system changes over time as well as the potential impacts of proposed policy changes.

The division also supports the statewide health care safety net, rural providers, providers in the underserved urban areas, and the statewide trauma system through planning, analysis, and program efforts that support quality patient care, stabilize and strengthen the health care system, build up the health care workforce, encourage regional cooperation, and support information technology development.

Key Goals

The division meets the goals to keep Minnesotans healthy and strengthen our health care system by developing and implementing health reforms and ongoing programmatic efforts designed to: improve health care payment systems to ensure we are paying for superior performance—not just procedures; reduce administrative costs; accelerate standard, interoperable, secure exchange of clinical data to improve health and reduce costs; provide more affordable health coverage arrangements to help more Minnesotans get insured; provide financial and technical assistance to strengthen community-based health systems; improve vital records data collection and analysis to enhance response to public health issues; support medical professionals' training; and other initiatives that provide information to consumers, policy makers, health professionals, payers, and purchasers.

Key Measures

- ◆ Support the development of health policy in Minnesota that will reduce the rate of uninsured Minnesotans in 2011 below the 2004 rate.

| History | Current | Target |
|---------|---------|--------|
| 2004 | 2007 | 2011 |
| 7.7%* | 7.2%* | 4.0% |

Source: MN Health Access Survey 2007 and 2004

- ◆ Improve safety and health outcomes by improving the Minnesota Ranking in terms of the percentage of prescriptions routed electronically.

| History | Current | Target |
|---------|---------|-----------------------|
| 2005 | 2007 | 2011 |
| 0.00% | 1.20% | 80.00% |
| Rank 42 | Rank 26 | Rank in Top 10 States |

Source: SureScripts / RXHub and MDH

- ◆ Improve health outcomes by increasing the number of hospitals participating in a statewide trauma system and registry.

| History | Current | Target |
|---------|---------|--------|
| 2006 | 2008 | 2010 |
| 0% | 25% | 70% |

Source: Office of Rural Health and Primary Care

Activity Funding

This activity is funded from direct appropriations from state government special revenue fund, the general fund, the health care access fund; medical education and research costs funds, special revenue funds, federal and private grants and contracts.

Contact

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HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Activity: HEALTH POLICY

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 307 | 10 | 0 | 0 | 0 |
| Health Care Access | 296 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 12,276 | 8,600 | 4,599 | 4,599 | 9,198 |
| State Government Spec Revenue | 4,239 | 5,346 | 4,596 | 4,596 | 9,192 |
| Health Care Access | 11,311 | 23,558 | 13,083 | 11,375 | 24,458 |
| Open Appropriations | | | | | |
| Health Care Access | 22 | 32 | 32 | 32 | 64 |
| Miscellaneous Special Revenue | 148 | 254 | 150 | 150 | 300 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,001 | 2,157 | 1,084 | 1,033 | 2,117 |
| Federal | 2,395 | 3,833 | 3,279 | 3,247 | 6,526 |
| Medical Education & Research | 83,885 | 79,399 | 86,642 | 96,489 | 183,131 |
| Gift | 0 | 42 | 0 | 0 | 0 |
| Total | 115,880 | 123,231 | 113,465 | 121,521 | 234,986 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 7,542 | 9,160 | 8,731 | 8,675 | 17,406 |
| Other Operating Expenses | 6,786 | 11,223 | 9,324 | 7,589 | 16,913 |
| Payments To Individuals | 1,304 | 1,880 | 1,512 | 1,512 | 3,024 |
| Local Assistance | 99,412 | 95,504 | 93,898 | 103,745 | 197,643 |
| Other Financial Transactions | 836 | 5,464 | 0 | 0 | 0 |
| Total | 115,880 | 123,231 | 113,465 | 121,521 | 234,986 |
| Full-Time Equivalents (FTE) | 102.6 | 114.8 | 109.7 | 107.8 | |

Program Description

The purpose of the Health Protection Program is to protect the public from dangerous diseases, exposures, and events through monitoring and assessment of health threats; developing and evaluating intervention strategies to combat disease and exposures; monitoring and inspections of potential health problems; and providing scientific laboratory, environmental health, and epidemiological capacity.

Budget Activities

- ⇒ Environmental Health
- ⇒ Infectious Disease Epidemiology, Prevention & Control
- ⇒ Public Health Laboratory
- ⇒ Office of Emergency Preparedness

HEALTH DEPT

Program: HEALTH PROTECTION

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|------------------|---------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <i>Direct Appropriations by Fund</i> | | | | | |
| General | | | | | |
| Current Appropriation | 15,335 | 10,506 | 10,506 | 10,506 | 21,012 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (1,032) | (1,032) | (2,064) |
| Pt Contract Base Reduction | | | (7) | (7) | (14) |
| Subtotal - Forecast Base | 15,335 | 10,506 | 9,467 | 9,467 | 18,934 |
| Governor's Recommendations | | | | | |
| Tuberculosis Prevention and Control | | 0 | 200 | 200 | 400 |
| 2007 & 2008 Session Laws Adjustment | | 0 | 263 | 263 | 526 |
| Total | 15,335 | 10,506 | 9,930 | 9,930 | 19,860 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 27,475 | 28,972 | 28,972 | 28,972 | 57,944 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (758) | (758) | (1,516) |
| Current Law Base Change | | | 89 | 89 | 178 |
| Subtotal - Forecast Base | 27,475 | 28,972 | 28,303 | 28,303 | 56,606 |
| Governor's Recommendations | | | | | |
| Food Manager Certification Program | | 0 | 163 | 163 | 326 |
| Food, Beverage, & Lodging Program | | 0 | 823 | 823 | 1,646 |
| Youth Camp Licence & Inspection Program | | 0 | 50 | 50 | 100 |
| Manufactured Home Parks & Rec Camping | | 0 | 320 | 320 | 640 |
| X-Ray Program Fee | | 0 | 250 | 250 | 500 |
| Lead Program-Pre-Renovation & Renovation | | 0 | 100 | 100 | 200 |
| Infected Health Care Workers Program | | 0 | 50 | 50 | 100 |
| Environmental Certification Fee | | 0 | 150 | 150 | 300 |
| Total | 27,475 | 28,972 | 30,209 | 30,209 | 60,418 |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Drinking Water Contaminants | | 0 | 445 | 890 | 1,335 |
| Source Water Protection | | 0 | 805 | 1,610 | 2,415 |
| Total | 0 | 0 | 1,250 | 2,500 | 3,750 |

HEALTH DEPT

Program: HEALTH PROTECTION

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 58 | 368 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 211 | 437 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 14,528 | 10,518 | 9,930 | 9,930 | 19,860 |
| Petroleum Tank Release Cleanup | 1 | 0 | 0 | 0 | 0 |
| State Government Spec Revenue | 25,324 | 29,617 | 30,209 | 30,209 | 60,418 |
| Remediation Fund | 824 | 280 | 0 | 0 | 0 |
| Clean Water Fund | 0 | 0 | 1,250 | 2,500 | 3,750 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 157 | 174 | 174 | 174 | 348 |
| Statutory Appropriations | | | | | |
| Drinking Water Revolving Fund | 474 | 521 | 521 | 521 | 1,042 |
| Miscellaneous Special Revenue | 7,236 | 11,195 | 7,055 | 7,063 | 14,118 |
| Federal | 49,380 | 43,676 | 42,435 | 42,106 | 84,541 |
| Gift | 7 | 35 | 0 | 0 | 0 |
| Total | 98,200 | 96,821 | 91,574 | 92,503 | 184,077 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 44,705 | 45,853 | 46,255 | 46,735 | 92,990 |
| Other Operating Expenses | 34,839 | 36,003 | 30,714 | 30,953 | 61,667 |
| Payments To Individuals | 10 | 24 | 24 | 24 | 48 |
| Local Assistance | 18,646 | 14,941 | 14,895 | 15,105 | 30,000 |
| Transfers | 0 | 0 | (314) | (314) | (628) |
| Total | 98,200 | 96,821 | 91,574 | 92,503 | 184,077 |
| <u>Expenditures by Activity</u> | | | | | |
| Environmental Health | 33,676 | 34,880 | 35,551 | 36,480 | 72,031 |
| Infect Disease Epid Prev Cntrl | 22,830 | 24,222 | 20,679 | 20,679 | 41,358 |
| Public Health Laboratory | 17,829 | 21,883 | 19,431 | 19,431 | 38,862 |
| Office Emergency Preparedness | 23,865 | 15,836 | 15,913 | 15,913 | 31,826 |
| Total | 98,200 | 96,821 | 91,574 | 92,503 | 184,077 |
| Full-Time Equivalents (FTE) | 609.5 | 584.3 | 577.6 | 567.2 | |

Activity Description

Environmental health programs are an integral part of Minnesota's public health system, working to prevent, control, mitigate and respond to health hazards in the environment. We assure that Minnesotans have safe drinking water and food, and are protected from hazardous materials in their homes, workplace, and communities. We identify and respond to emerging environmental health threats and public health emergencies. As research sheds light on environmental hazards and on the environment's impact on overall health, the public increasingly looks toward the environmental health community for its expertise and leadership.

Population Served

This activity serves the entire population of Minnesota by ensuring that all Minnesotans have clean drinking water, safe food, sanitary lodging, and are protected from hazardous materials in their homes and the environment. In the event of natural disasters, such as floods, drinking water contamination or nuclear power plant emergencies, the affected area is directly served.

Services Provided**Prevent health risks by protecting the quality of water:**

- ◆ Monitor public drinking water systems.
- ◆ Inspect water well construction and sealing.
- ◆ License professions impacting drinking water.
- ◆ Educate citizens regarding safe drinking water.

Prevent health risks by protecting the safety of food:

- ◆ Inspect food establishments to ensure safe food handling and certify professionals in food safety.
- ◆ Monitor and assist community-based delegated programs for food, beverage and lodging establishments.
- ◆ Educate citizens and professionals regarding the safe handling of food.
- ◆ Develop guidelines for the safe consumption of fish.

Prevent health risks by protecting the quality of indoor environments and public swimming pool safety:

- ◆ License and inspect public swimming pools and spas. Educate owners and operators in safe pool operations.
- ◆ Develop standards for safe levels of contaminants in air and abatement methods for asbestos and lead.
- ◆ Monitor the exposure of citizens to lead and issue guidelines on screening and treatment.
- ◆ Ensure that the provisions of the MN Clean Indoor Air Act are equitably enforced.
- ◆ Inspect and monitor lodging, manufactured home parks, and recreational camping areas.
- ◆ Educate citizens, communities, and medical professionals.

Respond to emerging health risks:

- ◆ Focus attention on children to ensure they are protected from harmful chemicals and other hazards.
- ◆ Evaluate human health risks from chemical and physical agents in the environment.
- ◆ Develop a birth conditions information system to understand, treat, and prevent birth defects
- ◆ License and inspect the use of radioactive materials and x-ray equipment.

Activity at a Glance

- ◆ Respond to environmental health threats during natural disasters and biological, chemical and radiological emergencies.
- ◆ Test drinking water at more than 8,000 public water systems. 95% of Minnesotans served by community water systems receive water that meets or exceeds all health-based drinking water standards.
- ◆ Test private wells and issue drinking water advisories in areas of contaminated groundwater. In 2007, 278 private wells were sampled and 889 results letters were issued in regard to the East Metro PFC and TCE contamination.
- ◆ Assure safe food, drinking water, lodging, and swimming pools in 21,000 licensed restaurants and hotels statewide. 8300 certified food managers (CFM) are registered annually; there are currently 28,195 CFM's in the state.
- ◆ Assure asbestos and well contractors comply with codes for their work, which are both currently at a 96% compliance rate.
- ◆ Promote radon awareness and mitigation in homes. Work with state building code officials to establish radon resistant new construction requirements.

HEALTH DEPT**Program: HEALTH PROTECTION****Activity: ENVIRONMENTAL HEALTH**

Narrative

- ◆ Assess and prevent possible human health risks from accidental spills, waste disposal, and agricultural and industrial activities.
- ◆ Develop health education programs and information materials for communities.

Historical Perspective

Minnesota's first public health laws, passed in 1872, focused on environmental health threats – the provision of safe drinking water, sewage disposal, wastewater treatment, and milk sanitation. Since 1900, the average lifespan of people in the United States has lengthened by 25 years due to advances in public health, many of which involved environmental health protection. Clean water and improved sanitation have resulted in the control of infectious diseases. Improvement in food preparation procedures and a decrease in food and environmental contamination have resulted in safer and healthier foods. Today, the department continues prevention efforts to ensure the environmental health and safety of Minnesotans are protected at home, at work, and in public places.

Key Activity Goals

Environmental Health activities respond to Minnesota Milestones: *Minnesotans will be healthy, Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy; and Minnesotans will improve the quality of the air, water and earth.* In addition, MDH's Environmental Health activities respond to two departmental goals: 1) *all children get a healthy start in life;* and 2) *prepare for emergencies.*

Key Activity Measures

- ◆ Prevent ground water contamination sealing unused, abandoned wells.

| | History | Past | Current | Target | Target |
|-------------------------------------|---------|---------|---------|---------|----------------|
| | 1987 | 2000 | 2008 | 2011 | 2050 |
| Number of wells sealed (cumulative) | 3,275 | 149,000 | 200,000 | 240,000 | 750,000 (est.) |

Source: MDH well sealing records, reported as required by licensed well contractors

- ◆ Reduce health disparities by decreasing the % of children with elevated blood lead levels (above 10µg/dl).

| | Baseline | Past | Current | Target |
|------------------------------|----------|------|---------|--------|
| | 1995 | 2003 | 2007 | 2010 |
| Elevated blood lead reported | 11.6% | 2.7% | 1.2% | 0% |

Source: MDH Environmental Surveillance and Assessment Section

- ◆ Assess 100% of Minnesota newborn children for 46 birth conditions (birth defects & fetal alcohol syndrome).

| | Baseline | Past | Current | Target |
|---|----------|------|------------|--------|
| | 2006 | 2007 | 2008 | 2011 |
| Percent of MN newborns assessed for birth defects | 32%* | 36% | 40% (est.) | 50% |

Source: MDH Environmental Surveillance and Assessment Section; *Live births annually in MN total approx. 73,000.

Activity Funding

The division is funded by appropriations from the state government special revenue fund and the general fund. In addition, the division also receives federal funds, special revenue funds, drinking water revolving fund, and resources from other miscellaneous funds.

HEALTH DEPT

Program: HEALTH PROTECTION

Activity: ENVIRONMENTAL HEALTH

Narrative

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: ENVIRONMENTAL HEALTH

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 58 | 15 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 3,358 | 3,389 | 3,029 | 3,029 | 6,058 |
| Petroleum Tank Release Cleanup | 1 | 0 | 0 | 0 | 0 |
| State Government Spec Revenue | 18,701 | 21,170 | 22,204 | 22,204 | 44,408 |
| Remediation Fund | 824 | 280 | 0 | 0 | 0 |
| Clean Water Fund | 0 | 0 | 1,250 | 2,500 | 3,750 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 157 | 174 | 174 | 174 | 348 |
| Statutory Appropriations | | | | | |
| Drinking Water Revolving Fund | 474 | 521 | 521 | 521 | 1,042 |
| Miscellaneous Special Revenue | 1,571 | 1,049 | 336 | 344 | 680 |
| Federal | 8,532 | 8,282 | 8,037 | 7,708 | 15,745 |
| Total | 33,676 | 34,880 | 35,551 | 36,480 | 72,031 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 20,217 | 21,003 | 21,776 | 22,256 | 44,032 |
| Other Operating Expenses | 11,979 | 12,906 | 12,975 | 13,214 | 26,189 |
| Local Assistance | 1,480 | 971 | 1,114 | 1,324 | 2,438 |
| Transfers | 0 | 0 | (314) | (314) | (628) |
| Total | 33,676 | 34,880 | 35,551 | 36,480 | 72,031 |
| Full-Time Equivalents (FTE) | 267.9 | 255.8 | 253.4 | 247.0 | |

Activity Description

The Infectious Disease Epidemiology, Prevention and Control (IDEPC) Division provides statewide leadership to protect Minnesotans from infectious diseases. We assure Minnesotans are safe from infectious diseases by detecting, investigating and mitigating outbreaks. We prevent infectious diseases by promoting and distributing vaccines, providing TB medications, coordinating refugee screenings, and providing funding for STD and HIV testing.

Population Served

All residents of Minnesota are served by this activity. Specific target populations include infants and children, adolescents, high-risk adults, refugees, immigrants and other foreign-born individuals, restaurant workers, and patients in hospitals and long-term care facilities.

Services Provided**Respond to Public Health Threats:**

- ◆ Monitor for unusual patterns of infectious disease.
- ◆ Lead efforts to detect and control pandemic influenza.
- ◆ Establish systems to implement isolation and quarantine provisions of the Minnesota Emergency Health Powers Act.

Detect, investigate, and mitigate infectious disease outbreaks:

- ◆ Maintain a 24/7 system to detect and investigate cases of infectious disease.
- ◆ Analyze disease reports to detect outbreaks, identify the cause, and implement control measures.
- ◆ Alert health professionals and the public about outbreaks and how to control them.
- ◆ Help medical professionals manage persons ill with, or exposed to, infectious disease.
- ◆ Maintain food-borne illness hotline to receive citizen complaints and detect outbreaks.
- ◆ Manage treatment of and provide medications for tuberculosis (TB) patients to prevent spread of disease.
- ◆ Provide vaccines and other biologics to prevent and control outbreaks of vaccine-preventable disease.
- ◆ Conduct follow-up activities to facilitate testing, treatment, and counseling of HIV, STDs, and TB patients and their contacts to prevent disease transmission.
- ◆ Provide technical support to localities dealing with infectious diseases; MDH field epidemiologists serve in eight regions across the state.

Prevent infectious disease:

- ◆ Distribute publicly purchased vaccines for children whose families are unable to afford them.
- ◆ Coordinate medical screening programs for newly arrived refugees.
- ◆ Provide leadership for development of a statewide immunization information system.
- ◆ Conduct specialized studies on diseases of high concern to the public and the medical community.
- ◆ Educate health care providers on management of infectious diseases via the web, through publications, and by direct telephone consultation (24/7 on-call system).
- ◆ Educate the public, including high-risk populations, on disease testing, treatment, and prevention methods.
- ◆ Provide grants to local public health agencies and nonprofit organizations for prevention activities.

Activity at a Glance

- ◆ Maintain systems to respond to biological terrorism and other emergencies.
- ◆ Detect state and national outbreaks such as *E. coli* O157:H7 associated with pre-packaged salads, spinach, and jalapeños.
- ◆ Investigate intestinal disease outbreaks (more than 4,000 persons were affected in 2007).
- ◆ Provide funding for STD and HIV testing (In 2006, Minnesota Department of Health (MDH) funded clinics that tested more than 28,000 people for STDs, treated more than 2,600 infected persons, and tested 11,000 people for HIV).
- ◆ Coordinate programs to immunize 70,000 babies annually to prevent serious diseases.
- ◆ Manage treatment for TB cases (238 in 2007 and evaluated 1,109 contacts to cases).
- ◆ Investigate the spread of West Nile virus (101 cases and two deaths in 2007).
- ◆ Coordinate health screenings for newly arrived refugees-in 2007, 98% received a screening within three months of arrival.

HEALTH DEPT

Program: HEALTH PROTECTION

Activity: INFECTIOUS DISEASE EPIDEMIOLOGY PREVENTION & CONTROL

Narrative

- ◆ Involve high-risk communities, health care providers, and concerned citizens in responding to infectious disease challenges. Advisory committees have been established to address vaccines, TB, and HIV/STD.

Key Activity Goals

- ◆ **Minnesota Milestones Goal: Minnesotans will be healthy.** Detecting and controlling infectious disease is critical to ensuring Minnesotans are healthy. For example, years of potential life lost to HIV/AIDS have decreased over the last decade due to public health interventions and improved treatment. Refugee health screenings identify and treat health problems that may interfere with resettlement and protect the health of all Minnesotans. Vaccine-preventable diseases are at historic lows as a result of immunization. Investigation of food-borne illness results in activities to prevent future outbreaks.

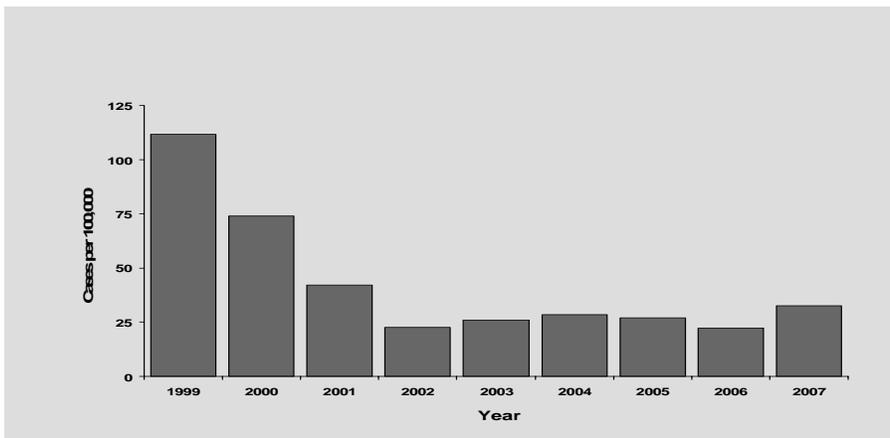
Key Measures

- ◆ **Increase the percent of new TB patients who complete therapy in 12 months.** Completion of TB therapy prevents spread and reduces the development of resistant strains of TB. State funding for TB medication allows MDH to distribute medications without cost to the patient to reduce barriers to completion of therapy.

| 1996 | 2000 | 2002 | 2004 | 2006 | 2010 (Target) |
|---------------|----------------|----------------|----------------|-----------------|---------------|
| 63% (n=78) | 79% (n=136) | 84% (n=184) | 93% (n=188) | 91 % (n=199) | 94% |

Source: MDH Tuberculosis Annual Progress Report

- ◆ **Increased use of a vaccine against pneumococcus.** This vaccine, which protects against meningitis and blood poisoning, has reduced serious pneumococcal infections in children less than five years old by **75%**. MDH makes the pneumococcal vaccine available without cost barriers by administering the federal Vaccines for Children Program. Minnesota distributed \$26 million in vaccine in 2007 through this program.



Source: MDH Infectious Disease Surveillance System.

Activity Funding

The division is funded primarily from federal funds and appropriations from the general fund.

HEALTH DEPT

Program: HEALTH PROTECTION

Activity: INFECTIOUS DISEASE EPIDEMIOLOGY PREVENTION &
CONTROL

Narrative

Contact

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: INFECT DISEASE EPID PREV CNTRL

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 0 | 48 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 4,809 | 4,473 | 4,535 | 4,535 | 9,070 |
| State Government Spec Revenue | 150 | 172 | 214 | 214 | 428 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,310 | 4,094 | 1,875 | 1,875 | 3,750 |
| Federal | 16,554 | 15,401 | 14,055 | 14,055 | 28,110 |
| Gift | 7 | 34 | 0 | 0 | 0 |
| Total | 22,830 | 24,222 | 20,679 | 20,679 | 41,358 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 11,873 | 11,927 | 11,270 | 11,270 | 22,540 |
| Other Operating Expenses | 6,223 | 8,439 | 5,742 | 5,742 | 11,484 |
| Payments To Individuals | 10 | 24 | 24 | 24 | 48 |
| Local Assistance | 4,724 | 3,832 | 3,643 | 3,643 | 7,286 |
| Total | 22,830 | 24,222 | 20,679 | 20,679 | 41,358 |
| Full-Time Equivalent (FTE) | 170.2 | 166.5 | 156.2 | 152.2 | |

Activity Description

The Minnesota Public Health Laboratory (PHL) provides testing and data used by public health partners for detection, assessment, and control of biological, chemical, and radiological threats. In addition, the PHL screens all babies born in the state for rare, life-threatening congenital and heritable disorders that are treatable if detected soon after birth. The PHL also certifies all laboratories that conduct regulated environmental testing in Minnesota.

Population Served

All residents of Minnesota are served by the PHL. The PHL collaborates with local, state, and federal officials; public and private hospitals; laboratories; and other entities throughout the state to analyze environmental samples, screen newborns, provide reference testing for infectious disease agents, and analyze specimens for diagnosing rare infectious diseases (e.g., rabies).

Services Provided**Environmental Health**

- ◆ Analysis of air, water, wastewater, sludge, sediment, soil, wildlife, vegetation, and hazardous waste for chemical and bacterial contaminants in partnership with local and state government agencies.
- ◆ Certification of public and private environmental laboratories that conducts testing for the federal safe drinking water, clean water, resource conservation and recovery, and underground storage tank programs in Minnesota.
- ◆ Reference and confirmatory testing of environmental samples using scientific expertise and state-of-the-art methods not available in other laboratories.

Infectious Disease

- ◆ Surveillance, reference and confirmatory testing of clinical specimens for infectious bacteria, parasites, fungi, and viruses, including potential pandemic influenza.
- ◆ Early detection of infectious disease outbreaks, and identification of infectious agents through the use of high-tech molecular methods such as DNA fingerprinting, amplification, and sequencing.

Newborn Screening

- ◆ Screening of all Minnesota newborns for over 50 treatable congenital and heritable disorders, including hearing.

Emergency Preparedness and Response

- ◆ Emergency preparedness and response in collaboration with public health and public safety officials at the local, state, and federal levels to assure early detection and rapid response to all hazards, including agents of chemical, radiological, and biological terrorism.
- ◆ Participation on Minnesota's radiochemical emergency response team, which responds in the event of a release of radioactive chemicals at Minnesota's nuclear power plants.
- ◆ Development and maintenance of the "Minnesota Laboratory System" to assure that public and private laboratories are trained for early recognition and referral of possible agents of chemical and biological terrorism, as well as other public health threats.
- ◆ Help ensure the safety of the public by hosting the federal BioWatch air-monitoring program.
- ◆ Designated by CDC as one of ten Level 1 Chemical Terrorism preparedness laboratories.
- ◆ Working with six other states to create capacity to exchange pandemic flu testing data electronically.

Activity at a Glance

- ◆ Analyzed 48,889 clinical specimens for infectious bacteria, viruses, fungi, and parasites in FY 2008 for assessment of infectious disease trends and investigation of food and water borne disease outbreaks.
- ◆ Analyzed 56,052 samples to detect chemical and bacterial contaminants in water, soil, and air in FY 2008 to assess potential threats to human health.
- ◆ Screened 72,984 newborn babies for more than 50 treatable, life-threatening congenital and heritable disorders FY 2008.
- ◆ Certified 147 public and private environmental laboratories to assure quality in FY 2008.

Historical Perspective

The Minnesota PHL was first established more than 100 years ago. This was during a time in history when the germ theory of infectious disease was first established and little was known about the impact of environmental contamination on the public's health. In the early 1900s, with development of more sophisticated testing methods and instruments, the PHL became the premier laboratory in Minnesota with the ability to identify environmental hazards and diagnose epidemic infectious diseases. Today, the PHL focuses on surveillance for early detection of public health threats, identification of rare chemical, radiological and biological hazards, emergency preparedness and response, and assurance of quality laboratory data through collaborative partnerships with clinical and environmental laboratories throughout the state. Construction of a new laboratory building was completed in 2005, and the PHL relocated to the new building in November 2005.

Key Activity Goals

The PHL supports both the MDH mission to protect, maintain, and improve the health of all Minnesotans as well as the following MDH goals:

- ◆ All children get a healthy start in life; and
- ◆ Prepare for and respond to public health emergencies.

Key Measures

- ◆ Improve health outcomes for Minnesota newborn babies by ensuring that all babies are screened for treatable congenital and heritable disorders and hearing loss.

Number of newborns identified with treatable heritable disorders (non-hearing)

| Historical 1993-2007 | Actual (FY 2007) | Actual (FY 2008) | Estimate (FY 2009) |
|-------------------------|---------------------|---------------------|-----------------------|
| 32-120 (range) | 135 | 132 | 135 |

Number of newborns identified with hearing loss

| Actual (FY 2007) | Actual (FY 2008) | Estimate (FY 2009) |
|---------------------|---------------------|-----------------------|
| 76 | 134 | 175 |

Source: Minnesota Public Health Laboratory

- ◆ Improve Minnesota laboratory preparedness for pandemic influenza by increasing the number of Minnesota laboratories providing influenza surveillance data to MDH.

Number of laboratories reporting results to MDH

| Pilot Program 2006-2007 | Actual (FY 2008) | Estimate (FY 2009) |
|----------------------------|---------------------|-----------------------|
| 45 | 90 | 100 |

Source: Minnesota Public Health Laboratory

- ◆ Improve Minnesota laboratory preparedness for bioterrorism, pandemic influenza, and other emerging health threats by providing training opportunities for Minnesota Laboratory professionals.

Number of laboratory training activities provided in the Public Health Laboratory training facility

| Historical (FY 2008) | Estimate (FY 2009) |
|-------------------------|-----------------------|
| 10 | 10 |

Source: Minnesota Public Health Laboratory

Activity Funding

The laboratory is funded by appropriations from the general fund and state government special revenue fund. It also receives federal and special revenue funds.

HEALTH DEPT

Program: HEALTH PROTECTION

Activity: PUBLIC HEALTH LABORATORY

Narrative

Contact

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: PUBLIC HEALTH LABORATORY

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 0 | 353 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 211 | 389 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 2,298 | 2,634 | 2,266 | 2,266 | 4,532 |
| State Government Spec Revenue | 6,473 | 8,275 | 7,791 | 7,791 | 15,582 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 4,017 | 5,965 | 4,757 | 4,757 | 9,514 |
| Federal | 4,830 | 4,267 | 4,617 | 4,617 | 9,234 |
| Total | 17,829 | 21,883 | 19,431 | 19,431 | 38,862 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 9,162 | 9,680 | 9,866 | 9,866 | 19,732 |
| Other Operating Expenses | 8,667 | 12,203 | 9,565 | 9,565 | 19,130 |
| Total | 17,829 | 21,883 | 19,431 | 19,431 | 38,862 |
| Full-Time Equivalents (FTE) | 133.6 | 135.6 | 141.6 | 141.6 | |

Activity Description

The Office of Emergency Preparedness (OEP) ensures local and state public health and healthcare partners have the personnel, plans, training, communication tools, and expertise to prevent or respond to bioterrorism, pandemic influenza, infectious disease outbreaks, natural disasters, and other public health emergencies. Response to the 35W bridge collapse, floods and tornados, and preparation for the Republican National Convention are examples of program efforts.

Population Served

All residents of the state of Minnesota are served by this activity. Primary partners are local health departments, American Indian Tribes, the hospital and healthcare provider community, emergency management agencies, law enforcement, volunteer organizations, the University of Minnesota, and other response organizations.

Services Provided

- ◆ Plan, implement, and practice components of the Minnesota Department of Health's (MDH) All-Hazard Response Plan and the MDH portion of the Minnesota Emergency Operations Plan so roles and responsibilities are clear to all responders.
- ◆ Develop and practice plans for managing federal pharmaceutical and other medical supplies in the strategic national stockpile (SNS) for a public health emergency. Maintain stockpiles of state and regional medications and medical supplies.
- ◆ Identify needs and develop programs for the public health and healthcare system about preparing for and responding to emergencies.
- ◆ Developed a state/local partnership of registration and support of volunteers to be called on in an emergency to increase public health and healthcare capacity. An example of this program is the behavioral health volunteers used at the Family Assistance Centers for the 35W bridge collapse and SE MN floods.
- ◆ Update statutes and regulations to assure needed authority for implementing emergency health measures.
- ◆ Operate the health alert network, the department's tool for timely threat communications to local public health, hospitals, and other health care providers.
- ◆ Manage and support MN *Trac*, a web based system to monitor health care system capacity, notify healthcare responders of emergencies, track patient transport during emergencies, and support the rapid expansion of healthcare services for emergencies.
- ◆ Coordinate the development of education and training materials and oversee a comprehensive exercise plan for building the capacity of state and local public health and the healthcare system.
- ◆ Prepare for the potential pandemic influenza impact on Minnesota through planning, training, exercising, and providing public information.
- ◆ Administer about \$6 million in grants to community health boards and tribes, and about \$5 million in grants to hospitals to build public health and health care preparedness.
- ◆ Assure compliance with requirements of grants from the Centers for Disease Control (CDC) and Assistant Secretary for Preparedness and Response (ASPR) of the Department of Health and Human Services.

Activity at a Glance

- ◆ Established a new system to classify local health departments as Base, Mid-Level, or Comprehensive to more accurately reflect capability and capacity, and determine when extra assistance will be needed.
- ◆ Responded to events with public health impact including hepatitis A outbreak, 35W bridge collapse, floods, and tornadoes.
- ◆ Managed grants to all 53 local departments of health, ten of 11 tribes and eight regional hospital collaboratives that cover all MN hospitals.
- ◆ Registered over 7,000 volunteers in Minnesota Responds Medical Reserve Corps
- ◆ In FY08, sent 54 health alert messages to partners about time-sensitive health related information.
- ◆ Completed installation of high frequency and amateur radio systems for backup communications with CDC and local partners statewide. Systems are tested weekly.
- ◆ Purchased and managing approximately 500,000 courses of medication for pandemic influenza.
- ◆ Sponsored "Ready to Respond" training and sharing conference with over 300 participants.

Historical Perspective

The OEP was established in 2002, as required by the first public health preparedness and response for bioterrorism grant from the CDC. This grant now includes the cities readiness initiative to distribute medications to everyone in the metropolitan area within 48 hours. The healthcare system grant started in 2003 to expand preparedness efforts involving the department, hospitals, and other healthcare system partners.

Key Activity Goals

The MDH Strategic Plan for 2005-2008 is to “Strengthen our impact on the health of Minnesotans in the face of threats and challenges,” and this activity is essential to the implementation of the Strategic Plan. A department priority is “preparing for public health emergencies”.

Key Activity Measures

Exercises: Preparedness requires the ability to rapidly put plans into action. That requires practice in the form of discussion and exercises. For FY 2008, MDH completed an average of five exercises per month and 23 exercises were conducted monthly by the local or regional level. This high level of activity was cited by many responders as critical to the successful response to FY 2008 incidents.

| Type of exercise | Department of Health | Local health department, tribal government, and healthcare system | Total |
|--------------------------|----------------------|---|-------|
| Tabletop | 28 | 107 | 135 |
| Drill | 16 | 71 | 87 |
| Functional | 17 | 39 | 56 |
| Full-scale/actual events | 5 | 55 | 60 |
| TOTAL | 66 | 272 | 338 |

Definitions:

- ◆ Tabletop: a discussion of planned responses to emergency scenario (pandemic influenza plans).
- ◆ Drill: practice one part of a response (set up a hotline).
- ◆ Functional: simulate a response activity (distribute vaccine from the state to healthcare providers).
- ◆ Full Scale: demonstrate response to a situation (set up clinics and provide “services” to volunteers).

Communication:

- ◆ Rapid, accurate communication is the backbone of our response. The federal goal is the ability to reach pre-designated staff within 60 minutes. Using the communication system designed to provide secure 24/7 notice to key department staff, we averaged 19 minutes based on three drills in FY 2008. One of the drills was unannounced and one was after normal work hours. This highlights our ability to respond quickly to an event that affects the public’s health. This system was used for incidents in FY 2008 to coordinate public health response.
- ◆ We worked with hospitals and others to expand the MNTrac system to track additional healthcare resources. We are able to collect and use information about available hospital beds across the state in minutes. Without this system, it would take hours or days to locate this information that is used to coordinate patient care services.

Activity Funding

The OEP is funded primarily with federal funds and with a one-time FY 2008 general fund allocation to purchase pandemic influenza medications and supplies.

HEALTH DEPT

Program: HEALTH PROTECTION

Activity: OFFICE EMERGENCY PREPAREDNESS

Narrative

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: OFFICE EMERGENCY PREPAREDNESS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 4,063 | 22 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 338 | 87 | 87 | 87 | 174 |
| Federal | 19,464 | 15,726 | 15,726 | 15,726 | 31,452 |
| Gift | 0 | 1 | 0 | 0 | 0 |
| Total | 23,865 | 15,836 | 15,913 | 15,913 | 31,826 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,453 | 3,243 | 3,343 | 3,343 | 6,686 |
| Other Operating Expenses | 7,970 | 2,455 | 2,432 | 2,432 | 4,864 |
| Local Assistance | 12,442 | 10,138 | 10,138 | 10,138 | 20,276 |
| Total | 23,865 | 15,836 | 15,913 | 15,913 | 31,826 |
| Full-Time Equivalents (FTE) | 37.8 | 26.4 | 26.4 | 26.4 | |

Program Description

The purpose of the Administrative Support Service Program is to provide the executive leadership and business systems underlying and supporting all of the department's public health programs.

Budget Activities

- ⇒ Administrative Services
- ⇒ Executive Office

HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 8,497 | 7,424 | 7,424 | 7,424 | 14,848 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 1,720 | 1,720 | 3,440 |
| Current Law Base Change | | | 46 | 46 | 92 |
| Subtotal - Forecast Base | 8,497 | 7,424 | 9,190 | 9,190 | 18,380 |
| Governor's Recommendations | | | | | |
| General Fund Administrative Reduction | | 0 | (1,834) | (1,834) | (3,668) |
| Total | 8,497 | 7,424 | 7,356 | 7,356 | 14,712 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 2,000 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 2,000 | 0 | 0 | 0 | 0 |
| Total | 2,000 | 0 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 0 | 3,247 | 0 | 0 | 0 |
| Health Care Access | 0 | 326 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 139 | 1,817 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 8,839 | 9,406 | 7,356 | 7,356 | 14,712 |
| State Government Spec Revenue | 20 | 1,889 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 21,421 | 24,349 | 24,330 | 24,330 | 48,660 |
| Federal | 328 | 248 | 248 | 248 | 496 |
| Gift | 1 | 9 | 0 | 0 | 0 |
| Total | 30,748 | 41,291 | 31,934 | 31,934 | 63,868 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 12,342 | 15,921 | 14,437 | 14,437 | 28,874 |
| Other Operating Expenses | 18,399 | 25,370 | 17,533 | 17,533 | 35,066 |
| Capital Outlay & Real Property | 4 | 0 | 0 | 0 | 0 |
| Local Assistance | 3 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | (36) | (36) | (72) |
| Total | 30,748 | 41,291 | 31,934 | 31,934 | 63,868 |
| <u>Expenditures by Activity</u> | | | | | |
| Administrative Services | 27,412 | 35,817 | 28,357 | 28,357 | 56,714 |
| Executive Office | 3,336 | 5,474 | 3,577 | 3,577 | 7,154 |
| Total | 30,748 | 41,291 | 31,934 | 31,934 | 63,868 |
| Full-Time Equivalent (FTE) | 156.9 | 161.5 | 161.5 | 161.5 | |

Activity Description

Administrative services provide internal business systems and central support services to all programs of the department in order to best use agency resources. This area continuously reviews the need for and quality of its services to assure they are provided in the most cost efficient manner.

Population Served

This activity serves all 1,300 employees of the department by:

- ◆ Providing facilities, human resources, financial, and information technology services;
- ◆ Working with the vendors who provide goods and services needed to carry out state public health programs;
- ◆ Aiding and assisting grantees receiving funds through the department;
- ◆ Working with landlords providing space needed to carry out programs; and
- ◆ Working with job applicants seeking employment with the department.

Services Provided**Facilities Management:**

- ◆ Manage building operations of all Minnesota Department of Health (MDH) office facilities including physical security, mail distribution, warehousing of materials, and parking.
- ◆ Provide administrative support in all MDH district offices across the state.
- ◆ Provide centralized procurement of goods and contract services.

Financial Management:

- ◆ Provide budget planning and development for all departmental resources.
- ◆ Manage centralized budget management, accounting, reporting, and cash management.
- ◆ Provide monitoring, financial reporting, and technical assistance required for federal grants.

Human Resources:

- ◆ Manage the recruitment, development, and retention of qualified staff.
- ◆ Administer all departmental labor relations, employee benefits, and health and safety activities.
- ◆ Manage employee compensation and provide payroll services for all departmental staff.
- ◆ Oversee departmental equal opportunity and affirmative action activities.

Information Systems and Technology Management:

- ◆ Provide technical expertise, planning, and development of technology systems and data architectures.
- ◆ Supply high-level security for all departmental data, systems, and communications.
- ◆ Manage departmental communications networks and telecommunications systems.
- ◆ Supervise and manage MDH central networks and infrastructure connecting all employees and 11 building locations.
- ◆ Provide user support, training and problem resolution to MDH staff.

Key Goal

Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them" is a goal of this activity, which is one of the Minnesota Milestones – see <http://server.admin.state.mn.us/mm/goal.html>.

Activity at a Glance

- ◆ Maintain 99.9% availability and functionality of core network infrastructure.
- ◆ Recruit more than 200 new employees annually.
- ◆ Pay 99% of all vendor invoices in 30 days or less.
- ◆ Implement improved physical and systems/ data security at all office facilities.

Key Measures

- ◆ The department will increase the percentage of receipts received electronically through electronic fund transfers, online credit card payments, and interagency transfers.

| History | Current | Target |
|---------|---------|--------|
| 2006 | 2008 | 2010 |
| N/A | 65% | 80% |

- ◆ The department will increase the percentage of people of color in the MDH workforce to a proportion reflective of Minnesota's demographics.

| History | Current | Target |
|---------|---------|--------|
| 2006 | 2008 | 2010 |
| 10.1% | 11% | 12% |

- ◆ The department will reduce the number of written findings in its Annual Federal Compliance Audit to zero.

| History | Current | Target |
|---------|---------|--------|
| 2006 | 2008 | 2010 |
| 3 | 2 | 0 |

Activity Funding

This activity is funded primarily from special revenue funds and from appropriations from the general fund.

Contact

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HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 0 | 3,247 | 0 | 0 | 0 |
| Health Care Access | 0 | 326 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 89 | 40 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 7,969 | 8,311 | 6,371 | 6,371 | 12,742 |
| State Government Spec Revenue | 20 | 1,889 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 19,334 | 22,003 | 21,986 | 21,986 | 43,972 |
| Gift | 0 | 1 | 0 | 0 | 0 |
| Total | 27,412 | 35,817 | 28,357 | 28,357 | 56,714 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 9,755 | 13,046 | 11,562 | 11,562 | 23,124 |
| Other Operating Expenses | 17,650 | 22,771 | 16,831 | 16,831 | 33,662 |
| Capital Outlay & Real Property | 4 | 0 | 0 | 0 | 0 |
| Local Assistance | 3 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | (36) | (36) | (72) |
| Total | 27,412 | 35,817 | 28,357 | 28,357 | 56,714 |
| Full-Time Equivalents (FTE) | 128.4 | 131.6 | 131.6 | 131.6 | |

Activity Description

The Executive Office provides the vision and strategic leadership for creating effective public health policy for the state of Minnesota. It also oversees the management of the entire agency, including administrative functions and oversight of the department's six divisions. It carries out its mission in partnership with a wide range of external organizations that help to promote and protect the health of all Minnesotans.

Several key functions take place through the commissioner's office, including planning, policy development, government relations, communications, and legal services.

Activity at a Glance

- ◆ Conduct strategic leadership and planning for the department.
- ◆ Coordinate government relations and policy development.
- ◆ Coordinate internal and external communications and public awareness.
- ◆ Provide department-wide legal services.

Population Served

The department's 1,300 employees work to protect and promote the health of all Minnesotans. The department carries out its mission in close partnership with local public health departments, other state agencies, elected officials, health care and community organizations, and public health officials at the federal, state, and local levels.

Services Provided**Commissioner's Office:**

- ◆ The commissioner's office develops and implements department policies and provides leadership to the state in developing public health priorities.
- ◆ The commissioner's office directs the annual development of a set of public health strategies to provide guidance for agency activities and to more effectively engage the department's public health partners.
- ◆ The commissioner's office also directs the strategic planning and implementation of department-wide initiatives.

Government Relations:

- ◆ Government relations is responsible for leading and coordinating state legislative activities and monitoring federal legislative activities to advance the departments' priorities and mission.
- ◆ Throughout the legislative session and during the interim, government relations is a contact for the public, other departments, legislators, and legislative staff.
- ◆ This activity works closely with the governor's office, department divisions, legislators, legislative staff, and other state agencies to communicate the department's strategies and priorities.

Communications:

- ◆ The communications office is responsible for leading and coordinating communications on statewide public health issues and programs. This includes coordinating community outreach and managing more than 30,000 pages of information on the department's website.
- ◆ The office works closely with the news media, including issuing an average of 75 news releases and responding to thousands of media inquiries each year.
- ◆ The office also oversees the R.N. Barr Library, which provides access to information for department staff, local public health agencies, and school nurses.

Legal Services:

- ◆ The MDH Legal Unit serves the Commissioner in a general counsel capacity, while providing overall direction to and oversight of legal services provided to MDH by in-house counsel and the Attorney General's office (AG's).
- ◆ While the Legal Unit will respond to any legal need, its primary focus is in the areas of emergency preparedness, rulemaking, data practices and privacy, delegations of authority, and HIPAA.

- ◆ The Legal Unit also acts as a liaison with the AG's office for MDH litigation and other legal services requested by MDH.

Key Activity Goals

The functions of this activity provide administrative support needed for the agency to achieve its statutory mission to protect, maintain, and improve the health of all Minnesotans, and the support for individual program areas to achieve their specific goals. A second goal the activity supports is "government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them," which is one of the Minnesota Milestones – see <http://server.admin.state.mn.us/mm/goal.html>.

Key Measures

The key measures identified for the administrative services activity are also applicable here.

Activity Funding

The office is funded from appropriations from the general fund and from special revenue funds.

Contact

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HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: EXECUTIVE OFFICE

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 50 | 1,777 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 870 | 1,095 | 985 | 985 | 1,970 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,087 | 2,346 | 2,344 | 2,344 | 4,688 |
| Federal | 328 | 248 | 248 | 248 | 496 |
| Gift | 1 | 8 | 0 | 0 | 0 |
| Total | 3,336 | 5,474 | 3,577 | 3,577 | 7,154 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,587 | 2,875 | 2,875 | 2,875 | 5,750 |
| Other Operating Expenses | 749 | 2,599 | 702 | 702 | 1,404 |
| Total | 3,336 | 5,474 | 3,577 | 3,577 | 7,154 |
| Full-Time Equivalentents (FTE) | 28.5 | 29.9 | 29.9 | 29.9 | |

HEALTH DEPT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 357 | 0 | 0 | 0 | 0 |
| State Government Spec Revenue | 36,967 | 37,812 | 41,725 | 41,823 | 83,548 |
| Other Revenues: | | | | | |
| General | 23 | 0 | 0 | 0 | 0 |
| Health Care Access | 0 | 675 | 675 | 675 | 1,350 |
| Total Non-Dedicated Receipts | 37,347 | 38,487 | 42,400 | 42,498 | 84,898 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| State Government Spec Revenue | 0 | 144 | 0 | 0 | 0 |
| Departmental Earnings: | | | | | |
| Health Care Access | 2 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 10 | 0 | 0 | 0 | 0 |
| Grants: | | | | | |
| Drinking Water Revolving Fund | 474 | 521 | 521 | 521 | 1,042 |
| Miscellaneous Special Revenue | 773 | 998 | 693 | 693 | 1,386 |
| Federal | 212,013 | 215,916 | 212,381 | 211,894 | 424,275 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 38,486 | 40,590 | 38,546 | 38,495 | 77,041 |
| Federal | 465 | 300 | 300 | 300 | 600 |
| Medical Education & Research | 77,767 | 78,242 | 88,089 | 95,562 | 183,651 |
| Miscellaneous Agency | 91 | 120 | 120 | 120 | 240 |
| Gift | 18 | 64 | 0 | 0 | 0 |
| Total Dedicated Receipts | 330,099 | 336,895 | 340,650 | 347,585 | 688,235 |
| Agency Total Revenue | 367,446 | 375,382 | 383,050 | 390,083 | 773,133 |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|--|---------------------|---|
| Program: Community and Family Health Promotion Budget Activity: Community and Family Health | | | | |
| Fetal Alcohol Spectrum Disorders Grant (State) <i>Laws of MN 2004, Chapter 288, Art. 6, Sec. 27</i> | Provide prevention and intervention services related to fetal alcohol spectrum disorder. | Statewide non-profit organization (1 grantee) | \$1,660 | n/a |
| Maternal and Child Health Block Grant (Federal) <i>Title V, SSA and M.S. 145.88 – 145.883</i> | Supports public health services to low-income, high-risk mothers and children. | Community Health Boards (53 grantees); Children's Hospital and Clinic (1 grantee SIDS) | \$6,089 | 2009 |
| Family Planning Special Projects (Both) <i>M.S. 145.925</i> | Provide pre-pregnancy family planning services to high risk low income individuals. | Government and non-profit organizations (42 grantees) | \$4,862 | 2009 |
| Family Planning Grants Greater Minnesota (State) | Support family Planning Clinics serving out state Minnesota that are experiencing financial need. | Government and non-profit organizations serving out state Minnesota (18 grantees) | \$491 | n/a |
| Positive Alternative Grants (State) | Provide support encouragement, and assistance to pregnant women. | Non-profit organizations that have had a program in existence for at least one year as of 7/1/2005 (31 grantees) | \$2,357 | n/a |
| Family Home Visiting Program (Federal) <i>M.S. 145A.17</i> | Promote family health and self sufficiency. | Community Health Boards (53 grantees) | \$7,785 | 2009 |
| MN Children with Special Health Needs (State) | Provide specialty diagnostic services in underserved regions of the state. | Government and non-profit organizations (3 grantees) | \$260 | n/a |
| Suicide Prevention (State) | Grants for Suicide prevention activities. | Government and non-profit organizations (5 grantees) | \$498 | n/a |
| Hearing Aid Loan Bank (State) | Support statewide hearing aid and instrument loan bank to families with children newly diagnosed with hearing loss from birth to the age of ten. | Government and non-profit organizations (1 grantee) | \$69 | n/a |
| Commodity Supplemental Food Program (CSFP) (State) <i>Agriculture Appropriation Act</i> | Provide nutrition information and supplemental foods. | Government and non-profit organizations (4 grantees) | \$779 | 2009 |
| WIC (Federal) | Provides Nutrition education and healthy foods to low-income pregnant women and young children. | Community Health Boards, non-profit organizations and tribal governments (57 grantees) | \$110,915 | 2009 |
| WIC Breastfeeding Peer Counsel (Federal) | Promote and support breastfeeding among WIC recipients. | Community Health Boards, non-profit organizations and tribal governments who provide WIC services (4 grantees) | \$190 | 2009 |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|--|--|---------------------|---|
| Local Public Health Grants (State) <i>M.S. 145A.131</i> | Develops and maintains an integrated system of community health services under local administration and within a system of state guidelines and standards. | Community Health Boards (53 grantees) | \$20,771 | n/a |
| Pediatric Medical Home Project (State) | Services support a medical home model for children with special health care needs. | Non-profit organizations | \$337 | n/a |
| Minnesota Evidence-Based Home Visiting Project | Support local public health departments and tribal governments implementing an evidence-based home visiting program that prevents child maltreatment. | Government/utilize an identified evidence-based home visiting program – 7 grants (currently Nurse-Family Partnership, may include others in the future). | \$225 | 2009 |
| Program: Community and Family Health Promotion Budget Activity: Health Promotion and Chronic Disease | | | | |
| Poison Control (Both) <i>M.S. 145.93</i> | Identify appropriate home management or referral of cases of human poisoning; provide statewide information and education services. | Government, non-profit and for-profit organizations; competitive (1 grantee) | \$1,279 | 2009 |
| Comprehensive Cancer (Federal) | Support development and implementation of the comprehensive cancer plan. | Cancer centers; non-profit organizations; noncompetitive | \$85 | 2009 |
| Prostate Cancer (Federal) | Support prostate cancer screening education among high risk populations. | Non-profit cancer organization; noncompetitive | \$125 | 2009 |
| Breast and Cervical Cancer Detection Program (Both) <i>M.S. 144.671 and M.S. 145.928</i> | Breast and cervical cancer screening, diagnostic and follow-up services. Recruitment/outreach activities to increase and provide breast and cervical cancer screening. | Private and community clinics, other health care providers and Community Health Boards; noncompetitive | \$2,912 | 2009 |
| Rape Prevention and Education (Federal) | Build prevention capacity of Minnesota's sexual assault coalition. | Not for profit, statewide sexual assault coalition (1 grantee) | \$250 | 2009 |
| Addressing Asthma from a Public Health Perspective (Federal) | To conduct asthma surveillance and implement portions of the "Strategic Plan for Addressing Asthma in Minnesota." | Local public health and non-profit and for-profit organizations | \$143 | 2009 |
| Tobacco Use Prevention (State) <i>M.S. 144.395-396</i> | Reduce youth tobacco use. | Government, non-profit, and for-profit entities; competitive | \$3,456 | n/a |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|---|--|---------------------|---|
| WISEWOMAN Screening (Federal) | Heart disease risk factor screening and lifestyle counseling for age-eligible Breast and Cervical Cancer Detection Program clients. | Private and community clinics, other health care providers and Community Health Board; noncompetitive | \$234 | 2009 |
| Reducing Arthritis (Federal) | Increase the quality of life and decrease health care costs for persons with arthritis through strategies in early identification, self-management and health communications. | Counties and non-government organizations; noncompetitive | \$55 | 2009 |
| Sexual Assault Prevention (Federal) | Prevent sexual assault, provide services to victims of sexual assault, provide public education regarding sexual assault. | Interagency agreement; 1 noncompetitive grantee with competitive sub-grants to government organizations, schools, non-profit organizations | \$120 | 2009 |
| Race for the Cure – Screening and Diagnostics (State) | Breast cancer screening, diagnostic and follow-up services. | Private and community clinics, other health care providers; noncompetitive | \$885 | 2009 |
| Brain Injury/Trauma (State) | Provide service and best practice prevention information to persons injured, professionals and communities. | Not for Profit community-based organization able to deliver prescribed services | \$1,188 | 2009 |
| Spinal Cord Injury/Trauma (State) | Provide service and best practice prevention information to persons injured, professionals and communities. | Not for Profit community-based organization able to deliver prescribed services | \$12 | 2009 |
| Minnesota Stroke Registry (Federal) | Support Minnesota hospitals to improve the quality of care to stroke patients by developing and using the stroke registry. | Minnesota Hospitals | \$149 | 2009 |
| Program: Community Family Health Promotion Budget Activity: Office of Minority & Multicultural Health | | | | |
| Local Public Health Grants for Tribal Governments (State) | Develops and maintains an integrated system of American Indian tribal health services under tribal administration and within a system of state guidelines and standards. | American Indian Tribal Governments | \$1,060 | n/a |
| Eliminating Health Disparities Initiative Grants (Both) | Improves the health of the four minority racial/ethnic groups in MN (American Indians, Asian Americans, African Americans, Latinos/Hispanics). Grants focus on 7 health priorities. | Eligible applicants are local/county public health agencies, community based organizations, faith-based, and tribal governments. | \$5,142 | 2009 |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|--|---------------------|---|
| Program: Policy Quality and Compliance Budget Activity: Health Policy | | | | |
| Medical Education and Research Cost Trust Fund (Both) <i>M.S. 256B.69; M.S. 297F.10; M.S. 62J.692</i> | The MERC trust fund was established to address the increasing financial difficulties of Minnesota's medical education organizations. | Eligible applicants are accredited medical education teaching institutions, consortia, and programs operating in Minnesota (22 sponsoring institutions pass through grants to several hundred training sites) | \$88,790 | 2009 |
| Dental Innovations Grants (Both) <i>M.S. 62J.692</i> | To promote innovative clinical training for dental professionals and programs that increase access to dental care for underserved populations. | Eligible applicants are sponsoring institutions, training sites, or consortia that provide clinical education to dental professionals | \$2,432 | 2009 |
| Indian Health Grants (State) <i>M.S. 145A.14, Subd. 2</i> | Provides health service assistance to Native Americans who reside off reservations. | Community Health Boards (5 grantees) | \$174 | n/a |
| Migrant Grants (State) <i>M.S. 145A.14, Subd. 1</i> | Subsidizes health services, including mobile, to migrant workers and their families. | Cities, counties, groups of cities or counties, or non-profit corporations (1 grantee) | \$102 | n/a |
| Rural Hospital Capital Improvement Grant Program (State) <i>M.S. 256B.195</i> | Update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of small rural hospitals. | Rural hospitals with 50 or fewer beds (21 grantees) | \$1,755 | n/a |
| Small Hospital Improvement Program (Federal) | Supports small hospital Health Insurance Portability and Accountability Act (HIPAA) compliance, patient safety, quality improvement, and Prospective Payment System (PPS) costs. | Rural hospitals of 50 or fewer beds (82 grantees) | \$679 | 2009 |
| Community Clinic Grant Program (State) <i>M.S. 145.9268</i> | Assist clinics to serve low- income populations, reduce uncompensated care burdens or improve care delivery infrastructure. | Nonprofit community clinics (15 grantees) | \$561 | n/a |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|--|---------------------|---|
| Pharmacy Preservation Grants (State) <i>M.S. 144.1476</i> | Planning, establishing, keeping in operation, or preserving access to prescription medications and the skills of a pharmacist. | Eligible rural communities or health care providers in eligible rural communities (6 grantees) | \$180 | n/a |
| Donated Dental Services (State) <i>M.S. 150A.22</i> | To provide dental care to low-income or uninsured recipients. | Non-profit organization (1 grantee) | \$63 | n/a |
| Rural Hospital Planning & Transition Grant (State) <i>M.S. 144.147</i> | Assist with strategic planning; transition projects. | Rural hospitals with 50 or fewer beds (15 grantees) | \$300 | n/a |
| Summer Health Care Internships (State) <i>M.S. 144.1464</i> | Summer internship program for high school and college students. | Statewide non-profit organization representing health facilities (1 grantee/multiple sub-grantees) | \$300 | n/a |
| Health and Long Term Care Career Promotion Grant Program (State) <i>M.S. 144.1499</i> | Develop or implement health and long term care career curriculum for K-12. | Consortia of K-12 districts, post-secondary schools and health/long term care employers | \$147 | n/a |
| Loan Forgiveness Program (State) <i>M.S. 144.1501</i> | Health education loan forgiveness for physicians, nurses, nurse practitioners, and physician assistants, in rural and urban underserved areas. | Average number of grantees—Faculty (22), Dentist (9), Pharmacist (13) Nurses practicing in nursing homes (7) Midlevel (4); (38 new and 13 continuing participants) | \$1,132 | n/a |
| National Health Service Corp (Both) <i>M.S. 144.1487</i> | Health education loan forgiveness for physicians in rural and urban underserved areas. | Physicians (4 grantees per year) | \$202 | 2009 |
| Nurses Loan Forgiveness (State) <i>M.S. 144.1501</i> | Health education loan forgiveness for nurses, allied health faculty, nurse faculty. | Nurses (17 new and 1 continuing) | \$295 | n/a |
| Physicians Loan Forgiveness (State) <i>M.S. 144.1501</i> | Health education loan forgiveness for physicians in rural and urban underserved areas. | Physicians (7 new and 1 continuing) | \$251 | n/a |
| Critical Access Hospital HIT Implementation Grant (Federal) | Pilot program to implement health information technology in Critical Access Hospital community health systems. | Lac qui Parle Health Network Stratis Health, Inc. | \$1,502 | 2009 |
| Rural Hospital Flexibility (Federal) | Strengthen Critical Access Hospitals and rural health systems; improve quality, safety and access. | Critical Access Hospitals, ambulance services, other rural providers (20 Grantees) | \$388 | 2009 |
| Federally Qualified Health Center (State) | Support Minnesota FQHCs to continue, expand and improve services to populations with low incomes. | HRSA designated FQHCs and FQHC Look Alikes operating in Minnesota | \$2,473 | n/a |
| Health Care Demonstration Project (State) | Community-based health care coverage program demonstration | Health Share, Inc., Duluth | \$208 | n/a |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|--|---|---------------------|---|
| Electronic Health Record Grants (State) <i>M.S. 144.3345</i> | Support implementation and use of interoperable electronic health records. | Community e-health collaboratives (2 or more rural hospitals, clinics, nursing homes, others); community clinics; RHIOs | \$3,500 | n/a |
| Open Door Center (State) <i>Laws of 2008, Chapter 358, Article 5, Section 4, Subdivision 3</i> | Operational Support | Open Door Health Center. Mankato | \$350 | n/a |
| Program: Health Protection Budget Activity: Environmental Health | | | | |
| Lead Base Program Grants (State) <i>M.S. 119A.46</i> | For lead training to workers and property owners, and to provide lead cleaning services in housing with elevated blood lead level children. | Eligible applicants include: qualified lead professionals; cities; local public health agencies; community action groups | \$98 | n/a |
| State Lead Safe Housing Grant (State) <i>M.S. 144.9507, Subd. 3</i> | For costs related to relocation of families needing lead safe housing. | Local Public Health Agencies (typically 2 grantees) | \$25 | n/a |
| Lead Abatement Grant (State) <i>M.S. 119A.46</i> | To train workers and to provide swab team services for residential properties. | Nonprofit organization currently operating the CLEARCorps lead hazard reduction project within MN | \$381 | n/a |
| Drinking Water Technical Assistance (Federal) <i>M.S. 144.383</i> | Provides technical assistance to owners and operators of public water systems. | Minnesota Rural Water Association | \$273 | 2009 |
| Wellhead Protection (Federal) | Provide technical assistance to small public water systems to initiate their wellhead protection plan. | Minnesota Rural Water Association | \$40 | 2009 |
| Operator Training Expense Reimbursement (Federal) | Provide training to small system operators at no cost. | Minnesota Rural Water Association | \$54 | 2009 |
| Federal Environmental Protection Agency States Indoor Radon Grant (SIRG) (Federal) | For public education and targeted outreach on radon testing, mitigation, and radon resistant new construction. | Competitive grant process available to local public health agencies and non-profit organizations | \$100 | 2009 |
| Program: Health Protection Budget Activity: Infectious Disease Epidemiology, Prevention, and Control | | | | |
| Tuberculosis Program (Both) | Outreach Grants for TB case management services for foreign-born persons. | Hennepin, Olmstead, and Ramsey counties; others as TB caseload need & funding allow | \$197 | 2009 |
| Eliminating Health Disparities—Refugee Health (State) | Health screening and follow- up services for foreign-born persons with TB proportionally based on legislative formula. | All Community Health Boards are eligible | \$250 | n/a |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|---|--|---------------------|---|
| AIDS Prevention Grants (Both) <i>M.S. 145.924</i> | Health education/risk reduction and AIDS/HIV testing for high-risk individuals. | Community-based organizations, clinics (16 grantees) | \$1,544 | 2009 |
| Active Surveillance for Pertussis (Federal) | To plan, coordinate, and enroll healthcare facilities throughout the county in a pertussis active surveillance project. | Dakota and Ramsey Counties | \$107 | 2009 |
| Refugee Health (Federal) | Coordination of Refugee Health Assessments. | Counties resettling the largest number of refugees (5 grantees) | \$120 | 2009 |
| Immunization Registries (Federal) | To establish/maintain immunization registries. | Seven community-based registries and four local public health agencies | \$400 | 2009 |
| Refugee Health Screenings (Federal) | To reimburse public and private providers for refugee health assessments completed upon arrival to the United States. | Community Health Boards (3 grantees) and any private clinic providing services to newly arrived refugees | \$170 | 2009 |
| Perinatal Hepatitis B (Federal) | Case management for perinatal hepatitis B. | CHS Boards (Saint Paul/Ramsey, Hennepin counties get large awards) | \$320 | 2009 |
| Immunization Practices Improvement (Federal) | Clinic site visits by local public health staff to check vaccine storage and handling, review immunization practices, and audit pediatric immunization records. | Community Health Boards | \$100 | 2009 |
| Prevention and Treatment of Sexually Transmitted Infections (Federal) <i>M.S. 144.065</i> | Test high risk individuals for STDs. | Community-based organizations and clinics | \$245 | 2009 |
| HIV Counseling and Testing (Federal) | Testing high-risk individuals for HIV. | Clinical facilities (7) | \$497 | 2009 |
| Program: Health Protection Budget Activity: Office of Emergency Preparedness | | | | |
| Local Public Health Preparedness Grants (Federal) <i>(PAHPA, P.L. 109-417)</i> | Plan, exercise and prepare local health departments and communities to respond to and recover from events that affect the public's health. | Community health boards (53 grantees) | \$4,735 | 2009 |
| OEP Hospital Preparedness (Federal) <i>(PAHPA, P.L. 109-417)</i> | Plan, exercise, and prepare individual hospitals and hospital regions to provide health care during emergencies and events that affect the public's health. | Regional Hospital Resource Centers designated in each of the 8 regions | \$4,423 | 2009 |
| Tribal Preparedness Grants (Federal) | Plan, exercise and prepare tribal governments and tribal communities to respond to | Tribal governments (11 grantees) | \$180 | 2009 |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|--|---|---------------------|---|
| <i>(PAHPA, P.L. 109-417)</i> | and recover from events that affect the public's health. | | | |
| Cities Readiness Initiative Grants (Federal) <i>(PAHPA, P.L. 109-417)</i> | Plan, exercise, and prepare to have distributed medications to the metropolitan area within 48 hours of an accident. | Local health departments in the Twin Cities Metropolitan Statistical Area (14 grantees) | \$800 | 2009 |

| Federal Program (\$ in Thousands) | Related SFY 2006 Spending | Primary Purpose | SFY 2006 Revenues | SFY 2007 Revenues | Estimated SFY 2008 Revenues | Estimated SFY 2009 Revenues |
|--|---------------------------------|---------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Women, Infants & Children | | SO SOGPS GI GCBO | 100,675 | 110,711 | 124,598 | 131,408 |
| Temporary Assistance for Needy Families (TANF) | | GPS GCBO | 5,806 | 6,159 | 9,997 | 13,153 |
| Public Health Emergency Preparedness | | SO GPS GCBO | 16,024 | 17,620 | 15,657 | 13,095 |
| Maternal & Child Health Block Grant | 6,950 | SO GPS GCBO | 8,953 | 9,183 | 9,334 | 9,047 |
| Healthcare System Preparedness | | SO GPS GCBO | 9,270 | 8,608 | 7196 | 6,761 |
| Medicare | | SO | 6,610 | 6,242 | 6,230 | 5,950 |
| National Breast and Cervical Cancer Early Detection Program | 1,498 | SO GPS GI GCBO | 4,447 | 4,663 | 4,753 | 4,536 |
| Immunization | | SO GPS GCBO | 3,868 | 4,431 | 4,534 | 4,529 |
| AIDS/HIV Prevention | | SO GPS GCBO | 2,985 | 3,261 | 2,982 | 3,162 |
| Emerging Infections Program | | SO GPS | 2,537 | 2,679 | 3,116 | 3,015 |
| Preventive Health and Health Services Block Grant | | SO GCBO | 2,850 | 1,707 | 3,211 | 2,819 |
| Safe Drinking Water Program | 3,000 | SO | 2,739 | 2,335 | 2,534 | 2,424 |
| Drinking Water Revolving Fund | | SO GCBO | 2,035 | 2,886 | 2,163 | 2,163 |
| Steps to decrease Asthma, Diabetes and Obesity | 294 | SO GPS | 2,110 | 2,441 | 2,125 | 2,080 |
| Flex Critical Access Hospital HIT Implementation Grant | | GCBO | 0 | 0 | 89 | 1,511 |
| National Program of Cancer Registries and National Comprehensive Cancer Control Program | 316 | SO GPS GCBO | 1,165 | 1,569 | 1,364 | 1,451 |
| National Tobacco Control Program | 256 | SO | 1,266 | 1,223 | 1,331 | 1,314 |
| Comprehensive Diabetes | 276 | SO | 1,126 | 1,119 | 1,080 | 1,187 |
| Expanding Lab & Epidemiology Capacity | | SO | 0 | 254 | 1,223 | 1,175 |
| Prevention of Sexually Transmitted Diseases | | SO GPS GCBO | 891 | 1,246 | 1,122 | 1,121 |

HEALTH DEPT

Federal Funds Summary

| | | | | | | |
|---|-----|-------------------------|-----|-----|-----|-------|
| Tuberculosis Cooperative Agreement | | SO GPS | 871 | 837 | 905 | 1,004 |
| Commodity Supplemental Food Program | | SO GCBO | 788 | 809 | 880 | 881 |
| WISEWOMAN | 130 | SO GPS GI GCBO | 364 | 459 | 601 | 745 |
| Small Rural Hospital Improvement Program | | SO GCBO | 628 | 716 | 711 | 715 |
| Addressing Asthma | | SO | 768 | 653 | 614 | 700 |
| Sexual Violence Prevention | | SO GPS GCBO | 723 | 393 | 605 | 678 |
| Minnesota Nutrition Physical Activity and Obesity | | SO | 0 | 0 | 0 | 646 |
| Rural Hospital Flexibility Program | | SO GCBO | 570 | 567 | 647 | 642 |
| Small Cities Lead Hazard Reduction Project | | SO GI | 0 | 0 | 97 | 600 |
| Childhood Lead Poisoning | | SO GPS | 779 | 600 | 595 | 590 |
| Stroke Registry | | SO GCBO | 0 | 0 | 368 | 564 |
| Minnesota Arthritis Program | | SO GPS GCOB | 319 | 256 | 245 | 553 |
| Breast & Prostate Cancer Data Surveillance | | SO | 66 | 95 | 160 | 478 |
| Agency for Toxic Substance Disease Registry (ATSDR) | | SO | 447 | 452 | 462 | 457 |
| Fetal Alcohol Syndrome Prevention | | SO | 446 | 432 | 396 | 407 |
| Minnesota Heart Disease and Stroke Prevention | | SO | 0 | 0 | 351 | 400 |
| Particulate Matter Reduction | | SO GPS | 0 | 0 | 64 | 400 |
| Integrated Core Injury Prevention and Control Program | | SO | 353 | 390 | 381 | 391 |
| EPA Indoor Radon Grant | 562 | SO GPS GCBO | 562 | 619 | 507 | 379 |
| HIV/AIDS Surveillance | | SO | 0 | 0 | 137 | 375 |
| Child Maltreatment Prevention | | SO GCBO | 0 | 0 | 0 | 375 |
| Cooperative Agreement to Support State Assessment Initiatives | | SO | 128 | 137 | 238 | 329 |
| Department of Education Community Based Systems for Children with Special Health Care Needs | | SO | 539 | 424 | 465 | 300 |
| EPA Lead Cooperative Agreement | 50 | SO | 267 | 250 | 305 | 273 |

HEALTH DEPT

Federal Funds Summary

| | | | | | | |
|---|-----|------------|-----|-----|-----|-----|
| Behavioral Risk Factor Surveillance | | SO | 393 | 353 | 397 | 272 |
| Oral Disease Prevention Program | | SO | 0 | 0 | 0 | 270 |
| Counter Terrorism Coordination for Public Water Supplies | | SO | 92 | 106 | 238 | 245 |
| Medical Assistance Health Plan | 151 | SO | 151 | 144 | 172 | 229 |
| Early Head Start (Hearing) | | SO | 0 | 0 | 0 | 225 |
| Refugee Health Services | | SO GPS | 134 | 223 | 223 | 222 |
| Healthy Homes Demonstration | | SO GCBO | 0 | 0 | 0 | 219 |
| Primary Care Cooperative Agreement | | SO | 194 | 184 | 195 | 190 |
| Newborn Screening and Hearing Program | | SO | 160 | 149 | 103 | 175 |
| New Refugee Disease Surveillance | | SO GPS | 0 | 0 | 60 | 175 |
| Clinical Lab Improvement Act Program (CLIA) | | SO | 162 | 185 | 159 | 168 |
| Evaluating Surveillance Methods for Monitoring Atypical HIV Strains | | SO | 188 | 142 | 168 | 161 |
| Oral Health Assessment and Planning | | SO | 0 | 0 | 0 | 158 |
| Lab-NBS Early Hearing Detection & Intervention | | SO | 0 | 0 | 0 | 152 |
| Pregnancy Risk Assessment Monitoring System (PRAMS) | | SO | 162 | 127 | 146 | 149 |
| Office of Rural Health Program | 444 | SO | 144 | 150 | 149 | 148 |
| Community Integrated Service System | | SO | 113 | 102 | 134 | 140 |
| Develop Improved Population Based Birth Defects Information | | SO | 115 | 114 | 125 | 120 |
| Active Surveillance for Pertussis | | SO | 381 | 318 | 307 | 101 |
| National Health Service Corp Loan Repayment Program | 83 | GI | 108 | 99 | 110 | 100 |
| State System Development Initiative | | SO | 123 | 110 | 82 | 100 |
| OMH Partnership Grant | | SO | 0 | 0 | 0 | 96 |
| Surveillance of Hazardous Substance Emergencies | | SO | 96 | 89 | 101 | 94 |
| 5-A-Day Power Plus Program | | SO GCBO | 623 | 464 | 320 | 90 |
| Adult Viral Hepatitis Prevention Coordinator | | SO | 0 | 0 | 37 | 84 |
| Genomics Program | | SO | 174 | 194 | 194 | 83 |

| | | | | | | |
|--|--|----|-----|-----|-------|----|
| Wellhead Protection | | SO | 66 | 111 | 26 | 70 |
| Water Protection Coordination | | SO | 0 | 0 | 49 | 65 |
| Crash Outcome Data Evaluation Systems (DPS) | | SO | 47 | 42 | 34 | 58 |
| Water Operators Training Grant | | SO | 545 | 915 | 937 | 54 |
| Surveillance of Serious Trauma Injuries | | SO | 53 | 54 | 57 | 51 |
| Tools for Schools | | SO | 26 | 34 | 0 | 50 |
| Federal CODES | | SO | 0 | 0 | 0 | 47 |
| Brownsfield/Land Reuse | | SO | 0 | 0 | 0 | 45 |
| STD Surveillance Network | | SO | 26 | 92 | 91 | 42 |
| EHDI Surveillance, Tracking and Intervention | | SO | 168 | 178 | 134 | 41 |
| Lake Superior Basin Mercury in the Blood of Newborns | | SO | 0 | 0 | 15 | 40 |
| Asthma Training | | SO | 0 | 0 | 0 | 40 |
| Hydro Geologic Barrier Study | | SO | 11 | 0 | 0 | 20 |
| Capture Stroke Network | | SO | 20 | 19 | 15 | 16 |
| Food Safety: Discovering Novel Causes of Foodborne Illness | | SO | 270 | 276 | 42 | 0 |
| Cardiovascular Health Programs | | SO | 404 | 336 | 39 | 0 |
| HIV/AIDS Surveillance | | SO | 178 | 203 | 171 | 0 |
| Addressing The Transmission and Prevention of MSRA | | SO | 103 | 166 | 5 | 0 |
| Applied Research on Antimicrobial Resistance | | SO | 234 | 254 | 69 | 0 |
| Promoting Child Mental Health | | SO | 30 | 54 | 7 | 0 |
| Childhood Oral Healthcare Access Program | | SO | 96 | 43 | 1 | 0 |
| Asthma Triggers | | SO | 4 | 34 | 12 | 0 |
| Pandemic Flu Project | | SO | 0 | 0 | 2,214 | 0 |

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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Agency Purpose

The Minnesota Higher Education Facilities Authority (HEFA) (hereafter called the Authority) was created by the state legislature in 1971 to assist nonprofit institutions of higher education throughout Minnesota with financing or refinancing capital construction projects by issuing tax-exempt revenue bonds. Beginning in FY 1988, the legislature also asked the Authority to finance limited types of projects at certain public higher education institutions. The Authority serves eligible higher education institutions by allowing them to access lower cost tax-exempt interest rates. The Authority receives no general fund tax dollars or any other legislative appropriations. The operating funds come from fees charged to the institutions that benefit from tax-exempt bonds.

Core Functions

The Authority operates under a board of ten members, eight of whom are appointed by the governor with the advice and consent of the senate. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council are the two ex-officio members of the Authority.

Access to capital improvement funds is essential to the long-term viability of institutions dedicated to educating Minnesota's workforce. The Authority issues tax-exempt revenue obligations and enters into agreements with higher education institutions to be responsible for the use of the loan proceeds and to repay the bondholders. The Authority has no liability to repay the bondholders. The Authority has access to capital improvement funds only through borrowing directly. When a higher education institution needs funds for capital improvements, the Authority is able to provide more favorable interest rates because of its status as a government entity. Since the Authority is an agency of the state, the interest paid by the institution to the bondholders is exempt from both state and federal income taxes.

Core functions support the goal of issuing tax-exempt revenue obligations in an efficient and cost-effective manner for higher education institutions. The core functions are to:

- ◆ develop Authority expertise and educate institutions on financing options;
- ◆ provide analysis and consulting in developing institutional capital financing options; and
- ◆ manage Authority operations without increasing fees.

These functions support ongoing operating goals to:

- ◆ provide a consistent and efficient process for obtaining tax-exempt financing;
- ◆ educate institutions through the application guide, newsletters, and annual educational forum on market, legal, and accounting considerations;
- ◆ provide specific analysis and consulting for institutional capital financing plans; and
- ◆ assist institutions with investor relations, post-closing compliance, and rating agency reviews.

Operations

The Authority operates with the advice and leadership of a board of ten people and a staff of three people. The board meets monthly and acts incrementally on the application for financing and the financing structure of all bond issues. For each bond issue, a law firm is appointed by the Attorney General to serve as bond counsel. A financial advisor firm is retained by the Authority to advise on the financial feasibility and structure of each bond issue.

In general, except for payroll administration, the Authority's staff is responsible for all operations relating to the core functions. Staff receives minimal services from other state agencies (other than payroll and legal services). As a result, the Authority's operations have a neutral impact on the state's operating budget and capital budget.

At A Glance

The Authority assists nonprofit institutions of higher education in financing capital projects through the issuance of tax-exempt debt.

- ◆ The Authority is authorized to have a maximum total of \$950 million outstanding bond principal.
- ◆ In FY 2008, the Authority completed four financings for a total of \$101 million.
- ◆ The total bond principal outstanding at 6-30-2008, was \$751 million.
- ◆ 21 nonprofit, post-secondary institutions in Minnesota have utilized the Authority's program and realized interest savings on financing their capital improvements.

Budget

Operating expenses of the Authority are paid by a fee charged to each participating institution. The Authority receives no general fund tax dollars or other legislative appropriation. Department of Finance (DOF) administers the three-person payroll using dedicated receipts deposited monthly by the Authority.

Contact

For further information contact:
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Executive Director
Higher Education Facilities Authority
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Saint Paul, Minnesota 55101

Phone: (651) 296-4690
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Email: mremedios@isd.net

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|------------|------------|------------------|------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Miscellaneous Agency | 257 | 272 | 272 | 272 | 544 |
| Total | 257 | 272 | 272 | 272 | 544 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 257 | 272 | 272 | 272 | 544 |
| Total | 257 | 272 | 272 | 272 | 544 |
| <u>Expenditures by Program</u> | | | | | |
| Hgher Educ Fac Authr | 257 | 272 | 272 | 272 | 544 |
| Total | 257 | 272 | 272 | 272 | 544 |
| Full-Time Equivalentents (FTE) | 2.8 | 2.8 | 2.8 | 2.8 | |

HIGHER ED FACILITIES AUTHORITY

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|------------|---------------------|
| <i>Non Dedicated Revenue:</i> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <i>Dedicated Receipts:</i> | | | | | |
| Other Sources: | | | | | |
| Miscellaneous Agency | 254 | 272 | 272 | 272 | 544 |
| Total Dedicated Receipts | 254 | 272 | 272 | 272 | 544 |
| Agency Total Revenue | 254 | 272 | 272 | 272 | 544 |

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➡ Designates that this item is a change item



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Equal Opportunity Housing and Equal Opportunity Employment

January 27, 2009

The 2009 Minnesota Legislature

On behalf of Governor Pawlenty, I am please to submit recommendations for the FY- 2010-2011 budget for the Minnesota Housing Finance Agency (Minnesota Housing or the Agency). This budget includes \$85.4 million in investments in housing from the general fund. State appropriation constitute less then 10% of the total Minnesota Housing budget. Minnesota Housing revenue bond proceeds represent the largest source of funding for Minnesota Housing activities and account for approximately 50% of the program budget. Federal funds and Agency resources make up the balance of the program budget. Minnesota Housing does not use state appropriations for its operation budget, but self-funds its operations.

With the Governor's budget recommendation, the Agency will continue its efforts to strategically target its housing resource consistent with the Agency's mission of financing and advancing affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities. The State's strong commitment to housing is reflected in the fact that Minnesota has the highest rate of homeownership in the nation at 75.2%%, and is 16th lowest among the states in terms of the portion of households paying than 50% of their income for housing.

Under the proposed budget, the Agency will maintain current on all activities, although some activities will continue at a lower volume. The proposed budget recommends some efficiencies by realigning funding resources and activities efficiency and consolidating programs. The proposed budget fulfills the original commitment made in the Business Plan to End Long-Term Homelessness to increase the base budget for the Housing Trust Fund Program. This increase is accomplished by a reallocation of appropriated funds. Federal funds from the Housing and Economic Recovery Act of 2008 will help relieve some pressure on State resources to address the problems caused by concentrations of mortgage foreclosures in certain neighborhoods.

The proposed budget was guided by the following principles:

- ◆ Priority should be given to programs that serve the most vulnerable populations.
- ◆ Funding for activities that optimize the contribution from non-state resources to affordable housing should be preserved as much as possible.
- ◆ The funding provisions of the Business Plan to End Long-Term Homelessness should be implemented.

The agency is developing additional strategies to make progress on its strategic goals with reduced resources.

Please feel free to contact me at 651-296-5738 or via mail at Dan.Bartholomay@state.mn.us. You may also contact Tonja Orr via email at Tonja.Orr@state.mn.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Bartholomay", with a stylized flourish at the end.

Dan Bartholomay
Commissioner

Agency Purpose

The mission of the Minnesota Housing Finance Agency (Minnesota Housing) is to finance and advance affordable housing opportunities for low and moderate income Minnesotans to enhance the quality of life and foster stronger communities.

The agency's strategic plan sets forth the following priorities:

- ◆ end long-term homelessness;
- ◆ increase emerging market homeownership;
- ◆ preserve existing affordable housing stock; and
- ◆ finance new affordable housing opportunities.

Core Functions

Minnesota Housing funds housing activity in five broad areas:

- ◆ **Development and Redevelopment programs.** These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.
- ◆ **Homeownership Loan programs.** These programs fund home purchase and home improvement loans for families and individuals with a range of incomes not served by the private sector alone.
- ◆ **Homelessness Prevention and Supportive Housing programs.** These programs fund housing development, rental assistance, and homeless prevention activities for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.
- ◆ **Preservation of Existing Housing programs.** These programs seek to preserve the existing affordable housing stock including federally assisted rental housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.
- ◆ **Resident and Organization Support.** These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

The agency's assistance is delivered through local lenders, community action programs, local housing and redevelopment authorities, and for-profit and nonprofit developers. Minnesota Housing joins with other public and private funders to make available development and redevelopment funds in a comprehensive, single application, one-stop selection process.

Operations

Management and control of the agency is vested in the Board of Directors. The Board is comprised of six citizen members appointed by the Governor and one ex-officio member: the State Auditor. The Board members' terms are not coterminous with the Governor's term. The Board directs the policies of the agency and adopts an affordable housing plan, approves funding decisions, adopts finance policies, and selects the finance team.

The agency has a staff of 206 full-time equivalent employees in three major areas: housing finance, accounting and operations; housing programs; and housing policy and research; over half of all the employees are professional level employees.

- ◆ The housing finance and operations staff are responsible for the management of the assets and liabilities of the agency which includes a portfolio of housing related loans and other investments. The staff manages the process of raising capital through periodic debt issuances. Operations staff also prepares financial forecasts, budgets, and fiscal year-end audited financial reports for all funds and accounts. They are responsible for the accurate and timely reporting of all accounting and financial information necessary to comply with disclosure requirements and Board policies. Operations staff also manages the agency's information systems and human resources functions.

At A Glance

- ◆ Two-Year Budget: \$1.6 billion - all funds
- ◆ Bond rating: AA+ Standard & Poors
Aa1 Moody's
- ◆ Total Assets: \$3.48 billion

Annual Assistance:

- ◆ Provided \$745 million in housing assistance in FFY 2007;
- ◆ Served 59,000 households;
- ◆ 83% of all households served had annual incomes under \$20,000;
- ◆ 3400 first time homebuyers assisted; and
- ◆ 1200 units of new construction financed.

- ◆ The staff of the multifamily housing programs area manages the process of assisting in the financing of new construction, rehabilitation, and preservation of rental housing. This staff oversees the provision of tenant support services, rental assistance, and homeless prevention activities. Multifamily staff is also responsible for the oversight of the management of the agency’s portfolio of rental housing, monitoring compliance with state and federal requirements, and administering the Section 8 contracts of 32,000 units of rental housing.
- ◆ Homeownership programs staff manages programs to assist with the financing of home purchases home improvements, new home construction for ownership and neighborhood revitalization. Staff in the homeownership programs area, oversee the provision of homeownership education services. This staff also administers programs that provide post-purchase support and foreclosure prevention for homeowners.
- ◆ Community development housing program staff assists with the development and implementation of strategies to meet communities’ development and redevelopment needs.
- ◆ The housing policy staff manages governmental relations, provide research on current housing issues, evaluate agency programs, and develop policy positions.

Budget

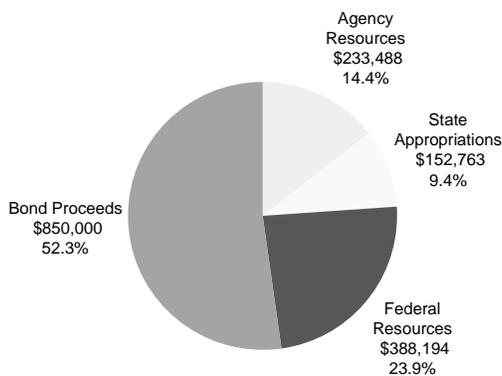
Minnesota Housing has four primary sources of funding. The largest source of financing is the proceeds from the sale of tax-exempt and taxable bonds; bond proceeds make up approximately 52% of the agency’s budget. Proceeds from the sale of these bonds provide mortgage loans to first-time homebuyers and rental housing developments.

Federal funds constitute 24% of Minnesota Housing funds. In the FY 2008-2009 biennium, the two largest programs receiving federally appropriated funds were the Section 8 Housing Assistance payments program and the Home Investment Partnership Program (HOME). In the past, the agency has received federal funding for a number of smaller programs as well.

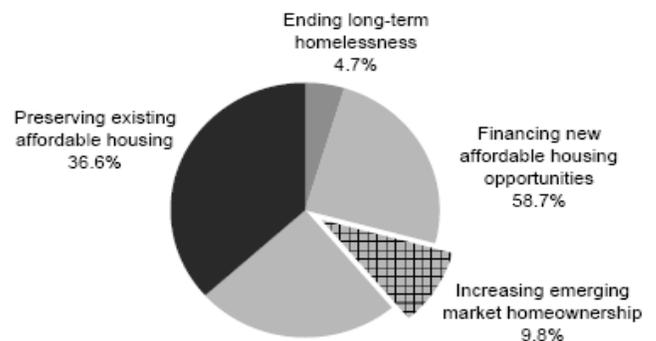
Agency resources constitute 14% of the agency’s budget. Agency resources are earnings over the years in excess of funds needed to cover debt service, loan loss and self-insurance. Agency resources are used for a variety of housing activities including entry cost assistance, activities related to the initiative to end long-term homelessness, first mortgage financing of rental properties, and preservation of MHFA financed rental properties and financing tools for very low income first time homebuyers.

State appropriations constitute 10% of the total program funds expected to be distributed in FY2008-2009. State appropriations for the 2008-2009 biennium total \$114.5 million from the general fund, of which \$90.4 million is base level funding.

Affordable Housing Plan 2008-2009 Program Resources (in thousands)



Estimated distribution of 2008-2009 Plan resources by strategic priority



Contact

Assistant Commissioner for Housing Policy
 (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 87,323 | 45,034 | 45,034 | 45,034 | 90,068 |
| Recommended | 87,323 | 45,034 | 42,710 | 42,710 | 85,420 |
| Change | | 0 | (2,324) | (2,324) | (4,648) |
| % Biennial Change from 2008-09 | | | | | -35.5% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 42,710 | 42,710 | 85,420 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 260,713 | 321,200 | 255,256 | 234,376 | 489,632 |
| Total | 260,713 | 321,200 | 297,966 | 277,086 | 575,052 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 16,471 | 18,672 | 19,752 | 20,650 | 40,402 |
| Other Operating Expenses | 7,687 | 8,833 | 9,233 | 9,233 | 18,466 |
| Payments To Individuals | 189,410 | 203,015 | 199,451 | 195,793 | 395,244 |
| Local Assistance | 3,395 | 23,966 | 23,234 | 4,914 | 28,148 |
| Other Financial Transactions | 43,750 | 66,714 | 46,296 | 46,496 | 92,792 |
| Total | 260,713 | 321,200 | 297,966 | 277,086 | 575,052 |
| <u>Expenditures by Program</u> | | | | | |
| Appropriated Programs | 58,872 | 87,740 | 64,434 | 63,134 | 127,568 |
| Non Appropriated Programs | 201,841 | 233,460 | 233,532 | 213,952 | 447,484 |
| Total | 260,713 | 321,200 | 297,966 | 277,086 | 575,052 |
| Full-Time Equivalents (FTE) | 199.6 | 197.0 | 197.0 | 197.0 | |

HOUSING FINANCE AGENCY

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|--|---------|--------------------|---------|----------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 45,034 | 45,034 | 45,034 | 90,068 |
| Technical Adjustments | | | | |
| Current Law Base Change | | (76) | (76) | (152) |
| Subtotal - Forecast Base | 45,034 | 44,958 | 44,958 | 89,916 |
| Change Items | | | | |
| Consolidation of Challenge Program | 0 | 0 | 0 | 0 |
| Reallocation- Challenge to Housing Trust | 0 | 0 | 0 | 0 |
| Reallocate Rehab loans to Rental Rehab | 0 | 0 | 0 | 0 |
| Program Budget Reduction | 0 | (2,248) | (2,248) | (4,496) |
| Total Governor's Recommendations | 45,034 | 42,710 | 42,710 | 85,420 |
| Fund: HOUSING FINANCE AGENCY | | | | |
| Planned Statutory Spending | 321,200 | 255,256 | 234,376 | 489,632 |
| Total Governor's Recommendations | 321,200 | 255,256 | 234,376 | 489,632 |

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Change Item: Consolidation of Challenge Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that the Economic Development and Housing Challenge (Challenge), Tribal Indian and Urban Indian programs be consolidated into one program. The Governor further recommends that the base funding for the Tribal Indian program of \$2.430 million and for the Urban Indian program of \$360 thousand be set aside within the Challenge program for the first year of the biennium exclusively for housing for American Indians.

Background

The two state funded programs designed to assist American Indians with their housing needs – the Tribal Indian program and the Urban Indian program – have existed in essentially the same form for more than 25 years. The types of housing assistance needed by American Indians have changed as have the lending practices on tribal lands. The proposed consolidation is consistent with other efforts by Minnesota to consolidate programs to increase administrative efficiencies and streamline the funding mechanisms. In 2005, the Governor recommended and the Legislature approved the consolidation of these programs with a set aside. In 2007, the Legislature reversed this decision and funded the programs separately.

Since 2007, Minnesota Housing has worked with the American Indian tribes and bands to increase their awareness of other opportunities for funding through the Agency. Three tribal governments have endorsed the proposal to consolidate the programs; Minnesota Housing expects that all of the tribal governments that have received funding through the Tribal Indian program will endorse the consolidation. This is a significant change from 2005 and 2007.

The consolidation will allow individual bands to access funding directly from Minnesota Housing. In cases where funding under the Tribal or Urban Indian programs alone was insufficient and funding was also needed from the Challenge program, the Agency will be able to make one loan instead of two loans under two separate programs.

Relationship to Base Budget

The consolidation would increase the Challenge program base by \$2.790 million, an amount equal to the base funding for the Tribal Indian and Urban Indian programs.

Key Goals and Measures

The recommendation is an effort to transform government. Minnesota Housing as part of its Balanced Scorecard includes a commitment to quality customer service. This objective will be measured by a satisfaction index from customer surveys. Minnesota Housing intends to design and implement the survey in 2009.

Alternatives Considered

Consideration was given to not proposing the consolidation again. The support of the tribes for this action is required.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Change Item: Reallocate Rehab loans to Rental Rehab

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that funding for the Rehabilitation Loan program be provided through the federal HOME program and that the Rental Rehabilitation Loan program be funded with state appropriations equal to the base for the Rehabilitation Loan Program. This recommendation has no net fiscal impact.

Background

The Rehabilitation Loan program provides deferred, no-interest loan to very low-income homeowners to make needed repairs to their homes. The loans are forgiven after 20 years if the homeowner remains in the home the entire 20 years. The program has been funded through state appropriations since nearly the inception of the Agency. The Rental Rehabilitation Loan program provides forgivable loans to owners of rental housing to make needed repairs on the housing. The owners must provide housing that meets certain income and rent affordability requirements for 5 years and the loan is forgiven. This program is funded through the federal HOME program.

The compliance monitoring requirements of the HOME program with respect to rental housing have become increasingly stringent and complex. In order to meet the compliance monitoring requirements, Minnesota Housing expects to need to add staff and increase the administrative expenses of the program and thereby reduce the funding available for housing. The compliance monitoring requirements for owner occupied housing are much less complex and would not add administrative costs. For this reason, most other state Housing Finance Agencies have chosen to use their HOME funding for owner-occupied housing.

The exchange of funding sources for these two programs will reduce the costs of government.

Relationship to Base Budget

The state appropriation base for the Rehabilitation Loan program is \$8.564 million. The HOME funding for the Rental Rehabilitation Loan program is \$10 million. The HOME program funds remaining after the exchange of funding would be used for the Rehabilitation Loan program and HOME funded down payment and closing cost assistance.

Key Goals and Measures

The recommendation is an effort to reduce the costs of government. Minnesota Housing is in the process of determining how much additional staff and at what levels would need to be added to meet the compliance monitoring requirements if rental housing projects continued to be funded with HOME funds.

Alternatives Considered

Due to the HOME program requirements there are limited viable options for the use of the funds.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Change Item: Reallocation- Challenge to Housing Trust

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends \$4 million be reallocated from the Challenge program to the Housing Trust Fund program in order to implement the Business Plan to End Long-term Homelessness.

Background

The business plan to end long-term homelessness contemplates a \$4 million base increase to the Housing Trust Fund in order to maintain and make progress on the successful efforts to date. In order to reach the goal of 4,000 supportive housing opportunities for persons and families experiencing long-term homelessness, the 2,492 housing opportunities already funded must be sustained and nearly 1,600 new opportunities must be provided. The Housing Trust Fund program provides assistance towards the capital costs of supportive housing as well as rental assistance and operating subsidies. Nearly all of the persons and families experiencing long-term homelessness will need rental assistance for at least some period of time. The Business Plan assumed that the federal government would be providing a greater share of the rental assistance at this point in time than has actually occurred.

Relationship to Base Budget

This budget recommendation provides a 23% increase to the base of the Housing Trust Fund program. With the proposed increase, the total appropriation to the Housing Trust Fund program will be \$1 million less than the total appropriation for the program for the FY2007-2008 biennium.

The reallocation of these funds from the Economic Development and Housing Challenge program to the Housing Trust Fund program results in a 21% decrease in the base for the Challenge program. The Challenge program also benefitted from a sizable one-time only appropriation for FY 2007-2008.

Key Goals and Measures

The Housing Trust Fund program activities are essential to meeting Minnesota Housing's strategic priority of Ending Long-term Homelessness.

Minnesota Housing's strategic plan can be found at: www.mnhousing.gov/news/reports/index.aspx.

Minnesota Housing, along with the Departments of Human Services and Corrections, is a key partner in implementing the Business Plan to End Long-term Homelessness in Minnesota. Developed by a working group of public and private stakeholders, the Business Plan to End Long-term Homelessness aims to provide permanent supportive housing to an additional 4,000 long-term homeless households by 2010. The cumulative goal for 2008 was to fund 2400 permanent supportive housing opportunities for long-term homeless households; by the end of year, 2492 opportunities had been financed.

Alternatives Considered

Three factors influenced the recommendation to reallocate funds from the Economic Development and Housing Challenge (Challenge) program to accomplish the increase to the Housing Trust Fund:

- ◆ No new funds were available for the increase;
- ◆ The other programs with substantial state appropriations either leverage federal resources (Affordable Rental Investment Fund – Preservation (PARIF)) or serve vulnerable populations (Family Homeless Prevention, Rehab Loans);
- ◆ The most pressing activity to be funded under the Challenge program is for neighborhood remediation of the areas devastated by the foreclosure crisis and the federal government is making substantial sums available to the State and communities for this effort.

Statutory Change: Not Applicable.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Change Item: Program Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(2,248) | \$(2,248) | \$(2,248) | \$(2,248) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(2,248) | \$(2,248) | \$(2,248) | \$(2,248) |

Recommendation

The Governor recommends a \$4.496 million base reduction to the Economic Development and Housing Challenge (Challenge) program. Approximately 100 units of newly constructed owner occupied housing will not be financed as a result of the reduction and approximately 270 units of rental housing will not be constructed or rehabilitated as a result of the reduction to the Challenge program.

Background

The Challenge program is a flexible program to assist with funding of either owner occupied housing or rental housing. It can be used for a wide variety of activities ranging from acquisition and rehabilitation to new construction to refinancing and gap financing.

Two factors weighed heavily in the recommendation for a reduction to this program. First, the demand for funding from Minnesota Housing for new construction of owner occupied homes has decreased by approximately 75% in the last year and the amount of money needed to fill the gap between the costs of new construction and the value upon completion has risen. It is anticipated that the need to add units to the owner occupied stock will continue to decline over the next two years. It is estimated that approximately \$3.8 million would be used to subsidize new construction of owner occupied units over the next biennium if the current level of production were maintained. Second, the federal government awarded to Minnesota a total of \$58 million recently under the Neighborhood Stabilization Program for the redevelopment of abandoned and foreclosed homes. \$38 million of the funds are being administered by Minnesota Housing. In the last 18 months, Minnesota Housing has received a number of requests for funding of neighborhood remediation as a result of the large number of foreclosures. The federal funds relieve some of the immediate pressure on state funding for neighborhood remediation.

In developing its budget recommendations, Minnesota Housing established three budget priorities. The top budget priority is to complete the Business Plan to End Long-term Homelessness; the next is to preserve funding for programs that serve the most vulnerable populations. The Challenge program does not fit these top two budget priorities; however, it does meet a third budget priority of protecting programs that optimize the contributions from non-state resources to affordable housing. This program is the primary source of funding of deferred loans for housing developments with federal tax credits. Deferred loan financing is essential to using all of the federal tax credits allocated to the state. The Challenge program is particularly important to meet work force housing needs in areas with expanding job centers such as southwest Minnesota with the expansion of Swift and the wind turbine plant.

A budget action is proposed that would temporarily mitigate the reduction to the Challenge program. The Rehabilitation Loan program is accumulating repayments from previously made loans. Three million dollars (\$3 million) is available for reallocation on a one-time basis to the Challenge program. The reallocation will impact the Agency's ability to respond to emergency repair needs of very-low income homeowners.

Relationship to Base Budget

The recommendation represents a 23% reduction to this program. The base for this program is \$19.244 million. The Challenge program base funding is 21.4% of the total base appropriations to Minnesota Housing for 2008-2009. In the 2008-2009 biennium, \$15 million in one-time funds were appropriated to the Challenge program.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Change Item: Program Budget Reduction

Key Goals and Measures

The Challenge program is a central funding source to meet the Agency's strategic priority of financing new affordable housing opportunities. While the need for new owner-occupied housing is declining, the need for additional affordable rental housing continues. Rental vacancy rates in the Twin Cities are tightening and rents are increasing. Between 2000 and 2007, the percentage of renters with incomes between \$20,000 and \$49,999 who are cost burdened (pay more than 35% of their income for housing) increased by 112%. By 2007, 75% of all renters with incomes below \$20,000 paid more than 35% of their income for housing.

One measure of Minnesota Housing's success in meeting its strategic priority is the number of newly constructed affordable housing units financed. In the first six months of FFY 2008, 527 new units of rental housing had been constructed.

See the Department Results page for Minnesota Housing.

<http://www.departmentresults.state.mn.us/mhfa/DeptDetail.htm#Low-and-Moderate%20Income%20Workers%20Have%20Affordable%20Housing%20Choices%20in%20and%20Near%20Their%20Workplace%20Communities>

Alternatives Considered

Consideration was given to an across the board cut to all programs and to a reduction to all programs except those that serve the most vulnerable populations. The budget priorities and the external factors lead to the proposed reductions to the Challenge program.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

Program: **NON APPROPRIATED PROGRAMS**

Change Item: **Reallocate Rehab loans to Rental Rehab**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that funding for the Rehabilitation Loan program be provided through the federal HOME program and that the Rental Rehabilitation Loan program be funded with state appropriations equal to the base for the Rehabilitation Loan Program. This recommendation has no net fiscal impact.

Background

The Rehabilitation Loan program provides deferred, no-interest loan to very low-income homeowners to make needed repairs to their homes. The loans are forgiven after 20 years if the homeowner remains in the home the entire 20 years. The program has been funded through state appropriations since nearly the inception of the Agency. The Rental Rehabilitation Loan program provides forgivable loans to owners of rental housing to make needed repairs on the housing. The owners must provide housing that meets certain income and rent affordability requirements for five years and the loan is forgiven. This program is funded through the federal HOME program.

The compliance monitoring requirements of the HOME program with respect to rental housing have become increasingly stringent and complex. In order to meet the compliance monitoring requirements, Minnesota Housing expects to need to add staff and increase the administrative expenses of the program and thereby reduce the funding available for housing. The compliance monitoring requirements for owner occupied housing are much less complex and would not add administrative costs. For this reason, most other state Housing Finance Agencies have chosen to use their HOME funding for owner-occupied housing.

The exchange of funding sources for these two programs will reduce the costs of government.

Relationship to Base Budget

The state appropriation base for the Rehabilitation Loan program is \$8.564 million. The HOME funding for the Rental Rehabilitation Loan program is \$10 million. The HOME program funds remaining after the exchange of funding would be used for the Rehabilitation Loan program and HOME funded down payment and closing cost assistance.

Key Goals and Measures

The recommendation is an effort to reduce the costs of government. Minnesota Housing is in the process of determining how much additional staff and at what levels would need to be added to meet the compliance monitoring requirements if rental housing projects continued to be funded with HOME funds.

Alternatives Considered

Due to the HOME program requirements there are limited viable options for the use of the funds.

Statutory Change: Not Applicable

Program Description

Minnesota Housing funds affordable housing activities in five (5) broad areas using state appropriated funds. The funded programs provide a variety of financial tools that assist low-and-moderate income Minnesotans in meeting their affordable housing needs and/or strengthening communities.

The MHFA meets regularly with regional advisory groups across the state to receive input about agency goals, policies, and programs. In making funding decisions in competitive selection processes, Minnesota Housing uses jointly developed investment guidelines for projects in the Twin Cities metropolitan area and Continuum of Care plans developed at the regional level to assure consistency with regional priorities. In 2003, Minnesota Housing formed a statewide group representing a board cross section of stakeholders, including representatives from the non-profit and for profit sectors of the housing industry, local units of governments and the philanthropic community to discuss how Minnesota Housing's resources can be used to complement other resources to advance a shared mission and related issues. The agency utilizes a joint application and review process in conjunction with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Metropolitan Council for significant portions of its funding. Other state agencies and local units of government are consulted in making funding awards in order to better coordinate government resources.

Although state appropriations are only 10% of the total Minnesota Housing's biennial budget, these funds make an important difference, enabling the Minnesota Housing to meet the housing needs of families and individuals of lower income than would be otherwise possible. These programs often supplement non-appropriated programs that use amortizing debt and other sources of funds. Approximately 78% of the state appropriation is used for rental housing due to the fact that providing affordable rental housing requires relatively more subsidy than homeownership.

Services Provided

Appropriated programs fund affordable housing activities in five broad areas. These are:

- ◆ **Development and Redevelopment programs.** These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.
- ◆ **Homelessness Prevention and Supportive Housing programs.** These programs fund housing development, rent assistance, and homelessness prevention activities for very low-income families and individuals who often face several barriers to stability, economic self-sufficiency, and independent living.
- ◆ **Homeownership Loan programs.** These programs fund home purchase and home improvement loans for families and individuals with a range of incomes who are not well served by the private sector alone.
- ◆ **Preservation of Existing Housing programs.** These programs seek to preserve the stock existing housing, including of federally assisted rental housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both preservation of supportive housing.
- ◆ **Resident and Organizational Support.** These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

Population Served

The state appropriated programs serve a continuum of Minnesota households ranging from individuals and families who are experiencing homelessness and whose only source of income is public assistance to households who own their home and have incomes up to 115% on median (\$93,100).

Key Program Goals

The state appropriated programs assist Minnesota Housing in achieving its four (4) strategic goals.

The agency's strategic plan sets forth the following priorities:

- ◆ end long-term homelessness;
- ◆ increase emerging market homeownership;
- ◆ preserve existing affordable housing stock; and
- ◆ finance new affordable housing opportunities.

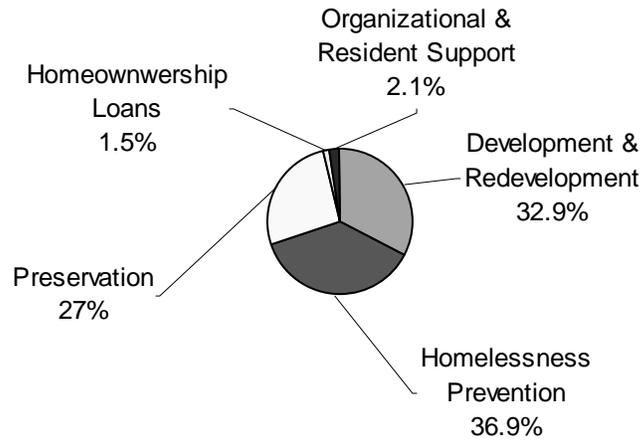
Key Program Measures

Please refer to activity items for performance measures.

Program Funding

State appropriations comprise 10% of the two year budget for Minnesota Housing.

**Appropriated Programs Resources 2008-2009
by Activity**



Contact

For more information, contact: Assistant Commissioner for Housing Policy
(651) 296-9820

The MHFA website at www.mnhousing.gov provides information about agency programs, application forms and procedures, and other useful information for persons seeking assistance with the financing of affordable housing.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|------------------|---------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 42,710 | 42,710 | 85,420 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 58,872 | 87,740 | 21,724 | 20,424 | 42,148 |
| Total | 58,872 | 87,740 | 64,434 | 63,134 | 127,568 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 19,597 | 31,475 | 27,674 | 26,174 | 53,848 |
| Local Assistance | 2,582 | 3,551 | 2,314 | 2,314 | 4,628 |
| Other Financial Transactions | 36,693 | 52,714 | 34,446 | 34,646 | 69,092 |
| Total | 58,872 | 87,740 | 64,434 | 63,134 | 127,568 |
| <u>Expenditures by Activity</u> | | | | | |
| Re/Development | 10,127 | 23,367 | 19,756 | 19,756 | 39,512 |
| Supportive Housing | 16,620 | 28,859 | 27,512 | 26,012 | 53,524 |
| Homeownership Loan | 2,539 | 5,600 | 2,135 | 2,135 | 4,270 |
| Preservation | 27,508 | 26,142 | 12,546 | 12,746 | 25,292 |
| Resident & Organizational Supp | 2,078 | 3,772 | 2,485 | 2,485 | 4,970 |
| Total | 58,872 | 87,740 | 64,434 | 63,134 | 127,568 |

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Activity Description

This program funds the new construction and rehabilitation of housing, both rental and homes for ownership needed to sustain economic growth and vitality. In some communities, new housing is needed due to significant net employment growth. In other communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

This activity supports goals shared with other state agencies such as efforts to reduce green house gas emissions by financing housing that is located near transportation and transit systems, jobs and services and by requiring the housing it finances to meet aggressive energy conservation goals. This activity also supports communities in implementing the housing element of their comprehensive plan by providing financial assistance for the acquisition of land for future development.

Re/development program funds are made available primarily through a competitive, comprehensive, one-stop, single application process sponsored by MHFA, the Family Housing Fund, the Greater Minnesota Housing Fund, the Metropolitan Council, and others.

Population Served

Homeowners, homebuyers, and tenants of rental housing are served by this budget activity. Additionally, communities receive assistance in their stabilization and revitalization efforts through this budget activity.

Services Provided

- ◆ **The Economic Development and Housing Challenge Program** (M.S. 462A.33) is the primary program to fund development and redevelopment activities. It funds a wide variety of development and redevelopment activities, including new construction, acquisition, and rehabilitation of both rental housing and homes for ownership. Assistance is provided generally in the form of no-interest, deferred to local units of government, and for-profit and nonprofit developers. The income maximum for the owner-occupied housing funded under this program is set at 115% of greater of state or area median income (\$93,100 in the Twin Cities metro area for 2008). The income maximum for the rental housing funded under this program is set at 80% of greater of state or area median income (\$64,800 in the Twin Cities metro area for 2008). The income maximums allow a range of workforce housing to be developed or rehabilitated.

At least 50% of the funds must be used only for projects in which an employer has made some sort of financial contribution to the housing from non-state resources in order to reduce the need for deferred loan or grand funds. Projects that show cost reduction or avoidance as a result of local regulatory relief are given a priority in selection for funding. These requirements have helped to increase the amount of monies from non-state resources that are invested in affordable housing projects.

Minnesota Housing has adopted the Enterprise Institute's National Green Communities Criteria as mandatory criteria for all new construction funded by Minnesota Housing. The Green Communities criteria have goals of achieving energy conservation in excess of the energy code, achieving low life time operating cost, and establishing air quality and lighting standards that create a healthy environment. At least \$11.6 million of Challenge Program funds have been committed to 1200 housing units meeting the Green Communities criteria.

\$1.1 million in Challenge programs funds has been committed for affordable homeownership projects in suburban communities with significant affordable housing needs and for homeownership and rental housing developments closely integrated with transit systems.

Activity at a Glance

In FFY 2007:

- ◆ 1079 existing home purchases were financed;
- ◆ 581 new housing construction units were financed; and
- ◆ \$30 million invested to assist communities hardest hit by the foreclosure crisis.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

- ◆ **Urban Indian Housing Program** (M.S. 462A.07, Subd. 15)
The Urban Indian Housing Programs provided both home ownership and rental housing opportunities for low and moderate-income American Indians residing in the urban areas of the state. The program provides below market interest rate financing for first time homebuyers. Funding is also available for the development of special assistance program components of projects that address specifically identified needs of American Indians that are sponsored by nonprofit organizations.
- ◆ **Tribal Indian Housing Program** (M.S. 462A.07, Subd. 14)
The Tribal Indian Housing Program provides mortgage loans, home improvement financing, and rental housing opportunities to American Indian families and persons throughout the state. Individual programs have been developed by each of the three Indian tribes that administer the program through their respective tribal housing authorities: Minnesota Chippewa Tribe Housing Corporation, the Upper Sioux Indian Housing Authority, and the Red Lake Housing Finance Corporation. All of the tribes must recycle any repayment and prepayments into new housing loans. The state appropriations are used exclusively for housing loans; administrative costs and paid for from the earning on loans made.

Historical Perspective

In 2000, four state appropriated programs for development and redevelopment activities were consolidated into the Challenge Program. The consolidation gave the Agency a greater opportunity to promote contributions from non-state resources to these activities by highlighting the State's contributions. In 2005, the Tribal and Urban Indian programs were consolidated with the Challenge program. In 2007, the Indian programs were funded separately.

The 2008-2009 biennial appropriations to Minnesota Housing included \$15 million in non-base appropriations. These funds were requested in order to encourage housing that:

- ◆ is efficient and sustainable,
- ◆ maximizes existing infrastructure and preserves green spaces,
- ◆ is integrated with transit and transportation systems,
- ◆ is accessible to jobs and services; and
- ◆ expands the diversity of housing choices within communities.

Key Program Goals

Minnesota Housing re/development program is instrumental in achieving the Agency's strategic goals of:

- ◆ financing new affordable housing opportunities; and
- ◆ preserving existing affordable housing.

Key Measures

The Next Decade of Housing study commissioned by MHFA, Family Housing Fund, and Greater Minnesota Housing Fund estimated that by 2010 there will be a shortfall of 33,000 affordable housing units for low-income households statewide if production is maintained at historic levels.

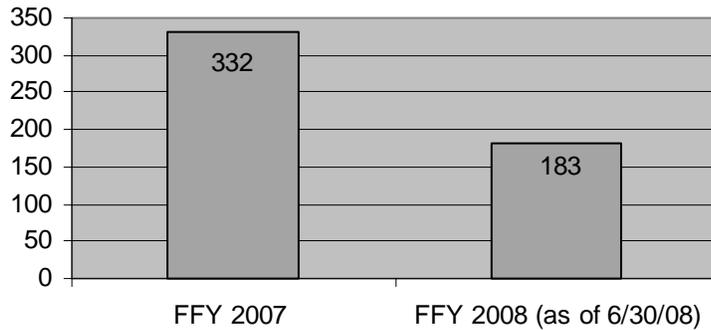
HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

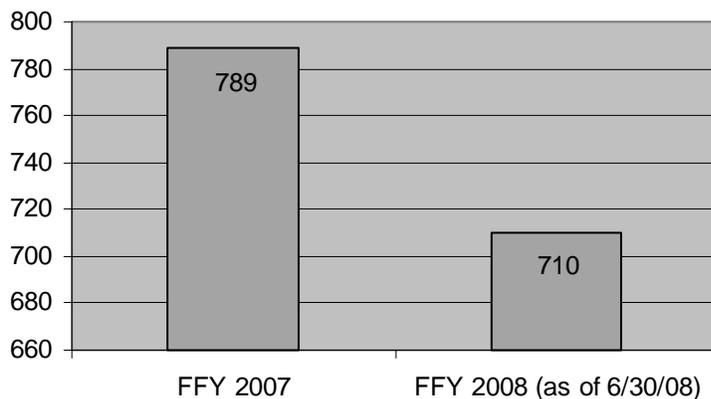
Activity: RE/DEVELOPMENT

Narrative

Newly Constructed Owner Occupied Housing Units and New Additional HomeOwnership Opportunities Financed



Newly Constructed Rental Housing Units



Activity Funding

State appropriations for this activity are 30% of the total state generated fund appropriations to Minnesota Housing for the 2008-2009 biennium.

Contact

Assistant Commissioner of Housing Policy
Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: RE/DEVELOPMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 11,056 | 11,056 | 22,112 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 10,127 | 23,367 | 8,700 | 8,700 | 17,400 |
| Total | 10,127 | 23,367 | 19,756 | 19,756 | 39,512 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 2,239 | 5,375 | 4,006 | 4,006 | 8,012 |
| Local Assistance | 0 | 0 | 100 | 100 | 200 |
| Other Financial Transactions | 7,888 | 17,992 | 15,650 | 15,650 | 31,300 |
| Total | 10,127 | 23,367 | 19,756 | 19,756 | 39,512 |

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMELESSNESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

Activity Description

Homeless prevention activities provide housing and other assistance to households who are at risk of becoming homeless due to a crisis situation, extremely low-incomes, or physical or mental health problems. These activities also assist households in moving out of emergency shelters and other temporary settings so that they do not become long-term homeless. The development of additional rental housing affordable for extremely low income households is another critical homelessness prevention activity.

Supportive housing is permanent housing with support services. Supportive housing is an essential element of efforts to achieve the strategic goal of ending long-term homelessness. Supportive housing stabilizes housing for the poorest households or households with special needs so they can successfully address barriers to employment, complete school or training, and/or achieve independent living. For some households, providing both housing and services is essential to success; one without the other does not lead to success.

Three Minnesota Housing appropriated programs assist in meeting the goal of ending long-term homelessness by funding activities that help prevent homelessness or provide supportive housing:

- ◆ The Housing Trust Fund Program (HTF) (M.S. 462A.201);
- ◆ The Bridges Program (Bridges) (M.S. 462A.2097);
- ◆ Family Homeless Prevention and Assistance Program (FHPAP) (M.S. 462A.204).

Population Served

Households facing a crisis that may result or has resulted in the loss of permanent housing and those who cannot afford basic, permanent housing without a substantial subsidy are served by this activity. Supportive housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

Seventy percent (70%) of the Housing Trust Fund monies are used for housing families and households experiencing long-term homelessness or those at risk of experiencing long-term homelessness; the remainder of the funds are used for housing affordable to households with incomes at or below 30% of median (\$24,270 for 2008).

Services Provided

The Housing Trust Fund Program is the largest of the programs in this budget activity. The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable permanent and supportive rental housing and limited equity cooperative housing for very low-income households. It also provides grants and loans for the costs of operating rental housing that are unique to the operation of low-income rental housing and for rental assistance. Housing assisted under this program must serve households with incomes that do not exceed 60% of metropolitan area median income (\$48,540 for 2007); 75% of the program funds must be used for housing for households with incomes that do not exceed 30% of the metropolitan area median income (\$24,270 for 2008). Nonprofit and for-profit organizations as well as local units of government are eligible to receive funds under this program.

The Bridges Program – (statutorily known as the Rent Assistance for Persons with Mental Illness Program) provides rent assistance for households in which at least one adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% area median income. This activity links housing with social services through a partnership between a housing agency and a social service

Activity at a Glance

For FFY 2007:

- ◆ 593 households received Bridges assistance;
- ◆ 974 households received other state funded rental assistance;
- ◆ 95 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies;
- ◆ 6,842 households received homeless prevention assistance; and
- ◆ Average assistance per household under the Family Homeless Prevention and Assistance Program (FHPAP) - \$562.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMELESSNESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

agency. The rental assistance is intended to stabilize the household in the community until a Section 8 certificate or voucher becomes available.

The **Family Homeless Prevention and Assistance Program** or FHPAP provides flexible grants to counties and nonprofit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. Seventy-four (74) counties are now served by FHPAP.

Historical Perspective

In 2003, leaders from public, private and nonprofit communities in Minnesota decided to launch an all-out effort to bring people home, beginning with those who have long histories of homelessness. Based on legislation proposed by Governor Tim Pawlenty and adopted by the Legislature, a Working Group was formed that developed a Business Plan to End Long-Term homelessness by 2010, primarily by creating 4,000 units of permanent supportive housing. The idea behind the Business Plan was to tackle a complex social problem – long-term homelessness- in a business like manner, defining a strategy, setting goals for each year of the plan, outlining a financing strategy, evaluating progress, and adjusting the Plan to reflect experience.

In 2004, the eligible uses of the Housing Trust Fund were expanded to include operating subsidies and rental assistance as part of the implementation of the Business Plan to End Long-Term Homelessness.

Base funding for the Family Homelessness Prevention and Assistance Program was doubled for 2008-2009 biennium.

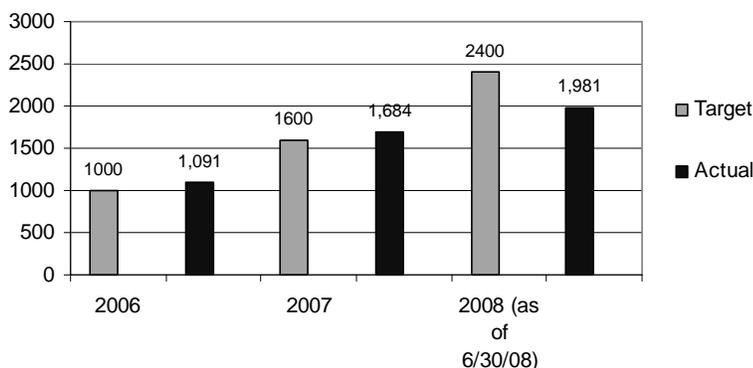
Key Activity Goals

This activity is essential to meeting Minnesota Housing's strategic priority of:

- ◆ Ending Long-Term Homelessness. Minnesota Housing's strategic plan can be found at: www.mnhousing.gov/news/reports/index.aspx

Key Activity Measures

MHFA, along with the Departments of Human Services and Corrections, is a key partner in implementing the Business Plan to End Long-Term Homelessness in Minnesota. Developed by a working group of public and private stakeholders, the Business Plan aims to provide permanent supportive housing to an additional 4,000 long-term homeless households by 2010.



Activity Funding

Forty one percent (41%) of the total state appropriations base funding for Minnesota Housing is devoted to this activity. In addition to state appropriations for this activity, Minnesota Housing expects to receive nearly \$1 million a biennium from interest on Real Estate Brokers Trust accounts pursuant to M.S. 82.50 subd.8.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMELESSNESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

Contact

Assistant Commissioner for Housing Policy

Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 20,658 | 20,658 | 41,316 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 16,620 | 28,859 | 6,854 | 5,354 | 12,208 |
| Total | 16,620 | 28,859 | 27,512 | 26,012 | 53,524 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 13,970 | 20,081 | 23,508 | 22,008 | 45,516 |
| Local Assistance | 4 | 4 | 4 | 4 | 8 |
| Other Financial Transactions | 2,646 | 8,774 | 4,000 | 4,000 | 8,000 |
| Total | 16,620 | 28,859 | 27,512 | 26,012 | 53,524 |

Activity Description

The homeownership loan program combines state appropriations with bond proceeds to provide affordable loans. Homeownership loan programs also conduct marketing and outreach aimed at reaching underserved populations.

The state appropriated homeownership loan program assists in achieving the strategic goal increasing emerging market homeownership.

Population Served

The homeownership loan programs serve low and moderate-income first-time homebuyers, and very low-income homeowners.

Services Provided

Minnesota Housing appropriated homeownership loan program is the **Homeownership Assistance Fund** (M.S 462A.21, Subd. 8), or HAF. It provides entry costs and monthly assistance to more modest income homebuyers who are purchasing their first home through one of Minnesota Housing mortgage revenue bond programs. Assistance is in the form of a 0% interest second mortgage loan. Repayment of the loan is deferred until the home is sold, the mortgage is refinanced, or the borrower no longer occupies the home as his or her principal residence. Eligible homebuyers must have income that does not exceed 80% of the greater of state or area median income; income limits may be adjusted for family size. Repayments and prepayments of loans are invested in new loans. A network of participating lenders delivers this assistance.

Historical Perspective

The 2003 legislature directed that for the 2008-2009 biennium, that funding for the HAF program be restored to \$1.77 million. Previously, funding for that program had been suspended for FY 2004-2005 and 2006-2007.

Key Activity Goals

The homeownership loan activity advances the agency's strategic priorities of:

- ◆ Financing new affordable housing opportunities; and
- ◆ Increasing emerging market homeownership.

Key Activity Measures

Minnesota Housing estimates that the homeownership gap between white-headed households and households of color and/or Hispanic ethnicity in 2006 was 34% points, placing Minnesota in the top ten states for the largest homeownership gap.

Minnesota Housing is one of three conveners of the public-private Emerging Markets Homeownership Initiative (EMHI) to increase the accessibility of information and resources to communities of color and close the gap in homeownership rates. EMHI participants developed a business plan that calls for 40,000 new emerging markets homeowners by 2012.

Activity at a Glance

In FFY 2007:

- ◆ 1,172 households received HAF assistance;
- ◆ 50% of first-time homebuyers with a Minnesota Housing mortgage received HAF assistance; and
- ◆ Average assistance under the HAF program is \$4,088.

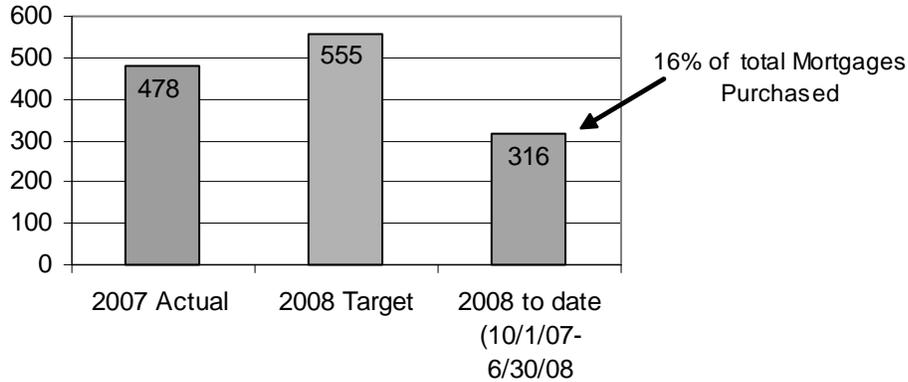
HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

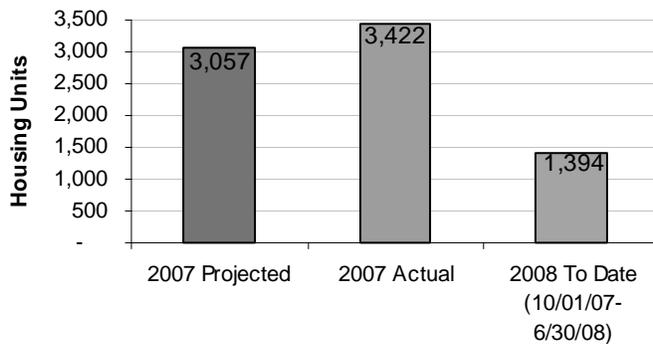
Activity: HOMEOWNERSHIP LOAN

Narrative

Emerging Markets Mortgages Purchased



Minnesota Housing Mortgage Loans Purchased



Activity Funding

The Minnesota Legislature restored appropriations to HAF for down payment and monthly assistance in 2008-2009, which is approximately 1% of the state appropriations to the agency.

Contact

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Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 885 | 885 | 1,770 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 2,539 | 5,600 | 1,250 | 1,250 | 2,500 |
| Total | 2,539 | 5,600 | 2,135 | 2,135 | 4,270 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 0 | 1,538 | 0 | 0 | 0 |
| Local Assistance | 82 | 75 | 135 | 135 | 270 |
| Other Financial Transactions | 2,457 | 3,987 | 2,000 | 2,000 | 4,000 |
| Total | 2,539 | 5,600 | 2,135 | 2,135 | 4,270 |

Activity Description

This budget activity is one of the key means by which the Minnesota Housing Finance Agency achieves its strategic goal of strategically preserving the existing affordable housing stock.

In order to preserve every unit of federally assisted rental housing as is economically feasible, Minnesota Housing provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with Housing and Urban Development (HUD), Minnesota Housing, or United States Department of Agriculture (USDA) Rural Development programs. No existing development program – federal, state, or local - can produce housing that is as affordable to residents as the existing stock of federally assisted housing. Preserving this housing costs substantially less per unit than new construction and, in many cases, leverages federal rent or mortgage subsidies well into the future.

Activity at a Glance

- ◆ There are more than 50,000 units of privately owned, federally assisted rental housing in Minnesota;
- ◆ Of those, 12,899 units have received preservation funding to date;
- ◆ Only 15 federally assisted housing developments with 295 units in Minnesota Housing’s portfolio have been lost to date;
- ◆ Preservation funds increasingly are being used to address the physical deterioration of federally assisted housing;
- ◆ 293 households received assistance to rehab or preserve their home; and
- ◆ Average assistance under the Rehabilitation Loan Program is \$14,164.

This federally assisted rental housing stock is threatened for three reasons:

- ◆ half of Minnesota’s Section 8 housing stock was financed with 20-year mortgages that either have or soon will expire;
- ◆ federal policies and requirements and the increasingly frequent changes in these policies and requirements makes continued participation in any publicly funded rental housing program less attractive to owners. An increasing number of owners are choosing to opt-out of the programs for estate planning reasons; and
- ◆ physical deterioration threatens a significant portion of federally assisted housing.

Nearly 40% of Minnesota’s housing stock was built before 1959. For many low-income homeowners, the lack of funds to maintain their housing is the greatest threat to continued homeownership.

Population Served

Tenants of federally subsidized housing are generally the among the lowest income households served by Minnesota Housing.

Services Provided

The Rehabilitation Loan Program (M.S. 462A.05, Subd. 14a) provides deferred loans of up to \$15,000 to very low-income homeowners with annual incomes of \$23,550 or less for the purpose of correcting health and safety hazards within their homes and improving their homes and improving their habitability, accessibility, and energy efficiency. Loans are deferred until the home is sold; the borrower no longer lives in the home, or 30 years, whichever occurs first. Repayments are recycled into new loans. Historically, repayments under this program have averaged about \$1 million per year. Loans are distributed through local administrators who are familiar with the local area’s needs.

The Affordable Rental Investment Fund (M.S. 462A.21, Subd. 8b), or ARIF Preservation, provides 0% deferred loans. The loans are most commonly in the form of preservation loans or loans to cover the costs of rehabilitation. Reservation loans are provided in situations where the development could, in Minnesota Housing’s estimation, produce significantly greater revenues from market rents than it does under the federal program.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

Historical Perspective

The ARIF Preservation program has been funded since 1998. The focus of activities has shifted from projects at risk of conversion to market rate housing to projects that are at risk of losing federal assistance due to the physical condition of the aging building. In 2005, the program was expanded to include the preservation of supportive housing. Of the \$20.5 million state preservation appropriation of 2008-2009, \$5 million was made available for preservation of federal public housing.

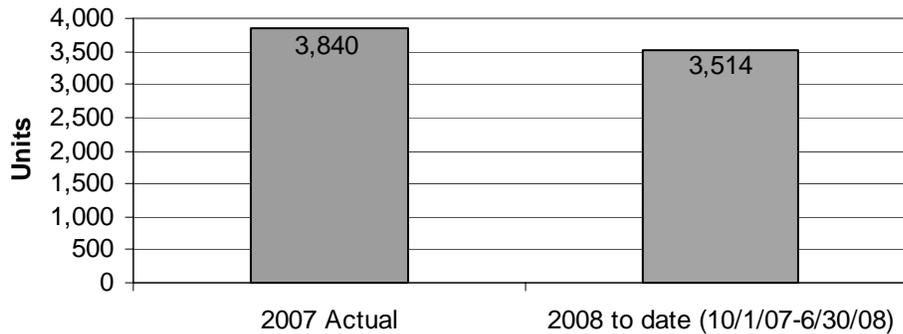
Key Activity Goals

The preservation activity advances the agency's strategic priority of:

- ◆ Preserving existing affordable housing.

Key Activity Measures

Minnesota Housing Preservation of Affordable Housing
Total # of units preserved or rehabilitated by Minnesota Housing



Activity Funding

State appropriations for this activity were approximately 20% of the agency total in the 2008-2009 biennium.

Contact

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Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov.

HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: PRESERVATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 8,996 | 8,996 | 17,992 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 27,508 | 26,142 | 3,550 | 3,750 | 7,300 |
| Total | 27,508 | 26,142 | 12,546 | 12,746 | 25,292 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 3,208 | 3,931 | 0 | 0 | 0 |
| Local Assistance | 888 | 750 | 250 | 250 | 500 |
| Other Financial Transactions | 23,412 | 21,461 | 12,296 | 12,496 | 24,792 |
| Total | 27,508 | 26,142 | 12,546 | 12,746 | 25,292 |

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Activity Description

This budget activity contributes to the Minnesota Housing Finance Agency's ability to achieve its strategic goals.

The resident and organizational support programs provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state.

These programs fund:

- ◆ homebuyer education and foreclosure prevention;
- ◆ regional planning and coordinating activities; and
- ◆ nonprofit operating costs.

Citizen input sessions around the state and over the years consistently identify the lack of capacity as a barrier to producing more affordable housing.

Activity at a Glance

In FFY 2007:

- ◆ 10,777 households received foreclosure prevention assistance or homebuyer training services;
- ◆ For every \$1 of state funding, an additional \$9 was provided to Twin Cities non-profit housing and economic development organizations from private resources; and
- ◆ Continued funding of six regional advisory groups to promote coordination of planning on a regional basis.

Population Served

- ◆ Homeowners faced with foreclosure and low and moderate-income first-time homebuyers are served by the resident support activities.
- ◆ Nonprofit development organizations are assisted with maintaining or building their capacity to develop affordable housing.
- ◆ Regional networks are strengthened in their work on issues of regional planning and coordination.

Services Provided

There are two appropriated programs that provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state:

Homeownership Education, Counseling, and Training Program (M.S. 462A.209), or HECAT. The Minnesota Housing, in collaboration with many other organizations, has brought together groups throughout the state, and designed a comprehensive statewide delivery network for homebuyer training and education overseen by the Homeownership Center in St. Paul. Experienced nonprofit organizations receive grants to provide comprehensive homebuyer training, and support on either a pre- or post-purchase basis for low and moderate-income first-time homebuyers. Funds may be used for either administrative support or program support.

Nonprofit and community based organizations provide interest-free loans for homeowners who are faced with foreclosure due to a temporary financial hardship; nonfinancial assistance in the form of financial counseling services, screening and assessment, referrals, case management and advocacy is also provided. These services are now available in every county.

Nonprofit Capacity Building Grant program (M.S. 462A.21, Subd. 3b). Two primary activities are funded through this program.

- ◆ Regional planning and coordination. Minnesota Housing funds regional planning and coordination using the six Minnesota Initiative Fund regions and the metropolitan area. Minnesota provides minimal funding for each region to convene Regional Housing Advisory Groups for the purpose of maintaining good communication between Minnesota Housing and the region; enabling an effective network within the region between economic development and housing efforts, and facilitating the development of regional Continuum of Care Plans that identify:
 - ⇒ existing homeless prevention, and assistance programs and services,
 - ⇒ funding and service gaps, and
 - ⇒ priorities for state and federal funding.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

⇒ All state agency members of the Interagency Task Force on Homelessness use Continuum of Care Plans when making funding decisions. Additional activities include supporting the annual Homelessness survey by the Wilder Research Center and the implementation of a new streamlined reporting system, HMIS.

Operating support for nonprofit developers. Using both state appropriations and federal funds, Minnesota Housing now funds an operating support program in cooperation with the Minnesota Housing Partnership and the Local Initiatives Support Corporation to provide multi-year ongoing operating funds to build nonprofit capacity.

Historical Perspective

In 2000, the Minnesota Legislature combined the Full-Cycle Homeownership Services program, and the Foreclosure Prevention, and Assistance program to form a new program called the HECAT program. Since many administrators participated in both programs, the merger achieved administrative simplicity.

In late 2003, the Minnesota Housing merged two regional advisory groups: the Economic Vitality and Housing advisory groups and the Continuum of Care planning groups into the Regional Housing Advisory Groups. The merger provides one forum through which a variety of issues can be considered.

Key Activity Goal

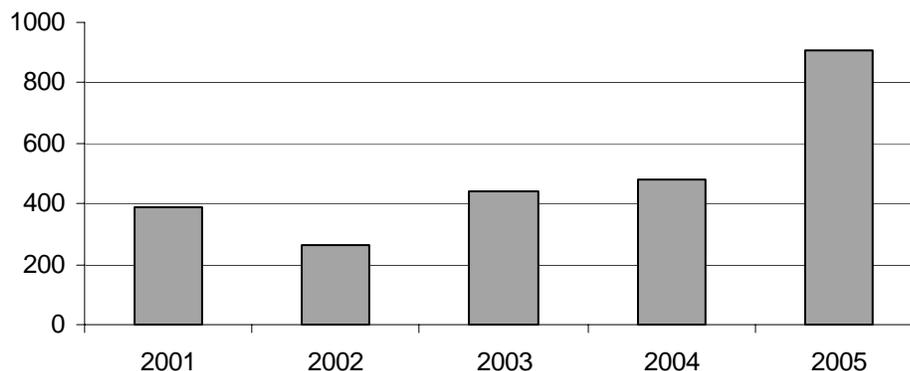
The resident and organizational support activity advances the agency's strategic priority of:

- ◆ Preserving existing affordable housing.

Key Measures

In 2008 the legislature increased the HECAT Mortgage Foreclosure Prevention Assistance program from a cap of \$5,500 to a formula indexed to area median monthly owner costs, which were approximately \$10,000 in 2008. Strong nonprofit developers play an important role in meeting Minnesotan's affordable housing needs. Nonprofit developers more heavily emphasize community involvement and take on projects that the private sector finds less viable. One measurement of the strength of the nonprofit developer community is the number of affordable housing units developed. The number of affordable housing units produced by the 16 nonprofits participating in the Twin Cities operating support and capacity building programs increased from 2003 to 2005.

Number of Units Produced by Assisted Twin City Non-profits



HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Regional Continuum of Care planning is an essential component of the process of applying for federal McKinney-Vento Act funds. These funds assist with the provision of housing and services for homeless households. Minnesota Housing, through its financial support of the Regional Continuum of Care planning process in greater Minnesota, increases the likelihood that federal funding opportunities are maximized.

Budget

State appropriations for this activity were approximately 1% of the agency's total 2008-2009 biennium.

Contact

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For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium 2010-11 |
|--|--------------|--------------|--------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 1,115 | 1,115 | 2,230 |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 2,078 | 3,772 | 1,370 | 1,370 | 2,740 |
| Total | 2,078 | 3,772 | 2,485 | 2,485 | 4,970 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 180 | 550 | 160 | 160 | 320 |
| Local Assistance | 1,608 | 2,722 | 1,825 | 1,825 | 3,650 |
| Other Financial Transactions | 290 | 500 | 500 | 500 | 1,000 |
| Total | 2,078 | 3,772 | 2,485 | 2,485 | 4,970 |

Program Description

Minnesota Housing funds affordable housing activities in five broad areas using “non-appropriated” funds in all five activity areas. In this context, “Non-appropriated programs” means programs funded with federal funds. Minnesota Housing also uses tax-exempt and taxable bond proceeds, federal housing tax credits and agency resources to fund housing activities.

Programs at a Glance

- ◆ 30,328 rental housing units received project based section 8 assistance in FFY 2007.
- ◆ 441 rental housing units were rehabilitated with HOME fund in FFY 2007.
- ◆ \$555,000 was provided for down payment assistance under the American Dream Down Payment Assistance program.

Services Provided

- ◆ **Development and Redevelopment program.** This federally funded program funds the rehabilitation of rental housing.
- ◆ **Homeless Prevention and Supportive Housing programs.** These programs fund housing development and rent assistance for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.
- ◆ **Homeownership Loan program.** This program funds home purchase for families and individuals.
- ◆ **Preservation of Existing Housing program.** These programs seek to preserve the stock of federally assisted rental housing.
- ◆ **Resident and Organizational Support program.** This federally funded program provides operating funds for organizations that develop and rehabilitate affordable housing, offer homebuyer educations and foreclosure prevention assistance or coordinate regional planning efforts.

Program Funding

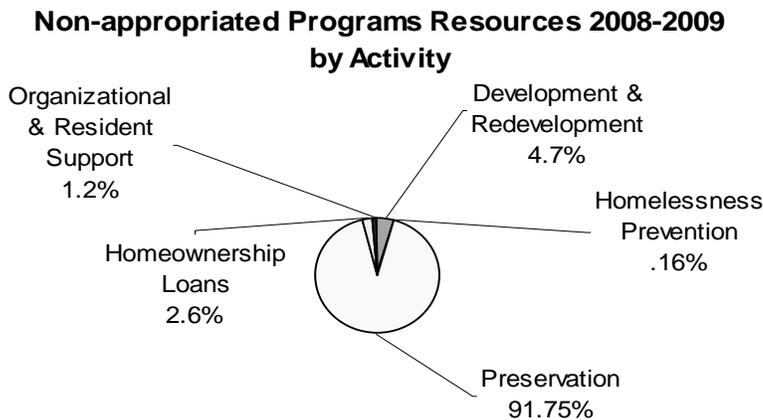
All of the funding for the “Non-appropriated programs” is federal funding. Federal funding comprises 24% of the two (2) year budget for Minnesota Housing.

Federal legislation appropriating \$4 Billion for emergency assistance for the redevelopment of abandoned and foreclosed homes was signed into law July 2009. Minnesota will receive some portion of the appropriation base on a formula to be developed by the United State Department of Housing and Urban Development.

Key Program Goals

Federal funding assists Minnesota Housing in achieving its four (4) strategic goals:

- ◆ end long –term homelessness;
- ◆ increase emerging market homeownership;
- ◆ preserve existing affordable housing stock; and
- ◆ finance new affordable housing opportunities



HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|------------------|----------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 201,841 | 233,460 | 233,532 | 213,952 | 447,484 |
| Total | 201,841 | 233,460 | 233,532 | 213,952 | 447,484 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 16,471 | 18,672 | 19,752 | 20,650 | 40,402 |
| Other Operating Expenses | 7,687 | 8,833 | 9,233 | 9,233 | 18,466 |
| Payments To Individuals | 169,813 | 171,540 | 171,777 | 169,619 | 341,396 |
| Local Assistance | 813 | 20,415 | 20,920 | 2,600 | 23,520 |
| Other Financial Transactions | 7,057 | 14,000 | 11,850 | 11,850 | 23,700 |
| Total | 201,841 | 233,460 | 233,532 | 213,952 | 447,484 |
| <u>Expenditures by Activity</u> | | | | | |
| Re/Development | 8,128 | 10,438 | 3,363 | 3,363 | 6,726 |
| Supportive Housing | 1,615 | 1,689 | 1,619 | 1,619 | 3,238 |
| Homeownership Loan | 8 | 4,000 | 8,537 | 8,537 | 17,074 |
| Preservation | 165,322 | 184,203 | 188,000 | 169,850 | 357,850 |
| Resident & Organizational Supp | 2,608 | 5,625 | 3,028 | 700 | 3,728 |
| Administration | 24,160 | 27,505 | 28,985 | 29,883 | 58,868 |
| Total | 201,841 | 233,460 | 233,532 | 213,952 | 447,484 |
| Full-Time Equivalent (FTE) | 199.6 | 197.0 | 197.0 | 197.0 | |

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Activity Description

This activity funds the new construction and rehabilitation of housing, both rental and homes for ownership needed to sustain economic growth and vitality. In some communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

Minnesota Housing's re/development program federally funds are used to finance rehabilitation of rental housing.

Activity at a Glance

In FFY 2007:

- ◆ 441 rental units in Greater Minnesota were rehabbed under the HOME program; and
- ◆ The median income of the tenants was \$11,989

Population Served

Tenants of rental housing are served by this federally funded budget activity. Additionally, communities receive assistance in their stabilization and revitalization efforts through this budget activity.

Services Provided

Minnesota Housing's federally funded re/development activity is conducted under:

- ◆ The **HOME Rental Rehabilitation Program** is a federally funded program that provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower income households. Tenants in the assisted units must have incomes at or below \$48,340 for a family of four in the Twin Cities. (60% of Median) Assistance ranges from \$3,000 to \$14,000 per unit. Owners are required to match program assistance on a one-to-three basis. A network of local administrators assists in administering this program.
- ◆ Emergency Assistance for Redevelopment of Abandoned and Foreclosed homes is a new appropriation included in the Housing and Economic Recovery Act. Funds may be used to establish financing mechanisms for the purchase and redevelopment of foreclosed residential properties purchase and rehabilitate abandoned and foreclosed residential properties to sell or rent the properties, establish land banks, demolish blighted structure and redevelop demolished or vacant properties. The Governor must designate a State Agency to administer the funds. The U.S Department of Housing and Urban Development will develop a formula for allocation of the funding among state and local units of government.

Historical Perspectives

Home funding has been for the MURL program (Minnesota Urban & Rural Homesteading Program) to provide grants to non-profit organization and cities to acquire vacant or condemned single family homes, rehabilitate the homes and sell them to at risk families. The program utilized a contract for deed to transfer title. HUD reinterpreted some of its regulations to make it impractical to operate the MURL program with federal funds. Minnesota Housing has committed agency resources to the MURL program at the same level as the program had been previously funded.

Key Activity Goals

The Minnesota Housing re/development activity is instrumental to achieving the Agency's strategic goals of:

- ◆ Preserving existing affordable housing.

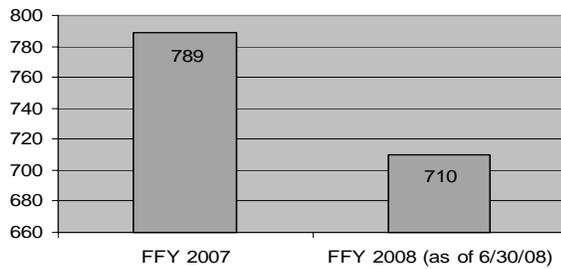
HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Newly Constructed Rental Housing Units



Budget

Approximately 43% of the federal funding is budgeted for development and redevelopment activities. Additional funding may be available for this activity as a result of the Housing and Economic Stimulus Act.

Contact

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Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: NON APPROPRIATED PROGRAMS
Activity: RE/DEVELOPMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|---------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 8,128 | 10,438 | 3,363 | 3,363 | 6,726 |
| Total | 8,128 | 10,438 | 3,363 | 3,363 | 6,726 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 966 | 238 | 0 | 0 | 0 |
| Local Assistance | 113 | 200 | 50 | 50 | 100 |
| Other Financial Transactions | 7,049 | 10,000 | 3,313 | 3,313 | 6,626 |
| Total | 8,128 | 10,438 | 3,363 | 3,363 | 6,726 |

HOUSING FINANCE AGENCY

Program: **NON APPROPRIATED PROGRAMS**

Activity: **HOMELESSNESS PREVENTION AND SUPPORTIVE HOUSING** Narrative

Activity Description

Homeless prevention activities provide housing and other assistance to households who are at risk of becoming homeless due to a crisis situation, extremely low-incomes, or physical or mental health problems. These activities also assist households in moving out of emergency shelters and other temporary settings so that they do not become long-term homeless.

Supportive housing is permanent housing with support services. Supportive housing is an essential element of efforts to achieve the strategic goal of ending long-term homelessness. Supportive housing stabilizes housing for the poorest households or households with special needs so they can successfully address barriers to employment, complete school or training, and/or achieve independent living. For some households, providing both housing and services is essential to success; one without the other does not lead to success.

Activity at a Glance

- ◆ 125 households in Greater Minnesota received Housing Opportunities for Persons with Aids (HOPWA) funds in FFY 2007 for emergency assistance of rental, mortgage, and utility payments to assist in housing search and referral services.
- ◆ The Neighborhood Initiative Grant will be used for permanent housing for American Indian youth who are homeless or at risk of being homeless.

Population Served

This activity serves households facing a crisis that may have or already has resulted in the loss of permanent housing and those who cannot afford basic, permanent housing without a substantial subsidy. Supportive housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

Services Provided

Minnesota Housing's federally funded activities in the area of homelessness prevention and supportive housing have two components:

- ◆ The **Housing Opportunities for Persons with AIDS (HOPWA)** program is a federally funded program that is administered by the Minnesota Housing Agency. It provides resources to devise long-term and comprehensive strategies for meeting the housing needs of persons with AIDS or other related diseases. MHFA's HOPWA funds are used for rental subsidies.
- ◆ **Neighborhood Initiative Grant – Homeless Youth-** This is a one time only funding for a homeless youth project.

Key Activity Goals

This activity is essential to meeting Minnesota Housing's priority of:

- ◆ Ending Long-Term Homelessness. Minnesota Housing's strategic plan can be found at: www.mnhousing.gov/news/reports/index.aspx.

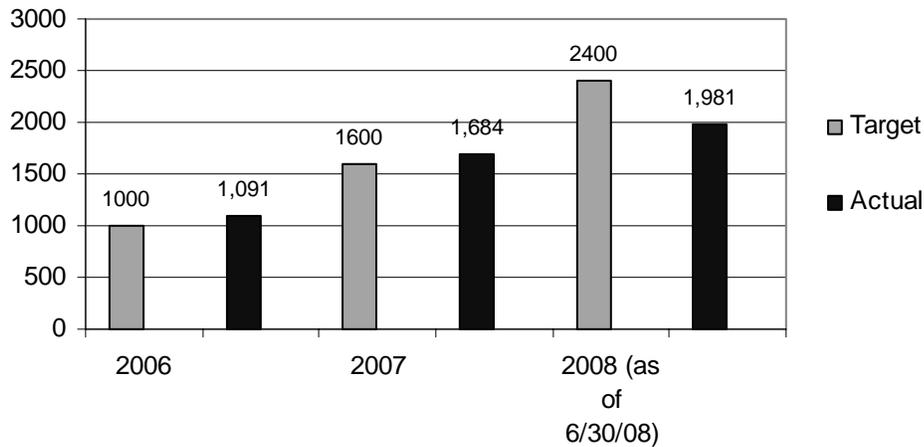
HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: HOMELESSNESS PREVENTION AND SUPPORTIVE HOUSING Narrative

Key Measures

Minnesota Housing, along with the Departments of Human Services and Corrections, is a key partner in implementing the Business Plan to End Long-Term Homelessness in Minnesota. Developed by a working group of public and private stakeholders, the Business Plan aims to provide permanent supportive housing to an additional 4,000 long-term homeless households by 2010.



Budget

Approximately 0.15% of the federal resources are budgets for this activity.

Contact

Assistant Commissioner of Housing Policy
Phone (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
 Program: NON APPROPRIATED PROGRAMS
 Activity: SUPPORTIVE HOUSING

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 1,615 | 1,689 | 1,619 | 1,619 | 3,238 |
| Total | 1,615 | 1,689 | 1,619 | 1,619 | 3,238 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 1,615 | 1,689 | 1,619 | 1,619 | 3,238 |
| Total | 1,615 | 1,689 | 1,619 | 1,619 | 3,238 |

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: HOMEOWNERSHIP LOAN

Narrative

Activity Description

The homeownership loan programs combine state appropriations with bond proceeds and Minnesota Housing Finance Agency resources to provide affordable loans. Homeownership loan programs also conduct marketing and outreach aimed at reaching underserved populations. The homeownership loan program assists in achieving the strategic goal of increasing the homeownership rate of households of color.

Activity at a Glance

In FY 2007:

- ◆ A total of \$755,000 funded 76 loans through the downpayment assistance program.
- ◆ 46.1% of assisted were households of color.
- ◆ Median household income was \$34,651

Population Served

The homeownership loan programs serve first-time homebuyers.

Services Provided

The non-appropriated homeownership loan program is the **American Dream Downpayment Initiative (ADDI)**. This program uses federal block grant funds to provide downpayment assistance towards the purchase of single-family housing by low-income families who are first-time homebuyers. Though a fairly new program, federal funding for the program is significantly reduced compared to the initial years.

Key Activity Goals

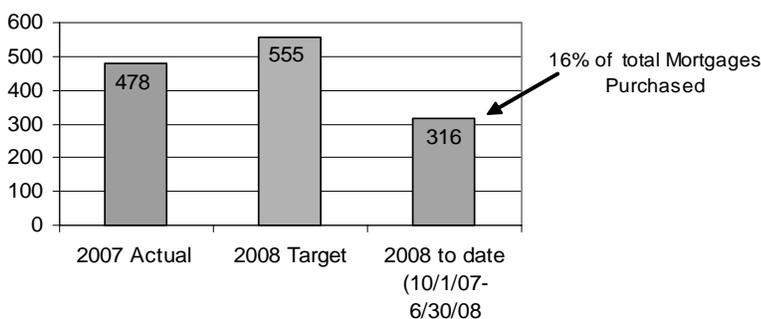
The homeownership loan activity advances the agency's strategic priorities of:

- ◆ Financing new affordable housing opportunities; and
- ◆ Increasing emerging market homeownership.

Key Activity Measures

Minnesota Housing estimates that the homeownership gap between white households and households of color and/or Hispanic ethnicity in 2006 was 34 percentage points, placing Minnesota in the top ten states for the largest homeownership gap.

Emerging Markets Mortgages Purchased



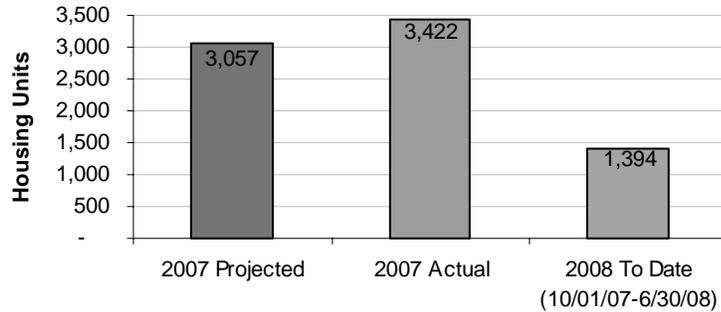
HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: HOMEOWNERSHIP LOAN

Narrative

Minnesota Housing Mortgage Loans Purchased



Activity Funding

The non-appropriated budget for this activity was approximately 2% of federal resources in the 2008-2009 biennium.

Contact

Assistant Commissioner for Housing Policy

Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
 Program: NON APPROPRIATED PROGRAMS
 Activity: HOMEOWNERSHIP LOAN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------|--------------|--------------------|--------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 8 | 4,000 | 8,537 | 8,537 | 17,074 |
| Total | 8 | 4,000 | 8,537 | 8,537 | 17,074 |
| <u>Expenditures by Category</u> | | | | | |
| Other Financial Transactions | 8 | 4,000 | 8,537 | 8,537 | 17,074 |
| Total | 8 | 4,000 | 8,537 | 8,537 | 17,074 |

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

Activity Description

This budget activity is one of the key means by which the Minnesota Housing achieves its strategic goal of strategically preserving existing affordable housing.

In order to preserve every unit of federally assisted rental housing as is economically feasible, the Minnesota Housing Finance Agency provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with Housing and Urban Development (HUD), Minnesota Housing or United States Department of Agriculture Rural Development programs. No existing development program — federal, state, or local — can produce housing that is as affordable to residents as the existing stock of federally assisted housing. Preserving this housing costs substantially less per unit than new construction and, in many cases, leverages federal rent or mortgage subsidies well into the future.

This housing stock is threatened for three reasons:

- ◆ Half of Minnesota's Section 8 housing stock was financed with 20-year mortgages that either have expired or will soon expire.
- ◆ Federal policies and requirements and the increasingly frequent changes in these policies and requirements make continued participation in any publicly funded rental housing program less attractive to owners. An increasing number of owners are choosing to opt-out of the programs for estate planning reasons.
- ◆ Physical deterioration threatens a significant portion of federally assisted housing.

Effective administration of housing assistance payment contracts on approximately 32,000 units of Section 8 housing is the other strategy employed by Minnesota Housing to preserve federally assisted housing.

Population Served

Tenants of federally subsidized housing are generally among the lowest income households served by Minnesota Housing.

Services Provided

Minnesota Housing's non-appropriated programs in the area of preservation of federally-assisted housing are as follows:

Section 8 Housing Assistance Payments: Minnesota Housing administers the federal Section 8 Housing Assistance Payments for developments that have contracted with Minnesota Housing. The assistance is in the form of rental subsidies to low and moderate-income tenants. The tenant pays no more than 30% of his or her income for rent and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes less than 80% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-1981, 100% of the units must be occupied by households with incomes below 50% of area median income; developments with contracts executed before that date must rent at least 30% of the units to households with incomes below 50% of area median income. The Housing Assistance Payments are committed for the remainder of the mortgage term (30 or 40 years).

HUD Contract Administration: Minnesota Housing is the contract administrator for HUD developments with project-based Section 8. The assistance is in the form of rental subsidies to extremely low to moderate-income

Activity at a Glance

For FFY 2007:

- ◆ \$71,036,886 in Section 8 Housing Assistance payments was disbursed for 12,209 units of rental housing;
- ◆ \$94,434,760 in Section 8 Housing Assistance payments was disbursed for 18,119 units of housing for which MHFA is the contract administrator;
- ◆ The median income of the households living in the Section 8 units was about \$11,300; and
- ◆ Every Minnesota County has at least one federally assisted rental project.

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

tenants. The tenant pays no more than 30% of his or her income for rent, until their income exceeds the income limits and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes less than 80% of area median income. Owners must rent 40% of their units to extremely low income tenants (incomes at or below 30% of area median income). Sixty percent of the turnover units may be rented to households with incomes below 50% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-1981, no more than 15% of the turn-over units may be rented to households with incomes between 50% and 80% of the area median income; developments with contracts executed before that date may not rent more than 15% of the turnover units to tenants with incomes at that level. The Housing Assistance Payments are committed for between one and five years.

Section 236 Interest Rate Reduction Program: The agency administers Section 236 interest rate reduction payments for 13 rental housing developments throughout Minnesota. The assistance is in the form of a shallow subsidy provided by HUD to lenders to cover the difference between a 1% interest rate and the market rate on a mortgage loan. Tenants must pay a basic rent, which is calculated on the basis of the reduced interest mortgage, or 30% of the tenant's income, not to exceed a market rent, whichever is greater. Tenants of the units covered by the interest-rate subsidy must have incomes at or below 80% of area median income. In general, the low-income use restrictions apply for at least 20 years.

Key Activity Goals

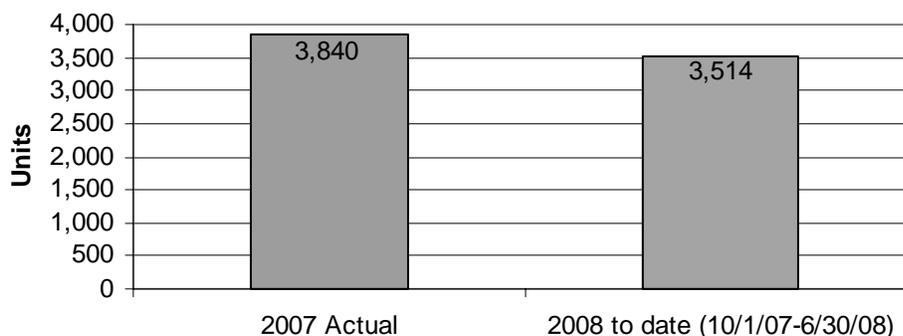
The preservation activity advances the agency's strategic priority of:

- ◆ Preserving existing affordable housing.

Key Activity Measures

Minnesota Housing has established a performance measure that at least 90% of federally assisted units determined to be at risk for termination of their federal assistance program will be preserved as affordable housing. In FFY 2007, actual performance achieved preservation of 93% of all at risk units.

Minnesota Housing Preservation of Affordable Housing
Total # of units preserved of rehabilitated by Minnesota Housing



Activity Funding

The non-state budget for this activity was approximately 87% of federal resources 208-2009 biennium.

Contact

Assistant Commissioner of Housing Policy
Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
 Program: NON APPROPRIATED PROGRAMS
 Activity: PRESERVATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 165,322 | 184,203 | 188,000 | 169,850 | 357,850 |
| Total | 165,322 | 184,203 | 188,000 | 169,850 | 357,850 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 165,322 | 167,203 | 168,000 | 168,000 | 336,000 |
| Local Assistance | 0 | 17,000 | 20,000 | 1,850 | 21,850 |
| Total | 165,322 | 184,203 | 188,000 | 169,850 | 357,850 |

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Activity Description

This budget activity contributes to the Minnesota Housing Finance Agency's ability to preserve existing affordable housing by ensuring homeowners at risk of foreclosure receive appropriate intervention and counseling assistance.

In 2008, Minnesota Housing was awarded \$4.33 million through the federal National Foreclosure Mitigation Counseling Program, administered by NeighborWorks, a Neighborhood Reinvestment Corporation approved by HUD. The grant was awarded through a competitive application process. Minnesota Housing received the second largest award to a housing finance agency, behind California.

Minnesota Housing will use the grant funds to supply funding to sub-grantees to provide mortgage foreclosure intervention and loss mitigation counseling assistance to an estimated 16,000 households. The target clients are owner-occupants of single-family (one- to four-unit) properties that obtained subprime loans, are delinquent on their mortgages, and are at risk of default and foreclosure. The funds support counseling, program related support activities and operational oversight.

The funds supplement the existing agency program, the Foreclosure Prevention Assistance Program. The program services include foreclosure prevention counseling/advocacy and loan funds. However, given the dramatic increase in foreclosures across the state (foreclosures increased 84% from 2006 to 2007 and 73% from 2005 to 2006), the agency's counseling resources are insufficient in meeting the need for foreclosure prevention counseling.

Population Served

⇒ Homeowners faced with foreclosure, especially owner-occupants of single-family properties with subprime loans who are at risk of default and foreclosure.

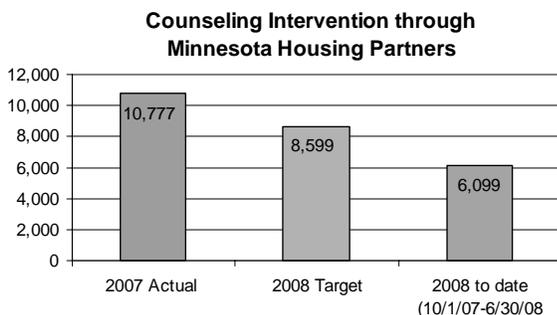
Services Provided

The **National Foreclosure Mitigation Counseling Program** grant funding will be given to sub-grantees in Minnesota to provide mortgage foreclosure intervention and loss mitigation counseling assistance to an estimated 16,000 households. The funds support counseling, program related support activities and operational oversight.

Key Activity Goals

The funding received through the National Foreclosure Mitigation Counseling Program will assist Minnesota Housing in reaching two of its strategic priorities: preserve existing affordable housing and increase emerging market homeownership.

Key Activity Measures



Activity at a Glance

- ◆ \$4.33 million awarded to Minnesota Housing in 2008 through the National Foreclosure Mitigation Counseling Program.
- ◆ An estimated additional 16,000 Minnesota households will receive mortgage foreclosure intervention and loss mitigation counseling assistance.

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Activity Funding

The non-appropriated budget for this activity was approximately 1.5% of federal resources in the 2008-2009 biennium.

Contact

Assistant Commissioner of Housing Policy

Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 2,608 | 5,625 | 3,028 | 700 | 3,728 |
| Total | 2,608 | 5,625 | 3,028 | 700 | 3,728 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 1,910 | 2,410 | 2,158 | 0 | 2,158 |
| Local Assistance | 698 | 3,215 | 870 | 700 | 1,570 |
| Total | 2,608 | 5,625 | 3,028 | 700 | 3,728 |

Activity Description

Through this budget activity, Minnesota Housing Finance Agency works to finance and advance affordable housing opportunities for low-and-moderate income Minnesotans to enhance quality of life and foster strong communities.

In April 2003 the governor appointed Tim Marx to be the fourth commissioner of the Minnesota Housing since its inception in 1971.

During the FY 2006-2007 biennium, the Minnesota Housing developed five strategic goals and began implementing a new strategic plan. A business plan to achieve the strategic goals of ending long-term homelessness was developed and a report delivered to the Minnesota Legislature in March 2004. Each annual goal under the plan for permanent supportive housing has been surpassed. In June 2005, an initiative regarding work on the goal of increasing the homeownership rate on emerging markets was launched. Progress has been steady though challenging given the turmoil in the housing market.

In response, in part, to a customer survey conducted annually, the multifamily division is engaged in efforts to improve customer service that includes eight specific activities. These actions are intended to streamline processes and make doing business with the Minnesota Housing easier and faster while retaining the ability to produce quality, affordable rental housing for those households not being served by the private sector. This is a continued improvement process that includes surveying of customers as part of every request for proposal (RFP) process.

Major information technology improvement efforts were implemented during the FY 2006-2007 biennium. A new centralized database for multifamily projects resulted in a web-based application and increased electronic interfaces for sharing and providing data between Minnesota Housing and its customers. A single-family mortgage online system now allows lenders to submit loans for approval and purchase via a web-based system. This will decrease costs and increase efficiency. Compliance monitoring will be augmented in the 2008-2009 biennium with the assistance of the improved technology.

A Housing Resource Advisory Committee was established to review the policies and practices adopted by the Minnesota Housing in allocating resources and to explore alternative allocations of resources in Minnesota so as to best advance the Agency's mission of meeting Minnesotans' needs for decent, safe, affordable housing and stronger communities. In 2007, a balanced scorecard was adopted to guide strategy management and decision-making. In preparation for changes in senior leadership, due to retirement is in the next couple years, the agency creating a team to develop a transition plan.

As of 6-30-2007, Minnesota Housing has approximately \$3.3 billion in assets.

Population Served

Low and moderate-income tenants, homebuyers, and homeowners benefit from the administration of agency programs.

Services Provided

Agency staff engages in a number of activities to ensure that both appropriated and non-appropriated funds are well invested and the investments are well managed.

Activity at a Glance

For FY 2007:

- ◆ Disbursed \$458.6 million for homeownership programs;
- ◆ Disbursed \$48 million for home improvement and rehabilitation programs;
- ◆ Disbursed \$238 million for rental housing programs;
- ◆ Administered \$8.3 million in housing tax credits for 1700 units of rental housing;
- ◆ Oversaw a portfolio of more than 1,200 first mortgages and deferred loans for rental housing; and
- ◆ Issued an aggregate of \$669 million in bonds.

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: ADMINISTRATION

Narrative

For multifamily properties, one of the major activities is management monitoring with five major components that require review and oversight:

- ◆ underwriting;
- ◆ construction;
- ◆ marketing/initial rent-up;
- ◆ long-term management; and
- ◆ additional oversight for troubled properties.

In addition, monitoring for compliance with the federal Section 8, Section 236, Low-Income Housing Tax Credits, and Urban and Rural HOMEsteading Program (HOME) programs must be performed as well as monitoring for compliance with imposed rent and income restrictions.

Activities surrounding the various homeownership assistance provided by Minnesota Housing include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

The agency's portfolio grows as additional funds are appropriated for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from a larger portfolio.

The portfolio of federal housing tax credit is growing by approximately 1,200 units per year. Federal law requires that a portion of tax credit units be monitored every year.

Key Activity Measures

In setting an administrative budget, the agency seeks to strike an appropriate balance between maximizing Agency resources available for housing needs and investing in adequate staff and technology to ensure efficient operations, appropriate oversight, and quality housing.

(Dollars in Thousands)

| Assistance Provided | Year Ended 9/30/2001 | Year Ended 9/30/2002 | Year Ended 9/30/2003 | Year Ended 9/30/2004 | Year Ended 9/30/2005 | Year Ended 9/30/2006 | Year Ended 9/30/2007 | Year Ended 9/30/2008 (Expected) |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------------------|
| Total Assistance Provided by the Agency | \$383,016 | \$520,956 | \$466,806 | \$533,983 | \$637,314 | \$717,616 | \$744,983 | |
| Actual Operating Costs | \$16,321 | \$18,222 | \$19,089 | \$20,186 | \$20,124 | \$21,266 | \$22,832 | \$24,472 |
| Operating Costs as a % of Assistance Provided | 4.26% | 3.50% | 4.09% | 3.78% | 3.16% | 2.96% | 3.06% | |

Activity Funding

The cost of operating the Minnesota Housing in FY 2007 was approximately 10% of the agency's own resources. The agency pays for the costs of operation from agency earnings, primarily the spread on revenue bonds. The administrative costs of operating state-appropriated programs are recovered to the extent that there are interest earnings on state appropriations. No core state appropriation is used to fund agency operations.

Contact

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Phone: (651) 296-9820

For further information, visit Minnesota Housing's website at: www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: NON APPROPRIATED PROGRAMS
Activity: ADMINISTRATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Housing Finance Agency | 24,160 | 27,505 | 28,985 | 29,883 | 58,868 |
| Total | 24,160 | 27,505 | 28,985 | 29,883 | 58,868 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 16,471 | 18,672 | 19,752 | 20,650 | 40,402 |
| Other Operating Expenses | 7,687 | 8,833 | 9,233 | 9,233 | 18,466 |
| Local Assistance | 2 | 0 | 0 | 0 | 0 |
| Total | 24,160 | 27,505 | 28,985 | 29,883 | 58,868 |
| Full-Time Equivalents (FTE) | 199.6 | 197.0 | 197.0 | 197.0 | |

Federal Funds Summary

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|---|--|----------------------------|------------------------------|------------------------------|--|--|
| Section 8 | 0 | GI | 73,461 | 71,986 | 74,000 | 74,000 |
| HOME | 0 | GI | 8,663 | 15,138 | 12,600 | 12,600 |
| HOPWA | 0 | GI | 113 | 184 | 119 | 119 |
| Section 8 - CA | 0 | GI | 91,913 | 93,000 | 94,000 | 94,000 |
| Section 236 | 0 | GI | 1,501 | 1,500 | 1,500 | 1,500 |
| EDI Grants | 0 | GCBO | 347 | 0 | 0 | 0 |
| Neighborhood Initiative Grant | 0 | GPS | 0 | 198 | 0 | 0 |
| National Foreclosure Mitigation Counseling | 0 | GCBO | 1,735 | 2,595 | 2,120 | 2,119 |
| Neighborhood Stabilization Program | 0 | GPS | 0 | 17,000 | 20,000 | 1,850 |
| Agency Total | | | 177,733 | 201,601 | 204,339 | 186,188 |

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

HOUSING FINANCE AGENCY

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Housing Finance Agency | 177,223 | 200,616 | 201,717 | 181,069 | 382,786 |
| Other Revenues: | | | | | |
| Housing Finance Agency | 38,305 | 37,203 | 35,879 | 35,869 | 71,748 |
| Other Sources: | | | | | |
| Housing Finance Agency | -16,685 | -4,640 | 1,548 | 2,497 | 4,045 |
| Total Dedicated Receipts | 198,843 | 233,179 | 239,144 | 219,435 | 458,579 |
| Agency Total Revenue | 198,843 | 233,179 | 239,144 | 219,435 | 458,579 |

| | PAGE |
|---|-------------|
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| Small Agency Profile | 4 |
| Agency Fiscal Page (Gov Rec) | 6 |
| Change Summary | 7 |
| Agency Change Items | |
| ➡ Operating Budget Reduction..... | 8 |
| Appendix | |
| Agency Revenue Summary Fiscal Page..... | 9 |
| Federal Funds Summary..... | 10 |

➡ Designates that this item is a change item

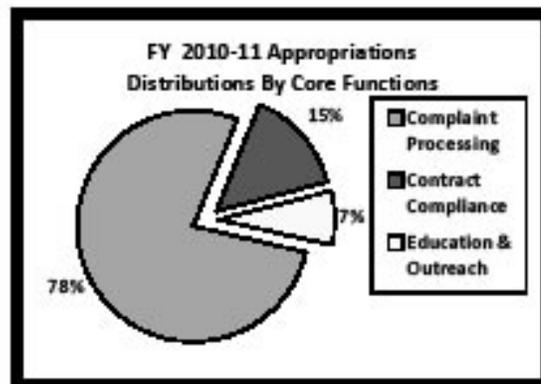


January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I respectfully submit the Department of Human Rights' budget recommendation for the FY 2010-11 budget. This budget consists of \$6.5 million from the state's General Fund and \$322,000 from other funds. The \$6.5 million is a 24.7% decrease from the FY 2008-09 appropriations.

With this budget recommendation, we will strive to maintain our commitment to our mission "To make Minnesota Discrimination Free" and furthering equal opportunity for all people in Minnesota. As the graphic indicates, our primary activities fall into three major core functions: Complaint Processing, Contract Compliance, and Education and Outreach.



The Case Processing Division of the Department investigates complaints of unlawful discrimination. Approximately 11,044 inquiries/referrals were received in FY 2008 resulting in 870 charges. The Department makes every effort to resolve human rights complaints at the earliest possible point. This activity is 100% funded by the state General Fund and accounts for 78% of the agency resources. The work-share agreement with US Equal Employment Opportunities Commission (EEOC) is projected to generate \$466,400 over the '10-'11 Biennium.

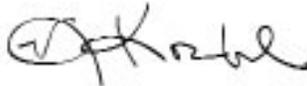
The Department currently provides equal employment opportunity oversight and technical assistance services to over 2,200 Minnesota businesses annually through its Contract Compliance Division. It reviews and assists businesses in developing EEO action plans; issues certificates of compliance; conducts compliance audits to provide technical assistance and insure compliance with EEO goals and policies; and, evaluates compliance audit data and assists in the development of training tools and programs for Minnesota employees. This activity is 85% funded by the state General Fund and accounts for 15% of the agency resources. Fifteen percent of the compliance activities will be funded by revenue generated from certificate of compliance fees.

The Education and Program Development Division conducts quarterly community forums designed to educate the public about their rights and obligations under the Minnesota Human Rights Act (MHRA), conducts bi-annual employer training showcases to avail employers of existing training and trainers; develops stakeholder's surveys; manages the department's web site; provides one human rights conference per year; and produces public services announcements (PSA) for broadcasting. One hundred percent of the funding for this activity is from the general funds and accounts for 7% of the Department's resources.

The Department will continue to provide efficient effective services in these challenging economic times.

We look forward to working with the legislature in the coming months.

Sincerely,

A handwritten signature in black ink, appearing to read "Velma Korb". The signature is written in a cursive, flowing style.

Velma Korb
Commissioner

AN EQUAL OPPORTUNITY EMPLOYER

Sibley Square at Mears Park • 190 East 5th Street, Suite 700 • Saint Paul Minnesota 55101
Tel 651.296.5663 • TTY 651.296.1283 • TF 800.657.3704 • Fax 651.296.9042 • www.humanrights.state.mn.us

Agency Purpose

The mission of the Department of Human Rights (MDHR) is “to make Minnesota discrimination-free.” The department pursues this mission through a coordinated program of law enforcement, prevention education, and community-based conflict resolution.

Core Functions

- ◆ develop and oversee statewide human rights policies and programs;
- ◆ receive, investigate, and make determinations on charges alleging unfair discriminatory practices;
- ◆ monitor state contractor compliance with applicable affirmative action provisions;
- ◆ educate to eliminate unfair discriminatory practices;
- ◆ develop and disseminate technical assistance to persons subject to the provisions of the Human Rights Act; and
- ◆ assess human rights compliance through voluntary settlement agreements and corrective action plans.

Guiding Principles

The following guiding principles support the department core functions:

- ◆ Service – enthusiastically performing duties for the people of the state;
- ◆ Quality – delivering results that are distinguished by superior attention to detail and unrivaled execution;
- ◆ Efficiency – productivity without waste or unnecessary expense or effort;
- ◆ Timeliness – responding to requests and scheduled work at a pace – and at intervals – that is peerless;
- ◆ Fairness – applying the Human Rights Act (MHRA) consistently and ethically; following the rules without favoritism, self-interest or bias; and
- ◆ Respect – exhibiting behavior that exemplifies consideration and appreciation of all who are touched by the work of the department.

General Background

The department serves a varied customer base. People alleging discrimination, those accused of discrimination, the legal community, and state vendors are the primary customers of the department’s business processes. This customer base includes individuals, school districts, businesses, attorneys, local governments, state agencies, local human rights commissions, landlords, and local and federal human rights enforcement agencies.

The **Enforcement Unit** handles 11,600 inquiries annually and provides referral, charge drafting, investigation, and mediation services. The Attorney General’s Office provides conciliation services. In FY 2008, 870 filed charges were resolved resulting in \$1.38 million in remedies recovered. \$446,400 was earned from the investigation of cases cross-filed with the Federal Equal Employment Opportunity Commission.

The **Contract Compliance Unit** reviews affirmative action plans of businesses and issues Certificates of Compliance to eligible businesses. The Compliance unit provides consulting services to 2,200 businesses, conducted four “MDHR State-Contractor Showcases”, and 71 compliance audits during FY 2008.

The **Education and Program Development Unit** provides residents with varied educational opportunities to eliminate discrimination. These opportunities including community based public forums; local business showcase training; in collaboration with public television, the production of a video series on the protections of the Minnesota Human Rights Act (MHRA); and the department’s annual human rights conference supported by a record 572 attendees representing state and local governments, private industry, foundations and educational agencies.

At A Glance

2008 -2009 Biennial Budget

\$7.1 million General fund
 \$263,000 Dedicated Revenue

Revenue Generated for General Fund
 (FY 2008-09, estimated)

\$466,400 Federal Equal Employment
 Opportunity Commission Funds

Key Metrics (FY 2008)

| | |
|------------|--------------------------------------|
| 11,044 | inquires/referrals, |
| 3,394 | jurisdictional complaints evaluated, |
| 804 | charges filed, |
| 870 | charges resolved, |
| \$0.94 mil | recovered for aggrieved parties, |
| 2,200 | state contractors served, |
| 1,559 | business equal employment |
| | opportunity action plans reviewed, |
| 3,370 | technical assistance contacts, |
| 71 | compliance audits conducted. |

Key Goals

- ◆ **Minnesota Milestones statewide goals:** "All people will be welcomed, respected, and able to participate fully in Minnesota's communities and economy."

Key Measures

Three of our significant measures are:

- ◆ For the goal of receiving, investigating, and making determinations on unfair discriminatory practices within one year, the number of cases over 365 days improved from 27 on January 1, 2008, to seven on July 1, 2008.
- ◆ For the goal of monitoring of state contractor compliance with applicable affirmative action provisions, the measurement is the number of audits conducted. For FY 2008 the number of conducted audits was 71.
- ◆ For the goal to "Educate to Eliminate" unfair discriminatory practices, the measure is the number of outreach contacts made during the year. Over 600 attended the Human Rights Day and Education Forum in December 2007; also, six training showcases were conducted – these were the most heavily-attended outreach activities.

Additional measures and information about the department measures and results are located on Human Rights Department Results web page posted at <http://www.accountability.state.mn.us>.

Budget

Ninety-six percent of the Department's budget comes from the general fund. The Department employs 44 FTE employees, which accounts for 82% of the FY 2009 budget.

The Department will earn a projected \$466,400 for the general fund during the current biennium from a contract with the Federal Equal Employment Opportunity Commission.

Contact

Minnesota Department of Human Rights
Sibley Square at Mears Park
190 East 5th Street, Suite 700
Saint Paul, Minnesota 55101

World Wide Web Home Page: <http://www.humanrights.state.mn.us>
Phone: (651) 296-5663
Fax: (651) 296-9042

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.accountability.state.mn.us>.

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|-----------------|-----------------|------------------|-----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,986 | 3,584 | 3,584 | 3,584 | 7,168 |
| Recommended | 4,986 | 3,584 | 3,226 | 3,226 | 6,452 |
| Change | | 0 | (358) | (358) | (716) |
| % Biennial Change from 2008-09 | | | | | -24.7% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 5 | 1 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 3,494 | 5,075 | 3,226 | 3,226 | 6,452 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 202 | 170 | 160 | 162 | 322 |
| Federal | 5 | 2 | 0 | 0 | 0 |
| Total | 3,706 | 5,248 | 3,386 | 3,388 | 6,774 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,076 | 3,254 | 2,824 | 2,775 | 5,599 |
| Other Operating Expenses | 630 | 1,994 | 562 | 613 | 1,175 |
| Total | 3,706 | 5,248 | 3,386 | 3,388 | 6,774 |
| <u>Expenditures by Program</u> | | | | | |
| Human Rights Enforcement | 3,706 | 5,248 | 3,386 | 3,388 | 6,774 |
| Total | 3,706 | 5,248 | 3,386 | 3,388 | 6,774 |
| Full-Time Equivalent (FTE) | 43.3 | 43.0 | 34.9 | 32.7 | |

HUMAN RIGHTS DEPARTMENT

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|--|--------------|--------------------|--------------|--------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 3,584 | 3,584 | 3,584 | 7,168 |
| Subtotal - Forecast Base | 3,584 | 3,584 | 3,584 | 7,168 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (358) | (358) | (716) |
| Total Governor's Recommendations | 3,584 | 3,226 | 3,226 | 6,452 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 171 | 160 | 162 | 322 |
| Total Governor's Recommendations | 171 | 160 | 162 | 322 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 2 | 0 | 0 | 0 |
| Total Governor's Recommendations | 2 | 0 | 0 | 0 |

HUMAN RIGHTS DEPARTMENT

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(358) | \$(358) | \$(358) | \$(358) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(358) | \$(358) | \$(358) | \$(358) |

Recommendation

The Governor recommends a 10% reduction in the agency's budget. The reduction is necessary to help balance the state's general fund budget.

Background

The Department receives about 99% of its funding from the general fund. The agency also received an appropriation reduction of \$149,000 in the FY 2008-09 biennium from its original appropriation.

Relationship to Base Budget

The 10% budget reduction is expected to result in a reduction of 7.3 FTE in the FY 2010-11 biennium.

Key Goals and Measures

Minnesota Milestones statewide goal: "All people will be welcomed, respected, and able to participate fully in Minnesota's communities and economy."

- ◆ The Department has a statutory mandate to complete all investigations within one year of filing.
- ◆ The Department's goal is to reduce the average number of days for making determinations on unfair discriminatory practice cases to 345.
- ◆ The Department also has a goal of conducting 71 contract compliance audits per year.

The proposed reduction will be absorbed across the core functions of the Department. The Department will have to absorb the loss of 7.3 FTEs, 15% of its current FTEs. This is in addition to the loss of two supervisor retirees not replaced in FY 2009.

With this budget reduction, the department will strive to maintain its commitment to its mission "To make Minnesota discrimination free" and to furthering equal opportunity for all people in Minnesota in these challenging economic times.

Statutory Change: Not Applicable.

HUMAN RIGHTS DEPARTMENT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|------------|---------------------|
| <i>Non Dedicated Revenue:</i> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <i>Dedicated Receipts:</i> | | | | | |
| Departmental Earnings: | | | | | |
| Miscellaneous Special Revenue | 56 | 54 | 54 | 54 | 108 |
| Grants: | | | | | |
| Miscellaneous Special Revenue | 4 | 5 | 5 | 5 | 10 |
| Federal | 390 | 275 | 275 | 275 | 550 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 89 | 79 | 79 | 79 | 158 |
| Total Dedicated Receipts | 539 | 413 | 413 | 413 | 826 |
| Agency Total Revenue | 539 | 413 | 413 | 413 | 826 |

Federal Funds Summary

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|---|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| EEOC Contract—partial reimbursement for case processing; proceeds transferred to the General Fund | 0 | SO | 383 | 275 | 275 | 275 |
| Outreach and education—training cost reimbursement | 5 | SO | 7 | 0 | 0 | 0 |
| Agency Total | 5 | | 390 | 275 | 275 | 275 |

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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➡ Designates that this item is a change item



Minnesota Department of **Human Services**

January 27, 2009

The 2009 Minnesota Legislature:

I am submitting the fiscal year 2010-11 budget for the Minnesota Department of Human Services. This budget consists of approximately \$11.7 billion in direct appropriated funds for the biennium. Containing savings of over \$1.4 billion, the budget represents a 9.6 percent change from FY2008-09 spending levels. If left unchanged, our budget was on a path to increase by 21.5 percent over the same period.

Our proposals reduce spending in ways that allow us to preserve core services to the most vulnerable people, advance important reforms, and provide a solid foundation to build upon in the future.

While much of the attention of this budget process has been on reducing spending so we can preserve core services, it is also important to note that we begin or continue promising reforms:

- We are forwarding an exciting proposal called Northstar Care for Children that simplifies and equalizes payments to families that provide foster care or relative care, or adopt children from the state's child welfare system. It combines three programs into one simplified program which stabilizes payments to families.
- We have launched a new vision for the state's administration of human services programs, using joint county entities rather than the current 84 county units.
- We have proposed reforms over the next three years that streamline and normalize the rates paid for chemical dependency treatment and lead to more cost-effective statewide services.
- The changes we propose to better target the state's limited resources for personal care attendant services will establish a new process for assessing and authorizing services that is imperative in this fast-growing program.

Developing a budget to meet the most critical needs while significantly reducing spending requires a careful balancing act. We worked to identify those people who are "most vulnerable" and services that are "most critical" to their well-being. Anything falling outside this definition was reduced or eliminated in order to preserve these core services. For example:

- We preserved publicly funded health care coverage for the elderly, people with disabilities, children and many families.
- We continued key investments in children. We fully funded adoption assistance, which helps families adopt special needs children who are under state guardianship.
- We preserved core benefits for those on publicly-funded programs, but trimmed less necessary benefits in order to preserve coverage for more enrollees.
- We retained a safety net of health care services for the most vulnerable people, including those who are not eligible for federal funding.

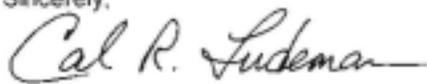
While I believe we did an excellent job of preserving core services, I also want to acknowledge that the services we are reducing benefit people. It is important to remember, however, that even with the reductions in our budget proposal, human services spending will still be greater in FY2010-11 than in the previous biennium. We recognize that our proposals create challenges for our partners. Counties will have to make similar judgments about priorities at the local level.

When we reduce services to the people we serve we need to achieve administrative cost savings as well. Our budget includes operational reductions as well as the additional resources needed to implement the significant changes we are proposing. Because this budget anticipates many changes and administrative adjustments in the early part of the biennium, we seek administrative flexibility to achieve the savings within the biennium.

The reforms, along with the care we took to preserve core services, will give us a solid foundation to build upon moving forward. Minnesota has a strong tradition for caring for people in need. Together, we will continue to provide a critical safety net for the people of Minnesota.

I look forward to working with you in the coming weeks as these important issues unfold.

Sincerely,

A handwritten signature in cursive script that reads "Cal R. Ludeman". The signature is written in black ink and is positioned above the printed name and title.

Cal R. Ludeman
Commissioner

Agency Purpose

The Minnesota Department of Human Services (DHS) helps people meet their basic needs so they can live in dignity and achieve their highest potential.

Ensuring basic health care for low-income Minnesotans, DHS administers

- ◆ Medical Assistance (MA), Minnesota's Medicaid program for low-income seniors, children and parents, and people with disabilities;
- ◆ MinnesotaCare for residents who do not have access to affordable private health insurance and do not qualify for other programs; and
- ◆ General Assistance Medical Care (GAMC), primarily for adults without dependent children.

Approximately two-thirds of all enrollees get their care through one of nine contracted health plans.

Helping Minnesotans support their families

DHS works with counties and tribes to help low-income families with children achieve self-sufficiency through programs such as the Minnesota Family Investment Program (MFIP), the Diversionary Work Program (DWP), child support enforcement, child care assistance, food support, refugee cash assistance, and employment services.

Aiding children and families in crisis

DHS supports families to ensure that children in crisis receive the services they need quickly and close to home so they can lead safe, healthy, and productive lives. DHS guides statewide policy in child protection services, out-of-home care, and permanent homes for children.

Assisting people with disabilities

DHS promotes independent living for people with disabilities by encouraging community-based services rather than institutional care. DHS sets statewide policy and standards for care and provides funding for developmental disability services, mental health services, and chemical health services. DHS also provides services for people who are deaf, deafblind, or hard-of-hearing through its regional offices in Bemidji, Duluth, Mankato, Moorhead, Rochester, St. Cloud, St. Paul, St. Peter, and Virginia.

Direct care services

DHS provides an array of treatment and residential services to people with mental illness, chemical dependency, developmental disabilities, or acquired brain injury, many of whom may pose a risk to society. These services are provided at 16-bed inpatient psychiatric hospitals located in Alexandria, Annandale, Baxter, Bemidji, Cold Spring, Fergus Falls, Rochester, St. Peter, Wadena, and Willmar; a mental health crisis center in Mankato; Anoka-Metro Regional Treatment Center; and Minnesota State Operated

At A Glance

Health care programs – FY 2007

- ◆ Average monthly enrollment of 662,000
- ◆ Medical Assistance — 510,000 people
- ◆ MinnesotaCare — 118,000 people
- ◆ General Assistance Medical Care — 34,000

Economic assistance programs – FY 2007

- ◆ Food Support — 250,000 people per month
- ◆ Minnesota Family Investment Program and Diversionary Work Program cases – 36,000 families
- ◆ General Assistance — 16,200 people
- ◆ More than 406,000 parents assisted through Child Support Enforcement
- ◆ \$625 million in child support payments collected
- ◆ 16,500 families received child care assistance for 29,500 children

Child welfare services – CY 2007

- ◆ Of more than 14,800 children in out-of-home placement, more than 10,200 children received care from foster families.
- ◆ About 7,000 children were cared for by adoptive parents or relatives who receive financial assistance and support for children's special needs
- ◆ 672 children under state guardianship were adopted.

Mental health services – FY 2007

- ◆ About 114,400 adults received publicly-funded mental health services
- ◆ 43,700 children received publicly-funded mental health services

Operations and two-year state budget

- ◆ FY 2008-09 \$9.4 billion general fund budget
- ◆ FY 2008-09 \$20.1 billion all funds budget
- ◆ 83% of DHS' general fund budget is spent on health care and long-term care programs and related services
- ◆ 100,000 health care providers and nine contracted health plans
- ◆ 43.4 million health encounters, claims, and managed care capitations processed
- ◆ Approximately 97% of DHS' budget goes toward program expenditures, with 3% spent on central office administration

Community Services with locations throughout the state. DHS also provides treatment for people, who have been civilly committed as mental ill and dangerous, at the Minnesota Security Hospital in St. Peter and people, who are developmentally disabled and present a risk to society, at the Minnesota Extended Treatment Options Program in Cambridge. In addition, DHS provides services to people committed as sexual psychopathic personalities and/or sexually dangerous persons in the Minnesota Sex Offender Program at Moose Lake and St. Peter.

Promoting independent living for seniors

DHS supports quality care and services for older Minnesotans so they can live as independently as possible. Quality assurance and fiscal accountability for the long-term care provided to low-income elderly people, including both home and community-based services and nursing home care, are key features.

Operations

DHS has a wide variety of customers and business partners, including the state's 87 counties 11 tribal governments, 100,000 health care providers, and nine contracted health plans. DHS provides significant operational infrastructure to Minnesota's human services programs, most of which are provided at the county level.

DHS licenses about 24,500 service providers, including group homes, treatment programs for people with chemical dependency, mental illness, or developmental disabilities, child care providers, and foster care providers. DHS also monitors their compliance with Minnesota laws and rules, investigates reports of possible maltreatment, and completes background studies on individuals who provide direct care.

DHS' operations support other providers who directly serve Minnesotans. DHS oversees significant computer systems support for: MAXIS, which determines eligibility for economic assistance programs; PRISM, the child support enforcement system; the Medicaid Management Information System (MMIS), which pays medical claims for publicly-funded health care programs; the Social Service Information System (SSIS), an automated child welfare case management system for child protection, children's mental health, and out-of-home placement; and MEC², the Minnesota Electronic Child Care system.

Budget

DHS is one of the state's largest agencies, comprising 35.5% of the state's total spending from all sources. DHS's FY 2008-09 budget from all funding sources totals \$20.1 billion. Of the total budget for the biennium, \$9.4 billion comes from general fund tax dollars. The remaining \$10.7 billion comes from federal revenue and other funds, such as the health care access fund, enterprise fund, and agency fund. Approximately 6,600 full-time-equivalent employees work for DHS.

Contact

Minnesota Department of Human Services
Cal R. Ludeman, Commissioner
PO Box 64998
Saint Paul, Minnesota 55164-0998
Phone: (651) 431-2709

World Wide Web Home Page: <http://www.dhs.state.mn.us>.

General Information:
Phone: (651) 431-2000
TTY/TDD: (800) 627-3529

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us>.

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,582,526 | 4,858,200 | 4,870,200 | 4,870,200 | 9,740,400 |
| Recommended | 4,582,526 | 4,913,919 | 5,237,606 | 5,475,620 | 10,713,226 |
| Change | | 55,719 | 367,406 | 605,420 | 972,826 |
| % Biennial Change from 2008-09 | | | | | 12.8% |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 549 | 565 | 565 | 565 | 1,130 |
| Recommended | 549 | 565 | 565 | 565 | 1,130 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 1.4% |
| Health Care Access | | | | | |
| Current Appropriation | 341,222 | 400,463 | 400,463 | 400,463 | 800,926 |
| Recommended | 341,222 | 399,819 | 352,251 | 99,670 | 451,921 |
| Change | | (644) | (48,212) | (300,793) | (349,005) |
| % Biennial Change from 2008-09 | | | | | -39% |
| Federal Tanf | | | | | |
| Current Appropriation | 259,779 | 299,425 | 299,425 | 299,425 | 598,850 |
| Recommended | 259,779 | 285,656 | 269,297 | 263,179 | 532,476 |
| Change | | (13,769) | (30,128) | (36,246) | (66,374) |
| % Biennial Change from 2008-09 | | | | | -2.4% |
| Lottery Cash Flow | | | | | |
| Current Appropriation | 2,185 | 1,790 | 1,790 | 1,790 | 3,580 |
| Recommended | 2,185 | 1,790 | 1,665 | 1,665 | 3,330 |
| Change | | 0 | (125) | (125) | (250) |
| % Biennial Change from 2008-09 | | | | | -16.2% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Health Care Access | 1,617 | 1,066 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 2,123 | 625 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 4,431,447 | 4,784,398 | 5,237,606 | 5,475,620 | 10,713,226 |
| State Government Spec Revenue | 513 | 565 | 565 | 565 | 1,130 |
| Health Care Access | 332,346 | 396,556 | 352,251 | 99,670 | 451,921 |
| Federal Tanf | 246,331 | 285,656 | 269,297 | 263,179 | 532,476 |
| Lottery Cash Flow | 2,098 | 1,790 | 1,665 | 1,665 | 3,330 |
| Statutory Appropriations | | | | | |
| General | 49,390 | 84,049 | 82,469 | 82,965 | 165,434 |
| Health Care Access | 19,355 | 19,171 | 23,361 | 29,701 | 53,062 |
| Miscellaneous Special Revenue | 381,292 | 408,061 | 185,020 | 196,393 | 381,413 |
| Federal | 4,323,640 | 4,801,045 | 5,136,101 | 5,541,380 | 10,677,481 |
| Miscellaneous Agency | 659,777 | 847,791 | 845,409 | 845,542 | 1,690,951 |
| Gift | 28 | 55 | 55 | 55 | 110 |
| Endowment | 1 | 2 | 2 | 2 | 4 |
| Revenue Based State Oper Serv | 81,587 | 81,605 | 81,605 | 81,605 | 163,210 |
| Mn Neurorehab Hospital Brainer | 17,474 | 13,244 | 12,965 | 12,965 | 25,930 |
| Dhs Chemical Dependency Servs | 21,093 | 23,065 | 22,465 | 22,465 | 44,930 |
| Materials Distribution | 0 | 500 | 500 | 500 | 1,000 |
| Total | 10,570,112 | 11,749,244 | 12,251,336 | 12,654,272 | 24,905,608 |

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 499,803 | 494,978 | 508,908 | 510,881 | 1,019,789 |
| Other Operating Expenses | 345,941 | 357,973 | 344,512 | 372,103 | 716,615 |
| Capital Outlay & Real Property | 616 | 1,045 | 1,045 | 1,045 | 2,090 |
| Payments To Individuals | 8,074,557 | 9,190,909 | 9,715,963 | 10,084,213 | 19,800,176 |
| Local Assistance | 988,248 | 1,037,829 | 1,013,279 | 1,018,268 | 2,031,547 |
| Other Financial Transactions | 660,947 | 666,170 | 665,152 | 665,285 | 1,330,437 |
| Transfers | 0 | 340 | 2,477 | 2,477 | 4,954 |
| Total | 10,570,112 | 11,749,244 | 12,251,336 | 12,654,272 | 24,905,608 |
| <u>Expenditures by Program</u> | | | | | |
| Agency Management | 72,957 | 78,659 | 73,355 | 73,652 | 147,007 |
| Revenue & Pass Through Expend | 1,071,218 | 1,301,272 | 1,303,548 | 1,321,037 | 2,624,585 |
| Children & Economic Assist Gr | 1,259,682 | 1,346,295 | 1,340,561 | 1,333,489 | 2,674,050 |
| Children & Economic Asst Mgmt | 99,324 | 111,950 | 107,080 | 108,205 | 215,285 |
| Health Care Grants | 4,355,404 | 4,965,078 | 5,289,483 | 5,508,701 | 10,798,184 |
| Health Care Management | 87,744 | 99,424 | 82,673 | 86,167 | 168,840 |
| Continuing Care Grants | 3,173,371 | 3,418,248 | 3,606,008 | 3,772,648 | 7,378,656 |
| Continuing Care Management | 40,155 | 48,787 | 52,336 | 47,038 | 99,374 |
| State Operated Services | 410,257 | 379,531 | 396,292 | 403,335 | 799,627 |
| Total | 10,570,112 | 11,749,244 | 12,251,336 | 12,654,272 | 24,905,608 |
| Full-Time Equivalents (FTE) | 7,407.8 | 7,022.7 | 6,900.7 | 6,716.7 | |

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium |
|--|------------------|--------------------|------------------|-------------------|
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 4,858,200 | 4,870,200 | 4,870,200 | 9,740,400 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | 383,479 | 716,139 | 1,099,618 |
| November Forecast Adjustment | 55,719 | 193,826 | 303,945 | 497,771 |
| Pt Contract Base Reduction | | (92) | (92) | (184) |
| Transfers Between Agencies | | (208) | (208) | (416) |
| Subtotal - Forecast Base | 4,913,919 | 5,447,205 | 5,889,984 | 11,337,189 |
| Change Items | | | | |
| AA/RCA Funding Adjustment | 0 | 5,469 | 7,617 | 13,086 |
| Adjust Special Transportation Rates | 0 | (87) | (124) | (211) |
| Align Managed Care Withhold | 0 | (944) | (2,599) | (3,543) |
| Align Medical Assistance Asset Limits | 0 | (5,368) | (3,517) | (8,885) |
| Align Medicare Savings Pgm. Asset Limits | 0 | (301) | (301) | (602) |
| Alter 2011 Inpatient Hospital Rebasing | 0 | 0 | (21,439) | (21,439) |
| Basic Care Rateable Reduction | 0 | (28,707) | (60,096) | (88,803) |
| CABHS as a Core Safety Net Function | 0 | 8,617 | 10,593 | 19,210 |
| CCAP Federal Improper Payment Act | 0 | 100 | 100 | 200 |
| Change MA Single-Bed Payment Policy | 0 | (1,887) | (2,431) | (4,318) |
| Child Care Assistance Program Reductions | 0 | (4,930) | (5,467) | (10,397) |
| Child Permanency - Northstar Care | 0 | 461 | 2,135 | 2,596 |
| Children's MH Residential Treatment | 0 | (1,927) | (1,284) | (3,211) |
| Combine Emergency GA and Emergency MSA | 0 | 0 | 0 | 0 |
| Correct Base Level Adjustment Errors | 0 | 189 | 199 | 388 |
| Decrease MFIP Exit Level to 110% FPG | 0 | 0 | (84) | (84) |
| Delay New Mental Health Services | 0 | (1,911) | (1,161) | (3,072) |
| Diversionsary Work Program Changes | 0 | 11 | 0 | 11 |
| Elim. HC Elig. for Adults w/o children | 0 | 297 | (4,741) | (4,444) |
| Elim. MnCare Eligibility for Parents | 0 | 6 | 25,555 | 25,561 |
| Eliminate Add'l Renewal Notice Mailings | 0 | (186) | (186) | (372) |
| Eliminate Additional Two Months Coverage | 0 | (3,806) | (9,038) | (12,844) |
| Eliminate Certain CFS Grants | 0 | (460) | (460) | (920) |
| Eliminate Chemical Dependency Grants | 0 | (346) | (693) | (1,039) |
| Eliminate Chiropractic Service Coverage | 0 | (317) | (906) | (1,223) |
| Eliminate Critical Access Dental | 0 | (4,575) | (6,450) | (11,025) |
| Eliminate Dental Coverage for Adults | 0 | (10,083) | (27,436) | (37,519) |
| Eliminate Inpatient Quarterly Payments | 0 | (19,319) | (16,996) | (36,315) |
| Eliminate Nursing Facility Rebasing | 0 | (4,472) | (6,679) | (11,151) |
| Eliminate Outreach Incentive Program | 0 | (3,255) | (8,356) | (11,611) |
| Eliminate Patient Incentive Grants | 0 | (491) | (491) | (982) |
| Eliminate Podiatry Service Coverage | 0 | (312) | (892) | (1,204) |
| Eliminate Rehabilitative Service Coverag | 0 | (1,752) | (4,969) | (6,721) |
| Eliminate or Delay Three CC Grants | 0 | (879) | (884) | (1,763) |
| FSET Revenue Enhancement | 0 | 50 | 100 | 150 |
| Federal Compliance for HCBS Waivers | 0 | 2,247 | 1,625 | 3,872 |
| Federal Compliance: Limit MERC | 0 | 10,000 | (55,323) | (45,323) |
| Federal Compliance: Medicare Changes | 0 | 152 | 75 | 227 |
| Federal Compliance: PARIS Implementation | 0 | 152 | 25 | 177 |
| Federal Compliance: Reasonable Limits | 0 | 381 | 500 | 881 |
| Fraud Prevention Investigation | 0 | 658 | 1,000 | 1,658 |
| Group Residential Housing Modifications | 0 | (960) | (6,072) | (7,032) |
| HC Provider Payment Delay | 0 | (20,891) | (1,967) | (22,858) |
| Health Care Program Simplification | 0 | 7 | 0 | 7 |
| Increase MA-EPD Premiums | 0 | (538) | (1,075) | (1,613) |
| Inpatient June Payment Delay | 0 | (23,507) | (1,520) | (25,027) |
| Limit Customized Living Service Rates | 0 | (2) | (1,603) | (1,605) |
| Limit Disabilities Waiver Growth | 0 | (2,225) | (19,142) | (21,367) |

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|--|------------------|--------------------|------------------|---------------------|
| | | FY2010 | FY2011 | |
| Limit Retroactive Eligibility for CCAP | 0 | (118) | (173) | (291) |
| MFIP Reductions | 0 | 23 | (267) | (244) |
| MH Inpatient Ratable Reduction | 0 | (5,584) | (11,204) | (16,788) |
| MSOP Growth and Base Funding Restored | 0 | 5,670 | 8,330 | 14,000 |
| MSOP/SOS Pension Reform | 0 | (2,165) | (2,519) | (4,684) |
| Modify 20% Income Withholding | 0 | 200 | 85 | 285 |
| Modify MA Asset Reduction Policy | 0 | (7,314) | (8,251) | (15,565) |
| Modify NF Level of Care Thresholds | 0 | (2,279) | (31,119) | (33,398) |
| NF Intergovernmental Transfers | 0 | (16,200) | (16,100) | (32,300) |
| Non-Emergency Medical Transportation | 0 | (500) | (500) | (1,000) |
| PCA Redesign and Provider Standards | 0 | (7,391) | (34,548) | (41,939) |
| Reduce General Administrative Operations | 0 | (7,867) | (7,867) | (15,734) |
| Reduce LTC Provider Rates and Grants | 0 | (36,490) | (48,380) | (84,870) |
| Reduce Pharmacy Reimbursements | 0 | (1,135) | (1,269) | (2,404) |
| Reform Payment Method for CD Providers | 0 | (3,104) | (7,794) | (10,898) |
| Regulation of Some Trusts and Transfers | 0 | (229) | (554) | (783) |
| Revenue Recapture Appeals | 0 | 65 | 50 | 115 |
| Rural Hospital Inpatient DRG Payments | 0 | (3,023) | (4,316) | (7,339) |
| Shift SOS Dental Clinics to Safety Net | 0 | 3,310 | 3,310 | 6,620 |
| Simplify Planned Closure Rate Adjustment | 0 | (61) | (274) | (335) |
| TANF Refinancing | 0 | (9,415) | (24,588) | (34,003) |
| Work Participation Cash Benefit Reduced | 0 | (351) | (1,558) | (1,909) |
| Total Governor's Recommendations | 4,913,919 | 5,237,606 | 5,475,620 | 10,713,226 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| FY 2009 Appropriations | 565 | 565 | 565 | 1,130 |
| Subtotal - Forecast Base | 565 | 565 | 565 | 1,130 |
| Total Governor's Recommendations | 565 | 565 | 565 | 1,130 |
| Fund: HEALTH CARE ACCESS | | | | |
| FY 2009 Appropriations | 400,463 | 400,463 | 400,463 | 800,926 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 1 | 1 |
| Current Law Base Change | | 104,964 | 173,614 | 278,578 |
| November Forecast Adjustment | (644) | (1,708) | 15,530 | 13,822 |
| Subtotal - Forecast Base | 399,819 | 503,719 | 589,608 | 1,093,327 |
| Change Items | | | | |
| Align Managed Care Withhold | 0 | (2,069) | (2,209) | (4,278) |
| Basic Care Rateable Reduction | 0 | (1,995) | (5,493) | (7,488) |
| Children's MH Residential Treatment | 0 | 8 | 28 | 36 |
| Elim. HC Elig. for Adults w/o children | 0 | (135,449) | (370,306) | (505,755) |
| Elim. MnCare Eligibility for Parents | 0 | 67 | (92,048) | (91,981) |
| Eliminate Add'l Renewal Notice Mailings | 0 | (48) | (48) | (96) |
| Eliminate Additional Two Months Coverage | 0 | (1,562) | (14,155) | (15,717) |
| Eliminate Chiropractic Service Coverage | 0 | (36) | 0 | (36) |
| Eliminate Critical Access Dental | 0 | (717) | (525) | (1,242) |
| Eliminate Dental Coverage for Adults | 0 | (488) | 0 | (488) |
| Eliminate Outreach Incentive Program | 0 | (1,213) | (1,919) | (3,132) |
| Eliminate Podiatry Service Coverage | 0 | (11) | 0 | (11) |
| Eliminate Rehabilitative Service Coverag | 0 | (54) | 0 | (54) |
| Health Care Program Simplification | 0 | (551) | 2,743 | 2,192 |
| Maintain Current MinnesotaCare Premiums | 0 | (2,960) | (3,550) | (6,510) |
| MnCare Rolling Month and Grace Month | 0 | (4,390) | (2,456) | (6,846) |
| Total Governor's Recommendations | 399,819 | 352,251 | 99,670 | 451,921 |
| Fund: FEDERAL TANF | | | | |
| FY 2009 Appropriations | 299,425 | 299,425 | 299,425 | 598,850 |

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium |
|--|------------------|--------------------|------------------|-------------------|
| | | FY2010 | FY2011 | 2010-11 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | (40,190) | (41,446) | (81,636) |
| November Forecast Adjustment | (13,769) | 10,178 | 5,274 | 15,452 |
| Subtotal - Forecast Base | 285,656 | 269,413 | 263,253 | 532,666 |
| Change Items | | | | |
| Child Permanency - Northstar Care | 0 | 0 | (2,135) | (2,135) |
| Decrease MFIP Exit Level to 110% FPG | 0 | (829) | (1,097) | (1,926) |
| Diversionary Work Program Changes | 0 | (11) | (46) | (57) |
| Eliminate Certain CFS Grants | 0 | (140) | (140) | (280) |
| Eliminate Integrated Services Funding | 0 | (1,250) | (2,500) | (3,750) |
| Federal Compliance: PARIS Implementation | 0 | 0 | (25) | (25) |
| MFIP Consolidated Fund Reduction | 0 | (2,750) | (5,500) | (8,250) |
| MFIP Reductions | 0 | (4,551) | (13,219) | (17,770) |
| TANF Refinancing | 0 | 9,415 | 24,588 | 34,003 |
| Total Governor's Recommendations | 285,656 | 269,297 | 263,179 | 532,476 |
| Fund: LOTTERY CASH FLOW | | | | |
| FY 2009 Appropriations | 1,790 | 1,790 | 1,790 | 3,580 |
| Technical Adjustments | | | | |
| Current Law Base Change | | (125) | (125) | (250) |
| Subtotal - Forecast Base | 1,790 | 1,665 | 1,665 | 3,330 |
| Total Governor's Recommendations | 1,790 | 1,665 | 1,665 | 3,330 |
| Fund: GENERAL | | | | |
| Planned Statutory Spending | 84,049 | 81,931 | 81,890 | 163,821 |
| Change Items | | | | |
| Increase MA-EPD Premiums | 0 | 538 | 1,075 | 1,613 |
| Total Governor's Recommendations | 84,049 | 82,469 | 82,965 | 165,434 |
| Fund: HEALTH CARE ACCESS | | | | |
| Planned Statutory Spending | 20,237 | 23,361 | 29,701 | 53,062 |
| Total Governor's Recommendations | 20,237 | 23,361 | 29,701 | 53,062 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 408,686 | 184,580 | 195,743 | 380,323 |
| Change Items | | | | |
| Align Background Study Fee Policy | 0 | 440 | 440 | 880 |
| Federal Compliance for HCBS Waivers | 0 | 0 | 120 | 120 |
| IEP Funding Cap | 0 | 0 | 0 | 0 |
| PCA Redesign and Provider Standards | 0 | 0 | 90 | 90 |
| Total Governor's Recommendations | 408,686 | 185,020 | 196,393 | 381,413 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 4,801,045 | 5,126,686 | 5,516,792 | 10,643,478 |
| Change Items | | | | |
| Invest in Early Learning | 0 | 0 | 0 | 0 |
| TANF Refinancing | 0 | 9,415 | 24,588 | 34,003 |
| Total Governor's Recommendations | 4,801,045 | 5,136,101 | 5,541,380 | 10,677,481 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 847,791 | 845,409 | 845,542 | 1,690,951 |
| Total Governor's Recommendations | 847,791 | 845,409 | 845,542 | 1,690,951 |

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium |
|---|--------|--------------------|----------|----------|
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GIFT | | | | |
| Planned Statutory Spending | 55 | 55 | 55 | 110 |
| Total Governor's Recommendations | 55 | 55 | 55 | 110 |
| Fund: ENDOWMENT | | | | |
| Planned Statutory Spending | 2 | 2 | 2 | 4 |
| Total Governor's Recommendations | 2 | 2 | 2 | 4 |
| Fund: REVENUE BASED STATE OPER SERV | | | | |
| Planned Statutory Spending | 81,605 | 81,605 | 81,605 | 163,210 |
| Total Governor's Recommendations | 81,605 | 81,605 | 81,605 | 163,210 |
| Fund: MN NEUROREHAB HOSPITAL BRAINER | | | | |
| Planned Statutory Spending | 13,244 | 12,965 | 12,965 | 25,930 |
| Total Governor's Recommendations | 13,244 | 12,965 | 12,965 | 25,930 |
| Fund: DHS CHEMICAL DEPENDENCY SERVS | | | | |
| Planned Statutory Spending | 23,065 | 22,465 | 22,465 | 44,930 |
| Total Governor's Recommendations | 23,065 | 22,465 | 22,465 | 44,930 |
| Fund: MATERIALS DISTRIBUTION | | | | |
| Planned Statutory Spending | 500 | 500 | 500 | 1,000 |
| Total Governor's Recommendations | 500 | 500 | 500 | 1,000 |
| Revenue Change Items | | | | |
| Fund: GENERAL | | | | |
| Change Items | | | | |
| CABHS as a Core Safety Net Function | 0 | 8,423 | 10,281 | 18,704 |
| CCAP Federal Improper Payment Act | 0 | 40 | 40 | 80 |
| Eliminate Add'l Renewal Notice Mailings | 0 | (74) | (74) | (148) |
| Eliminate Outreach Incentive Program | 0 | (404) | (319) | (723) |
| Eliminate or Delay Three CC Grants | 0 | 28 | 26 | 54 |
| FSET Revenue Enhancement | 0 | 3,420 | 4,440 | 7,860 |
| Federal Compliance on HCBS Waivers | 0 | 779 | 590 | 1,369 |
| Federal Compliance: Medicare Changes | 0 | 34 | 30 | 64 |
| Federal Compliance: PARIS Implementation | 0 | 34 | 30 | 64 |
| Fraud Prevention Investigation | 0 | 673 | 1,014 | 1,687 |
| Group Residential Housing Modifications | 0 | 4,800 | 9,600 | 14,400 |
| Homestead / Estate Recovery | 0 | 1,540 | 1,990 | 3,530 |
| Increase MA-EPD Premiums | 0 | 538 | 1,075 | 1,613 |
| Limit Customized Living Service Rates | 0 | 37 | 40 | 77 |
| MSOP Growth and Base Funding Restored | 0 | 567 | 833 | 1,400 |
| MSOP/SOS Pension Reform | 0 | (217) | (252) | (469) |
| Modify NF Level of Care Thresholds | 0 | 1,377 | 1,540 | 2,917 |
| NF Intergovernmental Transfers | 0 | (16,200) | (16,100) | (32,300) |
| Overpayment Policy Alignment | 0 | 0 | (7) | (7) |
| PCA Redesign and Provider Standards | 0 | 329 | 270 | 599 |
| Recover TCM Temporary Payment | 0 | 16,333 | 16,334 | 32,667 |
| Reduce General Administrative Operations | 0 | (1,867) | (1,867) | (3,734) |
| Restructure Licensing Funding | 0 | 720 | 1,440 | 2,160 |
| Revenue Recapture Appeals | 0 | 74 | 68 | 142 |
| Shift SOS Dental Clinics to Safety Net | 0 | 1,757 | 1,757 | 3,514 |
| Fund: HEALTH CARE ACCESS | | | | |
| Change Items | | | | |
| Elim. HC Elig. for Adults w/o children | 0 | (582) | (1,495) | (2,077) |
| Elim. MnCare Eligibility for Parents | 0 | 0 | (688) | (688) |
| Eliminate Add'l Renewal Notice Mailings | 0 | (19) | (19) | (38) |

HUMAN SERVICES DEPT

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|--|--------|--------------------|--------|---------------------|
| | FY2009 | Governor's Recomm. | | Biennium 2010-11 |
| | | FY2010 | FY2011 | |
| Eliminate Additional Two Months Coverage | 0 | (142) | (250) | (392) |
| Eliminate Outreach Incentive Program | 0 | (137) | (118) | (255) |
| Health Care Program Simplification | 0 | (348) | 1,097 | 749 |
| Maintain Current MinnesotaCare Premiums | 0 | (30) | (38) | (68) |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Change Items | | | | |
| Align Background Study Fee Policy | 0 | 440 | 440 | 880 |
| Federal Compliance for HCBS Waivers | 0 | 0 | 120 | 120 |
| PCA Redesign and Provider Standards | 0 | 0 | 90 | 90 |
| Fund: FEDERAL | | | | |
| Change Items | | | | |
| TANF Refinancing | 0 | 9,415 | 24,588 | 34,003 |

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Reduce General Administrative Operations

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(7,867) | \$(7,867) | \$(7,867) | \$(7,867) |
| Revenues | (1,867) | (1,867) | (1,867) | (1,867) |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$(6,000) | \$(6,000) | \$(6,000) | \$(6,000) |

Recommendation

The governor recommends reducing the general fund appropriations for the administrative operations of the Department of Human Services to achieve a net reduction of \$12 million by 06-30-11. The governor further recommends that the department be authorized to implement the changes necessary to address the total net reduction of \$12 million over the FY2010-11 biennium.

Background

The Department of Human Services' general fund administrative base includes DHS central office administration (agency management), children and economic assistance management, health care management, continuing care management, and State Operated Services/MSOP management and operations. For FY2010-11 the department's administrative base is \$772 million.

Proposal

Under this proposal the department would achieve a net reduction in its agencywide general fund administrative budget of \$12 million over the FY2010-11 biennium.

In order to achieve a \$12 million reduction in general fund support the department must reduce its operations by \$15.7 million. This is because of two types of "offsets" to the department's appropriations. The department earns an average of 40% in federal administrative reimbursement for its central office public assistance administrative costs. This is non-dedicated revenue that is deposited into the general fund. For State Operated Services and MSOP the department earns an average of 10% in cost of care reimbursements, which are also treated as non-dedicated revenue and deposited into the general fund.

The department will use a variety of strategies to achieve this level of reduction. In general the department expects to discontinue less essential services and simplify existing services; a specific plan will be put in place before the beginning of fiscal year 2010.

Key Goals and Measures

Simplifying services and processes so that necessary services are provided in a cost effective manner.

Statutory Change: Rider to implement.

HUMAN SERVICES DEPT**Program: AGENCY MANAGEMENT****Change Item: Align Background Study Fee Policy**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| State Gov. Special Revenue Fund | | | | |
| Expenditures | 440 | 440 | 440 | 440 |
| Revenues | 440 | 440 | 440 | 440 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends the adoption of a fee based model to fund the department's cost of completing background studies for private adoption agencies. Currently, such activities are funded by a general fund appropriation.

Background

Minnesota currently funds most of its state commercial and professional licensing activities using a fee based model. Individuals or businesses being licensed are charged a fee in accordance with the state's cost of licensing. The result is payment for services by those entities benefiting from the licensing activity.

In contrast, human service licensing activities are funded to a significant degree through a general fund appropriation. Such activities include the issuance of licenses, conducting inspections of programs, investigating complaints about services, investigating allegations of abuse and neglect, conducting background studies on individuals who provide services in Department of Human Services (DHS) licensed programs, and issuing sanctions for non-compliance. Of these activities, some are required to pay a fee to offset some of the costs of licensing. These licensing fees go to the general fund as undedicated revenue. Given that only a portion of the licensing appropriation is offset by licensing fee revenue, the general fund, in effect, subsidizes a number of human service licensing activities.

The Licensing Division also conducts background studies, as required in law, for other state agencies (Department of Health, Department of Corrections), temporary employment agencies and education programs that support licensed services, as well as for unlicensed Personal Care Provider Organizations. All of these activities are funded through fees that are collected by and immediately appropriated to the Licensing Division for this purpose, using an account in the state government special revenue fund (SGSRF).

Private adoption background studies are an example of a licensing activity currently subsidized by the general fund. A background study is required for a private adoption, however, this population is not required to pay a fee for completion of a background study. It is important to note that, other than studies completed for adoptions, all other general fund supported background studies completed by DHS are on people who provide services to children and adults in licensed settings.

The result is that a portion of the licensing general fund appropriation (\$440,000 per fiscal year) is used to fund the completion of background studies for private adoptions, thereby, reducing the resources available for completion of other essential licensing functions. This issue, if not addressed, will result in decreased attention to other statutorily mandated activities such as monitoring services for children and vulnerable adults or investigating alleged maltreatment of these populations in licensed settings.

Proposal

This proposal allows the Department's Licensing Division to charge a fee for the background studies completed for private adoption agencies on prospective parents and household members that are required under M.S. 245C, and the federal Adam Walsh Act. The new fee would be approximately \$70 per background study and would recover about \$440,000 per fiscal year. Similar to background fees currently collected by the Licensing Division, the new fees collected for the adoption agency background studies will be deposited into the Division's revenue

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Align Background Study Fee Policy

fund account in the SGSRF and used to complete the background studies. In turn, this would allow the general fund appropriation to be reallocated to cover general licensing activity costs.

The Department's goal is to move to align the funding model for human service licensing with a fee-based model. This model has a number of advantages including

- ◆ more accurate pricing by licensed businesses and individuals - the payment of state licensing costs by licensed entities themselves rather than the state's general fund will result in pricing more accurately reflecting the cost of doing business;
- ◆ greater consistency in funding methodology across state licensing programs; and
- ◆ a funding stream which is more closely aligned with demand for human service licensing activities.

The new background study fee would not apply to county-initiated background studies, for adoptions conducted by county agencies for families involved in the child welfare system. Those would continue to be funded through a general fund appropriation.

This proposal is budget neutral for the general fund, yet raises the funding necessary for the Licensing Division to meet its statutory regulatory obligations.

Relationship to Base Budget

The Licensing Division base budget is increased by \$440,000 or 4.0% per year.

Key Goals and Measures

Key Licensing Division performance measures related to this proposal are:

- ◆ The percentage of directly licensed programs that receive a licensing inspection at least every two years;
- ◆ The percentage of licensing complaints that are investigated and closed within 60 days, and;
- ◆ The percentage of maltreatment investigations in directly licensed programs that are investigated and closed within 60 days.

Alternatives Considered

- ◆ Options, such as charging fees for all background studies conducted for directly licensed programs, raising an additional \$1.2 million, were considered as part of this proposal.
- ◆ Removing Licensing Division responsibilities.

Statutory Change: M.S. 245C

HUMAN SERVICES DEPT**Program: AGENCY MANAGEMENT****Change Item: Restructure Licensing Funding**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | \$720 | \$1,440 | \$1,440 | \$1,440 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(720) | \$(1,440) | \$(1,440) | \$(1,440) |

Recommendation

The Governor recommends a restructuring of the funding mechanism for the department's licensing activities in order to more fully address actual licensing costs and reduce pressure on the state's general fund. This change will entail moving to more of an enterprise model of funding for licensing activities through an increase in licensing fees and utilization of the state government special revenue (SGSR) fund.

Background

Minnesota currently funds most of its state commercial and professional licensing activities using a fee based model. Individuals or businesses being licensed are charged a fee that represents the state's cost of licensing. The result is payment for services by those entities benefiting from the licensing activity.

In contrast, human service licensing activities are a mixed model in which some services are fee-based while others are funded solely through a general fund appropriation. Of the fee-based services, there are two types

- ◆ background study fees that the Licensing Division deposits into an account in the 200 Fund and, upon collection, are appropriated to the division specifically for the completion of background studies; and
- ◆ licensure fees that the Licensing Division collects for deposit into the general fund in order to recover the costs of general licensing activities

While the background study fees fully cover costs (and are not part of this proposal) the licensure fees collected by the general fund do not fully offset the general fund appropriation for licensing. In effect, the general fund subsidizes a number of human service licensing activities. The department's goal is to more fully align the funding model for human service licensing with a fee-based model.

This proposal relates to those fees that are currently deposited into the general fund. These include initial application fees and annual license renewal fees. The fees collected do not adequately recover the costs of the appropriation. Fees collected for these fee-based activities currently total \$2.1 million per fiscal year while the corresponding activities are funded with an appropriation of \$4.5 million per fiscal year. The result is a \$2.4 million annual shortfall in fee revenue required to cover the general fund appropriation.

This proposal is to move to a more fee based model, similar to other state licensing agencies such as the Department of Health and the health professional licensing boards. Specifically, this proposal increases licensing fees to recover the actual costs of licensing activities and moves the deposits and appropriation for fee-based activities from the general fund to the SGSR. This model has a number of advantages, including:

- ◆ More accurate pricing by licensed businesses and individuals - the payment of state licensing costs by licensed entities themselves rather than the state's general fund will result in pricing more accurately reflecting the cost of doing business. The cost of being licensed and associated benefits is one such cost;
- ◆ Greater consistency in funding methodology across state licensing programs, and;
- ◆ A funding stream which is more closely connected with and addresses changes in human service licensing activities and costs.

By collecting the necessary fees, the activities will no longer be funded with non-revenue dollars, and therefore there will not be any Federal Financial Participation (FFP) to be claimed for these activities.

HUMAN SERVICES DEPT**Program: AGENCY MANAGEMENT****Change Item: Restructure Licensing Funding****Proposal**

This proposal would more clearly recognize the licensing services that are fee-based and provide a more consistent funding source in which funding levels are tied more directly to licensing activities. The proposal would phase in the increased license fees over a two-year period (50% each year) and in FY12 would move the revenue and fee-based appropriation from the general fund to the SGSR, as depicted below:

Overview of Licensing Activities Currently Funded from General Fund (GF) - Fee Based and Non-Fee Based

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|-------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
| Total Appropriation (GF & SGSRF) | \$6,743,000 | \$6,743,000 | \$6,743,000 | \$6,754,000 | \$6,754,000 |
| Appropriation for Non Fee-Based Activity | \$2,254,000 (GF) | \$2,254,000 (GF) | \$2,254,000 (GF) | \$2,254,000 (GF) | \$2,254,000 (GF) |
| Appropriation for Fee-based Activity (transfer to SGSRF in FY12) | \$4,489,000 (GF) | \$4,489,000 (GF) | \$4,489,000 (GF) | \$4,500,000 (SGSRF) | \$4,500,000 (SGSRF) |
| - Current FY 2009 License fees | \$2,100,000 | \$2,100,000 | \$2,100,000 | \$2,100,000 | \$2,100,000 |
| - Proposed Fee Increases (50% FY 2010, 50% FY 2011) | N/A | \$1,200,000 | \$2,400,000 | \$2,400,000 | \$2,400,000 |
| Total Licensing Fee Revenue | \$2,100,000 | \$3,300,000 | \$4,500,000 | \$4,500,000 | \$4,500,000 |
| Net Fee Short-Fall/Surplus | (\$2,389,000) | (\$1,189,000) | \$11,000 | \$0 | \$0 |

Most of SGSRF license fee revenues are received in November and December;

The account must be given borrowing authority until revenues are received

Relationship to Base Budget

No change in base budget. This proposal makes structural changes in funding source but does not change funding levels.

Note: A funding shortfall does exist for licensing activities. The shortfall is addressed in a separate proposal: Align Background Study Fee Policy. This current proposal is structural only. The two proposals should be considered in tandem in order to fully fund licensing activities.

Key Goals and Measures

Key Licensing Division performance measures related to this proposal are:

- ◆ The percentage of directly licensed programs that receive a licensing inspection at least every two years;
- ◆ The percentage of licensing complaints that are investigated and closed within 60 days, and;
- ◆ The percentage of maltreatment investigations in directly licensed programs that are investigated and closed within 60 days.

Alternatives Considered

- ◆ Options such as charging fees for all background studies conducted for directly licensed programs, which raises an additional \$1.2 million, were considered as part of developing this proposal.
- ◆ Removing Licensing Division responsibilities.

Statutory Change: M.S. 245A

HUMAN SERVICES DEPT**Program: AGENCY MANAGEMENT****Change Item: Merge Health Care Access Fund with General Fund**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$400,966 | \$153,081 | \$117,047 | \$101,697 |
| Revenues | 567,058 | 608,100 | 652,388 | 698,389 |
| Prior Year Balance Forward | 258,388 | | | |
| Other Fund--HCAF | | | | |
| Expenditures | (400,966) | (153,081) | (117,047) | (101,697) |
| Revenues | (567,058) | (608,100) | (652,388) | (698,389) |
| Prior Year Balance | (258,388) | | | |
| Net Fiscal Impact | 0 | 0 | 0 | 0 |

Recommendation

The governor recommends that all resources and liabilities of the Health Care Access Fund be transferred to the General Fund on 07-01-09.

Background

The Health Care Access Fund (HCAF) was established in 1992 as a direct appropriated special revenue fund. Resources to the fund include a 2% provider tax, a 1% gross premium tax, Minnesota Care premiums, interest earnings, and federal reimbursement for administrative expenses.

The HCAF primarily funds the MinnesotaCare program. The Department of Human Services (DHS), Department of Health, legislature, University of Minnesota, and Department of Revenue also receive funding for administration of the MinnesotaCare program, premium and provider tax collection and other health care related purposes. In addition, the General Fund currently receives a \$48 million transfer from the HCAF each year.

Minnesota's public health care programs consist primarily of Medical Assistance (MA), General Assistance Medical Care (GAMC) and MinnesotaCare. MA, Minnesota's Medicaid program, is a federal-state program that pays for health care services provided to low-income parents, children, individuals age 65 or older, and individuals with a disability. General Assistance Medical Care (GAMC) provides health care coverage for adults without children who are recipients of General Assistance or who do not meet the categorical requirements of MA and are unable to afford necessary health care. MinnesotaCare provides subsidized health care coverage to individuals who meet income eligibility and other requirements.

The primary state funding source for MA and GAMC is the General Fund. MinnesotaCare is funded primarily by the HCAF. However, a major portion of the MinnesotaCare program for children and parents is matched with federal Medicaid funds through a waiver.

Proposal

This recommendation merges the Health Care Access Fund into the General Fund on July 1, 2009.

The interaction between the three major basic health care programs has become increasingly complex over the years. Merging the revenues and liabilities of the HCAF with those of the General Fund would facilitate administrative simplification. In addition, health care budget and policy decisions may be accomplished through a more comprehensive approach rather than adding complexity to those activities based on differences in funding sources.

Implementing this change in MMIS and MAXIS will occur over a multi-year period, so that parallel accounting processes can be maintained during the transition period.

Relationship to Base Budget

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Merge Health Care Access Fund with General Fund

This proposal transfers all HCAF revenues and expenditures to the General Fund and eliminates the HCAF on 07-01-09.

Key Goals and Measures

Health care costs represent a substantial amount of the state's human service budget. As a result, a key goal is to improve health care program value and to maximize resources. Simplifying the funding source for the state's public health care programs by merging the HCAF with the General Fund will support this goal by reducing administrative costs associated with segmenting the HCAF funding source.

Statutory Change: M.S. 16A.724, 16A.725, 43A.317, 62U.10, 144.1501, 145.986, 256L.02, 295.58, 295.581, and 297I.05; and riders.

HUMAN SERVICES DEPT**Program: CHILDREN AND ECONOMIC ASSISTANCE GRANTS****Change Item: Combine Emergency GA and MSA**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures GA | \$1,100 | \$1,100 | \$1,100 | \$1,100 |
| Expenditures MSA | (1,100) | (1,100) | (1,100) | (1,100) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The governor recommends combining the Emergency General Assistance (EGA) and Emergency Minnesota Supplemental Aid (EMSA) programs to allow counties to use these limited funds more effectively.

Background

Legislation in 2003 modified state-funded EGA and EMSA into capped allocations to the counties and limited client usage to once per 12-month period. These programs had been a growing part of the forecasted General Assistance and Minnesota Supplemental Aid programs and by capping the programs, budget savings were realized. The programs were capped at the FY 2002 expenditure level of \$7.9 million and \$1.1 million, respectively. These funds are then allocated to counties based on the county's share of statewide expenditures made over the most recent three years. Both programs provide eligible recipients with help in paying for emergency needs. The major categories of need are rent, damage deposit and utilities.

Proposal

The proposal would simplify fiscal administration by combining the two separate programs into one and counties would have the added flexibility to address needs of either the General Assistance or Minnesota Supplemental Aid population. The use of funds would be restricted. This proposal would limit use to persons under 200% of the poverty level (as is the Minnesota Family Investment Program (MFIP) Consolidated Fund) and clarify existing practices. This limit would help spread available funds more broadly across the target population. In addition, the historically-based allocation formula would be adjusted to provide a \$1,000 minimum allocation to smaller counties. This could affect about 13 counties that are below or close to the \$1,000 combined allocation amount. Flexibility will be added to the formula to accommodate declared emergency situations.

Relationship to Base Budget

Base funding for these two programs is capped at \$9 million per year. This amount is about 12% of the combined General Assistance and Minnesota Supplemental Aid forecast for fiscal year 2009. Combined the programs served about 13,700 cases in fiscal year 2008.

Key Goals and Measures

- ⇒ People in need will receive support that helps them live as independently as possible.
- ⇒ At-risk adults who are without children and struggling to meet their basic needs will receive a seamless continuum of financial, employment, health care, housing, social service, and other supports from the department and its partners.

Statutory Change: M.S. 256D.06 and 256D.46, and rider

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Modify 20% Income Withholding**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$200 | \$85 | \$20 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$200 | \$85 | \$20 | \$0 |

Recommendation

The Governor recommends an exception in child support income withholding law so that obligors with court ordered arrears payback requirements are not charged an automatic 20% of their ongoing obligation.

Background

When an obligor has child support arrears and income withholding is in place, MS. 518A.53, subd.10 requires the employer or payer of funds to withhold from the obligor's income an additional amount equal to 20% of the monthly child support or maintenance obligation to pay towards the arrears.

However, if arrears exist at the time of the court order, a court may order the obligor to pay a specific amount towards the arrears or to pay the arrears at a rate other than 20%. Although the obligor is ordered to pay arrears at a specific amount, if income withholding is in place the income withholding statute requires the employer or payer of funds to withhold an additional 20% of the monthly child support obligation which includes both the ongoing amount and the court-ordered payback amount.

Proposal

The proposed legislation would create an exception to the income withholding statute, so that if the court orders a specific payback amount, that amount will be withheld from an obligor's income and the employer or payer of funds would not withhold an additional 20% of the monthly child support obligation. In the absence of a court-ordered specific payback amount towards arrears, the additional 20% of the ongoing obligation would be withheld from the obligor's income to pay towards the arrears, as required under current law.

The cost of implementation is estimated at \$500,000. The non-federal share is \$170,000. There is also a one time loss of child support collections for Minnesota Family Investment Program (MFIP) families in this biennium and in the first year of the next. The proposal assumes an implementation date of 04-01-2010.

Key Goals and Measures

Goal: Simplify and create user-friendly policies and legal processes

Measure: Child Support Collection Rate

Statutory Change: M.S. 518A.53, Subd. 10.

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Limit Retroactive Eligibility for CCAP**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(118) | \$(173) | \$(173) | \$(173) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(118) | \$(173) | \$(173) | \$(173) |

Recommendation

The Governor recommends limiting retroactive eligibility for Child Care Assistance Programs (CCAP) to six months.

Background

Child care assistance grants provide financial subsidies which are administered by counties to help low-income families pay for child care so that parents may pursue employment or education leading to employment. Families who currently participate or recently participated in Minnesota Family Investment Program (MFIP) or Diversionary Work Program (DWP) activities are served through the MFIP and Transition Year child care programs. Basic Sliding Fee (BSF) child care helps families who are not connected to the MFIP program pay child care costs. Subsidies are available to families on a sliding fee basis.

Under current law, child care assistance eligibility for MFIP and DWP participants is the date of employment or participation in employment and training services or the date of MFIP eligibility, whichever is later. Transition year child care is available to employed families who are in their first year off MFIP or DWP. Eligibility for transition year child care is retroactive to the date of the beginning of the transition year time period. Families who are found eligible for this retroactive period may have their child care expenses paid for the authorized activities they participated in during this period.

Once a family is found eligible for child care assistance, they must select a provider. A family may have been determined eligible for CCAP and be using child care, but fail to notify the county that they have selected a provider. Currently, there is no limit to the time period in which retroactive child care payments may be made if an eligible family who had not selected a provider later notifies the county that they had been using a provider.

Retroactive payments are burdensome for the counties and problematic from a program integrity perspective. The provider that was used must be registered and authorized by the county. The family must provide proof of participation in the authorized activity during the retroactive period and the provider must submit billing forms verifying the child's attendance and the providers charge for the care. All payments must be made to the provider unless the care is provided in the child's home, so in most situations the provider would receive the payment and the family would need to obtain the payment from the provider.

Proposal

Effective 10-01-2009, this proposal would limit eligibility to six months back from the date of application for MFIP and transition-year child care assistance. It would also limit retroactive payments of care provided with no service authorization to six months for all CCAP programs.

Relationship to Base Budget

Less than 1% of new CCAP cases receive payment for services more than six months prior to the application date or service authorization date.

Key Goals and Measures

- ◆ Families will provide a stable, supportive environment for children.
- ◆ All children will start school ready to learn.

Statutory Change: M.S. 119B

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Diversionary Work Program Changes

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$11 | 0 | 0 | 0 |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (11) | \$(46) | \$(46) | \$(46) |
| Revenues | | | | |
| Net Fiscal Impact | \$(0) | \$(46) | \$(46) | \$(46) |

Recommendation

The governor recommends that all Family Stabilization Services (FSS)-eligible participants who are eligible for the Diversionary Work Program (DWP) be moved to the Minnesota Family Investment Program (MFIP) to improve client services and simplify county administration of the programs.

Background

Under current statute, most new applicants are eligible for DWP benefits and services. DWP is a short-term, work-focused program. If a participant is determined unlikely to benefit from DWP services due to employment or other barriers, they are eligible for MFIP benefits and services. Families receiving MFIP or DWP who are not making significant progress due to employment barriers, such as physical disability, mental health issues or provision of care for a household member with a disability, receive family stabilization services (FSS) through a case management model.

The criteria used and documentation required to determine whether a client should be moved from DWP to MFIP due to employment barriers differs from that used to determine whether a participant should receive FSS services. These differences result in a duplicative and confusing process that may result in delays in getting participants to the types of services they need.

Proposal

Effective 02-01-2010, this proposal would move all participants, including two-parent families, who are eligible for FSS from the DWP to MFIP, simplifying the process and directing clients earlier to the services they need.

Moving all FSS-eligible participants directly to MFIP will serve the following purposes:

- ⇒ First, it will allow an MFIP FSS case manager to be assigned more quickly, which will foster more continuity in case management services.
- ⇒ Second, it will allow DWP participants who are believed to need FSS services to have a plan that focuses on obtaining information needed to convert to MFIP and be assigned an FSS case manager.
- ⇒ Finally, once eligibility for FSS has been determined, it eliminates the need for counties to create separate service tracks for FSS participants in DWP and MFIP.

Relationship to Base Budget

Approximately 150 average monthly cases will be affected by this change.

Key Goals and Measures

- ⇒ Families will provide a stable, supportive environment for children.
- ⇒ This will improve outcomes for the most at-risk children.

Statutory Change: M.S. 256J

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Overpayment Policy Alignment**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 7 | 7 | 7 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$(7) | \$(7) | \$(7) |

Recommendation

The Governor recommends aligning the time period for which overpayments may be assessed for the General Assistance (GA), Minnesota Supplemental Aid (MSA), and Food Support (FS) public assistance programs with the time period used in the Minnesota Family Investment Program (MFIP).

Background

The MFIP, FS, GA, and MSA programs all have different policies dictating the establishment time period for determining overpayments. The MFIP establishment time period is 12 months from the date of discovery for agency errors and up to six years for non-intentional client errors. The MSA and GA programs do not limit the establishment time period in determining overpayments due to an error. For Food Support, the establishment period for all errors (agency or client) is six years. This change in the FS establishment period is contingent upon federal Food and Nutrition Service (FNS) approval.

Proposal

Effective 07-01-2009, overpayment determinations for the GA, MSA, and FS programs would be aligned with the MFIP establishment period. The overpayment establishment time period would be 12 months from the date of discovery for agency errors and up to six years for overpayments due to non-intentional client errors. There would be no limit on the establishment period for intentional program violations. Aligning the overpayment establishment periods would simplify program policy.

Relationship to Base Budget

Approximately \$570,000 is recovered for overpayments in the GA and MSA programs. A small portion of these recoveries is estimated to be lost with the change in the establishment period.

Key Goals and Measures

Goal: Service delivery: Make it easier to deliver quality human services

Measures: See key measures in Children and Economic Assistance Grants

Statutory Change: M.S. 256J.28, 256D.09, 256D.49, 393.07

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Fraud Prevention Investigation**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$658 | \$1,000 | \$1,000 | \$1,000 |
| Revenues | 673 | 1,014 | 1,014 | 1,014 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(15) | \$(14) | \$(14) | \$(14) |

Recommendation

The Governor recommends that effective 11-01-2009, responsibility for operation of the Fraud Prevention Investigation (FPI) program would be moved from counties to the state. State grants to counties from FPI and Child Care Program Integrity funds would be eliminated and funds would be appropriated for state staff to operate FPI.

Background

The FPI program is the main component of Minnesota's efforts to control recipient fraud in its public assistance programs (Food Support, Child Care, TANF, Medicaid, GA, etc). Currently, the state appropriates just over \$1.5 million for FPI to cover the non-federal share of county administrative costs for FPI staff. That appropriation is supplemented by federal financial participation (FFP) from the various federal programs benefiting from FPI results, bringing total expenditures for the program to about \$2.8 million annually.

Under the current county system, there are approximately 31 FPI investigators covering 55 counties. For SFY 2008, they completed 6,500 investigations. This averages out to approximately 17 investigations per investigator per month. The cost to complete these 6,500 investigations was \$ 2.8 million.

Current funding for the FPI program no longer covers county costs. In SFY 2007, the legislative appropriation for FPI did not fully cover county administrative costs to run the program. Effective SFY 2009, there was a 1.8% reduction to the FPI and child care integrity grants to counties. Given increasing county costs and the 1.8% reduction to the base, the Department of Human Services (DHS) anticipates the funding shortfall to grow each year.

Proposal

Effective 11-01-2009, responsibility for operation of the FPI program would be moved from counties to the state. State grants to counties from FPI and Child Care Program Integrity funds would be eliminated and funds would be appropriated for state staff to operate FPI.

Since current dollars for FPI are a fixed appropriation, the Department is faced with looking at alternative plans to continue the successful operation of the FPI program in Minnesota. Moving FPI operations to the state agency would provide for statewide coverage of the program and allow DHS to target investigators where they are needed most. Currently, the FPI program operates in only 55 counties. State staff would be hired starting in September 2009 and counties would continue to receive a prorated share of the current grants until 11-01-2009.

Current data shows that the most efficient programs complete between 25 – 30 investigations per month. Under a state system, it is estimated that on average 28 investigations could be completed per investigator each month and could be targeted to cover all the geographic areas. Twenty-five investigators, two supervisors and one support staff could cover all 87 counties.

This is an opportunity to provide every county access to a successful and proven fraud prevention program while stabilizing administrative costs and ensuring consistent application of fraud investigation policy and procedures across the state. State management of investigative assets instead of 25 county agencies allows for a more efficient distribution.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Fraud Prevention Investigation

Counties continue to benefit from a state run FPI because they will continue to retain a percentage of monies recovered from the overpayments uncovered by FPI investigations.

Relationship to Base Budget

This proposal would move responsibility for operation of the FPI program from counties to the state. State grants to counties from FPI and Child Care Program Integrity funds would be eliminated and funds would be direct appropriated to the general fund.

Key Goals and Measures

Goal: Service delivery: Make it easier to deliver quality human services

Measures: See key measures in Children and Economic Assistance Grants

Statutory Change: M.S. 256.983

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Revenue Recapture Appeals**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$39 | \$30 | \$30 | \$30 |
| Revenues | 48 | 48 | 48 | 48 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(9) | \$(18) | \$(18) | \$(18) |

Recommendation

The Governor recommends transferring appeal authority from administrative law judges to Human Services referees on revenue recapture issues related to Department of Human Services (DHS) program overpayments.

Background

Currently when a client appeals an overpayment on a public assistance program, two separate appeal hearings are required if the client is contesting the amount of the overpayment and the use of revenue recapture. M.S. 270A.09, subd. 1, provides for an appeal hearing according to contested case procedures established in the State Administrative Procedure Act, and does not allow for the contested revenue recapture action to be heard in accordance with M.S. 256.045 (human service appeals). Appeals must be heard by an administrative law judge through the Office of Administrative Hearings (OAH) who has limited experience with DHS program debts.

The Department of Employment and Economic Development (DEED) also does revenue recapture to offset claims. M.S. 270A.09, subd. 1, allows DEED to handle the revenue recapture appeals on their cases.

Proposal

This proposal would transfer appeal authority from administrative law judges to Human Services referees on revenue recapture issues related to DHS program overpayments.

Requiring two separate hearings is time consuming and expensive for clients and counties. Often the issues are the same. If the appeal hearing for revenue recapture was heard in the same manner as an appeal under M.S. 256.045, the client would need to attend only one hearing to address all their issues. This will result in less time for the client and the agency worker and allow for an efficient handling of the case.

It is difficult to determine county cost savings for this proposal. Per the OAH, the number of appeals being heard on public assistance debts has decreased for several reasons:

- ◆ The cost of the appeal may be more than the actual debt amount that the county is trying to collect. The hourly charge for the judge's time is \$160.00 per hour and per OAH the bare minimum for a judge for any kind of hearing would be two hours work. There are also usually support staff costs which run \$50 per hour.
- ◆ There may be a lack of understanding on the part of counties of the need to refer revenue recapture appeals to the OAH.
- ◆ Because OAH judges do not have expertise in Human Services programs, counties are reluctant to go through the process.
- ◆ Counties are choosing to get judgments on the debt and avoid the appeal process.

In some cases this can mean the loss of revenue recapture as a source of recovery.

Under this proposal the DHS Appeals and Regulations Division assumes responsibility for revenue recapture appeals on public assistance debt. The department anticipates that counties would be more willing to use the appeal process, resulting in an increase in the use of revenue recapture, which is an efficient tool for recovery of delinquent claims. Based on limited county data, this change could result in 100 – 200 additional appeals per year. This additional workload would require 0.5 FTE.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Revenue Recapture Appeals

Data to directly estimate the savings that may be realized due to increased recoveries resulting from this change are not available. However, the department currently collects an average of about \$480 per public assistance case through revenue recapture. This proposal likely will result in more recoveries. If the department hears 200 new appeals, there is a potential increase in collections of \$96,000. The state share of these collections averages 50% or \$48,000. Recoveries would offset the administrative costs.

Key Goals and Measures

Goal: Service delivery: Make it easier to deliver quality human services

Measures: See key measures in Children and Economic Assistance Grants

Statutory Change: M.S. 270a.09, 256.045

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Invest in Early Learning**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The governor recommends using federal funds to extend two pilot projects that support early learning for at-risk children: (1) School Readiness Connections, and (2) the quality rating system. This extension would allow sufficient time for evaluation results to be completed, analyzed and used to inform possible recommendations.

Background

The following child care development initiatives are currently being piloted and evaluations are underway:

School Readiness Connections

The goal of School Readiness Connections (SRC) is to provide incentives for selected providers to partner with counties and parents to promote the skills and abilities that children served by the Child Care Assistance Program (CCAP) need to succeed in school.

- ◆ \$1 million (one-time) was appropriated over the 2008-2009 biennium.
- ◆ 14 providers from nine counties are serving an average of 220 children per month.

Quality Rating System

The goal of the quality rating system pilot, known as Parent Aware, is to increase the number of Minnesota children, particularly at-risk children, entering kindergarten fully prepared for learning success. The program does this by increasing the number of high quality programs that research shows are critical for helping children acquire the skills and abilities needed for school readiness. The pilot targets at-risk children by concentrating services in geographic locations where many at-risk children live. This pilot program is currently funded through a grant from the Minnesota Early Learning Foundation through June 2010.

In the past, the legislature has used under spending in the Basic Sliding Fee (BSF) program for refinancing. In the 2008 session \$9.2 million in federal child care and development funds (CCDFs) were refinanced.

Proposal

This proposal would extend the SRC and quality rating system pilots until evaluation results are available, using federal Child Care and Development funds that remain available from the BSF child care assistance program at the end of calendar year 2008. Funds remaining after funding these pilots will be refinanced in the child care assistance program and returned to the general fund.

Rationale for continuing the SRC pilot into the SFY 2010-2011 biennium***Funding SFY 2010 - \$763,000; 2011 - \$760,000***

- ◆ An administrative and effectiveness evaluation is being conducted by SRI International, which will be completed in December 2009.
- ◆ SRI is also conducting evaluations of other early learning pilot projects; allowing more time for evaluation allows for informed decision making regarding SRC in comparison to other initiatives being simultaneously evaluated (Allowances and Scholarships).
- ◆ This proposal extends SRC at current funding levels for the 2010-11 biennium. This will allow the program to continue until results of the evaluation are received. This will allow for more efficient and cost-effective delivery of services than would occur if the program was dismantled, and then re-instituted.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Invest in Early Learning

- ◆ Evaluation results will inform the Department of Human Services (DHS) about indicators of children's progress and program quality; it will also inform CCAP staff about administrative practices and policies that would make it possible to take this type of an initiative to scale.

Rationale for continuing the Quality Rating System pilot into SFY 2011

Funding \$990,000 in SFY 2011 only

- ⇒ An administrative and effectiveness evaluation is being conducted by Child Trends, which will be completed in December 2010.
- ⇒ The quality rating system is a critical component of a privately-funded scholarship pilot, which is currently being evaluated by SRI, the same organization that is evaluating the SRC project. The scholarship evaluation report will be released in December 2011. Quality ratings are used to determine which programs are available for the families receiving scholarships.
- ⇒ This proposal extends the quality rating system pilot at current funding levels for SFY 2011. This will allow the program to continue until results of the evaluation are received. This will allow for more efficient and cost-effective delivery of services that would not occur if the program was dismantled and then re-instituted. Obtaining evaluation results will inform DHS about the quality of Minnesota's early learning programs and about administrative practices and policies that would make it possible to this type of an initiative to scale.

Key Goals and Measures

- ⇒ Families will provide a stable, supportive environment for children.
- ⇒ Outcomes will improve for the most at-risk children.
- ⇒ Children will start school ready to learn.

Statutory Change: Rider

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: AA/RCA Funding Adjustment**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$5,469 | \$7,617 | \$9,877 | \$12,204 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$5,469 | \$7,617 | \$9,877 | \$12,204 |

Recommendation

The governor recommends \$5.469 million in FY 2010 and \$7.617 million in FY 2011 be appropriated from the general fund for the purpose of addressing expected need in the Adoption Assistance (AA) and Relative Custody Assistance (RCA) programs. This recommendation incorporates savings resulting from aligning the AA program with the recently passed amendments to Title IV-E of the Social Security Act which will gradually increase the number of children eligible for federal funding. In addition, a new program option allowed under those amendments that would slightly raise federal Title IV-E revenue for AA is recommended. The Governor further recommends that both programs be fully funded in FY 2012 and 2013. The Governor proposes that starting FY 2011, the AA and RCA program will transition into a broader program for child permanency that provides a single permanency benefit and will be called Northstar Care for Children.

Background

There were 1,429 children under state guardianship at the end of 2007. A total of 672 children under state guardianship were adopted in 2007. Another 620 children per year not under state guardianship but in county foster care experience a transfer of permanent legal and physical custody to a relative or person significant to the child. Since FY 2000, the number of children receiving adoption assistance payments has nearly doubled from 3,385 to 6,559 and is expected to continue to increase as Minnesota continues to improve in finding permanent homes for children.

Adoptive parents and permanent relative custodians assume parenting responsibility for children who have experienced neglect, physical or sexual abuse and cannot safely return to their families. Many of these children have additional neurological or medical issues and often require psychological, medical, educational and social services. Parents adopting these children have difficulty meeting the special needs without financial and other supports. If parents were not willing to adopt these children as part of their family, many of the children would continue to be wards of the state, and counties would continue to pay for foster care.

- ◆ Adoption Assistance. The AA program provides financial assistance to adoptive parents to provide care for special needs children. The AA rate paid to an adoptive parent varies by age of child and difficulty of care. For about 75% of the AA children, federal Title IV-E funding covers half of the assistance. The rest are funded entirely with state funds. This state-funded segment is the fastest growing segment of the caseload because federal eligibility has been tied to a child's eligibility for the old AFDC program. A recent change in federal law, the Fostering Connections to Success and Increasing Adoptions Act, will gradually increase the number of adoptive children that will be IV-E eligible.
- ◆ Relative Custody Assistance (RCA). Similar to AA, RCA provides monthly financial assistance to a relative or person significant to the child who accepts permanent legal and physical custody of a child who has been in foster care. The rates are the same as AA, except that the monthly payment is adjusted based on the relative custodian's gross family income and the amount of the MFIP child-only grant received on behalf the child. There is little or no difference in the needs of children experiencing a transfer of permanent legal and physical custody in comparison to those experiencing a termination of parental rights. RCA is funded entirely with state dollars. Under the Fostering Connections Act, states have the option to establish a Guardianship Assistance program and receive federal reimbursement for qualified children. This is a costly option and would not be pursued except under a single benefit approach such as the Northstar Care for Children proposal.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: AA/RCA Funding Adjustment

- ◆ Non-Recurring Adoption Assistance Expenses – Up to \$2,000 per family is allowable to cover expenses that support and facilitate the adoption process, such as agency adoption fees, attorney fees and court filing fees. Non-recurring expenses are funded with state dollars and receive a 50% Title IV-E match. It is a federal requirement that states provide these reimbursements to all families adopting a special needs child who meet eligibility criteria.

There is a high degree of dynamic interactivity among foster care, adoption assistance, and relative custody assistance. Children reside in foster care and other residential treatment facilities during family reunification efforts. Foster care and child welfare services are primarily paid for by counties who receive federal Title IV-E reimbursement for eligible children. Many foster care placement rates are more than twice the amount allowed by AA or RCA. Aged-based rates for adoption assistance range from \$247 to \$337, half of foster care's rates. Supplemental rates that are governed by the child's difficulty of care range for \$150 to \$500 for AA and RCA.

Proposal

This proposal would adjust the appropriation for AA and RCA to align with projected use of the programs. Even though growth in subsidized adoptions and relative custody is moderating there is need for a large base adjustment which recognizes the deficit resulting from 2007 DHS budget failing to adequately fund the FY 2010-2011 base. The 2007 legislature funded the projected change in AA expenditures for FY 2008 and FY 2009 as well as a small increase to non-recurring adoption expense but did not increase the budget base for FY 2010 and FY 2011 as the Governor had recommended. Rather, the budget base was left at the FY 2007 level, \$5.1 million per year less than the FY 2009 budgeted level, which is the customary basis for setting the out-years budgets. Not funding this need will leave children, many with challenging physical and emotional needs, in out-of-home placement without permanency.

The Governor recommends \$5.469 million in FY 2010 and \$7.617 million in FY 2011 be appropriated for the purpose of addressing needs in the Adoption Assistance and Relative Custody Assistance programs. This level would fund anticipated growth in the program and would fund the base deficit left from the 2007 session. In addition, the Governor proposes to adopt the options under the Fostering Connections Act which would provide additional federal reimbursement to the AA program.

Relationship to Base Budget

Adoption Assistance program base funding for FY 2009 is \$30.7 million. Because the base had not been adjusted in the 2007 session, the beginning base for 2010 will be \$25.4 million, the FY 2007 level. Expected average annual caseload for FY 2010 is over 7,600 children, almost 900 more than the 6,714 that were funded in FY 2007.

This proposal interacts with the Northstar Care for Children proposal which would use the appropriations for AA and RCA to fund a single benefit rate structure for family foster care, AA and RCA starting in FY 2011.

Key Goals and Measures

- ⇒ Families will provide a stable, supportive environment for children.
- ⇒ Improve outcomes for the most at-risk children.
 - ◆ Percentage of children who were adopted in fewer than 24 months from the time of latest removal from their home.

Statutory Change: M.S. 256, 259, and a rider

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Child Permanency – Northstar Care**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$461 | \$2,135 | \$4,500 | \$4,700 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | (2,135) | (4,387) | (4,446) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$461 | \$0 | \$113 | \$254 |

Recommendation

The Governor recommends development of a single permanency benefit program combining adoption assistance, relative custody assistance and family foster care. This simplified program would be effective 01-01-2011 and be fully phased-in by 07-01-2011. The program would be called Northstar Care for Children.

Background

Although initially very similar, Child Foster Care, Relative Custody Assistance (RCA), and Adoption Assistance (AA) programs have over time evolved into three fairly distinct programs. The financial incentives are backwards, with temporary Child Foster Care typically providing higher levels of financial support than the two options that offer a permanent home for a child. This disparity is a barrier to permanency for children in foster care, works against the child's best interests, appears to increase racial disparities, and results in many children remaining in long-term foster care. The recent federal review of Minnesota's child welfare system was critical of the number of children living in long-term foster care. Each of the three existing programs has specific problems that suggest the need for action, and the new simplified program is designed to address these problems.

Proposal

This proposal combines three programs into a simplified single benefit for children that have been removed from their home. Effective 01-01-2011, it combines Child Foster Care, Relative Custody Assistance, and Adoption Assistance into one continuous, unified program of support for children (Table 1). The new program would be called Northstar Care for Children and would collapse over 225 potential basic or difficulty of care rates into thirteen rates.

In the new program, there would be a basic monthly payment based on the child's age. All children would go through a single "universal" assessment process using a newly developed assessment tool to determine the child's need for care beyond basic, if any. Based on this simplified assessment process, each child would receive the basic payment only, or one of 10 levels of monthly supplemental payment. For children 12 or younger, this assessment process would also determine the caregiver's need for child care (up to \$240/month) to pursue work and/or education/training. In the past, child care has been a frequent barrier to moving a child to permanency.

New statute would be created for this program to cover new entrants, existing children in Child Foster Care and Relative Custody Assistance, plus existing children in Adoption Assistance who transition in. (Federal law prohibits requiring a transition in many cases, but most recipients will opt in.) The legacy Adoption Assistance program would continue to address the small number of cases opened before the new program existed whose recipients chose not to transition into the new program. (When these children have aged out of legacy Adoption Assistance, that section of statute would be repealed.)

This proposal alters the amounts of supportive funds from the existing array of programs, resulting in some caregivers receiving more and some less, but all based on the same determination of need. Most of the rate increases would be focused on older children (who are typically more difficult to place) and moving children to permanency. Specifically, all children in RCA and nearly all children in AA would receive more benefit. A small group of children (estimated to be 500) in the current AA program might choose to remain with the legacy program, primarily because the child care allowance would not cover their full child care costs. This option would not be available to their successors, whose proposed supplemental rate would include a child care allowance. In

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Child Permanency – Northstar Care

general, Foster Care rates would be down, yet some foster parents temporarily caring for children would receive more benefit. The monthly basic payment would increase for the foster parents of 62% of foster children. Nearly 15% of children in foster care get basic only and no supplemental payment. On the supplemental payment, some would get increases, but most would see decreases. For about 30% of foster children, the foster parents currently receive a supplemental payment above the top supplemental rate available through the proposal.

| Current Basic Rates | | | | | Northstar Basic Rates | | | |
|----------------------------|---------------------|-------|-----------|-----------|-----------------------|------------------------------|---------|-------|
| Ages 0-5 | \$598 | \$247 | \$247 | | | Ages 0-5 | \$500 | |
| Ages 6-11 | \$598 | \$277 | \$277 | | | Ages 6-12 | \$625 | |
| Ages 12-14 | \$692 | \$307 | \$307 | | | Ages 13-20 | \$750 | |
| Ages 15-17 | \$713 | \$337 | \$337 | | | | | |
| Age 18 | \$713 | None | \$337 | | | | | |
| Ages 19-20 | Unregulated | None | \$337 | | | Northstar Supplemental Rates | | |
| Age 21 | None | None | \$337 | | | Level A | \$60 | |
| | | | | | | Level B | \$120 | |
| Current Supplement Rates | | | | | | Level C | \$180 | |
| Foster Care | | | | | AA | RCA | Level D | \$240 |
| Level A: 1 to 35 Points | \$6.60-231.00 | | Level I | \$ 150.00 | \$ 150.00 | Level E | \$300 | |
| Level B: 36 to 70 Points | \$237.60-462.00 | | Level II | \$ 275.00 | \$ 275.00 | Level F | \$360 | |
| Level C: 71 to 105 Points | \$468.60-693.00 | | Level III | \$ 400.00 | \$ 400.00 | Level G | \$420 | |
| Level D: 106 to 140 Points | \$699.60-924.00 | | Level IV | \$ 500.00 | \$ 500.00 | Level H | \$480 | |
| Level E: 141 to 175 Points | \$930.60-1,155.00 | | | | | Level I | \$540 | |
| Level F: 176 to 225 Points | \$1,161.60-1,485.00 | | | | | Level J | \$600 | |
| | | | | | | | | |

Note: This presents a simplified version of the levels for foster care. There are currently 225 possible levels.

Instead of the complicated array of reimbursement processes used by Adoption Assistance that add to its growing costs, this proposal would use a simple, predictable annual cost of care adjustment to the rate, similar to what is presently used for Child Foster Care.

Previously counties and those tribes participating in the American Indian Child Welfare Initiative have been financially responsible for Child Foster Care and the state for Adoption Assistance and Relative Custody Assistance, with federal Title IV-E financial participation as permitted. For fiscal soundness and to align fiscal incentives, the new program would share the non-federal expenses between the counties, tribes, and the state, with appropriate shares established for the state and for each county or tribe based on expenditures and trends during calendar years 2008-2010. To ensure that costs reflect actual utilization, individual counties or tribes would be responsible for the local share of non-federal costs for any children they add to the program after it begins.

The SSIS (Social Service Information System) already handles foster care for counties and the tribes and adoption assistance for the central office. SSIS would be modified to accommodate the new program. This would require a substantial modification.

Relationship to Base Budget

This change is intended to be fundamentally cost-neutral except for the required computer system changes. There would be some increased costs in the out-years (FY 2012 and FY 2013), primarily associated the former RCA segment of the program. This change would result in Temporary Assistance for Needy Families (TANF) savings to Minnesota Family Investment Program (MFIP) through its child-only grants, and these savings would be captured through TANF refinancing.

The proposal would introduce a state/local non-federal share to family foster care by combining all the children under the single benefit. Similarly, a state/local share to adoption assistance and relative care would also be created. These would be new.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Child Permanency – Northstar Care

Key Goals and Measures

- ◆ Families will provide a stable, supportive environment for children.
- ◆ Improve outcomes for the most at-risk children.
- ◆ Percentage of children who gained permanency in fewer than 24 months from the time of latest removal from their home.

Statutory Change: M.S. 256B.055; M.S. 256J.24; M.S. 257.85; M.S. 259.67; M.S. 260B.441; M.S. 260C.441; and M.S. 256.82 (to be repealed)

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Protecting Children Act

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends that effective 01-01-2011, a major component of the Children and Community Services Act (CCSA) grant to counties be redirected to a Protecting Children and Strengthening Families Act grant. Other important components of the CCSA grant will be similarly redirected to specific categories, including children's and adult mental health, chemical dependency, and aging and disability services for adults. Funds in the current CCSA will be split on a 55% / 45% basis between the Protecting Children Act program and the other component programs.

Background

In the 2003 session of the legislature, the Children and Community Services Act (CCSA) grant was created. It was primarily child-related and flexible state and federal grants to counties that were consolidated into the grant after being cut by more than 25% in the base. At the time, counties requested that the term "Community" be added and as well as language permitting them to use some of the funds for adult services. Over time, however, counties have themselves shifted more and more of the funds toward children's services.

The intent of the grant program was to provide counties flexibility but that flexibility has come with some disadvantages. Recent events suggest that Minnesota counties may not always prioritize early intervention services when faced with fiscal limitations. Yet both family trauma and public costs can be reduced significantly when risk factors are addressed early and families receive the resources they need, with the primary goal being child safety. For example, both Family Assessment (formerly Alternative Response) and the Parent Support Outreach Program (PSOP) have demonstrated positive and effective outcomes. Both started as pilots and need to be supported and sustained in the child welfare system over time. Despite their success, clear state direction in law will help to ensure their continuation.

Proposal

This proposal eliminates the Children and Community Services Act and creates a Protecting Children and Strengthening Families Act, removing the children's portion of language and funds from the current CCSA Act. New language in the Protecting Children Act defines public child welfare policy, sets state priorities, creates accountability mechanisms for achieving improved outcomes for children and families, and establishes the fund to address the safety, permanency and well-being needs of children and adolescents who come to the attention of the county as a result of a report of child maltreatment or an allegation of child maltreatment or are otherwise the responsibility of the county.

The new Protecting Children and Strengthening Families Act would provide for performance monitoring. It would also include formula factors based on need. The current CCSA is based on historical spending dating back over 15 years, and is increasingly removed from current realities. The proposed act would provide for a phase-in period to allow counties to adjust to the new formula allocation.

The current CCSA grant includes both state appropriation and federal Title XX Social Service Block Grant (SSBG) funds. These would be appropriately divided between the successor programs based in CY 2004 county spending.

The other components of the CCSA grant would be prorated between the program areas of Aging and Disability Services for Adults, Chemical Dependency, and Mental Health.

The funding for Aging and Disability services for adults would be allocated to counties and would serve people over age 65 and people with disabilities over age 18. This grant would set priorities with outcomes for aging or disabled adults who experience issues including dependency, abuse, neglect, poverty, disability, exploitation, and chronic health conditions. The grant would target protective services such as adult protection investigations, services needed to protect individuals from maltreatment, abuse and neglect, and public guardianship for persons with developmental disabilities. In addition, the grant also would target preventative services that would reduce or prevent institutional care, or achieve or maintain self-sufficiency. Counties will also be required to report outcomes and performance measures in adult protection and preventative services. The funding would be allocated to counties based upon prior expenditures for these types of services.

The funding for chemical dependency would help offset county costs in providing mandated detoxification services. The Department proposes allocating these funds to counties in proportion to their share of persons living at or below 100% of federal poverty guidelines. County detoxification services expenditures will be reimbursed up to the amount of the county allocation.

The funding for Mental Health would be spread between the adult and children's populations. Funds appropriated for adult mental health grants will be granted to counties and regional groups of counties (the adult mental health initiatives) to support the cost of providing psychiatric hospital services, intensive rehabilitation services, crisis services and outpatient care for individuals without health coverage. A smaller portion of the funds will be used to provide non-Medicaid eligible community support services, housing subsidies, and county pre-petition screening activities.

Funds appropriated to children's mental health grants will be granted to counties for calendar year 2011 on a needs-based formula to support the community safety net for vulnerable children identified as severely emotionally disturbed. For subsequent years, tribes will be included in the needs-based formula and a smaller portion of the funds will be granted on a competitive basis to support suicide prevention education activities; establishment and dissemination of depression management protocols for children and adolescents; training on level of care determination; and regional development of community-based intensive service models as alternatives to current day treatment services.

Relationship to Base Budget

This proposal would leave the overall budget base unchanged. State funds would be distributed based on the most recent county spending for the following categories (percentages shown are from 2007): children's (56%), chemical and mental health (28%), and aging and disability services (15%). Federal SSBG funds would be distributed according to the same method (percentages shown are from 2007): children's (52%), chemical and mental health (29%), and aging and disability services (19%). Within chemical and mental health, funds would be distributed to children's mental health, adult mental health, and chemical dependency based on a combination of county spending and county budgets.

Key Goals and Measures

- ◆ Families will provide a stable, supportive environment for children.
- ◆ Improve outcomes for the most at-risk children.
 - ⇒ Percentage of children who do not experience repeated abuse or neglect within 12 months of a prior report.
 - ⇒ Percentage of children reunified in less than 12 months from the time of the latest removal from their home.
 - ⇒ Percent of children who were adopted in fewer than 24 months from the time of the latest removal from their home.
- ◆ At risk adults will reside safely in the community.

- ◆ Improve outcomes for aging adults and persons with disabilities.
 - ⇒ Percentage of adults who do not experience repeated abuse or neglect within 12 months of a prior report.
 - ⇒ Percentage of adults receiving publicly-funded long-term care who live in the community versus institutional settings.
 - ⇒ Percentage of adults that have access to necessary supportive services in the community.
- ◆ Develop effective and accountable mental health and chemical health systems.
 - ⇒ Number of children receiving mental health services per 10,000 children.
 - ⇒ Percentage of children in the child welfare system who receive a mental health screening.
 - ⇒ Percentage of adults with serious mental illness who remained in the community six months after discharge from an inpatient psychiatric setting.
 - ⇒ Percentage of adults with serious mental illness who are receiving public mental health services.
 - ⇒ The percentage of clients completing chemical dependency treatment.
 - ⇒ The percentage of CD clients using alcohol or illicit drugs in the previous 30 days – at admission and discharge.

Statutory Change: M.S. 256, 256O, and 256M, and rider

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Recover TCM Temporary Payment**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 16,333 | 16,334 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(16,333) | \$(16,334) | \$0 | \$0 |

Recommendation

The Governor recommends recovering from counties and tribes \$16.3 million of the targeted case management (TCM) Temporary Funding Adjustment in fiscal year 2010 and \$16.3 million of the adjustment in fiscal year 2011. Because a Congressional moratorium on TCM regulations delays their impact, most of these funds can be recovered from counties and tribes without adversely affecting services provided.

Background

The legislature made a contingent \$32.7 million one-time appropriation to counties and tribes in the 2007 session to compensate for the anticipated loss of federal targeted case management funds during the FY 2008-2009 biennium and to compensate for a pending federal Medicaid disallowance. The department had expected large reductions in federal reimbursement once the federal rules were issued and had made this proposal. DHS distributed the funds in January 2008, following CMS' issuance of the case management regulations in December 2007. Those regulations were to come into effect 03-03-08. However, in June 2008, Congress passed a moratorium on the regulations until 04-01-2009. The moratorium was retroactive.

The intent of this one-time appropriation was to reduce the fiscal uncertainty that counties were facing in anticipation of the new regulations and to provide some resources so that needed services could be preserved after imposition of the regulations. Because of the moratorium, the federal TCM reimbursements have continued and the payments made by the state to counties and tribes are no longer necessary to address their intended purpose of bridging that anticipated uncertainty and protecting services in the FY 2008-2009 biennium. In effect, the state payments represent at least a partial doubling up of some of the federal reimbursements.

Proposal

This proposal would recover the overage in payment by billing the respective counties and tribes for the payment received. The net recovery will total \$32.7 million. In order to reduce potential county cash flow problems, funds would be recovered over two years, one-half would be recovered in FY 2010 and one-half in FY 2011. Counties could be given flexibility on a case-by-case basis. The commissioner would be given the option to withhold other federal reimbursements under Minnesota Statutes 256.017, if needed.

Relationship to Base Budget

In calendar year 2007, federal case management revenue represented nearly 7% of county program funding for children in the child welfare system, children and adults with mental health programs, and vulnerable and developmentally disabled adults.

Key Goals and Measures

Ensure appropriate stewardship of public funds

Statutory Change: Rider.

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Group Residential Housing Modifications**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$ (960) | \$ (6,072) | \$ (7,324) | \$ (7,568) |
| Revenues | 4,800 | 9,600 | 9,600 | 9,600 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$ (5,760) | \$ (15,672) | \$ (16,924) | \$ (17,168) |

Recommendation

The Governor recommends expanding federal reimbursement for group residential housing (GRH) service and food costs; equalizing personal needs allowances; and eliminating the community living adjustment for people living in GRH settings.

Background

Group Residential Housing grants provide income supplements for room, board, and other related housing services for people whose illnesses or disabilities prevent them from living independently. In order for residents to be eligible for GRH payments, a setting must be licensed by the Minnesota Department of Human Services (DHS) as an adult foster home or by the Minnesota Department of Health as a board and lodging establishment, a supervised living facility, a boarding care home, or, in some cases, registered as a housing-with-services establishment. GRH has no federal share but some related costs receive federal reimbursement.

Expanding Federal reimbursement for service costs

The GRH payments include a base rate payment for room and board and, in some settings, a Supplementary Service rate if no federal service funding is available. Supplementary Service rate authorizations are currently subject to a moratorium. In addition, there is a difficulty of care (DOC) payment that is available to residents of foster care facilities to pay for additional uncompensated services necessary to allow them to remain in the setting.

Services funded by the DOC payment would be eligible for federal reimbursement under the home and community based waiver for people with developmental disabilities (DD waiver). To the extent the DOC payments can be funded as part of the federal waiver, overall state savings can be realized. This change would not necessarily result in waivers for more individuals but could increase the waiver reimbursement amount for waiver clients.

A similar proposal authorized by the 2003 Legislature transferred the GRH Supplemental Room and Board rate to federal waivers for clients residing in corporate adult foster care settings.

Expanding Federal reimbursement for food costs

DHS has a federal waiver of Food Support requirements that allows the state to bill the United States Department of Agriculture Food and Nutrition Services for reimbursement of a portion of the food payments made by the state to GRH settings. The current waiver project is limited to non-profit homes of 16 beds or fewer serving disabled adults under the age of 65. A further condition is that each eligible GRH client with earned or unearned income is only eligible for a percentage of the maximum food stamp amount.

Within these limitations, Minnesota submits invoices for approximately 3,600 GRH recipients per month and receives approximately \$300,000 per month in federal reimbursement. There are more than 15,000 GRH recipients in Minnesota. By expanding the project to encompass those that would be eligible in for-profit settings regardless of the number of beds, the state could add more than 10,000 people. This would mean approximately \$800,000 a month in additional reimbursements for the state.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Group Residential Housing Modifications

Personal needs allowance and Community Living Adjustment

Currently people living in a GRH setting receive a different amount for personal needs depending upon their basis of eligibility. People with an MSA/SSI-basis of eligibility receive a personal needs allowance of \$109 /month and people with a GA basis of eligibility receive a personal needs allowance of \$89 /month, a difference of \$20/month. Under current law SSI recipients in GRH settings receive a \$20 income disregard that is not available to people with a GA basis of eligibility.

People living in a GRH setting, regardless of their basis of eligibility, also receive a \$12/month Community Living Adjustment. This adjustment was put into place in 2005 to offset pharmacy co-pays. Subsequent policy changes to drug coverage no longer make this payment adjustment necessary.

Proposal

Federal reimbursement for service costs

This proposal instructs DHS to pursue a change in the DD waiver to allow people with developmental disabilities residing in family adult foster care settings who need supportive living services (SLS) to have those services authorized as part of the federal waiver rather than using GRH Difficulty of Care (DOC). For those clients who do not need SLS, a plan would be developed to transition them to Minnesota Supplemental Aid (MSA) shelter needy starting 07-01-2011. GRH DOC payments would be eliminated for this group of recipients.

The intent of this proposal is also to transfer costs from the General Fund to Medical Assistance through the DD waiver resulting in general fund savings to the state. GRH costs would be reduced by \$2 million/year and MA LTC waiver costs increased by \$1 million/year for a net savings of \$1 million/year in the FY 2012-2013 biennium.

The 07-01-2011 effective date is necessary to allow for the work that needs to be done on the waiver amendment.

Federal reimbursement for food costs

This proposal expands the existing food support reimbursement waiver project to all eligible GRH recipients as a means of increasing federal food support reimbursement for state-funded GRH settings. This includes individuals in GRH settings with no limit on the number of beds and is not limited to non-profit settings. The state would need to apply for an expanded Federal waiver; federal approval is expected by 01-01-2010.

Personal needs allowance and Community Living Adjustment

This proposal equalizes personal needs allowances by eliminating the \$20 disregard available to people living in GRH settings with an MSA/SSI basis of eligibility. This change results in a personal needs allowance of \$89/month, equivalent to the personal needs allowance for people with a GA basis of eligibility.

This proposal also eliminates the \$12/month Community Living Adjustment for people living in a GRH setting.

The effective date for these changes is 04-01-2010

Relationship to Base Budget

Base funding for the Group Residential Housing program is about \$100 million per year.

Key Goals and Measures

At-risk adults who are without children and struggling to meet their basic needs will receive a seamless continuum of financial, employment, health care, housing, social service, and other supports from the department and its partners.

Statutory Change: M.S. 256I and rider.

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Child Care Assistance Program Reductions**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(4,930) | \$(5,468) | \$(5,391) | \$(5,323) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(4,930) | \$(5,468) | \$(5,391) | \$(5,323) |

Recommendation

The Governor recommends a reduction of 3% in maximum rates paid to licensed providers, license-exempt centers, and legal non-licensed providers under the Child Care Assistance Program (CCAP). The governor also recommends an increase of 3% in co-payments paid by families who receive a subsidy under the CCAP. These changes would be effective 07-01-2009.

Background**Maximum Provider Rates**

In the 2003 session maximum Child Care Assistance Program (CCAP) rates paid to providers were frozen at the level in place at that time. These maximum rates were first in effect 07-01-2002 and were based on market rate survey data from 2001.

The 2005 rate changes set most child care assistance provider rates at the 75th percentile of market rates based on the most recent market rate survey or increased by 1.75%, whichever was less effective 01-01-2006. There was also an adjustment for child care center rates in some rural counties with regional or statewide rates at the current rate or highest rate reported in the county in the 2002 market rate survey, whichever was greater. Beginning in January, 2006, these rates were set at the 100th percentile of market rates based on the most recent survey or increased by 1.75%, whichever was less.

Effective 07-01-06, maximum rates paid to providers were increased by 6%. These rates remain in effect today.

Family Co-payments

Families with incomes below 75% FPG are not required to pay a co-payment for child care assistance. Families with incomes between 75-100% FPG pay a \$5 monthly co-payment. On 07-01-2008, the co-payment schedule was converted to State Median Income (SMI) for families with incomes above 100% FPG. Co-payments for families with income above 100% FPG increase from 2.61% to 14% of income as income increases.

- ◆ Effective 07-01-2003, co-payments for all families assessed a co-payment were increased. The highest co-payment was 22% of a family's gross income.
- ◆ Effective 01-01-2006, co-payments were reduced for families assessed a co-payment. The highest co-payment was 18% of a family's gross income.
- ◆ Effective 07-01-2007, co-payments were reduced for families with incomes over 100% FPG to no more than 14% of a family's gross income.

Proposal

Effective 07-01-2009, this proposal would reduce maximum rates paid to licensed providers, license-exempt centers, and legal non-licensed providers by 3%. The maximum rates that could be paid to all providers under child care assistance would decrease.

Co-payments made by families would be increased by 3%. Co-payments for families with incomes between 75-100% FPG would not change. Families with incomes above 100% FPG but less than 67% SMI would experience an increase in co-payments. For example, the co-payment for a family of three at 45% of SMI (\$30,798) would increase from \$125 per month to \$129 per month.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Child Care Assistance Program Reductions

Relationship to Base Budget

The reductions are approximately 5% of the general fund base budget for CCAP.

Key Goals and Measures

Goal: Improve outcomes for the most at-risk children

Measure: Percentage of child care providers covered by maximum rates

Statutory Change: M.S. 119B

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: MFIP Reductions

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|------------|------------|------------|
| General Fund | | | | |
| Expenditures | \$23 | \$(267) | \$(431) | \$(440) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (4,551) | (13,218) | (13,231) | (13,028) |
| Revenues | | | | |
| Net Fiscal Impact | \$(4,528) | \$(13,486) | \$(13,662) | \$(13,468) |

Recommendation

The Governor recommends targeted reductions to reverse prior expansions in the Minnesota Family Investment Program (MFIP).

Background

A number of changes were made in the 2007 legislative session that changed eligibility for the MFIP program. These provisions:

- ◆ Repealed budgeting SSI up to \$125 per case as unearned income effective 02-01-2008;
- ◆ Increased the loan value of one licensed vehicle from \$7,500 to \$15,000 in addition to the combined loan value of all other vehicles of less than or equal to \$7,500, effective 01-01-2008, and;
- ◆ Removed the requirement that participants need to be working at least 20 hours a week for a post-secondary education plan to be approved, effective 07-01-2007.

Under current law, MFIP participants who receive a housing subsidy have up to \$50 of their subsidy counted as unearned income when determining the MFIP benefit. The 1997 Legislature passed a provision to count \$100 of the housing subsidy when determining the MFIP benefit. Implementation of this provision was delayed and not actually implemented until 2003, when it was changed from \$100 to \$50.

Proposal

This proposal contains several elements: Effective 07-01-2009 all MFIP participants would be required to be employed at least 20 hours a week to be approved for a post-secondary educational program. Effective 01-01-2010, the amount counted for families who receive subsidized housing would increase from up to \$50 per month to up to \$100 per month. Effective 02-01-2010, the provision to budget up to \$125 SSI per case as unearned income in determining the MFIP grant would be reinstated. Also effective 03-01-2010, the vehicle exclusion for one licensed vehicle would be lowered from a loan value of \$15,000 to \$7,500 for MFIP participants.

Relationship to Base Budget

Approximately 7,000 (19%) average monthly MFIP/DWP cases would have their grants affected by the \$125 SSI change and 4,700 (13%) cases would have their grants impacted by increasing the amount of the housing subsidy from \$50 to \$100. Approximately 100 (less than 1%) cases on average each month would be closed due to the reduced vehicle exclusion limit. About 200 (less than 1%) average monthly cases would be impacted by the change in requirements for the post-secondary education program.

In 2007, there were 36,000 MFIP/DWP cases.

Key Goals and Measures

GOAL : All Minnesotans will have the economic means to maintain a reasonable standard of living.

MEASURE: Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).

Statutory Change: M.S. 256J

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Work Participation Cash Benefit Changes**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(351) | \$(1,558) | \$(2,454) | \$(2,493) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(351) | \$(1,558) | \$(2,454) | \$(2,493) |

Recommendation

The Governor recommends that effective 10-01-2009, work participation cash benefits for former Minnesota Family Investment Program (MFIP)/Diversionary Work Program (DWP) participants be reduced from \$75 to \$50 per month.

Background

The 2007 Legislature created a cash benefit program for former MFIP and DWP participants who exit the program. The purpose of the transitional assistance or work participation bonus program is to provide a financial incentive to families who exit MFIP/DWP and to improve the Temporary Assistance for Needy Families (TANF) work participation rate by capturing additional participation hours for working families. Families are to be eligible to receive \$75 in cash for up to 24 consecutive months after they exit DWP or MFIP.

With implementation of this benefit beginning 10-01-09, it is estimated that Minnesota will meet the mandated federal Work Participation Rate (WPR) in federal fiscal year 2011. This change is expected to result in costs savings while maintaining the intent of the benefit, which is to increase the WPR while providing a monetary incentive to families who are working.

Proposal

Effective 10-01-2009, the work participation benefits for MFIP/DWP participants who exit the program and meet work participation requirements would be reduced from \$75 per month to \$50 per month. The Department projects that the \$50 benefit amount will be sufficient to maintain the intent of the benefit.

Since the bonus has not yet been implemented, no participants will experience a reduction in benefits.

Relationship to Base Budget

When fully implemented, approximately 8,000 families per month will be eligible to receive the transitional assistance benefit.

Key Goals and Measures

Goal: All Minnesotans will have the economic means to maintain a reasonable standard of living.

Measure: Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).

Statutory Change: M.S. 256J.621

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Decrease MFIP Exit Level to 110% FPG**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| TANF Fund | | | | |
| Expenditures | (829) | (1,181) | (1,226) | (1,210) |
| Revenues | | | | |
| Net Fiscal Impact | \$(829) | \$(1,181) | \$(1,226) | \$(1,210) |

Recommendation

The Governor recommends reducing the Minnesota Family Investment Program (MFIP) exit level from 115% of federal poverty guidelines (FPG) to 110% of FPG.

Background

To reward work, MFIP disregards part of families' earned income when calculating the MFIP grant amount. In 2001, the Legislature enacted a policy that indexes the earned income disregard so that a working MFIP family would exit MFIP at 120% of FPG. The 2003 Legislature passed a provision to reduce the exit level from 120% FPG to the current level of 115% FPG.

Proposal

Effective 10-01-09, the MFIP exit level would be reduced from 115% to 110%.

Under these options, working families will see their benefits decrease slightly when the disregard is decreased. The effective date of both the options would be 10-01-2009, so that the earned income disregard is adjusted after the MFIP transitional standard is changed to reflect the food stamp cost of living adjustment. It is only after the new transitional standard is set that the earned income disregard can be set to meet a specific FPG exit level. These changes would also require Food and Nutrition Service approval prior to implementation.

This proposal includes fiscal interactions with several elements of the MFIP reductions proposal: to budget up to \$125 SSI per case as unearned income, and to budget up to \$100 per case as unearned income when a family receives subsidized housing.

Relationship to Base Budget

This proposal would impact approximately 8,000 cases, about 22% of the caseload.

Key Goals and Measures

Goal : All Minnesotans will have the economic means to maintain a reasonable standard of living.

Measure: Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).

Statutory Change: M.S. 256J

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Eliminate Integrated Services Funding**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| TANF Fund | | | | |
| Expenditures | (1,250) | (2,500) | (2,500) | (2,500) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,250) | \$(2,500) | \$(2,500) | \$(2,500) |

Recommendation

The Governor recommends the elimination of Integrated Services Projects (ISP) funding for Minnesota Family Investment Program (MFIP) families.

Background

In 2005, the Minnesota Department of Human Services began a pilot project to look at ways to deliver comprehensive services to MFIP families who receive cash assistance long-term, many of whom are at-risk for reaching the 60-month time limit. Funding was awarded to eight grantees from a portion of the MFIP Consolidated Fund used for innovation projects to improve services for MFIP participants.

The ISPs were originally intended to be time-limited projects that would test models for effectively integrating services across systems and identify strategies that could be implemented statewide. The projects were to become self-sustaining within three years. Project evaluation was funded from a combination of public and private funds.

A review of the implementation and operational experiences of the eight sites involved in the Minnesota Integrated Services Projects initiative suggests some positive outcomes are being achieved for long-term cash assistance recipients with complex needs. The evaluation and the final report on the pilots have been completed.

The 2007 Legislature appropriated ongoing funding for Integrated Service Projects of \$2.5 million per year. This funding allowed the projects to be continued beyond the time originally intended. Given the mixed results shown in the evaluation of the ISPs and the department's fiscal constraints, this proposal allows counties to decide whether they wish to continue these special projects through other funding sources, such as the MFIP Consolidated Fund.

Proposal

Effective 01-01-2010, this proposal would eliminate \$2.5 million in ongoing funding for Integrated Services Projects.

Relationship to Base Budget

This proposal would permanently reduce the support services grants budget base by \$2.5million.

Key Goals and Measures

Goal : All Minnesotans will have the economic means to maintain a reasonable standard of living.

Measure: Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).

Statutory Change: Rider

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: MFIP Consolidated Fund Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| TANF Fund | | | | |
| Expenditures | (2,750) | (5,500) | (5,500) | (5,500) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(2,750) | \$(5,500) | \$(5,500) | \$(5,500) |

Recommendation

The Governor recommends reducing Minnesota Family Investment Program (MFIP) Consolidated Fund allocations to counties by 5%.

Background

The 2003 Legislature created the MFIP Consolidated Fund, combining a number of support services grants and emergency assistance program funds, to support low-income families. This fund is allocated to counties and tribes based on a formula that looks at the county's proportion of SFY 2002 expenditures for employment services, county administration, emergency assistance, and some smaller programs, as well as the county's proportion of an adjusted caseload factor.

From 2005 through 2007, counties and tribes automatically received 95% of the allocation. The remaining 5% was allocated based on performance. A formula was calculated to reward counties and tribes for their performance, based on two measures:

- ◆ The percentage of adults who were working 30 or more hours per week or who were off MFIP three years after a baseline reporting period (MFIP Self-Support Index), and;
- ◆ The percentage of MFIP adults participating in work activities for specified hours per week (Work Participation Rate or WPR)

Counties and tribes that achieved either a set rate on the WPR or a five percentage point improvement over the previous year's WPR received an additional 2.5% of the allocation. In addition, those that were within their expected range of performance on the MFIP Self-Support Index received an additional 2.5%. Those that exceeded their expected performance range could receive an additional 2.5%. (This last provision was eliminated in the 2008 legislative session.) In 2007, legislation was passed that allowed counties and tribes that did not meet the performance measures to receive the performance-based funds, provided they completed an improvement plan.

Proposal

Effective 01-01-2010, this proposal would reduce the MFIP Consolidated Fund that is allocated to counties by 5% and eliminate the performance-based allocation formula. Counties would still be required to submit performance improvement plans if they did not meet the performance measures, but no funding would be tied to the requirement.

Relationship to Base Budget

The MFIP Consolidated Fund, which includes the performance-based funds, is a combination of federal (\$105 million) and state (\$9 million) funding, totaling \$114 million.

Key Goals and Measures

Goal: All Minnesotans will have the economic means to maintain a reasonable standard of living.

Measure: Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).

Statutory Change: M.S. 256J

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: TANF Refinancing**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(9,415) | \$(24,588) | \$(26,866) | \$(29,664) |
| Revenues | | | | |
| TANF Fund | | | | |
| Expenditures | 9,415 | 24,588 | 26,866 | 29,664 |
| Revenues | | | | |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The governor recommends refinancing general fund spending with federal Temporary Assistance to Needy Families (TANF) funds in FY 2010 and FY 2011 by transferring a corresponding amount of TANF funds to the Child Care Assistance Program (CCAP).

Background

Federal TANF law allows states to use up to 30% of TANF block grants to carry out a state program under the Child Care Development Block Grant Act and Title XX of the Social Security Act (Social Services Block Grant). This law allows a transfer of TANF funds to these programs, providing a means to refinance TANF. When refinancing is done to create general fund savings, additional state expenditures must be claimed in order to meet a maintenance of effort (MOE) requirement.

Federal TANF law requires that states maintain a certain level of non-federal spending on related activities; this is referred to as TANF maintenance of effort (MOE). Sources of MOE are limited by law and include MFIP cash assistance, child care assistance, state and county administration, qualifying working family credit expenditures and several other smaller programs.

Proposal

This proposal would decrease the general fund appropriation for Minnesota Family Investment Program (MFIP)/Transition Year (TY) Child Care Assistance by \$9.4 million in FY 2010 and \$24.6 million in FY 2011 to achieve general fund savings.

The proposal would increase the TANF transfer to the fund to offset the general fund reduction.

A portion of child care general fund expenditures are claimed as a source of TANF MOE spending; therefore, a reduction in state child care spending would need to be replaced by other eligible MOE spending. To meet TANF MOE requirements in FY 2010-2011, this proposal would amend state law to increase the allowed use of the Working Family Credit as a source of MOE spending by \$9.4 million in FY 2010 and \$24.6 million in FY 2011. These are existing state expenditures.

This refinancing proposal would not alter the forecasted nature of, nor eligibility criteria for, MFIP/TY child care assistance. Program recipients would not be affected by this change in financing.

Relationship to Base Budget

This proposal creates general fund savings relative to the base budget and TANF commitments for FY 2010-2011.

Key Goals and Measures

Ensure appropriate stewardship of public funds.

Statutory Change: Riders

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS

Change Item: Correct Base Level Adjustments

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$189 | \$199 | \$199 | \$199 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$189 | \$199 | \$199 | \$199 |

Recommendation

The Governor recommends increases totaling \$189,000 in FY 2010 and \$199,000 in FY 2011 to correct errors from the 2008 session in setting the base budgets for several of the Department's programs.

Background

Base level adjustment riders are used to set the budget base for future years when the legislature intends those appropriation levels to differ from the appropriations specified for the last year of the current biennium. Differences may occur because grant appropriations are one-time, or one-time appropriations needed to be reflected. Last session, several base level adjustments were in error.

Proposal

This proposal would correct the following rider errors in Laws of Minnesota 2008, Chapter 363, Article 18, section 3:

- ◆ In **d) Child Care Development Grants**, delete "\$328,000" and insert "\$332,000." The rider would read "**Base Adjustment.** Of the general fund reduction, \$332,000 is one-time."
- ◆ In **e) Children's Services Grants**, delete "\$1,688,000" and insert "\$1.687 million." The rider would read "**Base Adjustment.** The general fund base is increased by \$1.687 million in each year of the fiscal year 2010 and 2011 biennium."
- ◆ In **f) Children and Community Services Grants**, delete "decreased" and insert "increased." The rider would read: "**Base Adjustment.** The general fund base is increased by \$98,000 in each year of the fiscal year 2010 and 2011 biennium."
- ◆ In **h) Other Continuing Care Grants**, delete "\$7.283 million" and insert "\$7.273 million." The rider would read "**Base Adjustment.** The general fund base is increased by \$.273 million in fiscal year 2010 and \$4.921 million in fiscal year 2011."

Relationship to Base Budget

These are corrections to the base budgets of each affected program.

Key Goals and Measures

Ensure appropriate stewardship of public funds.

Statutory Change: Riders

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: Eliminate Certain Children & Economic Assistance Grants**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$ (460) | \$ (460) | \$ (460) | \$ (460) |
| Revenues | 0 | 0 | 0 | 0 |
| TANF Fund | | | | |
| Expenditures | (140) | (140) | (140) | (140) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$ (600) | \$ (600) | \$ (600) | \$ (600) |

Recommendation

The Governor recommends eliminating two grants enacted during the 2007 session, saving a total of \$600,000 per year.

Background

During the 2007 session, the legislature appropriated \$460,000 per year to be added to the department's Group Residential Housing (GRH) grants base. These dollars were appropriated to augment community support and mental health for services for individuals receiving board and lodge care. These grant monies were for a specific provider. In addition, TANF funding was restored to the New Chance Grant program through the creation of the Young Parents program. The intention of this program is to help young parents on welfare achieve their educational and employment goals and build parenting and life skills that help them attain and maintain stability and economic self-sufficiency.

While providing needed services, each of the programs is narrowly focused to one location or vendor rather than having a broader focus.

Proposal

This proposal eliminates the \$460,000 in GRH grant monies provided for a specific vendor and eliminates \$140,000 in TANF funding for a specific program.

Relationship to Base Budget

This proposal will reduce the base budget of the department's GRH grants by \$460,000 in each year of the biennium and reduce TANF funding for the Young Parents program by \$140,000.

Key Goals and Measures

- ◆ People in need will receive support that helps them live as independently as possible.
- ◆ Percentage of elderly and people with disabilities receiving publicly-funded long-term care services living in the community versus an institutional setting.
- ◆ Improve outcomes for at-risk children.

Statutory Change: Riders

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: CCAP Federal Improper Payments Act**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$100 | \$100 | \$100 | \$100 |
| Revenues | (40) | (40) | (40) | (40) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$60 | \$60 | \$60 | \$60 |

Recommendation

The Governor recommends funding to implement the federal requirements of the Improper Payments Information Act of 2002, as it relates to the Child Care Development Fund (CCDF).

Background

In 2002, Congress passed the Improper Payments Information Act of 2002 (IPIA). This Act requires federal agencies to identify programs that are vulnerable to improper payments and to estimate annually the amount of underpayments and overpayments made by these federal programs. The CCDF, which provides a block grant to states to support state child care subsidies for low-income working families, has been included in the list of federal programs that must comply with the IPIA.

The federal Administration of Children and Families (ACF) released the CCDF Error Rate Reporting Final Rule and associated Data Collection Instructions in September 2007. The final rule is included at 45 CFR Part 98 Subpart K. The associated instructions identify the requirements that states must meet to be in compliance with the rule and the IPIA.

States receiving CCDF funds must establish a case review process to measure their error rate in the expenditure of CCDF grant funds and submit to ACF an Improper Authorization for Payment Error Report which provides information on that error rate and state strategies for error reduction. States are on a three-year cycle to complete the reviews and provide the report. Between reviews, states are expected to work on strategies to reduce errors and improve performance. The Improper Authorization for Payment Error Review and Report is an unfunded federal mandate.

Minnesota is in the third year of the federal cycle so the first case reviews must be completed and the first report submitted to ACF no later than 06-30-2010. A total of 276 cases authorized for child care from 10-01-2008 through 09-30-2009 must be reviewed before drafting the report. There will be considerable preparation prior to starting the first year of reviews. A state sampling methodology that will meet federal requirements needs to be developed along with review forms and instructions. Communications must be prepared to notify counties of the review and technical assistance to be provided to develop and implement corrective action plans following the completion of reviews.

Proposal

One administrative position is requested to carry out the duties necessary to meet the federal requirements of the CCDF audit.

Key Goals and Measures

Goal: Service delivery: Make it easier to deliver quality human services.

Measures: See key measures in Children and Economic Assistance Grants.

Statutory Change: Not applicable

HUMAN SERVICES DEPT**Program: CHILDREN & ECONOMIC ASSISTANCE GRANTS****Change Item: FSET Revenue Enhancement**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$50 | \$100 | \$100 | \$100 |
| Revenues | \$3,420 | 4,440 | 4,440 | 4,440 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(3,370) | \$(4,340) | \$(4,340) | \$(4,340) |

Recommendation

The Governor recommends using existing state spending in the Child Care Assistance Program (CCAP) and the Minnesota Family Investment Program (MFIP) Consolidated Fund to leverage additional federal Food Stamp Employment and Training (FSET) program funds.

Background

The federal Food Stamp and Employment and Training program provides states with a 50% match for support services provided to eligible food support recipients. The federal FSET funding source requires a 50% state match of eligible expenditures.

In 2005, legislation was passed that required state spending in the MFIP Consolidated Fund of up to \$4.8 million be used as match for federal FSET reimbursement. The existing provision, which requires that revenues be deposited in the general fund, sunsets at the end of FY 2009.

Proposal

This proposal would continue the current FSET reimbursement level of \$2.4 million for Diversionary Work Program (DWP) families which was first implemented in FY 2006 and sunsets in 2009. For FY 2010-2012, this federal reimbursement would be deposited in the general fund to support the overall state budget.

In addition, beginning in FY 2010, the department would be able to receive a 50% federal reimbursement for existing state spending for Child Care Assistance Program payments made on behalf of two-parent MFIP families.

One administrative position is requested to oversee implementation and oversight of the expansion of claiming to two-parent families.

Relationship to Base Budget

This proposal allows the department to reduce general fund spending by using federal FSET funds without reduction in the benefits or services to MFIP participants.

Key Goals and Measures

Ensure appropriate stewardship of public funds.

Statutory Change: Rider

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Modify NF Level of Care Thresholds**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$ (3,656) | \$ (32,659) | \$ (43,035) | \$ (50,841) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$ (3,656) | \$ (32,659) | \$ (43,035) | \$ (50,841) |

Recommendation

The Governor recommends raising the threshold for Nursing Facility Level of Care (NF LOC) criteria which determines access to certain home and community-based service waivers, nursing facility (NF) care and the state-funded Alternative Care program effective 01-01-2010.

Background

The federal Centers for Medicare and Medicaid Services (CMS) require that states establish criteria for determining whether an individual is in need of NF LOC in order to access certain public health care programs. Three of Minnesota's home and community-based services (HCBS) waivers: Elderly Waiver (EW), Community Alternatives for Disabled Individuals (CADI), and Traumatic Brain Injury-Nursing Facility (TBI-NF) waiver use the state's NF LOC criteria when screening for access to these programs. In addition, NF LOC criteria are used to determine access to the state-funded Alternative Care (AC) program.

With forecasts of increasing numbers and percentages of older persons and persons with disabilities, it is essential that Minnesota adopt strategies for targeting available public funds to ensure a sustainable system into the future. Minnesota has begun a "rebalancing" strategy of using non-entitlement funding (including state Community Service/Service Development grants and Older Americans Act funds) to build HCBS capacity to support persons with long-term needs, and to reduce strain on the MA "safety net."

An analysis of data for persons who meet Minnesota's current NF LOC criteria indicates that better targeting of public entitlement benefits is possible by applying more rigorous standards for determining access to these programs.

Proposal

This proposal tightens the NF LOC criteria while ensuring that people with the greatest long-term care needs are able to qualify for NF care and community-based alternatives. This proposal impacts the most independent people who would seek a NF LOC assessment. People who no longer qualify for NF LOC instead may qualify for either State Plan basic services only (such as Home Care, Personal Care Assistance (PCA), and MA basic care) or an Aging Support Grant that would offer a smaller benefit set of services. In addition, the department will target Older Americans Act Title III funding and Community Service/Services Development (CS/SD) grants to assist persons affected by changes in assessment criteria.

The proposal has three components:

1. Raises the threshold for Nursing Facility Level of Care

This proposal targets long-term care services to people with higher needs by establishing new thresholds for access to these programs. To qualify for MA payment for NF care, MA community-based long-term care services, or state-funded payment for AC; a person must be assessed as needing at least one of the following:

- ◆ Assistance with activities of daily living (ADL) such as dressing, bathing, etc.;
- ◆ Ongoing need for clinical monitoring, such as vital signs or skilled nursing assessments;
- ◆ Assistance due to significant cognitive impairment or behavioral needs, or;
- ◆ Risk of institutionalization.

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Program: CONTINUING CARE GRANTS

Change Item: Modify NF Level of Care Thresholds

These higher thresholds would go into effect on 01-01-2010 for new applicants to these programs. Persons who already receive waiver services or AC would be reassessed over the next six months to re-determine their status for continued access to services. Thus, the changes would be phased-in and fully implemented by 06-30-2010.

Continued benefits under State Plan services: Under this proposal, some individuals are projected to no longer qualify for long-term care services under the above criteria but may continue to qualify for State Plan services, including Home Care, Personal Care Services, and basic health care.

Number of People Affected: In Minnesota, 58,000 people currently receive HCBS or NF services and are determined at risk of needing a NF level of care. Under this proposal, DHS projects:

- ◆ 100% of people currently in NFs would still meet NF LOC criteria and would be able to remain in the NF, if admitted prior to 10-01-2009. After this date, new NF residents would need to meet the proposed LOC criteria. About 1% of people seeking admission after October 1 would not qualify for NF LOC in the next biennium.
- ◆ 100% of people currently receiving the TBI waiver would continue to access TBI waiver services.
- ◆ 97% of people currently receiving the CADI waiver would continue to access CADI. Of the 3% remaining, most would continue to access State Plan Services.
- ◆ 87% of people currently receiving EW waiver services would continue to access EW. Of the 13% remaining, 97% of them would continue to access State Plan services.
- ◆ 88% of people currently receiving AC services would continue to access it.

2. Creates a new benefit set and new grant options for people who no longer have access to MA-funded NF care, MA community-based long-term care services, state-funded payment for AC, and State Plan benefits

Under this proposal, about 1,100 people currently receiving EW or AC would no longer qualify for these services and would lose their access to MA State Plan benefits. To address this concern, this proposal phases in \$8 million per year in Essential Community Services grant funding to provide some help to those targeted individuals. Persons who do not qualify for NF LOC care services would instead qualify for a new limited set of benefits under a state-funded grant. This grant would include:

- ◆ Emergency and assistance call devices, such as "Lifeline;"
- ◆ Caregiver support and education;
- ◆ Homemaker;
- ◆ Chore services, and;
- ◆ Service coordination.

In addition, people age 60 and over may be able to access services funded through Older Americans Act, state grants, and local funding administered through one of the seven local Area Agencies on Aging (AAA). AAAs would target home-delivered meals and other services to persons who no longer receive waiver, State Plan, or AC services. In addition, a portion of state-funded CS/SD grants would also be targeted to people affected by this proposal.

These changes would enable some people to still receive needed services while diverting them from the MA benefit set. However, this proposal still results in overall reductions of services to many people.

3. Provides better assessment information to manage access to services.

The number of Minnesotans seeking long-term care services is projected to double by 2030. Unless changes are made, Minnesota's long-term care programs are not financially sustainable over time. This proposal makes initial changes to people's access to long-term care services, to begin to target public investments to those individuals with the greatest needs. However, more changes will be needed as the state is forced to better strategically manage utilization of these programs.

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Program: CONTINUING CARE GRANTS

Change Item: Modify NF Level of Care Thresholds

Today's assessment process is fragmented, duplicative, inefficient, and labor intensive for counties and the state. Minnesota must improve its assessment process and improve the quality of data collected. Improvements in the assessment process are also needed so DHS and Minnesota lawmakers can evaluate the impacts of this proposal as it is implemented.

This proposal implements a comprehensive assessment tool (COMPASS) across all long-term care programs and populations. This new web-based assessment and service planning process will simplify and standardize face-to-face assessments and consolidate assessment processes for long-term care services, including HCBS and Home Care. This would be accomplished by:

- ◆ Adding a new assessor certification requirement that ensures lead agency competency and reliability in evaluating people's long-term care needs. Development of assessor certification requirements would begin July 1, 2009 and requirements would be implemented by December 30, 2009.
- ◆ Modifying the assessment and service planning process by requiring the development of individualized service plans that include coordination with appropriate community-based services.
- ◆ Establishing medical necessity for services included in the plan through communication with the consumer's physician.

This comprehensive assessment and service planning process would be used with approximately 80,000 individuals each year.

For sections 1 to 3 this proposal requires administrative funding for:

- ◆ 5 FTEs to train assessors to correctly apply the LOC criteria and to certify 1,500 assessors statewide;
- ◆ 2 FTEs to provide technical assistance to lead agencies and to provide case consultation and intervention;
- ◆ 2 FTEs to provide Ombudsman supports to people whose benefits change as a result of this proposal and to handle LOC appeals;
- ◆ IT systems supports in FYs 2011 - 2013;
- ◆ Contract funding to develop and implement the COMPASS assessment tool and process and provide systems supports;
- ◆ Inter-rater reliability audits to ensure that the new LOC criteria is being properly administered;
- ◆ Data maintenance funding to provide information about alternative service options to consumers;
- ◆ Contracts to conduct evaluation of the LOC changes;
- ◆ Department of Health case mix appeals, and;
- ◆ Funding for needed MMIS systems changes.

This administrative investment is necessary to achieve the program savings provided by this proposal and to ensure integrity of the assessment process. If these investments are not made, the assessments changes could not be implemented.

Relationship to Base Budget

This proposal:

- ◆ Reduces the base budget for MA Waivers and Home Care grants by 0.4% in FY 2010. This increases to a .6% reduction in FY 2013.
- ◆ Reduces the base budget for MA Elderly and Disabled Basic by 0.4% in FY 2010, increasing to a 2% reduction by FY 2013.
- ◆ Reduces the base budget for NFs by a minimal amount in FY 2010, increasing to a 2.0% reduction by FY 2013.

Key Goals and Measures

Goal: To have a sustainable public long-term system in which resources are well targeted to support persons with highest need and in the most integrated settings possible. The Outcome Performance measures for this goal include:

- ◆ The percentage of public long-term care funds expended in community versus institutional settings, and;

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◆ The percentage of people receiving home and community-based services who have high needs.
More information about this goal can be found at:
http://dhsinfo.dhsintra.net/Infolink/Agencywide_Activities/Currentactivities/Priorities/index.htm

Alternatives Considered

Several options to control growth in the state's long-term care expenditures have been explored, including:

- ◆ Reductions in rates paid to providers;
- ◆ Caps on program enrollment;
- ◆ Application for a federal 1915(i) waiver;
- ◆ Altering contracts with health plans to include the most strategically supportive services in the contracted benefit set for State Plan Services; and
- ◆ Changing the criteria for access to PCA to be consistent with the proposed NF LOC threshold. (This is not the preferred option, because there would be no alternative service option available for individuals who no longer qualify for services in a nursing facility or the waiver programs. The current proposal allows for some of the individuals who can no longer be served by the home and community-based waivers or in a nursing facility to receive PCA services as a safety net that supports them in the community.)

Statutory Change: M.S. 265B.0911. Also a new section of statute is required.

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: PCA Redesign and Provider Standards**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(7,720) | \$(34,818) | \$(37,739) | \$(40,709) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 90 | 90 | 90 |
| Revenues | 0 | 90 | 90 | 90 |
| Net Fiscal Impact | \$(7,720) | \$(34,818) | \$(37,739) | \$(40,709) |

Recommendation

The Governor recommends redesigning the Personal Care Assistance (PCA) program by:

- ◆ Changing access to PCA services;
- ◆ Modifying the assessment and authorization of PCA services;
- ◆ Simplifying statute and service delivery requirements;
- ◆ Assuring the rights, health and safety of consumers, and;
- ◆ Implementing provider standards.

Background

Minnesota provides Home and Community-Based Services (HCBS) for persons with disabilities and older Minnesotans. There are a variety of service options including Medical Assistance (MA) state plan entitlement home care services that include:

- ◆ Personal Care Assistance (PCA)
- ◆ Private Duty Nursing (PDN)
- ◆ Home Health Agency, which includes skilled nurse visits, home health aide visits, and certain therapies (occupational, physical, respiratory and speech).

The PCA program was added as a state plan benefit to Minnesota's Medical Assistance program in 1977. Originally the goal of PCA services was to prevent unnecessary and more costly nursing home admissions of non-elderly adults with physical disabilities who could direct their own care. Over the years, the PCA service expanded to include persons of all ages with physical disabilities, intellectual and developmental disabilities, behavioral and mental health issues. Currently persons receiving PCA services must be able to direct their own care or have a responsible party who can direct their care.

In the last four years, the number of PCA provider agencies has tripled to over 600 and the number of PCAs exceeds 38,000. The program provides services to 18,600 people, which equates to an average of 13,000 people monthly. Expenditures in the PCA Program are projected to exceed \$340 million in FY 2009, not including the PCA services purchased through managed care organizations.

Proposal**I. Change Basis of Access to PCA services**

Currently, PCA services are based on assessed needs, including levels of dependency in activities of daily living (ADL). A person with a low level of need is provided access to services based on assessment and professional judgment and may not be dependent in any ADLs. This proposal changes the criteria for PCA program access by requiring the recipient to have two dependencies (need for hands-on assistance) in at least two ADLs in order to access PCA services. ADLs include dressing, grooming, bathing, eating, positioning, transferring, mobility and toileting. This change will be phased in 01-01-2010 through 06-30-2010.

This section of the proposal produces a net state biennial share savings of approximately \$18 million. Approximately 2,100 individuals currently accessing publicly funded PCA services will no longer have access.

II. Modify Assessment and Authorization of PCA Services

This proposal changes the methodology for determining the monthly dollar allowance for home care services, also known as the Home Care Rating (HCR), and the total amount of time allotted for PCA services based on the recipient's assessed need for assistance. This proposal will also be phased-in 01-01-2010 through 06-30-2010.

Assessment for services

Currently, dependencies are assessed for PCA services in the following areas: activities of daily living (ADLs), health related functions, instrumental activities of daily living and behavior. A HCR is assigned based on a person's assessed needs in ADL dependencies, levels of behaviors, and complex medical needs.

This proposal does not change the areas of need assessed; however, there will be new definitions and expanded and specific criteria applied to some components of the assessment:

- ◆ Definitions of dependencies in ADLs are simplified and consistent across the eight ADLs.
- ◆ "Critical" ADLs will be defined as: transferring, mobility, eating, and toileting.
- ◆ "Complex medical" is redefined as complex health-related functions, including descriptions and frequency of interventions needed by the recipient.
- ◆ Multiple definitions and levels of behavior are replaced by a single definition.
- ◆ 21 home care ratings will be collapsed into ten within the HCR system.

Determination of the Home Care rating

The recipient's home care rating will be based on the following analysis from the assessment process:

- ◆ Total number of dependencies of ADLs, including the critical ADLs;
- ◆ Number of complex health-related functions determined per the identified list, and;
- ◆ Number of behavior descriptions determined per the identified list.

Authorization of time

Currently, assessors calculate time for each task a recipient needs assistance with based on minutes. Recipients may also qualify for additional time if they have complex medical needs or severe behavior issues.

This proposal simplifies the HCR system by establishing a base number of hours for each home care rating and eliminating the calculation of minutes per task. Recipients are authorized additional time beyond their home care rating base hours if they qualify as described below:

- ◆ 30 additional minutes daily for each critical ADL dependency;
- ◆ 30 additional minutes daily for each complex health related function identified as defined and described in the new definition, and;
- ◆ 30 additional minutes daily for each behavior issue as defined and described in the new definition.

With these changes, the assessment and authorization process for PCA services is simplified and consistent. This section of the proposal produces a net state biennial share savings of approximately \$12.2 million. The administrative conditions necessary to achieving the savings in section I and II is \$400,000 for: lead agency training, technical assistance and case consultation, auditing, monitoring, and evaluation. The number of individuals impacted by this section is greater than 11,000 people. Approximately 6,000 will experience a reduction in the number of hours authorized and 5,500 will see an increase in the number of hours authorized.

III. Simplify Statute and Service Delivery Requirements

The proposal provides simplification and efficiency for all 180 licensed home care agencies that provide Medicaid Home Care services. The proposal provides clarity to services and program criteria by eliminating duplication, enhancing definitions and creating efficiency to current service delivery requirements by:

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- ◆ Allowing currently licensed home care agencies to meet Home Care Program enrollment and documentation requirements using the current licensure requirements through Minnesota Department of Health, eliminating need for additional forms and process;
- ◆ Defining all home care services in statute to provide program consistency, and;
- ◆ Clarifying language in Minnesota Statute §256B.37 to assure Medicare is billed when appropriate and eliminating the administrative burden of the associated form.

IV. **Consumer Health and Safety, Choice and Control**The proposal improves the consumers' choice and control of housing, life activities, providers, and services by:

- ◆ Reducing conflict-of-interest issues when housing and services are provided by the same provider;
- ◆ Restricting the use of PCA services in housing with services setting;
- ◆ Restricting the ability of some people to function as a responsible party (e.g. corporate foster care providers, provider agency staff, county staff, and those who cannot demonstrate competence);
- ◆ Requiring Qualified Professional Supervision for all recipients, and;
- ◆ Requiring the responsible party to live with the consumer who cannot direct their own care is phased-in 01-01-10 through 06-30-10.

The responsible party component of this section produces a net state biennial share savings of \$5.8 million and will affect between 350-400 people.

V. **Implementation of Provider Standards**

The proposal requires all PCA agencies and agency staff to meet certain provider standards by:

- ◆ Requiring all PCA agencies to submit proof of meeting standards upon enrollment and annually thereafter;
- ◆ Defining standards and certification process for agencies and agency staff;
- ◆ Requiring fidelity and surety bonds for each agency;
- ◆ Requiring criminal background checks for agency managerial staff, qualified professionals, and PCA staff;
- ◆ Requiring the provider agency to have a written agreement with the consumer to communicate what services will be provided, by whom, how often, cost, and contingency planning;
- ◆ Requiring standardized trainings for agency owners, qualified professionals and PCA staff;
- ◆ Requiring PCA staff to be trained on: working with people with disabilities, infection control, mandated reporting, role of the PCA, basic transfers/lifting, changes in condition and HIPAA;
- ◆ Limiting the number of hours/month a PCA can work to 310 hours, and;
- ◆ Providing contract resources to develop training curriculum for provider agencies and staff.

Provider standards will affect all 600 PCA agencies and 38,000 individual PCAs. Limiting the number of hours a PCA can work within a month produces a net state biennial share savings of \$6.2 million. Two FTEs are needed to coordinate and deliver training on provider standards to PCA agencies and staff and assure standards are met upon enrollment. A net state biennial share of \$418,000 is needed for on-site training development and expenses and web-based modular training.

Relationship to Base Budget

This proposal reduces the budget base for MA Elderly and Disabled Basic by about 0.3% in FY 2010 and increases the base reduction in FY 2013 by 0.35%. In addition, the proposal reduces the budget base for MA Long Term Care Waivers and Home Care by 1.5% in FY 2010 and increases the base reduction in FY 2013 by 2.4%.

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Program: CONTINUING CARE GRANTS

Change Item: PCA Redesign and Provider Standards

Key Goals and Measures

This proposal limits access for certain recipients and hours authorized. With these limits in place, it is expected that authorized PCA hours will be reduced by 10%.

Alternatives Considered

The home care advisory groups considered a number of alternatives during the summer of 2008.

Statutory Change: M.S. 256B.0625 and 256B.0651-.0655; 256B.07; 256B.0653; and a new section related to implementation

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Program: CONTINUING CARE GRANTS

Change Item: Federal Compliance for HCBS Waivers

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$1,468 | \$1,035 | \$568 | \$568 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 120 | 120 | 120 |
| Revenues | 0 | 120 | 120 | 120 |
| Net Fiscal Impact | \$1,468 | \$1,035 | \$568 | \$568 |

Recommendation

The Governor recommends establishing a statewide uniform service rate setting structure, strengthening provider standards and improving provider enrollment requirements to comply with federal home and community-based long-term care waiver renewal requirements.

Background

In Minnesota, the home and community-based service (HCBS) waivers include the Community Alternative Care (CAC), the Community Alternatives for Disabled Individuals (CADI), the Developmental Disabilities (DD), the Elderly Waiver (EW) and the Traumatic Brain Injury (TBI) waivers. The Centers for Medicare and Medicaid Services (CMS) grant authority for the continued administration of these waivers every five years. There are currently more than 47,000 people receiving services through the state's HCBS waiver programs. Total expenditures in these programs are almost \$1.5 billion a year. Services are delivered by approximately 3,000 waiver service providers.

Minnesota's HCBS waiver delivery system is a state-supervised, lead agency-administered system. Lead agencies (counties, tribes and health plans) are required to provide services in accordance with general policies identified by the state. The state currently requires lead agencies to contract with providers and negotiate rates paid for a particular service and for a particular individual.

Over the last five years, CMS has developed new requirements that states must comply with to operate waiver programs. States must assure CMS about how they will meet federal requirements. The new requirements are a higher standard than states have been held to in the past.

In the most recent waiver renewal process, CMS identified two main areas where Minnesota must improve compliance. In the future, the department expects CMS to conduct progressively more rigorous reviews during renewals, which may result in additional compliance requirements. This proposal addresses the two initial CMS requirements and sets in place a foundation for continued quality improvement.

Proposal

CMS requires compliance by the department in two areas:

- ◆ **Eliminate the disparity in rates paid for the same services.** Currently every lead agency negotiates with providers for the rates that will be paid. This can result in disparities throughout the state in rates paid for the same services. CMS now requires Minnesota to implement a uniform rate setting structure.
- ◆ **Implement consistent statewide standards for all providers.** Currently Minnesota uses lead agency contracts as the mechanism for establishing and monitoring waiver provider qualification and service standards. This can lead to variation in the standards to which providers must adhere. CMS now requires Minnesota to implement consistent statewide provider standards.

Minnesota must provide CMS with a detailed plan and timelines to accomplish these changes. Minnesota's HCBS waiver plans will not be approved by CMS unless the state demonstrates adequate consistency and service oversight. If the waiver plans are not approved, \$750 million in federal financial participation will be at risk.

Proposal Implementation

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Federal Compliance for HCBS Waivers

I. By 01-01-11, develop and implement a uniform rate-setting structure for HCBS waiver services.

DHS would:

- ◆ Develop the rate-setting methodologies, which involve a uniform process of structuring rates for each service;
- ◆ Develop a phase-in strategy for implementation to include rates that have a set maximum limit and rates that have a range depending on individual characteristics;
- ◆ Develop a web-based calculator for use by lead agencies to implement service rate-setting methodologies, and;
- ◆ Involve stakeholders, including lead agencies, providers, and advocates, in the development of the rate setting methodologies, to ensure the product of these efforts promotes simplicity, quality, and participant choice.

Lead agencies would:

- ◆ No longer negotiate provider rates, providers would be paid according to statewide methodologies that pay a set amount based on the services a person needs, and;
- ◆ Continue to manage the waiver funds.

This section requires four FTEs and a \$1.004 million investment in contracts to develop and implement the rate-setting methodology and web-based interface.

II. By 01-01-11, revise Medical Assistance (MA) provider agreements and eliminate the use of lead agency contracts.

DHS would:

- ◆ Modify existing provider enrollment standards to ensure that standards are appropriate for the service;
- ◆ Increase automation through provider enrollment to ensure ongoing compliance with standards;
- ◆ Require information sharing between state agencies and lead agencies to ensure that provider standards are met, improve services to recipients, and enable quality management of providers;
- ◆ Require DHS Licensing to conduct criminal background studies for individual and non-licensed provider organizations, and;
- ◆ Provide information to lead agencies about enrolled providers using a website.

Lead agencies would:

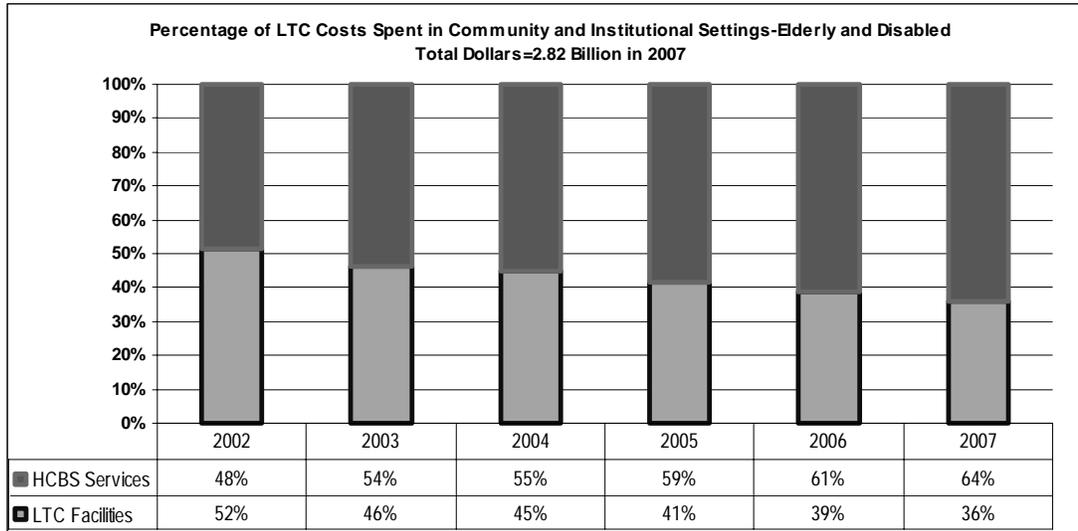
- ◆ No longer contract with providers;
- ◆ Continue to have a role to determine whether providers are meeting the MA enrollment standards and appropriately providing services, and;
- ◆ Verify and monitor that providers are performing the expected services and meeting quality standards.

This section requires four FTEs and a \$644,000 investment to upgrade the Medicaid Management Information System to allow increased efficiency for access to provider information, including information from other state agencies and lead agencies, and to manage the enrollment process. An additional two FTEs are required for conducting criminal background studies. The revenue generated from background study fees will recover the cost of the FTEs.

Relationship to Base Budget

For the development and implementation of rate structures, the increase in the Continuing Care administrative general fund base budget will be about 6.7% in the FY 2010-11 biennium and about 3% in the FY 2012-13 biennium. For revising MA provider agreements and eliminating the use of lead agency contracts, the Health Care administrative general fund base budget will increase by about 2.3% in the FY 2010-11 biennium and 1.4% in the FY 2012-13 biennium. For compliance operations, the base will increase about 1.5% in FY 2010 only. In FY 2011-13, the licensing costs will be offset by the background fees.

Key Goals and Measures



If this proposal is not funded, the ability to claim federal financial participation for HCBS waivers (50% of the cost) will be compromised. A reduction in funding available for home and community-based services would negatively impact people’s ability to access HCBS. The rebalancing of institutional vs. community-based service gains would be compromised.

Alternatives Considered

Over the last five years, CMS has increasingly intensified its waiver renewal process and depth of inquiry. In the recent past, Minnesota has been able to make modifications to the current long-term care waiver delivery system that satisfied the federal authorities; however, there are aspects of Minnesota’s system that are no longer acceptable to federal authorities and must be changed substantially.

Statutory Change: M.S. 13.46; M.S. 252.43; M.S. 252.346, Subd. 1(b); M.S. 256B.0915; M.S. 256B.092, Subd. 8a; M.S. 256B.49, Subd. 16a

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Limit Disabilities Waiver Growth**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(2,225) | \$(19,142) | \$(30,113) | \$(37,195) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(2,225) | \$(19,142) | \$(30,113) | \$(37,195) |

Recommendation

The Governor recommends implementing limits to manage the growth of the Community Alternatives for Disabled Individuals (CADI), Developmental Disabilities (DD) and Traumatic Brain Injury (TBI) waivers. The Governor also recommends establishing a moratorium on waiver services provided in new foster care shift-staff residential settings.

Background

As of 06-01-2008, the number of individuals receiving services through each of the waivers was:

- ◆ 12,780 on CADI;
- ◆ 14,019 on DD, and;
- ◆ 1,327 on TBI.

The CADI, DD and TBI waivers have had limits imposed by legislation at various times over the past several years. From FY 2004 through 2007, CADI waiver growth was limited to 95 per month, TBI waiver growth to 150 per year, and DD waiver growth to 50 per year. In 2008, the Legislature re-imposed some modest growth limits to the CADI and TBI waiver programs. In December 2008 the Governor, through the unallotment process, imposed more restrictive waiver growth limits through June 30, 2009. Currently, these waiver expenditures are projected to grow by 11% per year over the next two years.

The foster care shift-staff residential setting is a model of services that is heavily used in the waivers. In this model, housing and residential services are typically provided by the same vendor. Historically, this model has been used extensively to serve persons with disabilities. Foster care shift-staff residential settings are those settings where the person lives in a licensed foster home and it is not the residence of the primary caregiver.

Shift-staff residential models are costly. Although use of this model supported Minnesota's deinstitutionalization of persons with developmental disabilities from institutions throughout the mid 1980s and 1990s, continued reliance on such an expensive service delivery model is not sustainable. In the CADI waiver for FY 2007, services provided to persons living in foster care shift-staff settings had an average daily cost of \$188.09; while services provided during the same period in family foster care settings cost an average of \$85.18. Likewise in the DD waiver; foster care shift-staff settings had an average daily cost of \$235.87; while services provided during the same period in the recipient's own home with 24 hour supervision cost an average of \$157.47.

Proposal

This proposal has three components:

1. Limit the growth of the DD, CADI and TBI Waivers

This proposal provides growth limits of:

| Waiver | Current Waiver Limits | Proposed Limits |
|---------------|------------------------------|--------------------------------|
| CADI | 600 per year 50 per month | 1,140 per year 95 per month |
| DD | 72 per year 6 per month | 180 per year 15 per month |

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Limit Disabilities Waiver Growth

| Waiver | Current Waiver Limits | Proposed Limits |
|--------|----------------------------|--------------------------------|
| TBI | 72 per year 6 per month | 150 per year 12.5 per month |

Conversions (for people moving from institutions) are included in the CADI and TBI limits, unless there is an approved plan for nursing facility bed closures for individuals under age 65 who require relocation due to the bed closure. The limits for the DD waiver do not include conversions.

To avoid a shift from the limited disability waiver programs to the Minnesota Disability Health Options, enrollment will be held to its current forecasted level.

2. Establish a moratorium on waiver services provided in new foster care shift-staff settings

This proposal implements a moratorium on developing additional capacity within the foster care shift-staff model for persons accessing services through Home and Community-Based Services (HCBS) under 1915(c) waiver authority. **This action does not limit the development of family foster care.**

There will be exceptions allowed to the moratorium for foster care shift-staff settings that meet criteria identified by the department, including exceptions for settings that are exclusively serving:

- ◆ Persons age 65 and older under the Elderly Waiver (EW) and in settings that are required to hold a home care license and register as housing with services. (Foster care shift-staff model often provides a less costly option than other available residential models for individuals age 65 and older under EW);
- ◆ Persons who have chronic health conditions served in the Community Alternative Care (CAC) waiver, and;
- ◆ Persons who have a Traumatic Brain Injury – Neuro-Behavioral (TBI-NB) level of care served in the TBI-NB waiver.

Individuals receiving services through CAC and TBI-NB waivers are at hospital level of care and have the highest need levels.

3. Provide technology alternatives to enhance independence

This proposal supports the development of personally-designed living situations using technologies that allow for increased independence and reduce the need for human assistance over time. The use of technologies and environmental control systems can assist in the monitoring of health conditions, provide for health and safety considerations and promote increased independence.

This proposal includes grants in the following areas:

- ◆ Technology infrastructure grants to develop solutions for persons needing help with activities of daily living and living in their own homes;
- ◆ Assessment of county-by-county impacts of the moratorium, technical assistance and training;
- ◆ Evaluate the use of technology in supporting people and in meeting federal health and safety assurances, and;
- ◆ Consumer outreach grants to provide information about person support options available to consumers and how to access needed resources and supports to use these options.

These grants will reduce demand for new foster care shift-staff arrangements by serving a segment of the population using more affordable and flexible technology-based service alternatives.

Relationship to Base Budget

This proposal will reduce the base budget for MA LTC Waivers and Home Care grants by about 1.0% in the FY 2010-11 biennium and by about 2.7% in the FY 2012-13 biennium.

Key Goals and Measures

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Limit Disabilities Waiver Growth

- ◆ *Proportion of long-term care spending occurring in community settings.* From 2002 to 2007 the percentage of long-term care spending that occurs in community settings, rather than in institutional settings, has increased from 48% to 64%.

Alternatives Considered

Various limit levels were considered.

Statutory Change: M.S. 256B.092 and 256B.49, and riders

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Limit Customized Living Service Rates**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(39) | \$(1,643) | \$(3,821) | \$(6,428) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(39) | \$(1,643) | \$(3,821) | \$(6,428) |

Recommendation

The Governor recommends implementing maximum payment rate limits for 24-hour Customized Living services purchased under the Elderly Waiver (EW).

Background

Twenty-four hour Customized Living is a package of services purchased through the EW and provided in a "housing with services" setting (an assisted living-type setting). Customized Living is the fastest growing and most expensive service funded by EW. Rates paid under EW for 24-hour Customized Living vary because the rates are negotiated by the lead agency (county, health plan, or tribe) using different rate setting methodologies. As a result, some providers are paid more than others for comparable packages of services.

Proposal

This proposal establishes limits for rates paid by EW in housing with services settings for 24-hour Customized Living. These limits, once established, would be fixed and would be increased only when cost of living adjustments are approved by the legislature. The limits would be set at the 95th percentile of the current authorizations for 24-hour Customized Living within each of the eleven case mix classifications. This means that the limits would be set at a level where only the highest 5 percent of the rates would be affected by the maximum caps. Because the limits would be applied to each case mix category, people with higher care needs would not be unduly impacted by these caps.

As a result of this proposal, all purchasers -- including managed care organizations -- must pay rates no higher than the maximum limits. It is projected that by 2011, about 483 EW recipients would be affected by these limits. Of this number, DHS projects that 27 people would likely be required to move to nursing facilities.

The maximum payment rate limits would take effect on 10-01-09 for providers serving person's seeking new authorizations for services. Needed reductions to existing authorizations for services would be phased in through December with full implementation by 01-01-10. Effective January 2010, managed care rates for EW services would be adjusted to reflect the limits for these services.

This proposal responds to an expectation laid out in the federal Center for Medicare and Medicaid Service (CMS) most recent EW waiver renewal. Federal approval of the EW renewal was contingent on the state adopting a standardized rate setting method and tools to reduce variation in negotiated rates. This proposal is integral to further standardization of a payment methodology for these services.

One FTE is needed to:

- ◆ Implement the maximum payment rate limits;
- ◆ Provide training and consultation to counties and health plans charged with authorizing services and contracting with providers;
- ◆ Revise and make consistent the rate setting methods and tools used to determine rate packages within the limits, and;
- ◆ Evaluate the consequences and effectiveness of these strategies at targeting and preserving access to customized living services.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Limit Customized Living Service Rates

To better understand the impact this proposal has to service access, the proposal provides greater authority for DHS to request and receive information regarding service and housing charges across this provider type.

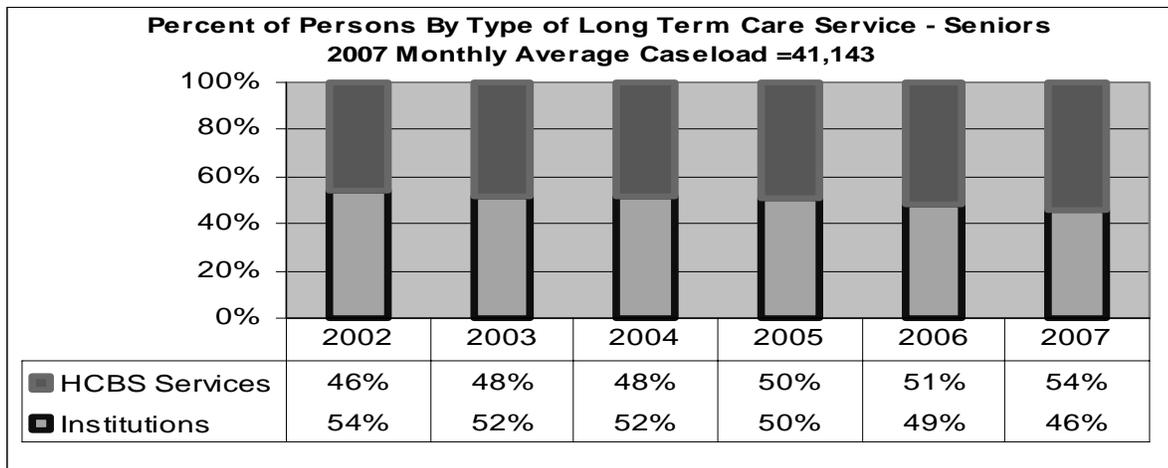
Relationship to Base Budget

Including both managed care EW and fee-for-service EW, the reduction to the base would gradually increase from minimal impact in FY 2010 to about 3.3% in FY 2013. The increase to the nursing facilities general fund base budget and Continuing Care Administration general fund base budget would be minimal.

Key Goals and Measures

Goal: People in need will receive support that helps them live as independently as they can.

Because this proposal impacts access to customized living services, DHS needs to track and evaluate the balance between people using community vs. institutional services to ensure that recipients continue to access community-based services.



* Institutions include nursing facilities, ICF/MR facilities and State Regional Treatment Centers. State operated community services and non-federally funded RTC care are not included.

** Waiver/home care caseloads include MA home and community-based waivers, EW-MC, Home Health Agency Services, Personal Care, Private Duty Nursing Services and Alternative Care. Source: February 2008 DHS Forecast

Alternatives Considered

- ◆ Eliminate customized living services. (The result was a cost.)
- ◆ Variations of this proposal. This proposal is scalable, but more stringent limits result in more people going into nursing facilities. This proposal is set at a level that minimizes the institutional effect.

Statutory Change: M.S. 256B.0915 and sections of statute governing purchase of Elderly Waiver through managed care

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Eliminate Nursing Facility Rebasing**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(4,472) | \$(6,679) | \$(15,499) | \$(28,594) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(4,472) | \$(6,679) | \$(15,499) | \$(28,594) |

Recommendation

The Governor recommends eliminating nursing facility rebasing, effective 10-01-2009.

Background

Rebasing is a newly enacted method of setting payment rates for nursing facilities. It sets rates based on actual costs. The 2007 Legislature authorized the rebasing of Medical Assistance payments made to nursing facilities and required all nursing facilities' operating payment rates to be phased-in with a new cost-based formula. Rebasing was to be phased-in over eight years by blending the current alternative payment system (APS) rate under M.S. 256B.434 and the new cost based system under M.S. 256B.441. The following is the phase-in schedule of rebasing to cost:

| | | |
|----------|-------------------|---------|
| 10-01-08 | 13% Actual Costs | 87% APS |
| 10-01-09 | 14% Actual Costs | 86% APS |
| 10-01-10 | 14% Actual Costs | 86% APS |
| 10-01-11 | 31% Actual Costs | 69% APS |
| 10-01-12 | 48% Actual Costs | 52% APS |
| 10-01-13 | 65% Actual Costs | 35% APS |
| 10-01-14 | 82% Actual Costs | 18% APS |
| 10-01-15 | 100% Actual Costs | 0% APS |

By 10-01-2015, 100% of the total operating payment rate for nursing facilities was to be from actual costs. After 10-01-2016, operating costs were to be rebased every two years.

Proposal

This proposal eliminates nursing facility rebasing. The first year of the rebasing phase-in occurred on October 1, 2008. This proposal will not affect that adjustment; however, going forward no further rebasing will occur in future years.

Relationship to Base Budget

This proposal reduces the base budget for nursing facilities by about 1.3% in the FY 2010-11 biennium and reduces the base budget by about 5% in FY 2012-13 biennium. The base is reduced by a greater amount in future years due to the phase-in of rebasing.

Key Goals and Measures

See goals and measures on the agency budget activity narratives for items that may be impacted by this proposal.

Alternatives Considered

Suspending rebasing for a number of years or phasing-in more gradually from current law.

Statutory Change: M.S. 256B.441

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Reduce LTC Provider Rates and Grants**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(36,490) | \$(48,380) | \$(52,242) | \$(56,367) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | 0 | 0 | 0 | 0 |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(36,490) | \$(48,380) | \$(52,242) | \$(56,367) |

Recommendation

The Governor recommends a 3% rate reduction to funding for long-term care providers, and a 3% base level reduction to aging, deaf services, and other Continuing Care grants. Children and adult mental health services and grants and chemical health services are not included in this proposal.

Background

Over 350,000 Minnesotans who are elderly or disabled receive some type of assistance from Continuing Care (CC) Medical Assistance-enrolled providers or from state-funded grants to service agencies. These CC providers deliver safety net long-term supportive care in people's homes, communities, and residential settings. Grant funding provides a wide array of supports that help people to live more independently, including home-delivered meals and services to elderly citizens; supports to people with developmental disabilities and to families that help them remain in the family home; case management and treatment for people with HIV/AIDS; and services to deaf, deafblind, and hard of hearing Minnesotans.

In the 2008 session, almost all DHS non-forecasted grants received a 1.8% reduction, effective 07-01-2008. However, the 2007 and 2008 legislative sessions also provided payment rate increases for CC providers and certain CC grants of 2% effective 10-01-2007 and 2% effective 10-01-2008. The providers and grants that received these payment increases and decreases include:

- ◆ Home and community-based waiver services providers;
- ◆ Alternative care service providers for elderly persons at risk of nursing home placement;
- ◆ Intermediate care facilities (ICF/MR) and day training and habilitation settings serving people with developmental disabilities;
- ◆ Home health agencies, personal care assistance, and private duty nursing;
- ◆ Consumer support grants;
- ◆ Semi-independent living skills grants (SILS);
- ◆ Group residential housing supplemental service payments;
- ◆ Occupational, speech, physical and respiratory therapy services;
- ◆ Deaf and hard of hearing grants;
- ◆ Aging grants;
- ◆ Information and assistance grants;
- ◆ Community service/service development grants;
- ◆ Grants that provide case management and treatment for people with HIV/AIDS, and;
- ◆ Family support grants.

Provider rates associated with the above services and grant funding would all receive reductions under this proposal.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Reduce LTC Provider Rates and Grants

Proposal

Effective 07-01-2009, this proposal implements a 3% rate reduction to funding for most long-term care providers and a 3% base level reduction to aging, deaf services, and other Continuing Care grants. Changes to EW managed care rates would be effective 01-01-2010.

Relationship to Base Budget

This reduction reflects a 3% adjustment to the base funding for Continuing Care provider rates and grants.

Key Goals and Measures

Because this proposal reduces rates and funding that pay for services, DHS must evaluate the impact that these reductions have on overall access to and quality of program services.

The rate reductions in this proposal may result in staffing shortages and some providers discontinuing provision of services.

Alternatives Considered

This proposal is scaleable in the percentage of the reduction and in the list of providers and grants included in this proposal.

Statutory Change: M.S. 256B.5012. Also, statutory language is needed to ensure that counties remain responsible to manage reductions to disability waiver allocations into the future.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Eliminate or Delay Three Continuing Care Grants

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(907) | \$(910) | \$(670) | \$(670) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(907) | \$(910) | \$(670) | \$(670) |

Recommendation

The Governor recommends eliminating two non-entitlement grants and delaying an increase to one other non-entitlement grant.

Background

This proposal would eliminate or delay increases in the following grants:

- ◆ **Eliminate the Epilepsy Demonstration Project Grant.** This is a grant to a non-profit organization that provides independent living skills training to adults with intractable epilepsy. This demonstration project was implemented in 1988. In 1990 the Planning Council on Developmental Disabilities, in a report to the Legislature, recommended that this program should continue and explore expansion. Since that time, no further evaluation of this demonstration has been required. Minnesota law does not require the grantee to provide sufficient program evaluation information for the department to determine what services are provided or how many persons served are subsequently transitioned to appropriate waivers. The program continues to be operated by a single organization that provides residential mental health services throughout the metro area. In the last 10 years, there have been no funding requests to expand or replicate this project.
- ◆ **Eliminate Region 10 Quality Assurance Commission.** The Region 10 Quality Assurance Commission is a regional effort in southeastern Minnesota to implement an alternative system of licensing services. Five of the eleven counties that are in Region 10 participate in the project. Although participants value this quality assurance model, the model only serves a small portion of the state and would be costly to replicate on a statewide basis. The commission is to expire on 06-30-14. This proposal would sunset the commission effective 06-30-09.
- ◆ **Delay a funding increase for Community Service Development Grants.** The Legislature approved a one-time shift of \$240,000 from the Community Service Development (CS/SD) grants to the Living At Home Block Nurse account for FY 2009. The \$240,000 is budgeted to be available for CS/SD awards beginning in FY 2010. Because these additional funds have not been awarded, the Governor proposes delaying award of these funds through the coming biennium to help address the budget shortfall.

Proposal

This proposal would eliminate the Epilepsy Demonstration Project grant funding and the Region 10 Quality Assurance Commission. In addition, the proposal would delay a funding increase for two years to the Community Service Development grants. This proposal includes the cost of 1/2 FTE in the licensing division to resume the licensing inspections that have been provided by Region 10 Quality Assurance Commission.

Relationship to Base Budget

This proposal reduces the general fund base amount for Aging grants by about 3.5% in the FY 2010-11 biennium and 1.8% in the FY 2012-13 biennium. The general fund base amount for Other Continuing Care grants is reduced by about 2.5% in the FY 2010-11 biennium and 2.5 % in the FY 2012-13 biennium. The general fund base amount increase for licensing operations is minimal.

Key Goals and Measures

Effective and appropriate home and community-based services are available to allow people with disabilities to choose to live in the community rather than in an institutional setting. These activities reflect the department's

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Eliminate or Delay Three Continuing Care Grants

priority to improve home and community-based services. More information about this goal can be found at: <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>

Alternatives Considered

All Continuing Care non-entitlement grants, including aging grants, were considered.

Statutory Change: Repeals Laws of Minnesota 1988, chapter 689 and M.S. 256B.0951, rider.

HUMAN SERVICES DEPT

PROGRAM: CONTINUING CARE GRANTS

Change Item: Change MA Single-Bed Payment Policy

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(1,887) | \$(2,431) | \$(1,904) | \$(1,538) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,887) | \$(2,431) | \$(1,904) | \$(1,538) |

Recommendation

The Governor recommends reducing the amount that Medical Assistance (MA) pays for a single-bed room in a nursing facility while making this payment available to all recipients regardless of medical necessity.

Background

At the present time nursing facilities can get an additional 15% payment for providing a single-bed room to a MA recipient. To be eligible for a single-bed room, a physician must deem that the recipient needs a single-bed room as a medical necessity. Currently, 12% or 2,300 MA recipients have single-bed rooms. Overall, about 33% of all nursing facility beds are in single-bed rooms.

Proposal

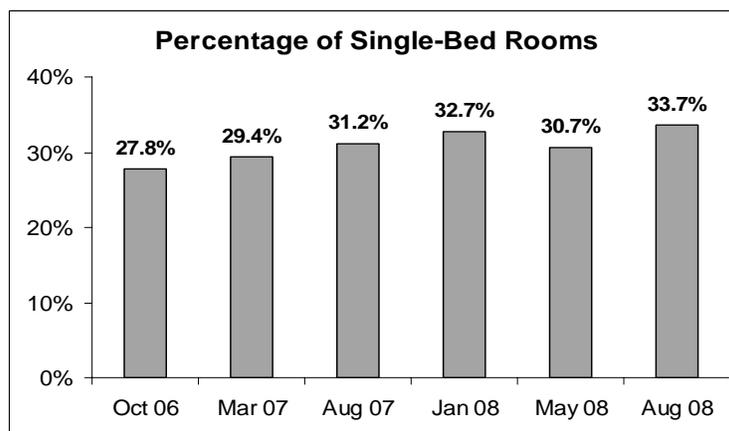
This proposal eliminates the medical necessity provision and reduces the additional MA payment for a single-bed room from 15% to 10%. It is anticipated that eliminating the medical necessity provision will increase the number of recipients requesting single-bed rooms, resulting in additional single-bed payments to nursing facilities. However, reducing the single-bed add on to 10% will result in overall savings.

This proposal will reduce paperwork and administrative burden for nursing facilities. Currently, nursing facilities must provide medical certification documentation to the department before the 15% incentive is added to each nursing facility's rate. This requirement will be eliminated.

Relationship to Base Budget

This proposal reduces the nursing facilities' base budget by about 0.5% for the FY 2010-11 biennium. It also decreases the base budget by about 0.4% for the FY 2012-13 biennium.

Key Goals and Measures



The key measure shows that the percentage of single-bed rooms has been gradually increasing. With this proposal, the percentage of single-bed rooms will increase initially and the demand will gradually stabilize.

Statutory Change: M.S. 256B.441

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Simplify Planned Closure Rate Adjustment

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(61) | \$(274) | \$(485) | \$(662) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(61) | \$(274) | \$(485) | \$(662) |

Recommendation

The Governor recommends simplifying the nursing facility planned closure rate adjustment process by eliminating the rate negotiation process and returning to a fixed payment adjustment for all future closures.

Background

Legislative history:

- ◆ Minnesota statute passed in 2001 allowed nursing facilities planning to close beds to apply for a planned closure rate adjustment of \$2,080 per closing bed.
- ◆ Legislation passed in 2004 allowed the amount of the planned closure rate adjustment to be negotiated, but the payments needed to be budget neutral.
- ◆ Legislation passed in 2006 allowed DHS and nursing facility providers to negotiate a planned closure rate adjustment above the \$2,080 limit, but all approved rate adjustments, cumulatively, needed to be budget neutral.

Currently, planned closure rate adjustments are determined through the negotiated process using multiple factors. On average, the state currently pays \$2,955 per bed closed.

The negotiation process has resulted in some confusion and uncertainty on the part of nursing facilities and has required substantial time to conduct negotiations. Since 2006, despite paying higher overall planned closure rate adjustments, the pattern of bed closures has not changed.

Proposal

This proposal simplifies the nursing facility planned closure rate adjustment process by eliminating the rate negotiation process and returning to the fixed payment adjustment of \$2,080 for each future bed closed which is the same amount that was paid from 2001 through 2005. This proposal will streamline the process for both providers and the department, and will provide better information in advance to nursing facilities that are considering bed closures. If the state returns to making fixed payment amounts to nursing facilities as was done prior to 2006, the state will still benefit from having smaller, more financially stable nursing facilities.

Relationship to Base Budget

The proposal has a minimal effect on the overall general fund base for nursing facilities for FY 2010-13.

Key Goals and Measures

Goal: Reduce administrative burden for providers by simplifying the bed closures process.

Alternatives Considered

DHS considered doing this proposal in a budget neutral manner. It also considered eliminating the planned closure payments completely, but rejected this idea because these payments encourage nursing facilities to close beds permanently and help them to cover their costs following downsizing. Planned closure rate adjustments further the goal of creating fewer, smaller, more financially stable nursing facilities.

Statutory Change: M.S. 256B.437, Subd. 6

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: NF Intergovernmental Transfers**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(16,200) | \$(16,100) | \$(16,000) | \$(15,900) |
| Revenues | (16,200) | (16,100) | (16,000) | (15,900) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends repealing the nursing facility payment adjustments to county-owned nursing facilities beginning May 2009. The governor also recommends repealing an intergovernmental transfer (IGT) from certain counties.

Background

An agreement with the federal Centers for Medicare and Medicaid reached in October 2008 requires Minnesota to discontinue the supplemental payment to nursing facilities effective for the payment due 05-31-2009 and to revise the nursing facility section of the state plan to sunset the supplemental payment effective in state fiscal year 2009.

Proposal

As required by the federal government, effective 05-01-2009, this proposal repeals the nursing facility payment adjustments to county-owned nursing facilities and also repeals an intergovernmental transfer from certain counties.

Relationship to Base Budget

The proposal is budget neutral to the state and the counties.

Key Goals and Measures

See goals and measures on the agency budget activity narratives for items that may be impacted by this proposal.

Statutory Change: M.S. 256B.19 and 256B.431

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Children's MH Residential Treatment

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------|-----------|-----------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(1,927) | \$(1,284) | \$15 | \$612 |
| Revenues | 0 | 0 | 0 | 0 |
| Health Care Access Fund | | | | |
| Expenditures | 8 | 28 | 26 | 22 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,919) | \$(1,256) | \$41 | \$634 |

Recommendation

The Governor recommends a delay in previously approved new coverage and other changes in health care coverage for children's mental health residential treatment and non-residential intensive treatment alternatives resulting in a savings for the coming biennium.

Background

The Minnesota Children's Mental Health Act (passed in 1989) required the development of a unified, accountable, and comprehensive statewide children's mental health system. Historic funding that relied on county discretionary funding has left gaps in basic service infrastructure. Laws passed since 1989 provide for a range of intensive treatment options for children with acute mental health needs, but implementation of those options has been uneven:

Medical Assistance (MA) coverage for Children's Mental Health Residential Services (**Rule 5**) was implemented in 2002, with counties being responsible for 100% of the non-treatment portion and 50% (the non-federal share) of the treatment portion. Effective 01-01-2009, additional legislation moved this coverage from fee-for-service to managed care, with managed care responsible for the treatment costs, but counties responsible for non-treatment costs.

MA has covered children's **Partial Hospitalization** services since the 1990s, but the payment rate is less than two-thirds of the rate for adults (\$45.36 versus \$69.55 per hour). Since it is considerably less than the cost of the service, it has inhibited development of a service which could provide a more effective and appropriate alternative for some children who are currently in inpatient or residential treatment.

In 2005, legislation established MA coverage, including full state share funding, for **Treatment Foster Care (TFC)** for children with severe emotional disturbance (SED), but that coverage has not been implemented. A 2007 rider delayed implementation of TFC coverage until 07-01-2009. *Treatment Foster Care* means mental health treatment provided to a child in a specially-designated foster home based on an evidence-based approach designed to encourage and support foster families to accept children with diagnosable mental illness.

The 2005 legislation also established MA coverage, including full state share funding, for **Crisis Response** services, but development of these services has been limited due to an unrealistic requirement that all providers operate on a 24 hours-per-day, seven days-per-week schedule.

Lack of the above services has resulted in frequent waiting lists for inpatient psychiatric services, and significant numbers of children staying in inpatient treatment longer than necessary due to a lack of more appropriate options.

Proposal

This proposal:

- ◆ Delays new MA coverage for Treatment Foster Care until 07-01-2011;
- ◆ Buys out the remaining county share of children's Rule 5 Residential Treatment for children enrolled in PMAP and MinnesotaCare in order to streamline administration and assure timely access to medically necessary level of care;

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Children's MH Residential Treatment

- ◆ Increases the payment rate for children's partial hospitalization to the level paid for adults in order to improve access to effective alternatives to inpatient and residential treatment, and;
- ◆ Improves access to crisis response services by providing flexibility in the current statutory requirement that children's mental health crisis response programs be available 24-hours-per-day and 7-days-per-week. Flexibility will make local development financially viable. The existing requirement renders the crisis response cost prohibitive in many communities—even with start-up funding provided by the crisis grants appropriated in 2007.

These changes balance a delay in one part of the children's mental health system with reforms that make more effective use of existing resources, as well as one-time cost savings to assist with current budget challenges. As a scientifically-proven approach to supporting foster care families caring for children and youth with challenging mental health problems, Treatment Foster Care will remain as a DHS priority to become accessible to Minnesotans.

This proposal will relieve pressures on the well publicized shortage of inpatient psychiatric hospital beds, hospital emergency rooms, juvenile corrections facilities, and local school districts—especially those school programs designed for students with disruptive behaviors.

Relationship to Base Budget

The ongoing amount currently budgeted for Treatment Foster Care represents about 7% of total MA expenditures for children's mental health.

Key Goals and Measures

This proposal supports the infrastructure needed to develop an effective and accountable mental health and chemical health systems. For residential treatment:

- ◆ Utilization by number of clients by county and by MHCPs, and;
- ◆ Utilization by bed days by county and by MHCPs.

Alternatives Considered

An alternative proposal may arise as a recommendation from the legislatively-mandated Intensive Services Task Force. The task force has broad state-agency and stakeholder membership; DHS is lead agency.

Statutory Change: M.S. 256b.0945; M.S. 245.4885; M.S. 256b.0944, Subd. 4 (b); and M.S. 256B.761

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Reform Payment Method for CD Providers

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-----------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(3,104) | \$(7,794) | \$(4,318) | \$(2,362) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund: Special Revenue | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(3,104) | \$(7,794) | \$(4,318) | \$(2,362) |

Recommendation

The Governor recommends reforms in the state's payment system for chemical dependency treatment in order to assure greater quality and cost-effective statewide services.

Background

Addiction is a chronic disease with behavioral components that requires lifelong management and periodic professional services. Science has shown that addiction treatment is as effective as treatment of other chronic diseases with behavioral components. Unlike people with other chronic diseases, most people who need treatment for addiction do not receive it – only 10% nationally and 8% in Minnesota. In fact, there are only two states with fewer people in addiction treatment per 100,000 population than Minnesota. And unlike the treatment of other chronic diseases, addiction treatment is not integrated into primary healthcare

The social and economic costs of untreated addiction are enormous and threaten the public safety and the public health. The National Institute on Alcohol Abuse and Alcoholism has estimated the national cost of alcohol and drug abuse at more than \$270 billion per year. The Minnesota Department of Health estimates the annual economic cost of alcohol in Minnesota to be \$4.5 billion (2001 estimate) which translates into over \$900 per Minnesotan. Alcohol and drug consumption, abuse, and addiction contribute to motor-vehicle crashes, fires, falls, and drowning, and to violence such as child abuse, homicide, suicide and personal assault. Many chronic health conditions are attributable to alcohol use, including digestive diseases, certain cancers, mental disorders, and cardiovascular diseases.

For the past 20 years Minnesota has maintained a system of public treatment funding through the state- and federally-funded, county-administered Consolidated Chemical Dependency Treatment Fund (CCDTF). Counties contribute at least 15% of the cost and the SAMHSA Substance Abuse Prevention and Treatment Block Grant, Medicaid and state appropriations make up the balance of the CCDTF. Initially the CCDTF served a broad range of patients, including the "working poor," but now only those for whom the disease is well-advanced, and whose income is at or below the federal poverty level, are eligible to be served through the CCDTF.

Proposal

Goals:

To improve the State's purchasing of addiction treatment services by establishing a methodology for statewide rates that would replace county-negotiated rates, and improve the quality of the addiction treatment services delivered.

Strategy #1: To create a methodology that results in greater uniformity of rates paid by the CCDTF for CD treatment services, replaces county-negotiated with a statewide rate methodology, and increases provider accountability by linking payment to program performance

Minnesota currently has a public system for addiction treatment that provides funding through the CCDTF for qualifying patients who are at or below Federal poverty level. Counties, tribes, and managed care organizations (MCOs) are the designated placing authorities. Counties negotiate the rates for addiction specialty treatment programs. The state through the CCDTF pays for roughly 80% of the cost, counties at least 15%, and other funding sources pick up the difference.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Reform Payment Method for CD Providers

State law requires counties and tribes to negotiate payment rates, and there is great variation in these county- or tribal negotiated rates. CMS (the federal Centers for Medicare and Medicaid Services) has also expressed serious concerns about the acceptability of county-negotiated rates, because under federal law Medicaid must be statewide in effect.

Therefore, this proposal:

- ◆ Narrows the variation in CD treatment rates by capping rates at 185% of the mean rate by service type;
- ◆ Temporarily freezes rates for providers that are below the 185% cap;
- ◆ Develops and implements new methodology for state rates for CD services, replacing county negotiated rates with a state rate that includes considerations of *Level of Acuity and Complexity Scales* (LACS), and broad-based CD treatment provider input, and;
- ◆ Incorporates into that methodology quality add-on payments to incent higher quality program performance.

All of these elements are described in more detail below.

2009 – 2010:

The current freeze on CCDTF rates will be extended through the end of FY 2011. For services provided 01-01-2010 through 06-30-2011, reimbursement rates for CCDTF providers shall be capped not to exceed 185% of the mean for defined program types (category of service) as of 01-01-2009. These measures will contain costs and reduce variability in rates while the statewide rates, quality incentives, and LACS are being developed.

By 07-01-2011, a Statewide Rate Methodology Plan will be developed with input from a large network of providers and other stakeholders. The plan will include:

- ◆ Analysis of key elements that contribute to the development acceptable and reasonable, statewide rates;
- ◆ Designated quality incentives linked to payments, and;
- ◆ Designations using a LACS that will be applied to each patient.

2011 – Based on program performance in 2010, any licensed addiction treatment providers receiving CCDTF funds that meet the condition of the specified quality incentive(s) would be eligible to receive a retroactive bonus payment of 4% of their annual CCDTF expenditures beginning 07-01-2011.

Based on program performance and LACS designations in 2011, CCDTF reimbursements made to addiction treatment providers will use the newly-devised statewide rates based on quality incentives and LACS with retroactive bonus payments made to programs on an annual basis on July 1 of the year following the service year.

Quality Incentives/Add-Ons

Because there is no system of graduated CCDTF payments that encourages programs to improve their performance to motivate addiction treatment providers to produce better outcomes, and thus reduce costs by reducing repeat treatment episodes, this proposal will develop and implement a system of payment that incorporates quality incentives. Quality incentive payments would be based on a program's ability to satisfy certain program criteria, based on the best practices in addiction treatment and the Principles of Addiction Treatment as outlined by the National Institute on Drug Abuse. These factors could include consideration of the following: program completion rates, national outcomes measures (NOMS), program innovations, lack of licensing violations, use of evidence-based practices, and high proportion of highest acuity patients.

Level of Acuity and Complexity Scales (LACS)

In addition to quality incentive add-ons, addiction treatment programs will be able to achieve graduated reimbursement scales based on level of acuity and complexity scales (LACS) of their patient mix.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Reform Payment Method for CD Providers

Proposed Level of Acuity and Complexity Rate Matrix – Implemented in 2011

| Patient LACS | Program Setting | | | |
|--------------|-----------------|-------------|--------------------|-------------------------|
| | Outpatient | Residential | Hospital Inpatient | Room & Board |
| Low | Not applicable | | Not applicable | Same regardless of LACS |
| Medium | | | | Same regardless of LACS |
| High | | | | Same regardless of LACS |

The reimbursement rate will vary depending on the level of acuity and complexity of each patient. Using the grid above, for example, addiction treatment services for a low LACS patient at an outpatient program would be reimbursed at a lower rate than a patient with a high LACS at a residential program.

The table below describes numbers and types of providers that will be affected by the initial 185% rate cap in 2010:

| <u>Program Type</u> | <u>Mean Rate</u> | <u>185%</u> | <u>#providers affected</u> |
|--|------------------|-------------|----------------------------|
| Hospital inpatient | \$272.84 | \$504.76 | 0 |
| Room and board portion - adolescent program | \$80.37 | \$148.68 | 1 |
| Room and board portion- adult program | \$54.86 | \$101.50 | 9 |
| Adolescent residential -High intensity - Treatment portion | \$200.11 | \$370.21 | 2 |
| Adult residential -High intensity - Treatment portion | \$203.70 | \$376.84 | 1 |
| Adult residential -Medium intensity Treatment portion | \$115.30 | \$213.30 | 2 |
| Adult residential -Low intensity - Treatment portion | \$67.43 | \$124.74 | 6 |
| Outpatient Program | \$40.81 | \$75.50 | 14 |
| Medication program | \$52.59 | \$97.30 | 2 |
| | | | 37 |

Strategy #2: To eliminate the county share of CCDTF payment for non-reservation American Indians receiving addiction specialty treatment in tribal facilities.

Current statutes require a 15% county share for county placement of non-reservation American Indians in tribal facilities. On the other hand, there is no local share for tribal placements. These provisions discourage counties from using culturally specific services for American Indians. This proposal eliminates the county share in these situations. The cost estimate includes a projected shift in utilization towards more culturally appropriate services.

Relationship to Base Budget

The Consolidated Chemical Dependency Treatment Fund currently pays for about \$140 million in public treatment costs per year, with the net state share being about \$100 million.

Key Goals and Measures

This initiative will enhance the Department’s ability to develop an effective and accountable chemical health system.

- ◆ The percentage of clients completing chemical dependency treatment.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Reform Payment Method for CD Providers

- ◆ The percentage of CD clients using alcohol or illicit drugs in the previous 30 days – at admission and discharge.

Alternatives Considered

Across-the-board rate reductions.

Statutory Change: M.S. 254A and 254B

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Delay New Mental Health Services

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|---------|
| General Fund | | | | |
| Expenditures | \$(1,911) | \$(1,161) | \$(1,917) | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,911) | \$(1,161) | \$(1,917) | \$0 |

Recommendation

The Governor recommends a delay in new mental health service for assertive community treatment (ACT).

Background

ACT is a nationally-recognized evidence-based practice for adults with serious mental illness. In 2005, the Legislature approved Medical Assistance (MA) coverage to expand the ACT model to serve youth age 16 or 17 with emotional disturbance or traumatic brain injury. Implementation of ACT for adolescents is currently anticipated to begin May 2009.

In 2007, new state grants were appropriated to develop expanded adult mental health services such as crisis services and supported housing. Due to a variety of reasons including workforce shortages, some of those new services are starting later than planned, thus resulting in one-time budget savings. Typically the Department would reallocate these types of savings for one-time infrastructure development projects. With the state's current fiscal challenges, DHS is holding \$750,000 of these adult mental health savings.

Proposal

This proposal would delay start-up of adolescent ACT from the currently anticipated start date of May 2009 until May 2010. Savings resulting from the delay would preserve children's mental health infrastructure development grants that were newly-appropriated in 2007. ACT coverage should eventually become accessible to Minnesota youth with serious mental illness. The service will function more effectively when it can be provided in a system with a sound foundation.

In adult mental health, this proposal returns to the general fund underspending which is currently occurring due to delays in development of new state grant-funded services.

Relationship to Base Budget

This proposal creates savings that are equivalent to a 1.6% cut in Adult and Children's Mental Health Grants for the FY 2010-11 biennium. Some savings continue into the FY 2012-13 biennium because the current forecast assumes three years after start date before adolescent ACT is fully implemented.

Key Goals and Measures

Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans. For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfservlet/Legacy/DHS-4694-ENG>).

- ◆ Cost increases in Minnesota health care programs.

For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Delay New Mental Health Services

Alternatives Considered

An across-the-board reduction for adult and children's mental health grants.

Statutory Change: Not Applicable.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Eliminate Chemical Dependency Grants

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(346) | \$(693) | \$(693) | \$(693) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(346) | \$(693) | \$(693) | \$(693) |

Recommendation

The Governor recommends elimination of two Chemical Dependency (CD) non-entitlement grants which have a narrow focus and are less effective in meeting client needs than other CD grants.

Background

Methamphetamine Abuse Grants are designated for specific counties to treat methamphetamine abuse and the abuse of other substance. The focus audience is women with dependent children identified as substance abusers, especially those whose primary drug of choice is methamphetamine. The current recipients of these state-appropriated dollars are Anoka County and Faribault-Martin counties.

Prenatal Alcohol or Drug Use Grants provide funding for early intervention services to pregnant and parenting women with children under the age of three who have a history of alcohol and/or controlled substance abuse (including cocaine, crack-cocaine, and heroin). The current recipients of these state-appropriated funds are American Indian Family Center (Hennepin County), Meeker/McLeod/Sibley counties, and the University of Minnesota.

The DHS Alcohol and Drug Abuse Division currently supports 16 other programs that provide similar services to the same focus audience: pregnant women and women with dependent children, using funds from the federal Substance Abuse Prevention and Treatment Block Grant. These federally-funded programs are funded through a competitive request for proposal process.

Proposal

The proposal eliminates funding for the following CD non-entitlement grants, effective 01-01-2010:

- ◆ Methamphetamine Abuse Grants - \$300,000 per year, and;
- ◆ Prenatal Alcohol or Drug Use - \$393,000 per year.

Relationship to Base Budget

These grants represent 40% of the current base for CD non-entitlement grants, but less than 1% of the appropriation for CD entitlement grants.

Key Goals and Measures

Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans. For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

- ◆ *Cost increases in Minnesota health care programs.*

For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not Applicable

HUMAN SERVICES DEPT

Change Item: Federal Compliance: PARIS Implementation

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$118 | \$(5) | \$(55) | \$(55) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$118 | \$(5) | \$(55) | \$(55) |

Recommendation

The Governor recommends funding the implementation of the federally mandated Public Assistance Reporting Information System (PARIS) system. Federal law requires states to use PARIS, to perform data matches with Medical Assistance (MA) programs operated by other states.

Background

The Qualifying Individual (QI) Program Supplemental Funding Act of 2008, (P.L.110-379) requires, as a condition of receiving federal matching funds for systems, for states to use PARIS when determining MA eligibility as of October 1, 2009.

PARIS is a computer data matching and information exchange system administered by the Administration for Children and Families at the federal Department of Health and Human Services. PARIS provides states with a tool to improve program integrity in the administration of public and medical assistance programs. It is designed to match state enrollment data from the Temporary Assistance for Needy Families (TANF) program, Food Stamp program, and MA, with data from other participating states and from a selected group of federal databases. PARIS uses social security numbers as the unique identifier to match files submitted by the states to determine if participants are enrolled in two or more states, are receiving income or medical payments from the Department of Veterans Affairs, or from the Department of Defense or the Office of Personnel Management. PARIS can also help identify duplicate receipt of child care benefits across states and clients enrolled in more than one state in managed care funded by the Medicaid program. This helps ensure that the proper agency is covering the cost of a client's health insurance benefits and that there is no duplication.

Proposal

This proposal provides funding for the necessary system changes and staffing to implement the PARIS verification system for Minnesota Health Care Program (MHCP) and for the state's child care, TANF and food assistance programs.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: 256.01

HUMAN SERVICES DEPT

Change Item: Federal Compliance: Medicare Changes

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$67 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$67 | 0 | 0 | 0 |

Recommendation

The governor recommends budget and statutory changes needed to implement new federal requirements mandated in the Medicare Improvements for Patients and Providers Act of 2008.

Background

The Medicare Improvements for Patients and Providers Act of 2008 (P.L. 110-275) makes several changes to the administration of Medicare Part D Low-Income Subsidy (LIS) applications and Medicare Savings Programs (MSP) applications including:

- ⇒ Beginning 01-01-10, the Social Security Administration (SSA) will electronically transmit individual Low-Income Subsidy (LIS) applications to the State Medicaid agency. The transmittal will initiate an application for Medicare Savings Programs (MSP). States must accept the data and act on it as an application for MSP. The date of the individual's application for the LIS program constitutes the date of application for the MSP.
- ⇒ Beginning 01-01-10, Medicare cost-sharing for MSP enrollees will be exempt from estate recovery.
- ⇒ Beginning 01-01-10, states are required to adopt asset limits for the Medicare Savings Programs (Qualified Medicare Beneficiaries (QMB), Service-Limited Medicare Beneficiaries (SLMB) and Qualified Individuals (QI-1) programs) that are no lower than the asset limits for the Medicare Part D extra help subsidy program.

Proposal

This proposal is a placeholder for budget and statutory changes that may be needed to implement new federal requirements mandated in the Medicare Improvements for Patients and Providers Act of 2008. DHS is awaiting guidance from the Centers for Medicare and Medicaid Services (CMS) regarding these provisions.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

- ◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.08

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Change Item: Federal Compliance: Reasonable Limits

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$381 | 500 | 500 | 500 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$381 | 500 | 500 | 500 |

Recommendation

The Governor recommends modifying rules for calculating the income of persons receiving Medical Assistance for Long-Term Care (MA-LTC) under post-eligibility budgeting. This proposal would establish a "reasonable limits" policy that allows unpaid medical and remedial care expenses incurred up to three months before the effective date of eligibility for MA-LTC to be deducted from the client's current income under post-eligibility budgeting.

This proposal would also prohibit income deductions for the cost of services or equipment that are covered under the state plan.

Background

Federal law requires that, under post-eligibility budgeting, persons receiving MA-LTC must use their income to contribute to the monthly cost of care, subject to certain deductions. The MA program pays the difference between the cost of care and the amount the client pays. Federal law allows an MA-LTC client to deduct unpaid medical and remedial care bills when determining how much current income the client has available to contribute toward his or her cost of care, subject to "reasonable limits" established by the state.

Minnesota's policy on reasonable limits permits an MA-LTC client to deduct unpaid bills incurred during a current period of eligibility for MA-LTC. The federal Centers for Medicare and Medicaid Services (CMS) did not approve Minnesota's policy on reasonable limits when it was submitted as a State Plan Amendment (SPA). CMS determined that the reasonable limits should be consistent with the rules for establishing MA eligibility under an income spenddown, which allows a deduction from income for expenses incurred prior to the period of eligibility.

As a result, Minnesota needs to modify its reasonable limits policy to allow deductions of medical and remedial care expenses incurred prior to the effective date of MA eligibility when calculating the amount of current income a client has available to contribute for his or her cost of care. Reducing the amount a client contributes to the cost of care will increase MA-LTC expenditures.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: 256B.0575.

HUMAN SERVICES DEPT

Change Item: IEP Funding Cap

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$15 | \$20 | \$20 | \$20 |
| Revenues | (15) | (20) | (20) | (20) |
| Net Fiscal Impact | \$0 | \$0 | \$0 | \$0 |

Recommendation

The governor recommends eliminating the dollar limit on administrative costs retained from payments to school districts for covered Individualized Education Program (IEP) services.

Background

Currently, administrative costs are retained to pay for administering the program at DHS and include the costs of training and technical assistance for school districts, staff salaries and benefits for an IEP policy coordinator, a SIRS investigator, IEP rates staff, provider relations staff, travel and equipment. Costs of administering this program will exceed \$350,000 beginning in fiscal year 2010 due to inflation. In addition to the \$350,000 limit, state law also includes a limit of 5% on costs retained by DHS.

DHS currently retains 5% of earned FFP for administrative costs (referred to as a set-aside) for other DHS programs/projects. DHS retains only the portion of the 5% spent on operating the programs and returns the unused portion on an annual basis. The programs/projects that currently have a 5% set-aside include:

- ◆ Child Welfare Targeted Case Management;
- ◆ Children's Mental Health Targeted Case Management;
- ◆ Adult Mental Health Target Case Management;
- ◆ Vulnerable Adult Targeted Case Management;
- ◆ Local Collaborative Time Study; and
- ◆ Rule 5 (Children's Mental Health Residential facilities).

Tribal projects have a 10% set-aside because the FFP earnings are fairly low and include:

- ◆ Medicaid Administrative Tribal Time Study; and
- ◆ Social Service Administrative Tribal Time Study.

Proposal

This proposal eliminates the \$350,000 per fiscal year limit on administrative costs retained from payments to school districts for IEP services. DHS would still be limited to retaining 5% of the federal share (approximately \$1 million) for IEP services and would still be required to rebate the difference between 5% and the amount needed for administrative costs. This limit assures that administrative costs will continue to be contained.

DHS expects the amount retained will decrease in the future as a result of the limits the Centers for Medicare and Medicaid Services (CMS) are placing on IEP services allowed for Medicaid coverage. Decreased funding for IEP services will decrease the amount DHS can retain for administrative costs. In fiscal year 2007, DHS retained \$800,000 and returned \$480,000 to school districts in the form of rebates.

Key Goals and Measure

Ensure appropriate stewardship of public funds, make it easier to deliver quality human services, and maintain the highest accounting standards through DHS fiscal policies and processes. For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 125A.744, subd. 3

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Basic Care Rateable Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | | | | |
| Expenditures | \$(28,707) | \$(60,096) | \$(68,949) | \$(74,820) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (1,995) | (5,493) | (6,522) | (6,936) |
| Revenues | | | | |
| Net Fiscal Impact | \$(30,702) | \$(65,589) | \$(75,471) | \$(81,756) |

Recommendation

The governor recommends a 3% ratable reduction for basic care services in the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs.

Background

Under current law, there are ratable reductions on fee-for-service inpatient hospital services of 13.4% on MA and 12.4% on GAMC and on fee-for-service outpatient services of 8.5% on MA and 13.5% on GAMC. Of the total inpatient ratables in statute, 7.9% of the MA ratables and 1.9% of the GAMC ratables apply to the managed care contracts.

Proposal

This proposal reduces the rate for fee-for-service inpatient hospital services, outpatient services, and all other basic care providers (i.e. dental, physician, mental health, etc.) by 3% under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs. The 3% ratable reduction would also apply to MA and GAMC managed care contracts. This change would be effective 07-01-09 for fee-for-service and 01-01-10 for managed care contracts.

This proposal excludes payments for

- ◆ prescription drugs;
- ◆ medical supplies and prosthetics;
- ◆ lab and radiology; and
- ◆ medical transportation.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

- ◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. §256.969, subd. 21; 256B.32, subd. 1; 256B.75

HUMAN SERVICES DEPTChange Item: **Elim. HC Elig. for Adults w/o children**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | 297 | (4,741) | (3,638) | (1,237) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (135,449) | (370,306) | (419,588) | (460,386) |
| Revenues | (582) | (1,495) | (1,576) | (1,598) |
| Net Fiscal Impact | (134,570) | (373,552) | (421,650) | (460,025) |

Recommendation

The governor recommends eliminating eligibility for MinnesotaCare, GAMC hospital only, and transitional MinnesotaCare for adults without children.

Background

The 2003 legislature enacted several changes to GAMC:

- ⇒ Effective 07-01-03, emergency GAMC (EGAMC) was eliminated for undocumented and nonimmigrant people with medical emergencies, non-Minnesota residents with expenses related to an accident while in the State, and former GAMC enrollees with medical emergencies who were denied or terminated from MinnesotaCare.
- ⇒ Effective 07-01-03, GAMC eligibility was eliminated for undocumented and nonimmigrant children under age 18, adults age 65 or older, and disabled adults.
- ⇒ Effective 10-01-03, GAMC spenddown eligibility was eliminated. This was coverage for people with income over 75% of the FPG who incurred medical bills equal to their excess income. Spenddown eligibility was replaced by the hospital-only option (GHO) for individuals with income above 75 and at or below 175% of the FPG. GHO coverage includes inpatient hospital services and physician services provided during an inpatient stay with a \$1,000 per admission co-pay.
- ⇒ Effective 10-01-03, retroactive coverage was eliminated. Previously, applicants could be granted GAMC coverage for medical bills incurred up to one calendar month prior to the date of application. With this change, GAMC coverage could begin no earlier than the date of application.
- ⇒ The 2003 legislature also made changes to require a gross income test for GAMC, rather than the prior net income test.

The 2005 legislature enacted laws that require certain GAMC applicants and enrollees to transition to MinnesotaCare beginning 09-01-06. These applicants and enrollees move from GAMC coverage to MinnesotaCare coverage with a six-month transition period. County agencies pay the MinnesotaCare premiums for these enrollees during the transition period. At the end of the six-month period, enrollees are re-determined for MinnesotaCare and the county agency's obligation to pay the MinnesotaCare premium ends. During the six-month transition period, the program costs are funded from both the general fund and the health care access fund. All County agencies are currently required to administer MinnesotaCare for their Transitional MinnesotaCare graduates. Many county agencies administer additional MinnesotaCare cases.

GAMC applicants and enrollees are exempt from the requirement to transition to MinnesotaCare and remain on GAMC if they are otherwise eligible and they are

- ◆ recipients of General Assistance or Group Residential Housing payments;
- ◆ individuals who have applied for and are awaiting a determination of eligibility for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) by the Social Security Administration;
- ◆ individuals who have applied for and are awaiting a determination of blindness or disability from the State Medical Review Team;
- ◆ individuals who are homeless or who fail to meet permanent resident requirements of MinnesotaCare;
- ◆ individuals who have Medicare due to a diagnosis of end-stage renal disease;
- ◆ individuals who have private health insurance;
- ◆ individuals who are residents of the Minnesota Sex Offender Program;
- ◆ individuals who are incarcerated and meet the criteria for continued GAMC as an incarcerated person; and
- ◆ individuals who receive treatment through the Consolidated Chemical Dependency Treatment Fund.

Income limit for adults without children

The 2007 legislature increased the income limit for MinnesotaCare adults without children from 175% FPG to 200% FPG effective 01-01-08, and from 200% FPG to 215% FPG effective 01-01-09. The 2008 legislature amended this to require an increase to 250% FPG (instead of 215% FPG) effective 07-01-09.

Proposal

This proposal would

- ◆ eliminate the GAMC Hospital Only (GHO) program effective 01-01-10; individuals enrolled in GHO on 10-01-09 would be covered for the remainder of their hospital stay;
- ◆ eliminate Transitional MinnesotaCare effective 01-01-10;
- ◆ effective 01-01-10, maintain GAMC at current income and asset limits for applicants and enrollees who have the qualifiers described in current law; and
- ◆ eliminate MinnesotaCare eligibility for all adults without children effective 01-01-10.

ENROLLMENT SUMMARY

| | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|----------------|----------------|----------------|----------------|
| <i>GAMC</i> | | | | |
| Eliminate GAMC hospital-only | -48 | -164 | -165 | -165 |
| Eliminate Transitional MnCare | -1,204 | -4,156 | -4,188 | -4,214 |
| Shift from MnCare adults without children | 1,349 | 3,657 | 3,880 | 3,938 |
| | ----- | ----- | ----- | ----- |
| Average monthly GAMC enrollment change | 97 | -663 | -473 | -441 |
| <i>MinnesotaCare</i> | | | | |
| Eliminate Transitional MnCare | -4,852 | -11,896 | -11,991 | -12,134 |
| Eliminate eligibility for MnCare adults | -20,640 | -52,610 | -55,318 | -56,172 |
| | ----- | ----- | ----- | ----- |
| Average monthly MnCare enrollment change | -25,491 | -64,506 | -67,310 | -68,305 |
| TOTAL | -25,394 | -65,169 | -67,783 | -68,746 |

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

- ◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256D.03, 256L.02, 256L.03, 256L.04, 256L.05, 256L.07, 256L.09, 256L.11, 256L.12, 256L.15, and 256L.17.

HUMAN SERVICES DEPT

Change Item: Elim. MnCare Eligibility for Parents

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------|-------------------|-------------------|-------------------|
| General Fund | | | | |
| Expenditures | \$6 | \$25,555 | \$30,840 | \$32,163 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 67 | (92,048) | (106,221) | (110,060) |
| Revenues | 0 | (688) | (622) | (575) |
| Net Fiscal Impact | \$73 | \$(65,805) | \$(74,759) | \$(77,322) |

Recommendation

The governor recommends eliminating MinnesotaCare eligibility for parents (adults with children and caretakers) effective 07-01-10, or upon federal approval, whichever is later.

Background

Absent MinnesotaCare eligibility, parents of children under the age of 19 with incomes at or below 100% of the federal poverty guidelines (FPG) would qualify for Medical Assistance (MA), or for MA with a spenddown if their income is above 100% FPG.

However, legal guardians, foster care parents, and step-parents with no biological or adoptive children under age 19 would not be eligible for MA unless they are disabled or over age 65. MA also does not cover parents whose children are over 18 or non-parent caretakers with no familial relationship to the children in their care.

Proposal

This proposal eliminates MinnesotaCare eligibility for adults with children, effective 07-01-10, or upon federal approval, whichever is later.

Currently, the MinnesotaCare income eligibility standard for adults with children and pregnant women is 275% of Federal Poverty Guidelines (FPG). Regardless of and in addition to the 275% FPG income standards, parents with incomes that exceed \$50,000 are not eligible for MinnesotaCare. (In the 2008 legislative session, the \$50,000 limit was increased to \$57,500 beginning 07-01-10 or upon federal approval.)

Current state law also includes an annual inpatient hospital benefit limit of \$10,000 for MinnesotaCare parents with income that exceeds 200% FPG. This benefit does not apply to children, so the children remaining on the program are not affected by its elimination.

This proposal would reduce average monthly net enrollment by 28,000 by FY2013. MinnesotaCare average monthly enrollment would decrease by 28,149 for parents and 6,828 for children. MA average monthly enrollment would increase by 6,915 by FY2013 due to some parents under 100% FPG shifting to MA.

This proposal would eliminate the overlap of eligibility between MinnesotaCare and MA for pregnant women. All eligible pregnant women would receive health care coverage through MA.

Relationship to Base Budget

This proposal assumes a reduction in 11.75 FTE for MinnesotaCare operations in the FY10-11 biennium, and 23.5 FTE in the FY12-13 biennium.

Key Goals and Measures

☐⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. §256L.01, §256L.03, §256L.04, §256L.07, §256L.09, §256L.15, §256L.17

HUMAN SERVICES DEPT

Change Item: Eliminate Chiropractic Service Coverage

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------------|----------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(317) | \$(906) | \$(1,044) | \$(1,124) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (36) | 0 | 0 | 0 |
| Revenues | | | | |
| Net Fiscal Impact | \$(353) | \$(906) | \$(1,044) | \$(1,124) |

Recommendation

The governor recommends the discontinuation of coverage for chiropractic services for non-pregnant adults (age 21 and above) in the Medical Assistance (MA), General Assistance Medical Care (GAMC) and MinnesotaCare programs.

Background

Chiropractic services are categorized as optional rather than mandatory for certain populations as defined by federal regulations.

Currently, chiropractic services are available to all Minnesota Health Care Programs (MHCP) participants, whether under fee-for-service or the managed care plans. Chiropractic services under the MHCP programs are limited in scope; a recipient may receive up to 24 units of service a year. Chiropractic services are a covered service under Medicare. For individuals who are dually eligible for Medicare and Medicaid, MHCP pays their co-insurance and deductible for the 24 units of chiropractic care covered by Medicare per year, before MHCP begins to cover the 24 units available under the MHCP benefit set.

Proposal

This proposal would eliminate coverage of chiropractic services for non-pregnant adults (age 21 and above) on MA, GAMC and MinnesotaCare effective 01-01-10. This proposal would be effective for enrollees receiving services through fee-for-service and through contracted managed care organizations. The January 1 effective date allows for federal approval and managed care contract modifications needed in order to implement this change.

MHCP will continue to pay the co-insurance and deductible for those recipients who are dually eligible for Medicare and Medicaid. MHCP recipients who are not dually eligible will likely receive similar care from other health care providers. For children who are under age 21, the program will continue to include chiropractic care under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

HUMAN SERVICES DEPT

Change Item: Eliminate Dental Coverage for Adults

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | | | | |
| Expenditures | \$(10,083) | \$(27,436) | \$(28,526) | \$(28,270) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (488) | 0 | 0 | 0 |
| Revenues | | | | |
| Net Fiscal Impact | \$(10,571) | \$(27,436) | \$(28,526) | \$(28,270) |

Recommendation

The governor recommends a discontinuation of dental services for non-pregnant adults in the Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare programs. This recommendation would be effective for clients receiving services through fee-for-service and contracted health plans.

Background

Currently, all clients on Minnesota MA and GAMC and certain clients on MinnesotaCare receive full dental coverage. Dental services are categorized as optional rather than mandatory for certain populations as defined by federal regulations. A majority of states do not cover adult dental services but cover emergency dental services.

Proposal

This proposal eliminates coverage of dental services for non-pregnant adults (age 21 and above) on MA, GAMC and MinnesotaCare effective 01-01-10.

There are four exceptions to this discontinuation of dental services in these programs:

- ⇒ Children through 20 years of age would continue to receive dental services;
- ⇒ Pregnant women would continue to receive dental services;
- ⇒ Non-pregnant adults would continue to receive emergency dental care through hospital emergency departments for emergencies such as severe pain, trauma or infections; and
- ⇒ Certain identified procedures that are underway when elimination is effective and that involve further visits (such as a root canal procedure, or extraction and the placement of dentures) will be completed.

Implementation would involve these steps:

- ◆ sending a notice to affected clients regarding the change;
- ◆ sending a provider update to all enrolled dental providers regarding the change;
- ◆ adjusting managed care rates and contracts to reflect the changes;
- ◆ seeking federal approval for amending rates and contracts; and
- ◆ coordinating with the health plans to ensure the implementation occurs in a timely, smooth manner.

For clients receiving services through managed care plans, DHS would be required to amend contracts and rates, get actuarial certification for the amended rates, and submit the amended contracts and rates for approval by the federal government for MA and MinnesotaCare. The January 1 effective date allows for federal approval and managed care contract modifications needed in order to implement this change.

Relationship to Base Budget

The discontinuation of adult dental services in MA, GAMC and MinnesotaCare will have an immediate and ongoing effect on lowering the statewide annual expenditures in both the General Fund and Health Care Access Fund.

Key Goals and Measures

- ⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it

purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. §256B.0625, sub 9; 256D.03, subd. 4, clause 14; 256L.03 subd. 1

HUMAN SERVICES DEPT

Change Item: Eliminate Podiatry Service Coverage

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------------|----------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(312) | \$(892) | \$(1,028) | \$(1,107) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (11) | 0 | 0 | 0 |
| Revenues | | | | |
| Net Fiscal Impact | \$(323) | \$(892) | \$(1,028) | \$(1,107) |

Recommendation

The governor recommends the discontinuation of coverage for podiatry services for non-pregnant adults (age 21 and above) in the Medical Assistance (MA), General Assistance Medical Care (GAMC) and MinnesotaCare programs.

Background

Podiatry services are categorized as optional rather than mandatory for certain populations as defined by federal regulations.

Currently, podiatry services are available to all Minnesota Health Care Programs (MHCP) participants, whether under the fee-for-service or the managed care plans. The elderly and disabled receive the greatest number of podiatry services; many of whom are dually eligible recipients, receiving both Medicare and Medicaid for whom the MHCP pays their co-insurance and deductibles. Because many of these elderly and disabled recipients receive podiatric services because of an underlying systemic condition, this proposal assumes that they will continue to receive this coverage under Medicare for which MHCP will continue to pay their Medicare co-insurance and deductibles.

Proposal

This proposal would eliminate coverage of podiatry services for non-pregnant adults (age 21 and above) on MA, GAMC and MinnesotaCare effective 01-01-10. This proposal would be effective for enrollees receiving services through fee-for-service and through contracted managed care organizations. The January 1 effective date allows for federal approval and managed care contract modifications needed in order to implement this change.

MHCP recipients who are not elderly/disabled or not dually eligible will likely receive services similar to podiatric care from other health care providers. For children who are under age 21, the program will continue to include podiatric services under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

HUMAN SERVICES DEPT

Change Item: Eliminate Rehabilitative Service Coverage

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(1,752) | \$(4,969) | \$(5,739) | \$(6,190) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (54) | 0 | 0 | 0 |
| Revenues | | | | |
| Net Fiscal Impact | \$(1,806) | \$(4,969) | \$(5,739) | \$(6,190) |

Recommendation

The Governor recommends the discontinuation of coverage for rehabilitative services for non-pregnant adults in the Medical Assistance (MA), General Assistance Medical Care (GAMC) and MinnesotaCare programs.

Background

Rehabilitative services, include physical therapy (PT), occupational therapy (OT), speech-language pathology (SLP), and audiology services, are categorized as optional rather than mandatory for certain populations as defined by federal regulations.

Currently, rehabilitative services are available to all Minnesota Health Care Programs (MHCP) participants, whether under the fee-for-service or the managed care plans. In 1999, legislation was enacted to change the delivery of rehabilitative services for MHCP enrollees. Prior to the 1999 legislative change, the MHCP benefit sets included annual thresholds for each therapy discipline. The 1999 legislation changed the PT, OT and SLP thresholds to one-time service thresholds effective July 1, 1999. This means recipients needing PT, OT, or SLP services could receive a number of units of service without authorization. After exhausting the units available without authorization, all additional services require authorization to determine medical necessity.

Proposal

This proposal would eliminate coverage of rehabilitative services (PT, OT, SLP, and audiology) for non-pregnant adults (age 21 and above) on MA, GAMC and MinnesotaCare effective January 1, 2010. This proposal would be effective for enrollees receiving services through fee-for-service and contracted managed care organizations.

The elderly and disabled with long-term chronic and debilitating conditions as well as children with chronic, life long conditions such as cerebral palsy, receive the majority of rehabilitative service paid by MHCP. Medicare includes coverage for rehabilitative services and, for those recipients that are dually eligible for Medicare and Medicaid, MHCP pays their co-insurance and deductible. This proposal assumes that this would continue. For children who are under age 21, the program will continue to include rehabilitative services under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change Rehabilitative services are governed by MS §256.0625 Subd 8, 8a, 8b, and 8c, and MN Rule 9505.0385, 9505.0386, 9505.0390, 9505.0391, 9505.0410, 9505.411, 9505.0412

HUMAN SERVICES DEPT

Change Item: Maintain Current MinnesotaCare Premiums

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$(2,960) | \$(3,550) | \$(3,975) | \$(4,156) |
| Revenues | (30) | (38) | (38) | (38) |
| Net Fiscal Impact | \$(2,930) | \$(3,512) | \$(3,937) | \$(4,118) |

Recommendation

The governor recommends eliminating certain MinnesotaCare premium reductions.

Background

In 2007, the legislature reduced MinnesotaCare premiums by eliminating 2003 premium increases of 0.5% of household income for enrollees with income above 100% of the Federal Poverty Guidelines (FPG) and 1% of household income for enrollees with income above 200% FPG. The effective date for this provision was upon federal approval, which was received on 10-31-08.

In 2008, the legislature further reduced MinnesotaCare premiums by replacing the sliding-fee scale with an affordability scale that limits premiums to a maximum of 8% of household income. The current sliding-fee scale includes premiums up to 9.8% of household income for families with incomes just below 275% FPG. (This equates to 8.8% when the .5 and 1% increases are removed.) The new affordability scale is effective 07-01-09, or upon federal approval, whichever is later.

Proposal

This proposal would eliminate the premium reductions of 0.5% of household income for enrollees with income above 100% of the Federal Poverty Guidelines (FPG) and 1% of household income for enrollees with income above 200% FPG and the new affordability scale that limits premiums to a maximum of 8% of household income. This proposal would reduce projected average monthly enrollment for children in MinnesotaCare by 1,273 in FY 2013.

Key Goals and Measures

☐⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Minn. Stat. §256L.15, Subd. 2.

HUMAN SERVICES DEPT

Change Item: MnCare Rolling Month and Grace Month

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$(4,390) | \$(2,456) | \$(3,037) | \$(3,207) |
| Revenues | | | | |
| Net Fiscal Impact | \$(4,390) | \$(2,456) | \$(3,037) | \$(3,207) |

Recommendation

The governor recommends repealing MinnesotaCare premium grace month and MinnesotaCare eligibility for an additional (rolling) month for enrollees who fail to submit renewal forms. These policy changes have not yet been implemented.

Background

In 2008, state law was amended to allow nonpayment of MinnesotaCare premiums to result in disenrollment effective the first day of the calendar month following the month premium is due. The change has the effect of giving enrollees an extra month or a "grace month," in which to pay their premiums before they are disenrolled. The law also requires the Commissioner to waive the premium for the grace month, for persons disenrolled for nonpayment who then reapply.

State law was also amended in 2008 to allow MinnesotaCare enrollees who fail to submit renewal forms to remain eligible for an additional month before being disenrolled. This policy is referred to as "rolling month." Under rolling month eligibility, the enrollee remains responsible for the MinnesotaCare premium for the additional month.

These policy changes have not yet been implemented, as they are contingent on federal approval.

Proposal

Effective 07/01/09, this proposal repeals the requirements that allow MinnesotaCare enrollees an extra month to pay their monthly premiums and extend MinnesotaCare eligibility for an additional (rolling) month for enrollees who fail to submit renewal forms.

This proposal will eliminate the confusion that the grace month and the rolling month eligibility are likely to cause when implemented. While rolling month eligibility requires payment of premiums, the grace month provision allows premiums to be waived.

Repealing both of these policies will simplify MinnesotaCare program requirements and eliminate the following consequences:

- ⇒ MinnesotaCare enrollees who fail to submit renewal paperwork timely will remain eligible for an additional month, and will be responsible for the MinnesotaCare premiums for the additional month, even if their non-renewal was a signal to DHS that they no longer wanted coverage.
- ⇒ MinnesotaCare enrollees who fail to pay their premiums timely will remain eligible for an additional month of coverage, but at no cost, while ongoing enrollees are required to pay for all months.
- ⇒ Enrollees who reapply for MinnesotaCare following cancellation for non-renewal will be permitted to reenroll immediately, but will owe for past due premiums.
- ⇒ Enrollees who reapply for MinnesotaCare following cancellation for nonpayment of premiums will not owe for past due premiums, but they will have a four-month waiting period before they can reenroll.

Repealing grace month will produce the following savings:

- ⇒ Enrollees will continue to be disenrolled for nonpayment prior to the month for which the premium is due.
- ⇒ Enrollees will pay a premium for every month of coverage.
- ⇒ Enrollees will not receive a free month of coverage regardless whether they reapply following disenrollment.

⇒ It will eliminate the enrollment impact, which is expected to increase the MinnesotaCare average monthly enrollees by 938 in FY 2013.

Repealing rolling month will produce the following savings:

- ⇒ The state will be relieved of paying health plan capitation payments for the extra months of coverage.
- ⇒ It will eliminate the enrollment impact, which is expected to increase the MinnesotaCare average monthly enrollees by 542 in FY 2013.
- ⇒ Counties will be relieved of paying additional MinnesotaCare premiums to DHS for certain Transitional MinnesotaCare enrollees.

Repealing grace month does not eliminate the reinstatement process for MinnesotaCare enrollees who fail to pay their premiums. The current MinnesotaCare statute allows for a reinstatement process for enrollees who fail to pay their premiums to retain coverage without a lapse. Persons disenrolled for failure to pay premiums, who pay the past due premium as well as the current premium due within 20 days of disenrollment, are re-enrolled retroactively and maintain coverage without a lapse.

Key Goals and Measures

Repealing the rolling month supports program integrity, as it repeals an eligibility change that is likely to permit some ineligible individuals and families to remain enrolled in MinnesotaCare for an additional month.

Statutory Change: M.S. 256L.06, subd.3; M.S. 256L.05, subd.3a

HUMAN SERVICES DEPT

Change Item: Increase MA-EPD Premiums

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(538) | \$(1,075) | \$(1,075) | \$(1,075) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(538) | \$(1,075) | \$(1,075) | \$(1,075) |

Recommendation

The governor recommends increasing the minimum base premium for Medical Assistance for Employed Persons with Disabilities (MA-EPD) enrollees from \$35 to \$50 per month and increasing the unearned income obligation from .5% to 2.5% of unearned income per month.

Background

During the 2003 session, the legislature made changes to the MA-EPD program to align it as a work incentive and to reflect a similar approach to private health care coverage. Changes included

- ◆ adopting a \$35 minimum or “base” monthly premium; and
- ◆ establishing an “unearned income obligation” which required enrollees with unearned income to pay 0.5% of their unearned income in addition to their monthly premium.

The minimum premium payment and unearned income obligation required all enrollees be responsible for a share of their health care costs, not unlike workers who rely on private health insurance.

Over 98% of MA-EPD enrollees also receive Social Security Disability Income (SSDI). SSDI payments are indexed each year. SSDI recipients receive an annual cost of living adjustment, which since 2004 has ranged from 2.7 percent to 5.8 percent (average 3.64%).

The unearned income obligation and minimum MA-EPD premium have not been increased since they were implemented in November 2003 and January 2004 (respectively).

Proposal

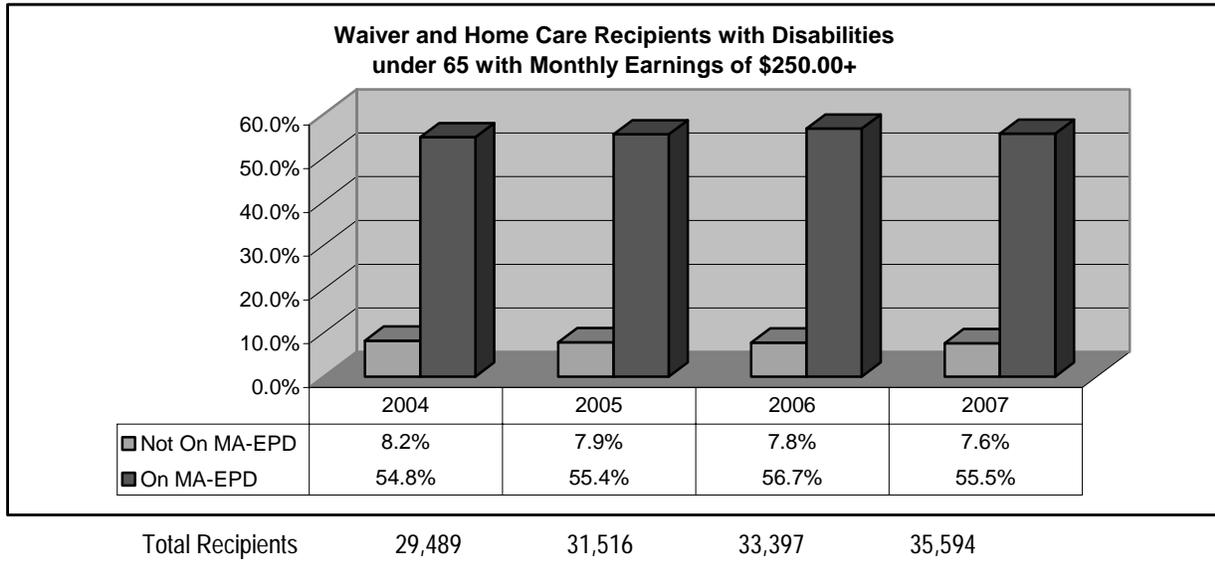
Effective 01-01-10, this proposal:

- ◆ Increases the minimum (base) premium for MA-EPD enrollees from \$35 per month to \$50 per month. The current premium structure would remain in place, and if through the current calculation the minimum premium was not met, the minimum premium of \$50 per month would be charged. Enrollees who exceed the minimum premium through the current premium calculation would be billed that amount.
- ◆ Increases the unearned income obligation from ½ percent of unearned income to 2.5 percent of unearned income per month. Enrollees with monthly unearned income would pay 2.5 percent of unearned income rather than ½ percent as with current policy.

Relationship to Base Budget

The reduction to the general fund base budget for MA Basic Health Care Grants for Families and Children is minimal for both the FY 2010-11 biennium and the FY 2012-13 biennium.

Key Goals and Measures



Statutory Change: M. S. 256B.057, subd. 9.

HUMAN SERVICES DEPT

Change Item: Eliminate Additional Two Months Coverage

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|-------------------|-------------------|-------------------|
| General Fund | | | | |
| Expenditures | (3,806) | (9,038) | (10,206) | (11,122) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | \$(1,562) | \$(14,155) | \$(25,863) | \$(34,431) |
| Revenues | (142) | (250) | (327) | (311) |
| Net Fiscal Impact | \$(5,226) | \$(22,943) | \$(35,742) | \$(45,242) |

Recommendation

The governor recommends repealing the two additional months of additional Medical Assistance (MA) and automatic MinnesotaCare eligibility for children.

Background

In 2007, the Legislature extended MA eligibility for two additional months for children under the age of 19 whose income exceeds 150% of the federal poverty guidelines. These children were also deemed automatically eligible for MinnesotaCare until their next renewal. The provision has an effective date of 10-01-08, or upon federal approval, whichever is later.

In 2008, the Legislature amended Minnesota law to clarify that a child receiving MA who becomes ineligible due to excess income is eligible for seamless coverage between MA and MinnesotaCare. Program implementation effective date remained the same of 10-01-08 or upon federal approval, whichever is later.

The Centers for Medicare and Medicaid Services have reviewed Minnesota's request to amend the MinnesotaCare waiver to accommodate this change in consort with the renewal of the MinnesotaCare waiver. The state's request clarified that there would be a need for modifications to budget neutrality to accommodate this program modification. CMS has asked the state to re-submit this change for consideration as an amendment request rather than for review under the waiver renewal process.

Proposal

The proposal would repeal the two extended months of MA coverage for children under the age of 19, and the automatic eligibility for MinnesotaCare for children under the age of 19 who become ineligible for MA due to excess income until their next renewal. This proposal does not affect current enrollees, but would reduce future forecasted enrollment increases in MA by 4,400 and in MinnesotaCare by 18,000 enrollees by fiscal year 2013. Associated state administrative costs would also be reduced due to lower than expected enrollment increases in health care programs.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.057, subd.2c, M.S. 256L.04, subd.1; M.S.256L.07, subd.7; M.S. 256B.057, subd.2c.

HUMAN SERVICES DEPT

Change Item: Eliminate Patient Incentive Grants

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(491) | \$(491) | \$(491) | \$(491) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(491) | \$(491) | \$(491) | \$(491) |

Recommendation

The Governor recommends eliminating the patient incentive grant program.

Background

The patient incentive program is a state funded grant program enacted in the 2007 legislative session and effective July 1, 2008. Under this program and upon federal approval, DHS is required to develop and implement a patient incentive health program that provides incentives and rewards to individuals enrolled in Minnesota Health Care Programs (MHCP) and who have agreed to and met personal health goals established with the patients' primary care providers to manage a chronic disease or condition. The chronic diseases include but are not limited to diabetes, high blood pressure, and coronary artery disease. The program requires federal approval and has not started.

Proposal

This proposal eliminates the patient incentive grant program effective July 1, 2009.

Relationship to Base Budget

This would reduce the base budget for the Other Health Care Grants budget activity by \$491,000.

Key Goals and Measures

☞ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256.01, subdivision 2b, paragraph (b)

HUMAN SERVICES DEPT

Change Item: Health Care Program Simplification

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------------|----------------|----------------|-----------------|
| General Fund | | | | |
| Expenditures | \$7 | 0 | \$33,368 | \$49,218 |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (551) | \$2,743 | (25,784) | (34,418) |
| Revenues | (348) | 1,097 | 932 | 691 |
| Net Fiscal Impact | \$(196) | \$1,646 | \$6,652 | \$14,109 |

Recommendation

The governor recommends simplifying the eligibility standards and providing greater operational support and oversight to improve county administration of Minnesota Health Care Programs (MHCP).

Background

Minnesota's current public health care programs are a conglomeration of programs developed over the last 40 years that now serve more than 665,000 Minnesotans. The complexity of these programs is great, due in large part to the iterative nature of their development and the need and desire to meet federal standards for Medicaid and SCHIP in order to secure favorable financing arrangements. This complexity has resulted in administrative inefficiencies, errors in eligibility determination, public confusion, and controversy around program financing.

Complexity of health care programs verified by legislative auditor, Minnesota Health Care Connect Report

In January 2007, the Office of the Legislative Auditor (OLA) issued a report on the administration of the state's human services programs. One of the key findings of the OLA is that "complex program requirements have reduced administrative efficiency and increased the risk of noncompliance."¹ In response to this report, the legislature, in 2007 established an advisory committee to identify ways to simplify and streamline human services laws and administrative requirements. This proposal addresses the OLA's concerns and supports the work of the legislative advisory committee.²

In addition to the work of the OLA and the administrative simplification advisory committee, the state, in partnership with the Minnesota Association of County Social Services Administrators (MACSSA), has undertaken a review of the business processes of counties and the state for health care program administration, based on authority granted in the 2005 session. This project – Minnesota Health Care Connect – (MHCC) has taken a broad look at the current MHCP eligibility and enrollment operational model. An "Optimal Structure" report was issued by PSI, Inc. in April 2008.

The PSI report found that the current health care eligibility and enrollment administrative structure is significantly under-resourced and fragmented. The report recommends additional resources, and infrastructure and process changes. Under-resourcing leads to cases not being processed in a timely manner, workers inconsistently following rules and procedures, and significant employee turnover. The result is reduced customer service and program integrity problems.

The statewide administrative structure supporting MHCP needs to be restructured to ensure client access, meet other policy objectives, and better utilize administrative resources. The work of the OLA, MHCC and the administrative simplification workgroup is addressed by this proposal, which offers an intuitive program administrative structure that can support MHCP into the next decade.

Proposal

¹ Minnesota Office of the Legislative Auditor. *Human Services Administration*. January 29, 2007.

<http://www.auditor.leg.state.mn.us/ped/2007/hsa.htm>

² Minn Stat. 256.01 subd. 23

This proposal is a roadmap for the development of a rational system that simplifies health care eligibility and administration for families and children enrolled in the state's health care programs. The key goals of this proposal are to:

1. reduce program complexity by streamlining eligibility policies for families and children;
2. address federal mandates from the renewal of the MinnesotaCare PMAP + waiver;
3. increase statewide operational support and oversight by implementing concepts from Minnesota Health Care Connect; and
4. provide for county cost-avoidance.

This redesign would provide a number of advantages over the current system, including streamlined eligibility administration, improved client services, fewer program rules resulting in reduced costs for the development and maintenance of an integrated eligibility system, more rational program financing, enhanced program (financial) integrity, and greater compliance with federal eligibility mandates .

Goal #1: Reducing program complexity

This element of the proposal envisions consistent administration and eligibility standards for Minnesota Health Care Programs for families with children and pregnant women. This proposal consolidates eligibility for these populations currently being served through Medical Assistance and MinnesotaCare. These changes would not apply to the current MA program for the elderly and persons with disabilities.

Effective 07-01-11, or upon federal approval, whichever is later, this proposal would eliminate overlapping eligibility coverage between Medical Assistance (MA) and MinnesotaCare for families and children as follows:

- ⇒ Eliminate duplicative coverage of MA-eligible pregnant women in MinnesotaCare. Pregnant women eligible for MA would be enrolled in MA. MinnesotaCare would no longer include eligibility for pregnant women.
- ⇒ Eliminate duplicative coverage of MA-eligible children under age 2 in MinnesotaCare. Children under age 2 eligible for MA would be enrolled in MA. MinnesotaCare would no longer include eligibility for children under age 2.
- ⇒ Eliminate duplicative coverage of MA-eligible children ages 2 through 18 in MinnesotaCare. Children ages 2 – 18 eligible for MA would be enrolled in MA. MinnesotaCare would no longer include eligibility for children 2 - 18 with income at or below 150% of the Federal Poverty Guidelines (FPG). MinnesotaCare eligibility would continue for children 2 – 18 with incomes above 150% and at or below 275% FPG.

Effective 07-01-11, or upon federal approval, whichever is later, this proposal would align eligibility rules for Minnesota Health Care programs (MHCP) as follows:

- ⇒ Expand state-funded MA to include eligibility for foster parents and legal guardians who choose to include the children in their care as members of their households, to align with MinnesotaCare.
- ⇒ Change the income methodology used to determine MinnesotaCare eligibility for families with children to align follow the MA family income methodology and deeming rules. Change the income methodology for determining MinnesotaCare eligibility for adults without children to follow the General Assistance Medical Care (GAMC) income methodology. (Maintain a separate MinnesotaCare household income calculation to determine MinnesotaCare premiums.)
- ⇒ Implement six-month renewals for MinnesotaCare, to align with MA and GAMC.
- ⇒ Align asset verification across MA, GAMC and MinnesotaCare by implementing asset verification for MinnesotaCare, and verification of assets used in self-employment for MA, GAMC and MinnesotaCare.

Goal #2: Addressing federal mandates from the renewal of the MinnesotaCare PMAP + waiver

New federal mandates require significant changes to the administration of MHCP for families and children.

DHS received federal approval to renew the §1115 waiver that authorizes federal financial participation (FFP) for the MinnesotaCare program with new terms and conditions effective 10-31-08. CMS included two new requirements in the terms and conditions. These new requirements will direct more cases to counties who determine MA eligibility.

1. Application Form with Affirmative selection

Effective 01-01-09, the health care application must include check boxes for applicants to indicate if they want to apply for all health care programs or just MinnesotaCare. Applicants must get comparative information about the programs with the application, to help them decide which box to check and must be told how to get help in making that choice. If an applicant checks the "all programs" box, or leaves the question blank, an MA determination must occur first, before any MinnesotaCare determination. Applicants who check the "MinnesotaCare Only" box would get a MinnesotaCare determination only.

2. **Medical Assistance (MA) Redeterminations for Certain Former MinnesotaCare Enrollees**
Effective 01-01-09, DHS must send a notice to families with children who are disenrolled from MinnesotaCare for failure to pay premiums that they are potentially eligible for MA. Individuals and families who indicate interest in an MA determination by mailing back the notice must have their eligibility determined for MA and enrolled if they are eligible.

To help mitigate the increased county administrative burden of determining MA eligibility for these former MinnesotaCare enrollees, this proposal requires the state MinnesotaCare Operations develop the capacity to redetermine MA eligibility for these cases. DHS proposes to provide further county workload relief by having the state MinnesotaCare Operations retain and administer the health care only MA family cases that go through the re-determination process on an ongoing basis in lieu of transferring them to the county.

DHS anticipates that the eligibility changes in this proposal would eliminate this role for the state MinnesotaCare Operations by 01-01-12.

Goals 3&4: Increase statewide operational support and oversight and provide for county cost avoidance by implementing concepts from Minnesota Health Care Connect

FY 2010-2011:

Implementation of specialized support for long-term care (LTC) cases. This is a specialized group, organized centrally or regionally, that could tap into the expertise in counties that have workers skilled in the complexities of LTC eligibility and case management. It would provide assistance and support to counties that do not have this expertise. Additionally, workers would have the opportunity to become "certified" LTC workers. While it would not be required to work on a case, a certified worker must sign off on all cases. Cost of implementation is estimated at \$1.0 million in FY2011. This includes staff augmentation at DHS, development of operational protocols, training development and implementation, and readiness assessment.

FY 2012-2013:

During the 2012-2013 biennium, DHS resources currently devoted to processing MinnesotaCare applications will be refocused on the following operational support and oversight efforts.

Development of statewide electronic document management services (EDMS). This would allow electronic storage of all client public assistance related documents including the application, verification documentation, and outgoing correspondence sent to clients. This will also include a centralized mail receipt, imaging, and indexing center and a system that allows workers to view documents through a secure statewide network. This work is integrated with the ongoing EDMS development within DHS. Cost of development and initial implementation is estimated at \$12.3 million for the biennium. This includes costs for staffing of implementation, technology development, and end user support; information and telecommunications technology; centralized mail receipt facilities and equipment; and external service providers for project management and facilities planning. County costs for the biennium are estimated to be \$5.3 million. This includes staffing and technology for county EDMS systems and all costs for backfile conversion. Full implementation will start in FY2013.

Enrollment broker. This consists of a DHS-operated centralized unit that would provide clients with consistent education and choice counseling for all health plans across the state. All the enrollment activities, including mailing enrollment materials, managing outreach, and limited client advocacy for managed care clients, would take place in this unit.

Direct DHS county and client support. This initiative includes a DHS-operated statewide customer contact center (CCC) and a DHS-operated centralized processing center (CPC). The CCC would provide one telephone

number for MHCP customer service. Customers would have their questions answered or would be directed to resources that could answer their questions and concerns. This should improve customer service and provide customers with more options for meeting their eligibility needs. The CPC would administer existing and future more complex or focused eligibility determinations, such as the Minnesota Family Planning Program and the MA Breast and Cervical Cancer program. Future areas of processing may include self-employment and State Medical Review Team. This group would be connected with the specialized support of LTC described previously and would also develop and support an online application for MHCP. The CPC would also include a "model office" that would enable DHS to preview and pilot new technology, test new procedures and evaluate new training prior to statewide implementation. This direct county support would also include increased capacity to support program evaluation and integrity, including capacity to develop and administer solutions to issues identified through MEQC and PERM reviews. Future roles, not covered in this proposal, may include development of capacity to be a central verification center to deliver counties verifications including birth certificates, assets, employment status, and health insurance status.

The evaluation of Minnesota's health care eligibility and enrollment system indicated that implementation of each of these initiatives provided some mitigation of the county under-resourcing and yielded substantial county cost avoidance. Implementation of these as a package along with development of an integrated health care eligibility system yielded a 75% reduction in the resource needs of counties.

Relationship to Base Budget

- ◆ Increases FTE for DHS health care program and policy operations by 13.75 FTE

Key Goals and Measures

- ⇒ Improve administrative cost-effectiveness
 - ◆ Reduce average cost and processing time for application intake and review
 - ◆ Reduce average cost and processing time for eligibility determination
- ⇒ Improve customer service
 - ◆ Reduce average processing time for eligibility determination
 - ◆ Improve customer access to appropriate staff
- ⇒ Increase administrative flexibility
 - ◆ Improve ability to manage unexpected workload changes
 - ◆ Improve ability to incorporate changes in laws, regulations, policies, and procedures into existing operations
- ⇒ Improve program integrity
 - ◆ Improve eligibility determination accuracy/Reduce MEQC errors
 - ◆ Improve premium calculation accuracy

Statutory Change: Minnesota Statutes, sections 256L.01, 256L.03, 256L.04, 256L.05, 256L.07, 256L.15, 256L.17, 256B.056.

HUMAN SERVICES DEPT

Change Item: Align Managed Care Withhold

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(944) | \$(2,599) | \$(834) | \$(966) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (2,069) | (2,209) | (401) | (208) |
| Revenues | | | | |
| Net Fiscal Impact | \$(3,013) | \$(4,808) | \$(1,235) | \$(1,174) |

Recommendation

The governor recommends increasing the withhold amount for MinnesotaCare managed care contracts to align with Medical Assistance (MA) and General Assistance Medical Care (GAMC) and eliminating withhold exemption for the Minnesota Disability Health Options (MnDHO) program.

Background

Since 01-01-03, 5% is withheld from the managed care plan payments for MA, GAMC and MinnesotaCare. The withhold is returned in the following fiscal year pending completion of plan performance targets. In the 2008 legislative session, the amount withheld from MA and GAMC managed care contracts was increased from 5% to 8% beginning in calendar year 2009. This additional 3% withhold was not contingent on plan performance and the funds are returned to managed care organizations between July 1st and July 31st of the following fiscal year.

Since the managed care withhold became effective in 2003, the law has allowed special demonstration projects to be excluded. The withhold was not applied to the MnDHO program because the program was small and there was not enough experience with what measures could be expected from the program. The MnDHO program still remains relatively small (less than 1000 participants), however, DHS has more experience now and can design appropriate measures.

Proposal

This proposal includes two changes effective 01-01-10:

- ◆ The MinnesotaCare withhold increases from 5% to 8% to align with the amount withheld under MA and GAMC. The additional 3% would be automatically returned to the managed care organizations between July 1st and July 31st of the following fiscal year. The return of these funds is not contingent on plan performance.
- ◆ The language excluding special demonstration projects, such as MnDHO, from the withhold is repealed. The first 5% would be subject to performance targets. The additional 3% would be automatically returned to the managed care organizations between July 1st and July 31st of the following fiscal year and the return of these funds is not contingent on plan performance.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.69, subd. 5a.

HUMAN SERVICES DEPT

Change Item: Alter 2011 Inpatient Hospital Rebasing

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------|-------------------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | \$(21,439) | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | 0 | \$(21,439) | 0 | 0 |

Recommendation

The governor recommends eliminating the first three months of the CY2011 rebasing of hospital rates under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs.

Background

Current law requires the department to rebase each hospital's MA and GAMC inpatient fee-for-service rates forward every two years based on costs of each hospital. This process incorporates hospital specific inflation into the payment rates. Hospital rates were last rebased in 2007 using 2002 hospital data. This resulted in an average rate increase of 26% under MA and 24% under GAMC. The 2009/2010 rebasing was eliminated so rebasing in 2011 will reflect a four year inflation growth from a base year of 2002 to 2006. The 2013 rebasing will reflect a six year inflation growth from current rates by updating the base year from 2002 to 2008.

Proposal

The proposal eliminates the first three months of the CY2011 rebasing of fee-for-service inpatient hospital rates under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs.

This proposal will not result in a rate decrease.

Key Goals and Measures

☐⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256.969, Subd. 2b

HUMAN SERVICES DEPT

Change Item: HC Provider Payment Delay

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------------|------------------|-----------------|----------|
| General Fund | | | | |
| Expenditures | \$(20,891) | \$(1,967) | \$22,858 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(20,891) | \$(1,967) | \$22,858 | 0 |

Recommendation

The governor recommends delaying the last payment of fiscal years 2010-2011 for selected non-hospital providers.

Background

In the 2003 legislative session, a similar acute care payment delay was enacted. However, the payment delay was never implemented because of a contingency.

Proposal

This proposal would delay the last payment in June of fiscal years 2010-2011 to the first payment in July of the following fiscal years (2011 and 2012) for selected non-hospital providers.

The proposal excludes selected non-hospital providers identified as providing direct hands-on care for the most vulnerable population of recipients. The provider types excluded are consistent with the Department's pandemic planning efforts to ensure interim payments to critical, direct care providers in the event of a pandemic emergency.

Non-hospital providers included in the delay:

Hospice, IMDs, Renal Dialysis Free-Standing, community mental health centers, rehabilitation agencies, licensed social workers, child and teen checkup clinics, RTCs, day training habilitation, physicians, ambulatory surgery centers, marriage and family therapists, occupational therapy, dentists, dental hygienists, independent diagnosis testing facility, billing entities, optometrist, podiatrists, chiropractors, physical therapists, speech pathologists, psychologists, audiologists, day treatment centers, county contract mental health rehab, intensive residential treatment services, FQHC, RHC, family planning, public health clinics, community health clinics, public health nursing, private duty nurse, nurse practitioner, registered nurse anesthetist., clinical nurse specialist, pharmacy, optician, medical supplier, hearing aid dispenser, independent X-ray, medical transportation.

Non-hospital providers excluded from delay:

Nursing facilities, intermediate care facilities for mental retardation, home and community based services, personal care provider organizations and home health agencies.

Key Goals and Measures

□⇒ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).

◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not Applicable.

HUMAN SERVICES DEPT

Change Item: Inpatient June Payment Delay

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|-----------|----------|---------|
| General Fund | | | | |
| Expenditures | \$(23,507) | \$(1,520) | \$25,026 | \$0 |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$(23,507) | \$(1,520) | \$25,026 | \$0 |

Recommendation

The governor recommends extending the delay of the June payment for inpatient hospital services.

Background

State law enacted in 2005 and amended in 2007 delayed payments for fee-for-service inpatient hospital services that would otherwise be due in June of 2008 and 2009. This change would extend the current inpatient hospital payment delay to FY 2010 and 2011. The current state share of the delayed payments in FY 2008 is \$20,028 and \$2,032 in FY 2009.

Proposal

This proposal delays the June fee-for-service payments for inpatient hospital services by one month. Payments due in June 2010 would be made in July 2010 and payments due in June 2011 would be made in July 2011.

Key Goals and Measures

- ◆ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ ***Cost increases in Minnesota health care programs.***

For more information on Department of Human Services performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Rider

HUMAN SERVICES DEPT

Change Item: Eliminate Critical Access Dental

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(4,575) | \$(6,450) | \$(6,850) | \$(7,250) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (717) | (525) | (615) | (652) |
| Revenues | | | | |
| Net Fiscal Impact | \$(5,292) | \$(6,975) | \$(7,465) | \$(7,902) |

Recommendation

The governor recommends eliminating the critical access dental (CAD) add-on under the MinnesotaCare and Medical Assistance (MA) programs.

Background

The critical access dental (CAD) add-on payment was enacted in 2001 and payments began 07-01-01. The original appropriation for CAD was capped at \$3 million (\$1.5 million state share) and the add-on was 50% above the MA base rate. This program grew substantially until 2005 when CAD payments were reduced and limited to the original \$3 million appropriation.

In 2006, the CAD add-on was temporarily increased by the legislature to 30% under MA with no appropriation limit. In the 2007 legislative session, the MA increase was made permanent and the MinnesotaCare CAD payment was added at 50% beginning 01-01-07. Since 2007 the CAD program has grown to approximately \$10 million per year (\$5 million state share). There are currently 166 CAD providers. These providers serve both MA and MinnesotaCare clients.

A recent analysis of the CAD program was provided to the health and human services committee chairs. The analysis concluded that the program has not led to an overall increase in the percent of recipients who have received dental care.

Proposal

This proposal eliminates the critical access dental (CAD) add-on for MinnesotaCare and Medical Assistance (MA) providers. The change would be effective 07-01-09.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

- ◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.76

HUMAN SERVICES DEPT

Change Item: Federal Compliance: Limit MERC

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------|------------|------------|------------|
| General Fund | | | | |
| Expenditures | \$10,000 | \$(55,323) | \$(14,190) | \$(16,559) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$10,000 | \$(55,323) | \$(14,190) | \$(16,559) |

Recommendation

The governor recommends limiting the Medical Education Research Costs (MERC) carve-out of the Medical Assistance (MA) capitation rates to comply with new federal requirements, restoring fiscal year 2009 MERC payments, and delaying the transfer of MERC funds.

Background

Since October of 2000, a portion of the MA capitation rates are removed from or “carved out” of the payments made to health plans and transferred to Minnesota Department of Health which distributes the funds to various medical education providers based on each provider’s proportion of MA, MinnesotaCare and General Assistance Medical Care (GAMC) payments. The carve-out of MA capitation rates includes two components: a percent carve out of the capitation rates and a fixed dollar add-on to the capitation rates. Currently, the amount attributable to the percent carve out grows at generally the same rate as the overall MA capitation rate payments and the fixed dollar add-on remains constant.

In October 2008, the Department received new terms and conditions that limit MERC spending associated with our MA managed care populations as part of the renewal of the federal prepaid Medical Assistance (PMAP+) waiver. Beginning with FY 2010, medical education payments associated with our managed care populations and distributed to providers are limited in FY 2010 and FY 2011 to the level of payments made in FY 2009. Total MERC payments for FY 2009 are projected to be \$34 million (\$72 million less \$38 million due to FY 2009 unallotments).

Proposal

This proposal includes three components:

- 1) Amending the MERC and MA capitation rate statutes to ensure that total medical education carve outs and spending related to MA managed care beneficiaries does not exceed newly imposed federal limits. Specifically, this proposal would limit MERC payments to the difference between the carve-out of the capitation rates and the new federal limit (i.e. total MERC spending in FY 2009). The limit will remain at the FY 2009 level through the 3-year waiver period. This results in savings to Medical Assistance because MERC payments will remain constant as opposed to increasing with the growth of the capitation rates.

In addition, because the waiver terms and conditions also prohibit DHS from using any unspent medical education funding associated with the managed care rates to increase the capitation rates paid to health plans, the proposal ensures that the amount that is carved out of the capitation rates for medical education purposes matches the amount the state is able to spend.

These changes will not affect medical education payments made under the fee-for-service MERC program that is funded by tobacco tax revenue.

- 2) In FY 2010, restoring \$38 million in MERC funding from the Governor’s FY 2009 unallotment actions. This fully restores the FY 2009 MERC payments and restores the federal limit to \$72 million for FY 2009. The restoration is partially financed by a temporary reduction of \$28 million in the FY 2010 MERC payments. Beginning in FY 2011, MERC payments will continue at the \$72 million limit.
- 3) Delaying the transfer of MERC funds carved out of the PMAP capitation rates from the Department of Human Services (DHS) to the Department of Health (MDH) beginning 07-01-10. Currently, the MERC funds are

carved out of the rates and the funds are transferred to MDH on a monthly basis as the capitation payments are made to the health plans. These funds are retained by MDH until the following fiscal year when the payments are made to providers. Beginning 07-01-10, DHS would delay the transfer of the MERC percentage carve outs until the following fiscal year. This results in a one-time savings in fiscal year 2011.

This proposal has no impact on the timing of the payments to providers; it only affects when the funds are transferred from DHS to MDH.

Key Goals and Measures

□⇒ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.69, 62J.692, subd. 7; Laws 2003, 1st Sp. Session, Chapter 14, article 13, section 2, subd. 1

HUMAN SERVICES DEPT

Change Item: MH Inpatient Ratable Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|------------|------------|------------|
| General Fund | | | | |
| Expenditures | \$(5,584) | \$(11,204) | \$(12,601) | \$(13,842) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(5,584) | \$(11,204) | \$(12,601) | \$(13,842) |

Recommendation

The governor recommends partial elimination of the exclusion of mental health admissions from hospital ratable reductions under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs.

Background

For fiscal year 2010, there is a ratable reduction of 13.4% on MA and 12.4% on GAMC inpatient hospital services. However, mental health admissions are excluded from 12.9% of the MA and 6.9% of the GAMC admissions. The exclusion encompasses 16.5% of the MA and 19.6% of the GAMC admissions.

Individuals with serious mental illness are more likely to be uninsured or on public health care programs than the general population, and therefore hospital mental health units rely on public health care programs to a greater degree than cardiology or other inpatient units. Historically, states have been a primary provider of inpatient mental health services and continue to be primary payer. In recognition of this situation, the legislature has excluded inpatient mental health services from the budget reductions that have been applied to other inpatient services in the past.

Proposal

This proposal removes part of the exclusion of mental health admissions from the fee-for-service inpatient hospital ratable reductions under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs. This change would be effective 07-01-09. About half of the current exclusion is continued in recognition of the continuing importance of community hospitals in the treatment of serious mental illness.

This proposal, in combination with other proposals to reduce health care eligibility, recognizes a modest increase in commitments to state-operated adult mental health services. Increased funding is provided to State Operated Services to address that increased demand.

Relationship to Base Budget

This proposal will result in a reduction of about 6% in MA and GAMC payments for mental health services in community hospitals, and an increase of 4% in state-operated mental health expenditures.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

HUMAN SERVICES DEPT

Change Item: Reduce Pharmacy Reimbursements

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$(1135) | \$(1269) | \$(1546) | \$(1716) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1135) | \$(1269) | \$(1546) | \$(1716) |

Recommendation

The governor recommends a 1% reduction in the fee-for-service pharmacy reimbursement rate from the current rate of Average Wholesale Price (AWP)-14% to AWP-15% for fee-for-service Medical Assistance (MA) and General Assistance Medical Care (GAMC) effective 07-01-09.

Background

In 2008, the MA and GAMC pharmacy reimbursement rate was reduced from AWP-12% to the current AWP-14%. MA and GAMC pharmacy reimbursement also includes a dispensing fee of \$3.65 for each prescription drug filled.

Setting the reimbursement rate to AWP-15% would bring the MA reimbursement rate closer to the private sector average reimbursement rate of AWP-16%. In addition, the MA dispensing fee of \$3.65 is more generous than the average private sector dispensing fee of \$1.73. However, DHS does not reimburse pharmacies for the Minnesota 2% provider tax while many private sector benefit managers do reimburse for this tax.

Proposal

This proposal makes a 1% reduction in the fee-for-service pharmacy reimbursement rate from the current rate of Average Wholesale Price (AWP)-14% to AWP-15% for fee-for-service Medical Assistance (MA) and General Assistance Medical Care (GAMC) effective 07-01-09. The change would apply to all MA and GAMC fee-for-service pharmacy prescriptions except specialty products and products purchased under a 340B arrangement. The reduction would apply to branded drugs and to the few multi-source products that are not priced using Minnesota's maximum allowable cost (MAC) program.

Key Goals and Measures

☐⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.0625, Subd. 13(e).

HUMAN SERVICES DEPT

Change Item: Rural Hospital Inpatient DRG Payments

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(3,023) | \$(4,316) | \$(5,337) | \$(5,725) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(3,023) | \$(4,316) | \$(5,337) | \$(5,725) |

Recommendation

The governor recommends eliminating the enhanced payment to hospitals in greater Minnesota for certain diagnoses under the Medical Assistance (MA) and General Assistance Medical Care (GAMC) programs.

Background

Since 2001, hospitals in greater Minnesota receive an enhanced payment that is the greater of their cost-based rate or 90% of the seven county metro area average rates for 16 diagnostic-related groups (DRGs). Originally, payments were made from intergovernmental transfers (IGT) proceeds at a limited amount and the payment had no state share impact. However, legislation passed in the 2005 legislative session removed the IGT financing mechanism and made payment at the full 90% amount as a regular MA/GAMC payment with a state share. The diagnostic categories eligible for the enhanced payment include:

- ◆ cesarean section with complicating diagnosis;
- ◆ cesarean section without complicating diagnosis;
- ◆ vaginal delivery with complicating diagnosis;
- ◆ vaginal delivery without complicating diagnosis;
- ◆ extreme immaturity and respiratory distress syndrome, neonate;
- ◆ full-term neonates with other problems;
- ◆ prematurity without major problems;
- ◆ normal newborn;
- ◆ neonate, died or transferred to another acute care facility;
- ◆ acute adjustment reaction and psychosocial dysfunction;
- ◆ psychoses;
- ◆ childhood mental disorders; and
- ◆ appendectomies (4 DRGs).

Proposal

The proposal eliminates the enhanced payment of the greater of a hospital's cost based rate or 90% of the seven county metro average rates for 16 DRGs under the MA and GAMC programs. This change would be effective 07-01-09.

Each hospital's rates are calculated based on their own cost and then it is increased to 90% of the metro average. The average metro rate includes a large payment for medical education. Currently, 79 hospitals receive these payments. Under current law, small, rural hospitals are paid either a 15% or 20% increase in their payments based on MA volume under the MA program.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

- ◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. §256.969, Subd. 26

HUMAN SERVICES DEPT

Change Item: Eliminate Inpatient Quarterly Payments

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|------------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(19,319) | \$(16,996) | \$(6,563) | \$(3,576) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(19,319) | \$(16,996) | \$(6,563) | \$(3,576) |

Recommendation

The governor recommends eliminating the hospital quarterly payments under the Medical Assistance (MA) program.

Background

The 2005 legislature enacted MA quarterly inpatient hospital payments effective beginning in fiscal year 2008. Quarterly payments of 13%, 10% or 4% on the base inpatient rate are to be made based on location and MA utilization levels with two hospitals, Bethesda and Gillette Children's, receiving an additional 8% and 9%, respectively.

These quarterly payments are an add-on to the base inpatient rate and subject to the federal upper payment limits. This add-on displaces other hospital payments also subject to the federal upper payment limits such as safety net payments which go to the largest 10% of hospitals based on Minnesota Health Care Programs (MHCP) volume.

The amount available for the quarterly payments are based on revenue from a certified public expenditures (CPE) of Hennepin County Medical Center and state GAMC inpatient & outpatient Fee for Service (FFS) expenditures, and an additional federal match. The revenue is first offset by 4% or 3% of the statewide MA and MinnesotaCare inpatient payments and the balance is paid to hospitals for quarterly payments.

Proposal

This proposal eliminates the quarterly payments for FFS inpatient hospital under the Medical Assistance (MA) program. This change would be effective 07-01-09.

Eliminating the quarterly payments will not have any impact on existing rates paid to hospitals that are based on hospital-specific costs and rebased every two years.

The revenue derived from the CPE and GAMC is a Disproportionate Share Hospital (DSH) payment that is designed to maximize federal limits on DSH. It is unnecessary to spend the revenue on hospitals other than HCMC which incurs administrative costs in obtaining the DSH funding.

Key Goals and Measures

- ◆ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).
- ◆ ***Cost increases in Minnesota health care programs.***

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256.969, Subd. 27.

HUMAN SERVICES DEPT

Change Item: Eliminate Outreach Incentive Program

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|-------------------|-------------------|
| General Fund | | | | |
| Expenditures | \$(2,851) | \$(8,037) | \$(10,234) | \$(11,726) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | (1,213) | (1,919) | (2,442) | (2,784) |
| Revenues | (137) | (118) | (128) | (132) |
| Net Fiscal Impact | \$(3,927) | \$(9,838) | \$(12,548) | \$(14,378) |

Recommendation

The governor recommends eliminating the outreach incentive program and grants.

Background

The DHS outreach incentive program (also known as the Minnesota Community Application Agent or MNCAA program) was implemented in April 2008. This program provides an incentive payment to organizations that directly identify and assist potential enrollees in filling out and submitting an application for Minnesota Health Care Programs. For each applicant successfully enrolled in Medical Assistance (MA), General Assistance Medical Care (GAMC) or MinnesotaCare, DHS, within the available appropriation, is required to pay the organization an application assistance bonus of \$25.

The MNCAA program was projected to have an enrollment impact of 10,400 in MA and MinnesotaCare by FY 2011. However due to implementation delays and a slow response from potential providers, the November 2008 forecast has reduced the estimated enrollment impact by about half.

Proposal

Beginning 07-01-09, this proposal eliminates all funding and repeals the requirement to provide outreach incentive payments and outreach grants.

This proposal reduces the projected average monthly enrollment assumed in the forecast for MA and MinnesotaCare by 5,300 enrollees by fiscal year 2013. Estimated enrollment reductions are reductions in future growth as this proposal does not impact currently enrolled individuals. This proposal also reduces the agency administrative budget by approximately 9.0 FTEs ongoing from the elimination of the program and lower projected enrollment in MinnesotaCare.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Minnesota Statutes 256.962, subdivisions 2 and 5.

HUMAN SERVICES DEPT

Change Item: Align Medical Assistance Asset Limits

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | |
| Expenditures | \$(5,368) | \$(3,517) | \$(2,705) | \$(2,904) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(5,368) | \$(3,517) | \$(2,705) | \$(2,904) |

Recommendation

The governor recommends aligning the asset limit for parents in Medical Assistance (MA) and MinnesotaCare with the MA asset limit for the elderly, blind and disabled. The MA asset limit for parents would be reduced effective 01-01-10. The MinnesotaCare asset limit would be reduced effective 07-01-10, or upon federal approval, whichever is later.

Background

Under current law, parents in MA and MinnesotaCare have an asset limit of \$10,000 for a household of one and \$20,000 for a household of two or more.

Prior to 07-01-02, the MA asset limit for parents was \$3000 for a household of one and \$6000 for a household of two. This aligned with the MA asset limit for elderly, blind and disabled. The 2001 legislature amended MA statute to increase the asset limit for parents to \$15,000 for a household of one and \$30,000 for a household of two or more effective 07-01-02. An asset limit for MinnesotaCare adults which aligned with the MA limit of \$15,000 and \$30,000 was also implemented 07-01-02. The 2003 legislature reduced the MA and MinnesotaCare asset limits to \$10,000 for a household of one and \$20,000 for a household of two or more effective 07-01-03.

Proposal

This proposal makes no changes to the methodology for counting assets for MA or MinnesotaCare parents. This proposal aligns the MA and MinnesotaCare asset limit for parents with the MA asset limit for the elderly, blind and disabled as follows

- ◆ \$3,000 for a household of one;
- ◆ \$6,000 for a household of two; and
- ◆ \$200 for each additional dependent.

Key Goals and Measures

□⇒ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

- ◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.056 and 256L.17.

HUMAN SERVICES DEPT

Change Item: Align Medicare Savings Pgm. Asset Limits

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$(301) | \$(301) | \$(301) | \$(301) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(301) | \$(301) | \$(301) | \$(301) |

Recommendation

The governor recommends aligning the asset limit for individuals enrolled in Medicare Savings Programs (MSP) with the asset limits for individuals who apply for the Medicare Low-Income Subsidy (LIS) effective 01-01-10.

Background

The Low-Income Subsidy provides assistance with premiums and cost-sharing for certain individuals enrolled in Medicare Part D.

Medicare Savings Programs include Qualified Medicare Beneficiaries (QMBs), Service Limited Beneficiaries (SLMBs) and Qualified Individuals (QIs).

Under current law, MSP enrollees have an asset limit of \$10,000 for a single person and \$18,000 for a married couple or a family of two or more.

The LIS asset limit is updated annually by the percentage increase in the Consumer Price Index (CPI). This proposal would require an annual update to the asset limit for MSP eligibility in accordance with the annual LIS indexing.

The 2000 legislature increased the asset limits for QMB, SLMB and QI from twice the asset limit for the Supplemental Security Income program to the current \$10,000 for a single person and \$18,000 for a married couple effective 10-01-01.

Proposal

This proposal aligns the MSP asset limit with the LIS asset limit as follows:

- ◆ \$6,600 for a single person; and
- ◆ \$9,910 for a married couple.

This proposal makes no change to the asset limit for the Qualified Working Disabled (QWD) program. Federal law requires states to maintain the current QWD asset limit.

Key Goals and Measures

□⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

- ◆ **Cost increases in Minnesota health care programs.**

For more information on DHS performance measures, see:
www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.057 subd. 3

HUMAN SERVICES DEPT

Change Item: Homestead / Estate Recovery

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | (1,540) | (1,990) | (2,430) | (2,650) |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,540) | \$(1,990) | \$(2,430) | \$(2,650) |

Recommendation

The Governor recommends amending Medical Assistance (MA) estate recovery statutes to create the authority for counties and the state to collect from the estate of the recipient's surviving spouse for MA benefits received.

Background

Under Minnesota and federal law, a recovery from a claim may not be made until after the death of a surviving spouse. Minnesota law limits a claim against a non-recipient spouse's estate for benefits received by the predeceased spouse to the value of property in the estate that was marital property or jointly owned property at any time during the marriage.

A recent decision in the Minnesota Supreme Court, *In re Estate of Francis E. Barg*, File number A05-2346, held that MA recoveries from spousal estates are not preempted. However, the Court did decide that the scope of recovery is limited to the extent the recipient had legal interest at the time of death. Therefore, the *Barg* decision is currently disallowing MA recoveries in situations where the recipient transfers property to their community spouse prior to death and thereby eliminates their legal interest.

Prior to *Barg* it was the policy and procedure to delay recovery until the last to die and submit a claim in the estate of the surviving spouse. The claim would be made against any and all property the recipient had interest in anytime during the marriage. This procedure was approved by CMS in a recent Medicaid state plan amendment.

The new language would clarify what interest of the recipient the County/State can make a claim against. The language would not change Minnesota recovery policy and procedure.

Proposal

This proposal would amend Minnesota Law to create marital interest as legal title interest in the context of MA estate recovery which will create the authority for Counties/State to collect from the estate of the recipient's surviving spouse for MA benefits received.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.15, subd. 2

HUMAN SERVICES DEPT

Change Item: Modify MA Asset Reduction Policy

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(7,314) | \$(8,251) | \$(8,639) | \$(9,090) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(7,314) | \$(8,251) | \$(8,639) | \$(9,090) |

Recommendation

The Governor recommends modifying the Medical Assistance (MA) policy that allows a person to achieve eligibility by reducing assets above the person's MA asset limit during the month of application and during any of the three calendar months before the month of application for which the person is requesting retroactive coverage.

Background

Current policy allows a person to reduce assets in excess of the MA asset limit as follows:

- ◆ Assets may be reduced in any of the three calendar months before the month of application in which the applicant seeks coverage by:
 - ⇒ designating burial funds up to \$1,500 for each applicant, spouse, and MA-eligible dependent child; and
 - ⇒ paying health service bills incurred in the retroactive period for which the applicant seeks eligibility, starting with the oldest bill. After assets are reduced to allowable limits, eligibility begins with the next dollar of MA-covered health services incurred in the retroactive period.
- ◆ Assets may be reduced for the month of application by:
 - ⇒ paying bills for health services that would otherwise be paid by medical assistance; and
 - ⇒ using any means other than a transfer of assets for less than fair market value.

Proposal

In order to establish MA eligibility for the month of application or a retroactive month by reducing assets, the asset reduction must be achieved through the payment of bills for health services incurred during the period for which eligibility is sought. Expenditures that are not for health services incurred during the period for which eligibility is sought will no longer count towards reducing assets to the MA limit.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: 256B.056, Subd. 3d

HUMAN SERVICES DEPT

Change Item: Eliminate Add'l Renewal Notice Mailings

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(112) | \$(112) | \$(112) | \$(112) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | (48) | (48) | (48) | (48) |
| Revenues | (19) | (19) | (19) | (19) |
| Net Fiscal Impact | \$(141) | \$(141) | \$(141) | \$(141) |

Recommendation

The Governor recommends repealing the requirement for Department of Human Services (DHS) to mail additional renewal notices and for managed care plans to place renewal reminder phone calls to health care enrollees.

Background

State law enacted in 2007 requires DHS to mail an additional renewal notice reminder to enrollees both 90 and 60 days prior to the renewal date. In addition, managed care plans are mandated to place a follow up renewal call at least 60 days prior to the enrollees' renewal date. This law was enacted in 2007.

The goal of this provision was to reduce the number of closures at renewal by sending out reminder letters and following up with phone calls from managed care plans.

MinnesotaCare Operations and counties report that these notices have created anxiety and confusion for clients. In some cases, clients have submitted renewal forms too early, with information that is not timely enough for a worker to process the renewal. The increased number of calls from worried clients has also created an additional workload for counties and MinnesotaCare operations.

Proposal

This proposal would repeal the requirement to mail an additional renewal notice reminder to enrollees both 90 and 60 days prior to the renewal date as well as the 60-day follow up phone for managed care plans. This results in administrative savings from decreased mailings.

Key Goals and Measures

- ◆ ***Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.*** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).
- ◆ ***Cost increases in Minnesota health care programs.***

For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256.962, subd. 7.

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | \$ (229) | \$ (554) | \$ (957) | \$ (1,250) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$ (229) | \$ (554) | \$ (957) | \$ (1,250) |

Recommendation

The Governor recommends a number of changes related to the MA treatment of pooled trusts and Special Needs Trusts (SNTs). In addition, this proposal limits the conditions under which a period of ineligibility for an uncompensated transfer can be adjusted.

Background

Pooled Trusts and Special Needs Trusts

Pooled trusts and SNTs are two types of trusts for disabled individuals recognized under state and federal law. Specific rules apply to these trusts regarding who may establish, fund and administer the trust, and the purpose of the trust. These types of trusts must also include language that requires that, at the death of the beneficiary, the state must receive amounts remaining in the trust to recover MA costs. If these rules are met, pooled trusts and SNTs are not counted toward a person’s asset limit for the purpose of establishing MA eligibility.

An SNT is a trust containing the assets of an individual under age 65 who is disabled and is established for the benefit of the individual by a parent, grandparent, legal guardian of the individual, or a court. Upon the death of the beneficiary, the state must receive all amounts remaining in the trust up to an amount equal to the MA paid on behalf of the individual.

A pooled trust is similar to an SNT, but differs in a number of important ways. A pooled trust holds the funds of more than one, and often many, disabled persons and must be administered by a non-profit corporation. A pooled trust establishes separate sub-accounts for each disabled person who places funds into the trust. The sub-accounts are pooled together for investment and trust administrative purposes.

Pooled trusts can be established for disabled persons of any age. However, under federal and state law, transfers into a trust for a disabled person over the age of 64 are not exempt from transfer penalty rules. A memo issued by the Centers for Medicare and Medicaid Services (CMS) in July 2008 confirmed that transfers into a pooled trust by a person over the age of 65 must be evaluated for a possible asset transfer penalty.

Federal law also declares that “to the extent that amounts remaining in the beneficiary’s account upon the death of the beneficiary are not retained by the [pooled] trust” the trust must repay the state for the cost of Medical Assistance provided to the beneficiary. A number of states have enacted limits on the amount of funds that can be retained by a pooled trust upon the death of a beneficiary. Some states have also enacted requirements that the state be repaid for MA costs before funds are retained by the trust.

Courts currently provide only limited oversight to ensure that resources held in an SNT or pooled trust are used solely for the benefit of the disabled beneficiary. The lack of oversight creates opportunities for trust resources to be diverted to benefit persons other than the beneficiary. In other cases, trustees may charge inappropriate fees to administer the trust.

Pooled trusts were originally created to hold the resources of disabled persons who do not have enough assets to make it worthwhile to establish their own trust. However, in recent years, pooled trusts have been used as an asset sheltering device by persons over the age of 65 who have the resources to establish a trust on their own.

Uncompensated Transfers

The Deficit Reduction Act of 2005 (DRA) changed the start date of a penalty period for an uncompensated transfer to coincide with a person's request for MA payment of long-term care (LTC) services rather than with the date of the uncompensated transfer. In addition, in order for a penalty period to commence, the DRA requires that a person must be otherwise eligible for MA.

As a result, people have begun to utilize a strategy known as "reverse half loaf" to transfer assets. This strategy involves a person transferring assets in an amount that allows the person to meet the asset limit and therefore become "otherwise eligible" for the purpose of beginning the penalty period. The person who received the transferred assets trickles them back in amount that is needed to pay the LTC expenses each month during the penalty period. Each month that any portion of the transferred assets is returned, the ending date of the penalty period is recalculated and thus shortened. Using the reverse half loaf strategy, after only a portion of the transferred assets are returned, the shortened penalty period will have expired and the person can enroll in MA despite having sheltered roughly half of the assets that would otherwise have been required to be spent down.

The reverse half-loaf strategy allows persons to improperly transfer a portion of their assets for less than fair market value without a penalty. This strategy both negates the intent of the DRA by bringing people to the MA door sooner and adds costs to the MA budget when the person qualifies for payment of non-LTC services.

Proposal***Pooled Trusts and Special Needs Trusts***

This proposal will do the following:

- ◆ Require trustees to submit an annual financial report to the Department for a pooled trust or SNT when the beneficiary of the trust is a Minnesota Health Care Programs enrollee.
- ◆ Clarify that a transfer of assets into a pooled trust for a person age 65 or older must be evaluated as a transfer for less than fair market value.
- ◆ Require that upon the death of a pooled trust beneficiary, any funds remaining in the MA recipient's sub-account be used to fully reimburse the state for the cost of providing MA to the beneficiary before any sub-account funds can be retained by the trust. Administrative expenses for taxes and the cost of terminating the trust can be paid to the trustee from the sub-account prior to reimbursement of the state.

In conjunction with this proposal, the department will clarify that verification of a trust (of any kind) at the initial request for payment of LTC services includes the trust document, verification of the assets used to fund the trust and the current value of all assets held by the trust as of the date of application.

Uncompensated Transfers

This proposal would require the full amount of transferred assets to be returned to a person within 12 months of the start date of a penalty period in order to eliminate the penalty period. It would no longer allow the recalculation of a penalty period based on a partial return of transferred assets.

A hardship waiver of the penalty period may be granted in some situations when a person is unable to recover the full value of transferred assets.

Key Goals and Measures

- ◆ MA expenditures for aged, blind, disabled
- ◆ Number of individuals subject to Medical Assistance asset transfer penalties
- ◆ Number of vulnerable adults subject to financial exploitation
- ◆ Estate recoveries to reimburse MA costs.

Statutory Change: 256B.0595; 501B.89

HUMAN SERVICES DEPT

Change Item: Non-Emergency Medical Transportation

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(500) | \$(500) | \$(500) | \$(500) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(500) | \$(500) | \$(500) | \$(500) |

Recommendation

The Governor recommends contracting for Special Transportation Services (STS) in the 11-county metropolitan area for fee-for-service (FFS) clients.

Background

Non-emergency medical transportation (NEMT) contains two types of services:

- ◆ Access Transportation Services – bus, taxi, personal and volunteer mileage; and
- ◆ STS – transportation for wheelchair and ambulatory clients who require assistance from inside their residence into the vehicle and to the desk of the provider. This is the highest cost level of transportation.

Management of these services, particularly STS, has been a challenge for many years. Over-utilization and the use of high cost transportation when lower cost transportation is appropriate has been a problem.

A vendor, Medical Transportation Management (MTM), currently manages Access Transportation Services in the 11-county metro area. MTM also certifies clients for the STS level of service statewide by providing a level of need assessment.

STS services had been managed by a vendor, MTM, from October 2006 through January 2008. In 2007, the legislature removed Department of Human Services' (DHS') authority to manage the STS trips.

Outside of the 11 county metro area, counties manage FFS Access Transportation Services and managed care personal mileage. Health plans vary in the level at which they manage STS.

Proposal

This proposal would allow vendor-managed STS in the metro area. DHS would be authorized to contract with a vendor for the management of NEMT services in the 11-county metro area for FFS enrollees.

Key Goals and Measures

The number of trips and the number of miles have increased for STS since the ending of the broker in the metropolitan area. The goal of this proposal is to improve access to transportation services and to measure and reimburse services based on quality.

Statutory Change: M.S. 256B.04, subd.14 (c)

HUMAN SERVICES DEPT

Change Item: Adjust Special Transportation Rates

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(87) | \$(124) | \$(162) | \$(202) |
| Revenues | | | | |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | | | | |
| Net Fiscal Impact | \$(87) | \$(124) | \$(162) | \$(202) |

Recommendation

The Governor recommends increasing the mileage rate for Special Transportation Services (STS) services for people who require a wheelchair-accessible van and decreasing the mileage rate for STS services for people who do not require a wheelchair-accessible van (ambulatory) to ensure continued access in rural areas.

Background

STS services are paid for people who require assistance getting from their residence into the vehicle and assistance getting to the desk of the provider. Not everyone in a wheelchair requires this service. Ambulatory people who have cognitive or physical disabilities may qualify for ambulatory STS if they need such assistance.

STS providers in the non-metro area have been experiencing increased financial hardship over the past few years. Providers cannot bill for "no load" miles. Rural providers who must travel longer distances to pick people up and provide fewer trips per day are experiencing financial challenges and access is being affected. Most of the STS services provided in rural areas are wheelchair-accessible vans. Service reductions by providers are affecting access for STS services in rural areas. In state fiscal year 2007, there were approximately 230,000 wheelchair STS trips compared to 158,000 non-wheelchair (ambulatory) STS trips.

Proposal

This proposal increases per mile rates for STS services for people who require a wheelchair-accessible van from \$1.35 to \$1.80 and decreases the per mile rate for STS services for people who do not require a wheelchair-accessible van from \$1.30 to \$1.00. This change would be effective 07-01-2009.

This proposal takes into consideration the difference in resources needed for the wheelchair-accessible van by increasing the per mile rate. This proposal helps the rural providers as most of the rural STS needs are for wheelchair-accessible vans. This proposal also increases access to STS and thus health care appointments in rural areas.

Key Goals and Measures

- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Cost increases in Minnesota health care programs.**

For more information on Department of Human Services performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.0625, subd. 17.

HUMAN SERVICES DEPT

Change Item: MSOP/SOS Pension Reform

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(1,948) | \$(2,267) | \$(2,267) | \$(2,267) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,948) | \$(2,267) | \$(2,267) | \$(2,267) |

Recommendation

The Governor recommends that the Department of Human Services (DHS) move non-security employees from the Corrections Early Retirement Plan (CERP), and place those employees into the state's general employee's retirement plan. Non-security positions include all job classifications used by DHS except Security Counselor, Security Counselor Lead, Group Supervisor, and Group Supervisor Assistant in the Minnesota Security Hospital and the Minnesota Sex Offender Program. Affected staff will immediately transfer to the general retirement plan and will not be eligible for paid medical insurance upon retirement.

Additionally, employees must accumulate at least ten years of continuous service in one or more job classifications covered by the CERP to become vested, and therefore eligible for state-paid health insurance upon retirement.

Background

As presented in Figure 1.1 below, the DHS currently employs a total of 1,480 staff who are in the CERP.

| | METO | MSH | MSOP | TOTAL |
|--------------|------------|------------|------------|-------------|
| Security | 0 | 296 | 512 | 808 |
| Non-Security | 249 | 268 | 155 | 672 |
| Total | 249 | 564 | 667 | 1480 |

Of the 1,480 employees, 249 are employed at the Minnesota Extended Treatment Options (METO) in Cambridge, 667 are employed at the Minnesota Security Hospital (MSH) in St. Peter, and 564 are employed at the Minnesota Sex Offender Program (MSOP) in Moose Lake and St. Peter. In addition, 808 employees are security staff and 672 are non-security staff.

Per M.S. 352.91, DHS employees in job classifications that routinely require at least 75% of the employee's working time spent in the rehabilitation, treatment, custody, supervision, or direct contact with patients are placed into the CERP. For employees in the CERP, the department's retirement contribution will be 11.1% (FY 2010) and 12.1% (FY 2011) of each employee's gross wage, compared to 4.75% (FY 2010) and 5.0% (FY 2011) for employees who belong to the general retirement plan. CERP-eligible employees may retire at age 55 with paid medical insurance until the retiree is eligible for Medicare, if certain conditions are met. The CERP provides a benefit that aids the department in recruiting and retaining quality employees.

The CERP plan began in 1973 and included coverage for correctional officers and special teachers, however the role of a special teacher has significantly changed over time and is no longer considered a security position. Nurses were not provided coverage until 1996, and other job classifications were added beginning in 1997. Employees in security positions have the greatest potential for danger and are directly responsible for patient, staff, and public safety.

Proposal

Under this proposal the Department of Human Services will move non-security employees from the Corrections Early Retirement Plan (CERP) and place those employees into the state's general employee's retirement plan. Affected staff will immediately transfer to the general retirement plan and will not be eligible for paid medical

HUMAN SERVICES DEPT

Change Item: MSOP/SOS Pension Reform

insurance upon retirement as allowed for by the CERP. The proposal would also add a stipulation that requires employees in the CERP (security staff) to work at least ten consecutive years to be eligible for state-paid health insurance upon retirement.

Non-security positions include all job classifications used by the DHS except Security Counselor, Security Counselor Lead, Group Supervisor, and Group Supervisor Assistant in the Minnesota Security Hospital and the Minnesota Sex Offender Program.

As outlined in Figure 1.2, when non-security employees are converted from the CERP to the general retirement plan, the estimated savings for the department's annual retirement plan contributions is \$2.049 million in FY 2010 and \$2.291 million in FY 2011.

| | METO | MSH | MSOP | TOTAL |
|-----------------|-------------------|--------------------|--------------------|---------------------|
| FY 2010 Savings | \$ 471,397 | \$1,022,593 | \$ 555,721 | \$ 2,049,711 |
| FY 2011 Savings | \$ 527,074 | \$1,143,372 | \$ 621,358 | \$ 2,291,804 |
| Total | \$ 998,471 | \$2,165,965 | \$1,177,079 | \$ 4,341,515 |

Future costs will also be avoided, as the affected employees will not receive paid medical insurance upon retirement. As outlined in Figure 1.3, annual costs of approximately \$103,758 will be avoided if 10 non-security employees, who would have previously been eligible for state-paid medical insurance, retire each year.

| | METO | MSH | MSOP | TOTAL |
|--|----------|----------|----------|------------------|
| Average # of CERP Retirees each year in non-security positions | 4 | 5 | 1 | 10 |
| Costs Avoided Each Year | \$41,712 | \$50,054 | \$11,992 | \$103,758 |

If a stipulation is added that requires employees in the CERP (security staff) to work at least ten consecutive years to be eligible for state-paid health insurance upon retirement, future costs will be avoided. As depicted in Figure 1.4 below, annual costs of approximately \$10,428 will be avoided if one CERP employee, who does not meet the ten-year requirement, retires each year.

| | METO | MSH | MSOP | TOTAL |
|---|------|-----|----------|-----------------|
| Average # of CERP Retirees each year that have less than 10 years of continuous service | 0 | 0 | 1 | 1 |
| Costs Avoided Each Year | \$0 | \$0 | \$10,428 | \$10,428 |

Relationship to Base Budget

This change item represents a 1% reduction in the MSOP total general fund budget and a 2% reduction in the MSH total general fund budget for the biennium.

Key Goals and Measures

Key goals for these programs include:

- ◆ *Our communities will be safe, friendly and caring.*
This goal is from Minnesota Milestones (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ *Develop effective and accountable mental health and chemical health systems.*

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Change Item: MSOP/SOS Pension Reform

This goal is from DHS' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfservlet/legacy/DHS-4694-ENG>).

For additional DHS measures see: <http://www.departmentresults.state.mn.us/hs/index.html>

Statutory Change: M.S. 352.91.

HUMAN SERVICES DEPT

Change Item: CABHS as a Core Safety Net Function

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$ 8,617 | \$10,593 | \$10,593 | \$10,593 |
| Revenues | (8,423) | (10,281) | (10,281) | (10,281) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$194 | \$312 | \$312 | \$312 |

Recommendation

The Governor recommends transforming the Child and Adolescent Behavioral Health Services (CABHS) hospital operated by State Operated Services from an enterprise program to an appropriation-based program and establishing a new partial hospitalization model of care. To accomplish this the Governor recommends general fund appropriations of \$8.617 million in FY 2010 and \$10.593 million in FY 2011 for the CABHS program. These appropriations will be offset by collections of \$8.423 million in FY 2010 and \$10.281 million in FY 2011; the net impact to the general fund from the recommendation is \$506 thousand for the biennium.

Background

The department's State Operated Services division operates enterprise programs, defined by M.S. 246.0136, as a range of services needed by people with disabilities, that are delivered by state employees and are fully funded by public or private third-party health insurance or other revenue sources available to clients that provide reimbursement for the services provided. Enterprise services do not rely upon a direct state appropriation; rather they must sustain themselves on their collections from these revenue sources. For enterprise services to be successful, available funds must be sufficient to cover cash flow needs.

The CABHS program was authorized in 1999 to operate as one of these enterprise programs. Once it met all the criteria established in statute, CABHS was moved to enterprise status in 2002. Since FY 2004, CABHS has experienced a decrease in utilization attributed to an increase in utilization of crisis support options and the establishment of the state operated Minnesota Intensive Treatment Homes (MITH). In FY 2004, CABHS served an average 54 clients per day. By the end of FY 2007, CABHS only served an average of 40 clients per day. As of 12-31-07, CABHS served an average of 34 clients per day. Since 2005, this underutilization has resulted in a loss from operations; the operating loss was funded by tapping existing program reserves.

Management interventions to match program expenses and revenues included implementing a seasonal staffing pattern, contacting third-party payers to project utilization trends, and consolidating the Brainerd and Willmar sites at Willmar. Since the consolidation, completed in early 2008, utilization of the Willmar inpatient hospital facility continues to experience declines. Current census is approximately 17 per day, although the facility has an operational bed capacity of 26.

The CABHS as an inpatient hospital no longer meets the statutory criteria established for an enterprise program. Reserves no longer exist and the program has no cash assets it can access to meet cash flow obligations.

Proposal

This proposal is to establish the CABHS inpatient hospital as a core safety net service for child and adolescent mental health funded through a state appropriation and to provide base level funding for the program through a general fund appropriation.

As a second component of this proposal, the governor further recommends redesigning the existing 26 beds of general inpatient hospital capacity to specialized inpatient capacity and a supportive partial hospitalization program where the children/adolescents would live with their family or in intensive foster care. Specialized inpatient capacity would include the following services:

- ◆ **Neurodevelopment Program**, which will provide the evaluation necessary to understand the underlying brain disorder as well as the treatment for the mental illness. A specialized environment with "illness specific" assessment tools, staff trained to understand the contribution of each symptom set and treatment techniques

that are acceptable to individuals with cognitive processing problems secondary to brain disorder is the goal of the neurodevelopment program. From 7/1/2006 to 9/23/2008, 139 cases (or 21% of all admissions to CABHS) were diagnosed with a neurodevelopmental disorder;

- ◆ **Dialectic Behavioral Treatment Program**, that will assist and teach adolescents with learning self regulatory processes in conjunction with psychiatric treatment for severe mental illness; and
- ◆ **Trauma Informed Care**, which recognizes the developmental affects of trauma and supports the traumatized child through very specific treatment modalities while it addresses the co-morbid mental illness. From 7/1/2006 to 9/23/2008, 262 cases (or 40% of all admissions to CABHS) were diagnosed with a trauma related disorder.

Relationship to Base Budget

This proposal creates an ongoing general fund appropriation for this service. The base for the CABHS program will be \$21.2 million for the FY 2012-13 biennium. Collections are projected to offset most of this base appropriation; the net cost to the general fund in FY 2012-13 is budgeted to be \$624 thousand.

Key Goals and Measures

The CABHS program helps to ensure the health of Minnesotans and to ensure that our communities will be safe. This is done by ensuring access to necessary specialty mental health care and safely returning clients back to the community. Key goals for this program include:

- ◆ *Our communities will be safe, friendly and caring.*
- ◆ This goal is from Minnesota Milestones (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ *Develop effective and accountable mental health and chemical health systems.*
- ◆ This goal is from DHS' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

These services are focused on providing high quality client care and are measured by reviewing:

- ◆ *The Percentage of persons civilly committed to enterprise programs versus those who voluntarily received services in these programs.* Enterprise services were developed to meet the needs of underserved areas of the state and/or populations that other community providers have refused to serve. This measure will indicate the number of individuals who could have potentially been served by community providers.

For additional Department of Human Services measures see:
<http://www.departmentresults.state.mn.us/hs/index.html>

Statutory Change: 246.0135

HUMAN SERVICES DEPT

Change Item: Shift SOS Dental Clinics to Safety Net

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$3,310 | \$3,310 | \$3,310 | \$3,310 |
| Revenues | (1,757) | (1,757) | (1,757) | (1,757) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$1,553 | \$1,553 | \$1,553 | \$1,553 |

Recommendation

The Governor recommends appropriating \$3.31 million each year of the FY 2010-11 biennium to stabilize the funding for the state-operated dental clinics. These appropriations will be offset by collections of \$1.757 million each year; the net impact to the general fund from this recommendation is \$3.106 million for the biennium.

Background

The Department of Human Services (DHS) State Operated Services (SOS) division operates dental clinics under M.S. 246.57, subd. 6 and M.S. 256.0121. Services provided by these clinics are statutorily limited to the provision of dental services for disabled persons who are eligible for medical assistance provided that the reimbursement received for these services is sufficient to cover actual costs. These dental clinics were once operated as part of the care and treatment provided to persons with disabilities by regional treatment centers (RTCs) located at Brainerd, Cambridge, Faribault, Fergus Falls, and Willmar. Under the institutional model of service delivery provided at the RTCs, SOS dental clinics provided dental services to a wide variety of clients with various disabilities, including mental illness, chemical dependency, and developmental disabilities. Excess capacity within SOS dental clinics were sold to communities. Costs that were not covered through reimbursement rates were funded through the per diems of the RTCs.

As the RTCs closed, dental services were transferred to community-based settings and the method for covering costs over and above reimbursement rates ceased to exist. Services continued to be delivered to individuals who are both disabled and low-income and SOS continued to seek reimbursement through all payer sources.

In CY 2007, SOS dental clinics provided services to 5,349 clients with a total of 14,550 office visits. Services are provided by approximately 23.45 FTE's. The chart below outlines these specific details by site.

| | CY 2007 | | FY 2009 |
|-----------------|--------------------|-------------------|-------------------|
| | Total # of Clients | Total # of Visits | # of filled FTEs* |
| Brainerd | 933 | 1,896 | 4.45 |
| Cambridge | 795 | 2,348 | 2.75 |
| Faribault | 1,086 | 3,715 | 8.35 |
| Fergus Falls | 1,739 | 4,189 | 5.6 |
| Willmar | 319 | 635 | 1 |
| Psychiatry Only | 477 | 1,767 | |
| Administrative | | | 1.3 |
| Total | 5,349 | 14,550 | 23 |

* does not include contracted positions.

Proposal

Under M.S. 246.57, SOS dental clinics are required to operate when reimbursements received are sufficient to cover actual costs incurred. The reimbursements no longer cover the actual costs of providing services and alternative methods of funding are not available. If services are continued with no management interventions, SOS Dental Clinic costs are projected to be \$1.5 million higher than reimbursements in FY 2009. In order to

address this problem and continue operations of all SOS dental clinics, this proposal funds SOS dental clinics through a state appropriation.

Relationship to Base Budget

This proposal provides a new general fund base for the SOS dental clinics of \$3.3 million per year in FY 2012-13. This creates an ongoing appropriation for this activity. Collections are projected to offset slightly more than half of the annual appropriation amount. The annual net cost to the general fund is budgeted to be \$1.6 million.

Key Goals and Measures

This initiative supports the DHS Guiding Principle of providing a safety net to protect people who are vulnerable. In addition, this initiative would improve access to people and reduce disparities.

- ◆ *Percent of persons served within the clinics who were rejected by one or more community service providers.*

Alternatives Considered

1. Close all clinics;
2. Only close the Willmar clinic;
3. Gradual closure of the Cambridge (closed on 12/31/2009) and Fergus Falls (closed on 12/31/2010) clinics;
4. Active phase out of the Cambridge and Fergus Falls clinics by 12/31/2009; and
5. Active phase out of Brainerd, Cambridge, and Fergus Falls clinics by 12/31/2009.
6. Seeking an enhanced rate from Medical Assistance to cover costs associated with providing dental services to highly disabled persons with developmental disabilities and behavioral issues.

Statutory Change: M.S. 256.0121 and 246.57.

HUMAN SERVICES DEPT

Change Item: MSOP Growth and Base Funding Restored

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$5,670 | \$8,330 | \$8,330 | \$8,330 |
| Revenues | (567) | (833) | (833) | (833) |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$5,103 | \$7,497 | \$7,497 | \$7,497 |

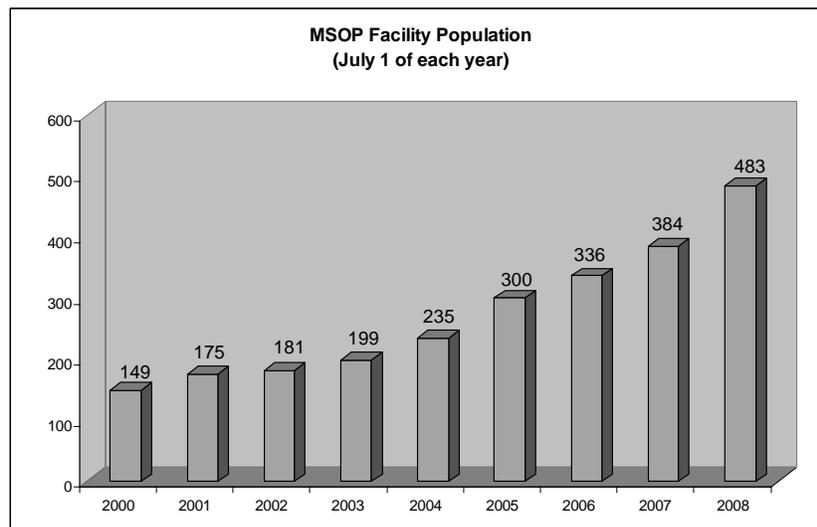
Recommendation

The governor recommends increased general fund appropriations of \$5.673 million in FY 2010 and \$8.33 million in FY 2011 to address an increase in the number of referrals and commitments to the Minnesota Sex Offender Program, restore base funding for the program, and provide one-time funding to help the program bridge a cost reduction strategy that began in FY 2009 but will not be fully implemented until FY 2010. These appropriations will be offset by collections of \$1.4 million; the net impact to the general fund is \$12.6 million for the biennium.

Background

M.S. 253B, requires that the Department of Human Services (DHS) provide treatment to individuals who are committed by the court system as sexually dangerous persons (SDP) and sexual psychopathic personalities (SPP) into the treatment program at the Minnesota Sex Offender Program (MSOP).

Rates of commitment to the MSOP have been increasing since 2003. During the last several sessions, DHS requested and received funding to expand operations accommodate projected population growth of 34 in FY 2004, 63 in FY 2005, 25 in FY 2006, 23 in FY 2007, 58 in FY 2008, and 58 in FY 2009. Minnesota Sex Offender Program continues to experience growth rates above projections. While the February 2008 forecast projected that MSOP would experience an average annual growth rate of 65 per year, recent updates project the new growth rate to be 75 per year. The beginning of year population associated with these growth rates is depicted in the chart below.



This increased growth rate combined with a base budget reduction of \$2.3 million taken by the 2008 Legislature, inefficient facilities, and additional cost of living cost pressures continue to create ongoing financial pressures to the MSOP.

Proposal

This proposal increases the MSOP general fund budget by net totals of \$5.103 million in FY 2010 and \$7.497 million in FY 2011.

Most of this request is to fund the increase in referrals and commitments to the MSOP program. This proposal also:

- ◆ **Restores the base reduction enacted in 2008.** The 2008 Legislature enacted base budget reductions of \$2.3 million per year in the MSOP appropriation, to be effective in FY 2010. This proposal restores the base funding to the previous level.
- ◆ **Provides one-time funding to bridge a cost reduction strategy between two fiscal years.** The MSOP program has revamped the security staffing assignments and responsibilities, which requires a different level of staffing structure. The current cost reduction strategy is to not fill any vacant positions that become open in areas that have changed staffing levels. While this cost reduction strategy began in FY 2009, the anticipated savings will not be fully implemented until FY 2010 and this request is for \$1.4 million in FY 2010 to bridge the one-time funding need.

Relationship to Base Budget

This proposal increases the MSOP base by about 19%. All but \$1.4 million of this request is for an ongoing increase to the MSOP appropriation. Collections are projected to offset \$1.4 million of the appropriation amount.

Key Goals and Measures

MSOP has a variety of program goals associated with enhancing the security and safety of the public, staff, and the patients while providing treatment and programming for patients.

- ◆ Operation of the MSOP enhances the Minnesota Milestone of improving the safety of our community; and
- ◆ The Department of Human Services remains committed to simplifying the services provided by the MSOP so that necessary services are provided in a cost effective manner.

Program measures for the MSOP include:

- ◆ *Percent of MSOP population in work service.* Sex offender treatment involves work services, education, recreation, and treatment. Work service is a critical part of the sex offender treatment program and is one four components in the MSOP program (work, education, recreation, and treatment). Seventy percent of the MSOP residents participated in work services in each fiscal year since FY 2006.
- ◆ *Percent of MSOP population participating in sex offender treatment.* The MSOP program is currently developing specialized treatment models for patients who have refused treatment or have failed in existing models. In FY 2006, participation rates were approximately 64%. This rate increased to approximately 77% in FY 2007 and again to approximately 80% in FY 2008.

Program Description

The purpose of the Agency Management program is to provide financial, legal, regulatory, management (e.g., personnel, telecommunications, and facility management), and information technology support to all Department of Human Services (DHS) policy areas and programs.

Budget Activities

This program includes the following budget activities

- ◆ Financial Operations
- ◆ Compliance Operations
- ◆ Management Operations
- ◆ Technology Operations

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 47,783 | 42,550 | 42,550 | 42,550 | 85,100 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 7,109 | 7,634 | 14,743 |
| Current Law Base Change | | | (40) | (37) | (77) |
| Pt Contract Base Reduction | | | (92) | (92) | (184) |
| Subtotal - Forecast Base | 47,783 | 42,550 | 49,527 | 50,055 | 99,582 |
| Governor's Recommendations | | | | | |
| Eliminate or Delay Three CC Grants | | 0 | 70 | 65 | 135 |
| Federal Compliance for HCBS Waivers | | 0 | 200 | 0 | 200 |
| Revenue Recapture Appeals | | 0 | 65 | 50 | 115 |
| Total | 47,783 | 42,550 | 49,862 | 50,170 | 100,032 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 427 | 440 | 440 | 440 | 880 |
| Subtotal - Forecast Base | 427 | 440 | 440 | 440 | 880 |
| Total | 427 | 440 | 440 | 440 | 880 |
| Health Care Access | | | | | |
| Current Appropriation | 7,950 | 7,945 | 7,945 | 7,945 | 15,890 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (663) | (876) | (1,539) |
| Subtotal - Forecast Base | 7,950 | 7,945 | 7,282 | 7,069 | 14,351 |
| Total | 7,950 | 7,945 | 7,282 | 7,069 | 14,351 |
| Federal Tanf | | | | | |
| Current Appropriation | 222 | 222 | 222 | 222 | 444 |
| Subtotal - Forecast Base | 222 | 222 | 222 | 222 | 444 |
| Total | 222 | 222 | 222 | 222 | 444 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Health Care Access | 1,617 | 1,066 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 2,123 | 625 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 48,557 | 52,101 | 49,862 | 50,170 | 100,032 |
| State Government Spec Revenue | 387 | 440 | 440 | 440 | 880 |
| Health Care Access | 6,277 | 8,892 | 7,282 | 7,069 | 14,351 |
| Federal Tanf | 120 | 222 | 222 | 222 | 444 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 12,625 | 13,994 | 14,230 | 14,432 | 28,662 |
| Federal | 1,251 | 1,319 | 1,319 | 1,319 | 2,638 |
| Total | 72,957 | 78,659 | 73,355 | 73,652 | 147,007 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 39,219 | 42,881 | 38,755 | 39,284 | 78,039 |
| Other Operating Expenses | 33,738 | 35,438 | 32,046 | 31,814 | 63,860 |
| Transfers | 0 | 340 | 2,554 | 2,554 | 5,108 |
| Total | 72,957 | 78,659 | 73,355 | 73,652 | 147,007 |

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------------|------------------|-------------------------|------------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Activity</u> | | | | | |
| Financial Operations | 9,920 | 13,708 | 7,686 | 7,990 | 15,676 |
| Compliance Operations | 15,604 | 16,936 | 19,464 | 19,454 | 38,918 |
| Management Operations | 4,698 | 5,702 | 5,546 | 5,546 | 11,092 |
| Technology Operations | 42,735 | 42,313 | 40,659 | 40,662 | 81,321 |
| Total | 72,957 | 78,659 | 73,355 | 73,652 | 147,007 |
| Full-Time Equivalents (FTE) | 518.7 | 516.2 | 516.2 | 516.2 | |

Activity Description

Financial Operations manages the financial processes and reporting to support agency programs. Financial Operations assures fiscal integrity of agency programs by maintaining standards and procedures that are consistent with state and federal law and appropriate business practices.

Population Served

Because Financial Operations provides services to all Department of Human Services (DHS) policy and operations areas, virtually all agency clients benefit directly or indirectly.

Services Provided

Financial Operations forecasts program expenditures and revenues, prepares reports and analyses of expenditures and revenues, and prepares fiscal notes projecting the effects of policy changes. Specific activities include

- ◆ producing the November and February program expenditure and enrollment forecasts;
- ◆ reporting and analyzing county expenditures;
- ◆ reporting and analyzing federal funding and revenues;
- ◆ preparing internal management reports on administrative and grant expenditures; and
- ◆ producing fiscal notes and other projections of the fiscal impact of policy changes.

Financial Operations provides agency-wide accounting and financial support, including

- ◆ establishing financial procedure guidelines for all agency fiscal activities;
- ◆ managing accounts receivable and ensuring collection of funds from all possible sources;
- ◆ maintaining fiscal records through the Minnesota Accounting and Procurement System (MAPS) and generating, distributing, and maintaining the accounting reports on state, federal, and other funds expended by the agency; and
- ◆ updating and maintaining computer interfaces and seeking new technology to improve agency fiscal operations and to enable more efficient financial transactions with customers and business partners.

Financial Operations is responsible for development and management of the agency's biennial, supplemental, and capital budgets.

Financial Operations activities include development and management of ongoing fiscal policies and strategies to support policy objectives, meet changing federal requirements, and ensure fiscal accountability.

Financial Operations provides technical assistance to internal and external customers by

- ◆ providing resources and technical assistance for agency policy staff and county staff on grants and allocations, potential revenue enhancement programs, MAPS operations and reporting, program fiscal requirements, federal claiming reports and payments, and statewide program costs and revenues; and
- ◆ improving fiscal education and training opportunities for agency staff, counties, tribes, and other business partners through the use of current technology, on-site visits, interactive video, and the Web.

Historical Perspective

The past 15 years have brought significant increases in the complexity of program funding and budgeting rules. For example, the Temporary Assistance for Needy Families (TANF) block grant replaced the open entitlement Aid to Families with Dependent Children (AFDC) and the Health Care Access Fund (HCAF) was created to segregate funding for MinnesotaCare from the General Fund.

Activity at a Glance

- ◆ Develops and manages \$20.1 billion biennial budget for FY 2008-2009.
- ◆ Processes approximately \$4.9 billion in annual receipts.
- ◆ Develops financial reports and analyses for about 290 grant programs.
- ◆ Prepares expenditure forecasts for more than 10 agency programs.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: FINANCIAL OPERATIONS

Narrative

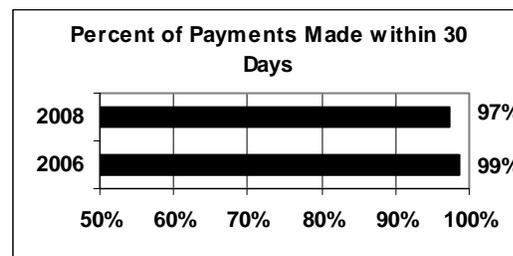
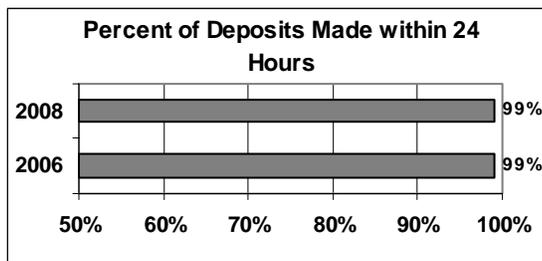
Increased use of program fees and premiums and greater complexity in program funding mechanisms and requirements have all had an impact on Financial Operations' work flow, compelling greater use of technology for efficiency. The department has developed and maintained electronic interfaces between computer systems within the department and between DHS, statewide, and county systems. Expectations have also increased for the use of electronic transfers of funds among DHS business partners.

Key Program Goals

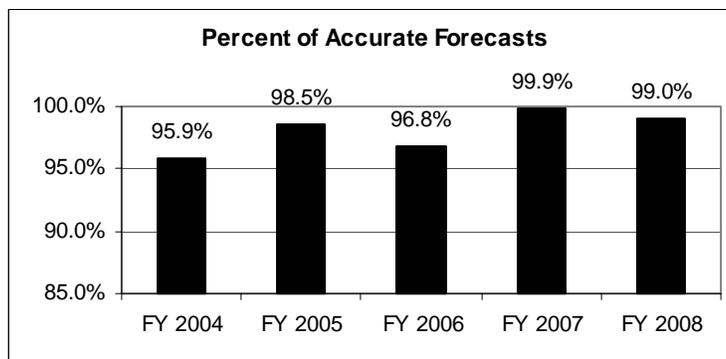
- ◆ *Ensure appropriate stewardship of public funds and maintain the highest accounting standards through DHS fiscal policies and processes.*

Key Measures

- ◆ **Percentage of receipts volume deposited within 24 hours.** The department is required to make timely deposits. Infrequently, a check must be held longer than 24 hours because follow-up identification is required with the payee. *Of the total receipts volume in FY 2008, at least 99% were deposited within 24 hours.*
- ◆ **Percentage of accounts payable volume paid within 30 days.** The department is required to make timely payments. *Of the total payment volume in FY 2008, the department made 97.4% of the payments within 30 days.*



- ◆ **Forecast accuracy: actual expenditures compared with forecasted expenditures.** Effective financial management requires accurate expenditure forecasts. Forecast accuracy is measured as actual expenditures (forecasted programs only) in a given year compared with the expenditures that were forecasted at the end of the legislative session that preceded the fiscal year. Forecasted programs include Medical Assistance, General Assistance Medical Care, MinnesotaCare, Minnesota Family Investment Program, Diversionary Work Program, Child Care Assistance Program, and the Consolidated Chemical Dependency Treatment Fund.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: FINANCIAL OPERATIONS

Narrative

Activity Funding

Financial Operations is funded primarily with appropriations from the general fund and health care access fund and from federal funds.

Contact

For more information about Financial Operations, contact the Financial Operations Division, (651) 431-3725.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: FINANCIAL OPERATIONS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 7,165 | 1,785 | 1,785 | 1,785 | 3,570 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 1,664 | 2,189 | 3,853 |
| Current Law Base Change | | | 23 | 26 | 49 |
| Pt Contract Base Reduction | | | (92) | (92) | (184) |
| Subtotal - Forecast Base | 7,165 | 1,785 | 3,380 | 3,908 | 7,288 |
| Total | 7,165 | 1,785 | 3,380 | 3,908 | 7,288 |
| Health Care Access | | | | | |
| Current Appropriation | 799 | 804 | 804 | 804 | 1,608 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 437 | 212 | 649 |
| Subtotal - Forecast Base | 799 | 804 | 1,241 | 1,016 | 2,257 |
| Total | 799 | 804 | 1,241 | 1,016 | 2,257 |
| Federal Tanf | | | | | |
| Current Appropriation | 122 | 122 | 122 | 122 | 244 |
| Subtotal - Forecast Base | 122 | 122 | 122 | 122 | 244 |
| Total | 122 | 122 | 122 | 122 | 244 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 6,897 | 7,737 | 3,381 | 3,909 | 7,290 |
| Health Care Access | 777 | 2,865 | 1,241 | 1,016 | 2,257 |
| Federal Tanf | 22 | 122 | 122 | 122 | 244 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,976 | 2,715 | 2,673 | 2,674 | 5,347 |
| Federal | 248 | 269 | 269 | 269 | 538 |
| Total | 9,920 | 13,708 | 7,686 | 7,990 | 15,676 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 8,752 | 9,742 | 5,319 | 5,848 | 11,167 |
| Other Operating Expenses | 1,168 | 3,966 | 2,223 | 1,998 | 4,221 |
| Transfers | 0 | 0 | 144 | 144 | 288 |
| Total | 9,920 | 13,708 | 7,686 | 7,990 | 15,676 |
| Full-Time Equivalent (FTE) | 110.1 | 107.2 | 107.2 | 107.2 | |

Activity Description

The Office of Compliance unites the department's legal, regulatory and audit activities to assure agency compliance with all state, federal, and constitutional requirements. It includes Appeals and Regulations, Licensing, Internal Audits, and the department's Legal Manager.

The Office of Compliance maintains legal standards by which the agency operates and by which clients gain access to services. Appeals and Regulations develops and implements statutory and regulatory standards for fair hearings, contested case hearings, and contracting; provides legal analysis and/or advice regarding contract development/management; writes rules, which define client benefits; and publishes bulletins concerning program changes and other issues affecting agency clients and programs. The Licensing Division licenses programs that serve children and vulnerable adults, conducts background studies on individuals who have direct contact with clients, and investigates allegations of maltreatment. The Internal Audits Office maintains fiscal and program integrity through internal audits, evaluation of eligibility for program recipients, and oversight of the department's efforts to comply with federal audit requirements. The department's Legal Manager provides oversight and strategic direction to the department's large and complex legal activities and legal analysis and advice regarding data privacy.

Activity at a Glance

- ◆ Regulates 24,500 licensed programs annually.
- ◆ Conducts 251,500 background studies each year.
- ◆ Annually investigates 950 maltreatment allegations.
- ◆ Reviews and approves more than 2,000 contracts per year.
- ◆ Conducts more than 6,500 administrative fair hearings per year.
- ◆ Annually responds to more than 500 data privacy inquiries.
- ◆ Manages and provides legal advice and direction on hundreds of agency legal matters per year.
- ◆ Manages federal Single Audit Act activities for more than 280 organizations that receive federal human services funding.

Population Served

Because the Office of Compliance supports all Department of Human Services (DHS) policy areas, virtually all agency clients are served directly or indirectly.

Direct client contact includes meeting with clients through the fair hearing process and through licensing a wide range of services, including those for people with mental illness, chemical dependency, developmental disabilities and for providers of foster care, child placement, adoption services, and child care. Indirect contact includes county licensing oversight and approving grant contracts for delivery of client services.

Services Provided

The Appeals and Regulations Division provides rule-making assistance for all department programs, manages grants and contracts for department services, and resolves disputes with clients, license holders, and long-term care facilities by:

- ◆ conducting administrative fair hearings for applicants and recipients of service whose benefits have been denied, reduced, or terminated;
- ◆ resolving appeals by applicants denied licenses or by providers whose licenses are suspended or revoked; and
- ◆ handling appeals by Medical Assistance (MA) and General Assistance Medical Care service providers, principally MA long-term care payment rate appeals.

The Licensing Division's activities include:

- ◆ licensing, monitoring, and investigating human services programs, including issuing approximately 2,800 new licenses annually;
- ◆ conducting approximately 251,500 background studies on people who provide direct contact services in programs licensed by DHS and the Minnesota Department of Health (MDH);

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: COMPLIANCE OPERATIONS

Narrative

- ◆ investigating approximately 1,600 complaints about the quality of services provided in licensed programs, including approximately 950 investigations of abuse or neglect of children and vulnerable adults;
- ◆ issuing approximately 1,080 licensing sanctions per year;
- ◆ processing approximately 2,100 requests for administrative reconsideration of disqualifications based on background study information, maltreatment investigation findings, and licensing actions, and;
- ◆ defending licensing decisions in fair hearings, contested case hearings, district court, and the Minnesota Court of Appeals.

The Internal Audits Office conducts internal auditing, performs recipient eligibility verification and evaluation, and manages the department's effort to comply with the federal auditing program known as PERM (Payment Error Rate Measurement). The Internal Audits unit provides management with an independent appraisal of the agency's fiscal management and programmatic controls. It is a managerial control that functions by measuring and evaluating the effectiveness of other department control mechanisms. Activities include:

- ◆ evaluating the agency's system of internal controls, conducting management-requested operational reviews, and auditing counties, grantees, contractors, and vendors for fiscal and compliance requirements;
- ◆ investigating suspected or alleged misuse of state resources;
- ◆ acting as the agency's liaison for external audit groups;
- ◆ managing the agency's federal single audit report requirements, and;
- ◆ operating a computer forensic laboratory to assist the agency's Human Resources Division and other state agencies with personnel investigations.

The Health Care Programs Audits and Evaluation unit provides the department with recipient eligibility verification for the MinnesotaCare and Medical Assistance programs which is required under state statute and federal regulations pertaining to Medicaid Eligibility Quality Control (MEQC). In accordance with a federal waiver to the MEQC regulations, subpopulations of enrollees and applicants eligible for federal financial participation are randomly audited. Activities also include:

- ◆ eligibility reviews of State Children's Health Insurance Program (SCHIP) enrollees, and;
- ◆ issuing recommendations to the program areas on training for eligibility workers, clarifying policy, and enhancing DHS/county procedures.

The PERM unit manages a required federal auditing program resulting from the Improper Payment Act of 2002 that reviews both the MA and SCHIP programs in the areas of claims processing, medical necessity, and recipient eligibility. Final federal regulations were effective 10-01-07. Payment error rates have a fiscal impact on the department. This unit is responsible for the recoveries of payments made in error and the preparation of the department's Corrective Action Plan to address the errors. PERM will assist the various federal contractors in their claims processing and medical necessity audits by clarifying policies and payment procedures, providing access to the claims processing systems, assuring that providers submit the correct medical information in a timely manner, determining if the federal reviewers are applying the correct policies for MA and SCHIP, monitoring of errors, and filing difference resolutions and appeals as needed. For FFY 2009, Minnesota PERM staff will be required to conduct the recipient eligibility portion of PERM to include:

- ◆ developing a sampling plan for this federal initiative;
- ◆ reviewing a sample of MA and SCHIP active and negative cases;
- ◆ calculating eligibility error rates, and;
- ◆ developing a corrective action plan to include actions for training and policy and procedure clarification and modification.

Historical Perspective

The **Appeals and Regulations Division** initially focused fair hearings on hearings for applicants and recipients of DHS health care and welfare benefits. The number of hearings has increased significantly over time, and the nature of hearings has changed from relatively simple, single-issue eligibility appeals to more complicated medical and social services appeals. The fair hearings function has also assumed responsibility for certain licensing and provider appeals and review of child and vulnerable adult maltreatment determinations.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: COMPLIANCE OPERATIONS

Narrative

In 1991, the **Licensing Division** assumed responsibility for developing a background study system following legislative action. In 1995 and 2001, the legislature expanded DHS' responsibility to include background studies on people providing services in programs licensed by the Minnesota Department of Health and the Minnesota Department of Corrections. In 2007, the legislature transferred responsibility for conducting background studies for child foster care from the counties to DHS and added responsibility to the Licensing Division for conducting background studies for adoptions (compliance with federal Adam Walsh requirements).

In 1995, the legislature transferred responsibility for many vulnerable adult maltreatment investigations from counties to DHS, and, in 1997, transferred certain responsibility for maltreatment of minors investigations from counties to DHS. Regulatory simplification and the press for greater consistency across agencies has led to efforts like the current interagency children's residential facilities rule that sets standards for children placed in out-of-home settings, whether those children come into human services or corrections programs. More recent events affecting the work of the Licensing Division include new chemical dependency licensing rules, a newly designed adult mental health system, and the expansion of due-process requirements.

The **Internal Audits Office** was established in November 1995 to provide the department with an independent evaluation of its operations and to coordinate mandatory audit requirements for federal program funds. The office has developed a computer forensic service to assist DHS' Human Resources Division and other state agencies in personnel investigations. In 2006, Health Care Programs Audits and Evaluation and PERM functions were incorporated under Internal Audits to align agency functions better. These sections were previously located in Children and Families Services and Health Care business areas.

The department's **Legal Manager** is responsible for ensuring DHS' implementation of and compliance with the Health Insurance Portability Accountability Act (HIPAA) privacy regulations. In 1996, the federal government passed the HIPAA, a complex federal law designed to provide protections to health care consumers and save administrative costs for health care providers. The HIPAA regulations set standards for electronic transmissions, electronic safeguards, and privacy protections for the handling of private health care information.

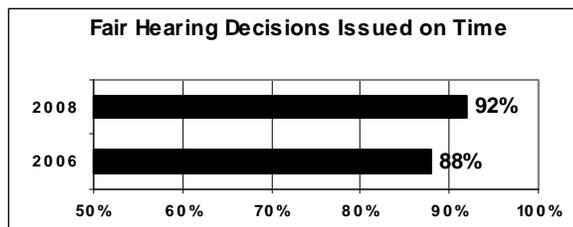
All aspects of the Office of Compliance have been affected significantly by two trends: more and faster-changing types of service models, which challenge traditional licensing and regulatory approaches; and the demands of clients, business partners, and DHS staff for more use of electronic government services for basic information dissemination and for interactive business transactions.

Key Program Goals

- ◆ Improve delivery of legal and regulatory services to ensure system integrity and legal compliance.

Key Measures

- ◆ **Percentage of final decisions in fair hearings issued within statutory deadlines.** The department is required to issue final decisions for fair hearings within statutory deadlines. In FY 2006 and FY 2008, the department met the statutory deadline in 88% and 92% of the cases, respectively.



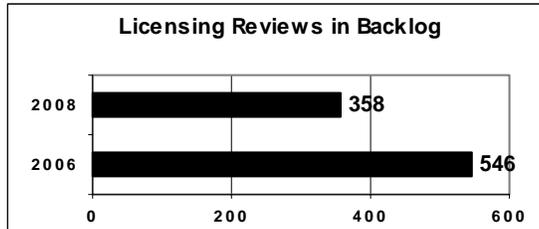
HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

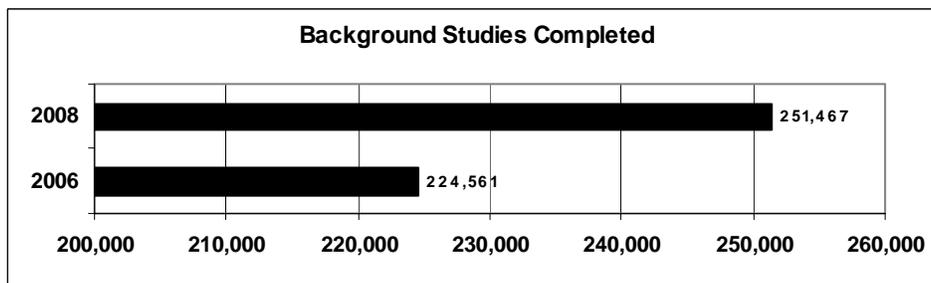
Activity: COMPLIANCE OPERATIONS

Narrative

- ◆ **Number of license reviews in backlog.** There have been significant reductions in the license review backlog for child care centers and programs serving persons with developmental disabilities.



- ◆ **Number of background studies completed for individuals who have direct contact with clients.**



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

The Office of Compliance is funded with appropriations from the general fund, health care access fund, state government special revenue fund, from federal funds, and from fees.

Contact

For more information about Compliance Operations, contact:

- ◆ Office of Compliance, (651) 431-2924
- ◆ Appeals and Regulations Division, (651) 431-3600
- ◆ Internal Audits Office, (651) 431-3619
- ◆ Licensing Division, (651) 461-3971

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: COMPLIANCE OPERATIONS

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|---------------|---------------|--------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 12,337 | 12,424 | 12,424 | 12,424 | 24,848 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 994 | 994 | 1,988 |
| Current Law Base Change | | | (63) | (63) | (126) |
| Subtotal - Forecast Base | 12,337 | 12,424 | 13,355 | 13,355 | 26,710 |
| Governor's Recommendations | | | | | |
| Eliminate or Delay Three CC Grants | | 0 | 70 | 65 | 135 |
| Federal Compliance for HCBS Waivers | | 0 | 200 | 0 | 200 |
| Revenue Recapture Appeals | | 0 | 65 | 50 | 115 |
| Total | 12,337 | 12,424 | 13,690 | 13,470 | 27,160 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 427 | 440 | 440 | 440 | 880 |
| Subtotal - Forecast Base | 427 | 440 | 440 | 440 | 880 |
| Total | 427 | 440 | 440 | 440 | 880 |
| Health Care Access | | | | | |
| Current Appropriation | 900 | 926 | 926 | 926 | 1,852 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 17 | 17 | 34 |
| Subtotal - Forecast Base | 900 | 926 | 943 | 943 | 1,886 |
| Total | 900 | 926 | 943 | 943 | 1,886 |
| Federal Tanf | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 100 | 200 |
| Total | 100 | 100 | 100 | 100 | 200 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 20 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 10,751 | 11,575 | 13,690 | 13,470 | 27,160 |
| State Government Spec Revenue | 387 | 440 | 440 | 440 | 880 |
| Health Care Access | 949 | 968 | 943 | 943 | 1,886 |
| Federal Tanf | 98 | 100 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,396 | 2,803 | 3,241 | 3,451 | 6,692 |
| Federal | 1,003 | 1,050 | 1,050 | 1,050 | 2,100 |
| Total | 15,604 | 16,936 | 19,464 | 19,454 | 38,918 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 13,178 | 13,600 | 13,976 | 13,976 | 27,952 |
| Other Operating Expenses | 2,426 | 3,336 | 3,417 | 3,407 | 6,824 |
| Transfers | 0 | 0 | 2,071 | 2,071 | 4,142 |

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: COMPLIANCE OPERATIONS

Budget Activity Summary

| | <i>Dollars in Thousands</i> | | | | |
|-----------------------------------|-----------------------------|---------------------------|---------------------------|---------------|-----------------------------|
| | Current FY2008 | Current FY2009 | Governor's Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Total | 15,604 | 16,936 | 19,464 | 19,454 | 38,918 |
| <i>Full-Time Equivalent (FTE)</i> | 187.7 | 180.0 | 180.0 | 180.0 | |

Activity Description

Management Operations promotes and supports workplace performance through its responsibility for the department's public policy direction, external relations, communication oversight, equal employment opportunity and affirmative action plan implementation, and human resources activities.

Activity at a Glance

- ◆ Provides agency-wide decision making.
- ◆ Provides human resources support for 6,600 full-time equivalent employees.
- ◆ Provides personnel services to 70 counties.

Population Served

Because Management Operations supports all Department of Human Services (DHS) policy and operations areas, virtually all agency businesses and clients are served directly or indirectly.

Services Provided

Management Operations provides the following services:

- ◆ agency leadership, public policy direction, and legislative liaison activity;
- ◆ communication oversight for interactions with clients, business partners, the media, legislators and their staff, other state agencies, counties, tribes, and the federal government;
- ◆ human resources management for DHS Central Office, State Operated Services, and 70 counties including
 - ⇒ personnel recruitment, selection, redeployment, compensation, classification, performance evaluation, and training;
 - ⇒ labor relations, grievance arbitration, and negotiations of supplemental agreements and memoranda of understanding; and
 - ⇒ health, safety, wellness, workers compensation, and complaint investigation activities;
- ◆ development of a culturally competent workforce through equal opportunity and affirmative action plan implementation, Americans with Disabilities Act coordination, diversity training, and civil rights enforcement;
- ◆ coordination of department communications efforts by
 - ⇒ responding to inquiries from news media;
 - ⇒ preparing information that helps the public understand the department's policies; and
 - ⇒ publishing news releases and fact sheets on the department's website;
- ◆ coordination of ongoing consultation with tribal governments and, where appropriate, state and federal agencies, relating to the implementation of DHS services on Indian reservations and urban Indian communities;
- ◆ customer relations activities for the department to ensure that constituents receive timely and helpful responses to inquiries and requests for assistance;
- ◆ orchestration of agency-wide policy development so that it synchronizes with the direction of the department's Senior Management Team, the commissioner, and the governor, and;
- ◆ legislative activities which include managing the department's legislative process, working with staff on the development of human services proposals, and following the sequence of human services-related legislation from introduction through final actions.

Historical Perspective

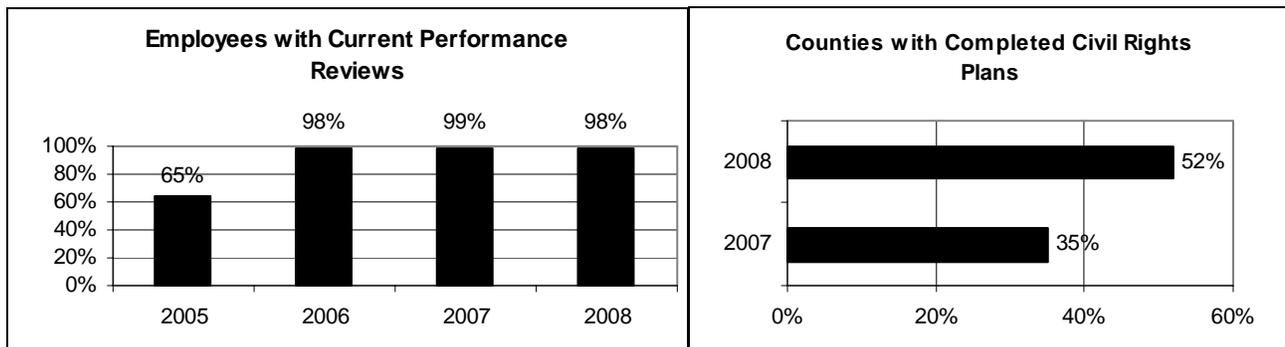
For human resource management, a significant development has been the increase in Minnesota's minority and non English-speaking populations in the past decade. As a result, the department has increased efforts to recruit and retain staff with new language and communications skills and to develop a more diverse and culturally competent work force. Other significant changes are the continued movement of State Operated Services from the large institutions to small, community-based facilities and services, along with the increasing difficulty in recruiting health care staff and the aging of the workforce.

Key Program Goals

- ◆ **Create a flexible, efficient human resources system that meets the needs of managers and supervisors in a high-quality and timely manner.**
- ◆ **Reduce disparities in service access and outcomes for racial and ethnic populations.** Reducing disparities is one of DHS’ six department-wide priorities. The department’s Office of Equal Opportunity plays a key role in pursuing this priority. This goal is from the Department of Human Services’ *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ **Percentage of employees with a current performance review on file.** Regular and timely performance reviews of DHS staff members are needed to facilitate employee development and performance improvement. “Current” is now defined as “received by the Human Resources Division within 30 days of the due date for the review.” Previously, performance reviews were required to be on file in HR within 90 days of the due date. Under the 90-day guideline, 65% and 98% of employees had current performance reviews on file in FY 2005 and FY 2006, respectively.
- ◆ **Percentage of county Civil Rights plans that have been completed.**



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Management Operations is funded primarily from appropriations from the general fund and health care access fund and from federal funds.

Contact

For more information about Management Operations, contact:

- ◆ External Relations, (651) 431-2919
- ◆ Equal Opportunity Office, (651) 431-3040
- ◆ Human Resources Division, (651) 431-2990

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: MANAGEMENT OPERATIONS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,332 | 4,419 | 4,419 | 4,419 | 8,838 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 296 | 296 | 592 |
| Subtotal - Forecast Base | 4,332 | 4,419 | 4,715 | 4,715 | 9,430 |
| Total | 4,332 | 4,419 | 4,715 | 4,715 | 9,430 |
| Health Care Access | | | | | |
| Current Appropriation | 236 | 243 | 243 | 243 | 486 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 236 | 243 | 242 | 242 | 484 |
| Total | 236 | 243 | 242 | 242 | 484 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 3,831 | 4,712 | 4,715 | 4,715 | 9,430 |
| Health Care Access | 169 | 242 | 242 | 242 | 484 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 698 | 748 | 589 | 589 | 1,178 |
| Total | 4,698 | 5,702 | 5,546 | 5,546 | 11,092 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 4,290 | 5,115 | 5,036 | 5,036 | 10,072 |
| Other Operating Expenses | 408 | 587 | 510 | 510 | 1,020 |
| Total | 4,698 | 5,702 | 5,546 | 5,546 | 11,092 |
| Full-Time Equivalent (FTE) | 55.4 | 58.6 | 58.6 | 58.6 | |

Activity Description

Technology Operations promotes and supports workplace performance through its responsibility for the department's physical facility, video and telephone communications, and the technical infrastructure working closely with the Department of Human Services (DHS) programs and operations to ensure a solid foundation for future technological development.

Population Served

Technology Operations provides services to all DHS policy and operations areas. Virtually all agency businesses, human services providers, and clients benefit directly or indirectly.

Services Provided

Information technology services include:

- ◆ desktop software and hardware and support (data storage and backup, virus control, help desk) for 6,400 workstations;
- ◆ department-wide e-mail system;
- ◆ telephone systems and related interactive response technology;
- ◆ an agency-wide converged (data and voice) network, Voice over Internet Protocol, servers, data storage;
- ◆ leadership for strategic information resource management planning;
- ◆ direction for information policy, standards, and practices;
- ◆ leadership for IT architectural future directions and services;
- ◆ strategic planning with DHS program areas and county service directors on the use of technology to serve clients better;
- ◆ planning and development with DHS program areas to ensure cross-agency systems coordination and compatibility;
- ◆ maintenance of and assistance for users of the DHS Data Warehouse and Executive Information System (EIS), which extract data for program analysis from multiple service delivery systems;
- ◆ development and maintenance of information security and standards;
- ◆ coordination of technology projects agency-wide through the Projects Management Office;
- ◆ application development and support;
- ◆ planning with counties and other partners to keep computer systems compatible and planning for upgrades;
- ◆ maintenance of the department's public, internal, and county web sites;
- ◆ consultation with program areas about improving business strategies through the use of electronic government services and web services technology, and;
- ◆ representation of DHS' interests at statewide technology forums.

Management services include:

- ◆ electronic document system support and services, including high volume document conversion facilities, workflow development, and technical design and support of imaging applications;
- ◆ tele-health care and tele-human services network development among the many communities of video-conferencing users in Minnesota's human services field;
- ◆ facility planning, design, and management;

Activity at a Glance

- ◆ Provides desktop support to more than 6,400 users.
- ◆ Maintains DHS computer network, internal and public websites.
- ◆ Coordinates cross-agency technology issues with Office of Enterprise Technology.
- ◆ Supports the Data Warehouse and Shared Master Index systems.
- ◆ Manages five central-office locations and 45 locations throughout Minnesota.
- ◆ Provides leadership and support for tele-health care development across Minnesota.
- ◆ Develops, manages, and supports enterprise applications
- ◆ Manages the agency-wide Documents Management Services, making vital documents available to business partners and the public in 11 languages and millions of electronic documents available to over 1,000 users.
- ◆ Manages enterprise-wide administrative services such as procurement, mail, physical access controls, and security.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: TECHNOLOGY OPERATIONS

Narrative

- ◆ physical building access controls and security;
- ◆ visitor management, conference facility management, and information services;
- ◆ inventory and property management;
- ◆ purchasing services, vendor management, and commodity contracts;
- ◆ electronic publication of more than 3,000 department documents in a searchable centralized repository (eDocs) making them available on demand for business partners and the public, and;
- ◆ translation and electronic publication of more than 3,000 documents in up to 11 non-English languages for customers with limited English proficiency.

Historical Perspective

In 1995 the Chief Information Officer (CIO) position was established to lead DHS information technology and related strategic planning within the department. The department continues to face a growing demand for electronic services through Web technology to communicate and conduct government business, as it is the bridge that human services workers use to gather information from the many sources necessary to do their work. Clients, business partners, and other levels of government increasingly expect that DHS will use Web technology for electronic government services in a variety of areas.

Information Technology Services continues to coordinate department-wide projects such as the technology aspects of the Health Insurance Portability and Accountability Act (HIPAA) implementation, technology infrastructure, including voice and data network convergence, security infrastructure, Data Center services, application development and support, centralized data storage, and electronic government services.

In 2006 DHS completed construction of the Elmer L. Andersen Human Services Building and remodeling of its largest leased facility, consolidating a number of its locations and providing space more appropriate to the program and technology needs of the agency's work. DHS has major investments in technology with major computer systems supporting welfare and health care benefits statewide. Technology, such as virtual presence communications and electronic document management system (EDMS), are increasingly part of the spectrum of services Management Operations provides.

Key Program Goals

- ◆ Make it easier to deliver quality human services.
- ◆ Ensure that technology resources are assigned to those projects that will meet business goals.
- ◆ Develop and support a workforce to maximize technology benefits.
- ◆ Make it easier to manage processes and support people.

DHS business technology exists to support and enhance the successful delivery of human services. These goals are from DHS' *Business Technology Strategic Plan* <http://edocs.dhs.state.mn.us/flserver/Legacy/DHS-5280-ENG>.

Key Activity Measures

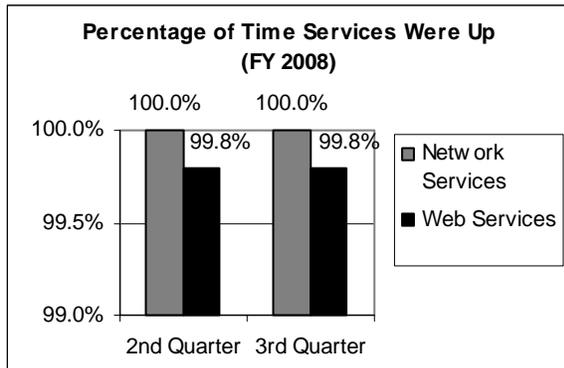
- ◆ **Percentage of time that the department's network and Web services were up and running.** By keeping network and Web services up and running a very high percentage of the time, technology operations is providing stable and reliable networking services so that DHS can efficiently and effectively provide human services.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: TECHNOLOGY OPERATIONS

Narrative



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Technology Operations is funded with appropriations from the general fund, health care access fund, and from federal funds.

Contact

For more information about Technology Operations, contact:

- ◆ Information Technology, (651) 431-2110
- ◆ Management Services Division, (651) 431-3501

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: TECHNOLOGY OPERATIONS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 23,949 | 23,922 | 23,922 | 23,922 | 47,844 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 4,155 | 4,155 | 8,310 |
| Subtotal - Forecast Base | 23,949 | 23,922 | 28,077 | 28,077 | 56,154 |
| Total | 23,949 | 23,922 | 28,077 | 28,077 | 56,154 |
| Health Care Access | | | | | |
| Current Appropriation | 6,015 | 5,972 | 5,972 | 5,972 | 11,944 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (1,116) | (1,104) | (2,220) |
| Subtotal - Forecast Base | 6,015 | 5,972 | 4,856 | 4,868 | 9,724 |
| Total | 6,015 | 5,972 | 4,856 | 4,868 | 9,724 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Health Care Access | 1,617 | 1,066 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 2,103 | 625 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 27,078 | 28,077 | 28,076 | 28,076 | 56,152 |
| Health Care Access | 4,382 | 4,817 | 4,856 | 4,868 | 9,724 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 7,555 | 7,728 | 7,727 | 7,718 | 15,445 |
| Total | 42,735 | 42,313 | 40,659 | 40,662 | 81,321 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 12,999 | 14,424 | 14,424 | 14,424 | 28,848 |
| Other Operating Expenses | 29,736 | 27,549 | 25,896 | 25,899 | 51,795 |
| Transfers | 0 | 340 | 339 | 339 | 678 |
| Total | 42,735 | 42,313 | 40,659 | 40,662 | 81,321 |
| Full-Time Equivalents (FTE) | 165.5 | 170.4 | 170.4 | 170.4 | |

Program Description

This program contains the Department of Human Services (DHS) revenue and pass through expenditures. These revenues and pass-through expenditures involve complex inter-fund accounting transactions that often result in duplicate data within the state's standard biennial budget system reports. Isolating the results of these transactions within the Revenue and Pass-Through Program simplifies the fiscal pages for DHS's other programs and activities. For example, to not skew the Child Support Enforcement Grant budget activity, the department's \$625 million annual child support collection (revenue) and payment (pass-through expenditure) activity is reflected here.

Revenues

DHS collects or processes revenues in excess of \$4.5 billion annually. State law determines whether this revenue is *dedicated revenue* to DHS (i.e. earmarked for specific programs) or *non-dedicated revenue* to the state.

Approximately 80% of the annual revenue is dedicated revenue. Examples include child support collections, federal grants, program premiums, recoveries and refunds, cost of care billings, fees, and federal administrative reimbursement.

Approximately 20% of the annual revenue is non-dedicated revenue. Examples include surcharges, recoveries and refunds, cost of care billings, fees, and federal administrative reimbursement.

Pass-Through

DHS's pass-through expenditures are approximately \$1 billion annually. Generally, pass-through expenditures are the result of transactions between funds. Examples include child support payments, transfers, and federal administrative reimbursement.

Federal Administrative Reimbursement

Eligible state administrative costs are reimbursed from federal grants at various percentages, known as the federal financial participation (FFP) rates. Not all state administrative costs are eligible for federal reimbursement. For example, expenditures that support state-only programs do not earn FFP.

DHS maintains a federally approved cost allocation plan that draws reimbursement for the federal share of state administrative expenditures. In this case, state administrative expenditures are defined as state costs (including the DHS central office) as well as county/local costs.

DHS's central office federal administrative reimbursement exceeds \$100 million annually. Unless otherwise specified in state law, federal administrative reimbursement earned on general fund and health care access fund expenditures is non-dedicated revenue to the state. State law dedicates the federal administrative reimbursement earned on major system expenditures to DHS.

Historically, the DHS central office has drawn the following average FFP rates, based on cost allocation within the state fund in which the administrative expenditure is incurred:

| | |
|---|-----|
| General Fund/ Health Care Access Fund | 40% |
| Major Systems – PRISM | 66% |
| Major Systems – Social Services Information System (SSIS) | 37% |
| Major Systems – MAXIS | 35% |
| Major Systems – Medicaid Management Information System (MMIS) | 65% |

For simplicity and consistency, DHS budget initiatives and fiscal note estimates are based on these historic central office average FFP rates.

HUMAN SERVICES DEPT

Program: REVENUE & PASS THROUGH EXPEND

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|-------------------------|------------------|------------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Federal Tanf | | | | | |
| Current Appropriation | 69,083 | 62,357 | 62,357 | 62,357 | 124,714 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 700 | 700 | 1,400 |
| Current Law Base Change | | | 2,417 | 3,702 | 6,119 |
| November Forecast Adjustment | | 49 | 272 | 309 | 581 |
| Subtotal - Forecast Base | 69,083 | 62,406 | 65,746 | 67,068 | 132,814 |
| Governor's Recommendations | | | | | |
| TANF Refinancing | | 0 | 9,415 | 24,588 | 34,003 |
| Total | 69,083 | 62,406 | 75,161 | 91,656 | 166,817 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Federal Tanf | 58,264 | 63,106 | 75,161 | 91,656 | 166,817 |
| Statutory Appropriations | | | | | |
| General | 165 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 7,541 | 4,828 | 4,797 | 4,794 | 9,591 |
| Federal | 365,604 | 406,667 | 397,556 | 398,553 | 796,109 |
| Miscellaneous Agency | 639,644 | 826,671 | 826,034 | 826,034 | 1,652,068 |
| Total | 1,071,218 | 1,301,272 | 1,303,548 | 1,321,037 | 2,624,585 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 134,610 | 134,096 | 131,080 | 129,852 | 260,932 |
| Payments To Individuals | 1,135 | 178,982 | 178,982 | 178,982 | 357,964 |
| Local Assistance | 290,475 | 337,847 | 343,164 | 361,881 | 705,045 |
| Other Financial Transactions | 644,998 | 650,347 | 650,322 | 650,322 | 1,300,644 |
| Total | 1,071,218 | 1,301,272 | 1,303,548 | 1,321,037 | 2,624,585 |
| <u>Expenditures by Activity</u> | | | | | |
| Revenue & Pass Through Expend | 1,071,218 | 1,301,272 | 1,303,548 | 1,321,037 | 2,624,585 |
| Total | 1,071,218 | 1,301,272 | 1,303,548 | 1,321,037 | 2,624,585 |

Program Description

The purpose of the Children's and Economic Assistance Grants program is to provide cash, food support, child care, housing assistance, job training, and work-related services to increase the ability of families and individuals to transition to economic stability and to keep children safe and support their development.

Budget Activities

- ◆ Minnesota Family Investment Program/Diversionsary Work Program (MFIP/DWP) Grants
- ◆ Support Services Grants
- ◆ MFIP Child Care Assistance Grants
- ◆ Basic Sliding Fee (BSF) Child Care Assistance Grants
- ◆ Child Care Development Grants
- ◆ Child Support Enforcement Grants
- ◆ Children's Services Grants
- ◆ Children and Community Services Grants
- ◆ General Assistance Grants
- ◆ Children's Mental Health Grants
- ◆ Minnesota Supplemental Aid Grants
- ◆ Group Residential Housing Grants
- ◆ Refugee Services Grants
- ◆ Other Children's and Economic Assistance Grants

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 513,270 | 466,003 | 466,003 | 466,003 | 932,006 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (355) | (355) | (710) |
| Current Law Base Change | | | 50,485 | 59,093 | 109,578 |
| November Forecast Adjustment | | 20,841 | 9,602 | 17,897 | 27,499 |
| Subtotal - Forecast Base | 513,270 | 486,844 | 525,735 | 542,638 | 1,068,373 |
| Governor's Recommendations | | | | | |
| AA/RCA Funding Adjustment | | 0 | 5,469 | 7,617 | 13,086 |
| Child Care Assistance Program Reductions | | 0 | (4,948) | (5,467) | (10,415) |
| Child Permanency - Northstar Care | | 0 | 0 | 2,135 | 2,135 |
| Combine Emergency GA and Emergency MSA | | 0 | 0 | 0 | 0 |
| Correct Base Level Adjustment Errors | | 0 | 199 | 199 | 398 |
| Decrease MFIP Exit Level to 110% FPG | | 0 | 0 | (84) | (84) |
| Eliminate Certain CFS Grants | | 0 | (460) | (460) | (920) |
| Eliminate Chemical Dependency Grants | | 0 | 0 | 0 | 0 |
| Fraud Prevention Investigation | | 0 | (1,024) | (1,536) | (2,560) |
| Group Residential Housing Modifications | | 0 | (970) | (6,072) | (7,042) |
| Limit Retroactive Eligibility for CCAP | | 0 | (122) | (173) | (295) |
| MFIP Reductions | | 0 | (13) | (267) | (280) |
| Modify 20% Income Withholding | | 0 | 30 | 85 | 115 |
| Reduce LTC Provider Rates and Grants | | 0 | (1,062) | (1,261) | (2,323) |
| TANF Refinancing | | 0 | (9,415) | (24,588) | (34,003) |
| Work Participation Cash Benefit Reduced | | 0 | (351) | (1,558) | (1,909) |
| Total | 513,270 | 486,844 | 513,068 | 511,208 | 1,024,276 |
| Federal Tanf | | | | | |
| Current Appropriation | 189,093 | 235,500 | 235,500 | 235,500 | 471,000 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (42,457) | (44,998) | (87,455) |
| November Forecast Adjustment | | (13,818) | 9,906 | 4,965 | 14,871 |
| Subtotal - Forecast Base | 189,093 | 221,682 | 202,949 | 195,467 | 398,416 |
| Governor's Recommendations | | | | | |
| Child Permanency - Northstar Care | | 0 | 0 | (2,135) | (2,135) |
| Decrease MFIP Exit Level to 110% FPG | | 0 | (829) | (1,097) | (1,926) |
| Diversionary Work Program Changes | | 0 | (11) | (46) | (57) |
| Eliminate Certain CFS Grants | | 0 | (140) | (140) | (280) |
| Eliminate Integrated Services Funding | | 0 | (1,250) | (2,500) | (3,750) |
| Federal Compliance: PARIS Implementation | | 0 | 0 | (25) | (25) |
| MFIP Consolidated Fund Reduction | | 0 | (2,750) | (5,500) | (8,250) |
| MFIP Reductions | | 0 | (4,551) | (13,219) | (17,770) |
| Total | 189,093 | 221,682 | 193,418 | 170,805 | 364,223 |

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 507,986 | 487,686 | 513,067 | 511,207 | 1,024,274 |
| Health Care Access | 250 | 0 | 0 | 0 | 0 |
| Federal Tanf | 186,716 | 221,682 | 193,418 | 170,805 | 364,223 |
| Statutory Appropriations | | | | | |
| General | 5,537 | 6,350 | 6,350 | 6,350 | 12,700 |
| Miscellaneous Special Revenue | 7,654 | 8,913 | 6,088 | 6,685 | 12,773 |
| Federal | 535,264 | 603,917 | 605,533 | 622,204 | 1,227,737 |
| Miscellaneous Agency | 16,256 | 17,722 | 16,080 | 16,213 | 32,293 |
| Gift | 19 | 25 | 25 | 25 | 50 |
| Total | 1,259,682 | 1,346,295 | 1,340,561 | 1,333,489 | 2,674,050 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 4,091 | 4,966 | 4,577 | 4,720 | 9,297 |
| Payments To Individuals | 709,396 | 790,334 | 810,155 | 816,169 | 1,626,324 |
| Local Assistance | 530,244 | 535,172 | 510,999 | 497,637 | 1,008,636 |
| Other Financial Transactions | 15,951 | 15,823 | 14,830 | 14,963 | 29,793 |
| Total | 1,259,682 | 1,346,295 | 1,340,561 | 1,333,489 | 2,674,050 |
| <u>Expenditures by Activity</u> | | | | | |
| Mfip/Dwp Grants | 267,901 | 286,496 | 301,135 | 302,015 | 603,150 |
| Support Services Grants | 119,849 | 123,710 | 119,710 | 107,860 | 227,570 |
| Mfip Child Care Assistance Gr | 101,572 | 111,638 | 110,977 | 112,041 | 223,018 |
| Bsf Child Care Assistance Gr | 88,556 | 95,247 | 91,099 | 88,819 | 179,918 |
| Child Care Development Gr | 14,103 | 15,446 | 11,167 | 12,105 | 23,272 |
| Child Support Enforcement Gr | 11,502 | 6,842 | 5,295 | 5,295 | 10,590 |
| Children'S Services Grants | 116,833 | 132,433 | 109,981 | 113,134 | 223,115 |
| Children & Community Serv Gr | 133,876 | 100,418 | 100,204 | 100,064 | 200,268 |
| General Assistance Grants | 39,743 | 46,250 | 49,601 | 50,023 | 99,624 |
| Minnesota Supplemental Aid Gr | 30,830 | 31,877 | 31,824 | 32,807 | 64,631 |
| Childrens Mental Health Grants | 275 | 25 | 16,885 | 16,882 | 33,767 |
| Group Residential Housing Gr | 85,505 | 100,432 | 106,929 | 108,968 | 215,897 |
| Refugee Services Grants | 13,905 | 18,792 | 17,042 | 16,201 | 33,243 |
| Other Child And Econ Asst Gr | 235,232 | 276,689 | 268,712 | 267,275 | 535,987 |
| Total | 1,259,682 | 1,346,295 | 1,340,561 | 1,333,489 | 2,674,050 |

Activity Description

Minnesota Family Investment Program (MFIP) and the Diversionary Work Program (DWP) Grants pays for cash grants for families participating in the MFIP and the DWP and for food assistance for MFIP families. MFIP is Minnesota's federal Temporary Assistance for Needy Families (TANF) program. DWP is a short-term, work-focused program to help families avoid longer-term assistance.

Activity at a Glance

- ◆ Provides assistance for 36,000 families (or 100,000 people) a month, two-thirds of whom are children

Population Served

To be eligible for MFIP, a family must include a minor child or a pregnant woman and meet citizenship, income, and asset requirements. MFIP is aimed at moving parents quickly into jobs and out of poverty. Most parents are required to work; through MFIP they receive help with basic needs, health care, child care, and employment services.

Most parents with minor children are eligible to receive cash assistance for a total of 60 months in their lifetime. Families reaching the 60-month time limit are eligible for extensions if they meet certain categorical requirements. Most families reaching the 60-month limit are those with multiple and serious barriers to employment. Families of color are disproportionately represented in this group.

DWP, which began 7-1-04, includes many of the families who would have in the past applied for MFIP. DWP is a short-term, work-focused program. Families applying for DWP must develop and sign an employment plan before they can receive any assistance. After families have an employment plan, they can receive financial assistance to pay for rent, utilities, personal needs, and other supports, such as food, child care, and health care. Shelter and utilities costs are paid directly to landlords, mortgage companies, or utility companies. Participation in the program does not count against the 60-month life-time limit on cash assistance. Families, who are likely to need longer term assistance, are excluded from DWP; this includes adults and children with disabilities, adults over 60, teen parents finishing high school, child-only cases, and families who have received TANF or MFIP in the past 12 months or for 60 months.

Services Provided

This activity funds the cash assistance grants of the MFIP and DWP programs and food assistance for MFIP. Supports outside the welfare system, such as health care, child care, child support, housing, and tax credits, are important components to Minnesota's welfare approach. Working families on MFIP receive earning supplements, leaving assistance when their income is approximately 15% above the federal poverty level.

Parents on MFIP who fail to work or follow through with activities to support their families will have their assistance cut by 10% or more. Depending upon how long they have been out of compliance, their cases may also be closed for non-compliance. Parents on DWP who do not cooperate with their employment plan will have their cases closed and are not eligible for cash assistance until their four months of DWP ends.

Historical Perspective

MFIP was initially piloted in seven counties as a state welfare reform effort. After passage of the federal welfare reform law, MFIP was implemented statewide in 1998 as the state's TANF program. MFIP includes employment and training and food support. In February 2006, Congress reauthorized the TANF program through 2010 with the passage of the Deficit Reduction Act of 2005 (Public Law 109-171). The new provisions made it more difficult for states to meet work participation rates and required the U. S. Department of Health and Human Services to issue regulations that define work activities and procedures for verifying and monitoring work activities.

Beginning in February 2008, families who are not making significant progress with MFIP or DWP due to employment barriers, such as physical disability, mental health, or provision of care for a household member with a disability will receive family stabilization services (FSS) through a case management model. Funding for these

families is provided using state funds that are not counted toward the federal maintenance-of-effort requirement and, therefore, are not included in the state work participation rate.

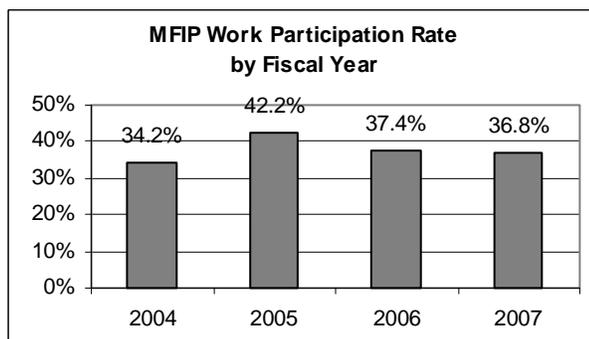
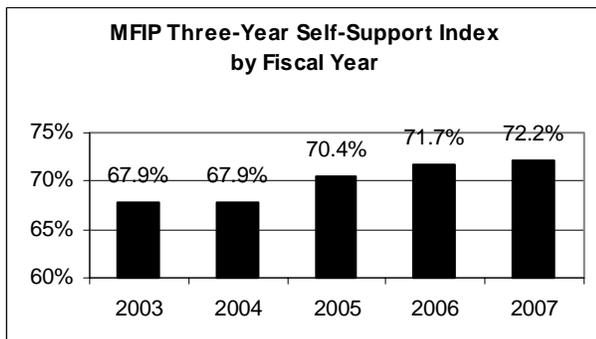
Minnesota has received national recognition for its success with MFIP. In December 2007, more than 70% of MFIP families followed over a three-year period had either left assistance or were on MFIP and were working 30 or more hours per week. Each month more than 1,000 cases are diverted from MFIP long-term assistance to DWP, with a monthly average caseload of 3,400 families. Some of these families are expected to transition to MFIP after completing four months of DWP.

Key Program Goals

- ◆ **All Minnesotans will have the economic means to maintain a reasonable standard of living.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** MFIP and DWP grants help stabilize families and enable parents to meet their children’s basic needs. This goal is from the Department of Human Services’ *Priority Plans* (<http://edocs.dhs.state.mn.us/lserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Percentage of adults working 30 or more hours or off MFIP three years after a baseline reporting period (MFIP Self-Support Index).** The MFIP Self-Support Index is a performance measure that tracks whether or not adults in MFIP are either 1) working an average of 30 or more hours per week or 2) no longer receiving MFIP cash payments three years after a baseline measurement quarter. Participants who leave MFIP due to the 60-month time limit are not counted as meeting the criteria for success on this measure unless they are working 30 or more hours per week before they reach the time limit.
- ◆ **Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).** The MFIP Work Participation Rate is the percentage of MFIP cases in which the parent is fully engaged in employment or employment-related activities (according to federal TANF program rules, usually 130 hours per month). The decline for FY 2006 occurred because Minnesota instituted a universal participation policy requiring cases that had previously been exempted to participate in work activities and be included in the measure.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MFIP/DWP Grants is funded primarily with appropriations from the general fund and the federal TANF block grant, which replaced AFDC in 1996.

Contact

For more information on the Minnesota Family Investment Program/Diversionsary Work Program Grants, contact Transition to Economic Stability, (651) 431-4000.

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP/DWP GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 57,289 | 24,010 | 24,010 | 24,010 | 48,020 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 45,165 | 46,413 | 91,578 |
| November Forecast Adjustment | | 13,804 | (870) | 6,127 | 5,257 |
| Subtotal - Forecast Base | 57,289 | 37,814 | 68,305 | 76,550 | 144,855 |
| Governor's Recommendations | | | | | |
| Modify 20% Income Withholding | | 0 | 30 | 85 | 115 |
| Work Participation Cash Benefit Reduced | | 0 | (351) | (1,558) | (1,909) |
| Total | 57,289 | 37,814 | 67,984 | 75,077 | 143,061 |
| Federal Tanf | | | | | |
| Current Appropriation | 76,209 | 119,839 | 119,839 | 119,839 | 239,678 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (42,097) | (36,788) | (78,885) |
| November Forecast Adjustment | | (13,818) | 9,906 | 4,965 | 14,871 |
| Subtotal - Forecast Base | 76,209 | 106,021 | 87,648 | 88,016 | 175,664 |
| Governor's Recommendations | | | | | |
| Child Permanency - Northstar Care | | 0 | 0 | (2,135) | (2,135) |
| Decrease MFIP Exit Level to 110% FPG | | 0 | (853) | (1,163) | (2,016) |
| Diversionary Work Program Changes | | 0 | (11) | (46) | (57) |
| Federal Compliance: PARIS | | 0 | 0 | (25) | (25) |
| Implementation | | 0 | | | |
| MFIP Reductions | | 0 | (4,551) | (13,219) | (17,770) |
| Total | 76,209 | 106,021 | 82,233 | 71,428 | 153,661 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 57,694 | 37,814 | 67,984 | 75,077 | 143,061 |
| Federal Tanf | 75,406 | 106,021 | 82,233 | 71,428 | 153,661 |
| Statutory Appropriations | | | | | |
| General | 3,352 | 4,300 | 4,300 | 4,300 | 8,600 |
| Federal | 116,607 | 123,288 | 132,538 | 136,997 | 269,535 |
| Miscellaneous Agency | 14,842 | 15,073 | 14,080 | 14,213 | 28,293 |
| Total | 267,901 | 286,496 | 301,135 | 302,015 | 603,150 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 247,691 | 266,340 | 281,708 | 282,397 | 564,105 |
| Local Assistance | 4,864 | 5,083 | 5,347 | 5,405 | 10,752 |
| Other Financial Transactions | 15,346 | 15,073 | 14,080 | 14,213 | 28,293 |
| Total | 267,901 | 286,496 | 301,135 | 302,015 | 603,150 |

Activity Description

Support Services Grants provides employment, education, training, and other support services to help low-income families and people avoid or end public assistance dependency. These grants also fund a portion of county administration for the Minnesota Family Investment Program (MFIP) and the Diversionary Work Program (DWP).

Activity at a Glance

- ◆ Provides MFIP employment services to 7,600 people per month
- ◆ Provides Food Support employment services to 1,500 people per month

Population Served

This activity serves two core groups:

- ◆ participants in MFIP and DWP; and
- ◆ recipients of food stamps, known in Minnesota as Food Support, through the Food Support Employment and Training (FSET) program.

Services Provided

Support Services Grants includes MFIP consolidated funds, which are allocated to counties and tribes, and FSET funding. This includes work programs provided by the Workforce Centers overseen by the Minnesota Department of Employment and Economic Development (DEED), as well as counties and non-profit organizations. These employment service providers work with county agencies to evaluate the needs of each participant and develop individualized employment plans.

County and local employment service programs provide or, if appropriate, refer participants to services including:

- ◆ job search, job counseling, job interview skills, and skill development;
- ◆ adult basic education, high school completion classes, and general equivalency diploma (GED)/high school equivalency coaching;
- ◆ short-term training and post-secondary education of no more than 24 months;
- ◆ English proficiency training and functional work literacy;
- ◆ county programs that help low-income families with housing, utilities, and other emergency needs, and;
- ◆ assistance accessing other services, such as child care, medical benefits programs, and chemical dependency and mental health services.

Historical Perspective

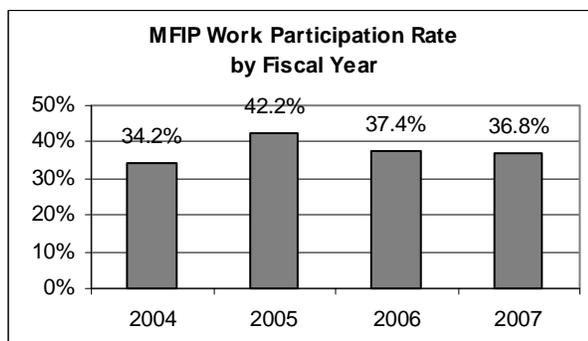
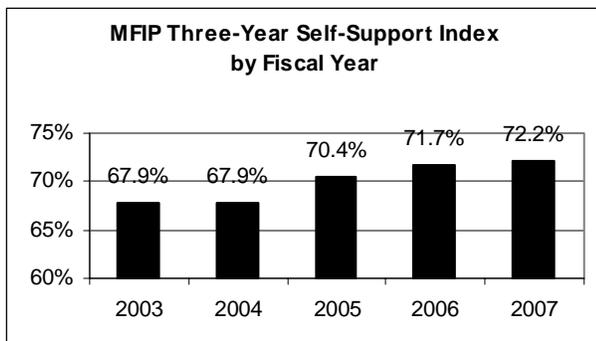
The 2003 legislature created the MFIP consolidated fund, combining funding for a number of support services programs for MFIP participants. The MFIP consolidated fund allows counties and tribes to continue successful approaches to moving MFIP families to work. A number of separate programs, including Emergency Assistance for families, were repealed. Service agreements for each county set outcomes, which include county performance measures. The 2007 and 2008 legislative sessions appropriated additional funding for integrated services projects and supported work grants to counties and tribes to provide a continuum of employment assistance to MFIP participants.

Key Program Goals

- ◆ **All Minnesotans will have the economic means to maintain a reasonable standard of living.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** Support Services grants assist MFIP and DWP participants to meet their families' immediate needs and achieve long-term economic stability through work. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).
- ◆ **Reduce disparities in service access and outcomes for racial and ethnic populations.** Funds support projects that serve families with multiple barriers, including many African American and American Indian participants. This goal also is from DHS' *Priority Plans*.

Key Measures

- ◆ **Percentage of adults working 30 or more hours or off MFIP three years after a baseline reporting period (MFIP Self-Support Index).** The MFIP Self-Support Index is a performance measure that tracks whether or not adults in MFIP are either 1) working an average of 30 or more hours per week or 2) no longer receiving MFIP cash payments three years after a baseline measurement quarter. Participants who leave MFIP due to the 60-month time limit are not counted as meeting the criteria for success on this measure unless they are working 30 or more hours per week before they reach the time limit.
- ◆ **Percentage of MFIP adults participating in work activities for specified hours per week. (MFIP Work Participation Rate).** The MFIP Work Participation Rate is the percentage of MFIP cases in which the parent is fully engaged in employment or employment-related activities (according to federal TANF program rules, usually 130 hours per month). The decline for FY 2006 occurred because Minnesota instituted a universal participation policy requiring cases that had previously been exempted to participate in work activities and be included in the measure.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Support Services Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on Support Services Grants, contact Transition to Economic Stability, (651) 431-4000.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: SUPPORT SERVICES GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 8,715 | 8,715 | 8,715 | 8,715 | 17,430 |
| Subtotal - Forecast Base | 8,715 | 8,715 | 8,715 | 8,715 | 17,430 |
| Total | 8,715 | 8,715 | 8,715 | 8,715 | 17,430 |
| Federal Tanf | | | | | |
| Current Appropriation | 112,679 | 114,961 | 114,961 | 114,961 | 229,922 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 0 | (7,850) | (7,850) |
| Subtotal - Forecast Base | 112,679 | 114,961 | 114,961 | 107,111 | 222,072 |
| Governor's Recommendations | | | | | |
| Eliminate Integrated Services Funding | | 0 | (1,250) | (2,500) | (3,750) |
| MFIP Consolidated Fund Reduction | | 0 | (2,750) | (5,500) | (8,250) |
| Total | 112,679 | 114,961 | 110,961 | 99,111 | 210,072 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 8,698 | 8,715 | 8,715 | 8,715 | 17,430 |
| Federal Tanf | 111,131 | 114,961 | 110,961 | 99,111 | 210,072 |
| Statutory Appropriations | | | | | |
| Federal | 20 | 34 | 34 | 34 | 68 |
| Total | 119,849 | 123,710 | 119,710 | 107,860 | 227,570 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 22,694 | 30,790 | 30,790 | 30,790 | 61,580 |
| Local Assistance | 97,155 | 92,920 | 88,920 | 77,070 | 165,990 |
| Total | 119,849 | 123,710 | 119,710 | 107,860 | 227,570 |

Activity Description

The Minnesota Family Investment Program (MFIP) Child Care Assistance Grants provides financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. This program is supervised by the Minnesota Department of Human Services (DHS) and administered by county social services agencies.

Activity at a Glance

- ◆ Purchases child care for over 14,500 children in 8,000 families each month

Population Served

Families who participate in welfare reform activities are served through the (MFIP) child care program which includes MFIP and Transition Year (TY) subprograms.

Services Provided

The following families are eligible to receive MFIP or TY child care assistance: 1) MFIP and Diversionary Work Program (DWP) families who are employed or pursuing employment or are participating in employment, training, or social services activities authorized in an approved employment services plan and 2) employed families who are in their first year off MFIP or DWP (transition year). As family income increases, so does the amount of child care expenses paid by the family in the form of co-payments.

Care must be provided by a legal child care provider over the age of 18. Providers include legal, non-licensed family child care, license-exempt centers, licensed family child care, and licensed child care centers.

As directed by law, the Minnesota DHS commissioner establishes maximum payment rates for Child Care Assistance Grants by county, type of provider, age of child, and unit of time covered.

Historical Perspective

MFIP child care was called AFDC (Aid to Families with Dependent Children) child care and funded by federal Title IV(A) funds prior to the 1996 federal welfare reform act. Demand for child care assistance has increased as parents participating in welfare reform are required to work or look for work. The 2003 legislature made reforms to the Child Care Assistance Program (CCAP) to focus on these lowest income working families and control future growth in the program, while helping balance the state budget.

In 2007, the legislature appropriated \$1 million for child care assistance programs for the 2008-09 biennium to provide funding for incentives for parents and providers to promote skills and abilities that children need to succeed in school. Child care providers selected by the department are eligible for higher maximum payments, and children are allowed to participate with providers on a full-time basis for up to a year. Evaluation of the outcomes of this pilot is expected in December 2009.

Key Program Goals

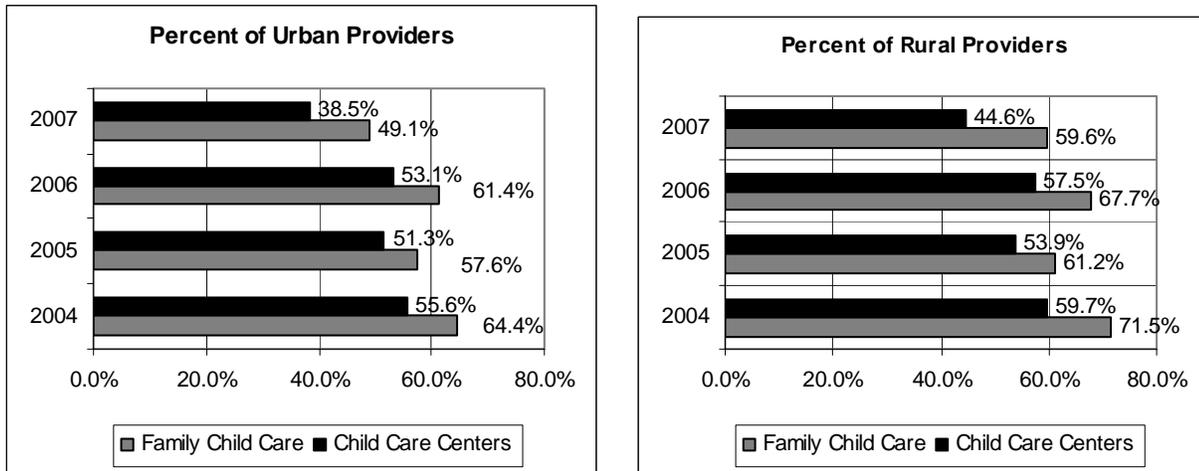
- ◆ **All children will start school ready to learn.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** The MFIP Child Care Assistance Program improves outcomes for at-risk children by providing financial assistance to help low-income families pay for child care. Parents may pursue employment or education leading to employment while children attend child care where they are well cared for and become better prepared to enter school ready to learn. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

Key Measures

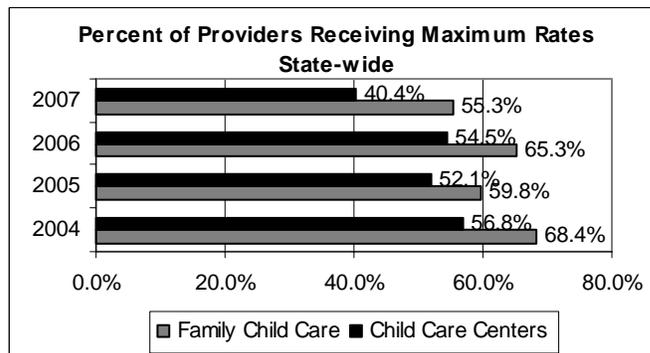
- ◆ **Percentage of child care providers covered by maximum rates.** The annual market rate survey is used to assess the percent of child care providers covered by the maximum child care assistance rates. This measure reflects whether or not families receiving child care assistance have access to all types of care available to the private market, as required by federal regulations. Limited access to child care providers may impact

whether or not at-risk children will be able to attend some child care programs. Attendance at high quality early child care and education programs is likely to improve child outcomes.

Percent of Providers Covered by Maximum Rates



Urban providers are located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. Rural providers are located in one of the remaining 80 counties in Minnesota.



- ◆ **Percentage of children receiving child care assistance through the School Readiness Connection Pilot project who are ready for school.** This measure is under development. The School Readiness Connections Pilot project targets resources to low-income families by reimbursing selected, qualified providers at higher rates for providing comprehensive services to improve the school readiness of at-risk children. The pilot will have evaluation data available in December 2009.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MFIP Child Care Assistance Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on MFIP Child Care Assistance Grants, contact Transition to Economic Stability Division, (651) 431-4000.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP CHILD CARE ASSISTANCE GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 48,513 | 61,241 | 61,241 | 61,241 | 122,482 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (765) | (634) | (1,399) |
| November Forecast Adjustment | | 3,302 | 3,998 | 4,654 | 8,652 |
| Subtotal - Forecast Base | 48,513 | 64,543 | 64,474 | 65,261 | 129,735 |
| Governor's Recommendations | | | | | |
| Child Care Assistance Program | | | (2,716) | (2,961) | (5,677) |
| Reductions | | 0 | | | (5,677) |
| Decrease MFIP Exit Level to 110% FPG | | 0 | 0 | (84) | (84) |
| Limit Retroactive Eligibility for CCAP | | 0 | (111) | (157) | (268) |
| MFIP Reductions | | 0 | (13) | (267) | (280) |
| TANF Refinancing | | 0 | (9,415) | (24,588) | (34,003) |
| Total | 48,513 | 64,543 | 52,219 | 37,204 | 89,423 |
| Federal Tanf | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Decrease MFIP Exit Level to 110% FPG | | 0 | 24 | 66 | 90 |
| Total | 0 | 0 | 24 | 66 | 90 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 45,833 | 64,543 | 52,219 | 37,204 | 89,423 |
| Federal Tanf | 0 | 0 | 24 | 66 | 90 |
| Statutory Appropriations | | | | | |
| Federal | 55,739 | 47,095 | 58,734 | 74,771 | 133,505 |
| Total | 101,572 | 111,638 | 110,977 | 112,041 | 223,018 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 16,392 | 13,500 | 13,487 | 13,233 | 26,720 |
| Local Assistance | 85,180 | 98,138 | 97,490 | 98,808 | 196,298 |
| Total | 101,572 | 111,638 | 110,977 | 112,041 | 223,018 |

Activity Description

Basic Sliding Fee (BSF) Child Care Assistance Grants provides financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. This program is supervised by the Minnesota Department of Human Services and administered by county social services agencies.

Activity at a Glance

- ◆ Purchases child care for 15,000 children in 8,500 families each month

Population Served

Low-income families who are not connected to the Minnesota Family Investment Program (MFIP) or the Diversionary Work Program (DWP) are served through the BSF child care program.

Services Provided

BSF Child Care Assistance Grants help families pay child care costs on a sliding fee basis. As family income increases, so does the amount of child care expenses paid by the family. When family income reaches 67% of the state median income, family co-payments generally meet or exceed the cost of care.

BSF child care helps pay the child care costs of low-income families not currently participating in MFIP or DWP or in their first year after leaving MFIP or DWP. Families who have household incomes at or under 47% of the state median income when they enter the program, less than 67% of the state median income when they leave the program, and participate in authorized activities, such as employment, job search, and job training are eligible for BSF child care.

Care must be provided by a legal child care provider over the age of 18. Providers include legal, nonlicensed family child care, license-exempt centers, licensed family child care, and licensed child care centers. As directed by the legislature, the commissioner establishes maximum payment rates for Child Care Assistance Grants by county, type of provider, age of child, and unit of time covered.

Historical Perspective

The BSF program was developed in the 1970s as a pilot program serving 24 counties in recognition that child care was essential to the employment of low-income families. The demand for child care assistance has steadily increased over time as the number of eligible families has increased. The 2003 legislature made reforms to the Child Care Assistance Program to focus on the lowest income working families and control future growth. In 2007, the legislature appropriated \$1 million for child care assistance programs for the 2008-09 biennium to provide funding for incentives for parents and providers to promote skills and abilities that children need to succeed in school. Child care providers selected by the department are eligible for a higher maximum payment and children are allowed to participate with the provider on a full-time basis for up to a year. Evaluation of the outcomes of this pilot is expected in December 2009.

Key Program Goals

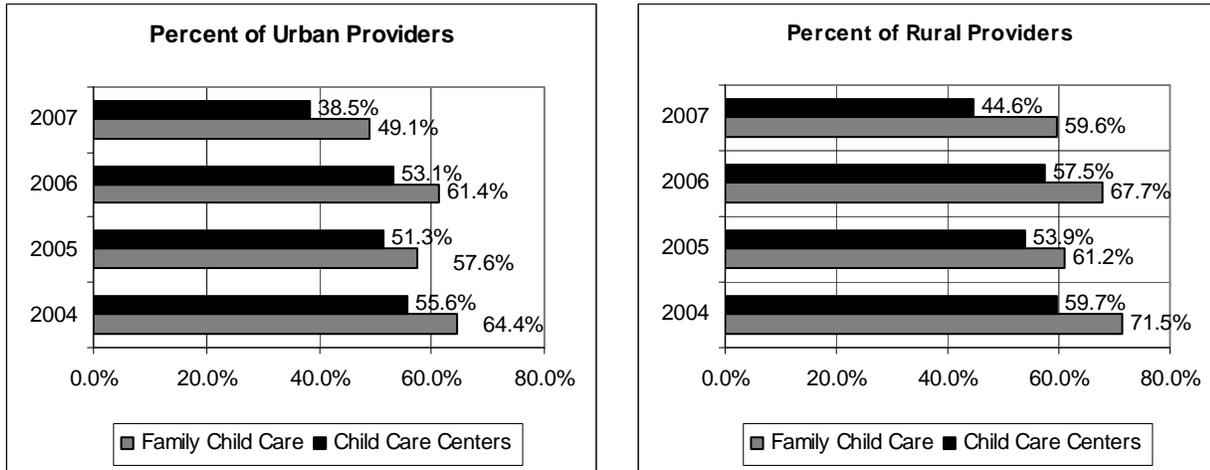
- ◆ **All children will start school ready to learn.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** The BSF Child Care Assistance Program improves outcomes for at-risk children by providing financial assistance to help low-income families pay for child care. Parents may pursue employment or education leading to employment while children attend child care where they are well cared for and become better prepared to enter school ready to learn. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Key Measures

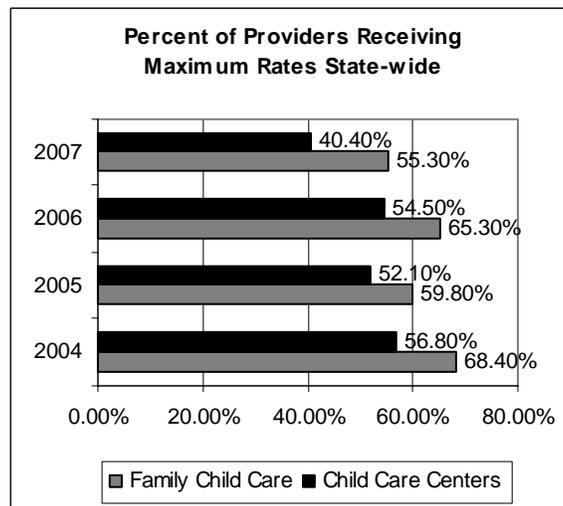
- ◆ **Percentage of child care providers covered by maximum rates.** The annual market rate survey is used to assess the percent of licensed child care providers covered by the maximum child care assistance rates. This measure reflects whether or not families receiving child care assistance have access to all types of care available to the private market, as required by federal regulations. Limited access to child care providers may

impact whether or not at-risk children will be able to attend some child care programs. Attendance at high quality early child care and education programs is likely to improve child outcomes.

Percent of Providers Covered by Maximum Rates



Urban providers are located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. Rural providers are located in one of the remaining 80 counties in Minnesota.



- ◆ **Percentage of children receiving child care assistance through the School Readiness Connection Pilot project who are ready for school.** This measure is under development. The School Readiness Connections Pilot project targets resources to low-income families by reimbursing selected, qualified providers at higher rates for providing comprehensive services to improve the school readiness of at-risk children. The pilot will have evaluation data available in December 2009.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: BSF CHILD CARE ASSISTANCE GR

Narrative

Activity Funding

BSF Child Care Assistance Grants is funded by appropriations from the general fund and from the federal Child Care and Development Fund (CCDF), which includes Temporary Assistance for Needy Families (TANF) transfer funds, and county contributions.

Contact

For more information on BSF Child Care Assistance Programs, contact Transitions to Economic Stability, (651) 431-4000.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: BSF CHILD CARE ASSISTANCE GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 42,995 | 35,781 | 35,781 | 35,781 | 71,562 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 9,317 | 9,071 | 18,388 |
| Subtotal - Forecast Base | 42,995 | 35,781 | 45,098 | 44,852 | 89,950 |
| Governor's Recommendations | | | | | |
| Child Care Assistance Program Reductions | | 0 | (2,232) | (2,506) | (4,738) |
| Limit Retroactive Eligibility for CCAP | | 0 | (11) | (16) | (27) |
| Total | 42,995 | 35,781 | 42,855 | 42,330 | 85,185 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 42,995 | 35,781 | 42,855 | 42,330 | 85,185 |
| Statutory Appropriations | | | | | |
| Federal | 45,561 | 59,466 | 48,244 | 46,489 | 94,733 |
| Total | 88,556 | 95,247 | 91,099 | 88,819 | 179,918 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 19,343 | 5,500 | 5,500 | 5,500 | 11,000 |
| Local Assistance | 69,213 | 89,747 | 85,599 | 83,319 | 168,918 |
| Total | 88,556 | 95,247 | 91,099 | 88,819 | 179,918 |

Activity Description

Child Care Development Grants promotes school readiness and improves the quality and availability of child care in Minnesota by providing consumer education to parents and the public and providing activities that increase parental choice.

Population Served

- ◆ Three out of four Minnesota families use child care for their children under age 13. These children spend an average of 24 hours a week in care.
- ◆ Approximately 200,000 Minnesota children under age six spend time in licensed child care arrangements.
- ◆ There are over 14,000 child care businesses and an estimated 150,000 family, friend, and neighbor caregivers in Minnesota.

Activity at a Glance

- ◆ Provides 35,000 child care referrals annually
- ◆ Awards 2,600 grants per year to providers to improve the quality and availability of child care
- ◆ Makes 50 loans annually to improve child care centers and 110 to improve family child care homes
- ◆ Supports training for 25,000 participants attending classes and provides 280 scholarships for provider education and training each year

Services Provided

The Minnesota Department of Human Services works with public and private agencies and individuals to promote school readiness through education and training and to provide a state infrastructure to support quality and availability of child care. These efforts include:

- ◆ professional development for child care providers;
 - ⇒ Training is coordinated and delivered by child care resource and referral (CCR&R) programs in partnership with other sponsoring organizations.
 - ⇒ All training aligns with the Minnesota Core Competencies: child growth and development; learning environment and curriculum; child assessment; interactions with children and youth, families, and communities; health, safety, and nutrition; caring for children with special needs; and providing culturally responsive child care.
- ◆ child care referrals;
 - ⇒ Referrals include personalized information and guidance for parents on selecting quality child care.
 - ⇒ Referrals are delivered through local child care resource and referral programs at no cost to parents.
- ◆ grants and financial supports;
 - ⇒ Grants enable child care programs to improve facilities, start up or expand services, access training, and purchase equipment and materials.
 - ⇒ Scholarships for credentials and higher education and bonus compensation help retain individuals working in child care and Head Start programs; and
- ◆ consultation, mentoring, and coaching.
 - ⇒ These resources provide support to individual child care providers to build their knowledge and skills to meet the needs of individual children, meet licensing standards, and improve program quality.

Other key elements include

- ◆ ongoing mechanisms for community-level input on programs and policies through advisory committees for major program components;
- ◆ research and evaluation to guide policy and program development to target resources effectively; and
- ◆ local control of grant priorities for grants administered by CCR&R sites.

Historical Perspective

The 1988 Minnesota Legislature established the Child Care Development Program to respond to increased demand for quality child care and the need for a statewide infrastructure for parents and communities to respond to these needs. Since that time, the Child Care Development Grants program has awarded statewide and local-level grants to:

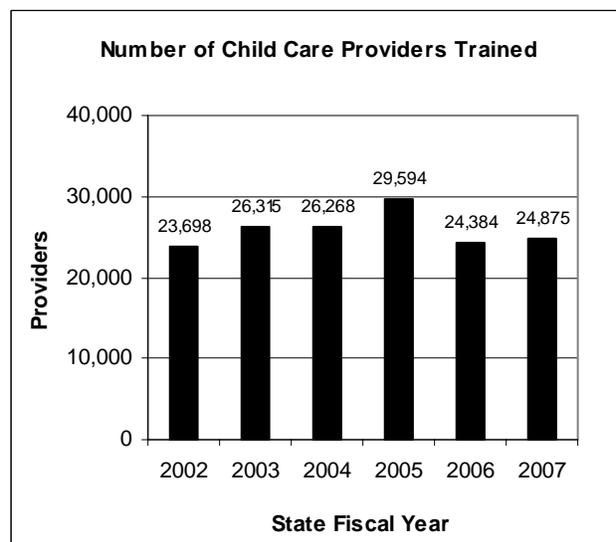
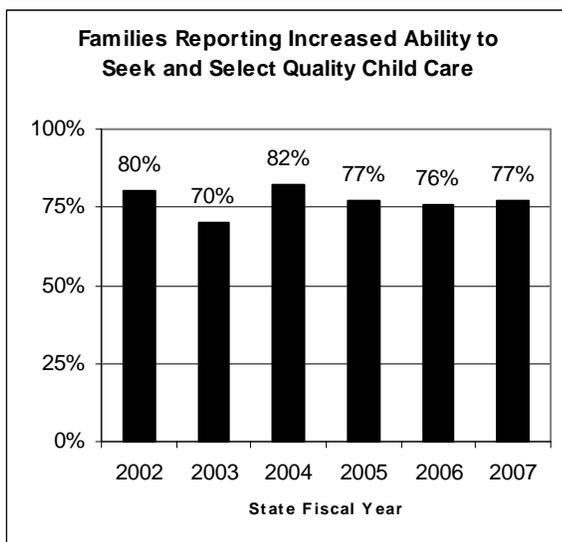
- ◆ support child care providers in improving quality;
- ◆ develop the child care infrastructure to provide referral services to parents and professional development, technical assistance, and facilities improvements to child care providers, and;
- ◆ conduct research and evaluation to identify child care needs and improve program effectiveness.

Key Program Goals

- ◆ **All children will start school ready to learn.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** Improvement will occur by working with partners to test and evaluate approaches to improve school readiness. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Percentage of families using child care referral services who report increased ability to seek and select quality child care.** The goal of child care referral services is to help families access quality child care by providing information on what constitutes a quality child care setting, how to search for quality child care and which child care providers might meet the family's needs. This measure is a self-report of families' ability to seek and select quality child care using the information gained from the child care referral experience. The results are based on a follow-up survey of parents who had used child care referral services.
- ◆ **Number of participants attending child care resource and referral training.** Participation in annual in-service training for more than 35,000 individuals working in Minnesota child care settings is required by licensing and, when focused on key core competencies, is also an important strategy for improving the quality of child care.



- ◆ **Number of children who are ready for school (proficient category).** An expected outcome of Child Care Development Grants is increased school readiness for young children in child care settings, especially children at risk of poor outcomes. Among children ages 0 to five, 75% are cared for in a child care setting on a regular basis. While research has shown that high quality early childhood programs can improve children's

HUMAN SERVICES DEPT

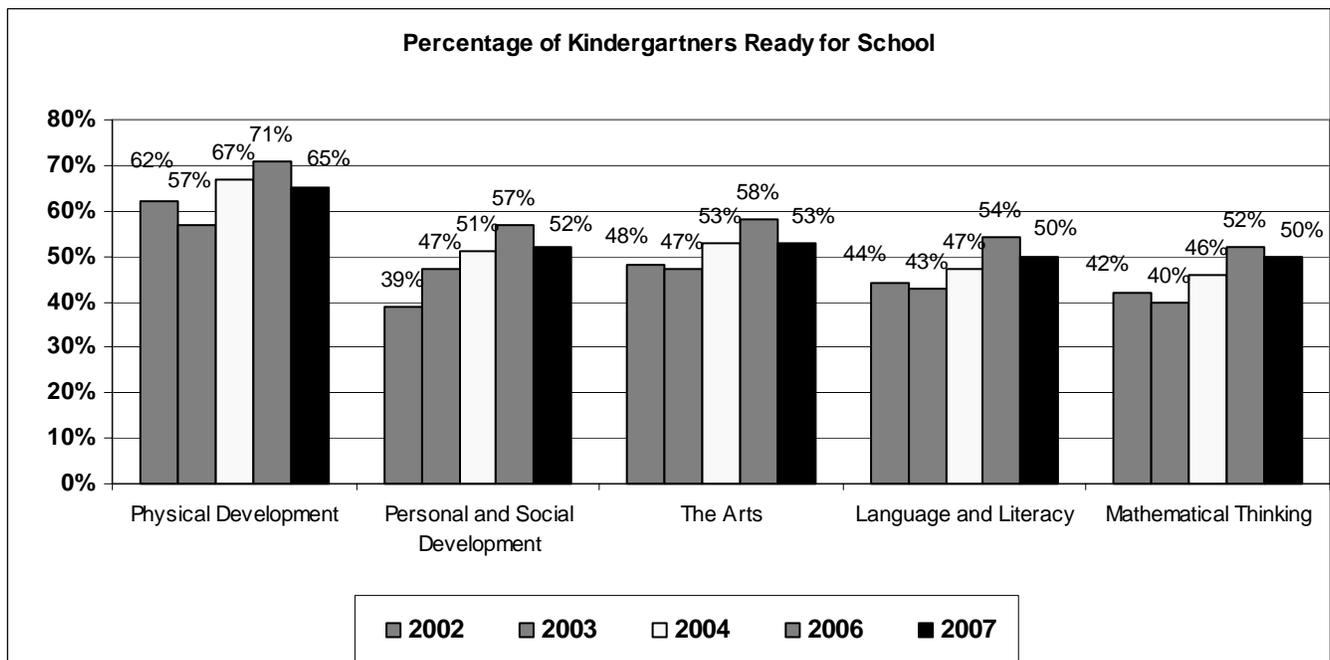
Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILD CARE DEVELOPMENT GR

Narrative

readiness for school, it should be noted that many other factors, such as poverty and mother's education level, are highly correlated with this outcome.

Data are collected annually by the Minnesota Department of Education (MDE) through its Minnesota School Readiness Study. A geographically representative random sample of Minnesota kindergartners (about 10% of entering kindergartners) are assessed as they enter school in the fall.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Child Care Development Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on Child Care Development Grants, contact DHS at (651) 431-3809.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILD CARE DEVELOPMENT GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 4,390 | 6,030 | 6,030 | 6,030 | 12,060 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (4,547) | (4,547) | (9,094) |
| Subtotal - Forecast Base | 4,390 | 6,030 | 1,483 | 1,483 | 2,966 |
| Governor's Recommendations | | | | | |
| Correct Base Level Adjustment Errors | | 0 | 4 | 4 | 8 |
| Fraud Prevention Investigation | | 0 | (98) | (147) | (245) |
| Total | 4,390 | 6,030 | 1,389 | 1,340 | 2,729 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 4,376 | 6,017 | 1,389 | 1,340 | 2,729 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 623 | 364 | 0 | 0 | 0 |
| Federal | 9,104 | 9,065 | 9,778 | 10,765 | 20,543 |
| Total | 14,103 | 15,446 | 11,167 | 12,105 | 23,272 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 63 | 80 | 763 | 1,750 | 2,513 |
| Local Assistance | 14,040 | 15,366 | 10,404 | 10,355 | 20,759 |
| Total | 14,103 | 15,446 | 11,167 | 12,105 | 23,272 |

Activity Description

Child Support Enforcement Grants help families receive child support, an important component in helping many families become self-sufficient and stay off welfare.

Population Served

Child Support Enforcement serves both families who receive public assistance and those who are non-public assistance clients.

Activity at a Glance

- ◆ Collects \$625 million in child support
- ◆ Serves 406,000 custodial and non-custodial parents
- ◆ Administers 250,000 child support cases

Services Provided

Services provided by the state and counties to help families in Minnesota receive child support include

- ◆ establishing paternity;
- ◆ establishing and modifying orders for child support, medical support, and child care support;
- ◆ collecting and disbursing support;
- ◆ enforcing support orders,
 - ⇒ intercepting income tax refunds and lottery winnings when child support is not paid and investigating income sources of non-paying parents, and
 - ⇒ locating non-paying parents; and
- ◆ using various tools to collect support, including suspension of driver's licenses and various state occupational licenses for non-payment, new hire reporting by employers, and working with financial institutions to move money directly from bank accounts.

Historical Perspective

Although most child support cases do not currently receive public assistance, about 64% of the non-public assistance cases received public assistance at one time. Most child support is collected from wage withholding by employers.

Key Program Goals

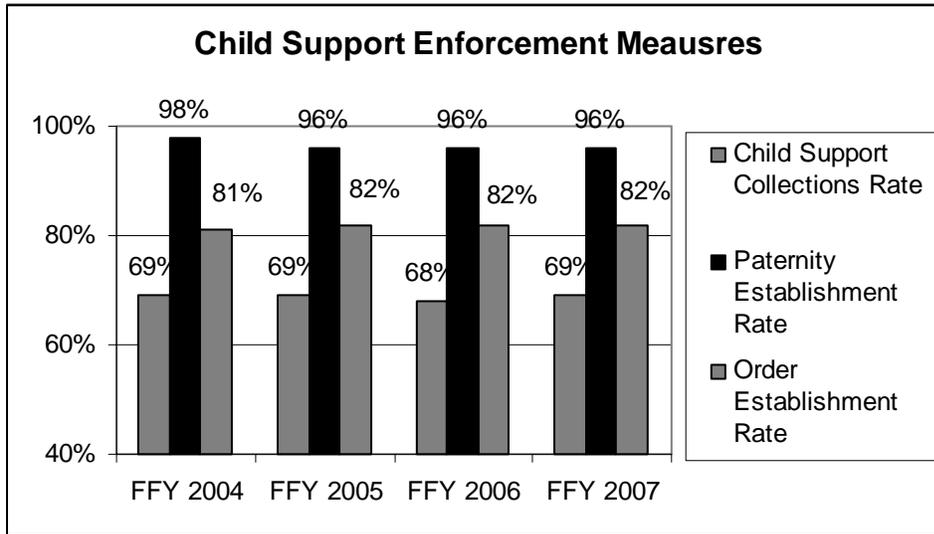
- ◆ Simplify and create user-friendly policies and legal processes.
- ◆ Enhance productivity through technology.

These goals are from the *Child Support Strategic Plan 2008-2012*. More information on this plan can be found at: <http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-5217B-ENG>.

Key Measures

- ◆ **Child support collection rate.** This measure is the percentage of dollars ordered for child support that was paid by the non-custodial parent. This measure is one of five federal performance measures used to determine incentive payments to states, and subsequently to counties, by the federal government.
- ◆ **Paternity establishment rate.** This rate is the percentage of paternitys established for children in the Title IV-D caseload not born in marriage. This measure is one of five federal performance measures used to determine incentive payments to states, and subsequently to counties, by the federal government.
- ◆ **Order establishment rate.** The order establishment rate is the percentage of orders established for children in the Title IV-D caseload. This measure is one of five federal performance measures used to determine incentive payments to states, and subsequently to counties, by the federal government.

These measures are based on federal fiscal years (FFY).



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Child Support Enforcement Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on Child Support Enforcement Grants, contact the Child Support Enforcement Division, (651) 431-4400.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILD SUPPORT ENFORCEMENT GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|--------------|--------------------|--------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 11,038 | 3,705 | 3,705 | 3,705 | 7,410 |
| Subtotal - Forecast Base | 11,038 | 3,705 | 3,705 | 3,705 | 7,410 |
| Total | 11,038 | 3,705 | 3,705 | 3,705 | 7,410 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 9,441 | 5,202 | 3,705 | 3,705 | 7,410 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,939 | 1,516 | 1,466 | 1,466 | 2,932 |
| Federal | 122 | 124 | 124 | 124 | 248 |
| Total | 11,502 | 6,842 | 5,295 | 5,295 | 10,590 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | (354) | 0 | 0 | 0 | 0 |
| Payments To Individuals | 415 | 90 | 90 | 90 | 180 |
| Local Assistance | 11,441 | 6,752 | 5,205 | 5,205 | 10,410 |
| Total | 11,502 | 6,842 | 5,295 | 5,295 | 10,590 |

Activity Description

Children's Services Grants funds a continuum of statewide child welfare services.

Population Served

Children's Services Grants funds services for children who are at risk of abuse or neglect, have been abused or neglected, are in out-of-home placements, are in need of adoption, or are under state guardianship. Children's Services grants affect the lives of

- ◆ children who are abused or neglected and need child protection services;
- ◆ children who are in out-of-home placements because they cannot live safely with their parents or need care which cannot be provided within their homes;
- ◆ children who are waiting for immediate adoption; and
- ◆ families through the Children's Trust Fund.

Services Provided

Children's Services Grants funds adoption, child protection, homeless youth services, and child abuse and neglect prevention services through counties, tribes, local service collaboratives, schools, nonprofits, and foundations.

Children's Services Grants funds the following:

- ◆ Family Assessment Response and other services to families referred to child protection;
- ◆ services to prevent child abuse and neglect;
- ◆ services to prevent homelessness for older youth leaving long-term foster care;
- ◆ recruitment of foster and adoptive families and specialized services to support the adoption of children under state guardianship;
- ◆ Adoption Assistance for children with special needs who were under state guardianship and have been adopted;
- ◆ Relative Custody Assistance for children with special needs whose custody is transferred to relatives; and
- ◆ Indian child welfare services.

Historical Perspective

The focus of child welfare has evolved over the years. Most recently, Children's Services Grants have been used to:

- ◆ reform the child welfare system through innovative efforts such as Alternative Response (now known as Family Assessment), the American Indian Child Welfare Initiative, the Minnesota Child Welfare Training System, and the Children's Justice Initiative; and
- ◆ find and support permanent families for children who cannot be reunited with their families through the Public/Private Adoption Initiative, Concurrent Permanency Planning, and Minnesota Adoption Support and Preservation Network.

Key Program Goals

- ◆ **Families will provide a stable, supportive environment for children.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Improve outcomes for the most at-risk children.** The department provides grants for early and targeted services for the children in Minnesota who are at the greatest risk for poor outcomes, including those who are in child protection, are homeless, or are teenage parents. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Activity at a Glance

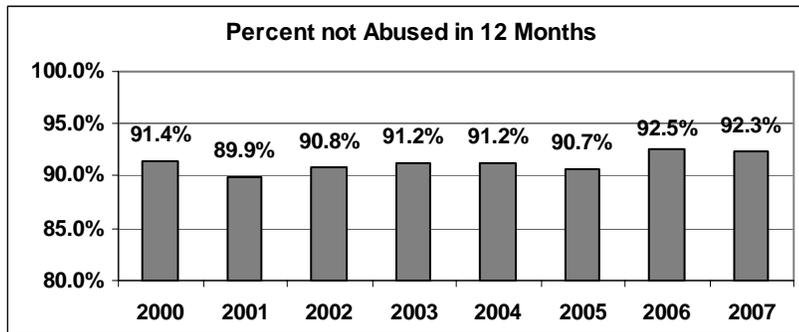
In 2007:

- ◆ 6,300 children were determined to be abused or neglected
- ◆ 14,800 children were in out-of-home placements
- ◆ More than 670 children under state guardianship were adopted

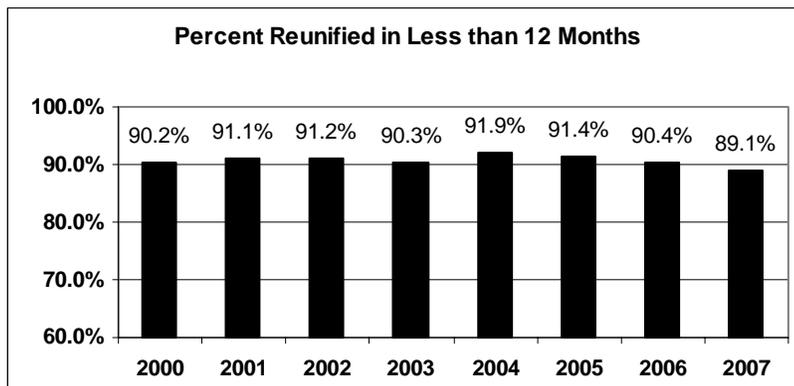
Key Measures

The underlying factor common to the three measures listed below is that more children will live in safe and permanent homes.

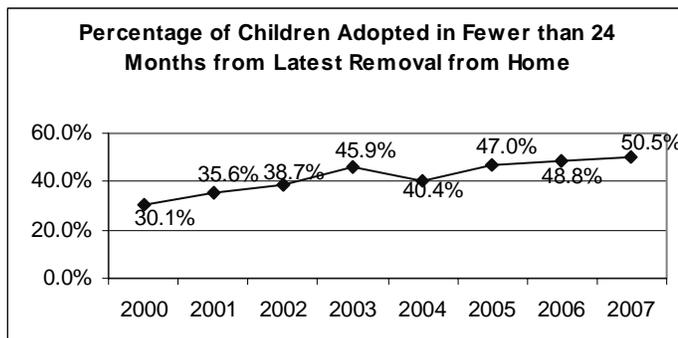
- ◆ **Percentage of children who do not experience repeated abuse or neglect within 12 months of a prior report.** For the period of 2000 through 2007 in Minnesota, the percentage of children who did not experience repeated abuse or neglect within 12 months of a prior report ranged from 89.9% (2001) to 92.5% (2006). The national standard for this measure is 93.9%.



- ◆ **Percentage of children reunified in less than 12 months from the time of the latest removal from their home.** For the period of 2000 through 2007 in Minnesota, the percentage of children reunified in fewer than 12 months from the latest removal from their homes ranged from 89% to 92%. The national standard for this measure is 76.2%.



- ◆ **Percent of Children who were adopted in fewer than 24 months from the time of the latest removal from their home.** The percentage of children adopted within 24 months from latest removal from home has increased from 30.1% in 2000 to 50.5% in 2007. The national standard for this measure is 32.2%.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN'S SERVICES GRANTS

Narrative

Activity Funding

Children's Services Grants is funded primarily with appropriations from the general fund and from federal funds.

Contact

For more information about Children's Services Grants, contact Child Safety and Permanency, (651) 431-4660.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN'S SERVICES GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 63,336 | 69,249 | 69,249 | 69,249 | 138,498 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (17,240) | (17,237) | (34,477) |
| Current Law Base Change | | | (6,887) | (6,884) | (13,771) |
| Subtotal - Forecast Base | 63,336 | 69,249 | 45,122 | 45,128 | 90,250 |
| Governor's Recommendations | | | | | |
| AA/RCA Funding Adjustment | | 0 | 5,469 | 7,617 | 13,086 |
| Child Permanency - Northstar Care | | 0 | 0 | 2,135 | 2,135 |
| Correct Base Level Adjustment Errors | | 0 | (1) | (1) | (2) |
| Eliminate Chemical Dependency Grants | | 0 | 0 | 0 | 0 |
| Total | 63,336 | 69,249 | 50,590 | 54,879 | 105,469 |
| Federal Tanf | | | | | |
| Current Appropriation | 205 | 340 | 340 | 340 | 680 |
| Subtotal - Forecast Base | 205 | 340 | 340 | 340 | 680 |
| Governor's Recommendations | | | | | |
| Eliminate Certain CFS Grants | | 0 | (140) | (140) | (280) |
| Total | 205 | 340 | 200 | 200 | 400 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 63,651 | 68,511 | 50,590 | 54,879 | 105,469 |
| Federal Tanf | 179 | 340 | 200 | 200 | 400 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 3,651 | 5,785 | 4,327 | 4,926 | 9,253 |
| Federal | 49,333 | 57,772 | 54,839 | 53,104 | 107,943 |
| Gift | 19 | 25 | 25 | 25 | 50 |
| Total | 116,833 | 132,433 | 109,981 | 113,134 | 223,115 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 530 | 100 | 100 | 101 | 201 |
| Payments To Individuals | 42,698 | 50,549 | 45,677 | 47,812 | 93,489 |
| Local Assistance | 73,605 | 81,784 | 64,204 | 65,221 | 129,425 |
| Total | 116,833 | 132,433 | 109,981 | 113,134 | 223,115 |

Activity Description

Children and Community Services Grants provides funding to counties to purchase or provide social services for children and families.

Population Served

These funds provide services to clients who experience dependency, abuse, neglect, poverty, disability, chronic health conditions, mental health conditions, or other factors that may result in poor outcomes or disparities, as well as services for family members to support those individuals. Services are provided to people of all ages who are faced with a wide variety of service needs. Historically, these grants have supported the following populations:

- ◆ children in need of protection;
- ◆ pregnant adolescents and adolescent parents and their children;
- ◆ abused and neglected children under state guardianship;
- ◆ adults who are vulnerable and in need of protection;
- ◆ people over age 60 who need help living independently;
- ◆ children and adolescents with emotional disturbances and adults with mental illness;
- ◆ people with developmental disabilities;
- ◆ people with substance abuse issues;
- ◆ parents with incomes below 70% of state median income who need child care services for their children, and;
- ◆ children and adolescents at risk of involvement with criminal activity.

Activity at a Glance

- ◆ Funds services in 87 counties
- ◆ Serves 350,000 people annually
- ◆ Provides services for clients who experience abuse, neglect, poverty, disability, chronic health conditions, or other factors that may result in poor outcomes or disparities

Services Provided

County boards are responsible for coordinating formal and informal systems to best support and nurture children and adults within the county who meet the requirements in the Children and Community Services Act. This includes assisting individuals to function at the highest level of ability while maintaining family and community relationships.

Children and Community Services Grants services focus on the following activities and outcomes:

- ◆ preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests;
- ◆ preserving, rehabilitating, or reuniting families;
- ◆ achieving or maintaining self-sufficiency, including reduction or prevention of dependency;
- ◆ identifying mental health disorders early and providing treatment based on the latest scientific evidence;
- ◆ preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, and;
- ◆ referring or admitting for institutional care people for whom other forms of care are not appropriate.

Children and Community Services Grants support the following services:

- ◆ adoption services;
- ◆ case management services;
- ◆ counseling services;
- ◆ foster care services for adults and children;
- ◆ protective services for adults and children;
- ◆ residential treatment services;
- ◆ special services for people with developmental, emotional, or physical disabilities;
- ◆ substance abuse services;
- ◆ transportation services, and;
- ◆ public guardianship.

Historical Perspective

The Children and Community Services Act (CCSA), which was enacted by the 2003 legislature, consolidated 15 separate state and federal children and community services grants, including Title XX, into a single grant program. The CCSA gives counties more flexibility to ensure better outcomes for children, adolescents, and adults in need of services. The act also simplifies the planning and administrative requirements of the previous Community Social Services Act. It includes criteria for counties to limit services if CCSA funds are insufficient.

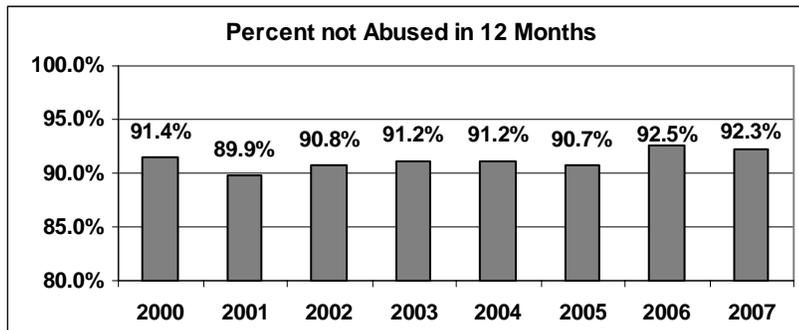
Key Program Goals

- ◆ **Families will provide a stable, supportive environment for their children.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Disparities will be reduced in service access and outcomes for racial and ethnic populations.** The department provides grants to counties to provide support at the local level based on the presenting needs of residents in that community. The program tracks several child safety and permanency outcomes by race and ethnicity at the county level. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

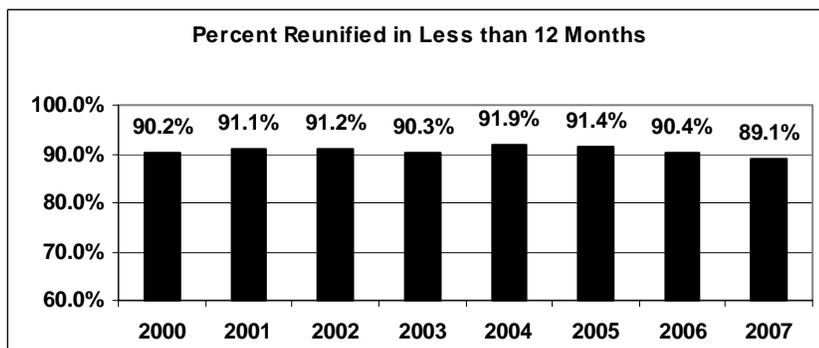
Key Measures

The underlying factor common to the three measures listed below is that more children will live in safe and permanent homes.

- ◆ **Percentage of children who do not experience repeated abuse or neglect within 12 months of a prior report.** For the period of 2000 through 2007 in Minnesota, the percentage of children who did not experience repeated abuse or neglect within 12 months of a prior report ranged from 89.9% (2001) to 92.3% (2007). The national standard for this measure is 93.9%.



- ◆ **Percentage of children reunified in less than 12 months from the time of the latest removal from their home.** For the period of 2000 through 2007 in Minnesota, the percentage of children reunified in fewer than 12 months from the latest removal from their homes ranged from 89% to 92%. The national standard for this measure is 76.2%.



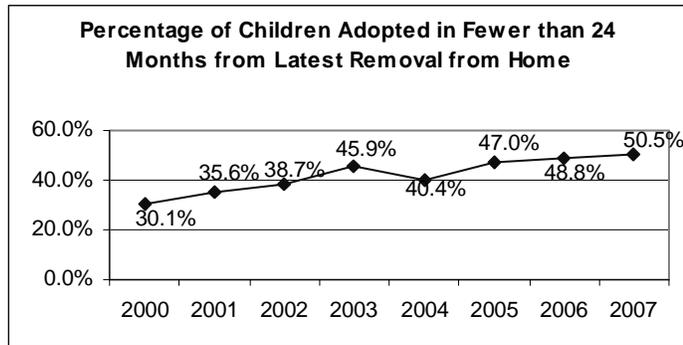
HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN & COMMUNITY SERV GR

Narrative

Percentage of Children who were adopted in fewer than 24 months from the time of the latest removal from their home. The percentage of children adopted within 24 months from latest removal from home has increased from 30.1% in 2000 to 50.5% in 2007. The national standard for this measure is 32.2%.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children and Community Services Grants are funded with appropriations from the general fund and from federal funds.

Contact

For more information on Children and Community Services Grants, contact Child Safety and Permanency, (651) 431-4660.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN & COMMUNITY SERV GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 101,369 | 67,863 | 67,863 | 67,863 | 135,726 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (32) | (32) | (64) |
| Subtotal - Forecast Base | 101,369 | 67,863 | 67,831 | 67,831 | 135,662 |
| Governor's Recommendations | | | | | |
| Correct Base Level Adjustment Errors | | 0 | 196 | 196 | 392 |
| Reduce LTC Provider Rates and Grants | | 0 | (423) | (564) | (987) |
| Total | 101,369 | 67,863 | 67,604 | 67,463 | 135,067 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 101,369 | 67,863 | 67,604 | 67,463 | 135,067 |
| Statutory Appropriations | | | | | |
| Federal | 32,507 | 32,555 | 32,600 | 32,601 | 65,201 |
| Total | 133,876 | 100,418 | 100,204 | 100,064 | 200,268 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 133,876 | 100,418 | 100,204 | 100,064 | 200,268 |
| Total | 133,876 | 100,418 | 100,204 | 100,064 | 200,268 |

Activity Description

General Assistance (GA) Grants provide monthly cash supplements for individuals and childless couples, who cannot fully support themselves, usually due to illness or disability, to help meet some of their monthly maintenance and emergency needs. GA is a state-funded program and an important safety net for low-income Minnesotans.

Activity at a Glance

- ◆ Provides monthly cash assistance grants for 16,165 people
- ◆ Average cash assistance grant is \$169.43

Population Served

Program participants must fit into one of 15 categories of eligibility specified in state statutes, which are primarily defined in terms of inability to work and disability, and meet income and resource limits. Applicants or recipients are generally required to apply for benefits from federally-funded disability programs for which they may qualify.

Services Provided

GA grants currently provide cash assistance of \$203 for single people and \$260 for married couples. Once a year, special funding may be available when a person or family lacks basic need items for emergency situations, which threaten health or safety, most often housing or utilities.

GA recipients are usually eligible for payment of medical costs through the General Assistance Medical Care (GAMC) program or the Medical Assistance (MA) program.

Historical Perspective

The Minnesota Legislature established the General Assistance Program in 1973. The original program provided assistance to low-income people who did not qualify for federal assistance. In the early 1980s, the legislature changed the program by increasing the GA grant to the current \$203 for single people and \$260 for married couples and by targeting assistance to people who meet certain standards of un-employability as determined and certified by a licensed physician, licensed consulting psychologist, licensed psychologist, or vocational specialist.

In 1998, families with children were moved from GA to the Minnesota Family Investment Program, immediately reducing the number of people served on GA each month from 15,000 to 11,000. Since that time, the average number of people served on GA has ranged from a low of roughly 7,800 a month in FY 2000 to the current average of 16,165 a month with an average payment of \$169.43 per person for FY 2007.

In FY 2001, room and board payments for women staying in battered women's shelters were transferred out of the GA program into the Department of Public Safety's Crime Victims Services.

Key Program Goals

- ◆ ***Provide integrated services to at-risk adults who are without children and struggling to meet their basic needs.*** GA is temporary for some recipients while they overcome an emergency situation, a temporary problem, or are waiting for approval for other forms of assistance. For others, with more intractable barriers to self-support, assistance is needed for longer periods of time. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

HUMAN SERVICES DEPT

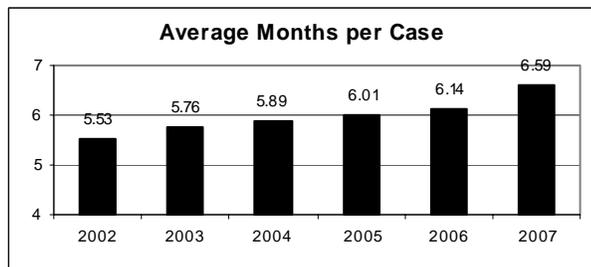
Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GENERAL ASSISTANCE GRANTS

Narrative

Key Measures

- ◆ *Mean number of paid months per GA case by state fiscal year.*



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

General Assistance Grants is funded with appropriations from the state's general fund.

Contact

For more information on General Assistance Grants, contact Transition to Economic Stability at (651) 431-4000.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GENERAL ASSISTANCE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 40,405 | 44,286 | 44,286 | 44,286 | 88,572 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 1,036 | 1,066 | 2,102 |
| November Forecast Adjustment | | 1,664 | 2,879 | 3,271 | 6,150 |
| Subtotal - Forecast Base | 40,405 | 45,950 | 48,201 | 48,623 | 96,824 |
| Governor's Recommendations | | | | | |
| Combine Emergency GA and Emergency MSA | | 0 | 1,100 | 1,100 | 2,200 |
| Total | 40,405 | 45,950 | 49,301 | 49,723 | 99,024 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 39,263 | 45,950 | 49,301 | 49,723 | 99,024 |
| Statutory Appropriations | | | | | |
| General | 480 | 300 | 300 | 300 | 600 |
| Total | 39,743 | 46,250 | 49,601 | 50,023 | 99,624 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 39,743 | 45,750 | 49,101 | 49,523 | 98,624 |
| Local Assistance | 0 | 500 | 500 | 500 | 1,000 |
| Total | 39,743 | 46,250 | 49,601 | 50,023 | 99,624 |

Activity Description

Children's Mental Health Grants funds statewide community-based mental health services.

Population Served

Children's Mental Health grants fund treatment services for children, from birth to age 21, who have psychiatric diagnoses and need mental health services.

Services Provided

Children's Mental Health Grants fund community, school, and home-based children's mental health services provided by non-profit agencies, tribes, schools, Medicaid-enrolled mental health clinics, counties, culturally-specific agencies, and collaboratives. While the public mental health system is responsible for the full continuum of children's mental health treatment interventions and ancillary services, grants fund earlier intervention services, service delivery gaps, treatments shown by scientific evidence to be effective, services needed to coordinate mental health care with physical health, and developmental disabilities services. Additionally, grants fund community alternatives to inpatient hospitalization and residential treatment.

Children's Mental Health Grants funds the following service capacity-enhancement, access-building, and quality-improvement activities:

- ◆ school-based and school-linked mental health infrastructure development statewide;
- ◆ early childhood identification and intervention in multiple settings, including primary care, child care/Head Start, and early childhood special education;
- ◆ evidence-based practices development, expansion, and measurement;
- ◆ crisis intervention infrastructure statewide;
- ◆ respite care service capacity statewide;
- ◆ culturally-specific provider expansion and racial/ethnic minority access enhancement;
- ◆ specialty care for low incidence children's mental health disorders;
- ◆ mental health screening for children and adolescents in the child welfare and juvenile justice systems, and;
- ◆ children's mental health case management statewide.

Historical Perspective

Medical science has evolved rapidly in recent years with regard to its understanding of the causes and treatment of mental illness and changed the focus of the child's mental health care delivery system over the same time period. Focus has evolved from providing a life-time of social supports to helping families adjust and cope toward enhancing access to the most effective treatments, finding and intervening earlier when treatment is most effective, and improving quality by measuring results to determine which treatment is most effective for each diagnosis and each population. Quality improvement has been emphasized with the insistence that mental health care is based on a careful diagnosis of the illness and specific and individualized treatment plan. Payment for mental health treatment requires qualification as a licensed mental health professional and more clinical training opportunities are being provided.

Most recently, Children's Mental Health grants have been used to:

- ◆ disseminate scientifically-supported treatments and train providers in their use;
- ◆ introduce mental health knowledge and tools to pediatric and family practice clinics where children are almost universally encountered during well-child visits and where most Minnesota children receive their mental health care;
- ◆ develop capacity to serve the mental health needs of preschool children;
- ◆ build statewide mobile crisis intervention and respite care capacity;
- ◆ increase schools' ability to meet the mental health needs of their students;
- ◆ increase the number of highly-qualified cultural and ethnic minority mental health providers; and

Activity at a Glance

In FY 2007:

- ◆ 9,000 children in the child welfare and juvenile justice systems received mental health screenings
- ◆ 9,600 children received case management services

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDRENS MENTAL HEALTH GRANTS

Narrative

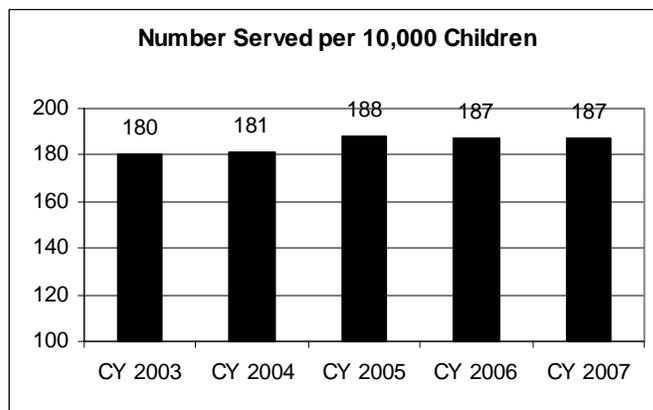
- ◆ implement statewide mental health screening for children in the child welfare and juvenile justice systems and expand the children's therapeutic services and supports (CTSS) in schools and elsewhere.

Key Activity Goals

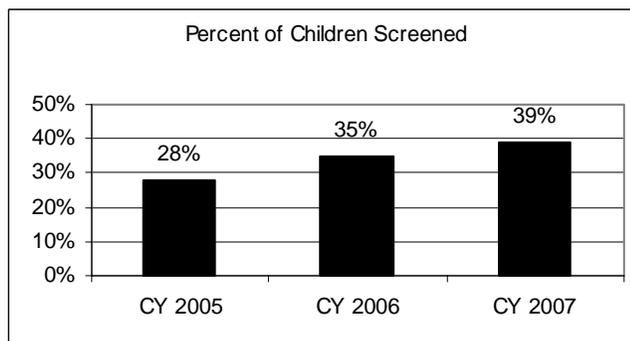
- ◆ **Develop effective and accountable mental health and chemical health systems.** The Department of Human Services is implementing steps to support research-informed practices in children's mental health service delivery, systematically monitor outcomes, and integrate chemical, mental, and physical health services. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ **Number of children receiving county-administered mental health services per 10,000 children.** Identifying children with mental health needs early and providing appropriate services is important for the well-being of children and their families. Research demonstrates that many mental health problems can be identified and treated much earlier than currently done. Untreated or under-treated mental health problems get worse over time. Failing to identify and treat children's mental health problems causes growing complications for families, schools, and communities.



- ◆ **Percentage of children involved in the child welfare system who received a mental health screening.** Since 07-01-2004, counties have been required to conduct mental health screenings for children in the child welfare and juvenile justice systems. With recent research showing that 70% of adolescents in juvenile justice placements have a diagnosable psychiatric illness, the juvenile corrections system has moved to identify those who need treatment. Children identified as being at risk of needing child protection services often have treatable psychiatric disorders that can be identified and treated through the state's screening grants.



HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDRENS MENTAL HEALTH GRANTS

Narrative

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children's Mental Health Grants is funded primarily with appropriations from the general fund and from federal funds.

Contact

For more information about this activity, contact Children's Mental Health, (651) 431-2321.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDRENS MENTAL HEALTH GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------|-----------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 16,885 | 16,882 | 33,767 |
| Subtotal - Forecast Base | 0 | 0 | 16,885 | 16,882 | 33,767 |
| Total | 0 | 0 | 16,885 | 16,882 | 33,767 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 16,885 | 16,882 | 33,767 |
| Health Care Access | 250 | 0 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | |
| Federal | 25 | 25 | 0 | 0 | 0 |
| Total | 275 | 25 | 16,885 | 16,882 | 33,767 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 275 | 25 | 16,885 | 16,882 | 33,767 |
| Total | 275 | 25 | 16,885 | 16,882 | 33,767 |

Activity Description

Minnesota Supplemental Aid (MSA) Grants provides a state-funded monthly cash supplement to people who are eligible for federal Supplemental Security Income (SSI) benefits and are disabled, aged, or blind.

Activity at a Glance

- ◆ Provides 28,700 people with disabilities or over age 65 with an \$86.94 cash supplement each month.

Population Served

To receive MSA benefits, a person must be

- ◆ age 65 or older;
- ◆ blind or have severely impaired vision; or
- ◆ disabled and age 18 or older.

MSA is available to individuals with assets up to \$2,000 and couples with assets up to \$3,000 and limited income.

Services Provided

MSA standards are adjusted annually by the amount of the cost of living adjustment (COLA) in SSI. The monthly MSA grant is based on the difference between the recipient's monthly income and the appropriate MSA standard. As of 1-1-08, MSA standards are \$698 each month to individuals living alone and \$1,047 each month to couples. Federal SSI funds pay most of the MSA standards, although payment amounts vary depending upon a number of factors. MSA monthly grants averaged \$86.94 in FY 2007.

Historical Perspective

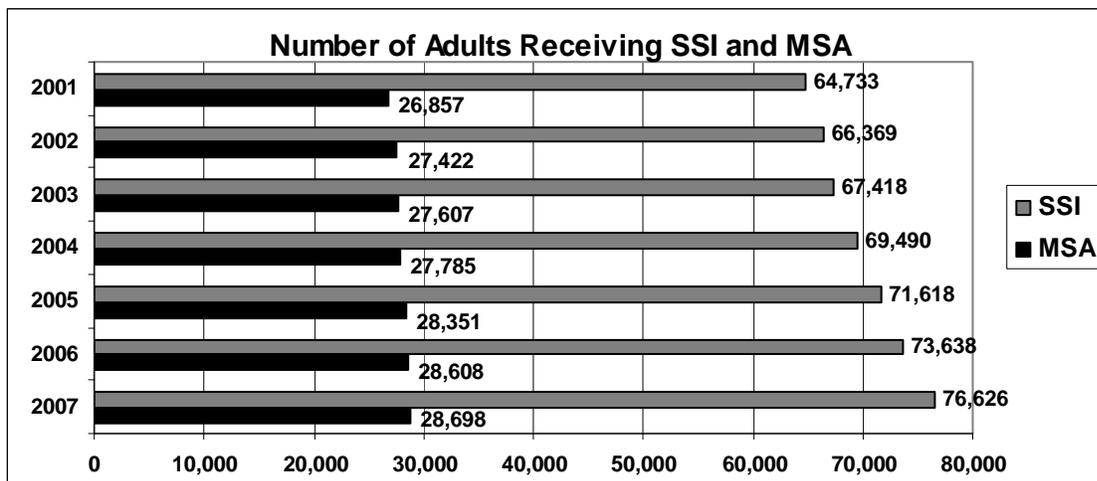
The legislature established the MSA program in 1974. The program serves as the federally mandated supplement to Minnesota recipients of the SSI program.

Key Goals

- ◆ **Provide integrated services to at-risk adults who are without children and struggling to meet their basic needs.** At-risk adults who are without children and struggling to meet their basic needs will receive a seamless continuum of financial, employment, health care, housing, social service, and other supports from the department and its partners. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ **Number of adults receiving SSI who are also receiving MSA..**



HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MINNESOTA SUPPLEMENTAL AID GR

Narrative

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Minnesota Supplemental Aid Grants is funded with appropriations from the General Fund.

Contact

For more information on MSA Grants, contact the Minnesota Supplemental Aid Office at (651) 431-4049.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MINNESOTA SUPPLEMENTAL AID GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 30,804 | 31,513 | 31,513 | 31,513 | 63,026 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 968 | 1,851 | 2,819 |
| November Forecast Adjustment | | 314 | 393 | 493 | 886 |
| Subtotal - Forecast Base | 30,804 | 31,827 | 32,874 | 33,857 | 66,731 |
| Governor's Recommendations | | | | | |
| Combine Emergency GA and Emergency MSA | | 0 | (1,100) | (1,100) | (2,200) |
| Total | 30,804 | 31,827 | 31,774 | 32,757 | 64,531 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 30,798 | 31,827 | 31,774 | 32,757 | 64,531 |
| Statutory Appropriations | | | | | |
| General | 32 | 50 | 50 | 50 | 100 |
| Total | 30,830 | 31,877 | 31,824 | 32,807 | 64,631 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 30,830 | 31,877 | 31,824 | 32,807 | 64,631 |
| Total | 30,830 | 31,877 | 31,824 | 32,807 | 64,631 |

Activity Description

Group Residential Housing (GRH) Grants provides income supplements for room, board, and other related housing services for people whose illnesses or disabilities prevent them from living independently. In order for its residents to be eligible for GRH payments, a setting must be licensed by the Minnesota Department of Human Services (DHS) as an adult foster home or by the Minnesota Department of Health as a board and lodging establishment, a supervised living facility, a boarding care home, or, in some cases, registered as a housing-with-services establishment.

Activity at a Glance

- ◆ GRH provides room and board in 5,000 settings for an average of 15,200 recipients a month.
- ◆ The basic GRH room and board rate is \$776 per month.

Population Served

- ◆ There are more than 5,000 GRH settings serving a monthly average of 15,200 recipients who are unable to live independently in the community due to illness or incapacity.
- ◆ GRH settings serve a variety of people, including people with developmental disabilities, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.
- ◆ People receiving GRH often also receive services through Medical Assistance (MA) Home Care, a home and community-based waiver under Title XIX of the Social Security Act, or mental health grants. In these cases, the GRH rate is restricted to the room and board rate only. The combination of GRH room and board supports and Medical Assistance services enables people to live in their communities rather than in institutions.

Services Provided

- ◆ GRH separately identifies housing costs from services and provides a standard payment rate for housing for aged, blind, and disabled people in certain congregate settings.
- ◆ GRH is a supplement to a client's income to pay for the costs of room and board in specified licensed or registered settings.
- ◆ Currently, the basic GRH room and board rate is \$776 per month, which is based on a statutory formula. The maximum additional GRH payment rate for settings that provide services in addition to room and board is \$487.13 per month. In limited cases, and upon county and state approval, GRH will also fund up to \$487.13 per month (based on documented costs) for people whose needs require specialized housing arrangements.
- ◆ Although GRH is 100% state-funded, these rates are offset by the recipient's own income contribution (usually Supplemental Security Income or Social Security Retirement or Disability Insurance contributions of at least \$637).
- ◆ GRH also pays for basic support services, such as oversight and supervision, medication reminders, and appointment arrangements, for people who are ineligible for other service funding mechanisms, such as home and community-based waivers or home care.

Historical Perspective

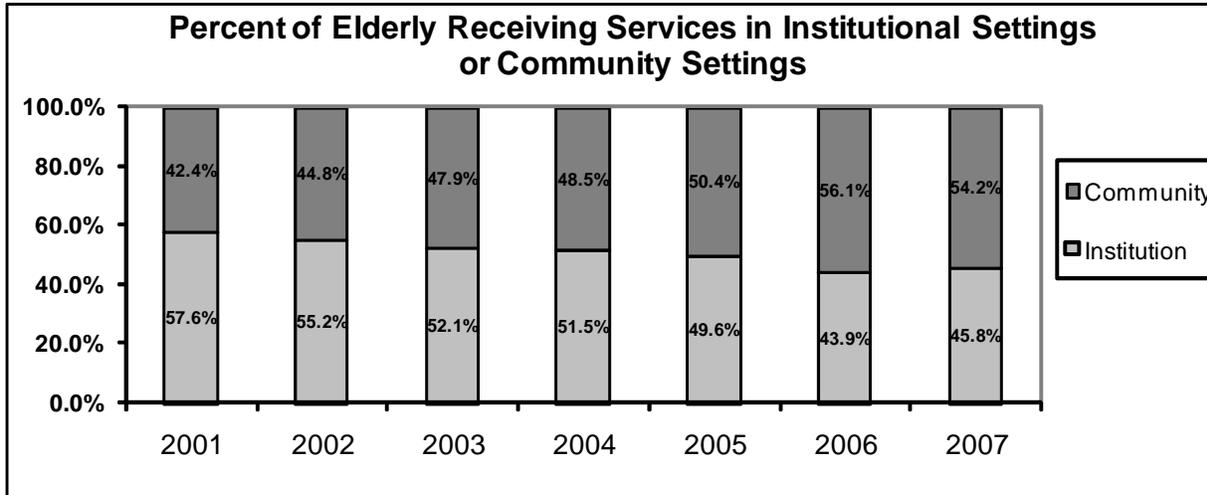
GRH was once part of the Minnesota Supplemental Aid (MSA) Program but was made a separate program in the mid-1990s. There is currently a moratorium on the addition of GRH beds with a rate that exceeds the base rate of \$776 per month.

Key Activity Goals

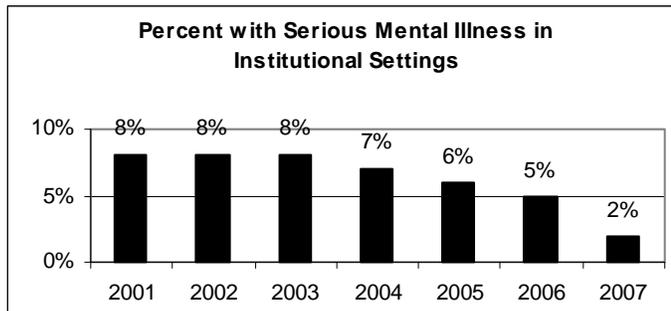
- ◆ ***People in need will receive support that helps them live as independently as possible.*** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ ***Provide integrated services to at-risk adults who are without children and struggling to meet their basic needs.*** At-risk adults who are without children and struggling to meet their basic needs will receive a seamless continuum of financial, employment, health care, housing, social service, and other supports from the department and its partners. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ *Percentage of elderly and people with disabilities receiving publicly-funded long-term care services living in the community versus an institutional setting.*



- ◆ *Percentage of county-administered clients with a serious and persistent mental illness served in an institution.*



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Group Residential Housing Grants is funded with appropriations from the general fund.

Contact

For more information on Group Residential Housing, contact Community Living Supports, (651) 431-3885.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GROUP RESIDENTIAL HOUSING GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 84,283 | 96,975 | 96,975 | 96,975 | 193,950 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 7,121 | 14,170 | 21,291 |
| November Forecast Adjustment | | 1,757 | 3,202 | 3,352 | 6,554 |
| Subtotal - Forecast Base | 84,283 | 98,732 | 107,298 | 114,497 | 221,795 |
| Governor's Recommendations | | | | | |
| Eliminate Certain CFS Grants | | 0 | (460) | (460) | (920) |
| Group Residential Housing Modifications | | 0 | (970) | (6,072) | (7,042) |
| Reduce LTC Provider Rates and Grants | | 0 | (639) | (697) | (1,336) |
| Total | 84,283 | 98,732 | 105,229 | 107,268 | 212,497 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 83,832 | 98,732 | 105,229 | 107,268 | 212,497 |
| Statutory Appropriations | | | | | |
| General | 1,673 | 1,700 | 1,700 | 1,700 | 3,400 |
| Total | 85,505 | 100,432 | 106,929 | 108,968 | 215,897 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 85,045 | 99,972 | 106,469 | 108,508 | 214,977 |
| Local Assistance | 460 | 460 | 460 | 460 | 920 |
| Total | 85,505 | 100,432 | 106,929 | 108,968 | 215,897 |

Activity Description

Refugee Services Grants provide federally funded services to help refugees resettle in Minnesota and become self-sufficient.

Population Served

Refugees are people lawfully admitted to the United States who are unable to return to their own home country because of a well-founded fear of persecution.

Activity at a Glance

Monthly average of refugees receiving resettlement services:

| | |
|------------------------------|-------|
| ◆ Refugee Cash Assistance | 353 |
| ◆ Refugee Medical Assistance | 431 |
| ◆ Social Services | 1,112 |

Services Provided

Refugee Cash Assistance/Refugee Medical Assistance (RCA/RMA) is federal funding for cash and medical care for needy refugees who do not qualify for the Minnesota Family Investment Program (MFIP) or Medical Assistance (MA).

Social services provide refugees with culturally appropriate and bilingual employment services through contracts with nonprofit and ethnic-based community organizations. Services are generally limited to refugees during their first five years in this country, with priority given to those in their first year.

A wide range of other services is provided to help refugees adjust to life in the United States. Examples of these services are referral and information, translation and interpreter services, family literacy and English language instruction, and preparation for citizenship.

Historical Perspective

Over the last five years (2002-2007), Minnesota resettled approximately 21,890 refugees from 47 ethnic nationalities or political nations. Most of the refugees came from Somalia, Laos, Ethiopia, and Burma. In 2007, Minnesota ranked third (6.6%) in the United States for refugee arrivals.

Key Program Goals

- ◆ **All people will be welcomed, respected, and able to participate fully in Minnesota's communities and economy.** The goal of refugee services is to rebuild refugee families and integrate them as new Minnesotans. This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).

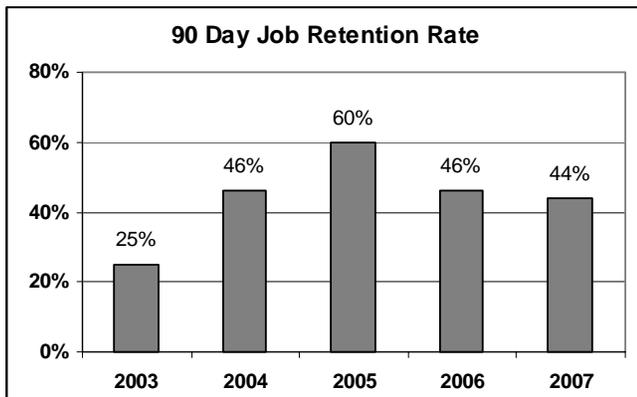
Key Activity Measures

A specific objective of refugee services is to help families become economically self-supporting.

- ◆ **Wage rate at job placement**



◆ **90-day job retention rate**



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Refugee Services Grants is funded with appropriations from federal funds

Contact

For more information on Refugee Services Grants, contact Community Living Supports, (651) 431-3885.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: REFUGEE SERVICES GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Federal | 13,905 | 18,792 | 17,042 | 16,201 | 33,243 |
| Total | 13,905 | 18,792 | 17,042 | 16,201 | 33,243 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 2,392 | 2,393 | 1,992 | 1,149 | 3,141 |
| Payments To Individuals | 3,366 | 4,119 | 4,119 | 4,119 | 8,238 |
| Local Assistance | 8,147 | 12,280 | 10,931 | 10,933 | 21,864 |
| Total | 13,905 | 18,792 | 17,042 | 16,201 | 33,243 |

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: OTHER CHILD AND ECON ASST GR

Narrative

Activity Description

Other Children's and Economic Assistance Grants provides funding for food, housing, and other services to low-income families and individuals in transition to economic stability.

Population Served

Eligible recipients include

- ◆ low-income families and individuals needing assistance to meet basic nutritional needs;
- ◆ individuals and families who are at risk of homelessness and need housing and supportive services until they are able to move into stable, permanent housing; and
- ◆ low-income households that need services and support to achieve long-term economic stability.

Activity at a Glance

- ◆ Provides food support to more than 250,000 people each month
- ◆ Provides transitional housing to 4,450 people annually
- ◆ Provides assistance to 250,000 households through Community Action Agencies annually

Services Provided

- ◆ Supportive Housing Services Grants address the needs of long-term homeless individuals and families.
- ◆ The Transitional Housing Program (THP) provides grants for programs that provide transitional housing and supportive services to homeless people for up to 24 months so that they can find stable, permanent housing.
- ◆ Minnesota Community Action Grants provide low-income citizens with the information and skills necessary to become more self-reliant through a statewide network of Community Action Agencies. Services are designed locally, based on community assessments, and aimed at ending poverty through high-impact strategies.
- ◆ Emergency Services Program funds shelters and other organizations to provide emergency shelter and essential services to homeless adults and children.
- ◆ Food shelves provide food to low-income individuals and families who have exhausted other resources to meet their basic nutrition needs. Food banks, food shelves, on-site meal programs, and shelters provide food through the Minnesota Food Shelf Program and the Emergency Food Assistance Program.
- ◆ Family Assets for Independence in Minnesota (FAIM) helps low-wage earners acquire financial assets and move out of poverty through matched savings accounts and financial education.
- ◆ Food support is provided through Electronic Benefit Transfer, Food Support Expedited Benefits, and Food Support Cashout Supplemental Security Income.
- ◆ The Minnesota Food Assistance Program provides state-funded grants to legal non-citizens who are no longer eligible for federal food support.
- ◆ Fraud-prevention grants are awarded to counties to fund early fraud detection and collection efforts for public assistance programs.

Historical Perspective

Homeless programs were developed in the 1980s in response to the increasing numbers of children and families experiencing homelessness. The 2005 legislature appropriated \$5 million/year for Supportive Housing Services grants to serve families and individuals experiencing long-term homelessness. Additional one-time funding was provided by the legislature in 2007 and 2008 to integrate the Supportive Housing and Managed Care Pilot into the new program. Certain legal non-citizens lost eligibility for federal food support in the 1990s and the state responded by creating the Minnesota Food Assistance Program. Family Assets for Independence in Minnesota is part of a national asset building initiative that also began in the 1990s. It came from the recognition that low income families are often excluded from financial opportunities for asset development that is available to middle and upper income families.

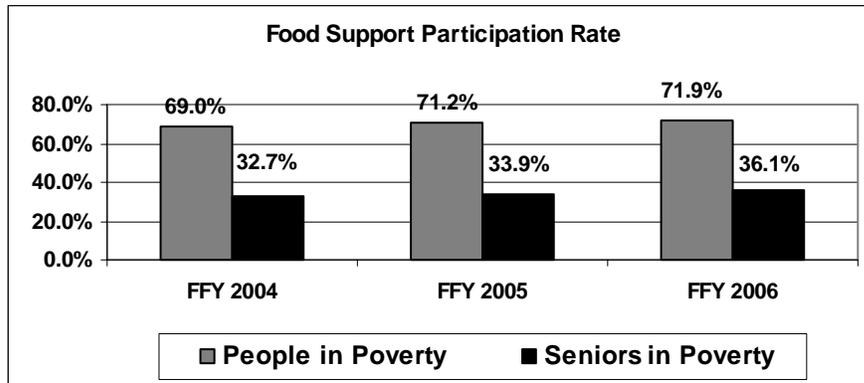
Key Program Goals

- ◆ **Improve outcomes for the most at-risk children.** DHS provides supports and services to the children in Minnesota who are at the greatest risk for poor outcomes. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Provide integrated services to at-risk adults who are without children and struggling to meet their basic needs.** At-risk adults who are without children and struggling to meet their basic needs will receive a

seamless continuum of financial, employment, health care, housing, social services, and other supports from the department and its partners. This goal is also from DHS' *Priority Plans*.

Key Measures

- ◆ *Food Support Participation Rate for People in Poverty*
- ◆ *Food Support Participation Rate for Seniors in Poverty*



These measures are the percent of people (adults and children) in poverty and seniors (adults age 65 and older) statewide that are the beneficiaries of Food Support (the federal Food Stamp program.) These participation rates are a performance measure for the federal Food Stamp Program. It is based on eligibility data from each federal fiscal year and population data from the 2000 U.S. Census. The participation rates are only displayed for Federal Fiscal Years 2004,2005 and 2006, the last years under which good, complete data was available utilizing the 2000 U.S. Census.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Other Children's and Economic Assistance Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on Other Children's and Economic Assistance Grants, contact the Community Partnerships program, (651) 431-3809

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: OTHER CHILD AND ECON ASST GR

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|--------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 20,133 | 16,635 | 16,635 | 16,635 | 33,270 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (891) | (1,381) | (2,272) |
| Subtotal - Forecast Base | 20,133 | 16,635 | 15,744 | 15,254 | 30,998 |
| Governor's Recommendations | | | | | |
| Fraud Prevention Investigation | | 0 | (926) | (1,389) | (2,315) |
| Total | 20,133 | 16,635 | 14,818 | 13,865 | 28,683 |
| Federal Tanf | | | | | |
| Current Appropriation | 0 | 360 | 360 | 360 | 720 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (360) | (360) | (720) |
| Subtotal - Forecast Base | 0 | 360 | 0 | 0 | 0 |
| Total | 0 | 360 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 20,036 | 16,731 | 14,817 | 13,864 | 28,681 |
| Federal Tanf | 0 | 360 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,441 | 1,248 | 295 | 293 | 588 |
| Federal | 212,341 | 255,701 | 251,600 | 251,118 | 502,718 |
| Miscellaneous Agency | 1,414 | 2,649 | 2,000 | 2,000 | 4,000 |
| Total | 235,232 | 276,689 | 268,712 | 267,275 | 535,987 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 1,460 | 2,393 | 1,722 | 1,720 | 3,442 |
| Payments To Individuals | 201,179 | 241,847 | 241,390 | 241,390 | 482,780 |
| Local Assistance | 31,988 | 31,699 | 24,850 | 23,415 | 48,265 |
| Other Financial Transactions | 605 | 750 | 750 | 750 | 1,500 |
| Total | 235,232 | 276,689 | 268,712 | 267,275 | 535,987 |

Program Description

Children and Economic Assistance Management is the administrative support component for Children and Economic Assistance Grants. It is responsible for policy development, program implementation, grants management, training and technical assistance to counties, tribes, and grantees, quality assurance, and for managing and operating computer systems support.

Budget Activities

- ◆ Children and Economic Assistance Administration
- ◆ Children and Economic Assistance Operations

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|------------------|---------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 44,993 | 45,370 | 45,370 | 45,370 | 90,740 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (1,854) | (1,854) | (3,708) |
| Current Law Base Change | | | (60) | (60) | (120) |
| Subtotal - Forecast Base | 44,993 | 45,370 | 43,456 | 43,456 | 86,912 |
| Governor's Recommendations | | | | | |
| CCAP Federal Improper Payment Act | | 0 | 100 | 100 | 200 |
| Child Care Assistance Program Reductions | | 0 | 18 | 0 | 18 |
| Child Permanency - Northstar Care | | 0 | 461 | 0 | 461 |
| Diversionary Work Program Changes | | 0 | 11 | 0 | 11 |
| Elim. HC Elig. for Adults w/o children | | 0 | 17 | 0 | 17 |
| Elim. MnCare Eligibility for Parents | | 0 | 6 | 0 | 6 |
| FSET Revenue Enhancement | | 0 | 50 | 100 | 150 |
| Federal Compliance: Medicare Changes | | 0 | 135 | 75 | 210 |
| Federal Compliance: PARIS Implementation | | 0 | 135 | 75 | 210 |
| Fraud Prevention Investigation | | 0 | 1,682 | 2,536 | 4,218 |
| Group Residential Housing Modifications | | 0 | 10 | 0 | 10 |
| Health Care Program Simplification | | 0 | 7 | 0 | 7 |
| Limit Retroactive Eligibility for CCAP | | 0 | 4 | 0 | 4 |
| MFIP Reductions | | 0 | 36 | 0 | 36 |
| Modify 20% Income Withholding | | 0 | 170 | 0 | 170 |
| PCA Redesign and Provider Standards | | 0 | 150 | 0 | 150 |
| Total | 44,993 | 45,370 | 46,448 | 46,342 | 92,790 |
| Health Care Access | | | | | |
| Current Appropriation | 350 | 367 | 367 | 367 | 734 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (6) | (6) | (12) |
| Subtotal - Forecast Base | 350 | 367 | 361 | 361 | 722 |
| Total | 350 | 367 | 361 | 361 | 722 |
| Federal Tanf | | | | | |
| Current Appropriation | 1,231 | 1,196 | 1,196 | 1,196 | 2,392 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (700) | (700) | (1,400) |
| Subtotal - Forecast Base | 1,231 | 1,196 | 496 | 496 | 992 |
| Total | 1,231 | 1,196 | 496 | 496 | 992 |

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 11,761 | 13,024 | 46,448 | 46,342 | 92,790 |
| Health Care Access | 310 | 361 | 361 | 361 | 722 |
| Federal Tanf | 1,081 | 496 | 496 | 496 | 992 |
| Statutory Appropriations | | | | | |
| General | 0 | 1 | 1 | 1 | 2 |
| Miscellaneous Special Revenue | 77,306 | 88,676 | 50,644 | 51,925 | 102,569 |
| Federal | 8,866 | 9,392 | 9,130 | 9,080 | 18,210 |
| Total | 99,324 | 111,950 | 107,080 | 108,205 | 215,285 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 53,046 | 56,404 | 54,836 | 54,759 | 109,595 |
| Other Operating Expenses | 45,876 | 55,446 | 52,244 | 53,446 | 105,690 |
| Local Assistance | 402 | 100 | 0 | 0 | 0 |
| Total | 99,324 | 111,950 | 107,080 | 108,205 | 215,285 |
| <u>Expenditures by Activity</u> | | | | | |
| Children & Families Admin | 21,716 | 23,940 | 22,935 | 22,549 | 45,484 |
| Children & Families Operations | 77,608 | 88,010 | 84,145 | 85,656 | 169,801 |
| Total | 99,324 | 111,950 | 107,080 | 108,205 | 215,285 |
| Full-Time Equivalent (FTE) | 697.9 | 694.3 | 694.3 | 694.3 | |

Activity Description

Children's and Economic Assistance Administration provides policy development, program implementation, grants management, training, and technical assistance to counties, tribes, and grantees. This activity provides other administrative support for programs funded through Children's and Economic Assistance Grants.

Population Served

Services are provided to:

- ◆ families and individuals who receive economic assistance;
- ◆ children who receive child support enforcement services;
- ◆ families who receive child care assistance services;
- ◆ children who are at risk of abuse or neglect, in out-of-home placements, in need of adoption, under state guardianship, or have an emotional disturbance and need mental health services; and
- ◆ direct service workers in 87 counties who receive policy assistance, technical support, and training.

Activity at a Glance

- ◆ Develops policy for children and economic assistance programs
- ◆ Provides administrative support to child welfare and children's mental health grantees
- ◆ Works with counties, tribes, and other providers to implement best practices
- ◆ Provides training and technical assistance to direct service providers
- ◆ Implements federal changes

Services Provided

- ◆ provides technical support and policy interpretation for 87 county human services agencies through training, instructional manuals, policy assistance, and system support help desks;
- ◆ assists with case management;
- ◆ implements and monitors grant projects;
- ◆ conducts pilot programs to improve service delivery and outcomes;
- ◆ implements policy changes and develops and analyzes legislation;
- ◆ administers Limited English Proficiency (LEP) services;
- ◆ administers social services, cash assistance, and employment services to refugees;
- ◆ assures and documents compliance with state and federal laws;
- ◆ conducts quality assurance reviews of county practices; and
- ◆ manages intergovernmental relations.

Key Program Goals

- ◆ **Improve outcomes for the most at-risk children.** The department is taking steps to implement and evaluate new service approaches for the most at-risk children and their families. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).
- ◆ **Develop effective and accountable mental health and chemical health systems.** The department is also taking steps to support research-informed practices in children's mental health service delivery, systematically monitor outcomes, and integrate chemical, mental, and physical health services. This goal also is from *Priority Plans*.

Key Measures

See Key Measures for Children and Economic Assistance Grants.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES ADMIN

Narrative

Activity Funding

Children's and Economic Assistance Administration is funded primarily with appropriations from the general fund and from federal funds.

Contact

For more information on Children's and Economic Assistance Administration, contact the Children and Family Services, (651) 431-3830.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES ADMIN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 9,326 | 9,381 | 9,381 | 9,381 | 18,762 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 690 | 690 | 1,380 |
| Current Law Base Change | | | (38) | (38) | (76) |
| Subtotal - Forecast Base | 9,326 | 9,381 | 10,033 | 10,033 | 20,066 |
| Governor's Recommendations | | | | | |
| CCAP Federal Improper Payment Act | | 0 | 100 | 100 | 200 |
| FSET Revenue Enhancement | | 0 | 50 | 100 | 150 |
| Federal Compliance: Medicare Changes | | 0 | 85 | 75 | 160 |
| Federal Compliance: PARIS | | 0 | 85 | 75 | 160 |
| Implementation | | | | | |
| Total | 9,326 | 9,381 | 10,353 | 10,383 | 20,736 |
| Federal Tanf | | | | | |
| Current Appropriation | 1,231 | 1,196 | 1,196 | 1,196 | 2,392 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (700) | (700) | (1,400) |
| Subtotal - Forecast Base | 1,231 | 1,196 | 496 | 496 | 992 |
| Total | 1,231 | 1,196 | 496 | 496 | 992 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 8,192 | 9,376 | 10,353 | 10,383 | 20,736 |
| Federal Tanf | 1,081 | 496 | 496 | 496 | 992 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 3,577 | 4,676 | 2,956 | 2,590 | 5,546 |
| Federal | 8,866 | 9,392 | 9,130 | 9,080 | 18,210 |
| Total | 21,716 | 23,940 | 22,935 | 22,549 | 45,484 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 15,626 | 17,324 | 16,445 | 16,369 | 32,814 |
| Other Operating Expenses | 5,688 | 6,516 | 6,490 | 6,180 | 12,670 |
| Local Assistance | 402 | 100 | 0 | 0 | 0 |
| Total | 21,716 | 23,940 | 22,935 | 22,549 | 45,484 |
| Full-Time Equivalents (FTE) | 213.5 | 214.8 | 214.8 | 214.8 | |

Activity Description

Children's and Economic Assistance Operations provides the computer systems and quality assurance infrastructure necessary to deliver services through Children's and Economic Assistance Grants.

Population Served

Children's and Economic Assistance Operations serves

- ◆ Minnesotans who receive economic assistance benefits through MAXIS;
- ◆ families who receive child care assistance services through Minnesota Electronic Childcare System (MEC²), which is part of MAXIS;
- ◆ children who receive child support enforcement services through PRISM;
- ◆ families and children who receive social services through Social Service Information System (SSIS); and
- ◆ state and county workers, who use MAXIS, PRISM, and MEC², and county social service workers who use SSIS.

Activity at a Glance

- ◆ Provides benefits to more than 500,000 people through MAXIS annually
- ◆ Provides child support services to 406,000 custodial and non-custodial parents annually
- ◆ Provides child care assistance to 16,500 families annually
- ◆ Provides data support for services to 6,300 children who are determined to be victims of abuse or neglect and 14,800 children in out-of-home placements annually
- ◆ SSIS tracks services to 365,000 clients in 103,000 child welfare-related and 90,000 adult services cases annually

Services Provided

Children's and Economic Assistance Operations supports economic assistance programs by

- ◆ operating and maintaining the eligibility and delivery systems for Food Support, General Assistance, Minnesota Supplemental Aid, Minnesota Family Investment Program (MFIP), Diversionary Work Program, Child Care Assistance Program, Medical Assistance (MA), General Assistance Medical Care, Group Residential Housing, Minnesota Food Assistance Program, and Emergency General Assistance;
- ◆ collecting and distributing child support payments, locating absent parents, establishing paternity, and enforcing court orders;
- ◆ conducting federally mandated quality control reviews, payment accuracy assessments, and administrative evaluations for MFIP, Food Support, MA, and child support;
- ◆ administering the Electronic Benefit Transfer (EBT) system;
- ◆ providing centralized mailing of benefits, forms, and legal notices to clients;
- ◆ managing program integrity (fraud prevention) and control functions;
- ◆ collecting and analyzing data trends and activities that determine program effectiveness, establish program error levels to prevent recipient fraud, and support long-range planning;
- ◆ managing claims and recoveries of overpayments for the cash public assistance program, including the Treasury Offset Program;
- ◆ supporting county social service workers by automating routine tasks, helping determine client needs, and providing timely information on children who have been maltreated, are in out-of-home placement, or who are awaiting adoption; and
- ◆ managing and overseeing counties' work in child protection, out-of-home placement, adoption, and foster care services.

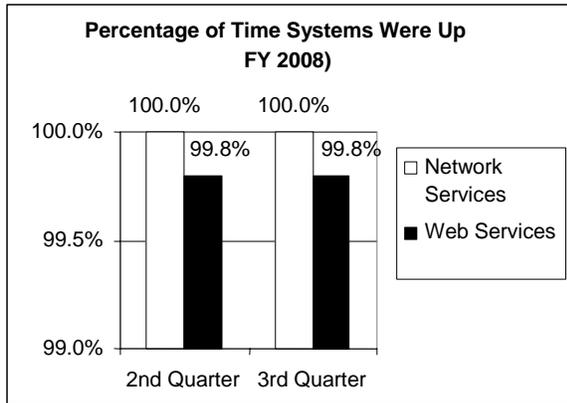
Key Program Goals

- ◆ Service delivery: Make it easier to deliver quality human services.
- ◆ Operations: Make it easier to manage processes and support people.

These goals are from the DHS *Business Technology Strategic Plan* is available at: <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-5280-ENG>.

Key Measures

- ◆ **Percentage of time that key systems are up and running.** For the last three quarters, the percentages of time systems were up and running ranged from 99.8% to 100.0% of the time.



For additional key measures, see the key measures for Children and Economic Assistance Grants.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children’s and Economic Assistance Operations is funded with appropriations from the general fund, the health care access fund, and from federal funds.

Contact

For more information on Children’s and Economic Assistance Operations, contact:

- ◆ Child Support Enforcement (651) 431-4400
- ◆ Transition Support Services (651) 431-4101
- ◆ SSIS Division (651) 431-4800

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES OPERATIONS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 35,667 | 35,989 | 35,989 | 35,989 | 71,978 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (2,544) | (2,544) | (5,088) |
| Current Law Base Change | | | (22) | (22) | (44) |
| Subtotal - Forecast Base | 35,667 | 35,989 | 33,423 | 33,423 | 66,846 |
| Governor's Recommendations | | | | | |
| Child Care Assistance Program | | 0 | 18 | 0 | 18 |
| Reductions | | | | | |
| Child Permanency - Northstar Care | | 0 | 461 | 0 | 461 |
| Diversionsary Work Program Changes | | 0 | 11 | 0 | 11 |
| Elim. HC Elig. for Adults w/o children | | 0 | 17 | 0 | 17 |
| Elim. MnCare Eligibility for Parents | | 0 | 6 | 0 | 6 |
| Federal Compliance: Medicare Changes | | 0 | 50 | 0 | 50 |
| Federal Compliance: PARIS | | 0 | 50 | 0 | 50 |
| Implementation | | | | | |
| Fraud Prevention Investigation | | 0 | 1,682 | 2,536 | 4,218 |
| Group Residential Housing Modifications | | 0 | 10 | 0 | 10 |
| Health Care Program Simplification | | 0 | 7 | 0 | 7 |
| Limit Retroactive Eligibility for CCAP | | 0 | 4 | 0 | 4 |
| MFIP Reductions | | 0 | 36 | 0 | 36 |
| Modify 20% Income Withholding | | 0 | 170 | 0 | 170 |
| PCA Redesign and Provider Standards | | 0 | 150 | 0 | 150 |
| Total | 35,667 | 35,989 | 36,095 | 35,959 | 72,054 |
| Health Care Access | | | | | |
| Current Appropriation | 350 | 367 | 367 | 367 | 734 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (6) | (6) | (12) |
| Subtotal - Forecast Base | 350 | 367 | 361 | 361 | 722 |
| Total | 350 | 367 | 361 | 361 | 722 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 3,569 | 3,648 | 36,095 | 35,959 | 72,054 |
| Health Care Access | 310 | 361 | 361 | 361 | 722 |
| Statutory Appropriations | | | | | |
| General | 0 | 1 | 1 | 1 | 2 |
| Miscellaneous Special Revenue | 73,729 | 84,000 | 47,688 | 49,335 | 97,023 |
| Total | 77,608 | 88,010 | 84,145 | 85,656 | 169,801 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 37,420 | 39,080 | 38,391 | 38,390 | 76,781 |
| Other Operating Expenses | 40,188 | 48,930 | 45,754 | 47,266 | 93,020 |
| Total | 77,608 | 88,010 | 84,145 | 85,656 | 169,801 |
| Full-Time Equivalents (FTE) | 484.4 | 479.5 | 479.5 | 479.5 | |

Program Description

Health Care Grants purchases preventive and primary health care services, such as physician services, medications, and dental care, for low-income families with children, pregnant women, elderly people, and people with disabilities. More than 662,000 Minnesotans receive health care assistance through this grant area each year.

Within Health Care Grants, Medical Assistance and MinnesotaCare receive both state and federal funds. Medical Assistance (MA) is financed and operated jointly by the state and the federal government. The federal share of MA costs for the state, known as the federal medical assistance percentage (FMAP), is based on the state's per capita income and is recalculated annually.

Budget Activities

- ◆ MinnesotaCare Grants
- ◆ MA Basic Health Care Grants – Families and Children
- ◆ MA Basic Health Care Grants – Elderly and Disabled
- ◆ General Assistance Medical Care Grants
- ◆ Other Health Care Grants

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,990,807 | 2,203,693 | 2,203,693 | 2,203,693 | 4,407,386 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 90 | 90 | 180 |
| Current Law Base Change | | | 214,222 | 439,520 | 653,742 |
| November Forecast Adjustment | | 71,583 | 191,368 | 270,487 | 461,855 |
| Transfers Between Agencies | | | (208) | (208) | (416) |
| Subtotal - Forecast Base | 1,990,807 | 2,275,276 | 2,609,165 | 2,913,582 | 5,522,747 |
| Governor's Recommendations | | | | | |
| Adjust Special Transportation Rates | | 0 | (87) | (124) | (211) |
| Align Managed Care Withhold | | 0 | (944) | (2,599) | (3,543) |
| Align Medical Assistance Asset Limits | | 0 | (5,368) | (3,517) | (8,885) |
| Align Medicare Savings Pgm. Asset Limits | | 0 | (301) | (301) | (602) |
| Alter 2011 Inpatient Hospital Rebasng | | 0 | 0 | (21,439) | (21,439) |
| Basic Care Rateable Reduction | | 0 | (28,707) | (60,096) | (88,803) |
| Children's MH Residential Treatment | | 0 | (1,927) | (1,284) | (3,211) |
| Delay New Mental Health Services | | 0 | (1,161) | (1,161) | (2,322) |
| Elim. HC Elig. for Adults w/o children | | 0 | 66 | (5,854) | (5,788) |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | 25,078 | 25,078 |
| Eliminate Additional Two Months Coverage | | 0 | (3,806) | (9,038) | (12,844) |
| Eliminate Chiropractic Service Coverage | | 0 | (317) | (906) | (1,223) |
| Eliminate Critical Access Dental | | 0 | (4,575) | (6,450) | (11,025) |
| Eliminate Dental Coverage for Adults | | 0 | (10,083) | (27,436) | (37,519) |
| Eliminate Inpatient Quarterly Payments | | 0 | (19,319) | (16,996) | (36,315) |
| Eliminate Outreach Incentive Program | | 0 | (2,246) | (7,558) | (9,804) |
| Eliminate Patient Incentive Grants | | 0 | (491) | (491) | (982) |
| Eliminate Podiatry Service Coverage | | 0 | (312) | (892) | (1,204) |
| Eliminate Rehabilitative Service Coverag | | 0 | (1,752) | (4,969) | (6,721) |
| Federal Compliance: Limit MERC | | 0 | 10,000 | (55,323) | (45,323) |
| Federal Compliance: PARIS Implementation | | 0 | 0 | (50) | (50) |
| HC Provider Payment Delay | | 0 | (20,891) | (1,967) | (22,858) |
| Increase MA-EPD Premiums | | 0 | (538) | (1,075) | (1,613) |
| Inpatient June Payment Delay | | 0 | (23,507) | (1,520) | (25,027) |
| Limit Customized Living Service Rates | | 0 | (133) | (2,042) | (2,175) |
| Limit Disabilities Waiver Growth | | 0 | (226) | (789) | (1,015) |
| MH Inpatient Ratable Reduction | | 0 | (6,565) | (14,946) | (21,511) |
| Modify MA Asset Reduction Policy | | 0 | (2,071) | (2,479) | (4,550) |
| Modify NF Level of Care Thresholds | | 0 | (5,033) | (27,268) | (32,301) |
| Non-Emergency Medical Transportation | | 0 | (500) | (500) | (1,000) |
| PCA Redesign and Provider Standards | | 0 | (1,782) | (4,923) | (6,705) |
| Reduce LTC Provider Rates and Grants | | 0 | (3,372) | (7,272) | (10,644) |
| Reduce Pharmacy Reimbursements | | 0 | (1,135) | (1,269) | (2,404) |
| Rural Hospital Inpatient DRG Payments | | 0 | (3,023) | (4,316) | (7,339) |
| Total | 1,990,807 | 2,275,276 | 2,469,059 | 2,641,810 | 5,110,869 |
| Health Care Access | | | | | |
| Current Appropriation | 307,826 | 366,169 | 366,169 | 366,169 | 732,338 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 40 | 40 | 80 |
| Current Law Base Change | | | 105,245 | 174,548 | 279,793 |
| November Forecast Adjustment | | (644) | (1,708) | 15,530 | 13,822 |
| Subtotal - Forecast Base | 307,826 | 365,525 | 469,746 | 556,287 | 1,026,033 |
| Governor's Recommendations | | | | | |

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|--|------------------|------------------|------------------|------------------|-------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Align Managed Care Withhold | | 0 | (2,069) | (2,209) | (4,278) |
| Basic Care Rateable Reduction | | 0 | (1,995) | (5,493) | (7,488) |
| Children's MH Residential Treatment | | 0 | 8 | 28 | 36 |
| Elim. HC Elig. for Adults w/o children | | 0 | (134,092) | (366,569) | (500,661) |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | (90,328) | (90,328) |
| Eliminate Additional Two Months Coverage | | 0 | (1,208) | (13,529) | (14,737) |
| Eliminate Chiropractic Service Coverage | | 0 | (36) | 0 | (36) |
| Eliminate Critical Access Dental | | 0 | (717) | (525) | (1,242) |
| Eliminate Dental Coverage for Adults | | 0 | (488) | 0 | (488) |
| Eliminate Outreach Incentive Program | | 0 | (871) | (1,623) | (2,494) |
| Eliminate Podiatry Service Coverage | | 0 | (11) | 0 | (11) |
| Eliminate Rehabilitative Service Coverag | | 0 | (54) | 0 | (54) |
| Maintain Current MinnesotaCare Premiums | | 0 | (2,884) | (3,455) | (6,339) |
| MnCare Rolling Month and Grace Month | | 0 | (3,712) | (2,456) | (6,168) |
| Total | 307,826 | 365,525 | 321,617 | 70,128 | 391,745 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 2,013,729 | 2,275,168 | 2,469,059 | 2,641,810 | 5,110,869 |
| Health Care Access | 305,853 | 364,881 | 321,617 | 70,128 | 391,745 |
| Statutory Appropriations | | | | | |
| General | 13,409 | 60,892 | 59,123 | 59,307 | 118,430 |
| Health Care Access | 19,355 | 19,171 | 23,361 | 29,701 | 53,062 |
| Miscellaneous Special Revenue | 76,535 | 67,075 | 75 | 75 | 150 |
| Federal | 1,926,523 | 2,177,891 | 2,416,248 | 2,707,680 | 5,123,928 |
| Total | 4,355,404 | 4,965,078 | 5,289,483 | 5,508,701 | 10,798,184 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 471 | 1,055 | 13,588 | 37,659 | 51,247 |
| Payments To Individuals | 4,340,173 | 4,962,327 | 5,274,790 | 5,470,687 | 10,745,477 |
| Local Assistance | 14,760 | 1,696 | 1,105 | 355 | 1,460 |
| Total | 4,355,404 | 4,965,078 | 5,289,483 | 5,508,701 | 10,798,184 |

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------------|------------------|------------------|------------------|-------------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Activity</u> | | | | | |
| Minnesotacare Grants | 374,362 | 541,028 | 506,042 | 287,729 | 793,771 |
| Ma Basic Health Care Grant-F&C | 1,825,635 | 2,038,182 | 2,240,981 | 2,445,173 | 4,686,154 |
| Ma Basic Health Care Grant-E&D | 1,814,234 | 2,023,834 | 2,207,731 | 2,412,630 | 4,620,361 |
| Gamc Grants | 262,835 | 292,208 | 333,074 | 362,264 | 695,338 |
| Other Health Care Grants | 78,338 | 69,826 | 1,655 | 905 | 2,560 |
| Total | 4,355,404 | 4,965,078 | 5,289,483 | 5,508,701 | 10,798,184 |

Activity Description

MinnesotaCare Grants pays for health care services for Minnesotans who do not have access to affordable health insurance. There are no health condition barriers, but applicants must meet income and other program guidelines to qualify. Enrollees pay a premium based on income.

Population Served

Enrollees typically are working families and people who do not have access to affordable health insurance:

- ◆ Children, parents with children under 21, and pregnant women must have household incomes at or below 275% of the federal poverty guidelines (FPG). In FY 2007, an average of 84,000 people were enrolled under these categories each month.
- ◆ Adults (age 21 and over) without children must have household incomes at or below 200% of FPG and 250% of FPG after 07-01-09. In FY 2007, the average monthly enrollment of adults without children was 34,000.
- ◆ Except for certain low-income children, applicants are not eligible if they have other health insurance (including Medicare), have access to coverage through their employer and the employer's share of the premium is 50% or more, have had access to such coverage in the past 18 months, or have had other insurance within the past four months.

Activity at a Glance

- ◆ Purchases health care for 118,000 enrollees per month (FY 2007 average)
- ◆ Assists low-income, working families and adults who cannot afford health insurance
- ◆ Invests in preventive health care that makes Minnesota one of the healthiest states in the country
- ◆ Supports families transitioning from welfare to work

| Income as a percent of federal poverty guidelines (FPG) | Percent of Minnesota households in 2007 |
|---|---|
| ≤ 100% | 39.6% |
| 101% - 150% | 32.% |
| 151% - 175% | 11.9% |
| 176% - 200% | 7.3% |
| 201% - 275% | 8.5% |
| >275% | 0.4% |

The average enrollee premium for FY 2007 was \$25 per person per month. The premium for some low-income children is as little as \$4 per month.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to \$10,000 in assets; a household size of two or more can own up to \$20,000. Some assets, such as homestead property and burial funds, are not counted.

Services Provided

MinnesotaCare pays for many basic health care services. The Department of Human Services (DHS) contracts with managed care health plans to provide services. Covered services include:

- ◆ medical transportation (emergency use only for non-pregnant adults);
- ◆ chemical dependency treatment;
- ◆ chiropractic care, with a \$3 co-pay for non-preventive visits for non-pregnant adults;
- ◆ physician and health clinic visits, with a \$3 co-pay for non-preventive visits by non-pregnant adults;
- ◆ dental services;
- ◆ emergency room services, with a \$6 co-pay for non-pregnant adults;
- ◆ eye checkups and prescription eyeglasses (some restrictions apply), with a \$25 co-pay on eyeglasses for non-pregnant adults;
- ◆ home care, such as a nurse visit or home health aide;
- ◆ hospice care;

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MINNESOTACARE GRANTS

Narrative

- ◆ immunizations;
- ◆ laboratory and X-ray services;
- ◆ medical equipment and supplies;
- ◆ mental health services;
- ◆ most prescription drugs, with a \$3 co-pay for non-pregnant adults;
- ◆ rehabilitative therapies; and
- ◆ hospitalization with
 - ⇒ no dollar limit for children under 21 and pregnant women;
 - ⇒ no dollar limit for adults who have a child under 21 in their home and whose income is equal to or less than 200% FPG; and
 - ⇒ all other adults have a \$10,000 limit per year, with a 10% co-pay (up to \$1,000 co-pay per adult per year).

Children under 21 and pregnant women also have coverage for the following services:

- ◆ personal care attendant services;
- ◆ nursing home or intermediate care facilities;
- ◆ private duty nursing;
- ◆ non-emergency medical transportation, and;
- ◆ case management services.

Historical Perspective

MinnesotaCare was enacted in 1992 to provide health care coverage to low-income people who do not have access to affordable health care coverage.

The program was implemented in October 1992 as an expansion of the Children's Health Plan. (The Children's Health Plan began in July 1988 and provided comprehensive outpatient health care coverage for children ages one through 17 years.) MinnesotaCare initially covered families with children whose income was at or below 185% of FPG. In January 1993, the program was expanded to cover families with children whose income was at or below 275% of FPG. In October 1994, MinnesotaCare became available to adults without children whose income was at or below 125% of FPG. The income guideline for adults without children was raised to 135% of FPG in July 1996, to 175% in July 1997, to 200% in January 2008, and will be raised again to 250% in July 2009.

In 1995, the federal government approved an amendment to the Prepaid Medical Assistance Program §1115 Waiver (known as PMAP+ or Phase One of the MinnesotaCare Health Care Reform Waiver) allowing for the provision of federal Medicaid matching funds for children and pregnant women in MinnesotaCare with incomes at or below 275% of FPG. This was followed by an amendment approved in 1999 that allows federal Medicaid matching funds for MinnesotaCare parents and caretakers with incomes up to 275% of FPG. PMAP+ waiver provisions also allow for different cost sharing and benefits for parents and caretakers in MinnesotaCare than in MA.

In December 2004, a request for a three-year extension for the PMAP+ waiver was submitted to the federal government. In May 2005, Minnesota received approval from the federal Centers for Medicare and Medicaid Services for the three-year extension.

Minnesota also uses funds from the State Children's Health Insurance Program (S-CHIP) which was created by Congress in 1997 to help states cover more low-income children and families. The PMAP+ Waiver, in combination with the S-CHIP §1115 Waiver, has been an essential component of Minnesota's effort to develop innovative ways to achieve its long standing goal of continuously reducing the number of Minnesotans who do not have health insurance.

Between 2003 and 12-31-07, benefits for MinnesotaCare adults without children with income over 75% of FPG but no greater than 175% of FPG were limited to certain core services and capped at \$5,000 per year. The

\$5,000 cap was lifted in 2005, and coverage for diabetic supplies and equipment and mental health services was added to the MinnesotaCare benefit set for adults without children.

Beginning in September 2006, certain General Assistance Medical Care (GAMC) applicants and enrollees are required to transition to MinnesotaCare. These applicants and enrollees will move from GAMC coverage to MinnesotaCare coverage with a six-month transition period. County agencies will pay MinnesotaCare premiums for these enrollees during the transition period. At the end of the six-month period, enrollees will be re-determined for MinnesotaCare and the county agency's obligation to pay the MinnesotaCare premium ends. During the six-month transition period, the program costs are funded from both the general fund and the Health Care Access Fund.

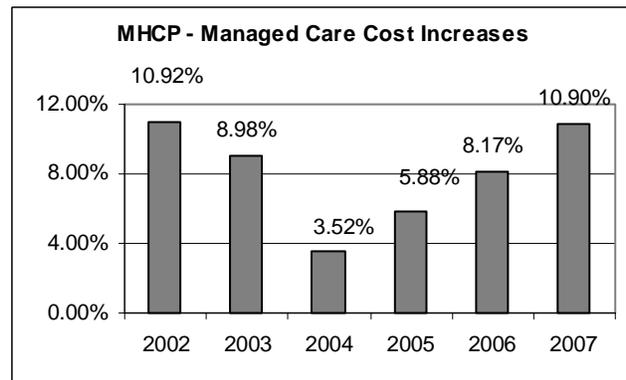
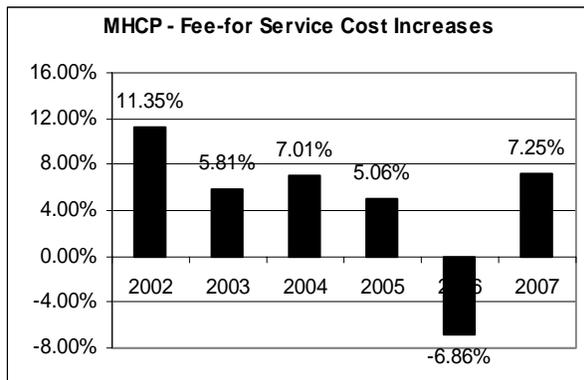
Effective 12-01-08 or upon federal approval, whichever is later, children ages 1 through 18 who become ineligible for MA due to excess income will be eligible for two additional months of MA coverage and are automatically eligible for MinnesotaCare until the next MinnesotaCare renewal. These children will be exempt until renewal from the MinnesotaCare income limit and from the requirement that MinnesotaCare enrollees have no current access to employer-subsidized coverage, no access to employer-subsidized coverage through the current employer for 18 months prior to application or reapplication, and no other health coverage while enrolled or for at least four months prior to application or renewal. These children will be required to pay the standard MinnesotaCare sliding scale premiums to enroll and remain enrolled.

Key Program Goals

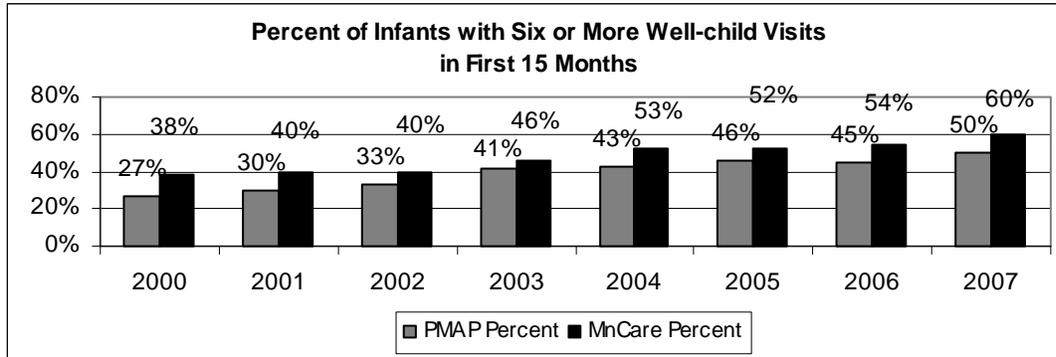
- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>.)
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Cost increases in Minnesota health care programs.** DHS is taking steps to improve program integrity and efficiency. This means making sure that eligible Minnesotans — and only those eligible — are able to enroll in Minnesota Health Care Programs (MHCP). It also involves automating the current enrollment process to ensure that consistent guidelines are followed when adding or retaining individuals in MHCP.



- ◆ **Percentage of children enrolled in Minnesota health care programs who receive the expected number of well-child visits.** The 2006 data indicate that for children enrolled in the managed care Prepaid Medical Assistance Programs (PMAP), 45.0% of those in the first 15 months of life received the recommended number of well-child visits for their age group. The comparable figure for children enrolled in the MinnesotaCare managed care program is 53.9%. The goal is to increase these rates. In general, publicly-funded managed care programs lag behind commercial managed care program performance on this measure. In 2006, the overall figure for commercial managed care plans in Minnesota was 76%.



For more information on DHS performance measures, see www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

MinnesotaCare Grants is funded with appropriations from the Health Care Access Fund, from federal funds, and from enrollee premiums.

Contact

For more information on MinnesotaCare Grants, contact Health Care Administration, (651) 431-3050.

Information on DHS programs is available on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS
Activity: MINNESOTACARE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|---------------------------|----------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Health Care Access | | | | | |
| Current Appropriation | 305,604 | 365,269 | 365,269 | 365,269 | 730,538 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 105,245 | 175,298 | 280,543 |
| November Forecast Adjustment | | (644) | (1,708) | 15,530 | 13,822 |
| Subtotal - Forecast Base | 305,604 | 364,625 | 468,806 | 556,097 | 1,024,903 |
| Governor's Recommendations | | | | | |
| Align Managed Care Withhold | | 0 | (2,069) | (2,209) | (4,278) |
| Basic Care Rateable Reduction | | 0 | (1,995) | (5,493) | (7,488) |
| Children's MH Residential Treatment | | 0 | 8 | 28 | 36 |
| Elim. HC Elig. for Adults w/o children | | 0 | (134,092) | (366,569) | (500,661) |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | (90,328) | (90,328) |
| Eliminate Additional Two Months Coverage | | 0 | (1,208) | (13,529) | (14,737) |
| Eliminate Chiropractic Service Coverage | | 0 | (36) | 0 | (36) |
| Eliminate Critical Access Dental | | 0 | (717) | (525) | (1,242) |
| Eliminate Dental Coverage for Adults | | 0 | (488) | 0 | (488) |
| Eliminate Outreach Incentive Program | | 0 | (831) | (1,583) | (2,414) |
| Eliminate Podiatry Service Coverage | | 0 | (11) | 0 | (11) |
| Eliminate Rehabilitative Service Coverage | | 0 | (54) | 0 | (54) |
| Maintain Current MinnesotaCare | | 0 | (2,884) | (3,455) | (6,339) |
| Premiums | | 0 | | | |
| MnCare Rolling Month and Grace Month | | 0 | (3,712) | (2,456) | (6,168) |
| Total | 305,604 | 364,625 | 320,717 | 69,978 | 390,695 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Health Care Access | 304,603 | 363,981 | 320,717 | 69,978 | 390,695 |
| Statutory Appropriations | | | | | |
| Health Care Access | 19,355 | 19,171 | 23,361 | 29,701 | 53,062 |
| Federal | 50,404 | 157,876 | 161,964 | 188,050 | 350,014 |
| Total | 374,362 | 541,028 | 506,042 | 287,729 | 793,771 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 374,362 | 541,028 | 506,042 | 287,729 | 793,771 |
| Total | 374,362 | 541,028 | 506,042 | 287,729 | 793,771 |

Activity Description

Medical Assistance (MA) Basic Health Care Grants—Families and Children purchases health care services for the poorest Minnesotans. It is different than MinnesotaCare as its income guidelines are lower, it does not have premiums, and it pays retroactively for medical bills incurred. MA Basic Health Care Grants includes funding for the Minnesota Family Planning Program (MFPP).

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. MA Basic Health Care Grants—Families and Children serves:

- ◆ pregnant women with incomes at or below 275% of the federal poverty guidelines (FPG);
- ◆ infants under age two with incomes at or below 280% of the FPG;
- ◆ children ages two through 18 at or below 150% of the FPG; and
- ◆ parents, relative caretakers, and children ages 19 and 20 at or below 100% of the FPG.

Families and children with income over the MA limits may qualify through a spend-down provision if incurred medical bills exceed the difference between their income and 100% of the FPG.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to \$10,000 in assets; a household size of two or more can own up to \$20,000. Some assets, such as homestead property and burial funds, are not counted.

Enrollees who become ineligible for MA because of increased earned income or child/spousal maintenance may be eligible for transitional MA for four to twelve months.

MA provides retroactive coverage for medical bills incurred up to three months before the date of application.

The Department of Human Services (DHS) determines eligibility for the MFPP. Certified providers may determine temporary eligibility. The MFPP serves men and women between ages 15 and 50 with incomes at or below 200% of the FPG.

Services Provided

DHS purchases most services for this population through capitated rate contracts with health plans. In most areas of the state, MA parents and children have multiple health plans from which to choose. MA basic health care services include:

- ◆ physician services;
- ◆ ambulance and emergency room services, with a \$6 co-pay on non-emergency, emergency room visits;
- ◆ laboratory and X-ray services;
- ◆ rural health clinics;
- ◆ chiropractic services;
- ◆ early periodic screening, diagnosis, and treatment;
- ◆ chemical dependency treatment;
- ◆ mental health services;
- ◆ inpatient and outpatient hospital care;
- ◆ eyeglasses and eye care;
- ◆ immunizations;
- ◆ medical transportation, supplies, and equipment;
- ◆ prescription drugs, with \$3 co-pay on brand names, \$1 co-pay on generic, and a \$7 per month maximum;
- ◆ dental care;

Activity at a Glance

- ◆ Purchases preventive and primary health care for a monthly average of 356,000 enrollees in FY 2007
- ◆ Acts as a safety net health care program for the lowest income Minnesotans
- ◆ Is the state's largest publicly-funded health care program

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Narrative

- ◆ home care;
- ◆ hospice care;
- ◆ nursing home; and
- ◆ rehabilitative therapies.

The following people do not have to pay co-pays: pregnant women, children under age 21, people residing in or expecting to reside for more than 30 days in a nursing home or other long-term care facility, people receiving hospice care, MFPP enrollees, and people in the Refugee Medical Assistance Program.

Co-pays for enrollees with income at or below 100% of the FPG are limited to 5% of their monthly income.

Historical Perspective

In 1966, less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act, Minnesota began receiving federal matching funds for the state's MA program. In 1998, federal matching funds were appropriated by Congress for the State-Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act. In 1999, Minnesota began receiving SCHIP funds for coverage provided to some low-income children enrolled in MA and later for other health care expenditures as well.

By accepting federal matching funds, states are subject to federal regulations, but have some flexibility concerning coverage of groups, covered services, and provider reimbursement rates.

Minnesota's MA program has expanded since the mid-1980s. The expansions have focused primarily on low-income, uninsured, or under-insured children, as well as eligibility changes to better support seniors and people with disabilities in their own homes or in small, community-based settings. In 2002, the income limit for children was increased for children ages two through 18 to 175% of the FPG. This standard was reduced in 2003 to 150% of FPG.

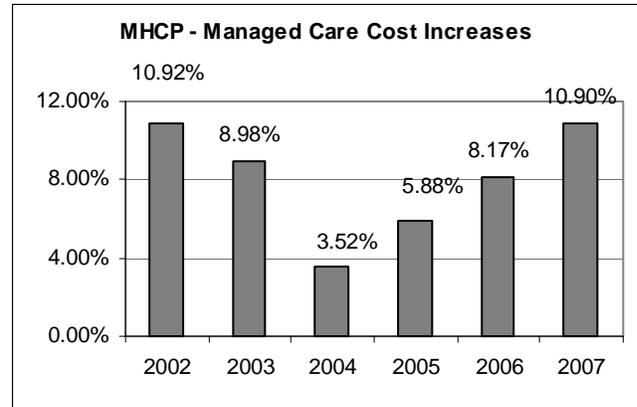
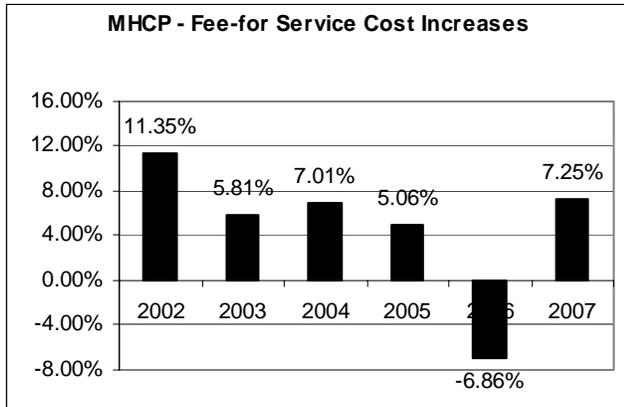
Since the 1970s, Minnesota's approach to purchasing basic health care benefits under MA has evolved from strictly fee-for-service to increased use of contracts with health plans to deliver care for a fixed, or capitated, amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Program Goals

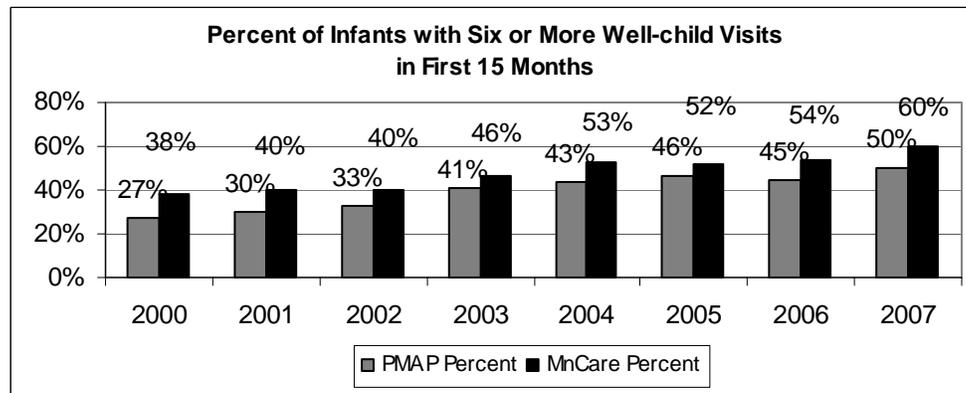
- ⇒ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ⇒ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Cost increases in Minnesota health care programs.**



- ◆ **Percentage of children enrolled in Minnesota health care programs who receive the expected number of well-child visits.** The 2007 data indicate that for children enrolled in the managed care Prepaid Medical Assistance Programs (PMAP), 50% of those in the first 15 months of life received the recommended number of well-child visits for their age group. The comparable number for children enrolled in the MinnesotaCare managed care program is 60%. The goal is to increase these rates. In general, publicly-funded managed care programs lag behind commercial managed care program performance on this measure. In 2006, the overall figure for commercial managed care plans in Minnesota was 76%.



More information on DHS measures and results is available on the web: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

MA Basic Health Care Grants–Families and Children is funded with appropriations from the General Fund and from federal Medicaid funds.

Contact

For more information about these grants, contact Health Care Administration, (651) 431-2478.

Information on DHS programs is available on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|------------------|------------------|--------------------|------------------|------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 753,482 | 824,942 | 824,942 | 824,942 | 1,649,884 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 73,304 | 156,758 | 230,062 |
| November Forecast Adjustment | | 67,080 | 142,769 | 198,490 | 341,259 |
| Subtotal - Forecast Base | 753,482 | 892,022 | 1,041,015 | 1,180,190 | 2,221,205 |
| Governor's Recommendations | | | | | |
| Adjust Special Transportation Rates | | 0 | (272) | (303) | (575) |
| Alter 2011 Inpatient Hospital Rebasing | | 0 | 0 | (19,010) | (19,010) |
| Basic Care Rateable Reduction | | 0 | (13,662) | (31,590) | (45,252) |
| Children's MH Residential Treatment | | 0 | (1,983) | (1,443) | (3,426) |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | 25,078 | 25,078 |
| Eliminate Additional Two Months Coverage | | 0 | (3,806) | (9,038) | (12,844) |
| Eliminate Chiropractic Service Coverage | | 0 | (147) | (410) | (557) |
| Eliminate Critical Access Dental | | 0 | (4,575) | (6,450) | (11,025) |
| Eliminate Dental Coverage for Adults | | 0 | (5,747) | (15,420) | (21,167) |
| Eliminate Inpatient Quarterly Payments | | 0 | (19,319) | (16,996) | (36,315) |
| Eliminate Outreach Incentive Program | | 0 | (2,156) | (7,468) | (9,624) |
| Eliminate Podiatry Service Coverage | | 0 | (151) | (422) | (573) |
| Eliminate Rehabilitative Service Coverag | | 0 | (33) | (78) | (111) |
| Federal Compliance: Limit MERC | | 0 | 10,000 | (55,323) | (45,323) |
| Federal Compliance: PARIS | | 0 | 0 | (50) | (50) |
| Implementation | | 0 | | | |
| HC Provider Payment Delay | | 0 | (5,463) | (625) | (6,088) |
| Increase MA-EPD Premiums | | 0 | (538) | (1,075) | (1,613) |
| Inpatient June Payment Delay | | 0 | (8,730) | (366) | (9,096) |
| MH Inpatient Ratable Reduction | | 0 | (3,886) | (9,823) | (13,709) |
| Reduce LTC Provider Rates and Grants | | 0 | (15) | (19) | (34) |
| Reduce Pharmacy Reimbursements | | 0 | (221) | (250) | (471) |
| Rural Hospital Inpatient DRG Payments | | 0 | (1,056) | (1,504) | (2,560) |
| Total | 753,482 | 892,022 | 979,255 | 1,027,605 | 2,006,860 |
| Health Care Access | | | | | |
| Current Appropriation | 1,672 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 1,672 | 0 | 0 | 0 | 0 |
| Total | 1,672 | 0 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 783,664 | 892,022 | 979,255 | 1,027,605 | 2,006,860 |
| Statutory Appropriations | | | | | |
| General | 13,409 | 60,892 | 59,123 | 59,307 | 118,430 |
| Federal | 1,028,562 | 1,085,268 | 1,202,603 | 1,358,261 | 2,560,864 |
| Total | 1,825,635 | 2,038,182 | 2,240,981 | 2,445,173 | 4,686,154 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 1,813,327 | 2,038,182 | 2,240,981 | 2,445,173 | 4,686,154 |
| Local Assistance | 12,308 | 0 | 0 | 0 | 0 |
| Total | 1,825,635 | 2,038,182 | 2,240,981 | 2,445,173 | 4,686,154 |

Activity Description

Medical Assistance (MA) Basic Health Care Grants—Elderly and Disabled purchases preventive and primary health care services for Minnesota’s low-income elderly (65 years or older), blind people, and people with disabilities. These funds also help many low-income Minnesotans pay Medicare premiums and co-payments.

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. Minnesotans eligible for full MA coverage include:

- ◆ elderly people and people with disabilities who have incomes at or below 100% of the federal poverty guidelines (FPG) (by family size) and
- ◆ people with incomes over the MA limit who may qualify if their incurred medical bills exceed the difference between their income and the spend-down standard of 75% of the FPG (by family size).

The asset limit is \$3,000 for a single person and \$6,000 for a couple. Some assets, such as homestead property and burial funds, are not counted.

MA provides coverage for medical bills incurred up to three months before the date of application.

Additionally, several thousand Minnesotans receive help paying Medicare costs only, rather than comprehensive MA coverage. MA covers all Medicare Part A and B cost-sharing, including premiums for Medicare enrollees with incomes at or below 100% of the FPG. MA covers the Medicare Part B premium for Medicare enrollees with incomes between 100% and 120% of the FPG. Medicare enrollees with incomes between 120% and 135% of the FPG, receive coverage of the Part B premium only. Higher asset limits apply to these enrollees: \$10,000 for a single person and \$18,000 for a couple.

Over 6,500 MA enrollees with disabilities receive full MA coverage under the Medical Assistance for Employed Persons with Disabilities (MA-EPD) program. To be eligible for MA-EPD, an individual must:

- ◆ be certified disabled by either the Social Security Administration or the State Medical Review Team;
- ◆ have gross monthly wages or countable self-employment earnings greater than \$65 per month and have Medicare, Social Security, and applicable state and federal income taxes withheld by the employer or paid by the self-employed enrollee;
- ◆ be at least 16 but under 65 years of age;
- ◆ meet the \$20,000 asset limit;
- ◆ pay a premium based on the enrollee’s earned and unearned monthly income and family size; and
- ◆ pay an unearned income obligation equal to one-half percent of gross unearned income.

Since January 2004, all MA-EPD eligible enrollees pay premiums. In CY 2007, monthly premiums averaged \$59. As of December 2007, a majority of enrollees had a monthly gross earned income of less than \$800 per month.

Services Provided

The Department of Human Services (DHS) purchases services for people with disabilities and some elderly people. MA basic health care services include:

- ◆ physician services, with a \$3 co-pay on non-preventive services;
- ◆ ambulance and emergency room services, with a \$6 co-pay on non-emergency, emergency room visits;
- ◆ rural health clinics;
- ◆ chiropractic services;
- ◆ early periodic screening, diagnosis, and treatment;
- ◆ mental health services;

Activity at a Glance

In FY 2007, the monthly averages included:

- ◆ Purchases of health care for approximately 55,000 elderly Minnesotans and 99,000 people with disabilities
- ◆ Help for 6,500 elderly and 2,500 people with disabilities with paying Medicare premiums and co-payments

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-E&D

Narrative

- ◆ chemical dependency treatment;
- ◆ inpatient and outpatient hospital care;
- ◆ eyeglasses and eye care;
- ◆ immunizations;
- ◆ medical supplies and equipment;
- ◆ prescription drugs, with a \$3 brand name co-pay, \$1 generic co-pay, and a \$7 per month maximum;
- ◆ dental care;
- ◆ medical transportation;
- ◆ rehabilitation therapies, and;
- ◆ hospice care.

The following people do not have to pay co-pays: pregnant women, children under age 21, people residing in or expecting to reside for more than 30 days in a nursing home or other long-term care facility, people receiving hospice care, and people in the Refugee Medical Assistance Program.

Co-pays for enrollees with income at or below 100% of the FPG are limited to 5% of their monthly income.

Historical Perspective

Medical Assistance has long served as a health care safety net for people with disabilities and elderly residents who have low income or have medical expenses that can be used to reduce their income to the income limit for eligibility. For many, MA acts as a supplement to Medicare, helping low-income Medicare enrollees pay premiums and co-payments.

In 1966, less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act, Minnesota began receiving federal matching funds for the state's Medical Assistance program. By accepting federal matching funds, states are subject to federal regulations concerning program administration, but have certain options concerning coverage of groups and services and provider reimbursement rates.

Prior to 2001, the income limits for most MA elderly and disabled people were about 69% of the FPG.

In July 1999, Minnesota added the MA-EPD program that allows people with disabilities to earn income and still qualify for or buy into MA. As of December 2005, 90% of enrollees have Medicare as their primary health care coverage, while MA-EPD covers additional services, such as prescription drugs and personal care services.

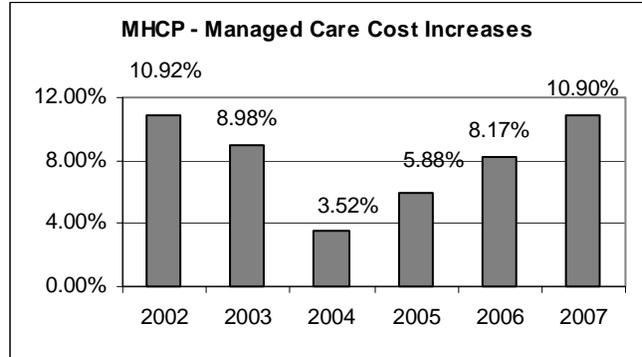
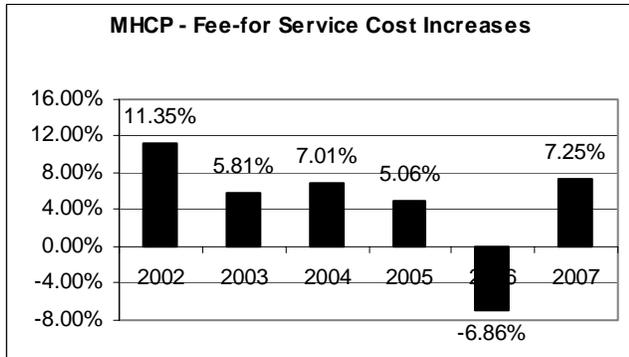
Since the 1970s, Minnesota's approach to purchasing basic health care benefits for seniors enrolled in MA has evolved from strictly fee-for-service to increased use of contracts with health plans to deliver care for a fixed, or capitated amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Program Goals

- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/DHS-4694-ENG>).

Key Measures

- ◆ *Cost increases in Minnesota health care programs.*



For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

MA Basic Health Care Grants—Elderly and Disabled is funded with appropriations from the general fund and from federal Medicaid funds. MA coverage of long-term care services, such as nursing home and waiver services, is funded through the Continuing Care portion of the department’s budget.

Contact

For more information about MA Basic Health Care Grants—Elderly and Disabled, contact the Health Care Administration of DHS, (651) 431-2670.

Information on DHS programs is available on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-E&D

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|--------------------|------------------|------------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 979,240 | 1,097,501 | 1,097,501 | 1,097,501 | 2,195,002 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 127,805 | 245,578 | 373,383 |
| November Forecast Adjustment | | (7,359) | (1,862) | 1,995 | 133 |
| Subtotal - Forecast Base | 979,240 | 1,090,142 | 1,223,444 | 1,345,074 | 2,568,518 |
| Governor's Recommendations | | | | | |
| Adjust Special Transportation Rates | | 0 | 225 | 225 | 450 |
| Align Managed Care Withhold | | 0 | (944) | (2,599) | (3,543) |
| Align Medical Assistance Asset Limits | | 0 | (5,368) | (3,517) | (8,885) |
| Align Medicare Savings Pgm. Asset Limits | | 0 | (301) | (301) | (602) |
| Basic Care Rateable Reduction | | 0 | (10,239) | (18,477) | (28,716) |
| Children's MH Residential Treatment | | 0 | 56 | 159 | 215 |
| Delay New Mental Health Services | | 0 | (1,161) | (1,161) | (2,322) |
| Eliminate Chiropractic Service Coverage | | 0 | (101) | (301) | (402) |
| Eliminate Dental Coverage for Adults | | 0 | (3,580) | (10,010) | (13,590) |
| Eliminate Podiatry Service Coverage | | 0 | (104) | (309) | (413) |
| Eliminate Rehabilitative Service Coverag | | 0 | (1,607) | (4,592) | (6,199) |
| HC Provider Payment Delay | | 0 | (14,555) | (1,326) | (15,881) |
| Inpatient June Payment Delay | | 0 | (12,400) | (828) | (13,228) |
| Limit Customized Living Service Rates | | 0 | (133) | (2,042) | (2,175) |
| Limit Disabilities Waiver Growth | | 0 | (226) | (789) | (1,015) |
| MH Inpatient Ratable Reduction | | 0 | (1,148) | (1,611) | (2,759) |
| Modify MA Asset Reduction Policy | | 0 | (2,071) | (2,479) | (4,550) |
| Modify NF Level of Care Thresholds | | 0 | (5,033) | (27,268) | (32,301) |
| Non-Emergency Medical Transportation | | 0 | (500) | (500) | (1,000) |
| PCA Redesign and Provider Standards | | 0 | (1,782) | (4,923) | (6,705) |
| Reduce LTC Provider Rates and Grants | | 0 | (3,350) | (7,245) | (10,595) |
| Reduce Pharmacy Reimbursements | | 0 | (824) | (922) | (1,746) |
| Rural Hospital Inpatient DRG Payments | | 0 | (1,773) | (2,522) | (4,295) |
| Total | 979,240 | 1,090,142 | 1,156,525 | 1,251,736 | 2,408,261 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 967,080 | 1,090,142 | 1,156,525 | 1,251,736 | 2,408,261 |
| Statutory Appropriations | | | | | |
| Federal | 847,154 | 933,692 | 1,051,206 | 1,160,894 | 2,212,100 |
| Total | 1,814,234 | 2,023,834 | 2,207,731 | 2,412,630 | 4,620,361 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 76 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 1,813,106 | 2,023,834 | 2,207,731 | 2,412,630 | 4,620,361 |
| Local Assistance | 1,052 | 0 | 0 | 0 | 0 |
| Total | 1,814,234 | 2,023,834 | 2,207,731 | 2,412,630 | 4,620,361 |

Activity Description

General Assistance Medical Care (GAMC) Grants pays for health care services for low-income Minnesotans who are ineligible for Medical Assistance (MA) or other state or federal health care programs—primarily low-income adults between the ages of 21 and 64 who do not have dependent children.

Population Served

Local county agencies determine eligibility for GAMC within state guidelines. GAMC serves:

- ◆ primarily single adults between ages 21 and 64 who do not have dependent children and
- ◆ people receiving General Assistance (GA) cash grants.

Eligibility criteria include:

- ◆ household income may not exceed 75% of the federal poverty guidelines (FPG), except that people with incomes between 75% and 175% of the FPG may qualify for inpatient hospitalization costs and physicians' services incurred during the hospitalization and
- ◆ assets may not exceed \$1,000 per household for full coverage, although some assets, such as homestead property and burial funds, are not counted. For hospital-only coverage, assets may not exceed \$10,000 for a household of one person and \$20,000 for a household of two or more persons.

Coverage is available for medical bills incurred no earlier than the date of application.

Services Provided

Department of Human Services (DHS) purchases services for over half of this population through capitated rate contracts with health plans. Services provided under GAMC include:

- ◆ inpatient and outpatient hospital care;
- ◆ prescription drugs, with a \$3 brand name co-pay or \$1 generic co-pay and a \$7 per month maximum;
- ◆ physician services;
- ◆ immunizations;
- ◆ hearing aids;
- ◆ chemical dependency treatment;
- ◆ laboratory and X-ray services;
- ◆ medical equipment and supplies;
- ◆ mental health services;
- ◆ prosthetics;
- ◆ emergency-room services, with a \$25 co-pay on non-emergency, emergency room visits;
- ◆ dental care;
- ◆ chiropractic services;
- ◆ medical transportation, only for emergencies and common carrier;
- ◆ rehabilitative services;
- ◆ eye exams and eyeglasses, and;
- ◆ public health nursing services.

The hospital-only (GHO) program covers:

- ◆ inpatient hospital services, with a \$1,000 co-pay per admission;
- ◆ physicians' services received during the inpatient hospitalization, and;
- ◆ services of a certified registered nurse anesthetist (CRNA) for hospitals that have elected not to include these charges in the inpatient daily rate.

Activity at a Glance

- ◆ Has an average monthly enrollment of 34,000 based on FY 2007 services
- ◆ Pays for preventive and primary health care for Minnesotans not eligible for either MinnesotaCare or Medical Assistance
- ◆ Serves primarily low-income adults without children

Historical Perspective

The legislature established the state-funded GAMC program in 1976. GAMC paid for the same broad range of medical services as MA until 1981, when coverage was restricted to seven major services: inpatient hospital care, outpatient hospital care, prescription drugs, physician services, medical transportation, dental care, and community mental health center day treatment. Since then, many services have been added back into coverage. In 1989, provisions were added that make a person who gives away certain property ineligible for GAMC for a designated penalty period. In 1995, the time during which such transfers are examined was increased from 30 to 60 months prior to application. Through 1990, the state paid 90% of the GAMC costs and counties paid 10%. Beginning in 1991, the state began reimbursing the 10% county share.

In 2003, the following eligibility provisions were eliminated:

- ◆ coverage for people with incomes over 75% of the FPG who incurred medical bills exceeding the difference between their income and this limit; this provision, known as spenddown, was replaced with the hospital-only option up to 175% of the FPG income cap;
- ◆ coverage for bills incurred before the date of application; coverage was previously available for bills incurred in the month before the application, and;
- ◆ coverage for undocumented and non-immigrant people.

Beginning in September 2006, certain GAMC applicants and enrollees are required to transition to MinnesotaCare. These applicants and enrollees will move from GAMC coverage to MinnesotaCare coverage with a six-month transition period. County agencies will pay MinnesotaCare premiums for these enrollees during the transition period. At the end of the six-month period, enrollees will be re-determined for MinnesotaCare and the county agency's obligation to pay the MinnesotaCare premium ends. During the six-month transition period, the program costs are funded from both the general fund and the health care access fund.

GAMC applicants and enrollees are exempt from the requirement to transition to MinnesotaCare and will remain on GAMC if they are otherwise eligible and they are

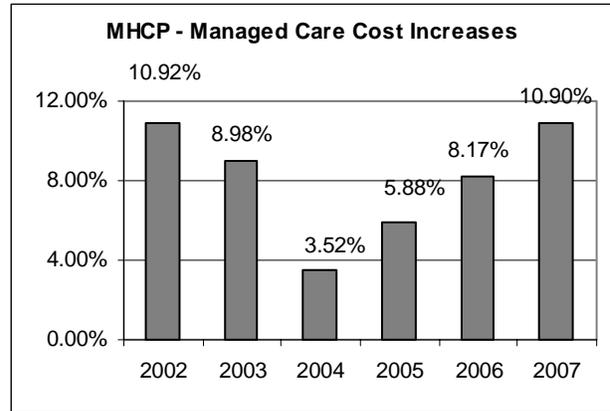
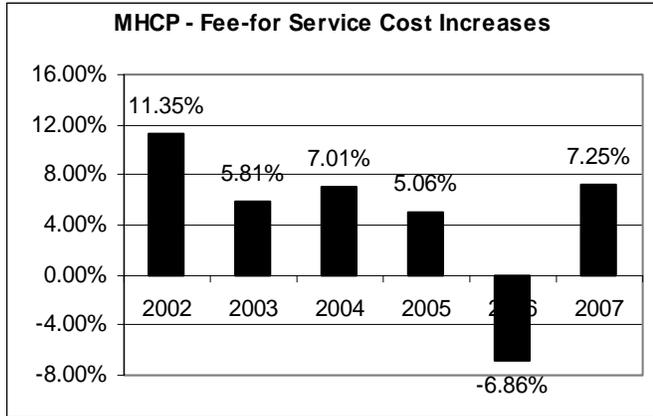
- ◆ recipients of General Assistance or Group Residential Housing payments;
- ◆ individuals who have applied for and are awaiting a determination of eligibility for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) by the Social Security Administration;
- ◆ individuals who have applied for and are awaiting a determination of blindness or disability from the State Medical Review Team;
- ◆ individuals who are homeless or who fail to meet permanent resident requirements of MinnesotaCare;
- ◆ individuals who have Medicare due to a diagnosis of end-stage renal disease;
- ◆ individuals who have private health insurance;
- ◆ individuals who are residents of the Minnesota Sex Offender Program;
- ◆ individuals who are incarcerated and meet the criteria for continued GAMC as an incarcerated person; and
- ◆ individuals who receive treatment through the Consolidated Chemical Dependency Treatment Fund.

Key Program Goals

- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ *Cost increases in Minnesota health care programs.*



For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

General Assistance Medical Care Grants is funded with appropriations from the General Fund.

Contact

For more information on General Assistance Medical Care Grants, contact Health Care Administration, (651) 431-2478.

Information on DHS programs is available on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS
Activity: GAMC GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|---------------------------|----------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 257,664 | 280,346 | 280,346 | 280,346 | 560,692 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 13,113 | 37,184 | 50,297 |
| November Forecast Adjustment | | 11,862 | 50,461 | 70,002 | 120,463 |
| Subtotal - Forecast Base | 257,664 | 292,208 | 343,920 | 387,532 | 731,452 |
| Governor's Recommendations | | | | | |
| Adjust Special Transportation Rates | | 0 | (40) | (46) | (86) |
| Alter 2011 Inpatient Hospital Rebasing | | 0 | 0 | (2,429) | (2,429) |
| Basic Care Rateable Reduction | | 0 | (4,806) | (10,029) | (14,835) |
| Elim. HC Elig. for Adults w/o children | | 0 | 66 | (5,854) | (5,788) |
| Eliminate Chiropractic Service Coverage | | 0 | (69) | (195) | (264) |
| Eliminate Dental Coverage for Adults | | 0 | (756) | (2,006) | (2,762) |
| Eliminate Podiatry Service Coverage | | 0 | (57) | (161) | (218) |
| Eliminate Rehabilitative Service Coverag | | 0 | (112) | (299) | (411) |
| HC Provider Payment Delay | | 0 | (873) | (16) | (889) |
| Inpatient June Payment Delay | | 0 | (2,377) | (326) | (2,703) |
| MH Inpatient Ratable Reduction | | 0 | (1,531) | (3,512) | (5,043) |
| Reduce LTC Provider Rates and Grants | | 0 | (7) | (8) | (15) |
| Reduce Pharmacy Reimbursements | | 0 | (90) | (97) | (187) |
| Rural Hospital Inpatient DRG Payments | | 0 | (194) | (290) | (484) |
| Total | 257,664 | 292,208 | 333,074 | 362,264 | 695,338 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 262,835 | 292,208 | 333,074 | 362,264 | 695,338 |
| Total | 262,835 | 292,208 | 333,074 | 362,264 | 695,338 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 0 | 0 | 13,113 | 37,184 | 50,297 |
| Payments To Individuals | 262,835 | 292,208 | 319,961 | 325,080 | 645,041 |
| Total | 262,835 | 292,208 | 333,074 | 362,264 | 695,338 |

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: OTHER HEALTH CARE GRANTS

Narrative

Activity Description

Other Health Care Grants contains seven elements:

- ◆ care coordination grants;
- ◆ outreach grants;
- ◆ state-wide toll-free number;
- ◆ patient incentives;
- ◆ Oral Health Pilot grant, one-time funding for the start-up costs of an oral health program;
- ◆ the Winona Community Foundation Dental Grant; and;
- ◆ monitor MA Prepaid Health Plan grants.

Activity at a Glance

- ◆ Provides funding for focused health care grants.

Population Served

This activity provides services to Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare enrollees.

Services Provided

Care coordination grants create and fund multiple care coordination pilots for children and adults with complex health care needs.

Outreach grants assist public and private organizations in providing information and application assistance to potential Minnesota Health Care Program (MHCP) enrollees.

The Patient Incentive Health Program provides incentives to MHCP enrollees who have agreed to and have met personal health goals.

The Oral Health Pilot grant will assist a contractor to organize the care system to an oral health program designed to improve access to care and improve patient outcomes in a more cost-effective manner than the existing purchasing models for dental services.

The Winona Community Foundation grant is an income grant to the Department of Human Services (DHS). The foundation advances funds to DHS in amounts sufficient to keep a balance of about \$75,000, until all grant funds (\$600,000) are depleted. DHS matches these funds with federal funds in the same manner it matches legislatively-appropriated funds with federal funds. DHS makes add-on payments to any dentist in Winona County who sees MA patients. The amount of the add-on is 20% more than would otherwise be paid by DHS or the health plan for the service. This program is administered in tandem with the legislatively-appropriated Critical Access Dental Payment Program.

The Monitor MA Prepaid Health Plans grants include expenditures incurred through interagency agreements with the Minnesota Department of Health (MDH). State matching funds are provided by MDH while DHS claims 50% federal financial participation.

Historical Perspective

Prior to the 2005 legislative session, Minnesota Health Care Program Outreach grants and County Prepaid Medical Assistance Program (PMAP) grants operated out of this budget activity. The Health Care Program Outreach grants were eliminated in the 2005 legislative session; additional outreach grant funds were appropriated in the 2008 legislative session. County PMAP grants were phased out in the 2003 legislative session with grants to counties ending in FY 2004.

Funds for the U Special Kids Program (now Care Coordination Grants) were appropriated in the 2005 legislative session. Funds for the care coordination pilot grants were appropriate in the 2007 legislative session.

The Oral Health Pilot grants were appropriated in the 2005 legislative session. One-time funding to the Board of Dentistry was transferred to DHS to fund the Oral Health Pilot grant.

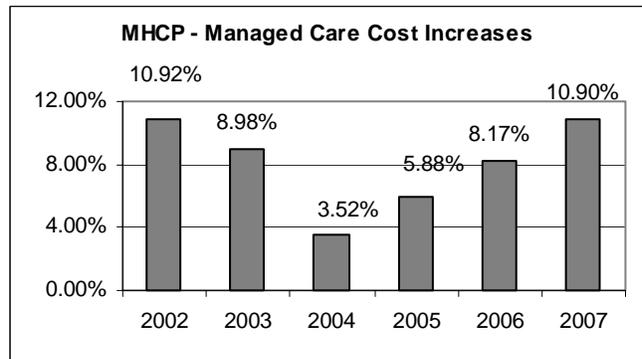
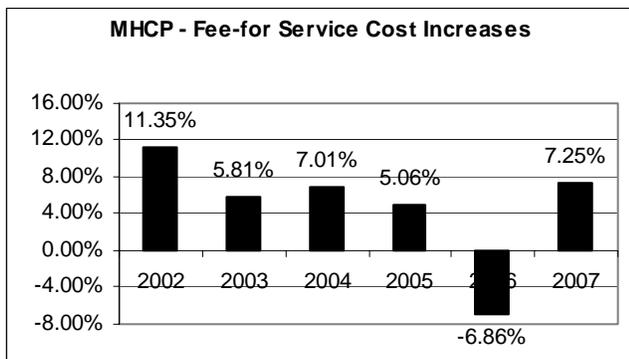
Funds for the patient incentive program and the statewide toll-free line were appropriated in the 2007 legislation session.

Key Program Goals

- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Activity Measures

- ◆ **Cost increases in Minnesota health care programs.**



For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Other Health Care Grants is funded from appropriations from the General Fund and Health Care Access Fund, from private grants, and from federal funds.

Contact

For more information on Other Health Care Grants, contact the Health Care Programs office at (651) 431-2478.

Information on DHS programs is available on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS
Activity: OTHER HEALTH CARE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 421 | 904 | 904 | 904 | 1,808 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr Transfers Between Agencies | | | 90 (208) | 90 (208) | 180 (416) |
| Subtotal - Forecast Base | 421 | 904 | 786 | 786 | 1,572 |
| Governor's Recommendations | | | | | |
| Eliminate Outreach Incentive Program | | 0 | (90) | (90) | (180) |
| Eliminate Patient Incentive Grants | | 0 | (491) | (491) | (982) |
| Total | 421 | 904 | 205 | 205 | 410 |
| Health Care Access | | | | | |
| Current Appropriation | 550 | 900 | 900 | 900 | 1,800 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr Current Law Base Change | | | 40 0 | 40 (750) | 80 (750) |
| Subtotal - Forecast Base | 550 | 900 | 940 | 190 | 1,130 |
| Governor's Recommendations | | | | | |
| Eliminate Outreach Incentive Program | | 0 | (40) | (40) | (80) |
| Total | 550 | 900 | 900 | 150 | 1,050 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 150 | 796 | 205 | 205 | 410 |
| Health Care Access | 1,250 | 900 | 900 | 150 | 1,050 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 76,535 | 67,075 | 75 | 75 | 150 |
| Federal | 403 | 1,055 | 475 | 475 | 950 |
| Total | 78,338 | 69,826 | 1,655 | 905 | 2,560 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 395 | 1,055 | 475 | 475 | 950 |
| Payments To Individuals | 76,543 | 67,075 | 75 | 75 | 150 |
| Local Assistance | 1,400 | 1,696 | 1,105 | 355 | 1,460 |
| Total | 78,338 | 69,826 | 1,655 | 905 | 2,560 |

Program Description

Health Care Management is the administrative support component of Basic Health Care Grants. It is responsible for policy development and implementation, enrollment, purchasing, payment, and quality assurance for health care services. Health Care Management coordinates with Continuing Care Management on the Medicaid-funded activities within Continuing Care Grants.

Budget Activities

- ◆ Health Care Policy Administration
- ◆ Health Care Operations

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 32,195 | 34,133 | 34,133 | 34,133 | 68,266 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (4,646) | (5,146) | (9,792) |
| Current Law Base Change | | | (607) | (788) | (1,395) |
| Subtotal - Forecast Base | 32,195 | 34,133 | 28,880 | 28,199 | 57,079 |
| Governor's Recommendations | | | | | |
| Eliminate Add'l Renewal Notice Mailings | | 0 | (186) | (186) | (372) |
| Eliminate Outreach Incentive Program | | 0 | (1,009) | (798) | (1,807) |
| Federal Compliance for HCBS Waivers | | 0 | 580 | 450 | 1,030 |
| Federal Compliance: Medicare Changes | | 0 | 17 | 0 | 17 |
| Federal Compliance: PARIS Implementation | | 0 | 17 | 0 | 17 |
| Federal Compliance: Reasonable Limits | | 0 | 6 | 0 | 6 |
| Limit Customized Living Service Rates | | 0 | 4 | 0 | 4 |
| Modify NF Level of Care Thresholds | | 0 | 100 | 0 | 100 |
| Reduce General Administrative Operations | | 0 | (3,600) | (3,600) | (7,200) |
| Total | 32,195 | 34,133 | 24,809 | 24,065 | 48,874 |
| Health Care Access | | | | | |
| Current Appropriation | 23,803 | 25,232 | 25,232 | 25,232 | 50,464 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 623 | 837 | 1,460 |
| Current Law Base Change | | | (275) | (928) | (1,203) |
| Subtotal - Forecast Base | 23,803 | 25,232 | 25,580 | 25,141 | 50,721 |
| Governor's Recommendations | | | | | |
| Elim. HC Elig. for Adults w/o children | | 0 | (1,357) | (3,737) | (5,094) |
| Elim. MnCare Eligibility for Parents | | 0 | 67 | (1,720) | (1,653) |
| Eliminate Add'l Renewal Notice Mailings | | 0 | (48) | (48) | (96) |
| Eliminate Additional Two Months Coverage | | 0 | (354) | (626) | (980) |
| Eliminate Outreach Incentive Program | | 0 | (342) | (296) | (638) |
| Health Care Program Simplification | | 0 | (551) | 2,743 | 2,192 |
| Maintain Current MinnesotaCare Premiums | | 0 | (76) | (95) | (171) |
| MnCare Rolling Month and Grace Month | | 0 | (678) | 0 | (678) |
| Total | 23,803 | 25,232 | 22,241 | 21,362 | 43,603 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 12,106 | 15,060 | 24,809 | 24,065 | 48,874 |
| Health Care Access | 18,766 | 20,728 | 22,241 | 21,362 | 43,603 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 56,334 | 63,318 | 35,536 | 40,647 | 76,183 |
| Federal | 538 | 318 | 87 | 93 | 180 |
| Total | 87,744 | 99,424 | 82,673 | 86,167 | 168,840 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 55,533 | 61,085 | 58,977 | 59,288 | 118,265 |
| Other Operating Expenses | 32,211 | 38,339 | 23,773 | 26,956 | 50,729 |
| Transfers | 0 | 0 | (77) | (77) | (154) |
| Total | 87,744 | 99,424 | 82,673 | 86,167 | 168,840 |

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------------|------------------|-------------------------|------------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Activity</u> | | | | | |
| Health Care Admin | 4,625 | 5,865 | 5,818 | 5,986 | 11,804 |
| Health Care Operations | 83,119 | 93,559 | 76,855 | 80,181 | 157,036 |
| Total | 87,744 | 99,424 | 82,673 | 86,167 | 168,840 |
| Full-Time Equivalents (FTE) | 910.1 | 830.1 | 776.2 | 724.2 | |

Activity Description

Health Care Administration is responsible for developing and implementing health care policy related to Basic Health Care Grants.

Population Served

In an average month in FY 2007, approximately 662,000 Minnesotans were enrolled in Minnesota's publicly-funded health care programs.

Health Care Administration works with many entities to serve enrollees including:

- ◆ 100,000 health care providers, including nine managed health care plans;
- ◆ approximately 24 state health care professional organizations;
- ◆ the federal Centers for Medicare and Medicaid Services, and;
- ◆ Minnesota's counties and tribes.

Services Provided

Health Care Administration is responsible for:

- ◆ developing health care program policy and leading implementation of policy initiatives;
- ◆ developing payment policies, including fee-for-service and managed care rates, that promote cost-effective delivery of quality services to Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare;
- ◆ monitoring health plans to ensure contract compliance, value, and access;
- ◆ conducting surveys and research to monitor quality of care provided and health status of program enrollees;
- ◆ working with the federal government to ensure compliance with Medicaid laws and rules;
- ◆ negotiating waivers to federal laws and rules to allow expanded access and coverage, payment initiatives, enhanced federal matching funds, and demonstration projects to improve care and services for various enrollee groups;
- ◆ working with various partners to plan and implement changes needed to comply with the federal Health Insurance Portability and Accountability Act (HIPAA);
- ◆ providing oversight of county and tribal administration of state policies and rules, and;
- ◆ planning and development of improved eligibility and enrollment systems, including an automated eligibility determination system, to make programs more accessible and administration more efficient.

Historical Perspective

Minnesota is consistently a national leader in promoting and implementing policy and payment initiatives that improve access, quality, and cost-effectiveness of services provided through publicly-funded health care programs. Federally mandated and state-initiated expansions to health care program eligibility over the past 15 years have improved access to health care for low-income, special need, and uninsured Minnesotans. At the same time, program eligibility requirements have become more complex requiring intense resources.

Changes in approaches to purchasing services for enrollees have evolved over the past two decades from strictly fee-for-service to more managed care contracting. This has changed the nature of management in this area to include sophisticated, capitated rate setting and risk adjustment, contract management, performance measurement, and more complex federal authority mechanisms, while continuing to improve fee-for-service rate setting and service coverage definition.

Activity at a Glance

- ◆ Develops health care policy for services to approximately 662,000 people served by Minnesota Health Care Programs
- ◆ Negotiates with service providers on contracts to serve enrollees
- ◆ Determines rates for services and works with the health care marketplace to get best coverage at the most affordable prices
- ◆ Consults with the federal government to stay in compliance with federal law and negotiates waivers to current program rules
- ◆ Monitors health care outcomes for enrollees

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Activity: HEALTH CARE ADMIN

Narrative

In the past decade, Department of Human Services (DHS) implemented two managed care demonstration programs for seniors and adults with physical disabilities to provide cost-effective, coordinated Medicare and Medicaid services. Both programs, the Minnesota Senior Health Options and Minnesota Disability Health Options, incorporate home- and community-based services to reduce the need for nursing home care.

Finally, as DHS increasingly contracts for day-to-day administration of primary health care services, more attention can be given to initiatives that better manage rapidly increasing health care costs. For example, the Health Care Administration has recently implemented unique volume-based purchasing agreements within fee-for-service.

Key Program Goals

- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Measures

See key measures for Health Care Grants.

For more information on DHS performance measures see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Health Care Administration is funded with appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

For more information on Health Care policies and programs, contact Health Care Administration, (651) 431-2478.

Information on DHS programs is available on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE ADMIN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 10,954 | 12,040 | 12,040 | 12,040 | 24,080 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (5,468) | (5,287) | (10,755) |
| Current Law Base Change | | | (353) | (534) | (887) |
| Subtotal - Forecast Base | 10,954 | 12,040 | 6,219 | 6,219 | 12,438 |
| Governor's Recommendations | | | | | |
| Eliminate Add'l Renewal Notice Mailings | | 0 | (186) | (186) | (372) |
| Eliminate Outreach Incentive Program | | 0 | (1,009) | (798) | (1,807) |
| Total | 10,954 | 12,040 | 5,024 | 5,235 | 10,259 |
| Health Care Access | | | | | |
| Current Appropriation | 1,788 | 2,734 | 2,734 | 2,734 | 5,468 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (1,676) | (1,492) | (3,168) |
| Current Law Base Change | | | 79 | (288) | (209) |
| Subtotal - Forecast Base | 1,788 | 2,734 | 1,137 | 954 | 2,091 |
| Governor's Recommendations | | | | | |
| Eliminate Add'l Renewal Notice Mailings | | 0 | (48) | (48) | (96) |
| Eliminate Outreach Incentive Program | | 0 | (300) | (160) | (460) |
| Total | 1,788 | 2,734 | 789 | 746 | 1,535 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 3,657 | 4,691 | 5,024 | 5,235 | 10,259 |
| Health Care Access | 967 | 1,169 | 789 | 746 | 1,535 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1 | 5 | 5 | 5 | 10 |
| Total | 4,625 | 5,865 | 5,818 | 5,986 | 11,804 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,213 | 3,787 | 3,755 | 3,572 | 7,327 |
| Other Operating Expenses | 1,412 | 2,078 | 2,063 | 2,414 | 4,477 |
| Total | 4,625 | 5,865 | 5,818 | 5,986 | 11,804 |
| Full-Time Equivalents (FTE) | 43.2 | 45.9 | 45.9 | 45.9 | |

Activity Description

Health Care Operations provides the infrastructure necessary for effective and efficient health care purchasing and delivery for Basic Health Care Grants. This includes administering the Medicaid Management Information System (MMIS), a centralized medical payment system. It also supports other department functions, including administering managed care contracts, conducting eligibility determinations, and conducting quality improvement and data analysis program management.

Population Served

Health Care Operations makes payments to providers, health plans, and, in certain cases, counties for the more than 662,000 Minnesotans, per month on average, enrolled in Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare. Health Care Operations works directly with:

- ◆ approximately 100,000 health care service providers, including inpatient and outpatient hospitals, nursing homes, dentists, physicians, mental health professionals, home care providers, personal care attendants, and pharmacists;
- ◆ approximately 24 health care provider professional organizations;
- ◆ financial and social services staff in Minnesota's 87 counties;
- ◆ health plans and other insurers; and
- ◆ the federal Centers for Medicare and Medicaid Services.

Services Provided

Health Care Operations is responsible for:

- ◆ operating MMIS, a centralized payment system, for MA, MinnesotaCare, and GAMC;
- ◆ maintaining health care provider enrollment agreements;
- ◆ supporting enrollee communication and outreach efforts;
- ◆ maintaining online system availability for claims operation, customer services, and eligibility verification for 100,000 providers;
- ◆ supporting enhanced electronic claim activity to increase processing efficiency and decrease administrative costs, including maintaining a viable point-of-sale system for pharmacy;
- ◆ developing an automated eligibility determination system;
- ◆ operating a Web-based electronic commerce environment for health care claim submission and other government-to-business electronic transactions;
- ◆ supporting the collection of premiums for MinnesotaCare and MA for Employed Persons with Disabilities (MA-EPD), spenddowns for Minnesota Senior Health Options and Minnesota Disability Health Options, and development of financial control programs capable of supporting additional premium-based health care purchasing concepts;
- ◆ identifying all liable third parties required to pay for medical expenses before expenditure of state funds and recovering costs from other insurers, which includes maximizing Medicare participation in the cost of all services for dually-eligible enrollees, with emphasis on long-term care and home health services, and;
- ◆ administering the medical care surcharge to ensure maximum receipt of surcharge funds from nursing care facilities and inpatient hospitals in compliance with federal laws and regulations.

Activity at a Glance

- ◆ Processes approximately 43.4 million fee-for-service, encounter claims, and health plan capitation payments (2007 data)
- ◆ Collects or avoids costs amounting to \$120.3 million from third-party insurers liable for some payment of services provided to program enrollees
- ◆ Operates MMIS
- ◆ Operates a Web-based portal that allows electronic claim submission by all providers
- ◆ Achieved a 0% claims processing error rate for the first federal Payment Error Rate Measurement
- ◆ Processes applications and determines eligibility for MinnesotaCare

Historical Perspective

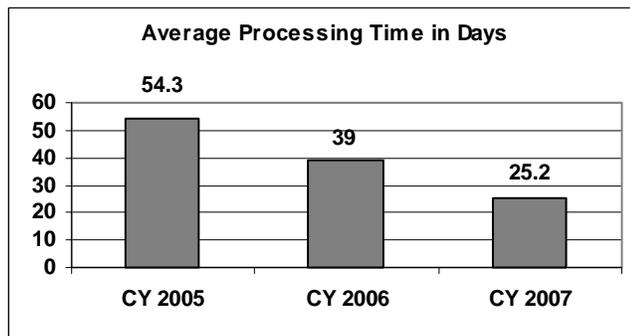
The current MMIS was implemented in 1994, replacing a system that had been operational since 1974. The current system processes 38 million fee-for-service claims and encounter transactions (record of service provided by prepaid health plans), with 97% received electronically. Complexity in health care delivery strategies and in eligibility criteria to ensure focused eligibility for very specific populations has required that MMIS be flexible and scalable. In addition, the accelerated rate of change in computing technology and the movement toward electronic government services for citizens has required ongoing strategic investments in health care systems.

Key Program Goals

- ◆ **Minnesotans will be healthy.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Use the state's participation in the health care market to improve health care quality, access, outcomes, and affordability for all Minnesotans.** For the health care and nursing home services that it purchases, the department will improve price and quality transparency, encourage the use of evidence-based care, and use the payment system to encourage quality and efficiency. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ **MinnesotaCare new application processing time.** DHS is taking steps to improve the amount of time it takes to make an initial eligibility determination for MinnesotaCare. The number of days it takes for this determination to be made was reduced by over 60% between 2005 and 2007.



For more information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Health Care Operations is funded primarily with appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

For more information on this budget activity, contact Health Care Operations, (651) 431-3050.

Information on DHS programs is available on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE OPERATIONS

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|---------------|---------------|--------------------|---------------|----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 21,241 | 22,093 | 22,093 | 22,093 | 44,186 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 822 | 141 | 963 |
| Current Law Base Change | | | (254) | (254) | (508) |
| Subtotal - Forecast Base | 21,241 | 22,093 | 22,661 | 21,980 | 44,641 |
| Governor's Recommendations | | | | | |
| Federal Compliance for HCBS Waivers | | 0 | 580 | 450 | 1,030 |
| Federal Compliance: Medicare Changes | | 0 | 17 | 0 | 17 |
| Federal Compliance: PARIS | | 0 | 17 | 0 | 17 |
| Implementation | | | | | |
| Federal Compliance: Reasonable Limits | | 0 | 6 | 0 | 6 |
| Limit Customized Living Service Rates | | 0 | 4 | 0 | 4 |
| Modify NF Level of Care Thresholds | | 0 | 100 | 0 | 100 |
| Reduce General Administrative | | 0 | (3,600) | (3,600) | (7,200) |
| Operations | | | | | |
| Total | 21,241 | 22,093 | 19,785 | 18,830 | 38,615 |
| Health Care Access | | | | | |
| Current Appropriation | 22,015 | 22,498 | 22,498 | 22,498 | 44,996 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 2,299 | 2,329 | 4,628 |
| Current Law Base Change | | | (354) | (640) | (994) |
| Subtotal - Forecast Base | 22,015 | 22,498 | 24,443 | 24,187 | 48,630 |
| Governor's Recommendations | | | | | |
| Elim. HC Elig. for Adults w/o children | | 0 | (1,357) | (3,737) | (5,094) |
| Elim. MnCare Eligibility for Parents | | 0 | 67 | (1,720) | (1,653) |
| Eliminate Additional Two Months | | 0 | (354) | (626) | (980) |
| Coverage | | | | | |
| Eliminate Outreach Incentive Program | | 0 | (42) | (136) | (178) |
| Health Care Program Simplification | | 0 | (551) | 2,743 | 2,192 |
| Maintain Current MinnesotaCare | | 0 | (76) | (95) | (171) |
| Premiums | | | | | |
| MnCare Rolling Month and Grace Month | | 0 | (678) | 0 | (678) |
| Total | 22,015 | 22,498 | 21,452 | 20,616 | 42,068 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 8,449 | 10,369 | 19,785 | 18,830 | 38,615 |
| Health Care Access | 17,799 | 19,559 | 21,452 | 20,616 | 42,068 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 56,333 | 63,313 | 35,531 | 40,642 | 76,173 |
| Federal | 538 | 318 | 87 | 93 | 180 |
| Total | 83,119 | 93,559 | 76,855 | 80,181 | 157,036 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 52,320 | 57,298 | 55,222 | 55,716 | 110,938 |
| Other Operating Expenses | 30,799 | 36,261 | 21,710 | 24,542 | 46,252 |
| Transfers | 0 | 0 | (77) | (77) | (154) |
| Total | 83,119 | 93,559 | 76,855 | 80,181 | 157,036 |

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE OPERATIONS

Budget Activity Summary

| | <i>Dollars in Thousands</i> | | | | |
|-----------------------------------|-----------------------------|---------------------------|--|-------|-----------------------------|
| | Current FY2008 | Current FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
| <i>Full-Time Equivalent (FTE)</i> | 866.9 | 784.2 | 730.3 | 678.3 | |

Program Description

Continuing Care Grants serve over 350,000 people. Some receive ongoing personal care services, including the 31,300 people per month who are at risk of institutional placement and instead receive waiver services in the community, the 21,400 people who receive mental health case management, and the 26,000 people who receive home and community-based services through community services/services development grants. Other people need only occasional assistance, such as the 70,000 people who call the Senior Linkage Line[®] each year or the 78,000 people who receive congregate or home-delivered meals.

Continuing Care Grants pays for chronic health care services, long-term care in residential settings, at-home care, mental health services, chemical dependency treatment, and social services for older Minnesotans and people with disabilities. The state partners with counties, health plans, community-based public agencies, private nonprofit agencies, private for-profit agencies, and others to deliver services. Continuing Care Grants also pays for mental health services for over 47,000 adults and chemical dependency treatment for nearly 29,000 people.

Continuing Care Grants provides an important health care safety net for some of Minnesota's most vulnerable people. These grants also provide information and resources to older Minnesotans and those with disabilities so they can be independent, retain or improve their quality of life, and contribute to their communities. Continuing Care Grants is coordinated with the department's Health Care Grants and is supported by over \$3 billion in state and federal funds each fiscal year.

Budget Activities

- ◆ Aging and Adult Services Grants
- ◆ Alternative Care Grants
- ◆ MA (Medical Assistance) Long Term Care Facilities Grants
- ◆ MA Long Term Care Waivers and Home Care Grants
- ◆ Adult Mental Health Grants
- ◆ Deaf and Hard of Hearing Grants
- ◆ Chemical Dependency Entitlement Grants
- ◆ Chemical Dependency Non-Entitlement Grants
- ◆ Other Continuing Care Grants

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|-------------------------|------------------|------------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,655,822 | 1,792,471 | 1,792,471 | 1,792,471 | 3,584,942 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 18,672 | 18,672 | 37,344 |
| Current Law Base Change | | | 121,977 | 220,819 | 342,796 |
| November Forecast Adjustment | | (36,705) | (7,144) | 15,561 | 8,417 |
| Subtotal - Forecast Base | 1,655,822 | 1,755,766 | 1,925,976 | 2,047,523 | 3,973,499 |
| Governor's Recommendations | | | | | |
| Change MA Single-Bed Payment Policy | | 0 | (1,887) | (2,431) | (4,318) |
| Correct Base Level Adjustment Errors | | 0 | (10) | 0 | (10) |
| Delay New Mental Health Services | | 0 | (750) | 0 | (750) |
| Elim. HC Elig. for Adults w/o children | | 0 | 214 | 1,113 | 1,327 |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | 477 | 477 |
| Eliminate Chemical Dependency Grants | | 0 | (346) | (693) | (1,039) |
| Eliminate Nursing Facility Rebasing | | 0 | (4,472) | (6,679) | (11,151) |
| Eliminate or Delay Three CC Grants | | 0 | (949) | (949) | (1,898) |
| Federal Compliance: Reasonable Limits | | 0 | 375 | 500 | 875 |
| Limit Customized Living Service Rates | | 0 | 35 | 338 | 373 |
| Limit Disabilities Waiver Growth | | 0 | (1,999) | (18,353) | (20,352) |
| Modify MA Asset Reduction Policy | | 0 | (5,243) | (5,772) | (11,015) |
| Modify NF Level of Care Thresholds | | 0 | (788) | (7,701) | (8,489) |
| NF Intergovernmental Transfers | | 0 | (16,200) | (16,100) | (32,300) |
| PCA Redesign and Provider Standards | | 0 | (6,581) | (30,300) | (36,881) |
| Reduce LTC Provider Rates and Grants | | 0 | (32,056) | (39,847) | (71,903) |
| Reform Payment Method for CD Providers | | 0 | (3,104) | (7,794) | (10,898) |
| Regulation of Some Trusts and Transfers | | 0 | (229) | (554) | (783) |
| Simplify Planned Closure Rate Adjustment | | 0 | (61) | (274) | (335) |
| Total | 1,655,822 | 1,755,766 | 1,851,925 | 1,912,504 | 3,764,429 |
| Health Care Access | | | | | |
| Current Appropriation | 750 | 750 | 750 | 750 | 1,500 |
| Subtotal - Forecast Base | 750 | 750 | 750 | 750 | 1,500 |
| Total | 750 | 750 | 750 | 750 | 1,500 |
| Federal Tanf | | | | | |
| Current Appropriation | 150 | 150 | 150 | 150 | 300 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (150) | (150) | (300) |
| Subtotal - Forecast Base | 150 | 150 | 0 | 0 | 0 |
| Total | 150 | 150 | 0 | 0 | 0 |
| Lottery Cash Flow | | | | | |
| Current Appropriation | 1,933 | 1,633 | 1,633 | 1,633 | 3,266 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (125) | (125) | (250) |
| Subtotal - Forecast Base | 1,933 | 1,633 | 1,508 | 1,508 | 3,016 |
| Total | 1,933 | 1,633 | 1,508 | 1,508 | 3,016 |

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|--|------------------|------------------|------------------|------------------|------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,545,053 | 1,683,847 | 1,851,926 | 1,912,505 | 3,764,431 |
| Health Care Access | 750 | 750 | 750 | 750 | 1,500 |
| Federal Tanf | 150 | 150 | 0 | 0 | 0 |
| Lottery Cash Flow | 1,846 | 1,633 | 1,508 | 1,508 | 3,016 |
| Statutory Appropriations | | | | | |
| General | 30,279 | 16,806 | 16,995 | 17,307 | 34,302 |
| Miscellaneous Special Revenue | 127,660 | 136,746 | 51,765 | 55,950 | 107,715 |
| Federal | 1,467,633 | 1,578,316 | 1,683,064 | 1,784,628 | 3,467,692 |
| Total | 3,173,371 | 3,418,248 | 3,606,008 | 3,772,648 | 7,378,656 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 3,247 | 601 | 531 | 448 | 979 |
| Payments To Individuals | 3,018,143 | 3,254,857 | 3,447,628 | 3,613,967 | 7,061,595 |
| Local Assistance | 151,981 | 162,790 | 157,849 | 158,233 | 316,082 |
| Total | 3,173,371 | 3,418,248 | 3,606,008 | 3,772,648 | 7,378,656 |
| <u>Expenditures by Activity</u> | | | | | |
| Aging And Adult Services Gr | 33,464 | 36,042 | 35,031 | 39,947 | 74,978 |
| Alternative Care Grants | 29,726 | 33,411 | 38,499 | 39,448 | 77,947 |
| Ma Ltc Facilities Grants | 1,031,266 | 1,041,839 | 1,024,025 | 1,020,121 | 2,044,146 |
| Ma Ltc Waivers & Home Care Gr | 1,828,292 | 2,044,937 | 2,220,746 | 2,378,298 | 4,599,044 |
| Adult Mental Health Grants | 73,955 | 87,133 | 86,759 | 87,861 | 174,620 |
| Deaf & Hard Of Hearing Grants | 1,866 | 2,195 | 2,164 | 2,149 | 4,313 |
| Cd Entitlement Grants | 123,813 | 129,459 | 159,776 | 172,940 | 332,716 |
| Cd Non-Entitlement Grants | 15,562 | 19,680 | 14,858 | 14,071 | 28,929 |
| Other Continuing Care Grants | 35,427 | 23,552 | 24,150 | 17,813 | 41,963 |
| Total | 3,173,371 | 3,418,248 | 3,606,008 | 3,772,648 | 7,378,656 |

Activity Description

Aging and Adult Services Grants provides non-medical social services and supports for older Minnesotans and their families to enable them to stay in their own homes and avoid institutionalization.

Population Served

To be eligible for most of the services paid through these grants, people must be age 60 or older. Although not means-tested, services are targeted to people with the greatest social and economic needs. This conforms to eligibility criteria under the Older Americans Act (OAA), which also provides federal funding for a number of these services.

State Community Service/Services Development (CS/SD) and Caregiver Respite and Support (Caregiver) programs increase services availability and service choice for older Minnesotans in both urban and rural communities, providing greater opportunity for Minnesotans to age-in-place.

Services Provided

Aging and Adult Services grants provide

- ◆ nutritional services including meals, grocery delivery, and nutrition education counseling;
- ◆ transportation, chore services, and other services that help people stay in their own homes;
- ◆ diabetes, blood pressure screening, falls prevention, and other health promotion services;
- ◆ mentoring of families and children through older adult volunteer community services projects;
- ◆ care and one-on-one attention for special needs children (through the Foster Grandparents Program);
- ◆ assistance with daily activities for frail older adults;
- ◆ information and assistance through Senior LinkAge Line,[®] the online database <http://www.Minnesotahelp.org/public/>, and web-based long-term care planning tools;
- ◆ counseling about Medicare, supplemental insurance, and long-term care insurance options;
- ◆ comprehensive prescription drug expense assistance, including Medicare Part D, to Minnesotans of all ages;
- ◆ respite and other supportive services to family caregivers, including the option for consumer-directed supports;
- ◆ expansion and development of more home and community services and housing options; and
- ◆ caregiver services to support family caregivers and their care receivers.

Activity at a Glance

- ◆ Provides congregate dining to 63,000 people and home-delivered meals to 15,000 people annually
- ◆ Provides social service support services to 234,000 people, health care promotion to 8,000 people, and caregiver supports to 23,000 annually
- ◆ Supports nearly 17,000 participants per year who provide services through the Retired and Senior Volunteer Program (RSVP), Foster Grandparents, and Senior Companions
- ◆ Provides more than 70,000 callers per year with one-to-one information and counseling through the Senior LinkAge Line[®]
- ◆ Funds home and community-based service options for more than 26,000 people and increased capacity by 12,000 volunteers in FY 2007 through the Community Service/Service Development grant program

Historical Perspective

The OAA was passed by Congress in 1965 at the same time the Medicaid program, which began federal funding for nursing home care, was established. The OAA's purpose was to assist elderly people to live as independently as possible and avoid premature institutionalization. Federal OAA funds in Minnesota are administered through the Minnesota Board on Aging to provide less formal, community-based services, including volunteer-based services. Federal funding for these programs and services has remained relatively static since 2002. During this same time period, the population of older persons in Minnesota has increased about 7%. State funds have been appropriated to supplement the federal OAA funds as well as to promote the state's goal of rebalancing the state's long-term care system. In 2003 state funding for most of these grants was reduced by 15%. However, \$125,000 per year was restored during the 2007 legislative session for the senior nutrition grant and the volunteer grants.

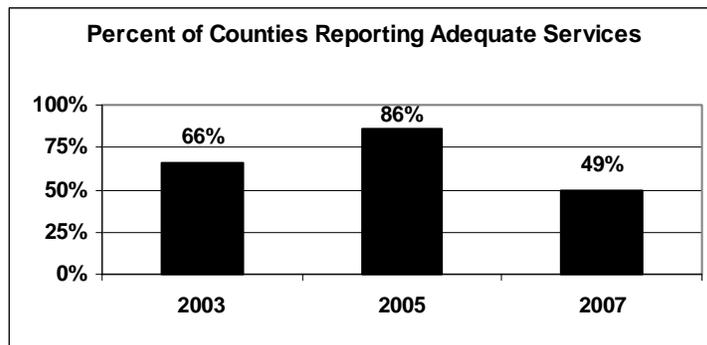
From FY 2002 through FY 2007, state CS/SD and Caregiver funds have been awarded to 213 projects increasing the supply of in-home supports and serving more than 169,000 people in 87 counties, as well as using more than 39,000 volunteers.

Key Program Goals

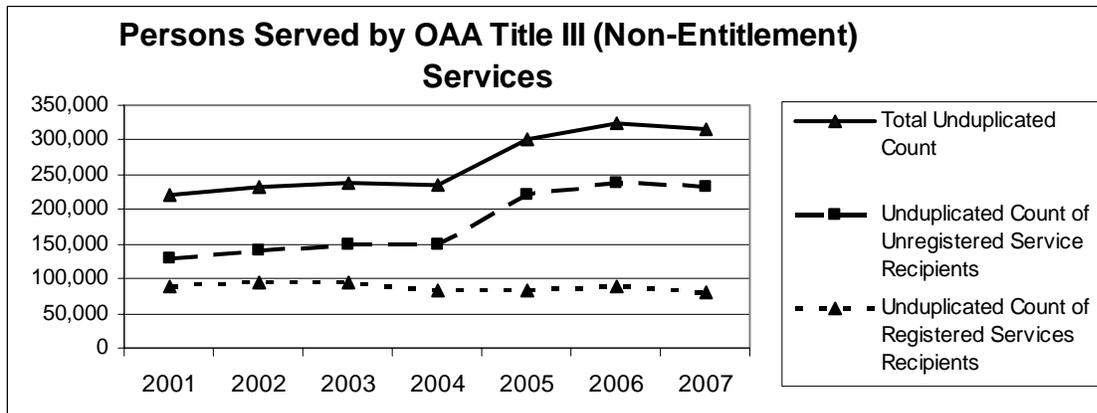
- ◆ *Help older Minnesotans receive the long-term care services they need in their homes and communities, choose how they receive services, and have more options for using their personal resources to pay for long-term care.* Funds in this grant area increase the availability of non-institutional service options for older persons and their families. Competitive grants promote evidence-based models that leverage local private funds and in-kind contributions to promote affordable services that are both dependable and sustainable. This goal is from *Departmental Results* (<http://www.departmentresults.state.mn.us/hs/index.html>).

Key Activity Measures

- ◆ *Percentage of Minnesota counties reporting adequate home and community-based services for rebalancing long-term care.* “Rebalancing” refers to shifting services to home and community-based services from institutional care.



- ◆ *Number of people served by the Older American’s Act Title III services (non-entitlement)*



A “registered service” requires a detailed client profile and is for more specified needs, such as personal care, homemaker, chore, home delivered meals, adult day care, case management, assisted transportation (need an escort), congregate meals, and nutrition counseling. A “non-registered service” does not require a client profile and includes such services as transportation, information and referral, outreach, nutrition education, and legal assistance.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: AGING AND ADULT SERVICES GR

Narrative

Activity Funding

Aging and Adult Services Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on these grants, contact Aging and Adult Services Division at (651) 431-2600.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: AGING AND ADULT SERVICES GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 14,357 | 14,390 | 14,390 | 14,390 | 28,780 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 118 | 242 | 360 |
| Subtotal - Forecast Base | 14,357 | 14,390 | 14,508 | 14,632 | 29,140 |
| Governor's Recommendations | | | | | |
| Eliminate or Delay Three CC Grants | | 0 | (507) | (507) | (1,014) |
| Modify NF Level of Care Thresholds | | 0 | 846 | 6,001 | 6,847 |
| Reduce LTC Provider Rates and Grants | | 0 | (315) | (423) | (738) |
| Total | 14,357 | 14,390 | 14,532 | 19,703 | 34,235 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 14,356 | 14,390 | 14,532 | 19,703 | 34,235 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 305 | 347 | 347 | 347 | 694 |
| Federal | 18,803 | 21,305 | 20,152 | 19,897 | 40,049 |
| Total | 33,464 | 36,042 | 35,031 | 39,947 | 74,978 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 33,464 | 36,042 | 35,031 | 39,947 | 74,978 |
| Total | 33,464 | 36,042 | 35,031 | 39,947 | 74,978 |

Activity Description

Alternative Care (AC) is a state-funded program that pays for at-home care and community-based services for older adults who are at risk of becoming eligible for Medical Assistance (MA) nursing facility care within four-and-one-half months. It provides eligible older adults with in-home and community-based services and supports similar to federally-funded home and community-based programs.

Population Served

To be eligible for AC, a person must be age 65 or older, assessed as needing nursing facility level of care, and have income and assets inadequate to fund nursing facility care for more than 135 days. The person must also be capable of paying a monthly program participation fee and have needs that can be met within available resources.

Activity at a Glance

- ◆ Pays for in-home, community-based services for low-income elderly Minnesotans.
- ◆ Helps adults 65 years and older stay in their own homes longer by providing an alternative to nursing home care.
- ◆ Serves an average of 3,307 persons per month.
- ◆ Costs an average of \$698 per person per month, compared to \$3,376 per person in a nursing facility.

In FY 2007, the AC program provided services for an average of 3,307 elderly persons per month at an average monthly cost of \$698 per person. This compared to a \$3,376 average monthly cost of nursing facility care during the same time period.

Services Provided

Alternative Care provides funding for:

- ◆ respite care, both in-home and at approved facilities, to provide a break for caregivers;
- ◆ case management to ensure that program access and services planned, authorized, and provided are appropriate;
- ◆ adult day care;
- ◆ personal care services to assist with activities of daily living;
- ◆ homemaker services;
- ◆ companion service;
- ◆ caregiver training and education to provide caregivers with the knowledge and support necessary to care for an elderly person;
- ◆ chore services to provide assistance with heavy household tasks such as snow shoveling;
- ◆ home health nursing and aide services;
- ◆ transportation to AC-related services and community activities;
- ◆ nutrition services;
- ◆ AC service-related supplies and equipment;
- ◆ tele-homecare services, and;
- ◆ other authorized consumer-directed services and discretionary services that are part of the person's plan of care.

Historical Perspective

The AC program was implemented in 1981. Its purpose is to provide low-income (but not yet MA eligible), older adults at risk of nursing facility placement with in-home and community-based services to assist them to remain at home. Funding is allocated to local lead agencies to provide services under individual service plans. The local agencies are responsible for managing their allocations to serve eligible persons. There were three major legislative changes made to the program effective August 2005 and January 2006 that resulted in nearly a 30% caseload reduction during FY 2006. The changes eliminated assisted living, adult foster care, and residential services from the AC service menu, repealed liens, and reduced financial program eligibility criteria. After several years of significant decreases, AC monthly recipients and expenditures were leveling off in FY 2007.

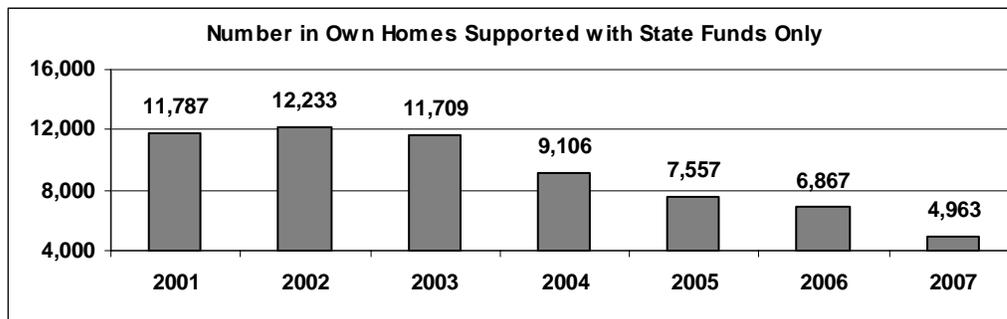
Key Program Goals

- ◆ *Older Minnesotans will receive the long-term care services they need in their homes and communities, will be able to choose how they receive services, and will have more options for using their personal resources to pay for long-term care.* This goal is from *Department Results* (<http://www.departmentresults.state.mn.us/hs/index.html>).
- ◆ *People in need will receive support that helps them live as independently as they can.* This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).

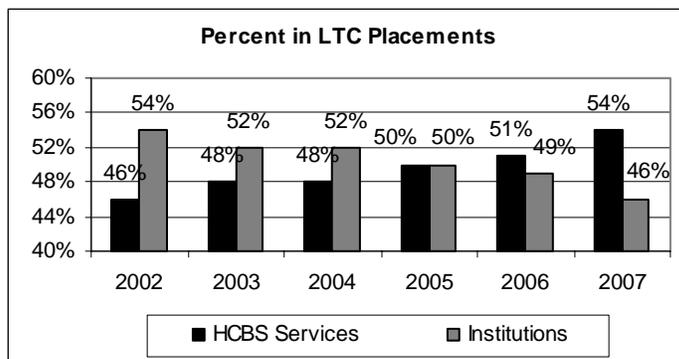
Funds for Alternative Care Grants increase the availability of non-institutional service options for very low income, older persons and their families. The recent legislative changes have ensured that these persons are supported to remain in their own homes.

Key Activity Measures

- ◆ *Number of low-income people (who are not eligible for Medical Assistance) supported through a state-only funding source so that they can remain in their own homes.* From 2001 to 2007, the number of AC recipients declined nearly 60%; 30% was due to instituting liens and estate recovery in 2003 and the remaining 30% was due to elimination of assisted living, adult foster care, and residential services in 2006. During this time, the number of EW participants nearly doubled.



- ◆ *Proportion of elders served in institutional vs. community settings*



“HCBS” refers to home- and community-based services.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Alternative Care Grants is funded with appropriations from the general fund and with enrollee premiums.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: ALTERNATIVE CARE GRANTS

Narrative

Contact

For more information on Alternative Care Grants, contact the Aging and Adult Services Division at (651) 431-2600.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: ALTERNATIVE CARE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 49,858 | 51,560 | 51,560 | 51,560 | 103,120 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 560 | 717 | 1,277 |
| Subtotal - Forecast Base | 49,858 | 51,560 | 52,120 | 52,277 | 104,397 |
| Governor's Recommendations | | | | | |
| Modify NF Level of Care Thresholds | | 0 | (610) | (5,646) | (6,256) |
| Reduce LTC Provider Rates and Grants | | 0 | (1,003) | (1,362) | (2,365) |
| Total | 49,858 | 51,560 | 50,507 | 45,269 | 95,776 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 28,013 | 31,571 | 36,451 | 37,192 | 73,643 |
| Statutory Appropriations | | | | | |
| General | 1,713 | 1,840 | 2,048 | 2,256 | 4,304 |
| Total | 29,726 | 33,411 | 38,499 | 39,448 | 77,947 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 29,726 | 33,411 | 38,499 | 39,448 | 77,947 |
| Total | 29,726 | 33,411 | 38,499 | 39,448 | 77,947 |

Activity Description

Medical Assistance (MA) Long-Term Care (LTC) Facilities Grants pays for nursing facility (NF) care, intermediate care facilities for people with developmental disabilities (ICFs/MR), and day training and habilitation (DT&H) for people who are ICF/MR residents.

Population Served

MA enrollees who require nursing facility or ICF/MR services must apply and be deemed eligible for LTC services. There are 608 long-term care facilities that serve about 33,900 people per month. The following data are from reporting year 2007 for nursing facilities and from FY 2007 for ICFs/MR:

- ◆ There are 390 MA-certified NF and boarding care homes with 33,989 beds serving an average of 32,000 people per month at an average daily rate of \$156. Of these residents, 59% receive Medical Assistance and 41% privately pay for their care, receive Medicare, or have other payment means.
- ◆ There are 218 MA-certified ICFs/MR. Of these facilities, 147 are six beds or fewer and 71 have more than six beds. ICFs/MR served an average of 1,864 recipients per month receiving an average payment of \$6,234 per resident. In FY 2007, no ICFs/MR's were closed and eight additional beds were decertified due to downsizing.

Activity at a Glance

- ◆ Provides nursing facility and boarding care home services to 32,000 people per month
- ◆ Provides ICF/MR services to 1,900 residents per month
- ◆ Provides DT&H services to 13,000 people per year

Funding for DT&H services is contained in three different budget activities: MA Long-Term Care Facilities Grants for those people residing in ICFs/MR, MA Long-Term Care Waivers and Home Care Grants for waiver recipients with developmental disabilities, and Children and Community Services Grants available to all eligible people. There are 275 DHS-licensed DT&H services sites in Minnesota serving approximately 13,000 people with developmental disabilities. These sites served an average of 1,486 ICF/MR recipients per month receiving an average MA payment of \$1,761 per person.

People who reside in an ICF/MR have the flexibility and choice to receive an alternative option to DT&H, called "service during the day." This means that recipients with developmental disabilities have a choice of day services, as do people who receive a home and community-based waiver.

Services Provided

Nursing facilities provide 24-hour care and supervision in an institutional-based setting. Housing and all other services are provided as a comprehensive package including, but not limited to, nursing care, help with activities of daily living and other care needs, housing, meals, medication administration, activities and social services, supplies and equipment, housekeeping, linen and personal laundry, and therapy services (at an extra cost).

ICFs/MR, located in 59 of the state's 87 counties, provide 24-hour care, active treatment, training, and supervision to persons with developmental disabilities. They range in size from four beds to 64 beds. Some ICFs/MR are less medically oriented than nursing facilities and provide outcome-based services for personal needs. Many facilities now provide services for persons with aging conditions, such as Alzheimer's, and also contract for in-home hospice care. All ICFs/MR must provide functional skill development, opportunities for development of decision making skills, opportunities to participate in the community, and reduced dependency on care providers. Like nursing facilities, an ICF/MR provides a package of services which includes housing and food.

DT&H services are licensed supports providing persons with developmental disabilities help to develop and maintain life skills, participate in the community, and engage in productive and satisfying activities. DT&H services include supervision, training, and assistance in self-care; communication, socialization, and behavior management; supported employment and work-related activities; training in community survival skills and money management; therapeutic activities that increase adaptive living skills; and community-based activities including the use of leisure and recreation time.

Historical Perspective

Use of NFs grew rapidly with the establishment of the federal Medicaid program in the 1960s. Federal matching funds for the state's publicly-funded health care programs provided an incentive for investment in the development of nursing homes. Medicaid expenditures grew as people who qualified for NF services accessed this entitlement. In the 1980s, a moratorium was placed on development of new NFs and efforts were made to develop less expensive home and community-based alternatives. Today, older adults are choosing to receive services in their own homes. NF utilization has been declining and NFs are more often used for short-term care and rehabilitation following hospitalization. Recent efforts to "rightsize" the industry and to provide financial stability include provisions for bed layaway, higher rates for short lengths of stay, planned bed closures, and creation of single-bed rooms.

Efforts to improve the quality of nursing home services have now expanded beyond the historic regulatory approach and include measuring quality, publicly disclosing rankings based on those measures, and using the quality measures as a factor in determining payment rates. The quality measures used include:

- ◆ resident face-to-face surveys on quality of life and satisfaction;
- ◆ level of direct care staffing;
- ◆ retention of direct care staff;
- ◆ use of staff from temporary agencies;
- ◆ Minnesota quality indicators based on assessments of residents;
- ◆ deficiency finding from Minnesota Department of Health inspections, and;
- ◆ proportion of beds in single-bed rooms.

ICFs/MR are another Medicaid-funded entitlement service. Before the 1970s, virtually all public services for people with developmental disabilities were paid for with state funds and delivered in large state institutions. In 1971, Congress authorized Medicaid funding for ICF/MR services. To qualify for Medicaid reimbursement, ICFs/MR had to be MA-certified and comply with federal standards. Smaller ICFs/MR developed in the 1970s and early 1980s to aid in deinstitutionalizing people with disabilities from large state-run institutions. After a moratorium was placed on the development of new ICFs/MR in the mid-1980s, people began receiving services in their own homes. Since that time, the number of people served in ICFs/MR has been steadily declining.

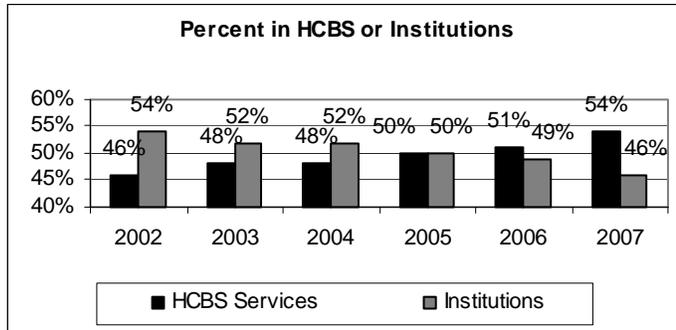
DT&H services have been operating for over 35 years and currently provide an average of 230 days of service per year.

Key Program Goals

- ◆ ***The Continuing Care Administration strives to improve the dignity, health, and independence of the people it services.*** By doing so, Minnesotans will live as independently as possible; enjoy health, with quality access to health care; have safe, affordable places to live; be contributing and valued members of their communities; and participate in rewarding daily activities, including gainful employment. This goal is derived from the Continuing Care Administration's mission and vision statements.
- ◆ ***Help older Minnesotans receive the long-term care services they need in their homes communities, choose how they receive services, and have more options for using their personal resources to pay for long-term care.*** This goal is from DHS' *Department Results* (<http://www.departmentresults.state.mn.us/hs/index.html>).
- ◆ ***Improve home and community-based services for the elderly and people with disabilities by establishing and using provider performance measures and standards.*** The department will improve the provider performance data it collects for home and community-based services so that consumers and government can make more informed purchasing decisions. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfservlet/Legacy/DHS-4694-ENG>).

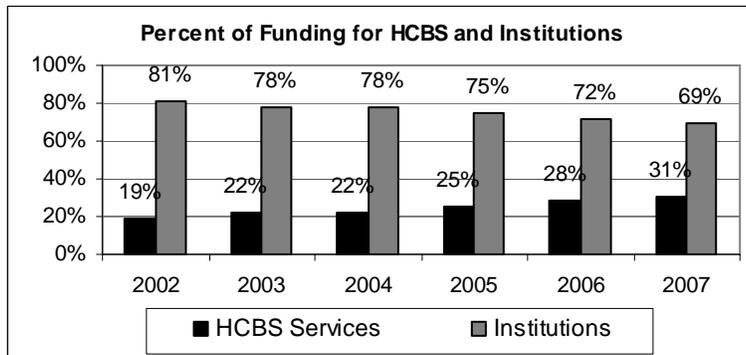
Key Measures

- ◆ *Percentage of elderly receiving publicly-funded long-term care who live in the community versus an institutional setting.*



“HCBS” refers to home and community based services which are designed to help elderly people remain in their own community.

- ◆ *Percentage of public long-term care dollars expended for seniors in community versus institutional settings.*



“HCBS” refers to home and community based services which are designed to help elderly people remain in their own community.

Both of these measures capture the extent to which the long-term care system is able to support the elderly and people with disabilities in the community and allow them to live independently.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MA Long Term Care Facilities Grants is funded with appropriations from the general fund and from federal Medicaid funds.

Contact

For more information on MA LTC Facility Grants, contact:

- ◆ Nursing Facilities Rates and Policy, (651) 431-2280
- ◆ Disabilities Services Division, (651) 431-2400.

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: MA LTC FACILITIES GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|---------------------------|------------------|------------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 483,628 | 500,453 | 500,453 | 500,453 | 1,000,906 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 1,312 | (5,511) | (4,199) |
| November Forecast Adjustment | | (6,089) | 4,483 | 18,102 | 22,585 |
| Subtotal - Forecast Base | 483,628 | 494,364 | 506,248 | 513,044 | 1,019,292 |
| Governor's Recommendations | | | | | |
| Change MA Single-Bed Payment Policy | | 0 | (1,887) | (2,431) | (4,318) |
| Eliminate Nursing Facility Rebasing | | 0 | (4,472) | (6,679) | (11,151) |
| Federal Compliance: Reasonable Limits | | 0 | 375 | 500 | 875 |
| Limit Customized Living Service Rates | | 0 | 41 | 622 | 663 |
| Limit Disabilities Waiver Growth | | 0 | 0 | 412 | 412 |
| Modify MA Asset Reduction Policy | | 0 | (5,243) | (5,772) | (11,015) |
| Modify NF Level of Care Thresholds | | 0 | (356) | (3,354) | (3,710) |
| NF Intergovernmental Transfers | | 0 | (16,200) | (16,100) | (32,300) |
| Reduce LTC Provider Rates and Grants | | 0 | (2,247) | (2,496) | (4,743) |
| Regulation of Some Trusts and Transfers | | 0 | (229) | (554) | (783) |
| Simplify Planned Closure Rate Adjustment | | 0 | (61) | (274) | (335) |
| Total | 483,628 | 494,364 | 475,969 | 476,918 | 952,887 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 493,737 | 514,353 | 490,026 | 484,996 | 975,022 |
| Statutory Appropriations | | | | | |
| General | 28,566 | 14,716 | 14,947 | 15,051 | 29,998 |
| Federal | 508,963 | 512,770 | 519,052 | 520,074 | 1,039,126 |
| Total | 1,031,266 | 1,041,839 | 1,024,025 | 1,020,121 | 2,044,146 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 1,031,266 | 1,041,839 | 1,024,025 | 1,020,121 | 2,044,146 |
| Total | 1,031,266 | 1,041,839 | 1,024,025 | 1,020,121 | 2,044,146 |

Activity Description

Medical Assistance (MA) Long-Term Care (LTC) Waivers and Home Care Grants pays for a collection of medical, continuing care, and health care-related support services that enable low-income Minnesotans, who are elderly or who have disabilities, to live as independently as possible in their communities. LTC waivers refer to home and community-based services available under a federal Medicaid waiver as an alternative to institutional care. Home Care grants fund personal care assistance, private duty nursing, home health aides, and skilled nursing, as well as physical, occupational, speech, and respiratory therapy.

Activity at a Glance

- ◆ Supports 31,300 people per month who are at risk of placement in an institution in the community through long-term care waivers
- ◆ Provides MA personal care and private duty nursing to 11,700 people per month
- ◆ Provides home health care services to 5,300 people per month

Population Served

Home care grants and LTC waivers serve MA-enrolled people of all ages, including infants and older adults. These programs serve an average of approximately 48,300 people per month.

To receive LTC waivers, a person must be eligible for Medicaid and would otherwise receive care in an institution. Each of the LTC waivers is targeted at a certain group of recipients. To participate, individuals must meet the specific eligibility criteria. Below are the five MA LTC Waivers administered by the department:

- ◆ *Developmental Disabilities (DD)*: Formerly known as the Mental Retardation and Related Conditions (MR/RC) Waiver, this waiver is for individuals with developmental disabilities who need the level of care provided at intermediate care facilities for people with mental retardation or related condition (ICF/MR). In FY 2007, the waiver served an average of 14,100 recipients monthly at a cost of \$5,322 per month.
- ◆ *Elderly Waiver (EW)*: This waiver is for individuals who are over 65 years old and need the level of care provided at a nursing facility. In 2007, the waiver served 5,700 recipients monthly at a cost of \$1,312 per month and 11,200 managed care recipients monthly at a cost of \$1,024 per month. The managed care payment amounts are included in the MA Basic Health Care—Elderly and Disabled budget activity.
- ◆ *Community Alternative for Disabled Individuals (CADI)*: The CADI Waiver serves individuals who have a disability and require the level of care provided in a nursing home. In FY 2007, the waiver served 10,100 recipients monthly at a cost of \$1,846 per month.
- ◆ *Traumatic Brain Injury (TBI)*: This waiver is for individuals with a traumatic or acquired brain injury who need the level of care provided in a nursing home or neurobehavioral hospital. In FY 2007, the waiver served 1,200 recipients monthly at a cost of \$5,289 per month.
- ◆ *Community Alternative Care (CAC)*: CAC serves individuals who are chronically ill and need the level of care provided at a hospital. In FY 2007, the waiver served 240 recipients monthly at a cost of \$4,733 per month.

Services Provided

Home care includes a range of medical care and support services provided in a person's home and community. MA home care services are authorized based on medical necessity. MA home care services include assessments by public health nurses; home health aide visits; nurse visits; private duty nursing services; personal care services; occupational, physical, speech, and respiratory therapies; and medical supplies and equipment.

LTC waivers, which are also known as home and community-based waiver programs, provide a variety of services that assist people to live in the community instead of going into or staying in an institutional setting. In addition to case management and caregiver supports, waivers can offer in-home, residential, medical, and behavioral supports; customized day services, including employment supports; transitional services when leaving an institution; transportation; home modifications; and other goods and services based upon the assessed needs of the person.

Consumer-Directed Community Supports (CDCS) is a waiver service that provides Minnesotans increased flexibility in determining and designing supports that best meet their needs. In March 2004, the Centers for

Medicare and Medicaid Services approved the CDCS service across all LTC waivers. Implementation in all Minnesota counties began in April 2005.

Historical Perspective

Home and community-based waivers were established under section 1915 of the federal Social Security Act of 1981. These waivers are intended to correct the institutional bias in Medicaid by allowing states to offer a broad range of home and community-based services to people who may otherwise be institutionalized.

In 1999, the United States Supreme Court in *Olmstead v. L. C.* clarified that Title II of the Americans with Disabilities Act (ADA) includes supporting people in the most integrated settings possible. The decision applies to people of any age who have a disability, including mental illness. During 2007, CADI and TBI waivers helped 12,900 individuals either to relocate from an institution to the community or to remain in their homes or communities with support services. This number includes almost 5,200 individuals with a mental health diagnosis who might otherwise receive supports in an institution.

Also in 1999, the legislature required the state to increase the MR/RC waiver caseload until all forecasted funds appropriated to the waiver were expended. In accordance with this legislation, the state allowed "open enrollment" for a three-month period in FY 2001. Over 5,000 recipients were added to the program during the open enrollment period.

In 2003, the legislature required a phase-in of Elderly Waiver services and 180 days of nursing facility care to the basic Medicaid managed care package. The new product for seniors is Minnesota Senior Care Plus.

In 2004, the federal Centers for Medicare and Medicaid Services (CMS) approved statewide expansion of Minnesota Senior Health Options (MSHO). MSHO, which has been operating in Minnesota since 1997, is a voluntary alternative for dual eligible seniors ages 65 and older. MSHO plans assume full risk for both Medicare and Medicaid services: primary, acute, and long-term care (including 180 days of nursing home care); the full menu of EW services in the community; and more recently the Medicare Part D drug benefit.

As of June 2008, 82% of EW recipients are receiving services through MSHO or Minnesota Senior Care Plus, which are managed by health plans. Fee-for-services EW services, which are managed by the counties, comprise 18% of EW clients.

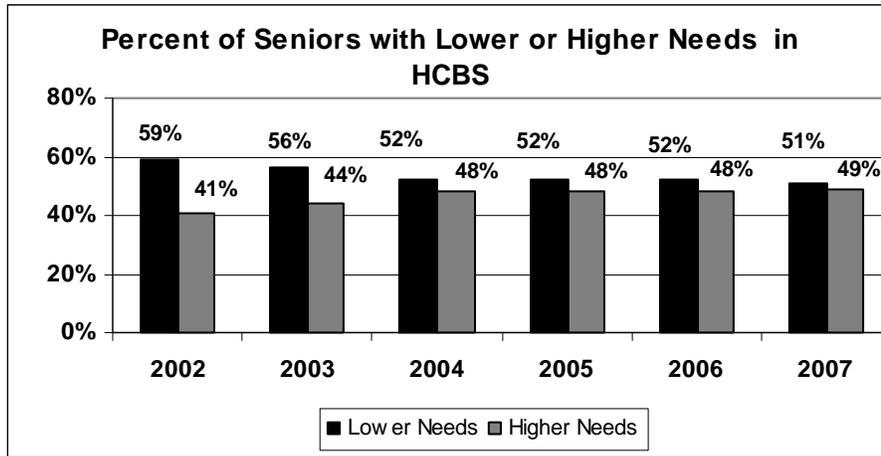
The 2006 legislature provided additional CADI and TBI slots for eligible individuals who were receiving personal care assistance services from a provider who was billing for a service delivery model other than individual or shared care on 03-01-06. With this legislation, 114 individuals moved from PCA services to either the CADI or TBI Waiver.

Key Program Goals

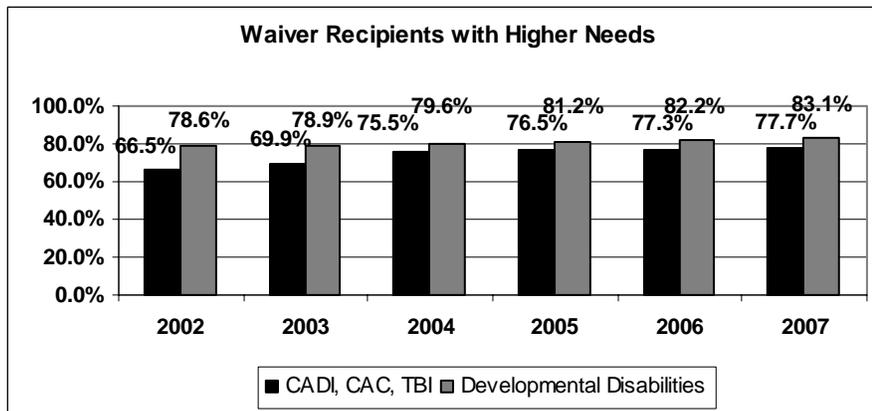
- ◆ ***The Continuing Care Administration strives to improve the dignity, health, and independence of the people it serves.*** By doing so, Minnesotans will live as independently as possible, enjoy health, with quality access to health care; have safe, affordable places to live; be contributing and valued members of their communities; and participate in rewarding daily activities, including gainful employment. This goal is derived from the Continuing Care Administration's mission and vision statements.
- ◆ ***All people will be welcomed, respected, and able to participate fully in Minnesota's communities and economy.*** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ ***Improve home and community-based services for the elderly and people with disabilities by establishing and using provider performance measures and standards.*** Efforts in this area include integration of all quality activities statewide into a comprehensive quality system for home and community-based services. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Key Measures

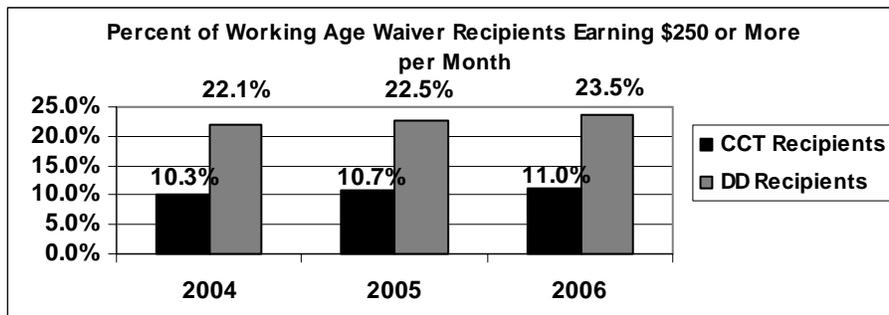
- ◆ *Percentage of elders receiving home and community-based services who have higher needs.*



- ◆ *Percentage of people with disabilities receiving CAC, CADI, TBI, and DD services who have higher needs.*



- ◆ *Percentage of people with disabilities receiving CAC, CADI, TBI, and DD services who are working age and earning at least \$250 per month.*



Working age means 22-64 years old. "CCT recipients" is persons on the CADI, CAC, or TBI waiver programs. In 2006, there were 11,735 CCT waiver recipients, with 9,870 (84%) of working age. "DD recipients" is persons on the DD Waiver. For 2006, there were 14,193 DD Waiver recipients with 9,861 (69%) of working age.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: MA LTC WAIVERS & HOME CARE GR

Narrative

These three measures capture the extent to which DHS home and community-based services are allowing people with higher needs to stay in the community and, where appropriate, to work.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MA LTC Waivers and Home Care Grants are funded with appropriations from the general fund and from federal funds.

Contact

For more information on MA LTC Waivers and Home Care Grants, contact:

- ◆ Disability Services Division, (651) 431-2400
- ◆ Aging and Adult Services Division, (651) 431-2600.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: MA LTC WAIVERS & HOME CARE GR

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|--------------------|------------------|---------------------|
| | Current | | Governor's Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 938,536 | 1,050,833 | 1,050,833 | 1,050,833 | 2,101,666 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 101,368 | 198,529 | 299,897 |
| November Forecast Adjustment | | (20,769) | (15,400) | (8,777) | (24,177) |
| Subtotal - Forecast Base | 938,536 | 1,030,064 | 1,136,801 | 1,240,585 | 2,377,386 |
| Governor's Recommendations | | | | | |
| Limit Customized Living Service Rates | | 0 | (6) | (284) | (290) |
| Limit Disabilities Waiver Growth | | 0 | (2,649) | (19,765) | (22,414) |
| Modify NF Level of Care Thresholds | | 0 | (668) | (5,202) | (5,870) |
| PCA Redesign and Provider Standards | | 0 | (5,654) | (25,212) | (30,866) |
| Reduce LTC Provider Rates and Grants | | 0 | (27,687) | (34,504) | (62,191) |
| Total | 938,536 | 1,030,064 | 1,100,137 | 1,155,618 | 2,255,755 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 914,019 | 1,030,064 | 1,100,137 | 1,155,618 | 2,255,755 |
| Statutory Appropriations | | | | | |
| Federal | 914,273 | 1,014,873 | 1,120,609 | 1,222,680 | 2,343,289 |
| Total | 1,828,292 | 2,044,937 | 2,220,746 | 2,378,298 | 4,599,044 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 1,828,292 | 2,044,937 | 2,220,746 | 2,378,298 | 4,599,044 |
| Total | 1,828,292 | 2,044,937 | 2,220,746 | 2,378,298 | 4,599,044 |

Activity Description

Adult Mental Health Grants serves Minnesotans with mental illness, spurs development of non-institutional treatment options, and pays for mental health services for people when they cannot afford to pay. This activity supports the overall objective of promoting assistance for people to live independently, when possible, and, when not, to live in treatment settings that are clean, safe, caring, and effective. These grants are used in conjunction with other funding, particularly Medical Assistance (MA) and Group Residential Housing.

Population Served

Approximately 211,000 Minnesota adults have a serious mental illness (SMI). This compares to about 47,000 people who actually received these services in 2007 (based on county reports to the Community Mental Health Reporting System).

These grants serve primarily adults with serious mental illness. (This definition does not include people with developmental disabilities or chemical dependency unless these conditions co-exist with mental illness.) This grant area includes a few grants that serve both adults and children. (Grants that serve solely children are in the Children’s Mental Health Grants budget activity.)

Services Provided

Mental Health Grants supports a variety of services:

- ◆ *Adult Mental Health Initiative/Integrated Fund* supports the expansion and ongoing implementation of community-based services and development of alternative service delivery models to reduce reliance on facility-based care. As part of this initiative, regional treatment center staff are integrating into the community mental health delivery system. In most of the state, this also includes integration of the separate grants listed below. Integration of grants at the county level allows administration to be more effective and efficient. During the past year, all Adult Mental Health Initiatives (serving 87 counties) have received new *Crisis Services Grants* to build capacity for mobile crisis teams and crisis stabilization services and provide ongoing funding for crisis services for individuals who are under- or uninsured.
- ◆ *Grants for Community Support Services for Adults with Serious and Persistent Mental Illness (Adult Rule 78)* are awarded to counties for client outreach, medication monitoring, independent living skills development, employability skills development, psychosocial rehabilitation, day treatment, and case management if MA is inadequate or not available. These funds are allocated by formula, primarily based on a county’s population and are used primarily to provide these services to eligible individuals who are uninsured or underinsured.
- ◆ *Adult Residential Grants (Rule 12)* pay the non-MA share of the program component of intensive residential treatment facilities for people with mental illness. These grants are now fully integrated into the Adult Mental Health Initiative/Integrated Fund.
- ◆ *Crisis Housing* provides financial help when people are hospitalized and need help to maintain their current housing. Eligible people need to be in inpatient care for up to 90 days and have no other source of income to pay housing costs.
- ◆ *Regional Treatment Center (RTC) Alternatives* pays for non-MA, extended inpatient, psychiatric services (“contract beds”) in community hospitals for people who are committed or who would be committed if these community services were not available. This is part of a package of expanded community mental health services for the area formerly served by non-metro RTCs.
- ◆ *Federal Mental Health Block Grant* funds are used to demonstrate innovative approaches based on best practices that, based on evaluation results, could be implemented statewide. Of the federal block grant, Minnesota has allocated about half for children’s mental health. At least 25% is used for Indian mental health services, not more than 15% for planning and evaluation, and not more than 5% for statewide administration.

Activity at a Glance

- ◆ Provides mental health case management to 21,300 adults annually.
- ◆ Provides community support services to 20,600 people annually.
- ◆ Provides residential treatment to 1,900 people annually.
- ◆ Provides Assertive Community Treatment (ACT) to 1,800 people annually.
- ◆ Provides crisis services to 5,500 people and crisis housing to 420 people annually.
- ◆ Provides compulsive gambling treatment to 1,100 people annually.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: ADULT MENTAL HEALTH GRANTS

Narrative

Grants provided for Indian mental health services fund nine projects on reservations and two in the metro area.

- ◆ *Projects for the Homeless (PATH)* funds, from the federal McKinney Act, are provided to counties to address mental illness among the homeless. Grants to counties are made in combination with Rule 78 Community Support Program funds.
- ◆ *Compulsive Gambling Treatment and Education* funds inpatient and outpatient treatment programs on an individual client, fee-for-service basis. The program also pays for research, public education and awareness efforts, in-service training for treatment providers, and a statewide toll-free, 24-hour helpline. In FY 2007, the helpline received 2,260 calls for assistance with compulsive gambling problems.
- ◆ *Mental Health Infrastructure Grants* are provided to counties and non-profit providers to develop housing with support services, culturally-competent services, provider skills, implementation and capacity to use evidence-based and research-informed practices in direct service, and capacity building for individuals with SMI who have served in jails or who interface with law enforcement.

Historical Perspective

Federal restrictions that prohibit the use of MA for adults in Institutions for Mental Diseases (IMDs) have required the state to rely on state general fund grant programs to a much larger degree than programs serving other populations, such as the elderly or developmentally disabled. During the past several years, Minnesota has made progress in expanding the range of non-residential community mental health services and maximizing federal reimbursement for these services. Intensive Residential Treatment, Crisis Response Services, Adult Rehabilitative Mental Health Services, and Assertive Community Treatment have been added as benefits under the MA program. These services are intended to assist with reducing reliance on more costly institutional care.

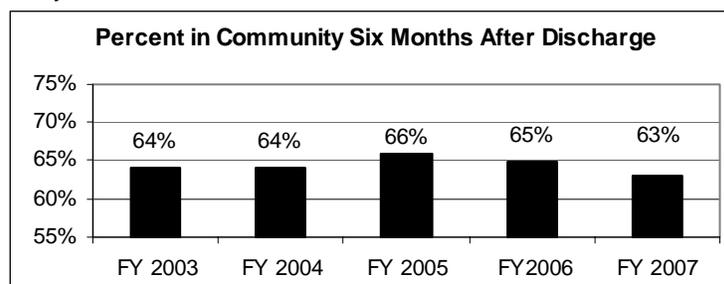
Over 80% of the funds in this activity are used by counties to pay for staff providing direct services to adults with serious mental illness.

Key Program Goals

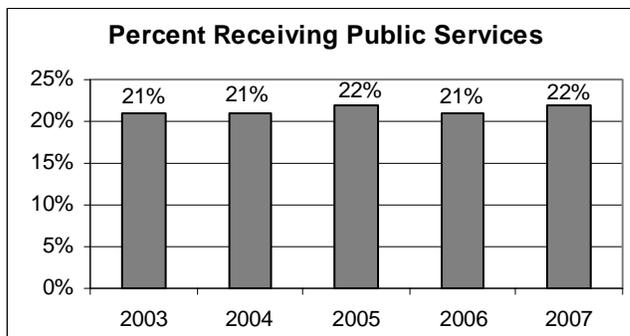
- ◆ **Develop effective and accountable mental health and chemical health systems.** The Department of Human Services (DHS) is implementing steps to support research-informed practices in chemical and mental health services, systematically monitor outcomes, and integrate chemical, mental, and physical health systems. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Percent of adults with serious mental illness who remained in the community six months after discharge from an inpatient psychiatric setting.** This measure gives an indication of the robustness of the community-based system to provide the range of services that allow individuals to be as independent as possible in the community.



- ◆ **Percent of adults with serious mental illness who are receiving public mental health services.** This indicator, often referred to as the “penetration rate,” measures access to needed services.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Mental Health Grants is funded with appropriations from the general fund, lottery fund, and special revenue fund, as well as from federal funds.

Contact

For further information about Mental Health Grants, please contact Chemical and Mental Health Services, (651) 431-2225.

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: ADULT MENTAL HEALTH GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 59,632 | 57,394 | 57,394 | 57,394 | 114,788 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 18,279 | 18,279 | 36,558 |
| Current Law Base Change | | | 2,066 | 2,066 | 4,132 |
| Subtotal - Forecast Base | 59,632 | 57,394 | 77,739 | 77,739 | 155,478 |
| Governor's Recommendations | | | | | |
| Delay New Mental Health Services | | 0 | (750) | 0 | (750) |
| Elim. HC Elig. for Adults w/o children | | 0 | 0 | 557 | 557 |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | 160 | 160 |
| Total | 59,632 | 57,394 | 76,989 | 78,456 | 155,445 |
| Health Care Access | | | | | |
| Current Appropriation | 750 | 750 | 750 | 750 | 1,500 |
| Subtotal - Forecast Base | 750 | 750 | 750 | 750 | 1,500 |
| Total | 750 | 750 | 750 | 750 | 1,500 |
| Lottery Cash Flow | | | | | |
| Current Appropriation | 1,933 | 1,633 | 1,633 | 1,633 | 3,266 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (125) | (125) | (250) |
| Subtotal - Forecast Base | 1,933 | 1,633 | 1,508 | 1,508 | 3,016 |
| Total | 1,933 | 1,633 | 1,508 | 1,508 | 3,016 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 64,646 | 75,729 | 76,989 | 78,456 | 155,445 |
| Health Care Access | 750 | 750 | 750 | 750 | 1,500 |
| Lottery Cash Flow | 1,846 | 1,633 | 1,508 | 1,508 | 3,016 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 65 | 653 | 418 | 418 | 836 |
| Federal | 6,648 | 8,368 | 7,094 | 6,729 | 13,823 |
| Total | 73,955 | 87,133 | 86,759 | 87,861 | 174,620 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 2,354 | 160 | 114 | 60 | 174 |
| Local Assistance | 71,601 | 86,973 | 86,645 | 87,801 | 174,446 |
| Total | 73,955 | 87,133 | 86,759 | 87,861 | 174,620 |

Activity Description

Deaf and Hard of Hearing Grants provides core services that enable Minnesotans who are deaf, deafblind, or hard of hearing to gain and maintain the ability to live independently and participate in their communities.

There are approximately 67,000 Minnesotans who are deaf and 497,000 with some hearing loss. These grants serve:

- ◆ people in need of sign language interpreting services;
- ◆ children and adults who have a sensory loss of hearing and vision (deafblind);
- ◆ people who have a dual hearing loss and a mental illness;
- ◆ children, ages 0-21, with a hearing loss, in need of specialized psycho-social assessments; and
- ◆ people in need of captioning services in order to access live local television news.

Activity at a Glance

- ◆ Serves 21,000 people a year
- ◆ Pays for specialized services that allow some of the most vulnerable Minnesotans, including those who are deafblind and those who are seriously mentally ill, to live in their communities.
- ◆ Provides access to sign language interpreters and other services that allow people to access essential services, including emergency and crisis services and live local news programming.

Services Provided

Sign language interpreter referral and interpreter-related services allow deaf, hard of hearing, and deafblind Minnesotans to access core services, such as courts, educational programs, mental health services, law enforcement, and medical care. Services include coordination and placement of qualified sign language, oral, cued-speech, and emergency on-call interpreters and training to increase the number of qualified and certified interpreters throughout Minnesota. Disparities in service access and outcomes affect not only people of color and minority ethnic backgrounds but also people who are deaf.

Deafblind grants support adults who are both deaf and blind so they can live independently and stay in their own homes. Grants also provide deafblind children and their families with services that result in enhanced community integration and teach siblings and parents the skills needed to support the deafblind child within their families. Services include one-to-one supports and assistive technology for deafblind adults and deafblind children and their families and training to counties and senior citizen service providers on effective services to deafblind individuals. Services are provided by community-based, specialized service providers and through a consumer-directed service program.

Specialized mental health services assist deaf, hard of hearing, and deafblind Minnesotans with behavior disorders or mental illness to live in their communities. Grants provide community supports consisting of residential support/outreach services and drop-in centers; inpatient therapy, outpatient therapy, and family counseling with service providers who are skilled in communicating with deaf, blind, hard of hearing, and deafblind adults and children; specialized children's psychological assessments that serve as the foundation for determining needed service and intervention strategies; and educational opportunities for families, schools, and mental health providers.

Mentor services are provided to families that have a child with hearing loss and want to use American Sign Language (ASL) for family communication. Mentors teach ASL to parents and family members, help parents learn about Deaf culture, and introduce families to local deaf community members. Effective communication within families is critical to creating a safe and permanent home.

Real-time television captioning grants allow deaf, deafblind, and hard of hearing consumers in greater Minnesota to access live local news programming from some public and commercial television stations. Access to information is a key factor in reducing isolation and promoting community involvement.

Historical Perspective

In the early 1980s, the Hearing-Impaired Services Act (now called the Deaf and Hard of Hearing Services Act) was created to ensure that deaf, deafblind, and hard of hearing people have access to appropriate human

services statewide. This act established regional offices throughout Minnesota to provide direct services to individuals, families, and agencies regarding issues related to hearing loss. The Deaf and Hard of Hearing regional offices also house the Telephone Equipment Distribution (TED) program. TED provides adaptive equipment to people with a hearing or speech loss or mobility impairment who need such equipment to access the telephone system. The TED program is funded by special revenues through an interagency agreement with the Department of Commerce. In addition to the regional offices, the legislature appropriated grant funds to address highly specialized service needs for certain deaf, hard of hearing, and deafblind populations.

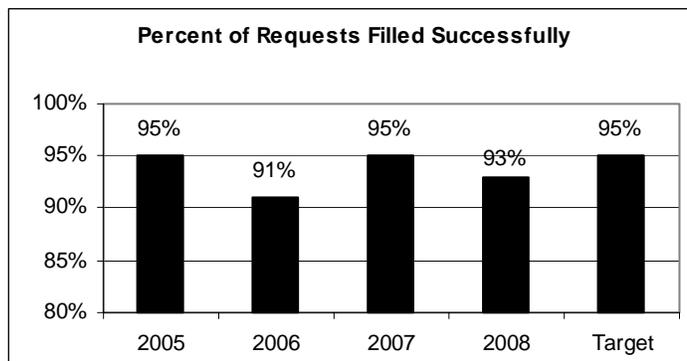
In 1985 the Minnesota Legislature created the Minnesota Commission Serving Deaf and Hard of Hearing (MCDHH), now called the Commission of Deaf, Deafblind, and Hard of Hearing Minnesotans. The primary focus of this commission is to advocate for equal opportunity for Minnesotans who are deaf, hard of hearing, and deafblind. Unlike the Deaf and Hard of Hearing Services regional offices and grant programs that offer direct services to consumers, the MCDHH's purpose is to convene stakeholders; identify barriers that prevent success and access to services; propose policy and program solutions; and make recommendations to the governor, legislature, and state departments. MCDHH is a fifteen-member, governor-appointed board supported by state staff.

Key Program Goals

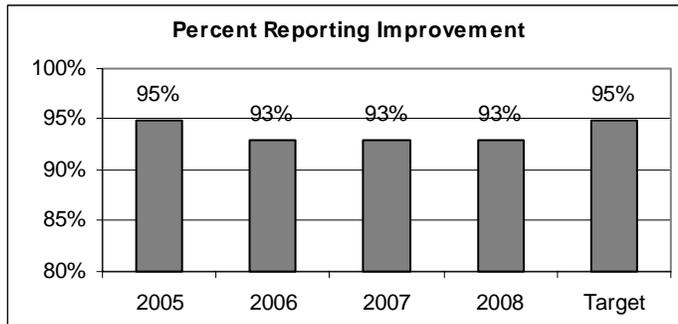
- ◆ **People in need will receive support that helps them live as independently as they can.** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ **Reduce disparities in service access and outcomes.** This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

Key Measures

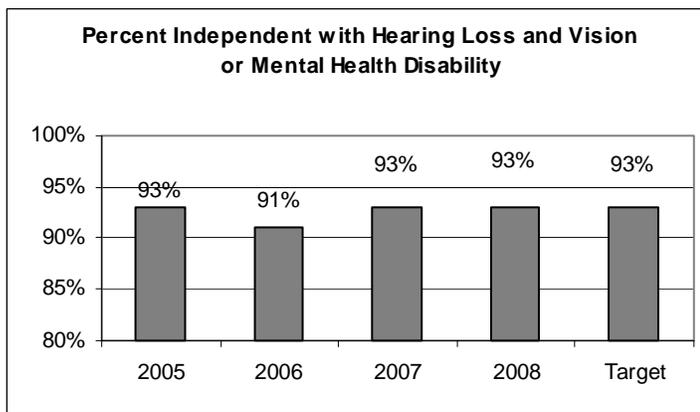
- ◆ **Percentage of interpreter requests in greater Minnesota that are successfully filled, including requests received in less than 24 hours** Interpreting services are critical for people who are deaf to be able to live independently, be self-sufficient, and access core services. Because of the vast geographic area of greater Minnesota and the relatively short supply of skilled interpreters, state grant funding supplements a referral service to ensure that interpreting services are available outside the Twin Cities area.



- ◆ **Percentage of families who report improvement in their deaf child's emotional, behavioral, and/or social skills.** Children with hearing loss and an additional disability of vision loss and/or mental health issues often face difficulty developing appropriate emotional, behavioral, and social skills. The specialized psychological assessment services, therapy, and family counseling services, deafblind children's services offered through this grant activity focus on the same outcomes: to improve the child's emotional, behavioral, and social skills within the home and community.



- ◆ **Percentage of adults with a hearing loss and a vision or mental health disability who maintain or increase their level of independence.** Adults who have hearing loss and an additional disability of vision loss and/or mental health issues need supports provided by specially trained staff with experience in dual disabilities. Deaf and Hard of Hearing Grants offers services and supports to these low incidence/high need subpopulation groups that are intended to accomplish one main outcome to allow individuals to live as independently as possible and integrate into their communities.



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Deaf and Hard of Hearing Grants is primarily funded with appropriations from the general fund. Television captioning and the TED program are both funded by special revenue accounts through interagency agreements with the Department of Commerce’s Telecommunications Access Minnesota.

Contact

For more information on Deaf and Hard of Hearing Grants, contact the Deaf and Hard of Hearing Services Division, 651-431-2355.

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: DEAF & HARD OF HEARING GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,730 | 1,964 | 1,964 | 1,964 | 3,928 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 4 | 4 | 8 |
| Subtotal - Forecast Base | 1,730 | 1,964 | 1,968 | 1,968 | 3,936 |
| Governor's Recommendations | | | | | |
| Reduce LTC Provider Rates and Grants | | 0 | (44) | (59) | (103) |
| Total | 1,730 | 1,964 | 1,924 | 1,909 | 3,833 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,723 | 1,964 | 1,924 | 1,909 | 3,833 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 118 | 231 | 240 | 240 | 480 |
| Federal | 25 | 0 | 0 | 0 | 0 |
| Total | 1,866 | 2,195 | 2,164 | 2,149 | 4,313 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 2 | 0 | 0 | 0 | 0 |
| Local Assistance | 1,864 | 2,195 | 2,164 | 2,149 | 4,313 |
| Total | 1,866 | 2,195 | 2,164 | 2,149 | 4,313 |

Activity Description

The purpose of the Chemical Dependency Entitlement Grants activity is to provide treatment to eligible people who have been assessed as in need of treatment for chemical abuse or dependency. This activity is administered through the Consolidated Chemical Dependency Treatment Fund (CCDTF).

Population Served

Chemical dependency (CD) treatment services are provided to anyone who is found by an assessment to be in need of care and is financially eligible, unless the needed services are to be provided by a managed care organization in which the person is enrolled.

The CCDTF has three tiers of eligibility, although this budget activity covers only Tier I:

- ◆ Tier I is the entitlement portion. Eligible individuals are people who are enrolled in Medical Assistance (MA) or General Assistance Medical Care (GAMC), receive Minnesota Supplemental Assistance (MSA), or meet the MA, GAMC, or MSA income limits (100% of federal poverty guidelines).
- ◆ Tier II was last funded in 2003.
- ◆ Tier III was last funded in 1990.

Services Provided

For those people who meet financial and clinical eligibility, the CCDTF provides residential and outpatient addiction treatment services.

Approximately 50% of all state treatment admissions for Minnesota residents are paid for through the CCDTF. The local county social service agency or American Indian tribal entity assesses a person's need for chemical dependency treatment. A treatment authorization is made based on uniform statewide assessment and placement criteria outlined in the Department of Human Services (DHS) Rule 25 (M.R. parts 9580.6300 to 9530.7030). Most treatment providers in the state accept CCDTF clients.

Under the Prepaid Medical Assistance Program (PMAP), primary inpatient and outpatient chemical dependency treatment are covered services. For PMAP recipients, CCDTF payments are limited to halfway house placements and extended care treatment, which are not included in managed care contracts.

Eligible patients enrolled in prepaid health plans receive the same services as CCDTF patients.

Under a new assessment standard implemented in January 2008, individuals are assessed according to a new, uniform, standardized assessment tool that applies criteria derived by the American Society of Addiction Medicine.

Historical Perspective

The CCDTF was created in 1988 to consolidate a variety of funding sources for chemical dependency treatment services for low-income, chemically-dependent Minnesota residents. The CCDTF combines previously separated funding sources – MA, GAMC, General Assistance, state appropriations, and federal block grants - into a single fund with a common set of eligibility criteria. Counties pay at least 15% of CD treatment costs to maintain a local maintenance of effort.

Key Program Goals

- ◆ ***Develop effective and accountable chemical health systems.*** The Department of Human Services (DHS) is implementing steps to support research-informed practices in chemical dependency treatment and

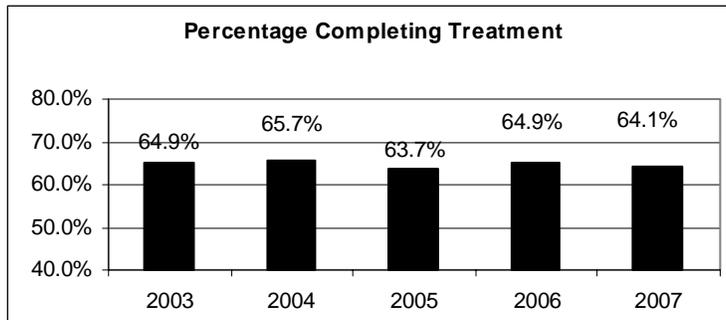
Activity at a Glance

- ◆ Provided placement in addiction treatment services for 28,800 people in FY 2007.
- ◆ Average cost per admission is \$3,665.
- ◆ 318 treatment programs participate in the CCDTF.
- ◆ Approximately 50% of all treatment admissions in the state are paid for by the CCDTF.
- ◆ The number of treatment admissions increased by an average of 6% per year during CY 2004-2006.

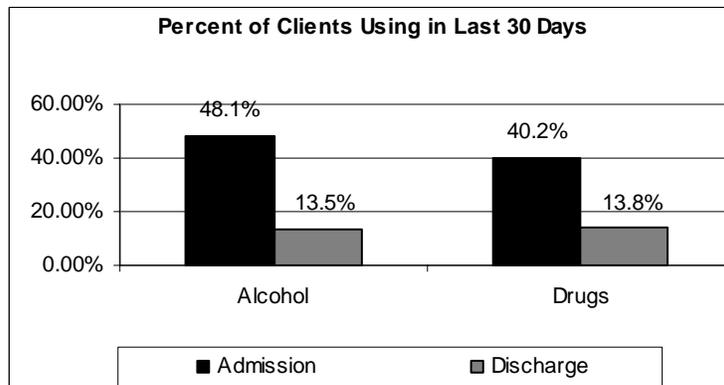
prevention, systematically monitor outcomes, and integrate chemical, mental, and physical health services. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfs/legacy/legacy/DHS-4694-ENG>).

Key Measures

- ◆ **Percentage of clients completing chemical dependency treatment.** Treatment completion has been found to be a strong indicator of continued sobriety after treatment. The DHS Drug and Alcohol Abuse Normative Evaluation System (DAANES) collects a number of data elements from all chemical dependency programs regardless of the admission's funding source. Below are completion results of all statewide treatment admissions in previous years:



- ◆ **Percentage of CD clients using alcohol or illicit drugs in the previous 30 days – at admission and discharge (2007).**



This chart reflects the positive effects of treatment in terms of reducing drug and alcohol use.

More information on DHS measures is on the Web: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Chemical Dependency Entitlement Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on CD Entitlement Grants, contact the Chemical Health Division, (651) 431-2460

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: CD ENTITLEMENT GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 89,319 | 99,851 | 99,851 | 99,851 | 199,702 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 11,582 | 22,129 | 33,711 |
| November Forecast Adjustment | | (9,847) | 3,773 | 6,236 | 10,009 |
| Subtotal - Forecast Base | 89,319 | 90,004 | 115,206 | 128,216 | 243,422 |
| Governor's Recommendations | | | | | |
| Elim. HC Elig. for Adults w/o children | | 0 | 214 | 556 | 770 |
| Elim. MnCare Eligibility for Parents | | 0 | 0 | 317 | 317 |
| Reform Payment Method for CD Providers | | 0 | (3,104) | (7,794) | (10,898) |
| Total | 89,319 | 90,004 | 112,316 | 121,295 | 233,611 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 0 | 0 | 112,316 | 121,295 | 233,611 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 123,813 | 129,459 | 47,460 | 51,645 | 99,105 |
| Total | 123,813 | 129,459 | 159,776 | 172,940 | 332,716 |
| <u>Expenditures by Category</u> | | | | | |
| Payments To Individuals | 120,927 | 127,035 | 156,731 | 169,573 | 326,304 |
| Local Assistance | 2,886 | 2,424 | 3,045 | 3,367 | 6,412 |
| Total | 123,813 | 129,459 | 159,776 | 172,940 | 332,716 |

Activity Description

Chemical Dependency (CD) Non-entitlement Grants pays for statewide prevention, intervention, treatment support, recovery maintenance, and case management services, including culturally appropriate services and support. A combination of state and federal dollars supports this activity.

Population Served

CD Non-Entitlement Grants serve:

- ◆ people who receive prevention services with a focus on youth and families;
- ◆ individuals who receive intervention and case management services, including pregnant women, women with dependent children, and other special populations who receive intervention and case management services, and;
- ◆ chemical dependency treatment professionals and prevention specialists who receive training on best practices.

Activity at a Glance

- ◆ Provides prevention services to more than 28,500 youth each year.
- ◆ Provides intervention and case management services to 1,700 pregnant women and women with children annually.
- ◆ Provides intervention and case management services, including treatment supports and recovery maintenance, to an additional 7,000 individuals in special populations each year.
- ◆ Provides training for 2,700 chemical dependency professionals annually.

Services Provided

State-funded non-entitlement grants support:

- ◆ community drug and alcohol abuse prevention for American Indians, and;
- ◆ treatment support and recovery maintenance services for American Indians.

Federally-funded non-entitlement grants support:

- ◆ community drug and alcohol abuse prevention for communities of color;
- ◆ women's treatment supports including subsidized housing, transportation, child care, parenting education, and case management;
- ◆ intervention and case management services, including treatment supports and recovery maintenance services for the following special populations: elderly, disabled, individuals with dual diagnoses of mental illness and chemical dependency, individuals experiencing chronic homelessness, and people involved in the criminal justice system;
- ◆ a statewide prevention resource center that provides alcohol and other drug abuse education, information, and training to Minnesota counties, tribes, local communities, and organizations, and;
- ◆ annual inspection of tobacco retailers and law enforcement agency survey to measure the degree of compliance with state laws prohibiting the sale of tobacco products to youth.

Beginning in 2006, statewide prevention activities are delivered through a seven-region prevention system. Regional Prevention Coordinators in each region will be responsible for assessing community needs and readiness for prevention activities. They will also be assisting the state in planning and implementing evidence-based prevention programs to reduce substance abuse and related problems through training, technical assistance, and coalition building.

Non-entitlement funds also support the dissemination of approximately 550,000 pieces of prevention material, over 260,000 Web hits on alcohol, tobacco, and other drug abuse prevention, 30,300 requests for information handled by prevention resource centers, over 1,200 pieces of alcohol, tobacco, and other drug prevention material translated into Spanish, Hmong, Lao, and Somali, and over 200 public service announcements developed and disseminated to over 2,000 outlets.

Historical Perspective

The Consolidated Chemical Dependency Treatment Fund (CCDTF) has three tiers of eligibility. Tier I is funded through the CD Entitlement Grants budget activity. Tier II includes people who are not eligible for Medical

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: CD NON-ENTITLEMENT GRANTS

Narrative

Assistance (MA) or General Assistance Medical Care (GAMC), do not receive Minnesota Supplemental Assistance (MSA), but whose income does not exceed 215% of federal poverty guidelines.

CD Non-entitlement Grants historically funded Tier II and Tier III of the Consolidated Chemical Dependency Treatment Fund (CCDTF), which provided treatment services for low-income individuals not eligible for entitlement-based treatment. Tier II was last funded in 2003. Tier III includes individuals with incomes between 215% and 412% of federal poverty guidelines. Tier III was last funded in 1990. As a result, current CD Non-Entitlement Grants are outside of the CCDTF.

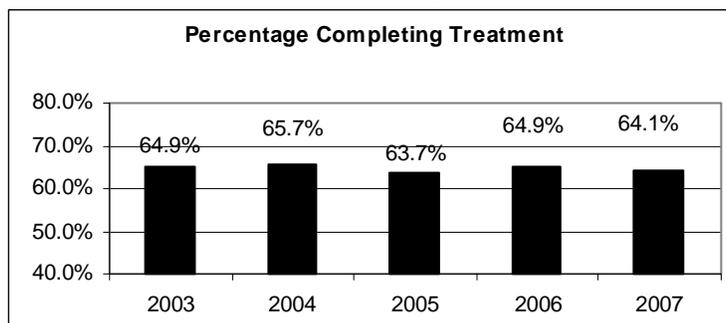
Over the last decade, as research studies indicated that the prevalence of substance abuse was higher for certain populations or that some groups did not succeed in chemical dependency treatment at the same rate as the general population, specific improvement efforts were established. These efforts were designed to build prevention strategies and treatment support services that focus on the unique strengths and needs of these various populations. The need for these specialized models of prevention and treatment has grown as counties and tribes recognize the role substance abuse plays in difficult Temporary Assistance to Needy Families and Child Welfare cases.

Key Program Goals

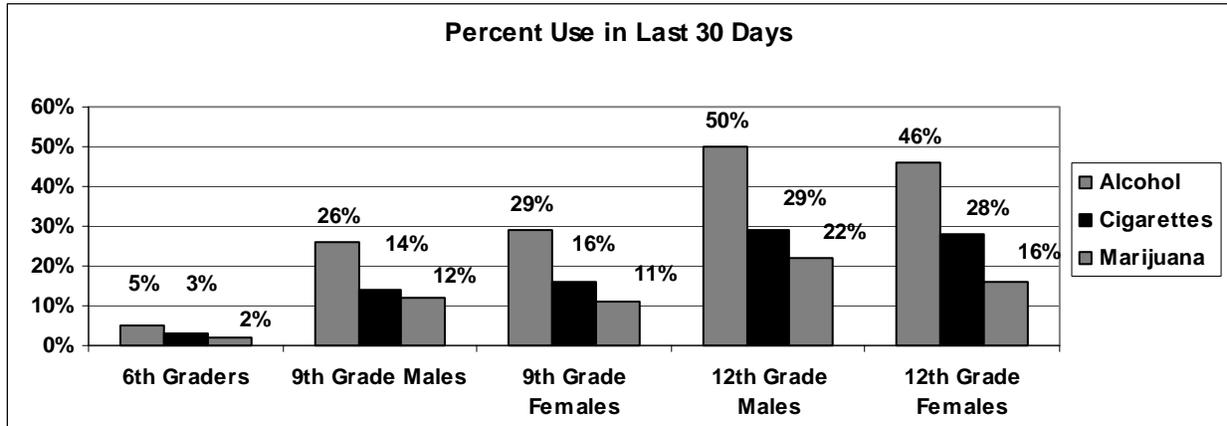
- ◆ **Develop effective and accountable chemical health systems.** The Department of Human Services (DHS) is implementing steps to support research-informed practices in chemical dependency treatment and prevention, systematically monitor outcomes, and integrate chemical mental, and physical health services. This goal is from the Department of Human Services' *Priority Plans*, which is available on the web: <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>.

Key Measures

- ◆ **Percentage of clients completing chemical dependency treatment.** Treatment completion has been found to be a strong indicator of continued sobriety after treatment. The Minnesota Department of Human Services Drug and Alcohol Abuse Normative Evaluation System (DAANES) collects a number of data elements from all chemical dependency programs regardless of the admission's funding source. Below are completion results of all statewide treatment admissions in previous years:



- ◆ **Percentage of youth using alcohol, marijuana and tobacco in the past 30 days.** The Minnesota Student Survey is conducted every three years and was last administered in the spring of 2004 to public school students in Grades 6, 9, and 12. Of the 342 public operating districts, 301 (88%) agreed to participate. Student participation was voluntary and administered anonymously. Across the state, approximately 77% of public school sixth graders, 73% of public school ninth graders, and 49% of public school twelfth graders participated in the 2004 Minnesota Student Survey. Overall participation across the three grades was approximately 66%. Below are the results of the survey:



More information on DHS measures and results is available on the Web:
www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Chemical Dependency Non-Entitlement Grants are funded with appropriations from the general fund and from federal funds.

Contact

For more information on Chemical Dependency Non-Entitlement Grants, contact the Chemical Health Division, (651) 431-2460.

Information on DHS programs is available on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: CD NON-ENTITLEMENT GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,655 | 3,772 | 3,772 | 3,772 | 7,544 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 393 | 393 | 786 |
| Current Law Base Change | | | (2,436) | (2,436) | (4,872) |
| Subtotal - Forecast Base | 1,655 | 3,772 | 1,729 | 1,729 | 3,458 |
| Governor's Recommendations | | | | | |
| Eliminate Chemical Dependency Grants | | 0 | (346) | (693) | (1,039) |
| Total | 1,655 | 3,772 | 1,383 | 1,036 | 2,419 |
| Federal Tanf | | | | | |
| Current Appropriation | 150 | 150 | 150 | 150 | 300 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (150) | (150) | (300) |
| Subtotal - Forecast Base | 150 | 150 | 0 | 0 | 0 |
| Total | 150 | 150 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,753 | 3,772 | 1,383 | 1,036 | 2,419 |
| Federal Tanf | 150 | 150 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 1,483 | 1,500 | 1,500 | 1,500 | 3,000 |
| Federal | 12,176 | 14,258 | 11,975 | 11,535 | 23,510 |
| Total | 15,562 | 19,680 | 14,858 | 14,071 | 28,929 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 467 | 130 | 130 | 130 | 260 |
| Payments To Individuals | 1,245 | 1,300 | 1,300 | 1,300 | 2,600 |
| Local Assistance | 13,850 | 18,250 | 13,428 | 12,641 | 26,069 |
| Total | 15,562 | 19,680 | 14,858 | 14,071 | 28,929 |

Activity Description

Other Continuing Care Grants includes a variety of programs:

- ◆ Family Support Grants (FSG) provides cash assistance to families to purchase supports for a child with a disability.
- ◆ Consumer Support Grants (CSG) helps people with functional limitations and their families purchase supports needed to live as independently as possible.
- ◆ Semi-Independent Living Skills (SILS), which are administered through each county, assist adults with developmental disabilities live successfully in their community.
- ◆ HIV/AIDS grants cover services specifically for HIV-infected people to help maintain insurance coverage and provide early intervention and cost-effective care. As payer of last resort, the stop-gap services are provided to individuals who are not eligible for similar benefits through Minnesota Health Care Programs, such as Medical Assistance (MA) or General Assistance Medical Care (GAMC).
- ◆ Disability Linkage Line (DLL) grants fund a specialized statewide information and assistance system to provide information about state and federal eligibility requirements, benefits, and options, make referrals to appropriate support entities, deliver information and assistance based on national and state standards, assist people to make well-informed decisions, and support the timely resolution of service access and benefit issues.
- ◆ Minnesota Region 10 Quality Assurance (QA) is a community-based alternative licensing system that fosters continuous improvement in the services and assistance provided to people with disabilities. This is done by implementing a comprehensive, value-based approach to quality assessment that provides not only licensing recommendations and basic quality assurance for the state, but also evidence-based strategies and action plans for continuous improvement.

Activity at a Glance

- ◆ The FSG program serves 1,650 children at an annual average cost of \$2,483 per child (CY 2006).
- ◆ The CSG program serves 1,340 individuals at an annual average cost of \$9,270 per recipient (CY 2008).
- ◆ SILS serves 1,600 adults with disabilities at an annual average cost of \$4,920 per recipient (CY2006).
- ◆ HIV/AIDS programs help 1,500 people living with HIV/AIDS pay for HIV-related prescription drugs, insurance costs, dental, nutritional, mental health, case management, and other support services. The program serves over 25% of the people with known HIV infection in Minnesota.
- ◆ DLL managed 8,929 sessions (cases) which included over 25,387 calls in and out to help people resolve issues, get information they need, and successfully connect to services; a 24% increase from 2006.
- ◆ Region 10QA provides alternative quality-based licensing of programs in five SE Minnesota counties and person-centered service quality and value assessments in 23 counties statewide.

Population Served

- ◆ FSG serves families whose annual adjusted gross income is less than \$88,170 and who have a child with a certified disability.
- ◆ CSG is available for people who are eligible for MA and for some people eligible for FSG.
- ◆ SILS serves people who are at least 18 years old, have a developmental disability, require a level of support that is not at a level that would put them at risk of institutionalization, and require systematic instruction or assistance to manage activities of daily living.
- ◆ HIV/AIDS programs serve people living with HIV who have incomes under 300% of the federal poverty guideline (FPG) and cash assets under \$25,000.
- ◆ DLL serves people with disabilities and chronic illnesses and their families, caregivers, or service providers. No caller is turned away from service.
- ◆ Region 10 QA alternative licensing serves people who live in Fillmore, Houston, Mower, Olmsted, and Winona counties and receive services through the state's Developmental Disabilities (DD) Medicaid waiver program. Through recent expansion, Region 10 QA has made its person-centered assessments of service quality and value available to individuals with DD and other disabilities in 23 counties statewide.

Services Provided

- ◆ FSG provides cash to families to offset the higher-than-average cost of raising a child with a certified disability. Families with more than one child with a disability may apply for a grant for each eligible child. The maximum grant per family is \$3,060 per year per eligible child. Allowable expenses include computers, day care, educational services, medical services, respite care, specialized clothing, special dietary needs, special equipment, and transportation.
- ◆ CSG helps families purchase home care, adaptive aids, home modifications, respite care, and other assistance with the tasks of daily living. Recipients receive a grant amount less than or equal to the state share of the amount of certain long-term care services they would receive under MA or FSG.
- ◆ SILS is used by adults with developmental disabilities to purchase instruction or assistance with nutrition education, meal planning and preparation, shopping, first aid, money management, personal care and hygiene, self-administration of medications, use of emergency resources, social skill development, home maintenance and upkeep, and transportation skills.
- ◆ HIV/AIDS programs assist enrollees with premiums to maintain private insurance, co-payments for HIV-related medications, counseling, dental services, the cost of enteral nutrition, and case management.
- ◆ DLL provides information about state and federal eligibility requirements, benefits, and options, makes referrals to appropriate support entities, delivers information and assistance based on national and state standards, assists people to make well-informed decisions, and supports the timely resolutions of service access and benefit issues.
- ◆ Region 10 QA combines traditional compliance-based provider reviews with VOICE, an innovative, person-centered assessment of the value and quality of services received and experienced by individuals with disabilities. Through active inclusion in this process, people with disabilities and their communities benefit by participating in regional guidance and oversight of quality improvement efforts undertaken by service providers and participating counties.

Historical Perspective

Beginning in 1983 with SILS and FSG, Minnesota established programs that emphasize self reliance, personal responsibility, and consumer direction for people with disabilities. In 1995, Minnesota took another step by offering the CSG program, which lets people choose to access state MA funds through a cash and counseling model. These programs have laid the ground work for the consumer-directed options now available across all Minnesota long-term care waivers.

The HIV/AIDS program began in 1987. At the core of its creation was the desire to keep private insurance policies in place for HIV+ people and at the same time provide access to a limited scope of additionally needed services and products. Demand for the program continues to climb as the number of people living with HIV in Minnesota increases.

New infections, longer life spans for infected individuals, increases in infections among people younger than 25, and growing uninsured rates all contribute to rising program enrollment. Epidemiological studies show that people contracting HIV are increasingly likely to be poor, women, people of color, and people with more complex needs and fewer resources. Continually evolving treatments and research make HIV an ever-changing and complex disease to manage. It is also a disease with escalating treatment costs.

To make access to services more streamlined at the state level, responsibility for case management of services to people with HIV was consolidated at the Department of Human Services (DHS) in 2001. In 2004, in response to increasing budget pressures, the HIV/AIDS program implemented a cost-sharing requirement for individuals enrolled in the program. By May 2006, more than 450 individuals were assessed a cost share, with only eight people being deemed programmatically ineligible due to failure to pay. A tightening of policies, staff commitment, and client follow-through have supported the cost-sharing strategies in bringing fiscal balance to the program through FY 2008. On 12-01-07, cost share was suspended due to a funding increase from the federal Ryan White HIV/AIDS Treatment Modernization Act of 2006. The suspension is temporary and cost sharing may be resumed when necessary.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: OTHER CONTINUING CARE GRANTS

Narrative

In 2001 DHS' Disability Services Division conducted a planning initiative to assess what changes were needed in Minnesota to better support community living for people with disabilities. The resounding feedback from all participant groups was that a major redesign of the information system for people with disabilities was needed. Because the information system was fragmented, consumers were not aware of their options, could not make informed decision, and were at greater risk of ending up in institutional settings. In response, Disability Linkage Line was created to build a statewide network and call center for all disability-related questions. Pilot services were launched in the summer of 2004. DLL services were expanded statewide in the spring of 2005.

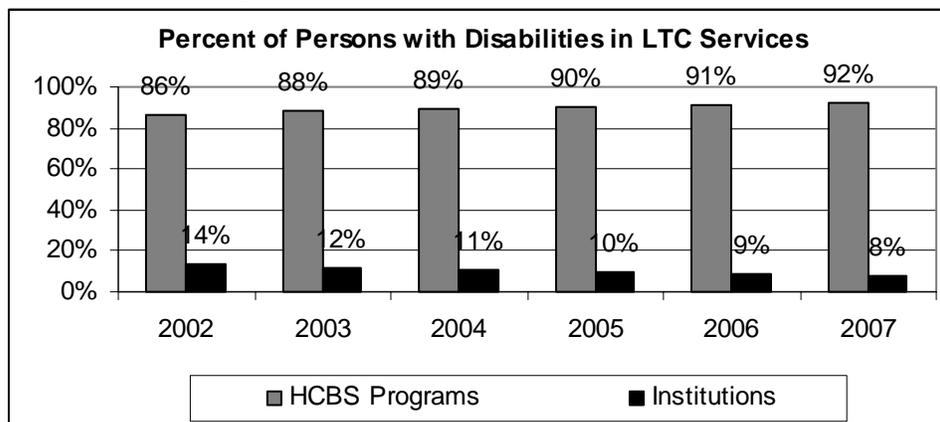
In 1995, stakeholders from the 11 counties in southeastern Minnesota (Region 10) held a meeting to discuss the service system for persons with disabilities. A priority for the stakeholders was to assure the quality of services to persons with disabilities despite whatever changes were made at the state or federal level. The stakeholders worked with state lawmakers to develop and pass legislation that allows counties to participate in an alternative QA licensing system that focuses on quality and value-based outcomes of service providers versus minimal licensing requirements. A Region 10 QA Commission, composed of members drawn from the community of stakeholders, was established to oversee the development and ongoing implementation of this QA system. Five of the eleven Region 10 counties participate in the formal alternative licensing process. Expansion activities are underway in another 18 counties throughout the state. In 1997, Region 10 QA received approval from DHS to implement an alternative set of quality assurance standards and related licensing procedures that replaces current compliance-based rules and regulations for licensed providers supporting people with developmental disabilities. As of 07-01-07, legislation granted counties permission to expand the QA system to include programs for persons with other disabilities and older adults.

Key Program Goals

- ◆ **The Continuing Care Administration strives to improve the dignity, health, and independence of the people it serves.** By doing so, Minnesotans will live as independently as possible; enjoy health, with access to quality health care; have safe, affordable places to live; be contributing and valued members of their communities; and participate in rewarding daily activities, including gainful employment. This goal is derived from the Continuing Care Administration's mission and vision.
- ◆ **Improve home and community-based services for the elderly and people with disabilities by establishing and using provider performance measures and standards.** Effective and appropriate home and community-based services allow people with disabilities to choose to live in the community rather than in an institutional setting. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Key Measures

- ◆ Percentage of people with disabilities receiving publicly-funded long-term care who live in the community versus institutional settings.



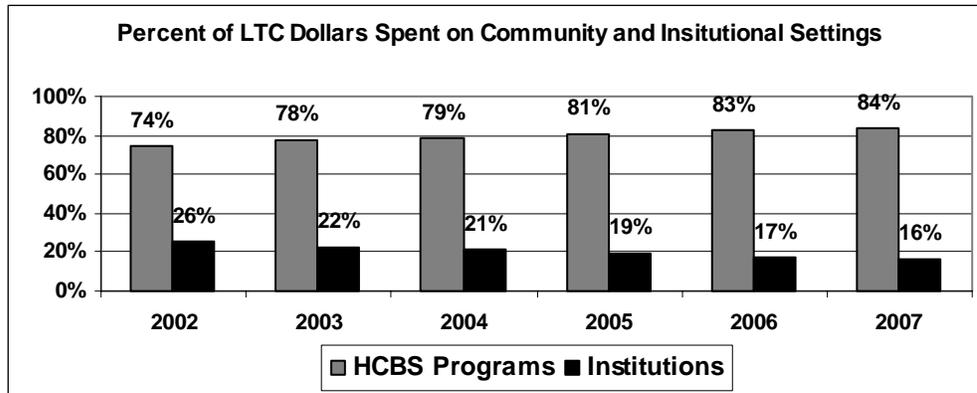
HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: OTHER CONTINUING CARE GRANTS

Narrative

Percentage of public long-term care dollars expended in community versus institutional settings for people with disabilities.



Both of these measures capture the extent to which the long-term care system is able to support people with disabilities in the community and allow them to live independently.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Other Continuing Care Grants is funded with appropriations from the general fund and from federal funds.

Contact

For more information on Continuing Care Grants, contact the Disabilities Services Division, (651) 431-2400.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: OTHER CONTINUING CARE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 17,107 | 12,254 | 12,254 | 12,254 | 24,508 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 7,403 | 5,079 | 12,482 |
| Subtotal - Forecast Base | 17,107 | 12,254 | 19,657 | 17,333 | 36,990 |
| Governor's Recommendations | | | | | |
| Correct Base Level Adjustment Errors | | 0 | (10) | 0 | (10) |
| Eliminate or Delay Three CC Grants | | 0 | (442) | (442) | (884) |
| Limit Disabilities Waiver Growth | | 0 | 650 | 1,000 | 1,650 |
| Modify NF Level of Care Thresholds | | 0 | 0 | 500 | 500 |
| PCA Redesign and Provider Standards | | 0 | (927) | (5,088) | (6,015) |
| Reduce LTC Provider Rates and Grants | | 0 | (760) | (1,003) | (1,763) |
| Total | 17,107 | 12,254 | 18,168 | 12,300 | 30,468 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 26,806 | 12,004 | 18,168 | 12,300 | 30,468 |
| Statutory Appropriations | | | | | |
| General | 0 | 250 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 1,876 | 4,556 | 1,800 | 1,800 | 3,600 |
| Federal | 6,745 | 6,742 | 4,182 | 3,713 | 7,895 |
| Total | 35,427 | 23,552 | 24,150 | 17,813 | 41,963 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 424 | 311 | 287 | 258 | 545 |
| Payments To Individuals | 6,687 | 6,335 | 6,327 | 5,227 | 11,554 |
| Local Assistance | 28,316 | 16,906 | 17,536 | 12,328 | 29,864 |
| Total | 35,427 | 23,552 | 24,150 | 17,813 | 41,963 |

Program Description

Continuing Care Management is the administrative component for the service areas funded by Continuing Care Grants. It also coordinates with Health Care Management on the Medicaid-funded Continuing Care Grant activities.

Population Served

This program serves elderly Minnesotans and citizens with disabilities who need long-term care, including persons with physical and cognitive disabilities, deafness or hearing loss, emotional disturbances, mental illness, HIV/AIDS, and chemical dependency.

Services Provided

Department of Human Services (DHS) Continuing Care Grants staff administers programs and services that are used by over 350,000 Minnesotans. This work is accomplished by working with citizens, counties, legislators, grantees, other state agencies, and providers.

Program at a Glance

- ◆ Performs statewide human services planning and develops and implements policy
- ◆ Obtains, allocates, and manages resources, contracts, and grants
- ◆ Sets standards for services development and delivery and monitors for compliance and evaluation
- ◆ Provides technical assistance and training to county agencies and supports local innovation and quality improvement efforts
- ◆ Assures a statewide safety net capacity

In addition to the normal management functions, which apply to all people served, Continuing Care Management performs unique specialized activities. Direct constituent services include:

- ◆ statewide regional service centers which help deaf, deafblind, and hard-of-hearing people access community resources and the human services system;
- ◆ the Telephone Equipment Distribution Program, which helps people with hearing loss or communication disabilities access the telephone system with specialized equipment;
- ◆ HIV/AIDS programs which help people obtain and maintain needed health care coverage, and;
- ◆ ombudsman services for older Minnesotans which assist consumers in resolving complaints and preserving access to services.

Staff assistance and administrative support are provided to a number of councils and boards including:

- ◆ The Commission Serving Deaf, Deaf/Blind and Hard of Hearing Minnesotans;
- ◆ The Minnesota Board on Aging;
- ◆ The State Advisory Council on Mental Health;
- ◆ Alcohol and Other Drug Abuse Advisory Council;
- ◆ American Indian Advisory Council on Alcohol and Other Drug Abuse;
- ◆ American Indian Advisory Council on Mental Health, and;
- ◆ Traumatic Brain Injury Service Integration Advisory Committee.

Historical Perspective

Historically, most people needing long-term care services received them in institutions. Over the years, priorities, values, and expectations changed. Today, people have more individualized and better quality options.

Staff in Continuing Care Management administer a broad array of services for this diverse population. In addition to administering ongoing operations of programs and services, some recent achievements include:

- ◆ redesigning highly specialized mental health services for individuals who have both a hearing loss and mental illness by shifting resources from institutional care under State Operated Services to a statewide technical assistance/consultation model;
- ◆ describing the demographic realities of the state's aging population and working with many constituencies to prepare responses to these profound changes;
- ◆ implementing strategies of the long-term care task force that reform Minnesota's long-term care system for the elderly, which includes administering the voluntary, planned closure of nursing facility beds and expanding use of home and community-based services through grants and other mechanisms to develop community capacity;

- ◆ implementing a range of new and expanded community-based mental health services in partnership with counties, consumers, family members, providers, and other key stakeholders to provide services closer to the person’s home community;
- ◆ working with community partners in the public and private sectors through the Minnesota Mental Health Action Group to transform the mental health system to one that is accessible and responsive to consumers and guided by clear goals and outcomes;
- ◆ taking actions necessary to increase flexibility, reduce access barriers, and promote consumer choice and control with the home care and waived services covered by Medical Assistance;
- ◆ managing cost growth in home and community based waiver programs while reducing reliance on hospital and institutional care;
- ◆ working with consumers, family members, county agencies, provider organizations, and advocates to develop community options for younger persons with disabilities who are currently residing in institutional settings;
- ◆ developing the Minnesota Senior Health Options (MSHO) and Minnesota Disability Health Options (MDHO) projects that integrate health and long-term care for elderly and younger persons with disabilities who are eligible for both Medicaid and Medicare;
- ◆ working with American Indian stakeholders to clarify desired outcomes of culturally appropriate substance abuse and mental health services;
- ◆ working with members of the Ethiopian, Oromo, Somali, and Southeast Asian communities in Minnesota to obtain federal grant funds to improve resettled refugees’ access to mainstream continuing care services;
- ◆ publishing the Minnesota Nursing Home Report Card online, in collaboration with the Minnesota Department of Health, and;
- ◆ working with the Senior LinkAge Line and Disability Linkage Line staff to assist the Centers for Medicare and Medicaid with enrollment in Medicare Part D plans and solving problems for individuals who are dually eligible.

Key Program Goals

- ◆ **Develop effective and accountable mental health and chemical health systems.** DHS is implementing steps to support research-informed practices in chemical and mental health services, systematically monitor outcomes, and integrate chemical, mental, and physical health services.
- ◆ **Reform long-term care options for elderly Minnesotans.** DHS strives to increase the availability of non-institutional service options for older persons and their families. Competitive grants in this area promote evidence-based models that leverage local private funds and in-kind contributions to promote affordable services that are both dependable and sustainable.
- ◆ **Streamline and manage home and community-based waiver services.** DHS will provide consistent services across all home and community-based waivers through development of a common services menu and a common screening tool. The department will target use of long-term care waived services to the highest risk clients, strengthening program and fiscal integrity of each waiver program.

More information on goals is in the Department of Human Services’ *Priority Plans* <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>.

Key Program Measures

See key measures for budget activities within the Continuing Care Grants program.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Program Funding

Continuing Care Management is funded with appropriations from the general fund, state government special revenue fund, miscellaneous special revenue funds, lottery fund, and from federal funds.

Contact

For more information on Continuing Care Management, contact Continuing Care for Persons with Disabilities at (651) 431-2400.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).

This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4694-ENG>).

HUMAN SERVICES DEPT

Program: CONTINUING CARE MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 19,387 | 19,699 | 19,699 | 19,699 | 39,398 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (317) | (342) | (659) |
| Current Law Base Change | | | (169) | (79) | (248) |
| Subtotal - Forecast Base | 19,387 | 19,699 | 19,213 | 19,278 | 38,491 |
| Governor's Recommendations | | | | | |
| Federal Compliance for HCBS Waivers | | 0 | 1,467 | 1,175 | 2,642 |
| Limit Customized Living Service Rates | | 0 | 92 | 101 | 193 |
| Modify NF Level of Care Thresholds | | 0 | 3,442 | 3,850 | 7,292 |
| PCA Redesign and Provider Standards | | 0 | 822 | 675 | 1,497 |
| Total | 19,387 | 19,699 | 25,036 | 25,079 | 50,115 |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 122 | 125 | 125 | 125 | 250 |
| Subtotal - Forecast Base | 122 | 125 | 125 | 125 | 250 |
| Total | 122 | 125 | 125 | 125 | 250 |
| Health Care Access | | | | | |
| Current Appropriation | 293 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 293 | 0 | 0 | 0 | 0 |
| Total | 293 | 0 | 0 | 0 | 0 |
| Lottery Cash Flow | | | | | |
| Current Appropriation | 252 | 157 | 157 | 157 | 314 |
| Subtotal - Forecast Base | 252 | 157 | 157 | 157 | 314 |
| Total | 252 | 157 | 157 | 157 | 314 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 17,629 | 19,884 | 25,036 | 25,079 | 50,115 |
| State Government Spec Revenue | 126 | 125 | 125 | 125 | 250 |
| Health Care Access | 140 | 944 | 0 | 0 | 0 |
| Lottery Cash Flow | 252 | 157 | 157 | 157 | 314 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 3,852 | 4,077 | 3,581 | 3,581 | 7,162 |
| Federal | 17,961 | 23,225 | 23,164 | 17,823 | 40,987 |
| Miscellaneous Agency | 191 | 352 | 250 | 250 | 500 |
| Gift | 4 | 23 | 23 | 23 | 46 |
| Total | 40,155 | 48,787 | 52,336 | 47,038 | 99,374 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 24,450 | 26,136 | 26,534 | 24,025 | 50,559 |
| Other Operating Expenses | 15,469 | 22,427 | 25,640 | 22,851 | 48,491 |
| Local Assistance | 236 | 224 | 162 | 162 | 324 |
| Total | 40,155 | 48,787 | 52,336 | 47,038 | 99,374 |
| <u>Expenditures by Activity</u> | | | | | |
| Continuing Care Management | 40,155 | 48,787 | 52,336 | 47,038 | 99,374 |
| Total | 40,155 | 48,787 | 52,336 | 47,038 | 99,374 |
| Full-Time Equivalents (FTE) | 338.3 | 339.4 | 339.4 | 339.4 | |

Program Description

State Operated Services: State Operated Services (SOS) provides treatment and support services to persons with mental illness, acquired brain injury, chemical addiction, and developmental disabilities. Services for these individuals are provided by the department at community and campus-based programs, and residences, located throughout Minnesota.

SOS also provides treatment to those committed by the courts as mentally ill and dangerous and persons committed as developmentally disabled and who a court has determined pose a risk to public safety. These services are referred to as state operated forensic services and are located in St. Peter and Cambridge.

Minnesota Sex Offender Program: In CY 2008, the administration of the Minnesota Sex Offender Program (MSOP) was separated from State Operated Services. The MSOP provides direct care services in Moose Lake and St. Peter to individuals who have been committed by the courts as a sexual psychopathic personality or a sexually dangerous person. The MSOP is a sex offender treatment program that operates in a secure environment. Safety, security, treatment, and programming are the primary goals of the MSOP.

Budget Activities

- ◆ Mental Health Services
- ◆ Minnesota Sex Offender Program
- ◆ Enterprise Services
- ◆ Minnesota Security Hospital and the Minnesota Extended Treatment Options Program

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 278,069 | 254,281 | 266,281 | 266,281 | 532,562 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (18,699) | (18,699) | (37,398) |
| Current Law Base Change | | | (2,329) | (2,329) | (4,658) |
| Subtotal - Forecast Base | 278,069 | 254,281 | 245,253 | 245,253 | 490,506 |
| Governor's Recommendations | | | | | |
| CABHS as a Core Safety Net Function | | 0 | 8,617 | 10,593 | 19,210 |
| MH Inpatient Ratable Reduction | | 0 | 981 | 3,742 | 4,723 |
| MSOP Growth and Base Funding Restored | | 0 | 5,670 | 8,330 | 14,000 |
| MSOP/SOS Pension Reform | | 0 | (2,165) | (2,519) | (4,684) |
| Reduce General Administrative Operations | | 0 | (4,267) | (4,267) | (8,534) |
| Shift SOS Dental Clinics to Safety Net | | 0 | 3,310 | 3,310 | 6,620 |
| Total | 278,069 | 254,281 | 257,399 | 264,442 | 521,841 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 274,626 | 237,628 | 257,399 | 264,442 | 521,841 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 11,785 | 20,434 | 18,304 | 18,304 | 36,608 |
| Miscellaneous Agency | 3,686 | 3,046 | 3,045 | 3,045 | 6,090 |
| Gift | 5 | 7 | 7 | 7 | 14 |
| Endowment | 1 | 2 | 2 | 2 | 4 |
| Revenue Based State Oper Serv | 81,587 | 81,605 | 81,605 | 81,605 | 163,210 |
| Mn Neurorehab Hospital Brainer | 17,474 | 13,244 | 12,965 | 12,965 | 25,930 |
| Dhs Chemical Dependency Servs | 21,093 | 23,065 | 22,465 | 22,465 | 44,930 |
| Materials Distribution | 0 | 500 | 500 | 500 | 1,000 |
| Total | 410,257 | 379,531 | 396,292 | 403,335 | 799,627 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 327,555 | 308,472 | 329,806 | 333,525 | 663,331 |
| Other Operating Expenses | 76,228 | 65,605 | 61,033 | 64,357 | 125,390 |
| Capital Outlay & Real Property | 616 | 1,045 | 1,045 | 1,045 | 2,090 |
| Payments To Individuals | 5,710 | 4,409 | 4,408 | 4,408 | 8,816 |
| Local Assistance | 150 | 0 | 0 | 0 | 0 |
| Other Financial Transactions | (2) | 0 | 0 | 0 | 0 |
| Total | 410,257 | 379,531 | 396,292 | 403,335 | 799,627 |
| <u>Expenditures by Activity</u> | | | | | |
| Mental Health | 124,290 | 121,262 | 128,182 | 132,919 | 261,101 |
| Mn Sex Offender Program | 76,415 | 56,995 | 65,595 | 68,167 | 133,762 |
| Enterprise Services | 120,202 | 117,956 | 117,042 | 117,042 | 234,084 |
| Mn Sec Hosp & Mn Ext Trmt Opt | 89,350 | 83,318 | 85,473 | 85,207 | 170,680 |
| Total | 410,257 | 379,531 | 396,292 | 403,335 | 799,627 |
| Full-Time Equivalents (FTE) | 4,942.8 | 4,642.7 | 4,574.6 | 4,442.6 | |

Activity Description

State Operated Services' (SOS) Mental Health Services provides specialized treatment and related supports for persons with serious mental illness (SMI). These services are provided in community behavioral health hospitals (CBHHs), the Anoka-Metro Regional Treatment Center (RTC), and intensive residential treatment centers through direct outreach services to people.

Population Served

Mental Health Services provides treatment to adults with serious mental illness.

Services Provided

Mental Health Services includes inpatient psychiatric services at community-based behavioral health hospitals. By serving patients as close as possible to their home communities, their natural support structures can aid and support treatment. Each patient receives an assessment of their mental, social, and physical health by a variety of medical professionals; an individual treatment plan, including medication management and 24-hour nursing care; and individualized discharge planning for transitioning back to an appropriate setting in the community. These hospitals are currently located in Bemidji, Wadena, Baxter, Alexandria, Fergus Falls, St. Peter, Rochester, Annandale, Cold Spring, Willmar, and the Anoka-Metro RTC.

Additional services are also provided in partnership with county social service agencies and mental health providers. These include:

- ◆ *Adult Rehabilitative Mental Health Services (ARMHS);*
⇒ These services instruct, assist, and support individuals in such areas as relapse prevention, transportation, illness management, and life skills.
- ◆ *Assertive Community Treatment (ACT) Teams, and;*
⇒ These teams which provide intensive, around-the-clock supports to persons with SMI in their homes, at work, and elsewhere in the community. Multidisciplinary treatment teams help stabilize an individual, allowing the individual to avoid entering a treatment facility.
- ◆ *Crisis Response.*
⇒ This service provides mobile crisis teams to short-term crisis stabilization beds to assist those individuals experiencing a crisis and requiring specialized treatment.

Historical Perspective

Minnesota's policy for serving people with disabilities has emphasized a broad array of community-based treatment and support options enabling people to access the most appropriate care as close to their home community and natural support system as possible. This policy direction has resulted in the reduction in the care provided in large institutions and creation of CBHHs. Other services developed in the community include ARMHS, ACT, and Crisis Response services.

Key Program Goals

- ◆ ***Develop effective and accountable mental health and chemical health systems.*** Mental Health Services programs operated by DHS help to ensure the health of Minnesotans and to ensure that our communities will be safe. Providing services through community-based alternatives, such as ARMHS, ACT, Crisis Response, and CBHHs, ensures that services are focused on clients. These services are part of an effective and accountable mental health system. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Activity at a Glance

- ◆ SOS mental health services provided inpatient and residential services to approximately 3,300 people in FY 2007.
- ◆ Approximately 130,000 services were provided to persons in these programs.
- ◆ The programs ended FY 2008 with an average daily population of 245.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MENTAL HEALTH SERVICES

Narrative

Key Measures

- ◆ **Percentage of patients readmitted to CBHs compared with the national average.** This measure is under development. It will provide an indication of the community-based service system's ability to support adults with serious mental illness in independent community settings.
- ◆ **Average length of stay for adults with serious mental illness (SMI) in an acute care or intensive residential treatment setting.** This measure is under development. The average length of stay will provide an indication of the community-based service system's ability to support adults with SMI in independent community living.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

This activity is funded by appropriations from the General Fund.

Contact

For more information on State Operated Services, contact SOS Support, (651) 431-3676.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: STATE OPERATED SERVICES
Activity: MENTAL HEALTH

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|---------------------------|----------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 115,960 | 119,207 | 119,207 | 119,207 | 238,414 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (18,699) | (18,699) | (37,398) |
| Subtotal - Forecast Base | 115,960 | 119,207 | 100,508 | 100,508 | 201,016 |
| Governor's Recommendations | | | | | |
| CABHS as a Core Safety Net Function | | 0 | 8,617 | 10,593 | 19,210 |
| MH Inpatient Ratable Reduction | | 0 | 981 | 3,742 | 4,723 |
| Reduce General Administrative Operations | | 0 | (3,200) | (3,200) | (6,400) |
| Shift SOS Dental Clinics to Safety Net | | 0 | 3,310 | 3,310 | 6,620 |
| Total | 115,960 | 119,207 | 110,216 | 114,953 | 225,169 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 113,292 | 101,522 | 110,216 | 114,953 | 225,169 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 10,609 | 19,419 | 17,646 | 17,646 | 35,292 |
| Miscellaneous Agency | 389 | 321 | 320 | 320 | 640 |
| Total | 124,290 | 121,262 | 128,182 | 132,919 | 261,101 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 108,174 | 107,576 | 115,027 | 116,680 | 231,707 |
| Other Operating Expenses | 15,135 | 12,722 | 12,192 | 15,276 | 27,468 |
| Capital Outlay & Real Property | 394 | 525 | 525 | 525 | 1,050 |
| Payments To Individuals | 440 | 439 | 438 | 438 | 876 |
| Local Assistance | 150 | 0 | 0 | 0 | 0 |
| Other Financial Transactions | (3) | 0 | 0 | 0 | 0 |
| Total | 124,290 | 121,262 | 128,182 | 132,919 | 261,101 |
| Full-Time Equivalents (FTE) | 1,418.4 | 1,282.4 | 1,239.9 | 1,204.0 | |

Activity Description

Separated from the administration of State Operated Services in CY 2008, the Minnesota Sex Offender Program (MSOP) operates independently and continues to provide specialized treatment in a secure treatment setting for individuals committed by the courts as either a sexual psychopathic personality (SPP) or a sexually dangerous person (SDP).

Activity at a Glance

- ◆ During FY 2008, MSOP provided services to 573 individuals who were on a court hold order or committed to the program for care and treatment.
- ◆ At the end of FY 2008, the Minnesota Sex Offender Program had a census of 483.

Population Served

The MSOP serves persons who have been committed as SPP or SDP. The majority of persons committed to this program have been referred by the Department of Corrections (DOC), upon completion of their criminal sentences, to individual counties for consideration of civil commitment.

Services Provided

Once individuals are civilly committed, they receive intensive inpatient sex offender treatment. The philosophy of treatment is based on cognitive-behavioral techniques and includes strategies to prevent individual sex offenders from relapsing. Group therapy is the main form of treatment. Within the MSOP, populations are subdivided by level of functioning, willingness to participate in treatment, and avoidance of criminal-type activity. This is to encourage individuals to participate in treatment and segregate others who are hindering progress.

MSOP services are in the process of being transitioned gradually from the St. Peter campus to Moose Lake. The majority of this population will be transitioned to the new modified "K" building on the MSOP-Moose Lake campus once construction is completed in the spring of 2009. Specialized units will continue to operate on the St. Peter campus until construction is completed.

Historical Perspective

Over the past several years, the MSOP has experienced significant population growth, undergone extensive modifications in the treatment program, and transitioned to a new administration. Efforts continue to enhance treatment methods and security and to create operational efficiencies to assure that cost effective services are provided.

Key Program Goals

- ⇒ ***Our communities will be safe, friendly, and caring.*** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ⇒ ***Develop effective and accountable mental health and chemical health systems.*** This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

MSOP has a variety of program objectives associated with enhancing the security and safety of the public, staff, and the patients while providing treatment and programming for patients.

Key Measures

- ◆ ***Percentage of MSOP population in work service.*** Sex offender treatment involves work services, education, recreation, and treatment. Work service is a critical part of the sex offender treatment program and is one of four components in the MSOP program (work, education, recreation, and treatment).

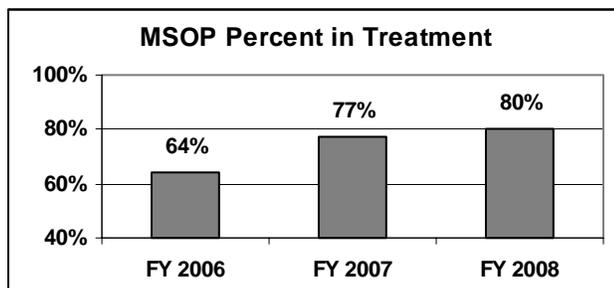
HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MN SEX OFFENDER PROGRAM

Narrative

◆ *Percentage of MSOP population participating in sex offender treatment.*



For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

The MSOP is funded by appropriations from the general fund.

Contact

For more information on MSOP, contact the MSOP Chief Executive Office, (651) 431-2148.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MN SEX OFFENDER PROGRAM

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 75,614 | 54,569 | 62,569 | 62,569 | 125,138 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (2,329) | (2,329) | (4,658) |
| Subtotal - Forecast Base | 75,614 | 54,569 | 60,240 | 60,240 | 120,480 |
| Governor's Recommendations | | | | | |
| MSOP Growth and Base Funding Restored | | 0 | 5,670 | 8,330 | 14,000 |
| MSOP/SOS Pension Reform | | 0 | (578) | (666) | (1,244) |
| Reduce General Administrative Operations | | 0 | (1,067) | (1,067) | (2,134) |
| Total | 75,614 | 54,569 | 64,265 | 66,837 | 131,102 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 74,993 | 55,465 | 64,265 | 66,837 | 131,102 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 252 | 200 | 0 | 0 | 0 |
| Miscellaneous Agency | 1,170 | 830 | 830 | 830 | 1,660 |
| Materials Distribution | 0 | 500 | 500 | 500 | 1,000 |
| Total | 76,415 | 56,995 | 65,595 | 68,167 | 133,762 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 53,933 | 38,858 | 50,464 | 52,796 | 103,260 |
| Other Operating Expenses | 21,314 | 17,487 | 14,481 | 14,721 | 29,202 |
| Capital Outlay & Real Property | 0 | 450 | 450 | 450 | 900 |
| Payments To Individuals | 1,168 | 200 | 200 | 200 | 400 |
| Total | 76,415 | 56,995 | 65,595 | 68,167 | 133,762 |
| Full-Time Equivalent (FTE) | 891.3 | 770.0 | 819.5 | 795.9 | |

Activity Description

State Operated Services' (SOS) Enterprise Services operate in the marketplace with other providers, funded solely through revenues collected from third-party payment sources. As such, these services do not rely on a state appropriation for funding. Services focus on providing treatment and residential care for adults and children with chemical dependency, acquired brain injury, behavioral health issues, and developmental disabilities.

Population Served

Enterprise Services programs serve:

- ◆ people with chemical abuse or dependency problems;
- ◆ people with acquired brain injuries;
- ◆ children and adolescents with severe emotional disturbances, and;
- ◆ people who are developmentally disabled (DD).

Services Provided

Enterprise Services includes a variety of programs:

- ◆ Chemical Addiction Recovery Enterprise (C.A.R.E.) programs provide inpatient and outpatient treatment to persons with chemical dependency and substance abuse problems. Programs are operated in Anoka, Brainerd, Carlton, Fergus Falls, St. Peter, and Willmar.
- ◆ The Minnesota Neurorehabilitation Services (MNS), located at Brainerd, provides outreach and intensive rehabilitation services to people with acquired brain injury who have challenging behaviors. The MNS program serves the entire state of Minnesota.
- ◆ Child and Adolescent Behavioral Health Services (CABHS) provide an array of services ranging from in-home crisis intervention to hospital level of care. CABHS does this with its own staff and by partnering with other caregivers and contracting with private providers. This is a statewide program providing hospital-level care in Willmar.
- ◆ SOS community-based residential services for people with disabilities typically are provided in four-bed group homes. Individual service agreements are negotiated with the counties for each client based on his/her needs. Clients take advantage of and are integrated into the daily flow of their community.
- ◆ Day Training and Habilitation (DT&H) programs provide vocational support services to people with disabilities and include evaluation, training, and supported employment. Individual service agreements are negotiated for each client.

Activity at a Glance

In FY 2008:

- ◆ Provided treatment to 2,650 persons with chemical dependency;
- ◆ Provided services to 160 clients with acquired brain injuries;
- ◆ Provided treatment to 300 children and adolescents with emotional disturbances;
- ◆ Provided services to 850 people in community residential sites or through the use of assistive technologies; and
- ◆ Provided day treatment and habilitation to 850 people with developmental disabilities.

Historical Perspective

Changes in the funding structure for chemical dependency treatment moved SOS chemical dependency programs into enterprise services in 1988. In 1999, the legislature adopted statutory language that allowed SOS to establish other enterprise services. These services are defined as the range of services, which are delivered by state employees, needed by people with disabilities, and are fully funded by public or private third-party health insurance or other revenue sources. SOS specializes in providing these services to vulnerable people for whom no other providers are available or for whom SOS may be the provider selected by the payer. As such, these services fill a need in the continuum of services for vulnerable people with disabilities by providing services not otherwise available.

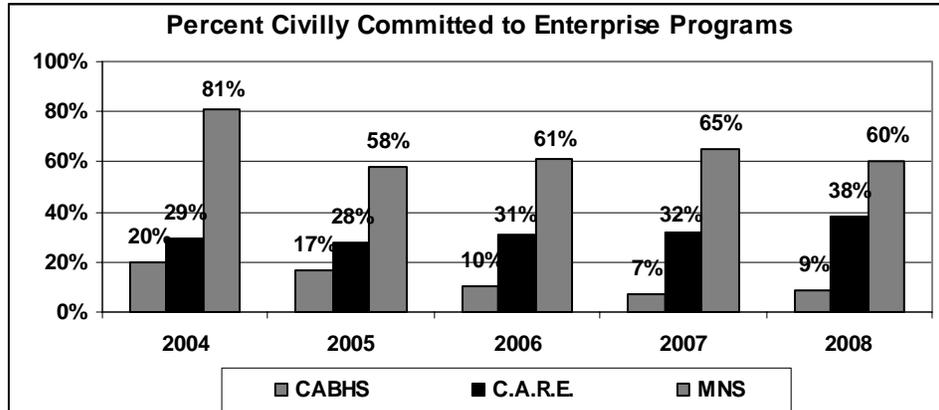
Key Program Goals

- ◆ ***Our communities will be safe, friendly, and caring.*** This goal is from *Minnesota Milestones* (<http://server.admin.state.mn.us/mm/goal.html>).
- ◆ ***Develop effective and accountable mental health and chemical health systems.*** This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-4694-ENG>).

Enterprise Services, operated by the Department of Human Services, help to ensure the health of Minnesotans and to ensure that our communities will be safe. These services are focused on providing high quality client care.

Key Measures

- ◆ **Percent of people civilly committed to enterprise programs versus those who voluntarily received services in these programs.** Enterprise services were developed to meet the needs of underserved areas of the state and/or populations that other community providers have refused to serve. This measure will indicate the number of individuals who could have been served by community providers if there were willing providers available.



“CABHS” is Child and Adolescent Behavioral Health Services.

“C.A.R.E.” is Chemical Addiction Recovery Enterprise.

“MNS” is Minnesota Neurorehabilitation Services.

Note: C.A.R.E. data are on adult inpatients only.

More information on DHS performance measures, see: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Enterprise Services operates without a state appropriation and is supported solely through collections from third party payment sources including:

- ◆ commercial and private insurance;
- ◆ publicly funded payers (such as counties, Medical Assistance, Medicare, or the Consolidated Chemical Dependency Treatment Fund), and;
- ◆ individual or self-pay.

Contact

For more information on Enterprise Services contact SOS Support, (651) 431-3676.

Information on DHS programs is on the department’s website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
 Program: STATE OPERATED SERVICES
 Activity: ENTERPRISE SERVICES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 45 | 35 | 0 | 0 | 0 |
| Gift | 3 | 7 | 7 | 7 | 14 |
| Revenue Based State Oper Serv | 81,587 | 81,605 | 81,605 | 81,605 | 163,210 |
| Mn Neurorehab Hospital Brainer | 17,474 | 13,244 | 12,965 | 12,965 | 25,930 |
| Dhs Chemical Dependency Servs | 21,093 | 23,065 | 22,465 | 22,465 | 44,930 |
| Total | 120,202 | 117,956 | 117,042 | 117,042 | 234,084 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 94,906 | 95,894 | 95,894 | 95,894 | 191,788 |
| Other Operating Expenses | 24,320 | 20,973 | 20,059 | 20,059 | 40,118 |
| Capital Outlay & Real Property | 32 | 70 | 70 | 70 | 140 |
| Payments To Individuals | 943 | 1,019 | 1,019 | 1,019 | 2,038 |
| Other Financial Transactions | 1 | 0 | 0 | 0 | 0 |
| Total | 120,202 | 117,956 | 117,042 | 117,042 | 234,084 |
| Full-Time Equivalent (FTE) | 1,619.9 | 1,609.3 | 1,562.6 | 1,517.5 | |

Activity Description

The Minnesota Security Hospital (MSH), the Minnesota Extended Treatment Options (METO) program, and the Forensics Nursing Facility (FNF) are operated by State Operated Services (SOS). These programs provide specialized treatment and related supports for persons committed by the courts.

Population Served

This budget activity serves:

- ◆ persons who are committed as mentally ill and dangerous (MI&D);
- ◆ people who have been committed as MI&D, sexual psychopathic personality (SPP), a sexually dangerous person (SDP), and those on medical release from the Minnesota Department of Corrections (DOC), who are in need of nursing home level of care;
- ◆ persons who are committed as developmentally disabled who *may* pose a public safety risk, and;
- ◆ persons who have received a court-ordered evaluation of their competency, or court-ordered treatment to restore competency prior to standing trial for an offense.

Activity at a Glance

In 2008:

- ◆ MSH programs provided services to 314 individuals.
- ◆ MSH ended FY 2008 with a census of 245, with an additional 76 individuals in the Transition Program.
- ◆ The FNF served 22 people.
- ◆ The METO program provided services to 230 individuals, ending the fiscal year with a census of 41.

Services Provided

Services for those committed by the courts as MI&D are provided at the Minnesota Security Hospital (MSH) in St. Peter. The MSH is a secure treatment facility that provides multi-disciplinary treatment serving adults and adolescents from throughout the state, who are admitted pursuant to judicial or other lawful orders, for assessment and/or treatment of acute and chronic major mental disorders. MSH also provides comprehensive, court-ordered forensic evaluations; including competency to stand trial and pre-sentence mental health evaluations. The MSH operates a transition program that provides a supervised residential setting offering social rehabilitation treatment to increase self-sufficiency and build the skills necessary for a safe return to the community. In addition, the MSH operates a forensic nursing facility which provides services to those individuals who are in need of nursing home level of care and are committed as MI&D, SPP, SDP, or those on medical release from the DOC.

Services for individuals committed as DD who may pose a public safety risk are provided at the METO program in Cambridge. METO provides specialized services for adults from across the state with the focus of treatment on changing client behavior and identifying necessary supports that will permit them to return safely to the community. In addition, staff provide technical assistance, provider training and education, and crisis intervention services for these clients.

Historical Perspective

Over the past several years, the services provided by the MSH and METO have seen significant population growth. Efforts are underway to enhance treatment methods and security, to create operational efficiencies, and to ensure that cost effective services are provided.

Key Program Goals

- ◆ ***Develop effective and accountable mental health and chemical health systems.*** The services provided by MSH, the FNF, and METO help ensure the health of Minnesotans and that our communities will be safe. These services are part of an effective and accountable mental health system. This goal is from the Department of Human Services' *Priority Plans* (<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4694-ENG>).

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MINNESOTA SECURITY HOSPITAL & METO

Narrative

Key Measures

- ◆ ***Percent of patients who are qualified for community-based treatment and supervision and are receiving community-based treatment and supervision.*** SOS continues to develop community-based treatment options for patients who no longer need the level of security and supervision in the MSH and METO programs. This measure is under development.

For more information on DHS performance measures, see: <http://departmentresults.state.mn.us/hs/index.html>.

Activity Funding

The MSH and the METO programs are funded by appropriations from the general fund.

Contact

For more information on SOS Services contact SOS Support, (651) 431-3676.

Information on DHS programs is on the department's website: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MN SEC HOSP & MN EXT TRMT OPT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|--------------------|---------------|----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 86,495 | 80,505 | 84,505 | 84,505 | 169,010 |
| Subtotal - Forecast Base | 86,495 | 80,505 | 84,505 | 84,505 | 169,010 |
| Governor's Recommendations | | | | | |
| MSOP/SOS Pension Reform | | 0 | (1,587) | (1,853) | (3,440) |
| Total | 86,495 | 80,505 | 82,918 | 82,652 | 165,570 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 86,341 | 80,641 | 82,918 | 82,652 | 165,570 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 879 | 780 | 658 | 658 | 1,316 |
| Miscellaneous Agency | 2,127 | 1,895 | 1,895 | 1,895 | 3,790 |
| Gift | 2 | 0 | 0 | 0 | 0 |
| Endowment | 1 | 2 | 2 | 2 | 4 |
| Total | 89,350 | 83,318 | 85,473 | 85,207 | 170,680 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 70,542 | 66,144 | 68,421 | 68,155 | 136,576 |
| Other Operating Expenses | 15,459 | 14,423 | 14,301 | 14,301 | 28,602 |
| Capital Outlay & Real Property | 190 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 3,159 | 2,751 | 2,751 | 2,751 | 5,502 |
| Total | 89,350 | 83,318 | 85,473 | 85,207 | 170,680 |
| Full-Time Equivalents (FTE) | 1,013.2 | 981.0 | 952.6 | 925.2 | |

HUMAN SERVICES DEPT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|--|------------------|--------------------|--------------------|------------------|---------------------|
| | | | FY2010 | FY2011 | |
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 64,824 | 58,460 | 72,733 | 75,992 | 148,725 |
| Grants: | | | | | |
| General | 3,224 | 3,000 | 3,000 | 3,000 | 6,000 |
| Other Revenues: | | | | | |
| General | 111,460 | 118,228 | 125,029 | 130,691 | 255,720 |
| Health Care Access | 6,141 | 7,341 | 5,116 | 4,863 | 9,979 |
| Taxes: | | | | | |
| General | 214,999 | 214,989 | 223,742 | 226,603 | 450,345 |
| Total Non-Dedicated Receipts | 400,648 | 402,018 | 429,620 | 441,149 | 870,769 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| Miscellaneous Special Revenue | 5,459 | 4,987 | 4,987 | 4,987 | 9,974 |
| Departmental Earnings: | | | | | |
| General | 4,265 | 4,440 | 5,186 | 5,931 | 11,117 |
| Health Care Access | 19,356 | 19,171 | 23,361 | 29,701 | 53,062 |
| Miscellaneous Special Revenue | 13,165 | 21,215 | 22,068 | 22,278 | 44,346 |
| Federal | 16,929 | 22,062 | 22,465 | 22,465 | 44,930 |
| Revenue Based State Oper Serv | 81,448 | 82,114 | 82,114 | 82,114 | 164,228 |
| Mn Neurorehab Hospital Brainer | 16,131 | 12,995 | 12,995 | 12,995 | 25,990 |
| Dhs Chemical Dependency Servs | 19,639 | 22,795 | 22,795 | 22,795 | 45,590 |
| Materials Distribution | 0 | 500 | 500 | 500 | 1,000 |
| Grants: | | | | | |
| General | 48,657 | 42,015 | 36,318 | 35,145 | 71,463 |
| Miscellaneous Special Revenue | 113,561 | 104,324 | 41,445 | 44,359 | 85,804 |
| Federal | 4,278,068 | 4,865,089 | 5,099,188 | 5,568,734 | 10,667,922 |
| Other Revenues: | | | | | |
| General | 34,455 | 37,343 | 40,964 | 41,888 | 82,852 |
| Health Care Access | 29 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 110,212 | 116,237 | 106,945 | 109,548 | 216,493 |
| Federal | 29,946 | 29,687 | 29,687 | 29,687 | 59,374 |
| Miscellaneous Agency | 659,836 | 662,848 | 662,349 | 662,349 | 1,324,698 |
| Gift | 27 | 30 | 31 | 36 | 67 |
| Endowment | 3 | 2 | 2 | 2 | 4 |
| Revenue Based State Oper Serv | 1,056 | 1,186 | 1,186 | 1,186 | 2,372 |
| Mn Neurorehab Hospital Brainer | 141 | 110 | 110 | 110 | 220 |
| Dhs Chemical Dependency Servs | 117 | 150 | 150 | 150 | 300 |
| Other Sources: | | | | | |
| Miscellaneous Agency | 3,332 | 181,942 | 181,942 | 181,942 | 363,884 |
| Total Dedicated Receipts | 5,455,832 | 6,231,242 | 6,396,788 | 6,878,902 | 13,275,690 |
| Agency Total Revenue | 5,856,480 | 6,633,260 | 6,826,408 | 7,320,051 | 14,146,459 |

| Support Services Grants BACT #21 | | | | | | | |
|--|--------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr. | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | - | | | | | | |
| General Fund | | | | \$8,698 | \$8,715 | \$8,715 | \$8,715 |
| MFIP Consolidated Support Services Grants | S35 | F162 | Consolidated funding allocated to counties and tribes to provide support services for MFIP/DWP participants including job search/skills, adult basic education, GED coaching, short-term training, English proficiency training, county programs to help with emergency needs and help accessing other services such as child care, medical and CD/Mental health services. (FY 2007 approximately served 7,600 persons a month). See also Federal Funds. | 8,679 | 8,679 | 8,679 | 8,679 |
| Food Stamp Employment and Training (FSET) Service Grants | S35 | F500 | Grants to counties for the provision of employment services to help Food Stamp participants prepare for and accept employment. (FY 2007 approximately served a monthly average of 1,500 persons) | 18 | 26 | 26 | 26 |
| CFS Injury Protection Program | S35 | F550 | Payments to medical providers for the treatment of injuries suffered by persons injured while participating in a county or tribal community work experience program. | 1 | 10 | 10 | 10 |
| Federal TANF | | | | \$111,131 | \$114,961 | \$114,961 | \$107,111 |
| MFIP WorkForce U | T01 | F141 | A pilot program in Stearns and Benton counties that provides short-term training for MFIP and DWP participants to develop employer-desired skills, with more advanced classes offered in partnership with local colleges. Evaluation report available in Feb. 2011. | 43 | 750 | 750 | 0 |
| Supported Work Grants | T01 | F142 | Allocated to counties and tribes to provide a continuum of employment assistance to MFIP participants, including testing and assessment, supported worksite experience and job coaching. | 4,430 | 7,100 | 7,100 | 0 |
| MFIP Integrated Service Projects | T01 | F143 | Projects to deliver comprehensive services to MFIP families who receive cash assistance long-term, many of whom are at-risk for reaching the 60-month time limit. | 2,183 | 2,500 | 2,500 | 2,500 |
| MFIP Consolidated Support Services Grants | T01 | F640 | See General Fund Explanation | 104,475 | 104,611 | 104,611 | 104,611 |
| Statutory Appropriations | - | | | | | | |
| Federal Fund | | | | \$20 | \$34 | \$34 | \$34 |
| FSET - Services Grants | F54 | F576 | See General Fund - MN also received approx \$1.2 million in FFY 2008 in 100% federal funds which are passed through to counties. | 20 | 34 | 34 | 34 |

| BSF Child Care Assistance Grants BACT #23 | | | | | | | |
|--|--------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr. | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$40,843 | \$35,781 | \$45,098 | \$44,852 |
| Basic Sliding Fee (BSF) Child Care Assistance Grants | S79 | B402 | BSF child care assistance grants provide financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. Funds purchase child care for 15,000 children in 8,500 families (2007). | 40,843 | 35,781 | 45,098 | 44,852 |
| Statutory Appropriations | | | | | | | |
| Federal Fund | | | | \$45,561 | \$59,466 | \$49,007 | \$48,239 |
| Basic Sliding Fee (BSF) Child Care Assistance Grants | E22 | B421 | See General Fund. | 45,561 | 59,466 | 49,007 | 48,239 |

| Child Care Development Grants BACT #24 | | | | | | | |
|---|------|--------|--|----------------|----------------|----------------|----------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | - | | | | | | |
| General Fund | | | | \$4,376 | \$6,017 | \$1,483 | \$1,483 |
| Child Care Service Development Grants | S77 | B422 | Grants to child care resource and referral agencies to build and improve the capacity of the child care system for centers and family child care providers. Over 2,300 family and center providers each year. See also federal fund. | 645 | 536 | 290 | 290 |
| Child Care Resource and Referral Grants | S77 | B423 | Grants to child care resource and referral agencies to support the child care infrastructure through information for parents, supports and training resources for providers, coordination of local services and data collection to inform community planning. | 604 | 691 | 687 | 687 |
| Migrant Child Care Grants | S77 | B425 | Provides grant funds to community based program for comprehensive child care services for migrant children throughout the state. Approximately 150 migrant children under 14 years of age served annually. | 200 | 196 | 196 | 196 |
| Child Care Facility Grants | S77 | B436 | Grants and forgivable loans to child care providers and centers in communities with a concentration of families living in poverty, to start, expand or improve programs. (Development Corporation for Children) | 166 | 163 | 163 | 163 |
| Child Care Integrity Grants | S77 | B471 | Grants to counties to support fraud prevention activities. | 136 | 147 | 147 | 147 |
| Pre-Kindergarten Exploration | S77 | C525 | One-time funding to establish three pre-kindergarten exploratory projects in partnership with Minnesota Department of Education and Minnesota Early Learning Foundation to promote school readiness. Funding helps low-income parents pay for high quality child care and early education, to help children better prepare for school. | 2,000 | 3,670 | 0 | 0 |
| Early Childhood Professional Development System | S77 | C526 | One-time funding appropriated for early childhood and school-age professional development training system development and implementation in consultation with the departments of Education and Health. | 250 | 246 | 0 | 0 |
| Family Friends-Neighbors program | S77 | C527 | One-time funding to promote children's early literacy, healthy development and school readiness in FFN child care settings. Grants include support for partnerships with public and regional library systems, community organizations and tribes and will be evaluated in consultation with the U of M. | 375 | 368 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|----------------|----------------|----------------|----------------|
| Statutory Appropriations | - | | | | | | |
| Special Revenue Fund | | | | \$623 | \$364 | \$0 | \$0 |
| MN Early Learning Foundation | R63 | C515 | Funding to help child care programs that serve children who are at-risk of not being ready for school upon enrollment in kindergarten to attain accreditation. (MELF Accreditation) | 80 | 30 | 0 | 0 |
| MELF Quality Rating -Grant | R63 | C522 | Funding to build and provide implementation support for the Parent Aware Quality Rating System, a new system that allows consumers to search for child care and early learning programs that are doing the best job of preparing children under age 5 for success in school. | 543 | 334 | 0 | 0 |
| Federal Fund | | | | \$9,104 | \$9,065 | \$9,015 | \$9,015 |
| CCDF Multilingual Grant | E22 | B408 | Grants to providers who provide child care information and referral for non-English speakers. | 100 | 120 | 120 | 120 |
| CCDF - Resource and Referral Grants | E22 | B411 | Combines with state child care resource and referral funds to make grants to regional agencies to support the child care infrastructure through information for parents, supports and training resources for providers, coordination of local services and data. | 3,695 | 4,100 | 4,100 | 4,100 |
| CCDF - School Age Start-up Grant | E22 | B412 | Grants to community based programs to support professional development and child care program improvement grants for school age child care settings. | 543 | 600 | 600 | 600 |
| CCDF - Special Needs Grants | E22 | B413 | Grants to community based programs to support and train child care providers in caring for children with special needs. | 139 | 250 | 250 | 250 |
| CCDF- Infant & Toddler Grants | E22 | B416 | Grants to community based programs to build and sustain the child care capacity and improve quality of care for infants and toddlers. A portion is administered with general fund Child Care Service Development Grants. | 2,298 | 1,300 | 1,300 | 1,300 |
| CCDF - Cultural Competency Grants | E22 | B417 | Grants to community based programs to enhance the cultural competency of early childhood programs and to improve access to cultural information, training, and technical assistance. | 310 | 370 | 370 | 370 |
| FFN Evaluation | E22 | B418 | See Family Friends & Neighbors Grant Program under Direct Appropriations. | 50 | 50 | 0 | 0 |
| CCDF - Professional Development Grants | E22 | B419 | Professional development and child care program improvement grants. | 0 | 75 | 75 | 75 |
| CCDF – CDA Support Grants | E22 | B431 | Professional development and child care program improvement grants. | 0 | 50 | 50 | 50 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|---|----------------|----------------|--------------|--------------|
| CCDF - Business Development Grants | E22 | B438 | Funding to Development Corporation for Children for technical assistance to child care centers to become viable and sustainable programs serving low-income families. | 109 | 100 | 100 | 100 |
| CCDF - Services Development Grants | E22 | B446 | Grants to child care resource and referral agencies to build and improve the capacity of the child care system. Over 2,300 family and center providers each year. Administered with general fund Child Care Service Development Grants. | 752 | 900 | 900 | 900 |
| CCDF - Community Partner Grants | E22 | B447 | Grants to community based programs to build and sustain the child care capacity and improve quality of care. | 180 | 50 | 50 | 50 |
| CCDF - Mentorship & Training Grants | E22 | B449 | Grants to community based programs to support professional development and improve quality of care. | 373 | 700 | 700 | 700 |
| CCDF Teacher Education & Retention Grants | E22 | B472 | Grants to community based programs to support professional development and improve quality of care. | 555 | 400 | 400 | 400 |

| Child Support Enforcement Grants BACT #25 | | | | | | | |
|--|-------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$9,441 | \$5,202 | \$3,705 | \$3,705 |
| Child Support Enforcement (CSE) County Grants | S37 | F202 | These funds pay performance based incentives that counties use for child support administrative costs. All counties receive incentives on a per-case basis for establishment, paternity and modification processes and on a per-person basis for medical insurance verification. | 2,905 | 2,905 | 2,905 | 2,905 |
| CSE County Guidelines Grants | S37 | F204 | These funds help counties fund a portion of administrative costs related to the implementation of the guidelines. Funds are distributed based on each county's percentage of the statewide child support caseload. | 450 | 450 | 450 | 450 |
| CSE Medical Provider Bonus | S37 | F209 | Incentive payments to hospitals for notarized paternity acknowledgement submitted to MDH. Approximately ninety hospitals participate. At a rate of \$25 per ROP, this allotment pays incentives for 12,000 acknowledgements per year. | 300 | 300 | 300 | 300 |
| County Grants - Deficit Reduction Act (DFRA) | S37 | F286 | Grants to counties temporarily replaced lost federal match on performance-based incentives resulting from the Deficit Reduction Act of 2005. The last payment was distributed with the September incentive payments in November. | 5,786 | 1,547 | 0 | 0 |
| Transfer from S37 to R50 | S37 | T161 | GF transfer to ensure Child Support Payment Center recoupment account has sufficient funds. | 0 | 0 | 50 | 50 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---------------------------------------|------|--------|---|----------------|----------------|----------------|----------------|
| Statutory Appropriations | | | | | | | |
| Special Revenue Fund | | | | \$1,939 | \$1,540 | \$1,466 | \$1,466 |
| CSE Payment Center Recoupment Account | R50 | F259 | Grants to individuals that temporarily fund NSF checks and other child support payment adjustments, which allow child support funds to be distributed within the 48 hour federal requirement. | 61 | 90 | 40 | 40 |
| CSE County Grants | R51 | F218 | See General Fund. <i>(This funding is from the non-federal share of the child support 1% processing fee authorized in 2003 session and the federal \$25 annual collections fee mandated in 2006. This is in addition to GF grants. All counties receive payment based on their program performance.</i> | 1,878 | 1,450 | 1,426 | 1,426 |
| Federal Fund | | | | \$122 | \$124 | \$124 | \$124 |
| CSE Access & Visitation Grants | F41 | F254 | Grants to improve non-custodial parents access to their children. The federal A&V grant is currently passed along to 2 grantees: Children's Safety Centers and Central Minnesota Legal Services, selected through an RFP process in 2004. CSC and CMLS served over 265 families in FFY 2008. | 122 | 124 | 124 | 124 |

| Children's Services Grants BACT# 26 | | | | | | | |
|--|------|--------|---|-----------------|-----------------|-----------------|-----------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$44,105 | \$49,044 | \$45,122 | \$45,127 |
| American Indian Child Welfare Program | S21 | C272 | Grants to tribes to provide the full continuum of child welfare services to American Indian children living on participating tribe's reservations. There are 2 grantees: White Earth and Leech Lake reservations. This grant also impacts seven counties which are Becker, Cass, Clearwater, Hubbard, Itasca, and Mahnomen. 1,100 children and families have been served thru this grant. | 4,838 | 4,751 | 4,751 | 4,751 |
| Non-recurring Adoption Assistance Grants | S21 | C273 | One time grants of up to \$2,000 to adoptive families for expenses related to the adoption of a child with special needs. FY 2008 – served 461 children. | 156 | 211 | 189 | 189 |
| Pre-Natal Alcohol/Drug Use | S21 | C297 | New | 0 | 74 | 0 | 0 |
| Foster Care and Adoption Recruitment Grants | S21 | C344 | Grants to providers for recruitment of foster and adoptive families; fund child placement agencies' efforts to place children committed to the guardianship of the commissioner in adoptive homes. | 239 | 235 | 159 | 161 |
| Privatized Adoption Grants (Public Privatized Adoption Initiative) | S21 | C345 | Grants to 9 providers for recruitment of foster and adoptive families; fund child placement agencies' efforts to place children committed to the guardianship of the commissioner in adoptive homes. Grant support services for 341 children and 644 families. | 2,781 | 3,199 | 2,617 | 2,620 |
| Child Welfare Reform - Prevention / Early Intervention Grants | S21 | C347 | Grants to counties for child welfare reform. Provides services designed to support families in keeping children safe and nurtured. Services include training and counseling support for parents and children, stable housing and safe living conditions. Grant support services for 2,500-3,000 families per year. | 800 | 786 | 786 | 786 |
| FC Trans Plan Demo Project | S21 | C350 | Grants to providers for transitional planning and housing assistance services to youth preparing to leave long-term foster care or who have recently left foster care. These grants served 1,055 youth in SFY 2008. | 1,077 | 1,065 | 1,065 | 1,065 |
| Fetal Alcohol Syndrome - Intervention and Advocacy Grants | S21 | C363 | Grants to counties, tribes and health organizations to provide early intervention services to women with a history of maternal substance abuse; improve family functioning and address the effects of prenatal exposure by providing services to families with children who had a prenatal exposure. Transferred to CD non-entitlement grants. | 325 | 319 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|--|----------------|----------------|--------------|--------------|
| Indian Child Welfare Act (ICWA) Transfer to R21 | S21 | T051 | Grants to tribes and urban Indian social service agencies to provide a continuum of services to strengthen Indian families and reunify children placed out-of-home with their families. Funds 16 programs and served over 3,279 children. | 0 | 0 | 1,482 | 1,482 |
| Subsidized Adoption Grants | S42 | C248 | Direct payments to adoptive families to offset cost of assuming custody of and caring for special needs children. Critical to securing permanency for special needs wards of the state and consistent with the federal requirements and the Performance Improvement Plan (PIP) for the state's Child welfare system. Approximately 7,000 children served. | 26,117 | 30,288 | 25,038 | 25,038 |
| Adoption Assistance (AA) Demonstration Project | S42 | C312 | Cost neutrality payments for counties participating in the Permanency Demonstration projects. Payments based on state saving to AA program. Counties include Hennepin, Ramsey, Dakota, and Carlton. | 461 | 400 | 400 | 400 |
| RCA Demonstration Project | S42 | C313 | Cost neutrality payments for counties participating in the Permanency Demonstration projects. Payments based on state saving to the RCA program. Counties include Hennepin, Ramsey, Dakota, and Carlton. | 0 | 50 | 50 | 50 |
| Relative Custody Assistance Grants | S42 | C349 | Direct payments to relatives to offset cost of assuming custody of and caring for special needs children. Critical to securing permanency for special needs wards of the state and consistent with the federal requirements and the Performance Improvement Plan (PIP) for the state's Child welfare system. Approximately 1,950 children served. | 7,311 | 7,666 | 8,585 | 8,585 |
| Federal TANF Fund | | | | \$179 | \$305 | \$340 | \$340 |
| TANF Young Parent Program Grants | T01 | C209 | Grant provides education, job training, and skill development in areas such as parenting, child development, and employment for young parents under age 20 who live in Hennepin County, who have dropped out of school, and receive MFIP funds to support themselves and their children as directed by MN Session Laws 2007, Chapter 147, article 19, section 3, Subd. 4. (110 teen parents served- duplicative across different program activities. | 117 | 140 | 140 | 140 |
| Mental Health Pilot | T01 | R400 | Pilot projects in two sites (Becker County Children's Initiative/Becker County and Lifetrack Resource, Ramsey County) to evaluate the impact of a child's mental health problems on a parent's ability to work and participate in MFIP employment services. | 62 | 165 | 200 | 200 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|---|----------------|----------------|----------------|----------------|
| Health Care Access Fund 190 | | | | \$250 | \$0 | \$0 | \$0 |
| Children's Mental Health Crisis Grants | M21 | C500 | Children's mental health crisis grants to metro counties and one out-state county to build capacity for mobile crisis teams-particularly to cover costs for uninsured children. (Funding shifted to General Fund and to Children's Mental Health Activity in FY 2009. | 250 | 0 | 0 | 0 |
| Statutory Appropriations | - | | | | | | |
| Special Revenue Fund | | | | \$3,651 | \$5,785 | \$4,327 | \$4,926 |
| Privatized Adoption Grants | R20 | C276 | The source of the funding for this item is federal reimbursement associated with General Fund appropriations for Privatized Adoption Grants and Foster Care Recruitment Grants which serve 341 children and 641 families, respectively. | 0 | 650 | 650 | 650 |
| Foster Care Recruitment | R20 | C277 | Grant to Century College to provide regionalized training to county and tribal child welfare staff and to foster care providers, consistent with the requirements of MS § 626.559, Subd. 5 and to manage IV-E eligibility determination training for counties | 0 | 125 | 125 | 125 |
| Adoption IV-B Grants | R20 | C278 | The source of the funding for this item is federal reimbursement associated with General Fund appropriations for Privatized Adoption Grants and Foster Care Recruitment Grants. Grants to providers for an array of post adoption services to foster and adoptive families. This grant supports training 939 professionals and served 15,008 children and families. | 0 | 850 | 850 | 850 |
| Indian Child Welfare Grants (Transfer from S21) | R21 | C231 | Grants to tribes and urban Indian social service agencies to provide services to strengthen Indian families and reunify children placed out-of-home with their families. (see also General Fund) | 1,435 | 1,556 | 0 | 0 |
| Child Welfare Training Grants | R22 | C234 | Grant to Century College to provide regionalized training to county and tribal child welfare staff and to foster care providers, consistent with the requirements of MS § 626.559, Subd. 5. In FY 2008, 3,248 trainees attended 407 classes. | 1,144 | 1,450 | 1,519 | 1,519 |
| McKnight Parent Supt. Grant | R55 | C261 | Grants to counties to provide support services to families struggling with parenting issues. Ends in FY 2009. | 517 | 25 | 0 | 0 |
| Bush Foundation MFIP Family Connections | R72 | C296 | Grants to counties to provide support services to families with young children in receipt of MFIP benefits. Goal is to improve developmental outcomes for children including the prevention of child abuse and neglect. 1,900 families served over 3 year pilot. | 135 | 240 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|---|-----------------|-----------------|-----------------|-----------------|
| Children's Trust Fund Grants | R90 | B704 | Grants to community based agencies to prevent child maltreatment and improve family functioning. Also provides funding for a statewide organization to improve public awareness, efforts to prevent child maltreatment and a department initiative to increase knowledge of and access to available services in the community. (Approximately 1,173 families served per year) | 420 | 889 | 1,183 | 1,782 |
| Federal Fund | | | | \$49,358 | \$57,797 | \$54,839 | \$53,104 |
| MFIP Family Connections | E23 | B701 | Grants to counties to provide support services to families with young children in receipt of MFIP benefits with the goal of child maltreatment prevention. 1,900 families served over 3 year pilot. | 70 | 250 | 250 | 0 |
| Challenge Grant (Community Based Child Abuse Prevention) – Children's Trust Fund | E23 | B702 | Grants to community based agencies (such as non-profits, school districts, and human service agencies) to provide supports and services to families that reduce the risk of child maltreatment and enhance family capacities. | 1,640 | 1,872 | 1,102 | 1,207 |
| Title IV-B2 Family Support Grants (Parent Support Outreach) | F00 | C206 | Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family. Grant supports services to 1,000 families per year. | 1,075 | 500 | 100 | 0 |
| Title IV-B2 Family Preservation Grants (Family Alternative Response Grant) | F00 | C237 | Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family. Grant supports services for 2,500-3,000 families per year. | 1,145 | 1,430 | 735 | 0 |
| Title IV-B2 Adoption Grants | F00 | C238 | Grants to providers of an array of post adoption services to foster and adoptive families. | 734 | 0 | 0 | 0 |
| Title IV-B2 Reunification Grants | F00 | C239 | Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their families. In 2008, there were 880 Family Group Decision Making conferences which served 2,180 children. | 1,271 | 1,596 | 755 | 0 |
| Title IV-B2 - Children's Justice Initiative Grants | F00 | C244 | These grants to counties fund efforts to shorten the timeframe for establishing a permanent home or family reunification. Targets children younger than 8 years of age in out-of- home care. This grant funds a position with the Supreme Court. | 71 | 100 | 100 | 100 |
| Title IV-E Foster Care Maintenance | F02 | C294 | Federal financial participation for costs of Title IV-E eligible children in foster care programs. | 17,963 | 21,425 | 21,425 | 21,425 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|---|----------------|----------------|--------------|--------------|
| Title IV-E Foster Care Rule 4 / Intake & Planning | F02 | C300 | Federal financial participation for expenditures by counties, tribes and providers providing assistance to Title IV-E children in foster care programs. | 2,639 | 3,350 | 3,350 | 3,350 |
| Title IV-E Foster Care University of Minnesota | F02 | C303 | Federal financial participation for costs associated with support and training for child welfare system. | 2,706 | 3,465 | 3,465 | 3,465 |
| Title IV-E Adoption Assistance - Maintenance | F04 | C279 | Federal financial participation for payments to individuals adopting to Title IV-E children in adoption assistance programs. About 4,600 children receive IV-E adoption assistance. | 15,874 | 19,600 | 19,600 | 19,600 |
| Title IV-E Adoption Assistance - Non-Recurring Grants | F04 | C365 | Federal financial participation for payments to individuals adopting in adoption assistance programs who are IV-E eligible. There were 1,102 children served in SFY 2008. | 433 | 470 | 470 | 470 |
| Title IV-B1 Family Preservation Grants (Family Response Grant) | F08 | C281 | Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family. Grant support services to 2,500-3,000 families per year. | 1,041 | 850 | 850 | 850 |
| Title IV-B1- Minnesota Adoption Res Net Grants | F08 | C318 | Grants to providers for an array of post adoption services to foster and adoptive families. This grant's dollars will be reallocated to PSOP in FY 2010. | 0 | 220 | 220 | 220 |
| Adoption Incentive Payment Grant | F09 | C271 | Federal adoption incentive payment used for grants to providers for adoption-related services. | 154 | 0 | 0 | 0 |
| Independent Living Grants | F15 | C293 | Grants to counties, providers, and tribes providing assistance and Independent Living Programs. 796 youth were served in this program in FFY 07. | 1,424 | 1,600 | 1,600 | 1,600 |
| Education & Training Voucher Grants | F35 | C286 | Post-secondary education voucher grants to youth that aged-out of foster case at age 18. 188 youth were awarded a voucher to help defray the costs of post-secondary education. | 672 | 698 | 600 | 600 |
| CMH Real Choice EBP Project Grant | F42 | M170 | Funds professional/technical contracts to transfer an evidence based practices clinical decision-making database developed at the University of Hawaii for use by Minnesota providers to provide more effective interventions for children with mental and emotional disorders. | 25 | 25 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|----------------------------|------|--------|---|----------------|----------------|--------------|--------------|
| Child Abuse (CAPTA) Grants | F55 | C227 | Grants to 5 counties to administer the Citizen Review Panels for child protection services. The counties are Chisago, Hennepin, Ramsey, Washington and Winona. | 4 | 65 | 65 | 65 |
| Children's Justice Act | F56 | C236 | Training for law enforcement, county attorney, and child protection professionals, including equipment and training on the use of videotape and closed circuit testimony of child abuse victims. This grant supports training for 177 participants. | 186 | 162 | 152 | 152 |
| Homecoming Project Grants | F73 | C225 | Grants to recruit adoptive families for teenagers. Ends in FY 2009. | 231 | 119 | 0 | 0 |
| Gift Fund | | | | \$19 | \$25 | \$25 | \$25 |
| Forgotten Children's Fund | G06 | C307 | Private donations received from the American Legion and other private donors. Administered by DHS to fund special services or activities to children placed outside their homes. Funds over 100 requests per year. | 19 | 25 | 25 | 25 |

| Children & Community Services Grants BACT # 27 | | | | | | | |
|---|--------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr. | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | - | | | | | | |
| General Fund | | | | \$101,369 | \$67,863 | \$67,831 | \$67,831 |
| Red Lake Band Grants | S25 | A314 | Grants to Clearwater and Beltrami Counties for costs of social services provided to members of the Red Lake Band residing on the Red Lake Reservation | 496 | 487 | 487 | 487 |
| Children & Community Services Grants | S25 | M148 | Grants to all Minnesota counties to purchase or provide social service programs for children, adolescents and other individuals who experience dependency, abuse, neglect, poverty, disability, chronic health conditions, or other factors that result in poor outcomes. Serves approx. 350,000 people annually. Fiscal year 2008 includes \$32.7 one time funding appropriated during the 2007 session to compensate for anticipated loss of federal targeted case management funds during 2008-2009 biennium and pending federal Medicaid disallowance. | 100,873 | 67,376 | 67,344 | 67,344 |
| Statutory Appropriation | | | | | | | |
| Federal Fund | | | | \$32,507 | \$32,555 | \$32,600 | \$32,601 |
| Title XX - ICW Law Center | F82 | C280 | Grant for legal advocacy services, training and technical assistance. | 140 | 140 | 140 | 140 |
| Title XX - Migrant Day Care Grants | F82 | C283 | Grant provides child care in a number of counties for children whose parents, guardian or current caretakers have changed residence recently to obtain employment in a temporary or seasonal agricultural activity. | 193 | 293 | 293 | 293 |
| Title XX - Children & Community Services Grants | F82 | S505 | See General Fund | 32,151 | 32,023 | 32,167 | 32,168 |
| Title XX - Emergency Disaster Relief | F82 | S506 | One-time grant to counties that reported serving hurricane evacuees. | 23 | 99 | 0 | 0 |

| Refugee Services Grants BACT #31 | | | | | | | |
|---|-------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Statutory Appropriations | - | | | | | | |
| Federal Funds | | | | \$13,905 | \$18,792 | \$17,042 | \$16,201 |
| Refugee Recoveries | F20 | F519 | Recovery of fiscal errors in assistance payments | 13 | 19 | 19 | 19 |
| Refugee Cash Assistance | F20 | F549 | Cash grants to needy refugees who do not have children in the home. (Approximately 960 per month served) | 1,192 | 1,500 | 1,500 | 1,500 |
| Refugee CMA Admin Grants | F20 | F571 | Grants to voluntary resettlement agencies to operate Refugee Cash Assistance and to the Department of Health for the implementation of health screening for refugees. | 1,179 | 1,469 | 1,461 | 1,461 |
| Refugee Medical Assistance | F20 | F572 | Grants to medical providers for medical care received by needy refugees without minor children in the home. (Approximately 560 per month served) | 2,285 | 2,600 | 2,600 | 2,600 |
| Refugee Discretionary Project | F25 | F533 | Grants to nonprofit agencies available for certain geographic areas with refugee populations. | 293 | 296 | 0 | 0 |
| Refugee School Impact Grant | F68 | C510 | Grants to assist the refugee service capacity of school districts in Anoka, Hennepin, Olmsted, and Ramsey counties. | 1,374 | 1,432 | 1,031 | 258 |
| Services to Older Refugees | F69 | C508 | Grants for assistance to older refugees | 107 | 200 | 50 | 50 |
| Refugee Social Services | F70 | F552 | Grants to nonprofit agencies to help refugees who encounter difficulties adjusting to life in the United States. Served approximately 534 per month. | 4,958 | 7,966 | 7,966 | 7,898 |
| Refugee Targeted Assistance Grants | F92 | F536 | Grants to assist refugees in obtaining employment. | 2,504 | 3,310 | 2,415 | 2,415 |

| Other Children & Economic Assistance Grants BACT #32 | | | | | | | |
|---|-------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$20,133 | \$16,635 | \$15,744 | \$15,254 |
| MN Community Action Grants | S36 | B311 | Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivations to become more self-reliant. (Serves 250,000 households annually) | 4,347 | 4,077 | 3,928 | 3,928 |
| Food Shelf Grants | S36 | B325 | Dedicated funding to Hunger Solutions Minnesota (HSM) for purchase and distribution of food to food shelves throughout the state, including some administrative costs. | 1,278 | 1,755 | 1,255 | 1,255 |
| Transitional Housing Grants | S36 | B326 | Provides supportive housing and supportive services to homeless individuals and families so that they can secure permanent, stable housing. (Serves 4,000 individuals annually) | 3,738 | 2,934 | 2,934 | 2,934 |
| Emergency Services Program | S36 | B347 | Funds the operating costs of shelters and essential services to homeless families and individuals. (Serves 3,000 individuals annually) | 950 | 344 | 344 | 344 |
| Family Assistance for Independence in Minnesota Grant | S36 | B352 | FAIM is part of a national initiative to promote individual development accounts (IDAs). IDAs target the working poor and require participants to attend financial education. | 500 | 0 | 491 | 0 |
| Long Term Homeless Services Grants | S36 | C502 | Grants to county / provider partnerships to provide supportive housing services to long-term homeless individuals and families. | 7,000 | 5,055 | 4,910 | 4,911 |
| Runaway and Homeless Youth | S36 | C528 | Grants to non-profit agencies for the provision of street outreach, drop-in centers, transitional living programs and supportive housing to runaway and homeless youth. | 500 | 491 | 0 | 0 |
| Fraud Prevention Grants | S36 | F405 | Grants to counties for the Fraud Prevention Investigation Program, enabling early fraud detection and collection efforts. | 1,414 | 1,389 | 1,389 | 1,389 |
| LEP Grant-CFS | S36 | F504 | Grants to non-profit agencies for the provision of language services and the translation of vital documents for non-English speaking recipients of human services. | 88 | 86 | 86 | 86 |
| Minnesota Food Assistance Program | S48 | F123 | State funded food benefits for legal non-citizens who do not qualify for federal food stamps. | 318 | 504 | 407 | 407 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|--|----------------|----------------|----------------|----------------|
| Federal TANF Fund | | | | \$0 | \$360 | \$0 | \$0 |
| TANF Long-Term Homelessness Supportive Services | T01 | F612 | Grants to county / provider partnerships to provide supportive housing services to, TANF/MFIP eligible, long-term homeless individuals and families. | 0 | 360 | 0 | 0 |
| Statutory Appropriations | | | | | | | |
| Misc. Agency Fund | | | | \$1,414 | \$2,649 | \$2,000 | \$2,000 |
| Payments to SSI-IAR Providers | A20 | A331 | Payment to contractors for advocacy and assistance to people applying for Supplemental Security Income benefits; includes contracted advocacy and assistance services. | 1,414 | 2,649 | 2,000 | 2,000 |
| Special Revenue Fund | | | | \$1,441 | \$1,248 | \$295 | \$293 |
| FEMA Emergency Food & Shelter | R05 | C512 | Funds State Set-Aside Committee that is responsible for establishing a formula for distributing funds to local organizations. | 5 | 4 | 3 | 3 |
| FSP Enhanced Funding – County | R48 | F427 | Allotment to counties from Minnesota’s federal Food Stamp bonus. | 771 | 798 | 0 | 0 |
| FSP Enhanced Funding MFAP | R48 | F556 | See General Fund. | 0 | 0 | 0 | 0 |
| Healthy Marriage Grant | R69 | F219 | This appropriation includes federal and state matching funds. Federal funds are earned under the "Healthy Marriage" waiver, which promotes marriage and relationship skill mentor training and research. The state match is funded by a portion of the state marriage license fee. | 419 | 318 | 292 | 290 |
| McKnight Financial Literacy Grant | R71 | B367 | Grants to build the capacity of nonprofit agencies across the state to help low-income people move out of poverty through financial education and asset building opportunities, and free tax preparation. | 246 | 128 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|------------------|------------------|------------------|------------------|
| Federal Fund | | | | \$212,341 | \$255,701 | \$251,600 | \$251,118 |
| TEFAP Grants | E26 | B312 | Distributes U.S. Department of Agriculture (USDA) donated food commodities to individuals and families who use on-site meal programs, food shelves and shelters. This program design ensures an equitable distribution of commodities to all 87 counties. | 784 | 779 | 681 | 681 |
| HUD ESGP Grants | E27 | B315 | The Emergency Shelter Grant Program (ESGP) provides funding to shelters and transitional housing programs for operating costs, essential services, and homelessness prevention. | 1,175 | 1,179 | 1,178 | 1,178 |
| Community Services Block Grant (CSBG) | E28 | B319 | Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivation to become more self-reliant. | 8,401 | 11,081 | 7,473 | 6,991 |
| Community Services Block Grant | E28 | B320 | Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivation to become more self-reliant. | 515 | 794 | 400 | 400 |
| Support Systems for Rural Homeless Youth (New Grant) | E37 | B482 | This state and local collaborative will provide transitional living program and independent living skills to runaway youth and homeless youth in a seven county / three reservation region of Cass, Crow Wing, Mille Lacs, Morrison, Todd, Wadena in addition to the Leech Lake and Mille Lacs Reservations. | 0 | 135 | 135 | 135 |
| Net Federal FS Recoveries | F14 | F164 | Recoveries statutorily dedicated to the Food Stamp Program. | 606 | 750 | 750 | 750 |
| Food Stamps (non-MFIP) | F14 | F170 | Grants to low income households to improve nutrition and achieve food security. | 193,043 | 233,483 | 233,483 | 233,483 |
| FSP Cash Out Benefits – SSI | F47 | F107 | Cashed out food benefits to SSI/elderly. | 7,817 | 7,500 | 7,500 | 7,500 |

| Children's Mental Health Grants BACT #33 | | | | | | | |
|--|-------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | | | | | | | |
| General Fund | | | | \$19,546 | \$19,467 | \$16,885 | \$16,882 |
| Children's Mental Health Screening Grants | S21 | M145 | Grants to counties for screening, assessments, and resulting mental health services for children in the child welfare and juvenile corrections systems. (Served approximately 9,000 per year) | 4,427 | 3,542 | 4,559 | 4,559 |
| Children's Mental Health Targeted Case Management Grants | S21 | M169 | Grants to counties to offset their cost of assuming the state share of MA reimbursed mental health case management services for children. (Served approximately 9,600 per year) | 6,521 | 4,500 | 1,401 | 1,398 |
| CMH - Capacity School Based Services | S21 | R401 | New funding appropriated as part of 2007 Governor's MH Initiative to integrate children's mental health service capacity into natural community settings, especially for school-based mental health services. (New program - no data available on number of clients served.) | 4,139 | 4,777 | 4,777 | 4,777 |
| CMH - Capacity Respite Grants | S21 | R402 | New funding appropriated as part of 2007 Governor's MH Initiative to increase and maintain the state's children's mental health service capacity, for children's mental health respite services. (New program - no data available on number of clients served) | 642 | 1,024 | 1,024 | 1,024 |
| CMH - Capacity Early Intervention Grants | S21 | R403 | New funding appropriated as part of 2007 Governor's MH Initiative for children's mental health evidence-based and best practices, especially earlier intervention for the healthy mental development of young children. (New program - no data available on number of clients served.) | 886 | 1,024 | 1,024 | 1,024 |
| CMH - Crisis Services Grants | S21 | R404 | New funding appropriated as part of 2007 Governor's MH Initiative for statewide funding of children's mental health crisis services (New program - no data available on number of clients served) | 2,094 | 2,850 | 2,850 | 2,850 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|----------------|----------------|--------------|--------------|
| CMH - Capacity Evidence Based Practices | S21 | R405 | New funding appropriated as part of 2007 Governor's MH Initiative for children's mental health evidence-based and best practices including, implementation of the Hawaii EBP database and practice model in Minnesota. (New program - no data available on number of clients served) | 262 | 750 | 750 | 750 |
| CMH - Cultural Competence Provider Capacity Grants | S21 | R406 | New funding appropriated as part of 2007 Governor's MH Initiative to increase the number of qualified minority mental health professionals and to support increased availability of mental health services for persons from cultural and ethnic minorities within the state. (New program - no data available on number of clients served) | 75 | 300 | 300 | 300 |
| CMH - Specialty Care Infrastructure Grants | S21 | R407 | New funding appropriated as part of 2007 Governor's MH Initiative to support increased availability of mental health treatment for serious but low-incidence children's mental health conditions (New program - no data available on number of clients served) | 0 | 200 | 200 | 200 |
| CMH - South Central Regional Grant | S21 | R408 | One-time funding to improve children's mental health service coordination, communication, and processes in south central Minnesota. | 500 | 500 | 0 | 0 |

| Other Health Grants BACT #45 | | | | | | | |
|--|-------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | | | | | | | |
| General Fund | | | | \$150 | \$796 | \$786 | \$786 |
| U Special Kids Intensive Care Management | S98 | H310 | U Special Kids grants creates and funds a pilot intensive care coordination program for children who are unable to participate in University / Fairview's U Special Kids intensive care coordination program because of the program's metro-area location. | 150 | 205 | 205 | 205 |
| Outreach Grants General Fund | S98 | H735 | Funds grants for outreach activities such as providing information, applications, and assistance in obtaining coverage through Minnesota health care programs. | 0 | 100 | 90 | 90 |
| Patient Incentive Program Grant | S98 | H793 | Allotment covers expenses associated with the general administration in providing incentives to patients enrolled in health care programs who have met personal health goals in managing their diabetes or coronary artery disease. | 0 | 491 | 491 | 491 |
| Health Care Access Fund | | | | \$1,250 | \$950 | \$940 | \$190 |
| Outreach Grant - HCAF | M02 | H745 | Funds grants for outreach activities such as providing information, applications, and assistance in obtaining coverage through Minnesota health care programs. | 0 | 50 | 40 | 40 |
| Care Coordination Pilots | M02 | H794 | This allotment funds up to four pilot projects for children & adults with complex health care needs who are enrolled in MA fee-for-service. | 0 | 750 | 750 | 0 |
| Oral Health Care Innovation Grants | M02 | H795 | This allotment funds grants to certain organizations providing access to oral health services for low-income and uninsured persons. | 400 | 0 | 0 | 0 |
| Neighborhood Care Network | M02 | H796 | This allotment funds a required statewide toll free telephone number to provide information on public & private health coverage options and source of free and low cost health care. | 150 | 150 | 150 | 150 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--------------------------------------|------|--------|---|-----------------|-----------------|--------------|--------------|
| Primary Care Access Initiative | M02 | H797 | This allotment provided one-time funding for a web-based primary care access pilot, "My Health Direct" in Hennepin & Ramsey counties to divert patients with non-emergency medical need to more appropriate levels of care other than an emergency room. | 700 | 0 | 0 | 0 |
| Statutory Appropriations | | | | | | | |
| Special Revenue Fund | | | | \$76,535 | \$67,075 | \$75 | \$75 |
| Elderly Waiver (EW) Contract Process | R09 | H123 | Elderly Waiver grant claims are processed by MMIS for a fee under a contract with private health plans. - Current Plans include Blue Plus, South Country and UCare. | 76,501 | 67,000 | 0 | 0 |
| Winona County Foundation Grant | R66 | H207 | A grant from a private foundation to DHS to fund the State share of a pilot project to pay increased dental payment rates to Winona county dentists to improve access to care for local MHCP recipients. | 34 | 75 | 75 | 75 |
| Federal Funds | | | | \$403 | \$1,055 | \$475 | \$475 |
| Monitor Prepaid Health Plan | F07 | H321 | Allotment covers expenses associated with interagency agreements with the Minnesota Department of Health that deals with Child & Teen Checkups, Managed Care Organizations, surveys on access to care and Health Care disparities. DHS only provides the federal financial participation rate for the expenses and the MN Dept. of Health provides the required state matching share. | 395 | 1,055 | 475 | 475 |
| Hurricane Katrina Relief Grant | F52 | H730 | This allotment funded grants for hurricane relief, FY 2007 & FY 2008 only. | 8 | 0 | 0 | 0 |

| Aging & Adult Services BACT #70 | | | | | | | |
|--|-------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | | | | | | | |
| General Fund | | | | \$14,357 | \$14,390 | \$14,508 | \$14,632 |
| Caregiver Support Grants | S26 | H711 | Grants to counties and nonprofit organizations to provide caregiver and respite services, support groups and training in care giving. | 459 | 462 | 468 | 468 |
| SAIL/EDP and LAH/BN Grants | S26 | H802 | SAIL/EDP: \$781,000. Grants to certain counties and Area Agencies on Aging (AAAs) to integrate, coordinate and enhance informal, quasi-formal and formal services for seniors. (Impacts 87 counties that serve 350,000 older individuals) Block Nurse: \$620,000. Grants to community groups to provide in home support and assistance to seniors living in their homes through volunteer nurses and neighbors. (Approximately 4,150 served in FY 2007) | 1,401 | 1,637 | 1,408 | 1,408 |
| Epilepsy Demonstration Project Grant | S26 | S104 | Grant to a non-profit organization for independent living skills training to adults with intractable epilepsy. (Approximately 16-20 served in FY 2007) | 264 | 263 | 267 | 267 |
| Aging Prescription Drug Assistance Grant | S26 | S112 | Grants to AAAs and service providers to provide statewide outreach and education assistance to low income seniors regarding Medicare and supplemental insurance, including Medicare Part D. | 900 | 895 | 905 | 905 |
| Senior Nutrition Program Grants | S26 | S140 | Grants to AAAs and service providers to supplement federal funding to provide meals, and other related services in a congregate meal setting or to homebound seniors. (Approximately 63,000 congregate and 15,000 home delivered unduplicated persons served in FY 2007. | 2,491 | 2,499 | 2,507 | 2,631 |
| Community Service Development Grants | S26 | S141 | Grants for capital improvements, remodeling, and programs to for-profit and nonprofit organizations, and units of government to rebalance the long-term care service system. Has supported 280 new projects expanding service options for approximately 200,000 individuals through 49,000 volunteers and has helped to build or renovate over 1,300 units of housing. (Also includes S142) | 3,031 | 2,797 | 3,062 | 3,062 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|------------------------------------|------|--------|--|----------------|----------------|--------------|--------------|
| Community Service Grants | S26 | S142 | Grants for remodeling and program expansion to nonprofit entities and units of government to rebalance the long-term care service system. (Also includes S141) | 2,999 | 3,036 | 3,062 | 3,062 |
| Information and Assistance Grants | S26 | S145 | Grants to non-profit and community organizations and area agencies on aging provide information and assistance regarding home-based and community- based services. (Approximately 108,000 served in FY 2007) Total people served also include Aging Prescription Drug Assistance Grants, Aging Information and Assistance Grants, State Prescription Assistance Program and MN Medical Care Demo Project.) | 879 | 874 | 884 | 884 |
| Senior Volunteer Programs | S26 | S183 | Grants to counties and nonprofit organizations that supplement federal funding to provide volunteer opportunities in the Foster Grandparent, Senior Companion, and the Retired and Senior Volunteer Programs. More than eighteen thousand volunteers provide a total of 2 million hours of volunteer service. (Approximately 7,700 served in FY 2007) | 1,933 | 1,927 | 1,945 | 1,945 |
| Statutory Appropriation | | | | | | | |
| Special Revenue Fund | | | | \$305 | \$347 | \$347 | \$347 |
| Nursing Home Advisory Council | R27 | S105 | Grant to nursing home resident councils for ongoing education, training and information dissemination. (Approximately 680 served in FY 2007) | 175 | 187 | 187 | 187 |
| FS -CFS Minnesota Help Information | R48 | S136 | This grant ended in FY 2008. | 60 | 0 | 0 | 0 |
| MDH Assisted Living Project Grants | R78 | S159 | Grants to develop new technical services related to Minnesotahelp.info. | 20 | 160 | 160 | 160 |
| Aging Family Info & Assist Grant | R90 | S610 | Grants to develop an online resource database that includes user friendly searching and screening tools for access to public and private resources. (New federal approval is \$200,000 per year) | 50 | 0 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|--|-----------------|-----------------|-----------------|-----------------|
| Federal Fund | | | | \$18,803 | \$21,305 | \$20,152 | \$19,897 |
| Disability MN information & Assistance | E03 | S455 | Grants to service providers and vendors to provide information and assistance to disabled clients. <i>(New federal approval for \$90,000 per year 2007-2009).</i> | 245 | 270 | 100 | 90 |
| Healthy Promotion Planning Grants | E05 | S194 | Older Americans Act (OAA) grant to an area agency on aging to coordinate consumer & professional education related to falls prevention strategies & interventions to lower the incidence of falls-related injuries and deaths of older persons in Minnesota. | 41 | 45 | 0 | 0 |
| Evidence Based Health Initiation Grants | E11 | S131 | Older Americans Act (OAA) grants to implement a physical activity program in the Metro area, a chronic disease self-management program in central MN and a falls prevention program with the MN Chippewa Tribes. | 115 | 321 | 245 | 0 |
| Nursing Home Diversion Grant | E12 | S117 | Older Am. Act (OAA) grants to develop flexible service options for older adults and family caregivers who are eligible for MA and other public programs as well as those who are fully private pay. <i>(Federal approval for \$135,000 per year is approved)</i> | 13 | 370 | 0 | 0 |
| Alzheimer's Research Grants | E14 | S198 | Older Americans Act (OAA) grants to impact the ability of the family caregiver to withstand the difficulties of care giving and eliminate or defer the need for institutionalization of the care receiver. <i>(Federal approval for \$250,000 is approved)</i> | 101 | 245 | 0 | 0 |
| MN Medical Care Demo Project | F26 | S604 | Grants to AAAs and service providers to help seniors obtain health insurance benefits and report fraud, waste and abuse within the health care system. | 81 | 74 | 74 | 74 |
| Disaster Assistance | F27 | S605 | Grant funding ended in FY 2008. Flood assistance- 2007 flood in Southeastern MN. | 30 | 0 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|---|----------------|----------------|--------------|--------------|
| Title III C1 - Aging Federal Admin Grant | F31 | S111 | Older Americans Act (OAA) grants to Area Agencies on Aging (AAAs) and service providers to provide a variety of statewide education and training activities. | 8 | 100 | 100 | 100 |
| Title III C1 – Congregate Nutrition Services Grants | F31 | S157 | OAA grants to AAAs and service providers to provide congregate meal services targeted to seniors in the greatest economic and social need. (See S140) | 3,763 | 4,733 | 4,733 | 4,733 |
| Title III B - Supportive Services Grants | F33 | S155 | OAA grants to AAAs and local providers to provide a variety of community-based social services. (Approximately 235,000 served in FY 2007) | 4,130 | 4,300 | 4,300 | 4,300 |
| Title III A - Administrative Grants | F33 | S173 | OAA grants to AAAs for administrative purposes. | 1,686 | 1,699 | 1,699 | 1,699 |
| Title III B - Program Development Grants | F33 | S192 | OAA grants to AAAs and program development and coordination activities. | 835 | 845 | 845 | 845 |
| CMS Health Insurance Counseling Supplemental Grant | F37 | S152 | Limited supplement to S191. <i>(New federal funding is approved \$85,000 per year for FY 2010-11)</i> | 0 | 225 | 0 | 0 |
| CMS Basic Health Insurance Counseling Grants | F37 | S191 | Grants to AAAs and service providers to provide health insurance counseling, education and assistance services to seniors to help obtain health insurance benefits. (See S145) | 324 | 297 | 297 | 297 |
| Nutrition Services Incentive Program | F38 | S181 | OAA grants to AAAs and local nutrition providers as a separate allocation based on the number of meals served in the previous project year. (See S140) | 2,202 | 2,210 | 2,210 | 2,210 |
| Alzheimer's Outreach Grants | F79 | S169 | OAA grants to AAAs and service providers to provide early identification of Alzheimer's disease and support to families with seniors suffering with Alzheimer's disease. (Approximately 4,100 served in FY 2007) | 345 | 291 | 291 | 291 |
| Administration on Aging (AOA) Resource Center Grant | F93 | S176 | OAA grants to establish aging and disability resource centers that will create linkages with various systems including institutional care, pre-admission screening, hospital discharge planning and community agencies and organizations that serve targeted populations. | 186 | 22 | 0 | 0 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|--|----------------|----------------|--------------|--------------|
| CMS Resource Center | F94 | S178 | CMS funding ended on 9/30/06 but was extended until 12/31/06. (However, the funding was transferred to AOA instead of CMS for FY 2007 through FY 2009). See above - S176 | 79 | 0 | 0 | 0 |
| Title III D Health Promotion Grants | F95 | S150 | OAA grants to AAAs and service providers to provide preventive health information and services to seniors (Approximately 6,400 served in FY 2007) | 294 | 350 | 350 | 350 |
| Elder Abuse Prevention Grants | F96 | S167 | OAA grants to service providers to provide activities related to elder abuse prevention. | 15 | 83 | 83 | 83 |
| Title III E Caregiver Grants | F98 | S147 | OAA grants to AAAs and service providers to provide information, respite, education, training and support groups to family caregivers. (Approximately 9,350 served in FY 2007) Also includes 3E Grandparents Raising Grandchildren Grants and 3E Statewide Activities Grant. | 1,860 | 1,850 | 1,850 | 1,850 |
| Title III E Grandparents Raising Grandchildren Grants | F98 | S148 | OAA grant to a service provider to provide caregiver support services to grandparents raising their grandchildren. | 75 | 225 | 225 | 225 |
| Title III E Statewide Activities Grants | F98 | S149 | OAA grants to AAAs and service providers to provide statewide training, education and caregiver support activities. | 106 | 125 | 125 | 125 |
| Title III C2 Home Delivered Nutrition Services Grants | F99 | S156 | OAA grants to AAAs and service providers to provide home delivered meal services targeted to seniors in the greatest economic and social need. (Also see S140) | 2,269 | 2,625 | 2,625 | 2,625 |

| Adult Mental Health Grants BACT #74 | | | | | | | |
|--|-------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$64,646 | \$75,729 | \$77,739 | \$77,739 |
| Adult Mental Health Integrated Fund | S28 | M109 | Grants to counties for Adult MH Initiatives including crisis response and case management services. For most counties, this includes integrated administration of Adult MH Community Support Grants and Residential Treatment Grants. (21,300 adults receive services per year) | 54,682 | 64,935 | 66,935 | 66,935 |
| Community Support | S28 | M113 | Grants to counties for community support services to adults with serious and persistent mental illness. (20,600 adults receive community support services per year) | 6,944 | 6,291 | 6,291 | 6,291 |
| Crisis Housing | S28 | M139 | Grant to nonprofit agency (sole source contract) for the provision of financial assistance to hospitalized clients needing help to pay for their housing. These funds are used only when other funds, such as SSI, are not available. (420 people served per year) | 492 | 600 | 610 | 610 |
| RTC Alternatives | S28 | M142 | Grants to community hospitals to provide alternatives to RTC mental health programs. These grants are awarded based on a competitive RFP that is re-issued every 5 years. These funds pay for extended inpatient treatment when other funding, such as MA, is not available. (420 people served per year) | 2,528 | 2,653 | 2,653 | 2,653 |
| Adult Mental Health (AMH) - Evidence Based Practices | S28 | R502 | New funding appropriated as part of 2007 Governor's MH Initiative for adult mental health evidence-based and best practices including, but not limited to, Assertive Community Treatment and Integrated Dual Diagnosis Treatment services. (New program - no data). | 0 | 750 | 750 | 750 |
| AMH- Culturally Specific Services | S28 | R503 | New funding appropriated as part of 2007 Governor's MH Initiative to support increased availability of mental health services for persons from cultural and ethnic minorities. Prior to release of RFP, FY 2009 was unallotted due to budget deficit. | 0 | 300 | 300 | 300 |
| AMH - Specialty Care | S28 | R504 | New funding appropriated as part of 2007 Governor's MH Initiative to support increased availability of mental health services for adults with special treatment needs. Prior to release of RFP, FY 2009 was unallotted due to budget deficit. | 0 | 200 | 200 | 200 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|---|------|--------|--|----------------|----------------|----------------|----------------|
| Health Care Access Fund | | | | \$750 | \$750 | \$750 | \$750 |
| Adult Mental Health Crisis Grants | M28 | M101 | Adult mental health crisis grants to metro counties to build capacity for mobile crisis teams - particularly to cover costs for uninsured. (New program - no data available on number of clients served) | 750 | 750 | 750 | 750 |
| Lottery Cash Flow | | | | \$1,933 | \$1,633 | \$1,508 | \$1,508 |
| Gambling Grants Lottery Transfer | P01 | M159 | Funds transferred from the Minnesota State Lottery to DHS for compulsive gambling prevention and treatment. FY 2008 includes one-time funding for public prevention and education. (1,100 people receive treatment per year) | 1,795 | 1,408 | 1,508 | 1,508 |
| Ch 225-2006 Match funds not required | P01 | M162 | One-time appropriation specified for the state affiliate (the Northstar Problem Gambling Alliance) of the National Council on Problem Gambling for education, training, and research related to problem gambling. This part of the appropriation is not continuing | 125 | 125 | 0 | 0 |
| Compulsive Gambling - Immigrant Services | P01 | R501 | One-time appropriation specified for services for problem gambling treatment, prevention, and education in immigrant communities | 13 | 100 | 0 | 0 |
| Statutory Appropriations | | | | | | | |
| Special Revenue Fund | | | | \$65 | \$653 | \$418 | \$418 |
| J & J Dartmouth Mental Health Support Employment Grants | R46 | M186 | Johnson and Johnson Foundation Grant through Dartmouth College to promote evidence-based supported employment services for adults with serious mental illness. | 0 | 12 | 78 | 78 |
| Comp. Gamble Indian Game | R74 | M164 | Additional Lottery funds for the compulsive gambling program – see description for allotment M159 above. | 65 | 641 | 340 | 340 |
| Federal Fund | | | | \$6,648 | \$8,368 | \$7,094 | \$6,729 |
| MH McKinney Grant | F16 | M133 | Grants to counties and non-profit agencies for outreach and mental health services to homeless people. About \$500,000 per year of Adult MH Integrated state funds (see above) are used as match for these federal funds. (9,200 people served per year) | 672 | 659 | 659 | 659 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|----------------|----------------|--------------|--------------|
| TBI Services | F44 | S420 | Funds interagency agreements with the Department of Corrections to support efforts to improve their services for persons with a traumatic brain injury (TBI). | 115 | 100 | 100 | 100 |
| Budget Shortfall | F44 | T191 | Corrects mistaken entry on TBI line above. | 0 | 0 | (46) | (100) |
| COSIG MI CD Grants | F58 | D875 | Co-occurring state incentive grants (COSIG) to promote evidence-based integrated dual-diagnosis services for Mental Illness (MI) and Chemical Dependency (CD). | 430 | 421 | 136 | 40 |
| FEMA Flood RSP. | F76 | M121 | Grants to counties and non-profit agencies to provide mental health services for people in presidentially-declared disaster areas. | 190 | 260 | 0 | 0 |
| Federal MH Block Grant – Demonstration Projects | F85 | M132 | Grants to counties and non-profit agencies for innovative projects based on best practices. Projects include children’s mental health collaboratives, crisis services for children and adults, adult mental health initiatives and self-help projects for cons | 3,482 | 5,125 | 4,535 | 4,320 |
| Federal MH Block Grant – Indian Mental Health Services | F85 | M167 | As required by state law, 25% of the Federal MH Block Grant is used for grants to American Indian Tribes and non-profit agencies to provide mental health services, particularly community-support services, to American Indians. | 1,673 | 1,803 | 1,710 | 1,710 |
| FEMA Crisis Counseling Grant | F89 | M114 | Grants to counties and non-profit agencies to provide mental health services for people in presidentially-declared disaster areas. | 86 | 0 | 0 | 0 |

| BACT # 75 Deaf & Hard of Hearing Grants | | | | | | | |
|--|-------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | | | | | | | |
| General Fund | | | | \$1,723 | \$1,964 | \$1,968 | \$1,968 |
| DHSD Grants | S27 | S311 | Grants for multiple services and equipment to help Minnesotans who are deaf, deafblind, and hard of hearing or have multiple disabilities, including deafness, to remain independent and part of their communities. In FY 06 these grants served 22,000 people | 1,683 | 1,924 | 1,928 | 1,928 |
| Hearing Loss Mentors | S27 | S362 | Grant funding pays for deaf mentors to work with families needing to learn sign language and communication methods to communicate with their children. The project is currently limited to 12 families. There are also 5 families on a waiting list. | 40 | 40 | 40 | 40 |
| Statutory Appropriations | | | | | | | |
| Special Revenue Fund | | | | \$118 | \$231 | \$240 | \$240 |
| Rural Real Time Grant | R26 | S355 | Grants to rural television stations in Minnesota to provide real-time captioning of news and news programming where real-time captioning does not exist. | 118 | 231 | 240 | 240 |
| Federal Fund | | | | \$25 | \$0 | \$0 | \$0 |
| CDBG Interpreter Support Services | F83 | S330 | Funding not extended beyond FY 2008. | 25 | 0 | 0 | 0 |

| BACT # 77 CD Non-Entitlement Grants | | | | | | | |
|--|-------------|---------------|--|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriations | | | | | | | |
| General Fund | | | | \$1,753 | \$3,772 | \$1,729 | \$1,729 |
| Pre-Natal Alcohol- Drug Use | S21 | C297 | Rider dedicates these funds for prenatal alcohol services in Pine, Kanabec, and Carlton Counties | 0 | 0 | 74 | 74 |
| Fetal Alcohol Syd. Intervention | S21 | C363 | Funding for early intervention services to pregnant and parenting women with children under the age of three who have a history of alcohol and/or controlled substance abuse (including cocaine, crack-cocaine and heroin). The current recipients of these state appropriated funds are: American Indian Family Center (Hennepin County), Meeker/McLeod/Sibley Counties, and the University of Minnesota. | 0 | 0 | 319 | 319 |
| CD Treatment Grants | S34 | R602 | Legislatively designated for specific counties to treat methamphetamine abuse and the abuse of other substances. The focus audience is women with dependent children identified as substance abusers, especially those whose primary drug of choice is methamphetamine. The current recipients are Anoka County and Faribault-Martin Counties. | 284 | 368 | 300 | 300 |
| Mother's First-Ramsey County | S34 | R604 | One-time funding for a program in Ramsey County that provides early intervention efforts designed to discourage pregnant women from using alcohol and illegal drugs. (combined with R603 below) | 300 | 295 | 0 | 0 |
| Native American Juv. Treatment Center | S34 | R605 | One-time funding to develop a residential treatment center for Native American juveniles. | 41 | 2,000 | 0 | 0 |
| Leech Lake Youth Treatment Center | S34 | R606 | One-time funding to plan a residential treatment center for Native American juveniles. | 75 | 74 | 0 | 0 |
| CD Native American Program | S34 | S205 | Provides funds to American Indian tribes, organizations, and communities to provide culturally appropriate alcohol and drug abuse primary prevention and treatment support services. Federal funds also partially support this activity. (Approx. 14,000 served) | 1,053 | 1,035 | 1,036 | 1,036 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|-----------------|-----------------|-----------------|-----------------|
| Federal TANF Fund | | | | \$150 | \$150 | \$0 | \$0 |
| Mother's First-Ramsey County | T01 | R603 | One-time funding for a program in Ramsey County that provides early intervention efforts designed to discourage pregnant women from using alcohol and illegal drugs. (combined with R604 above) | 150 | 150 | 0 | 0 |
| Statutory Appropriation | - | | | | | | |
| Special Revenue Fund | | | | \$1,483 | \$1,500 | \$1,500 | \$1,500 |
| SEOW Epidemiology Grants | R24 | R600 | Grants to support the State Epidemiology Outcomes Workgroup which is a time limited project to synthesize available data to better inform local and statewide planning for alcohol, tobacco and other drug prevention efforts. | 238 | 200 | 200 | 200 |
| CCDTF Other Services | R42 | S218 | Reimburses providers through the Consolidated Fund for the provision of chemical dependency treatment services to persons whose income is over 100% of Federal Poverty. | 1,245 | 1,300 | 1,300 | 1,300 |
| Federal Fund | | | | \$12,176 | \$14,258 | \$11,975 | \$11,535 |
| CDBG Treatment Support SAPT Block Grant | F83 | S224 | Grants to agencies that provide treatment support for culturally-specific populations, chronically chemically dependent persons, services to the elderly, transitional services for persons in the criminal justice system, and peer review efforts | 2,472 | 3,129 | 2,016 | 2,016 |
| CDBG Coordination & Evaluation SAPT Block Grant | F83 | S225 | Funds for planning, technical assistance, and evaluation activities related to the effective state utilization of the SAPT Block Grant including state Synar related activities | 253 | 560 | 560 | 120 |
| CDBG Specialized Women Services SAPT Block grant | F83 | S232 | Grants to community based providers to improve the delivery of chemical dependency treatment services to pregnant women and women with children by providing ancillary services such as safe housing, day care, parenting training, education, and social support. | 4,540 | 5,157 | 3,987 | 3,987 |
| CDBG Primary Prevention SAPT Block Grant | F83 | S235 | Grants to agencies that expose Minnesotans to appropriate chemical health messages from multiple sources utilizing prevention strategies which include info dissemination, education, problem identification & referral, and community mobilization projects. | 4,911 | 5,412 | 5,412 | 5,412 |

| BACT # 78 Other Continuing Care Grants | | | | | | | |
|---|-------------|---------------|---|-----------------------|-----------------------|---------------------|---------------------|
| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
| Direct Appropriation | - | | | | | | |
| General Fund | | | | \$26,806 | \$12,004 | \$19,657 | \$17,333 |
| State Case Management Grants | S29 | H112 | Funding to clinics and community based organizations for the provision of case management services to persons living with HIV as well as payments to purchase insurance coverage for eligible individuals. (Approximately client served 900 per year) | 1,212 | 0 | 2,448 | 1,226 |
| State Insurance Premium Grants | S29 | H115 | Funding to supplement federal allocations (H119) and special revenue funds (H125) to maintain private insurance coverage for people living with HIV. These three funding streams serve approximately 1,500 persons per year. | 1,150 | 0 | 2,258 | 1,129 |
| PASRR for Person with MI and DD | S29 | H713 | Funding to reimburse counties for costs associated with completing federally required pre-admission screening and resident reviews (PASRR) of nursing home applicants or residents with a probable mental illness or a developmental disability. | 2 | 20 | 20 | 20 |
| Consumer Support Grants | S29 | S199 | The Consumer Support Grant (CSG) program is a state-funded alternative to Medicaid home care services of home health aide, personal care assistance and/or private duty nursing. Counties administer the CSG grants and work with consumers who are seeking greater flexibility and freedom of choice in their home care service delivery. (Approximately 850 people served per year) | 11,856 | 934 | 1,539 | 1,566 |
| DD SILS Program | S29 | S406 | Grants to counties to assist adults with mental retardation or a related condition to maintain or increase independence in activities of daily living. SILS provides needed training and assistance in managing money, preparing meals, shopping, personal appearances etc. (CY 2006 approximately 1,561 people served) | 7,688 | 6,585 | 8,147 | 8,147 |
| DD Family Support Grants | S29 | S407 | Grants to families to offset the higher than average cost of raising a child with a disability. Allows children to stay in their family home. (CY 2006 number of people served - 1,628) | 3,950 | 3,408 | 4,188 | 4,188 |
| Region 10 Quality Assurance | S29 | S418 | A study of regional and local quality assurance models for statewide implementation within a statewide quality assurance architecture. | 450 | 442 | 442 | 442 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|--|----------------|----------------|----------------|----------------|
| Disability Linkage Line | S29 | S462 | Grants for a statewide information and assistance network for people & disabilities to obtain needed services. | 468 | 615 | 615 | 615 |
| Flood 2007 | S30 | S419 | One time funding for reimbursing providers for evacuation, transportation, or medical services due to flooding in Southeastern Minnesota in 2007. | 30 | 0 | 0 | 0 |
| Statutory Appropriation | | | | | | | |
| General Fund | | | | \$0 | \$250 | \$0 | \$0 |
| Home and Community Based Services (HCBS) Waiver Growth | S29 | S187 | Support of the Housing Access Services Grant. This was part of the funding for Disability waiver growth budget proposal from the 2008 session. The FY 2009 amount was unallotted for the full \$250,000. The base amount is \$250,000 per year. | 0 | 250 | 0 | 0 |
| Special Revenue Fund | | | | \$1,876 | \$4,556 | \$1,800 | \$1,800 |
| ADAP Drug Rebates-Title II Grants | R08 | H125 | Dedicated funding resulting from ADAP drug rebates that supplements state (H115) and federal (H119) allocations to maintain private insurance coverage and/or purchase HIV related drugs. These 3 funding streams serve approximately 1,500 persons. | 1,657 | 4,291 | 1,535 | 1,535 |
| Hennepin County Case Mgmt | R60 | H129 | Funding to clinics and community based organizations for the provision of case management services to persons living with HIV. Funding comes from Hennepin County as part of the Ryan White CARE Act Title I grant. Funds are used in conjunction with state grants. | 219 | 0 | 0 | 0 |
| HIV / AIDS Grants and Services | R95 | H144 | Cost share contributions from recipients enrolled in the federally funded HIV drug reimbursement or insurance continuation programs. Recipients with gross annual incomes between 100 and 300 percent of Federal Poverty guidelines pay a monthly premium. Cost share was suspended in 2007. | 0 | 265 | 265 | 265 |

| Grant / Activity | Appr | Allot. | Purpose / People Served | FY 2008 Actual | FY 2009 Budget | FY 2010 Base | FY 2011 Base |
|--|------|--------|---|----------------|----------------|----------------|----------------|
| Federal Fund | | | | \$6,745 | \$6,742 | \$4,182 | \$3,713 |
| Ticket to Work Grants | E03 | S431 | Grants to state agencies and stakeholder organizations to build infrastructure that facilitates the employment of people with disabilities. Grant's focus is on improving the infrastructure of the support and employment systems in Minnesota to enable people to work. | 108 | 602 | 652 | 183 |
| Title II - Base Grant | F59 | H118 | Dedicated federal funding that helps individuals with HIV / AIDS obtain access to necessary medical care, nutritional supplements, dental services, mental health services, support services and outreach to high risk, underserved populations. | 1,765 | 1,912 | 1,009 | 1,009 |
| Part B – ADAP Grants (previously Title II) | F59 | H119 | Federal funding dedicated to maintain private insurance coverage for people living with HIV and/or purchase HIV related drugs. Funds used in conjunction with state (H115) and special revenue (H125) funds (Approximately 1,500 people served) | 4,814 | 4,139 | 2,521 | 2,521 |
| Minority Aids Initiative Outreach Grant | F60 | H122 | Federal funding to provide outreach and education services to minority populations by identifying individuals with HIV/AIDS and make them aware of and enroll them in treatment service programs. (Approximately 100 people served) | 25 | 29 | 0 | 0 |
| Refugee SS HIV Case Mgmt. | F70 | H120 | Federal funding dedicated to provide Refugee HIV case management services and assistance for persons in obtaining medical, housing, nutritional, social, community, legal, financial and other needed services. (Approximately 50 people served) | 33 | 60 | 0 | 0 |

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↻ Designates that this is a change item

Agency Purpose

Through its emphasis on the humanities, the Minnesota Humanities Center is working to build a thoughtful, literate, and engaged society. Serving as a statewide program provider and clearing house for the best in the humanities, the Minnesota Humanities Center improves the competency of our state's teachers, increases the academic achievement of our state's students, and strengthens communities throughout Minnesota.

Minnesota statute 138.911 charges the Minnesota Humanities Center with providing leadership, programs, and resources that advance the study of the humanities in schools, colleges, and cultural organizations throughout the state.

Core Functions

The Minnesota Humanities Center conducts professional development opportunities; creates and disseminates one-of-a-kind educational resources; partners with other organizations to offer humanities programs statewide; and operates a full-service meeting and event center, serving educators, non-profits, state colleges and universities, state agencies, and community groups.

Operations

Professional development for educators

The Humanities Center offers high-quality, content-rich professional development opportunities for Minnesota's teachers. Through in-depth presentations by leading local and national scholars, early literacy and K-12 educators gain content knowledge they can use to help their students achieve academic excellence in English literature, American history, world history, civics, world languages, geography, ethics, and social studies.

Educational resource development

The Humanities Center produces one-of-a-kind resources for educators nationwide. Resources include bilingual books, multicultural literature, lesson plans, and activities that support the content covered in the Humanities Center's professional development activities and help educators implement content directly in their classrooms.

Community programs

The Humanities Center supports humanities programs in the wider community by partnering with lifelong learning organizations, museums, libraries, schools, and other educational organizations to increase awareness of, access to, and use of the humanities in formal and informal educational settings across the state.

Meeting and event center

The Minnesota Humanities Center operates a full service meeting and event center created by the state legislature in 1996. This meeting and event center serves educators, non-profits, state colleges and universities as well as state agencies and community groups. This restored architectural landmark helps to strengthen neighborhoods on Saint Paul's east side and it provides high-quality meeting and event space for people working to improve Minnesota's quality of life.

Key Goals

- ◆ Increase educator content knowledge in the humanities and related disciplines.
- ◆ Build the capacity of Minnesota's educators in the implementation of humanities and related content in the classroom.
- ◆ Increase academic achievement of the state's students.
- ◆ Increase access to high-quality humanities programs in underserved communities throughout Minnesota.

At A Glance

Last year, more than 1,248 educators participated in Minnesota Humanities Center professional development offerings, impacting 113,145 students. 99% of educators attending Minnesota Humanities Center professional development programs reported increased humanities content knowledge. 60% of workshop participants reported increased competency in classroom instruction as a result of these workshops.

Last year 30,800 individuals attended Humanities Center conducted and supported programs including literacy events for families and public humanities programs. 80% of program participants reported increases in community engagement and activities as a result of Minnesota Humanities Center programs.

In addition, 187 meetings and events were conducted at the Humanities Center's facility, serving 7,500 people associated with local community organizations.

- ◆ Build the capacity of local cultural organizations to conduct high-quality and meaningful public humanities programs.
- ◆ Expand access to vibrant and engaged public programs that facilitate and frame community conversations throughout Minnesota.
- ◆ Increase the economic diversity of communities throughout Minnesota by supporting robust humanities programs in communities across the state.

Key Measures

Below are a number of benchmarks the Humanities Commission uses for measuring its success.

- ◆ 80% of teachers participating in professional development workshop will report improvements in classroom instruction.
- ◆ 60% of teachers will report increased student participation, engagement, and enthusiasm for learning.
- ◆ 50,000 Minnesotans will positively benefit from high-quality public humanities programs.

Budget

The Minnesota Humanities Center is funded through a combination of government funding (state and federal), private funding (corporations, foundations, and individuals), and program fees and meeting and event center rental. Of the Humanities Center's \$3.0 Million annual operating budget (FY 2008-2009) 33% is from the federal government; 18% is from the State of Minnesota; 29% is from corporations and foundations; 3% is from individuals; and 17% comes from program fees and building rental fees. The Minnesota Humanities Center employs 21 FTE positions.

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Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------|------------|------------------|----------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 250 | 250 | 250 | 250 | 500 |
| Recommended | 250 | 250 | 0 | 0 | 0 |
| Change | | 0 | (250) | (250) | (500) |
| % Biennial Change from 2008-09 | | | | | -100% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 250 | 250 | 0 | 0 | 0 |
| Total | 250 | 250 | 0 | 0 | 0 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 250 | 250 | 0 | 0 | 0 |
| Total | 250 | 250 | 0 | 0 | 0 |
| <u>Expenditures by Program</u> | | | | | |
| Humanities Commission | 250 | 250 | 0 | 0 | 0 |
| Total | 250 | 250 | 0 | 0 | 0 |

HUMANITIES COMMISSION

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|---|------------|--------------------|----------|---------------------|
| | | FY2010 | FY2011 | |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 250 | 250 | 250 | 500 |
| Subtotal - Forecast Base | 250 | 250 | 250 | 500 |
| Change Items | | | | |
| Elimination of State Funding | 0 | (250) | (250) | (500) |
| Total Governor's Recommendations | 250 | 0 | 0 | 0 |

HUMANITIES COMMISSION

Change Item: Elimination of State Funding

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(250) | \$(250) | \$(250) | \$(250) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(250) | \$(250) | \$(250) | \$(250) |

Recommendation

The Governor recommends the elimination of the state funding provided to the Humanities Commission of \$250 thousand in FY 2010 and \$250 thousand in FY 2011. The elimination amount of state funding provided to the Humanities Commission will impact the programs and services provided by the Commission; however, Governor intends that the Humanities Commission should focus its operating funds on maintaining its highest priority services and seek other funding sources instead of utilizing the state's general fund. The Governor believes this elimination in state funding is necessary to deal with the current budget deficit.

Background

The Humanities Commission and Center's operating budget of \$3 million includes amounts budgeted for professional development for educators, educational resource development, community programs partnerships and the operations costs of their meeting and event center. In the Humanities Center's \$3 million annual operating budget (FY 2008-2009), roughly 18% is from the State of Minnesota. The Center receives other funding from the federal government, corporations and foundations, individuals, program fees and building rental fees.

The economic challenges faced by Minnesota required difficult decisions related to agency funding. Part of the decision-making process regarding agency funding was the level of reliance a particular agency placed upon state funding. The Humanities Commission's ability to acquire funding from such a broad base of groups will not eliminate the negative impacts from the elimination in state funding, but it will hopefully mitigate the effects.

Relationship to Base Budget

This proposal represents a 100% base level reduction to the Humanities Commission and Center's general fund budget.

Key Goals and Measures

Minnesota statute 138.911 charges the Minnesota Humanities Center with providing leadership, programs, and resources that advance the study of the humanities in schools, colleges, and cultural organizations throughout the state. This elimination in state funding will impact that Minnesota Humanities Center's ability to accomplish some of their stated goals, but will hopefully not negatively impact their core functions. Despite the elimination of state funding, the Governor intends the Humanities Commission to safeguard core activities and reduce administrative overhead.

This proposal may affect the following agency goals:

- ◆ Increase educator content knowledge in the humanities and related disciplines;
- ◆ Build the capacity of Minnesota's educators in the implementation of humanities and related content in the classroom;
- ◆ Increase academic achievement of the state's students;
- ◆ Increase access to high-quality humanities programs in underserved communities throughout Minnesota;
- ◆ Build the capacity of local cultural organizations to conduct high-quality and meaningful public humanities programs;
- ◆ Expand access to vibrant and engaged public programs that facilitate and frame community conversations throughout Minnesota; and
- ◆ Increase the economic diversity of communities throughout Minnesota by supporting robust humanities programs in communities across the state.

Statutory Change: Not Applicable

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↻ Designates that this is a change item

Agency Purpose

The Minnesota Indian Affairs Council (MIAC) was established in 1963 (MS 3.922), and is the first and oldest council of its kind in the state and nation. Its primary function is to serve as the official liaison between the state of Minnesota and the eleven tribal governments within the state. The MIAC advises state government on issues of concern to American Indian tribes and communities; oversees, advises, and administers programs designed to enhance economic opportunities; and protects cultural resources for the state's American Indian tribes and communities. The MIAC plays a central role in the development of state legislation and monitors programs that affect the state's American Indian tribes and communities. Minnesota was the first state in the nation to establish an Indian Affairs agency and continues to be a model for other states to follow today.

The agency serves the eleven Minnesota tribes and their enrolled membership who reside both on and off of the reservation. The agency also serves American Indians from out of state currently residing in the state of Minnesota.

Core Functions

The MIAC works directly with the legislature and governor's office, state agencies, appointed liaisons for state agencies, American Indian tribal government and tribal offices, and American Indians residing outside reservation boundaries. Core functions or primary duties that are spelled out in statute, include, but are not limited to:

- ◆ analyzing and making recommendations on legislation;
- ◆ assisting state agencies in establishing Indian advisory councils;
- ◆ assisting state agencies in identifying Indian organizations eligible for services;
- ◆ acting as an ongoing liaison between state governmental bodies and elected tribal leaders;
- ◆ interacting with private organizations that develop programs to assist Indian people when those programs may affect state agencies and departments;
- ◆ developing programs for education, community organization, leadership development, motivation, and business;
- ◆ reviewing data by the commissioner of human services under section 260C.215, subd. 5, and presenting recommendations to elected tribal leaders on the out-of-home placement of Indian children; and
- ◆ preparing a proposed agenda for the annual summit of elected tribal leaders, legislative leaders, and the governor.

The MIAC enters into an interagency agreement with the Department of Human Services (DHS) to administer the Indian Economic Opportunity Program. This program enables the MIAC to assist Minnesota's reservation

At A Glance

American Indian Tribes in Minnesota

Fond du Lac Band
 Grand Portage Band
 White Earth Band
 Bois Forte (Nett Lake) Band
 Leech Lake Band
 Red Lake Nation
 Upper Sioux Community
 Lower Sioux Community
 Shakopee-Mdewankanton Sioux Community
 Prairie Island Mdewakanton Dakota Community

American Indian Population

- ◆ 54,967 (2000 Census, Reported in category of one race, American Indian and Alaska Native).
- ◆ 81,074 (2000 Census, Reported in category race alone or in combination with one or more races, American Indian and Alaska Native).

MIAC Board Members

- ◆ Eleven Tribes in Minnesota
- ◆ Governor's Appointee
- ◆ Commissioners of
- ◆ Education
- ◆ Human Services
- ◆ Human Resources
- ◆ Human Rights
- ◆ Employment and Economic Development
- ◆ Corrections
- ◆ Minnesota Housing Finance
- ◆ Iron Range Resources and Rehabilitation
- ◆ Health
- ◆ Transportation
- ◆ Veterans Affairs
- ◆ Administration
- ◆ Two Members of the House
- ◆ Two Member of the Senate

Urban Indian Advisory Board (UIAB) Members

- ◆ Minneapolis (2)
- ◆ St. Paul (2)
- ◆ Bemidji (1)
- ◆ Duluth (1)

government offices in the planning, developing and administering of programs funded through the DHS Office of Economic Opportunity Division.

The MIAC monitors and enforces state laws to protect American Indian human remains and associated burial items through the Cultural Resources Program, in accordance to M.S. Sec. 307.08. The MIAC also monitors federal laws to protect American Indian human remains and associated burial items, under the Native American Graves Protections and Repatriation Act (NAGPRA), Public Law 101.601.

The MIAC receives information and makes recommendations on issues affecting the represented American Indian populations, through the Urban Indian Advisory Council, made up of members from the Minneapolis, St. Paul, Duluth, and Bemidji areas.

Operations

The MIAC consists of a 28-member board of directors. Membership includes the eleven tribal governments or their designees, one member from the governor's staff appointed by the governor, twelve commissioners or their designees, and four legislators. An Urban Indian Advisory Board consisting of membership from Minneapolis, St. Paul, Duluth, and Bemidji also advises the MIAC on critical issues affecting the urban American Indian population.

The MIAC board meets quarterly or as it deems necessary to discuss critical issues affecting tribal government and populations that have a statewide impact. The board works together on a government-to-government basis to discuss and provide solutions to those issues that directly affect Minnesota's American Indian populations. The eleven tribal governments or their designees to the board maintain the voting powers on issues requiring immediate action or resolution.

Key Goals

The mission of the MIAC is to protect the sovereignty of the eleven Minnesota tribes and ensure the well-being of American Indian citizens throughout the state of Minnesota. Key goals that evolve out of this mission, include, but are not limited to, ensuring that every American Indian citizen of this state has equal access to education, healthcare, safety and security, and the ability to live independently and prosper in Minnesota's economy.

Key Measures

In an effort to reach the key goals, the MIAC will continue to:

- ◆ Monitor existing policy and protect the laws and rights of the American Indian people in Minnesota;
- ◆ Hold quarterly meetings of boards and continue to address the most critical issues affecting American Indian tribes and communities;
- ◆ Work to identify and resolve burial issues in compliance with state and federal laws;
- ◆ Commit to educating legislative and state officials by holding yearly legislative training on Indian issues;
- ◆ Scheduling the annual summit of the governor and tribal leaders;
- ◆ Work with the Minnesota Department of Veterans Affairs and the new positions of Tribal Veterans Services Officers who service the American Indian veterans;
- ◆ Work with the Department of Education to address the needs and concerns of educators, parents, and all others working on education of American Indian children;
- ◆ Work with outside entities, such as law enforcement, victims advocates services agencies, nonprofits and private industry servicing American Indian populations; and
- ◆ Bring forward the most critical issues affecting American Indian people in Minnesota in an effort to obtain the best consensus on resolving those issues.

Budget

About 90% of the agency's FY 2009 budget is the general fund appropriation. The other 10% of the agency funding comes from the federal grant for the operation of the Indian Economic Opportunity program. There is also a small gift account.

The MIAC employs five full time equivalent (FTE) employees, located in offices in St. Paul and Bemidji. Four employees operate under the general fund. One employee operates from funding received through the Indian Economic Opportunity federal fund and the general fund.

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Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 574 | 493 | 493 | 493 | 986 |
| Recommended | 574 | 493 | 468 | 468 | 936 |
| Change | | 0 | (25) | (25) | (50) |
| % Biennial Change from 2008-09 | | | | | -12.3% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 7 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 399 | 577 | 468 | 468 | 936 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 10 | 0 | 0 | 0 | 0 |
| Federal | 24 | 60 | 60 | 60 | 120 |
| Total | 440 | 637 | 528 | 528 | 1,056 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 296 | 358 | 376 | 393 | 769 |
| Other Operating Expenses | 54 | 279 | 152 | 135 | 287 |
| Transfers | 90 | 0 | 0 | 0 | 0 |
| Total | 440 | 637 | 528 | 528 | 1,056 |
| <u>Expenditures by Program</u> | | | | | |
| Indian Affairs Council | 440 | 637 | 528 | 528 | 1,056 |
| Total | 440 | 637 | 528 | 528 | 1,056 |
| Full-Time Equivalents (FTE) | 4.1 | 5.1 | 5.1 | 5.2 | |

| <i>Dollars in Thousands</i> | | | | |
|---|------------|--------------------|------------|------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 493 | 493 | 493 | 986 |
| Subtotal - Forecast Base | 493 | 493 | 493 | 986 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (25) | (25) | (50) |
| Total Governor's Recommendations | 493 | 468 | 468 | 936 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 60 | 60 | 60 | 120 |
| Total Governor's Recommendations | 60 | 60 | 60 | 120 |

INDIAN AFFAIRS COUNCIL

Program: INDIAN AFFAIRS COUNCIL

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(25) | \$(25) | \$(25) | \$(25) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(25) | \$(25) | \$(25) | \$(25) |

Recommendation

The Governor recommends a reduction of \$25,000 in FY 2010 and \$25,000 in FY 2011 to the general fund operating budget of the Indian Affairs Council. The Governor intends that the Council should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The Indian Affairs Council's operating budget of \$493,000 per fiscal year includes amounts budgeted for administration of its outreach and advocacy programs in the American Indian community. This proposal will reduce operating expenditures during the FY 2010-11 biennium.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the Council's general fund budget.

Key Goals and Measures

This change item may affect the Indian Affairs Council's goals and performance measures with respect to the extent it will be able to engage its constituents and advocate on their behalf in state government.

The budget submitted for the Indian Affairs Council seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

Statutory Change: Not Applicable

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|-----------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Federal | 24 | 60 | 60 | 60 | 120 |
| Total Dedicated Receipts | 24 | 60 | 60 | 60 | 120 |
| Agency Total Revenue | 24 | 60 | 60 | 60 | 120 |

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Agency Purpose

The State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds, and cash accounts. The statutory mission of the SBI is "to establish standards which will insure that state and pension assets will be responsibly invested to maximize the total rate of return without incurring undue risk" (M.S. Section 11A.01).

Core Functions

All activities of the board are governed by M.S. Chapter 11A and Chapter 356A. To meet the goals established therein, the SBI must:

- ◆ Establish and periodically update the investment objectives, asset allocation and investment management structure for each of the funds.
- ◆ Seek and retain superior money managers to manage the assets of each fund.
- ◆ Monitor and evaluate investment performance to insure investment objectives are met.
- ◆ Assess developments in the broad financial markets and evaluate their potential impact on SBI operations and policies.
- ◆ Communicate its investment policies to clients and constituents.

At A Glance

- ◆ The State Board of Investment is composed of the state's four constitutional officers.
- ◆ SBI provides investment management for the basic retirement funds, post retirement fund, permanent school fund, environmental trust fund, assigned risk plan, supplemental investment fund, closed landfill investment fund, invested treasurer's cash, and approximately 50 other state cash accounts.
- ◆ On 6-30-2008, assets managed by the board totaled \$57.7 billion.
- ◆ The majority of the board's activity relates to investment of retirement funds (84%). Clients are the current and retired members of the three statewide retirement systems (Public Employees Retirement Association, Teachers Retirement Association, Minnesota State Retirement System).
- ◆ For cash accounts, the board's largest clients are the State Treasurer and Finance.

The board retains an executive director, an internal investment management staff, and external investment managers to execute its policies. In performing its duties, the board is assisted by the Investment Advisory Council (IAC) which is composed of 17 persons with investment and retirement fund expertise. SBI staff:

- ◆ recommend (with assistance from the IAC) strategic planning alternatives to the board and council and executes board decisions;
- ◆ provide internal management for the permanent school fund, environmental trust fund, and state cash accounts;
- ◆ monitor the performance of all external managers retained by the board; and
- ◆ review prospective investment vehicles for legislative consideration.

Operations

Investment activity is divided into two major areas; externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

Externally managed funds. Assets of the basic retirement, post retirement, supplemental investment funds, and assigned risk plan are externally managed.

The basic retirement funds invest the contributions of public employees and employers during the employees' years of public service. Approximately 358,000 participants in eight statewide retirement funds are in the basic funds. The goal is to act as a fiduciary that invests contributions to provide sufficient funds to finance promised benefits at retirement.

The post retirement fund contains the assets of over 148,000 benefit recipients covered by the eight statewide retirement plans. Upon retirement, assets sufficient to finance fixed monthly annuities for the life of the retiree are transferred from the basic funds to the post fund. The SBI invests these assets to generate returns to maintain promised benefits and to generate additional returns that will provide benefit increases to retired public employees.

The supplemental investment fund is a multi-purpose investment program that offers a range of investment options to state and local employees. It serves a wide range of participants and investment goals, and is, therefore, structured much like a family of mutual funds.

The assigned risk plan is administered by the Department of Commerce to provide workers compensation insurance to companies unable to obtain private insurance. The goal is to match the projected liability stream while also maintaining adequate liquidity.

Internally managed funds. The SBI directly invests about 16% of the assets with which it is entrusted. This includes the assets of the permanent school fund, environmental trust fund, and all money in state cash accounts.

The permanent school fund was created by the Minnesota state constitution and designated as a source of revenue for public schools. Income from the fund's assets is used to offset state school aid payments. The permanent school fund is invested in a balanced portfolio of common stocks and bonds.

The environmental trust fund was created by the Minnesota state constitution and designed as a source of revenue for funding environmental projects. Currently the fund is invested in a portfolio with 70% common stocks and 30% fixed income.

The closed landfill investment fund was created to provide the Pollution Control Agency with funds to pay the long-term costs of maintaining the integrity of landfills in Minnesota once they have been closed. The assets of the fund are unavailable for expenditure until after FY 2020. The closed landfill investment fund is invested entirely in common stock.

State cash accounts represent the cash balances in more than 400 individual accounts that flow through the Minnesota state treasury. These accounts range in size from \$5,000 to over \$400 million, and are invested by SBI staff through two commingled short-term investment pools. The objectives of these pooled funds are to preserve capital, to provide a high level of current income and to meet the cash needs of state government without the forced sale of securities at a loss.

Budget

Most of SBI's appropriated budget is funded by fees assessed against the assets of the funds that SBI invests. Approximately 3% of the budget is received as a general fund appropriation associated with the investment of the general fund's portion of invested treasure's cash.

Performance Indicators

Statutes establish investment goals for the basic and post retirement funds. In addition, the board has set more exacting standards for investment returns. Performance has generally exceeded both statutory requirements and the board's investment performance targets at the total fund level. Returns are presented net of management fees and investment expenses.

Summary Of Investment Results

Period Ending 6/30/08

| | <u>Millions</u> | 1Year (%) | Annualized <u>3Years</u> (%) | Annualized <u>5Years</u> (%) |
|----------------------------|-----------------|---------------------|---|---|
| Basic Funds: | \$23,279 | -4.8 | 8.3 | 10.5 |
| Benchmark | | -3.9 | 8.6 | 10.5 |
| Post Fund: | \$22,968 | -5.2 | 7.9 | 10.0 |
| Benchmark | | -4.0 | 8.1 | 10.0 |
| Benefit increase | | 2.5 | 2.5 | 2.4 |
| Supplemental Fund: | \$1,068 | | | |
| Income Share | \$236 | -5.8 | 4.8 | 6.9 |
| Benchmark | | -5.1 | 4.6 | 6.7 |
| Growth Share | \$112 | -13.5 | 3.8 | 7.9 |
| Benchmark | | -12.7 | 4.7 | 8.4 |
| Stock index | \$259 | -12.5 | 4.9 | 8.5 |
| Benchmark | | -12.7 | 4.7 | 8.4 |
| International | \$132 | -6.5 | 16.1 | 18.9 |
| Benchmark | | -6.4 | 15.8 | 19.0 |
| Bond market | \$122 | 4.4 | 3.5 | 3.8 |
| Benchmark | | 7.1 | 4.1 | 3.9 |
| Fixed Interest | \$72 | 4.7 | 4.6 | 4.5 |
| Benchmark | | 3.5 | 4.6 | 4.1 |
| Money Market | \$135 | 4.5 | 4.5 | 3.4 |
| 3 month t bills | | 3.1 | 4.1 | 3.1 |
| Assigned Risk Plan | \$334 | -0.3 | 3.6 | 3.9 |
| Benchmark | | 4.1 | 4.8 | 4.7 |
| State Cash Accounts | | | | |
| Treasurer's Pool | \$6,396 | 4.6 | 4.7 | 3.5 |
| Trust Pool | \$37 | 3.9 | 4.5 | 3.3 |
| 90 day T-bill | | 3.1 | 4.1 | 3.1 |
| Permanent School | \$690 | -3.6 | 4.6 | 6.1 |
| Benchmark | | -3.3 | 4.4 | 5.8 |
| Closed Landfill | \$51 | -13.1 | 4.5 | 7.6 |
| Benchmark | | -13.1 | 4.4 | 7.6 |
| Environmental | | | | |
| Trust Fund | \$466 | -7.2 | 4.6 | 6.8 |
| Benchmark | | -7.3 | 4.4 | 6.6 |

Contact

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Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 151 | 151 | 151 | 151 | 302 |
| Recommended | 151 | 151 | 151 | 151 | 302 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 0% |
| | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 151 | 151 | 151 | 151 | 302 |
| Miscellaneous Special Revenue | 2,428 | 2,435 | 2,469 | 2,469 | 4,938 |
| Open Appropriations | | | | | |
| Supplmntl Invest Invest Index | 15 | 25 | 25 | 25 | 50 |
| Supplemental Invest Suppl Bond | 7 | 15 | 15 | 15 | 30 |
| Supplemental Invest Invest Gic | 42 | 150 | 150 | 150 | 300 |
| Supplmntl Invest Moneymarket | 9 | 10 | 10 | 10 | 20 |
| Supplemental Investment Income | 12 | 50 | 50 | 50 | 100 |
| Supplemental Investment Growth | 5 | 50 | 50 | 50 | 100 |
| Post Retirement Investment | 1,130 | 1,100 | 1,100 | 1,100 | 2,200 |
| Invest Ext Money Managers #2 | 686 | 1,000 | 1,000 | 1,000 | 2,000 |
| Supplemental Intl Equity | 6 | 10 | 10 | 10 | 20 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 36 | 0 | 0 | 0 | 0 |
| Total | 4,527 | 4,996 | 5,030 | 5,030 | 10,060 |
| | | | | | |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,125 | 2,190 | 2,230 | 2,230 | 4,460 |
| Other Operating Expenses | 2,402 | 2,806 | 2,800 | 2,800 | 5,600 |
| Total | 4,527 | 4,996 | 5,030 | 5,030 | 10,060 |
| | | | | | |
| <u>Expenditures by Program</u> | | | | | |
| Investment Of Funds | 2,615 | 2,586 | 2,620 | 2,620 | 5,240 |
| Refunds/Retire Funds | 1,912 | 2,410 | 2,410 | 2,410 | 4,820 |
| Total | 4,527 | 4,996 | 5,030 | 5,030 | 10,060 |
| | | | | | |
| Full-Time Equivalents (FTE) | 20.7 | 20.7 | 20.7 | 20.7 | |

INVESTMENT BOARD

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|---------------------------------------|--------------------------|----------------------------|---|---------------|-----------------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| Closed Landfill Investment | (1) | 0 | 0 | 0 | 0 |
| Supplmntl Invest Invest Index | 6,139 | 25 | 25 | 25 | 50 |
| Supplemental Invest Invest Suppl Bond | 1,442 | 15 | 15 | 15 | 30 |
| Supplemental Invest Invest Gic | 2,375 | 150 | 150 | 150 | 300 |
| Supplmntl Invest Moneymarket | 4,698 | 10 | 10 | 10 | 20 |
| Supplemental Investment Income | 12,307 | 50 | 50 | 50 | 100 |
| Supplemental Investment Growth | 7,254 | 50 | 50 | 50 | 100 |
| Post Retirement Investment | 2,874,561 | 1,100 | 1,100 | 1,100 | 2,200 |
| Invest Ext Money Managers #2 | 667 | 1,000 | 1,000 | 1,000 | 2,000 |
| Supplemental Intl Equity | 1,075 | 10 | 10 | 10 | 20 |
| Permanent School | 29,793 | 30,000 | 30,000 | 30,000 | 60,000 |
| Total Non-Dedicated Receipts | 2,940,310 | 32,410 | 32,410 | 32,410 | 64,820 |
| <u>Dedicated Receipts:</u> | | | | | |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 2,429 | 2,435 | 2,469 | 2,469 | 4,938 |
| Total Dedicated Receipts | 2,429 | 2,435 | 2,469 | 2,469 | 4,938 |
| Agency Total Revenue | 2,942,739 | 34,845 | 34,879 | 34,879 | 69,758 |

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January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the FY 2010-11 biennial budget of Iron Range Resources.

Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies on each ton of taconite produced. These taxes are paid in lieu of property taxes. The agency also receives funding from non-mining sources such as facilities revenue, interest earnings and loan repayments.

Based on current forecast of revenues, the agency's budget totals \$96.5 million for the biennium. This amount includes an operating, program and project budget of \$58.8 million and \$37.7 million in pass-through funding. The agency credits the pass-through funding to special accounts, including:

- ◆ Educational Facilities Revenue Bonds, M.S. 298.211, debt service for bonds issued in 2006 for health, safety and maintenance improvements to regional school districts;
- ◆ Iron Range Higher Education, M.S. 298.28, subd. 9d, funds for higher education programs in the agency's service area;
- ◆ Grant & Loan Program, M.S. 298.2961, subd. 4, grants for economic development projects;
- ◆ Taconite Economic Development Fund, M.S. 298.227, a rebate of production taxes to mining companies for workforce development and capital improvement projects; and
- ◆ Region III Projects, M.S. 298.17, grants to Koochiching and Carlton counties for economic and environmental development projects.

The core mission of Iron Range Resources is to help stabilize and enhance the economy of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles. The agency also reclaims mining impacted lands and owns and operates the Giants Ridge Golf & Ski Resort.

During the 2007-2008 biennium, northeastern Minnesota emerged as a bright spot for the state. Mining, renewable energy, business partnerships and projects initiated and supported by Iron Range Resources fueled an unprecedented Mesabi Iron Range renaissance that, even in the face of current economic challenges, holds the promise of new employment and increased economic stability for communities, schools, businesses and our youth.

Our agency's mission of helping to stabilize and enhance the region's economy was advanced with the approval of over \$11 million in business development loans during the biennium, leveraging total capital investments of more than \$96 million in the region. Over \$75 million in grants helped modernize schools and taconite plants, as well as community infrastructure needed for new homes and businesses.

This budget allows the agency to build on its most successful strategies: cultivating large-scale industrial development projects; supporting community development; collaborating with the private sector to encourage investment in the region; and promoting biofuels initiatives.



An Equal Opportunity Employer

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Cultivating large-scale industrial development projects. The large-scale industrial development projects are the next wave of economic expansion for our region. The projects in this category represent the industry clusters of mining (iron and nonferrous), timber and paper and power generation that may infuse up to \$5 billion in the regional economy. Construction jobs created by the projects could reach 7,500 and permanent jobs are estimated at 2,300. In years prior, the agency made a long-term commitment to these efforts, beginning with seed money to cultivate planning and development. As progress was made, additional financing packages supported implementation. Essar Steel and Mesabi Nugget have broken ground and potential nonferrous projects may be underway soon.

To address the challenges and opportunities associated with northeastern Minnesota's large-scale economic development, Iron Range Resources played a leadership role in establishing the Range Readiness Initiative, an award-winning collaborative of regional leaders who worked as partners in planning for housing, education, workforce, community and project needs.

Supporting community development. Financial resources were increased for community development grant programs that enhance resources and expand capacity. New initiatives were undertaken in the areas of Community Readiness, Commercial and Residential Redevelopment, Community Business and Public Works Infrastructure, and Culture & Tourism. On-going grants in Mining, Mineland Reclamation, Laurentian Vision and other areas continue to support entrepreneurship and planning for the future.

Collaborating with the private sector to promote investment in the region. Collaborating with the private sector, the agency built consensus around a new vision for Ironworld Discovery Center (Ironworld) and successfully transitioned it to nonprofit management in January 2007. The change allows the new operating entity, Ironworld Development Corporation, to build a more sustainable future and enables the agency to better focus on its core economic development mission.

Public-private partnerships at Giants Ridge Golf & Ski Resort are the foundation of a development master-plan that projects hundreds of millions of dollars in investments over the next two decades. The plan is based on a multi-business collaboration with stakeholders, private developers and public entities working together to develop hotels, condominiums, fractional ownership units and residential projects. The agency's golf and ski operations at Giants Ridge are the centerpiece of this growing resort community.

Biofuels initiative. During the last biennium, Iron Range Resources took a leadership role in summoning, organizing and supporting biofuels initiatives toward a goal of benefiting the forest products industry and the state.

Iron Range Resources' FY 2010-11 budget represents a continuing investment of \$96.5 million in our mission of advancing regional growth. The agency's priorities are directed toward sustainable growth for communities, increasing business diversification, aiding the forest products industry through the current decline in demand, and seeing large-scale industrial development projects through to successful fruition.

Sincerely,



Sandy Layman
Commissioner

Agency Purpose

Iron Range Resources is a state economic development agency that was created by the legislature in 1941 to develop and diversify the economy of the iron mining areas of northeastern Minnesota. The agency serves the interests of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles that stretches from Crosby, Minnesota, across the state's Cuyuna, Mesabi, and Vermilion iron ranges to the North Shore of Lake Superior. As part of its core mission of economic development, Iron Range Resources owns and operates Giants Ridge Golf & Ski Resort.

At A Glance

Mission: Advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area.

Day-to-day operation of the agency is managed by a full-time commissioner appointed by the governor who serves as a member of the governor's cabinet. The agency's annual budget and most economic development proposals are subject to review and approval by a 13-person Iron Range Resources Board.

Besides encouraging growth in the region's core industries of timber, taconite, tourism and technology, the agency focuses its economic development efforts on the following types of businesses:

- ◆ Manufacturing/Assembly
- ◆ Projects which attract expenditures from outside the TAA
- ◆ Technologically innovative projects

Iron Range Resources provides a variety of tailored development packages and financial incentives to businesses wishing to relocate or expand in its service area. At the same time, the agency is actively involved in retaining and growing existing businesses within the region.

Core Functions

Iron Range Resources focuses its economic development efforts on the following core functions:

- ◆ Creating private investments by leveraging business development loans.
- ◆ Diversifying the region's economic base by financing the growth of existing businesses or assisting new businesses in relocation.
- ◆ Developing communities and increasing their capacity for growth through grant making leverage. Implementing community planning and reclamation to transform the region's pits and piles into living lakes and landscapes.
- ◆ Marketing the region's resources and attributes to increase business leads and destination travel.
- ◆ Advancing regional workforce issues through convening coordinated readiness efforts.
- ◆ Maximizing the potential of the agency's property assets through sales, development and acquisitions.

Operations

Iron Range Resources serves the interests of the TAA through the following divisions:

- ◆ **Human Resources and Strategic Results** guides and manages all human resources services, policies and programs for the agency. The division also coordinates HR efforts with organizational development goals by managing the agency's strategic planning, performance and improvement plans.
- ◆ **Administrative Services** combines financial services with purchasing, contracting, information systems and maintenance activities. It supports other agency programs and facilities, providing administrative services and resources to ensure smooth agency operation.
- ◆ **Marketing and Communications** develops and coordinates marketing, promotional and communication activities on behalf of Iron Range Resources and its stakeholders.
- ◆ **Business Development** assists new and existing businesses in job creation and retention. Financial assistance is provided through bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants and equity investments.
- ◆ **Community Development** makes grants and invests resources in communities that enhance and expand their capacity for growth. Initiatives in this area support collaborative planning that shapes the economic future of the region.

- ◆ **Giants Ridge Golf & Ski Resort** promotes the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition.

Budget

The agency's funding comes from a percentage of the production taxes, assessed in lieu of property taxes, on area iron mining companies. The production tax provides approximately 50% of the agency's budget. The other half of the budget is derived from non-mining sources, such as revenue from its facilities, interest earned on its fund accounts and interest generated from its loan programs.

Contact

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For further information check out the agency web site at www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Agency Overview

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|--|---------------|---------------|------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 45,619 | 30,205 | 33,996 | 33,736 | 67,732 |
| Giants Ridge Golf & Ski Resort | 7,389 | 10,026 | 8,276 | 8,276 | 16,552 |
| Ne Mn Economic Protection | 4,702 | 12,387 | 5,981 | 6,181 | 12,162 |
| Total | 57,710 | 52,618 | 48,253 | 48,193 | 96,446 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 4,811 | 5,335 | 5,473 | 5,616 | 11,089 |
| Other Operating Expenses | 6,062 | 8,125 | 7,773 | 7,631 | 15,404 |
| Capital Outlay & Real Property | 314 | 2,395 | 0 | 0 | 0 |
| Local Assistance | 40,401 | 23,666 | 28,142 | 27,883 | 56,025 |
| Other Financial Transactions | 6,122 | 13,097 | 6,865 | 7,063 | 13,928 |
| Total | 57,710 | 52,618 | 48,253 | 48,193 | 96,446 |
| <u>Expenditures by Program</u> | | | | | |
| Administrative Services | 13,280 | 2,653 | 2,136 | 2,137 | 4,273 |
| Facilities | 9,906 | 10,576 | 9,674 | 9,472 | 19,146 |
| Business & Community Dev | 1,544 | 2,074 | 1,899 | 1,899 | 3,798 |
| Hr & Strategic Results | 0 | 0 | 728 | 728 | 1,456 |
| Agency Roll Over | 248 | 1,995 | 0 | 0 | 0 |
| Mining Rebate Program | 16,774 | 18,835 | 18,834 | 18,773 | 37,607 |
| Marketing & Communications | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| Programs & Projects | 14,527 | 14,838 | 13,335 | 13,537 | 26,872 |
| Attorney General | 336 | 374 | 374 | 374 | 748 |
| Total | 57,710 | 52,618 | 48,253 | 48,193 | 96,446 |
| Full-Time Equivalent (FTE) | 69.1 | 71.2 | 71.2 | 71.2 | |

Program Description

Administrative Services provides support services and resources to other agency programs and facilities. The division is comprised of: Finance, Information Systems and Maintenance & Shop. The budget of this division also includes the Office of the Commissioner.

- ◆ **Finance** provides numerous services including all aspects of budgeting, internal auditing, financial reporting, purchasing and contracting.
- ◆ **Information Systems** supports and maintains the computer hardware, data and telecommunication infrastructure for the agency. Technical support, information access, project management, internet and phone connections are a few of the services provided to agency personnel.
- ◆ **Maintenance & Shop** assists the agency's programs and facilities through equipment maintenance and fleet management. The program also provides building and grounds maintenance support of the Eveleth headquarters complex.

Program at a Glance

- ◆ Agency budgeting, accounting and financial reporting services
- ◆ Purchasing and contracting
- ◆ Information Systems
- ◆ Maintenance & Shop services

Population Served

Iron Range Resources programs and facilities.

Services Provided

- ◆ Budgeting, accounting, internal auditing, financial reporting and analysis.
- ◆ Purchasing and contracting for goods and services.
- ◆ Information technology services.
- ◆ Equipment maintenance and fleet management.
- ◆ Operating and maintaining the Eveleth headquarters.

Key Program Goals

- ◆ Increasing the scope of financial and programmatic reporting.
- ◆ Assessing customer needs and quality of services.

Key Measures

- ◆ Budget and accounts are aligned to support operational targets.
- ◆ Accurate and timely financial information is available.
- ◆ Services are timely.
- ◆ High level of service quality and customer satisfaction.

Program Funding

Approximately \$2 million (per year).

Contact

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IRON RANGE RESOURCES & REHAB
 Program: ADMINISTRATIVE SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 13,113 | 2,653 | 2,136 | 2,137 | 4,273 |
| Ne Mn Economic Protection | 167 | 0 | 0 | 0 | 0 |
| Total | 13,280 | 2,653 | 2,136 | 2,137 | 4,273 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,596 | 1,726 | 1,244 | 1,281 | 2,525 |
| Other Operating Expenses | 686 | 927 | 892 | 856 | 1,748 |
| Capital Outlay & Real Property | 7 | 0 | 0 | 0 | 0 |
| Local Assistance | 10,991 | 0 | 0 | 0 | 0 |
| Total | 13,280 | 2,653 | 2,136 | 2,137 | 4,273 |
| <u>Expenditures by Activity</u> | | | | | |
| Administrative Services | 13,280 | 2,653 | 2,136 | 2,137 | 4,273 |
| Total | 13,280 | 2,653 | 2,136 | 2,137 | 4,273 |
| Full-Time Equivalent (FTE) | 17.9 | 17.0 | 15.0 | 15.0 | |

Program Description

The activities of the agency's facilities - Giants Ridge Golf & Ski Resort in the city of Biwabik, and Ironworld located in Chisholm - are directed toward the development and promotion of tourism and recreation opportunities that will enhance the economic diversification of the Taconite Assistance Area (TAA).

- ◆ **Giants Ridge Golf & Ski Resort** promotes the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition. Giants Ridge offers 35 alpine ski runs, more than 60 kilometers of cross-country ski trails and easy access to lakes, mountain bike trails, and snowmobile trails. Lodging facilities include hotel suites and condominiums at The Lodge; cabins and condominiums at the Villas; and, a 24-room, 96-bed sports-style dormitory. There is dining, conference facilities, and outdoor equipment rentals. The resort generates over \$1.5 million in payroll for over 300 part- and full-time employees. The annual economic impact is approximately \$17 million from The Legend and The Quarry golf courses and \$13 million from the ski area.

- ◆ **Ironworld** is now under the management of a nonprofit, Ironworld Development Corporation (IDC). IDC assumed responsibility for the operations in January 2007 through a Sublease/Management Agreement with Iron Range Resources. IDC's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors." The Sublease/Management Agreement provides an annual operating subsidy that declines by 20% per year over a ten-year period, the interest on a \$10 million endowment, and a \$250,000 challenge grant for endowment fund raising. In addition to these financial terms, the agency budgets for insurance and capital requests.

Program at a Glance

Giants Ridge Golf and Ski Resort:

- ◆ 36 holes of the Midwest's best golf
- ◆ 35 challenging downhill ski runs
- ◆ 60 kilometers of cross country ski trails
- ◆ Access to lakes, mountain bike trails and snowmobile trails
- ◆ Accommodations - The Lodge or Villas at Giants Ridge
- ◆ Dining, shopping and conference facilities
- ◆ Rental equipment - from snowboards and skis to canoes and kayaks

Giants Ridge unveiled a 20-year master plan, which holds the potential of residential and commercial growth in northeastern Minnesota. The master plan envisions a mixed use base-resort village with 340 new units; a mountain-top village with 300 new units; additional lodging; retail shops; restaurants; a water park; an ice skating rink; lakeshore, lake access, ski-in/ski-out and golf course single family homes, townhouses and condominiums; fractional ownership properties; parks and beaches; and public and private boat landings.

At the direction of Commissioner Layman, the new Master Plan was a cooperative effort by all resort stakeholders, both private and public. In conjunction with the Master Plan, the stakeholder group developed a new charter and bylaws for the resort's Master Association of which all resort stakeholders will be members.

This Master Association membership will work towards the following goals:

- Clearly defined governance, membership and financing of the newly structured Master Association.
- Development of a detailed resort concept plan.
- Definitive criteria necessary for carrying forward resort development and establishing a customer-friendly, sustainable resort community.

The new role of the Master Association will be critical to the structural and financial success of all resort stakeholders, both private and public.

Population Served

Minnesota residents, national and international tourists.

Services Provided

- ◆ Giants Ridge Golf & Ski Resort provides tourism and recreation opportunities including two 18-hole championship golf courses, a variety of winter sports activities, dining, lodging, shopping and conference facilities.

Key Measures

- ◆ Increasing Giants Ridge revenues with competitive pricing and packaging.
- ◆ Tying Giants Ridge strategic capital and infrastructure investments to revenue.
- ◆ Responding to Giants Ridge customer survey and evaluation feedback with continuous improvement.

Program Funding

Giants Ridge Golf & Ski Resort: approximately \$8.3 million (per year).
Ironworld: approximately \$1.4 million (FY 2010) & \$1.2 million (FY 2011).

Contacts

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IRON RANGE RESOURCES & REHAB

Program: FACILITIES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 2,517 | 1,650 | 1,398 | 1,196 | 2,594 |
| Giants Ridge Golf & Ski Resort | 7,389 | 8,926 | 8,276 | 8,276 | 16,552 |
| Total | 9,906 | 10,576 | 9,674 | 9,472 | 19,146 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,415 | 1,448 | 1,481 | 1,515 | 2,996 |
| Other Operating Expenses | 4,177 | 5,374 | 5,341 | 5,307 | 10,648 |
| Capital Outlay & Real Property | 302 | 650 | 0 | 0 | 0 |
| Local Assistance | 2,478 | 1,535 | 1,283 | 1,081 | 2,364 |
| Other Financial Transactions | 1,534 | 1,569 | 1,569 | 1,569 | 3,138 |
| Total | 9,906 | 10,576 | 9,674 | 9,472 | 19,146 |
| <u>Expenditures by Activity</u> | | | | | |
| Facilities | 9,906 | 10,576 | 9,674 | 9,472 | 19,146 |
| Total | 9,906 | 10,576 | 9,674 | 9,472 | 19,146 |
| Full-Time Equivalents (FTE) | 27.7 | 25.6 | 25.6 | 25.6 | |

Program Description

The agency's business and community development work is managed through **Business Development** and **Community Development**. The staff in these areas manages agency deal flow, provide financial assistance to businesses, generate business leads and invest in communities through grant making and strategic initiatives.

- ◆ **Business Development** helps new and existing businesses create or retain jobs, while leveraging private investment. The program uses a variety of tools that include bank participation loans, direct loans, employment incentive grants, infrastructure grants, equity investments and the Job Opportunity Building Zones (JOBZ). Staff performs due diligence, financial structuring, and documentation and monitoring of projects. In addition, staff promotes the Taconite Assistance Area (TAA) to prospective businesses from outside the region in order to attract new jobs to northeastern Minnesota. This effort includes prospecting aimed at select groups of businesses, attending trade shows, and advertising the advantages of our region in regional, national and international publications.
- ◆ **Community Development** supports strategic initiatives and grant making for community growth. Grants for units of government, nonprofits, higher education and businesses include funding for community development efforts in Commercial and Residential Redevelopment, Mining & Mineland Reclamation, Commissioner Projects, Culture & Tourism, and the Application Fund. Community Initiatives are focused around Workforce Development; Regional Readiness, preparing the region for growth; and supporting the Laurentian Vision's collaborative efforts that shape post-mining landscapes.

Program at a Glance

Business Development

- ◆ Business Development administered \$3.3 million in new loans for area economic development projects in FY 2008.
- ◆ Mining & Mineland Reclamation administered \$8.5 million in TEDF production tax rebates for mining projects in FY 2008.

Community Development

- ◆ Workforce Development leveraged readiness efforts and community growth through convening and grant making.
- ◆ Commercial and Residential Redevelopment razed 30 residential and commercial structures during FY2008.

Population Served

Communities located within the TAA and eligible businesses currently located within or locating to the TAA.

Services Provided

Business and Community Development provide a wide range of activities specifically designed to assist TAA businesses and communities:

Business Development services:

- ◆ Promoting TAA business assets and advantages.
- ◆ Assisting businesses with expanding or relocating to the region.
- ◆ Providing financial assistance to businesses.

Community Development services:

- ◆ Grant making that includes funding for community revitalization, capacity building and growth.
- ◆ Initiatives, leadership and convening efforts that support coordinated efforts to shape the economic future of the region.

Key Program Goals

Business Development:

- ◆ Tracking job creation and retention.
- ◆ Implementing a targeted business recruitment plan.

Community Development:

- ◆ Providing financial assistance to communities.

- ◆ Identifying workforce grant and partnership opportunities.
- ◆ Influencing mining processes to create enhanced post mining landscapes.
- ◆ Removing blight in communities.

Key Measures

Business Development:

- ◆ Jobs created and retained.
- ◆ Business development leverage.
- ◆ Lead generation.

Community Development:

- ◆ Total investment in community development.
- ◆ Grants leverage.
- ◆ Action plans for regional readiness.

Program Funding

Approximately \$2 million (per year)

Contact

Business Development

Matt Sjoberg, Director

or

Community Development

Brian Hiti, Deputy Commissioner

Iron Range Resources

P.O. Box 441

4261 Highway 53 South

Eveleth, Minnesota 55734-0441

(218) 744-7400 or (800) 765-5043

www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: BUSINESS & COMMUNITY DEV

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 559 | 652 | 652 | 652 | 1,304 |
| Ne Mn Economic Protection | 985 | 1,422 | 1,247 | 1,247 | 2,494 |
| Total | 1,544 | 2,074 | 1,899 | 1,899 | 3,798 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,252 | 1,539 | 1,403 | 1,445 | 2,848 |
| Other Operating Expenses | 287 | 535 | 496 | 454 | 950 |
| Capital Outlay & Real Property | 5 | 0 | 0 | 0 | 0 |
| Total | 1,544 | 2,074 | 1,899 | 1,899 | 3,798 |
| <u>Expenditures by Activity</u> | | | | | |
| Business & Community Dev | 1,544 | 2,074 | 1,899 | 1,899 | 3,798 |
| Total | 1,544 | 2,074 | 1,899 | 1,899 | 3,798 |
| Full-Time Equivalent (FTE) | 16.2 | 19.9 | 17.9 | 17.9 | |

Program Description

Human Resources and Strategic Results guides and manages all human resources services, policies and programs for the agency. Additionally, the division coordinates HR efforts with organizational development goals by managing the agency's strategic planning, performance and improvement plans.

- ◆ **Human Resources** directs recruiting and staffing, compliance with regulations and policies, employee orientation, development and training, policy development and documentation, employee relations, compensation and benefits administration, employee services and labor relations.
- ◆ **Strategic Results** oversees performance management and improvement, organizational development, strategic planning and balanced scorecard performance.

Program at a Glance

- ◆ HR management and employee development for divisions and facilities
- ◆ Strategic planning and balanced scorecard leadership, training, implementation and results reporting

Population Served

Iron Range Resources employees and the general public.

Services Provided

- ◆ Coordinate agency employment needs through recruitment and selection processes.
- ◆ Provide consultation and resources in job analysis, performance, development and workforce planning.
- ◆ Ensure compliance with Affirmative Action, ADA and Equal Employment.
- ◆ Coordinate agency safety programs and labor relations.
- ◆ Administer insurance services, employee compensation and benefits.
- ◆ Lead strategic planning, goal setting and the development of performance objectives.
- ◆ Implement a balanced scorecard and report on organizational results.

Key Program Goals

- ◆ Promote best practices in agency services.
- ◆ Work with agency divisions in the creation and dissemination of performance measures and results data.

Key Program Measures

- ◆ Services and communications are timely.
- ◆ Human resources are aligned to support strategies.
- ◆ Technology is utilized to increase the efficiency and effectiveness of delivery systems.
- ◆ Learning increases employee motivation and productivity.

Program Funding

Approximately \$730,000 (per year)

Contact

Marianne Bouska
Director of Human Resources and Strategic Results
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: HR & STRATEGIC RESULTS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|------------------|------------|--------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 0 | 0 | 728 | 728 | 1,456 |
| Total | 0 | 0 | 728 | 728 | 1,456 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 0 | 0 | 704 | 715 | 1,419 |
| Other Operating Expenses | 0 | 0 | 24 | 13 | 37 |
| Total | 0 | 0 | 728 | 728 | 1,456 |
| <u>Expenditures by Activity</u> | | | | | |
| Hr & Strategic Results | 0 | 0 | 728 | 728 | 1,456 |
| Total | 0 | 0 | 728 | 728 | 1,456 |
| Full-Time Equivalent (FTE) | 0.0 | 0.0 | 4.0 | 4.0 | |

Program Description

The agency's rollover consists of all budget activity that has been certified and reset into FY 2009. This account represents projects that had not been completed in FY 2008.

Program at a Glance

- ◆ FY 2009 Rollover: approximately \$2 million

Population Served

Iron Range Resources programs and facilities.

Contact

Jean Dolensek
Administrative Services Director
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: AGENCY ROLL OVER

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 248 | 895 | 0 | 0 | 0 |
| Giants Ridge Golf & Ski Resort | 0 | 1,100 | 0 | 0 | 0 |
| Total | 248 | 1,995 | 0 | 0 | 0 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 12 | 250 | 0 | 0 | 0 |
| Capital Outlay & Real Property | 0 | 1,745 | 0 | 0 | 0 |
| Local Assistance | 236 | 0 | 0 | 0 | 0 |
| Total | 248 | 1,995 | 0 | 0 | 0 |
| <u>Expenditures by Activity</u> | | | | | |
| Agency Roll Over | 248 | 1,995 | 0 | 0 | 0 |
| Total | 248 | 1,995 | 0 | 0 | 0 |

Program Description

In 1992, the Minnesota Legislature established the Taconite Economic Development Fund (TEDF) to encourage capital investments in northeastern Minnesota taconite plants. Through the TEDF, 30.1-cents of the annual tax paid for each ton of taconite pellets produced is rebated back into northeastern Minnesota taconite plants for new equipment, facility improvements, and research and development in new mining technologies.

Program at a Glance

- ◆ Between 1993-2007, \$133.9 million of the taconite production tax revenue has been rebated through the Taconite Economic Development Fund for taconite mining company capital investment projects.

The taconite industry is a major contributor to Minnesota's economy and in particular to the economy of northeastern Minnesota. In 2007, 38 million tons of taconite pellets were produced, and over \$94 million in taconite production taxes were paid in 2008. The industry currently has 4,000 direct employees and other spin-off industries that do business with the taconite companies provide more than 14,000 jobs.

Under current law, 30.1-cents of the \$2.316 tax paid for each ton of taconite pellets produced is set aside in a special account administered by Iron Range Resources. The TEDF funds are then rebated back to each company for approved capital improvement projects.

Population Served

TEDF grants are provided to the six taconite plants located in northeastern Minnesota.

Key Measures

- ◆ State money leverages additional funding from taconite companies.

Program Funding

Approximately \$8.5 million (Payable in 2008 based on the 2007 production year)

Contact

Dan Jordan
Mining & Minerals Program Supervisor
Mining, Minerals & Reclamation
801 SW Highway 169, Suite 2
Chisholm, Minnesota 55719
(218) 254-7967
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: MINING REBATE PROGRAM

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 16,617 | 14,255 | 18,137 | 18,078 | 36,215 |
| Ne Mn Economic Protection | 157 | 4,580 | 697 | 695 | 1,392 |
| Total | 16,774 | 18,835 | 18,834 | 18,773 | 37,607 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 15,489 | 13,557 | 17,440 | 17,383 | 34,823 |
| Other Financial Transactions | 1,285 | 5,278 | 1,394 | 1,390 | 2,784 |
| Total | 16,774 | 18,835 | 18,834 | 18,773 | 37,607 |
| <u>Expenditures by Activity</u> | | | | | |
| Mining Rebate Program | 16,774 | 18,835 | 18,834 | 18,773 | 37,607 |
| Total | 16,774 | 18,835 | 18,834 | 18,773 | 37,607 |

Program Description

Marketing & Communications develops and coordinates marketing, promotional and communication activities on behalf of Iron Range Resources and its stakeholders.

- ◆ **Marketing** is responsible for directing the development and implementation of all marketing-related communications strategies, messages and materials generated by and for the agency, its partners and its facilities.
- ◆ **Communications** establishes and delivers key messages for the agency, using a fully integrated multi-media approach. Staff members create and distribute internal and external agency communications, manage the agency website, provide writing and design services and provide staff support for special events and strategic initiatives.

Program at a Glance

- ◆ Agency marketing
- ◆ Economic development marketing
- ◆ Tourism and facility marketing
- ◆ Multi-media communication services
- ◆ Special project services

Population Served

Iron Range Resources and the Taconite Assistance Area (TAA).

Services Provided

- ◆ Marketing-related communications and materials.
- ◆ Internal and external agency communications.
- ◆ Staff support for special events and strategic initiatives.

Key Program Goals

- ◆ Position the agency to be a leading communicator for the region.
- ◆ Develop and distribute informative materials to targeted regional, statewide and national audiences.

Key Program Measures

- ◆ Measure results of marketing and communication initiatives.
- ◆ Timely communications.
- ◆ Media opportunities identified and utilized.
- ◆ Web communications and e-business tools are current and available 24/7.

Program Funding

Approximately \$1.3 million (per year)

Contact

Sheryl Kochevar
Communications & Media Coordinator
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: MARKETING & COMMUNICATIONS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|------------------|--------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| Total | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 508 | 584 | 602 | 620 | 1,222 |
| Other Operating Expenses | 567 | 689 | 671 | 653 | 1,324 |
| Local Assistance | 20 | 0 | 0 | 0 | 0 |
| Total | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| <u>Expenditures by Activity</u> | | | | | |
| Marketing & Communications | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| Total | 1,095 | 1,273 | 1,273 | 1,273 | 2,546 |
| Full-Time Equivalentents (FTE) | 6.6 | 8.0 | 8.0 | 8.0 | |

Program Description

Business Development and Community Development serve the customers of the region through Programs and Projects that support development activities throughout the Taconite Assistance Area (TAA).

Programs invest resources in communities to enhance and expand capacity and encourage regional cooperation.

- ◆ **Grant making** priorities are in the areas of Community Readiness, Commercial and Residential Redevelopment, Workforce Development, Range Readiness, Mining & Mineland Reclamation, Commissioner’s projects, Culture & Tourism, the Application Fund and Region III.
- ◆ **The Range Readiness Initiative** is a coordinated regional readiness response to the area’s large scale industry expansions and impacts on workforce, employment, housing, education, recreation and other socio-economic issues.
- ◆ **Workforce Development** initiatives include leadership and development funding for industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or innovation to address workforce needs.
- ◆ **Redevelopment initiatives** include assisting cities and townships with the demolition and removal of commercial and residential structures that remove blight and make way for new development. **Laurentian Vision** is also a redevelopment effort that envisions development planning around post-mining landscapes.
- ◆ **Region III** - M.S. 298.17 authorizes grants from occupation taxes for economic and environmental development projects in Koochiching and Carlton counties (Region III).

Program at a Glance

- ◆ The agency provided \$6 million in Public Works grants, leveraging an additional \$82 million in outside funding and creating 328 jobs in FY 2008.
- ◆ The agency’s loan portfolio consists of over 90 loans totaling more than \$48 million.
- ◆ Since FY 2004, 67 projects have been approved for a total of \$97.4 million in assistance. These projects leveraged a total investment of \$291 million and resulted in the creation of a projected 2,596 new jobs.

Projects provide funding for infrastructure and business related economic development efforts.

- ◆ **Business Development** - grants, loans, or other forms of participation for economic development projects that promote business development and attract new investments to the region.
- ◆ **Renewable Energy** - grants or loans to support the growth of bio-energy initiatives targeting projects that will utilize biomass, cellulosic and other feed stocks.
- ◆ **Public Works Infrastructure** - funding for local units of government that support community and economic development.
- ◆ **Community Business Infrastructure** - funding for public infrastructure capital improvements that assist with the expansion or creation of new development and jobs.
- ◆ **Commercial Building Renovation** - funding to communities for business enhancement projects.

Population Served

Communities and eligible businesses currently located within or expanding into the TAA.

Services Provided

- ◆ Economic development packages and financial incentives for community and business development projects.
- ◆ Leadership and collaboration in developing regional strategies for regional growth.
- ◆ Grant making to units of government, nonprofits, higher education and businesses.

Key Measures

- ◆ Supporting readiness efforts and community growth through convening and grant making.
- ◆ Leveraging the financial assistance of grant and development projects.
- ◆ Managing loan portfolio risk ratings and delinquency ratios.

- ◆ Identifying new participation opportunities.

Program Funding

Approximately \$14 million (per year)

Contact

Business Development

Matt Sjoberg, Director

or

Community Development

Brian Hiti, Deputy Commissioner

Iron Range Resources

P.O. Box 441

4261 Highway 53 South

Eveleth, Minnesota 55734-0441

(218) 744-7400 or (800) 765-5043

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IRON RANGE RESOURCES & REHAB

Program: PROGRAMS & PROJECTS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 11,224 | 8,588 | 9,433 | 9,433 | 18,866 |
| Ne Mn Economic Protection | 3,303 | 6,250 | 3,902 | 4,104 | 8,006 |
| Total | 14,527 | 14,838 | 13,335 | 13,537 | 26,872 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 37 | 14 | 14 | 14 | 28 |
| Local Assistance | 11,187 | 8,574 | 9,419 | 9,419 | 18,838 |
| Other Financial Transactions | 3,303 | 6,250 | 3,902 | 4,104 | 8,006 |
| Total | 14,527 | 14,838 | 13,335 | 13,537 | 26,872 |
| <u>Expenditures by Activity</u> | | | | | |
| Programs & Projects | 14,527 | 14,838 | 13,335 | 13,537 | 26,872 |
| Total | 14,527 | 14,838 | 13,335 | 13,537 | 26,872 |

Program Description

The Attorney General's Office provides legal services to the agency and the Iron Range Resources Board (Board) in support of all agency activities.

Program at a Glance

- ◆ Agency legal counsel

Two assistant attorneys general and one legal assistant provide the commissioner, agency staff and the Board with counsel on legal matters, including statutory interpretation, drafting or interpretation of legal documents, drafting of legislative language and defense of the agency or Board in litigation.

Population Served

Iron Range Resources programs, facilities, business clients and board.

Services Provided

- ◆ Provide legal advice to the agency and the Board.
- ◆ Advise and counsel the Commissioner, agency staff and the Board.
- ◆ Draft contracts, loans and other agreements for the agency.
- ◆ Represent the agency and the Board in litigation.

Key Measures

- ◆ High level of service quality and legal advice.
- ◆ Quality and timeliness of legal documents.
- ◆ Outcome of litigation.

Program Funding

Approximately \$375,000 (per year)

Contact

Jean Dolensek
Administrative Services Director
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: ATTORNEY GENERAL

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Iron Range Resources & Rehab | 246 | 239 | 239 | 239 | 478 |
| Ne Mn Economic Protection | 90 | 135 | 135 | 135 | 270 |
| Total | 336 | 374 | 374 | 374 | 748 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 40 | 38 | 39 | 40 | 79 |
| Other Operating Expenses | 296 | 336 | 335 | 334 | 669 |
| Total | 336 | 374 | 374 | 374 | 748 |
| <u>Expenditures by Activity</u> | | | | | |
| Attorney General | 336 | 374 | 374 | 374 | 748 |
| Total | 336 | 374 | 374 | 374 | 748 |
| Full-Time Equivalents (FTE) | 0.7 | 0.7 | 0.7 | 0.7 | |

IRON RANGE RESOURCES & REHAB

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|---------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Taxes: | | | | | |
| General | 246 | 0 | 0 | 0 | 0 |
| Total Non-Dedicated Receipts | 246 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| Iron Range Resources & Rehab | 4,003 | 50 | 50 | 50 | 100 |
| Giants Ridge Golf & Ski Resort | 4,219 | 4,664 | 4,664 | 4,664 | 9,328 |
| Ne Mn Economic Protection | 140 | 140 | 140 | 140 | 280 |
| Other Revenues: | | | | | |
| Iron Range Resources & Rehab | 2,188 | 892 | 892 | 892 | 1,784 |
| Giants Ridge Golf & Ski Resort | 1 | 151 | 151 | 151 | 302 |
| Ne Mn Economic Protection | 3,353 | 1,449 | 1,449 | 1,449 | 2,898 |
| Other Sources: | | | | | |
| Iron Range Resources & Rehab | 565 | 459 | 459 | 459 | 918 |
| Ne Mn Economic Protection | 3,216 | 1,765 | 1,765 | 1,765 | 3,530 |
| Taxes: | | | | | |
| Iron Range Resources & Rehab | 17,221 | 23,277 | 25,217 | 25,160 | 50,377 |
| Ne Mn Economic Protection | 3,758 | 6,301 | 4,379 | 4,379 | 8,758 |
| Total Dedicated Receipts | 38,664 | 39,148 | 39,166 | 39,109 | 78,275 |
| Agency Total Revenue | 38,910 | 39,148 | 39,166 | 39,109 | 78,275 |

| | PAGE |
|---|-------------|
| Small Agency Profile | 2 |
| Agency Fiscal Page (Gov Rec) | 4 |

Agency Purpose

Pursuant to M.S. 490A.01 & 490A.02, the purpose of the Board on Judicial Standards is:

- ◆ to ensure appropriate judicial conduct, and increase public confidence in the integrity and impartiality of the Minnesota judiciary;
- ◆ to ensure that all judicial officers employed by the judicial branch adhere to established standards of ethical conduct; and
- ◆ to provide a procedure to review and investigate allegations of judicial disability or misconduct, and to provide a forum to discuss questions concerning appropriate judicial behavior.

Core Functions

The board has two basic responsibilities: 1) to educate and advise the public and judicial officers as to appropriate judicial conduct; and 2) to review and investigate the complaints received on judicial disability or alleged misconduct including behavior that interferes with the performance of judicial duties or conduct prejudicial to the administration of justice. In support of these functions, the board engages in the following activities:

- ◆ receives, reviews, and investigates complaints filed against judges and judicial officers for violations of the Code of Judicial Conduct and statutes;
- ◆ issues discipline to judges and judicial officers when appropriate, including private warnings and public reprimands;
- ◆ initiates, when necessary, public proceedings against judges and judicial officers and recommends a disciplinary disposition to the Minnesota Supreme Court, including retirement, censure, or removal from office;
- ◆ reviews judges' compliance with M.S. 546.27 and takes appropriate disciplinary action, if necessary;
- ◆ responds to all inquiries concerning judicial ethics from the public, judges, attorneys, legislature, and board members; and
- ◆ educates the public, judges, and judicial officers on judicial ethics.

Operations

The agency serves a large statewide customer base. In the last ten calendar years, agency contacts have steadily increased. The board's primary activity is to serve the interests of the general public by determining and/or answering questions of proper judicial ethical behavior. Any person or entity may file a complaint against a judge or judicial officer.

Additionally, the staff educates and assists judges and judicial officers with questions concerning appropriate judicial conduct. The staff frequently conducts or otherwise participates in a variety of public and judicial seminars and workshops. Newly appointed judges and judicial candidates are provided information about the standards of appropriate judicial behavior.

Key Goals

All the activities and responsibilities of the board strive to these ultimate goals:

- ◆ efficiently and promptly review, investigate and act upon complaints of judicial misconduct;
- ◆ ensure the public with confidence in the integrity and impartiality of the Minnesota judiciary;
- ◆ educate and assist judges concerning judicial ethics for a knowledgeable judiciary.

At A Glance

Biennial Budget – FY 2008-09: \$910,000

Jurisdiction: 425
Judges and Referees
Retired Judges
Child Support Magistrates

Calendar Year 2007
1,308 Total Agency Contacts
107 Full Board Determinations

Discipline issued:
4 Public Reprimands
1 Civil Penalty
6 Warnings
11 Imposed Conditions and Adjustments

259 Responses to Judge Inquiries
1,049 Responses to Public Inquiries

Key Measures

- ◆ The agency strives to respond promptly to all inquires and to process complaints in a conscientious, thorough, and timely manner.
- ◆ The agency has improved the efficiency of its service to the public, judges and judicial officers, attorneys and the legislature, despite the increased number of individuals under the board's jurisdiction – new judgeships, child support magistrates, additional referees, etc.
- ◆ In calendar year 2007, 1,308 inquiries by the public and judges were responded to by the staff within the same or next day, and then an agency pamphlet was sent to each individual.
- ◆ The board meets every six weeks, and resolves matters within a 60-day average (where no additional inquiry or action is necessary).
- ◆ Agency estimates that it will receive and process 125 complaints in the next fiscal year and respond to over 1,500 inquiries from the public, judges, attorneys, and legislators.

Budget

The agency received an appropriation \$910,000 from the General Fund for FY 2008-09 budget. \$250,000 is a specific line item dedicated for investigative services, attorney fees and hearing costs for disciplinary proceedings. This portion of the budget continues through the biennium since proceedings rarely begin and end within each biennium. The balance of the budget consists primarily of salaries and basic operating expenses such as rent, supplies, and telecommunication costs. Despite significant increases in the number of judicial officers, public contacts and advisory and educational activities, the full-time employees have remained constant at two since 1974. Additional services are retained only when necessary.

Contact

Board on Judicial Standards
2025 Centre Pointe Boulevard
Suite 180
Mendota Heights, Minnesota 55120

World Wide Web Home Page: <http://www.bjs.state.mn.us>
David Paull, Executive Secretary
Phone: (651) 296-3999
Fax: (651) 866-1865
Email: judicial.standards@state.mn.us

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 450 | 460 | 460 | 460 | 920 |
| Recommended | 450 | 460 | 460 | 460 | 920 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 1.1% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 6 | 6 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 354 | 556 | 460 | 460 | 920 |
| Total | 360 | 562 | 460 | 460 | 920 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 229 | 245 | 248 | 254 | 502 |
| Other Operating Expenses | 131 | 317 | 212 | 206 | 418 |
| Total | 360 | 562 | 460 | 460 | 920 |
| <u>Expenditures by Program</u> | | | | | |
| Judicial Standards Board | 360 | 562 | 460 | 460 | 920 |
| Total | 360 | 562 | 460 | 460 | 920 |
| <u>Full-Time Equivalent (FTE)</u> | | | | | |
| | 2.0 | 2.0 | 2.0 | 2.0 | |

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↻ Designates that this item is a change item



January 27, 2009

The 2009 Minnesota Legislature:

Thank you for your continued leadership and service to Minnesota. On behalf of Governor Pawlenty, I submit the Department of Labor and Industry's (DLI) budget recommendation for the FY 2010-2011 biennial budget. This budget consists of \$1.760 million from the state's general fund, \$191.386 million from the workers' compensation fund, \$65.329 million from the construction code fund and \$12.124 million from other funds.

This budget recommendation represents at 10% reduction in the general fund from our FY 2008-09 funding without affecting the precise core mission of the agency—workplace safety of all Minnesotans.

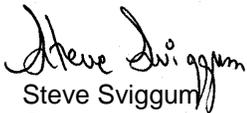
More than half of the budget is for payments of workers' compensation benefits. The remaining budget is administered through four program areas: workers' compensation, safety codes and services, labor standards and apprenticeship, and general support.

We are facing challenging unprecedented budget times and it's at these times, we must look at our services and agency's performance including efficiency and effectiveness. If reforms will make for better change then we must act accordingly.

I trust with this budget recommendation, DLI will not waver from our core mission and commitment to ensure Minnesota's work and living environments are equitable, healthy and safe.

Please call upon me if I can be of any assistance to you and I certainly look forward to working with you in the coming months.

Sincerely,


Steve Sviggum
Commissioner

Agency Purpose

The mission of the Department of Labor and Industry (DLI) is to ensure Minnesota's work and living environments are equitable, healthy, and safe. Its vision is to be a trusted resource and an impartial regulator for employers, employees, and property owners.

Agency activities are designed to assure

- ◆ workplaces are free from injury and illness;
- ◆ buildings are safe and healthy for those who occupy them;
- ◆ workers injured on the job are provided treatment and benefits required by law;
- ◆ workers from all communities have the opportunity to receive critical skills through apprenticeship training;
- ◆ workers who construct and inspect buildings are qualified to perform the work;
- ◆ workers, potential workers, and employers have a clear understanding of their rights and responsibilities in the workplace; and
- ◆ customers have ready access to reliable resources that assist them in complying with the laws and regulations the agency is responsible for administering and enforcing.

At A Glance

- ◆ Administer laws affecting Minnesota's 2.6 million employees and 159,000 employers
- ◆ Oversee workers' compensation claims and benefit payments for 141,000 injuries and 53 workplace fatalities annually
- ◆ Conduct more than 200,000 inspections per year
- ◆ Issue approximately 140,000 licenses and certifications per year
- ◆ Monitor more than 8,000 registered apprentices

Core Functions

DLI administers laws related to employment, apprenticeship, workplace safety, workers' compensation, and construction of buildings through its core functions:

- ◆ provide training, outreach, and other resources to agency customers;
- ◆ promulgate construction codes;
- ◆ conduct plan-reviews, inspections, audits, and investigations;
- ◆ review workers' compensation claims and oversee the provision of benefits;
- ◆ provide informal dispute-resolution services;
- ◆ provide vocational rehabilitation services;
- ◆ issue penalties for violations of the law;
- ◆ issue professional licenses and certifications; and
- ◆ register apprenticeship programs.

Operations

DLI's primary customers are Minnesota workers, employers, and building owners. Other stakeholders include builders, contractors, building officials, manufacturers of building products, insurers, attorneys, rehabilitation and health care providers, employment agencies, building owners, and boat owners. Services are provided through four DLI divisions.

The **Safety and Workers' Compensation Division** provides leadership, support, and a framework for operations relating to the safety and compensation of employees and employers through the following five activities.

- ◆ **Claims Services and Investigations** verifies that employers carry workers' compensation insurance and enforces sanctions for those who do not, administers claims for injured workers of uninsured and bankrupt self-insured employers, and administers asbestosis claims. It also reimburses second-injury and supplementary benefits to insurers and self-insured employers.

- ◆ **Benefit Management and Resolution** provides assistance and information about workers' compensation laws and processes to injured workers, employers, and other stakeholders. The unit ensures employers and insurers provide timely and accurate benefits through compliance, penalties, and education. Services extend to alternative dispute-resolution services, including mediations, conferences, telephone information, walk-in assistance, and dispute certification. The unit audits workers' compensation claim files for adherence to the law. In addition, the unit provides both formal and informal training sessions to workers' compensation stakeholders.
- ◆ **Vocational Rehabilitation** provides vocational services to injured workers whose claims have been denied or whose claims are in dispute and are awaiting resolution in court.
- ◆ **Minnesota Occupational Safety and Health Act (MNOSHA) Compliance** conducts safety and health inspections of workplaces and issues citations for failure to comply with standards. It provides technical assistance, outreach, and education about safety and health issues. MNOSHA Compliance also develops partnerships with organizations and investigates allegations of adverse employment actions against employees who make safety and health complaints.
- ◆ **Workplace Safety Consultation** provides safety and health inspections, alliances, training and outreach sessions, and technical assistance to public and private-sector employers, primarily targeting small high-hazard industries. It also administers safety programs such as safety grants, labor-management safety committees, workplace violence prevention, ergonomics, and logger education.

The **Construction Codes and Services Division** assures construction standards, construction codes, and construction-related licensing complies with legal requirements through the following three activities.

- ◆ **Administrative Services** promulgates construction codes for building, accessibility, elevator, energy, manufactured structures, and boilers. It also provides support for three authoritative boards relating to the electrical, plumbing, and high pressure piping codes. It also licenses all of the above industries and provides technical assistance and training programs for continued education.
- ◆ **Inspection Services** provides code compliance inspections for electrical, plumbing, boiler, elevator, high pressure piping and boats for hire.
- ◆ **Plan Review and Regional Services** provides code compliance plan reviews and inspections for state owned buildings, school district buildings, and state licensed facilities for various provisions of the state building code, particularly those contributing to life-safety and accessibility. Also reviews plumbing plans for most commercial buildings for compliance with various health and sanitation provisions of the Minnesota Plumbing Code. The section also provides regional services to municipalities by assisting them with administration of the codes and auditing their performance to ensure consistent application of all codes.

The **Labor Standards and Apprenticeship Division** enforces employment laws governing child labor, minimum wage, overtime, prevailing wage, and parental leave. It regulates, supervises, and promotes apprenticeship programs that meet state standards. It also provides outreach and education to employers and employees, and issues licenses to fee employment agencies.

The **General Support Division** supports agency operations through communications, legislative relations, financial management, human resources, information technology, assures the quality of documents and data used across the agency, research and statistics, legal advice, rulemaking, and litigation.

Budget

DLI's budget comes from two primary sources: the workers' compensation fund, which is financed primarily by an assessment collected from workers' compensation insurers and self-insured employers; and the special revenue fund, which is financed by the stakeholders of the construction industry through permit, licensing, and inspection fees. The remainder of DLI's budget is financed by the general, workforce development, and federal funds. More than 55% of agency expenditures are for workers' compensation benefit payments to injured workers. The DLI staff includes 459 full-time-equivalent employees working in locations throughout the state.

Contact

For more information, contact DLI Communications at (651) 284-5313.

More than 1,000 visitors stop by the DLI website (www.doli.state.mn.us) each day to learn more about Minnesota's employment laws, safety and health standards, work-related injuries, and worker training programs.

For information about department goals and results, visit the Minnesota Department Results website at www.departmentresults.state.mn.us/doli.

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,069 | 981 | 981 | 981 | 1,962 |
| Recommended | 1,069 | 981 | 880 | 880 | 1,760 |
| Change | | 0 | (101) | (101) | (202) |
| % Biennial Change from 2008-09 | | | | | -14.1% |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 869 | 0 | 0 | 0 | 0 |
| Recommended | 869 | 0 | 0 | 0 | 0 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -100% |
| Workforce Development | | | | | |
| Current Appropriation | 764 | 779 | 779 | 779 | 1,558 |
| Recommended | 764 | 779 | 1,029 | 1,279 | 2,308 |
| Change | | 0 | 250 | 500 | 750 |
| % Biennial Change from 2008-09 | | | | | 49.6% |
| Workers Compensation | | | | | |
| Current Appropriation | 21,076 | 20,871 | 20,871 | 20,871 | 41,742 |
| Recommended | 21,076 | 20,871 | 20,871 | 20,871 | 41,742 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -0.5% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 845 | 1,203 | 880 | 880 | 1,760 |
| Workforce Development | 609 | 879 | 1,029 | 1,279 | 2,308 |
| Workers Compensation | 19,915 | 22,025 | 20,871 | 20,871 | 41,742 |
| Open Appropriations | | | | | |
| Workers Compensation | 69,328 | 71,688 | 71,688 | 71,688 | 143,376 |
| Statutory Appropriations | | | | | |
| State Government Spec Revenue | 23,201 | 28,537 | 27,949 | 28,455 | 56,404 |
| Miscellaneous Special Revenue | 5,415 | 5,817 | 5,273 | 5,273 | 10,546 |
| Federal | 5,225 | 5,023 | 5,013 | 5,013 | 10,026 |
| Workers Compensation | 2,687 | 6,272 | 3,134 | 3,134 | 6,268 |
| Miscellaneous Agency | 10 | 11 | 10 | 10 | 20 |
| Total | 127,235 | 141,455 | 135,847 | 136,603 | 272,450 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 33,285 | 38,054 | 39,433 | 40,214 | 79,647 |
| Other Operating Expenses | 22,339 | 26,419 | 23,992 | 23,717 | 47,709 |
| Payments To Individuals | 69,152 | 71,471 | 71,471 | 71,471 | 142,942 |
| Local Assistance | 2,459 | 5,511 | 2,466 | 2,716 | 5,182 |
| Transfers | 0 | 0 | (1,515) | (1,515) | (3,030) |
| Total | 127,235 | 141,455 | 135,847 | 136,603 | 272,450 |
| <u>Expenditures by Program</u> | | | | | |
| Safety & Workers Comp Division | 88,516 | 95,440 | 91,576 | 91,522 | 183,098 |
| Construction Codes & Services | 26,225 | 31,406 | 30,754 | 31,260 | 62,014 |
| General Support Division | 10,999 | 12,475 | 11,557 | 11,611 | 23,168 |
| Labor Standards & Apprenticesp | 1,495 | 2,134 | 1,960 | 2,210 | 4,170 |
| Total | 127,235 | 141,455 | 135,847 | 136,603 | 272,450 |
| Full-Time Equivalentents (FTE) | 442.4 | 485.6 | 493.4 | 488.8 | |

| <i>Dollars in Thousands</i> | | | | |
|--|--------|------------------------------|--------|---------------------|
| | FY2009 | Governor's Recomm. FY2010 | FY2011 | Biennium 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 981 | 981 | 981 | 1,962 |
| Technical Adjustments | | | | |
| Pt Contract Base Reduction | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 981 | 980 | 980 | 1,960 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (100) | (100) | (200) |
| Total Governor's Recommendations | 981 | 880 | 880 | 1,760 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Total Governor's Recommendations | 0 | 0 | 0 | 0 |
| Fund: WORKFORCE DEVELOPMENT | | | | |
| FY 2009 Appropriations | 779 | 779 | 779 | 1,558 |
| Subtotal - Forecast Base | 779 | 779 | 779 | 1,558 |
| Change Items | | | | |
| Apprenticeship Program Expansion | 0 | 250 | 500 | 750 |
| Total Governor's Recommendations | 779 | 1,029 | 1,279 | 2,308 |
| Fund: WORKERS COMPENSATION | | | | |
| FY 2009 Appropriations | 20,871 | 20,871 | 20,871 | 41,742 |
| Subtotal - Forecast Base | 20,871 | 20,871 | 20,871 | 41,742 |
| Total Governor's Recommendations | 20,871 | 20,871 | 20,871 | 41,742 |
| Fund: WORKERS COMPENSATION | | | | |
| Planned Open Spending | 71,688 | 71,688 | 71,688 | 143,376 |
| Total Governor's Recommendations | 71,688 | 71,688 | 71,688 | 143,376 |

| <i>Dollars in Thousands</i> | | | | |
|--|---------------|--------------------|---------------|---------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Planned Statutory Spending | 28,537 | 29,464 | 30,255 | 59,719 |
| Change Items | | | | |
| Eliminate Construction Codes Transfer | 0 | (1,515) | (1,515) | (3,030) |
| Biennial License Renewals and Scheduling | 0 | 0 | (285) | (285) |
| Total Governor's Recommendations | 28,537 | 27,949 | 28,455 | 56,404 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 5,817 | 5,273 | 5,273 | 10,546 |
| Total Governor's Recommendations | 5,817 | 5,273 | 5,273 | 10,546 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 5,023 | 5,013 | 5,013 | 10,026 |
| Total Governor's Recommendations | 5,023 | 5,013 | 5,013 | 10,026 |
| Fund: WORKERS COMPENSATION | | | | |
| Planned Statutory Spending | 6,272 | 3,134 | 3,134 | 6,268 |
| Total Governor's Recommendations | 6,272 | 3,134 | 3,134 | 6,268 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 11 | 10 | 10 | 20 |
| Total Governor's Recommendations | 11 | 10 | 10 | 20 |
| <u>Revenue Change Items</u> | | | | |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Change Items | | | | |
| Biennial License Renewals and Scheduling | 0 | 1,474 | 0 | 1,474 |
| Building Permit & Plan Review Fee Adjust | 0 | 900 | 900 | 1,800 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Change Items | | | | |
| Biennial License Renewals and Scheduling | 0 | 1,244 | 0 | 1,244 |

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Change Item: Biennial License Renewals and Scheduling

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|---------|---------|---------|---------|
| Other Fund (SGSR – Dedicated) | | | | |
| Expenditures | \$0 | \$(285) | \$(285) | \$(285) |
| Revenues | 2,718 | 0 | 0 | 0 |
| Net Fiscal Impact | \$2,718 | \$(285) | \$(285) | \$(285) |

Recommendation

The Governor recommends adjustments in the Construction Codes & Services Division for 1) biennial licensing and registration for Boiler Operators, Plumbers, Water and Residential Contractors; 2) staggering the licensing scheduling cycle; and 3) eliminating fee charges for replacement copies of licenses.

Background

The Construction Codes & Services Division issues approximately 105,000 licenses of which some are currently renewed annually, some are currently renewed biennially (Electrical, Manufactured Structures and Building Contractor) and a few such as the Building Official that are triennial renewals. Triennial renewals will remain unchanged.

Part of the proposed change is to implement a biennial licensure schedule for the boiler operator, plumber, and residential contractor license renewal schedules. These licensure categories currently renew their license every year. The requirement would be to pay two year renewal amounts every other year. The objective is to reduce processing workload costs and improve service and ensure licensure processing delays are not a consideration for licenses to obtain work and bidding on construction projects.

In addition, some months experience over 20,000 renewals while other months have fewer than 3,000. Some license categories have a fixed (same day of the year) renewal date for all licensees in the group. For example, renewal dates for all residential building contractors is on March 31st of each year. These will be split between the two year biennium with half renewing their license on alternate years. This initiative will also reduce the high volume peak months to more manageable levels to improve processing turn around time and customer service. The bond fees collection time frames will also be adjusted to match the two year period where allowed to match licensure. These transitions are expected to remove the need for processing over 31,000 license transactions per year and provide a more balanced licensure renewal work load.

DLI will take into consideration the construction season, scheduling of continuing education and training schedules and will meet with industry representatives to stagger the licensure cycles over a two year period and jointly establish the new renewal cycles. DLI will strive to level license renewals to less than 15,000 monthly to reduce costs and processing turnaround and better response to customer requests in a timely basis.

The various licensees will move from an annual cycle to biennial which ensures licensure delays are not a consideration for licensees to obtaining work and bidding on construction projects.

Some license fee structures contain a charge for a replacement licensure card such as boilers (\$20), electrical (\$15) and manufactured structures (\$10). Others do not. DLI is recommending elimination of this fee. As DLI continues our work to make on-line renewal payments possible, a feature for licensees to print their own license will be added.

Relationship to Base Budget

Moving to biennial licensure and registration process and splitting the fixed date renewal cycles across both years of the biennium will result in a permanent reduction in the CCLD operating budget beginning in FY 2011. Everyone in the affected renewal categories will renew in FY 2010, but half will renew for two years while the other half renew for one year. The half renewing for one year in FY 2010 will renew for two years in FY 2011. This transition will result in the shifting of \$1.474 million in total licensure fee receipts from 2011 to 2010 as the

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Change Item: Biennial License Renewals and Scheduling

licensees renewing for two years in FY 2010 will also be paying FY 2011 fees in FY10. In 2011 a corresponding reduction will occur because those registering for two years in FY 2010 will not be renewing again until FY 2012.

As Residential Contractor licenses will be renewed biennially, the contractor recovery fee collected with those renewals will also be shifted for the 2 year period as part of the renewal.

Summary:

| | |
|------------------------------|-----------------|
| Biannual Licensure | \$1.474 million |
| Biannual Contractor Recovery | \$1.244 million |
| Total for 2010 | \$2.718 million |

Note: The additional \$2.718 million in revenue generated from the two-year licensure renewal cycle is due to pulling revenue forward, not an increase in the fee rates charged to licensees. For example, a two-year license previously charged at \$15.00 per year will collect \$30.00 when billed for a two-year period.

Cost reductions include:

- ◆ Reduction in the number of mailings (postage for one mailing at 42 cents is \$59,000, plus envelopes, paper and printing) and moving to post card notifications will result in approximately \$105 thousand in annual savings starting in FY 2011.
- ◆ Reduction in temporary staff to process applications and deposit checks is approximately \$120,000 in savings starting in FY 2011.

Key Goals and Measures

The key goal is to reduce the turn around time and costs for the processing of licenses and registrations and balance the on-going operations of DLI's Safety Codes & Services Division.

- ◆ License renewals and registrations will be processed within 30 days from receipt excluding those applications where more or supplemental information is required.

Alternatives Considered

DLI has examined the option of continuing to supplement staff to address prompt processing during peak license and renewal periods. However, DLI does not want to increase the licensure fees without reviewing the process as a first step. This will allow DLI to level off the work load and then review the process for additional improvements. Once DLI has had an opportunity to work through the new process, a determination can be made regarding the future licensure fee structure that incorporates processing cost reductions and improvements that have been made.

Statutory Change: Boiler Operator Licenses - 326B.986, Electrical License Replacement Fee - 326B.33, Manufactured Home Installer Replacement License Fees Rule 1350.83, Plumbing License and Replacement Fees - 326B.46, 326B.49, Water Conditioning Installers - 326B.58, Residential Building Contractor - 326B.815, Residential Building Contractor / Recovery - 326B.89.

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Change Item: Building Permit & Plan Review Fee Adjust

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Other Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 900 | 900 | 900 | 900 |
| Net Fiscal Impact | \$(900) | \$(900) | \$(900) | \$(900) |

Recommendation

The Governor recommends a fee increase in the Construction Codes and Licensing Division (CCLD) for the Building Permit & Plan Review Fees. A fee increase would ensure that public facilities such as hospitals, nursing homes, public schools and state owned buildings can continue to be constructed in accordance with applicable health and safety codes. The fee increase recovers the costs associated with the Building Permit and Plan Review process.

Background

The current building permit and plan review fee structure is based on project valuation and were established in the 1985 Model Building Code and later adopted into Minnesota Rule in 1990. The purpose of the fee is to assure safe working and living environments by providing building plan review and construction inspections under the State Building Code. The department is also charged with providing building inspections on certain public buildings and state licensed facilities.

The department fee structure is based on an antiquated fee rate. CCLD's 1990 fee structure was adopted by most municipalities throughout the state. However, the municipalities have steadily increased their fee structure while CCLD has not. Plan review and inspections fees for the cities of Bloomington, St Cloud, Duluth, Rochester, St Paul, and Minneapolis were all compared and found to be much higher. A city of Minneapolis and current DLI fee rate comparison is provided below.

Jurisdictions using the state building code but uncomfortable with their staff capabilities to manage large construction projects can request state assistance for plan reviews and building inspections. In many cases the department must apply its specialized expertise to assure safe construction is assured in at the local level. The department then applies its antiquated 1985 fee schedule to perform the work. DLI costs exceed revenues. In some cases municipalities apply their higher fee rate to customers, send their work to DLI and retain the difference.

Analysis indicates revenue and work performed by the department has increased, but a \$710,000 operating shortfall to perform plan reviews and building inspections occurred in Fiscal Year 2008. Shortfalls were offset by the building permit surcharge fund, but the recent economic down turn has significantly reduced surcharge revenues. The department must upgrade its plan review and building inspection fee schedule to a rate that assures the coverage of current and anticipated cost increases or face economic conditions that will result in an inability to assure construction safety is met.

| | MINNEAPOLIS FEE SCHEDULE | LABOR & INDUSTRY FEE SCHEDULE |
|---|---|--|
| Re-inspection Fees | \$63.25 per hour | \$45 per hour |
| Minimum Fee - Residential or Commercial | \$66.25 (Includes .50 State Surcharge) | N/A |
| \$1-\$500 | \$29.50 (Minimum Fee applies) | \$15 Minimum |
| \$501-\$2,000 | \$28.00 - first \$500. Plus \$3.70 per additional \$100. And fraction thereof including \$2000. | \$15 + (\$2.00 per \$100 value) |

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Change Item: Building Permit & Plan Review Fee Adjust

| | MINNEAPOLIS FEE SCHEDULE | LABOR & INDUSTRY FEE SCHEDULE |
|-----------------------|---|---|
| \$2,001-\$25,000 | \$83.50 - first \$2,000. Plus \$16.55 per additional \$1,000. And fraction thereof including \$25,000. | \$45 + (\$9.00 per \$1,000 value) |
| \$25,001-\$50,000 | \$464.15 - first \$25,000. Plus \$12.00 per additional \$1,000. And fraction thereof including \$50,000. | \$252 + (\$6.50 per \$1,000 value) |
| \$50,001-\$100,000 | \$764.15 - first \$50,000. Plus \$8.45 per additional \$1,000. And fraction thereof including \$100,000. | \$414.50 + (\$4.50 per \$1,000 value) |
| \$100,001-\$500,000 | \$1,186.65 - first \$100,000. Plus \$6.75 per additional \$1,000. And fraction thereof including \$500,000. | \$639.50 + (\$3.50 per \$1,000 value) |
| \$500,001-\$1,000,000 | \$3,886.65 - first \$500,000. Plus \$5.50 per additional \$1,000. And fraction thereof including \$1 million. | \$2,039.50 + (\$3.00 per \$1,000 value) |
| \$1,000,001-and up | \$6,636.65 - first \$1 million. Plus \$4.50 per additional \$1,000. And fraction thereof. | \$3,539.50 + (\$2.00 per \$1,000 value) |

Relationship to Base Budget

The net increase in Building Permit & Plan Review amounts to \$900,000. This fee is paid to the department by design firms and local governments for permit & plan review services requested.

Key Goals and Measures

CCLD's challenge is to keep up with providing competent, comprehensive life-safety plan reviews and inspections on the growing number of hospital, nursing home, and public school projects within the 30 day time period required by Minnesota Statute 16B.61 subd 4. This growing work load is represented as follows:

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|--|---------|---------|---------|---------|
| Increasing number of Building Permits issued | | 114 | 146 | 171 |
| Increasing number of Building Plans Reviewed | 232 | 245 | 275 | 304 |
| Increasing Construction Valuation of projects (\$ in millions) | \$288 | \$425 | \$518 | \$544 |

The goal is assure safe construction of all projects requiring state Building Permit & Plan Review services under the State Building Code within the timeframes specified in law.

Alternatives Considered

DLI selected the Building Permit & Plan Review Fee for adjustment this Legislative Session as a significant deficit is occurring and will continue into the future if not addressed. The agency examined its current fee structure, expenditures and revenues and this is the most pressing need. DLI will continue to review its overall licensure fees and may request adjustment to others in the future.

Statutory Change: MN Rule 1302.0600

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Change Item: Elimination of Construction Codes' Transfer

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| SGSR Fund | | | | |
| Transfer Out | \$(1,515) | \$(1,515) | \$(1,515) | \$(1,515) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,515) | \$(1,515) | \$(1,515) | \$(1,515) |

Recommendation

The Governor recommends elimination of the annual state government special revenue, construction code fund transfer of \$1.515 million to the general fund.

Background

When the Construction Code Licensing Division (CCLD) was created in 2005, five areas were consolidated to create the division. Each area had its own revenue stream. After the consolidation the revenue continued to be transferred. The program's operating fund balance is no longer able to support a continued annual transfer.

Relationship to Base Budget

The construction code fund balance is needed to pay DLI's CCLD obligations such as; the electrical inspection contracts which are approximately \$11 million annually. The remaining \$18 million utilized for agency salaries and operations. In order to maintain a fiscally sound program, DLI needs to maintain at least a three month operating fund balance or approximately \$7 million in the account at any point in time. At the end of FY 2010 the operating fund balance is projected at roughly \$4.8 million. An operating fund balance of \$4.8 million would cause delays in payments to vendors such as the electrical inspection contractors and staff layoffs.

Key Goals and Measures

Maintaining a three month balance in the construction code operating fund is vital to the on-going operations of DLI's Construction Codes & Services Division.

- ◆ Inspection and enforcement actions that benefit the safety of consumers must be maintained.
- ◆ DLI must perform the services for which licensure, inspection and plan review fees were paid.

Alternatives Considered

An alternative to this proposal would be to apply a \$15 annual increase to the each licensure/renewal fee. Given the volatility of the economy and the construction industry, professional and business licenses are one facet of the industry where there is stability. Licenses continue to be renewed.

Statutory Change: Session Laws 2007, Chapter 135, Article 1, Section 16 and Session Laws 2007, Chapter 140, Article 13, Section 1

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESP

Change Item: Apprenticeship Program Expansion

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------------------|---------|---------|---------|---------|
| Workforce Development Fund | | | | |
| Expenditures | \$250 | \$500 | \$500 | \$500 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$250 | \$500 | \$500 | \$500 |

Recommendation

The Governor recommends inclusion of the Department of Labor and Industry's (DLI) Apprenticeship Program in Minnesota's Comprehensive Workforce Development Plan. The Apprenticeship Program would be expanded to promote registered apprenticeship training in non-construction trades programs in more industries.

Background

Currently, 92% of Minnesota's registered apprentices work in the construction trades. Entry into the apprenticeship program is straightforward with a well established program. The number of participants reflects the strength of the Apprenticeship Program.

Apprenticeship is used nationally and internationally by other industries successfully to promote workforce development. Strategies and models exist which can be utilized in Minnesota as a way to build non-construction career apprenticeship programs. Minnesota can model its non-construction program to ensure a clear process is defined and available for opportunities in other occupations.

The Apprenticeship Program would expand to promote opportunities for:

- ◆ Dislocated Workers
- ◆ MFIP Participants
- ◆ Mid-career workers (professional and non-professional) seeking a change
- ◆ Workers with disabilities
- ◆ High School Students in Alternative Learning and Transition

DLI would partner with public sector based employer groups, the Department of Human Services, the Department of Employment and Economic Development, adult basic education centers, Minnesota State College and University institutions, and others to fulfill the two primary goals of this initiative:

- ◆ Work with employer groups from defined sectors and/or regions to provide education and hands-on assistance for the process of setting up an apprenticeship program that all group members could utilize for workforce development and workforce succession.
- ◆ Sponsorship of an eight week pre-apprenticeship class for job seekers coming through the workforce center system and/or other employment service providers in the state.
 - ⇒ The pre-apprenticeship class would include but not limited to: an introduction to the industry and the type of employment and career opportunities offered; remedial and basic industry specific skills that are needed to become an entry level employee and what is required for a chance of continued success; job search preparation and soft skills training.

Relationship to Base Budget

This initiative will increase the base budget in FY 2010 by \$250 thousand in FY 2011 by \$500,000 and thereafter by \$500,000 annually.

In FY 2010, DLI will hire two field representatives and one clerical support to work with industries and provide promotional assistance, development of industry specific eight-week pre-apprenticeship training, creation of selection and screening of pre-apprenticeship participants, placement and follow-up services for participants and a mechanism for providing financial assistance for employers.

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESP

Change Item: Apprenticeship Program Expansion

In FY2011, DLI will be in a position to provide \$250,000 annually as financial assistance for employers to defray some of the costs for participant training and instruction.

Key Goals and Measures

The key goal is to provide apprenticeship programs for non-construction trades and to create career paths and support for participants.

- ◆ Support from industry partners to create education and hands-on assistance for participants.
- ◆ Participants will obtain training for their specific industry and obtain sustained employment.

Alternatives Considered

DLI has monitored the process utilized in Canada as the national model, by an employer in Monticello, Minnesota and a manufacturer in North Carolina as they established apprenticeship and pre-apprenticeship programs in non-construction industries. DLI will utilize their experiences when developing this program.

Statutory Change: Not applicable.

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESP

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | (\$100) | (\$100) | (\$100) | (\$100) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | (\$100) | (\$100) | (\$100) | (\$100) |

Recommendation

The Governor recommends a \$200 thousand base reduction in the general fund appropriation for the 2010-2011 biennium. This is accomplished by a reduction of \$200 thousand in Labor Standards. The Governor intends that DLI should focus its operating funds on maintaining its highest priority services and intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The Department of Labor and Industry (DLI) will be able to maintain its commitment to ensure Minnesota's work and living environments are equitable, healthy and safe. DLI receives general fund appropriations for both prevailing wage enforcement and labor standards.

Labor Standards serves as a clearinghouse of information about a variety of wage, hour and employment law issues. Each year, our staff receives approximately 25,000 telephone calls requesting assistance or information. In SFY'08, DLI did receive 3 additional prevailing wage FTE's. The recommended reduction of 1 FTE may likely result in less outreach activities and informational type learning about labor standards.

Relationship to Base Budget

This proposal represents a 14% base level reduction to the general fund budget for Labor and Industry

Key Goals

The key goals are to insure that workplaces operate within the requirements of Minnesota labor laws and that apprenticeship learning grows as an effective work to learn strategy.

Key Program Measures

- ◆ To ensure the timely and accurate payment of wages for all hours worked by employees in Minnesota, the unit investigates complaints in accordance with the Minnesota Fair Labor Standards Act (M.S. 177). And, also ensures the safety and well being of employed minors, the unit investigates complaints and issues penalty violations in accordance with the Minnesota Child Labor Standards Act (M.S. 181A).

| Unit Investigations | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|---------------------|----------------|----------------|----------------|----------------|
| Cases opened | 270 | 236 | 343 | 463 |
| Cases closed | 273 | 215 | 331 | 466 |

- ◆ To ensure the participants in registered apprenticeship programs are provided the technical support in maintaining the apprenticeship agreement to maximize the opportunity for completion of the apprenticeship-training program.

| Total apprentices in training | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 7,744 | 8,359 | 9,103 | 9,429 |

Statutory Change: Not Applicable.

Program Description

The purpose of the Safety and Workers' Compensation Division is to make sure every worker in the state of Minnesota has a safe and healthful workplace and to assure in an equitable and impartial manner, the quick and efficient delivery of benefits to injured workers at a reasonable cost to employers.

Services Provided

This program includes the following budget activities:

- ◆ Safety and Workers' Compensation Administration
- ◆ Benefit Management and Resolution
- ◆ Claims Services and Investigations
- ◆ Vocational Rehabilitation
- ◆ Minnesota Occupational Safety and Health Act (MNOSHA) Compliance
- ◆ Workplace Safety Consultation

LABOR AND INDUSTRY DEPT

Program: SAFETY & WORKERS COMP DIVISION

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|-------------------------|------------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Workers Compensation | | | | | |
| Current Appropriation | 14,545 | 14,890 | 14,890 | 14,890 | 29,780 |
| Subtotal - Forecast Base | 14,545 | 14,890 | 14,890 | 14,890 | 29,780 |
| Total | 14,545 | 14,890 | 14,890 | 14,890 | 29,780 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 11,626 | 12,842 | 12,369 | 12,315 | 24,684 |
| Open Appropriations | | | | | |
| Workers Compensation | 69,129 | 71,432 | 71,432 | 71,432 | 142,864 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 13 | 49 | 69 | 69 | 138 |
| Federal | 5,061 | 4,845 | 4,842 | 4,842 | 9,684 |
| Workers Compensation | 2,687 | 6,272 | 2,864 | 2,864 | 5,728 |
| Total | 88,516 | 95,440 | 91,576 | 91,522 | 183,098 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 13,289 | 14,737 | 14,879 | 15,072 | 29,951 |
| Other Operating Expenses | 3,747 | 4,069 | 3,108 | 2,861 | 5,969 |
| Payments To Individuals | 69,152 | 71,471 | 71,471 | 71,471 | 142,942 |
| Local Assistance | 2,328 | 5,163 | 2,118 | 2,118 | 4,236 |
| Total | 88,516 | 95,440 | 91,576 | 91,522 | 183,098 |
| <u>Expenditures by Activity</u> | | | | | |
| Wc Administration | 537 | 529 | 261 | 266 | 527 |
| Wc Benefit Mgmt & Resolution | 2,742 | 3,528 | 3,462 | 3,462 | 6,924 |
| Wc Vocational Rehabilitation | 2,058 | 2,176 | 2,183 | 2,103 | 4,286 |
| Wc Claims Serv & Investigation | 71,368 | 73,707 | 73,640 | 73,661 | 147,301 |
| Mnosha Compliance | 7,850 | 8,397 | 8,103 | 8,103 | 16,206 |
| Workplace Safety Consultation | 3,961 | 7,103 | 3,927 | 3,927 | 7,854 |
| Total | 88,516 | 95,440 | 91,576 | 91,522 | 183,098 |
| Full-Time Equivalents (FTE) | 185.5 | 196.5 | 190.1 | 188.0 | |

Activity Description

The Safety and Workers' Compensation Division (SWCD) provides leadership, support, and a framework for operations relating to the safety and compensation of employees and employers. The mission of this division is to make sure every worker in the state of Minnesota has a safe and healthful workplace and to assure in an equitable and impartial manner, the quick and efficient delivery of benefits to injured workers at a reasonable cost to employers.

This is accomplished by assisting employers and employees in the identification and elimination of safety and health hazards, implementing effective safety and health programs, providing effective resolution of workers' compensation claims, reducing the number of uninsured employers, monitoring and improving the performance of external stakeholders engaged in the safety and health or workers' compensation industries, auditing benefit payments and services within the workers' compensation system, and by providing vocational rehabilitation services to employees whose workers' compensation claims are under dispute. In order to accomplish our mission the SWCD established the following core beliefs: exceptional customer service, data and process integrity and constantly asking the question "Are we doing the right things the right way?"

In order to accomplish our mission the SWCD established the following core beliefs: exceptional customer service, data and process integrity and constantly asking the question "Are we doing the right things the right way?"

Population Served

This activity manages workers' compensation and occupational safety and health (OSHA) so stakeholders including employees, employers, insurers, attorneys, health care providers, and service vendors receive prompt and efficient service.

Services Provided

The SWCD's administrative and regulatory activities help to keep Minnesota workers' compensation costs low by improving the safety and health within the work place:

- ◆ providing information and education to employees, employers, insurance companies, and service providers;
- ◆ providing informal and formal forums for prompt resolution of disputes;
- ◆ monitoring insurance companies to ensure prompt payment of benefits;
- ◆ investigating cases of failure to properly insure for workplace injuries and illnesses by employers; and
- ◆ providing funding for a variety of workplace safety programs to help employers reduce injuries.

In addition to providing leadership to the SWCD, the SWCD activity supports:

- ◆ The Workers' Compensation Advisory Council (WCAC) advises the agency about matters of workers' compensation and submits its recommendations for proposed changes to the workers' compensation statutes to the legislature. The WCAC's recommendations must be supported by a majority of business and labor members in order to move on to the legislature.
- ◆ The Occupational Safety and Health Advisory Council advise the department in carrying out the purposes of M.S. 182 and other Occupational Safety and Health Administration statutes.
- ◆ The Medical Services Review Board (MSRB) advises the agency about workers' compensation medical issues; is the liaison between the agency and the medical-provider community; and supports and engages in the education of the provider community about workers' compensation. The MSRB also has the authority to sanction a provider if there has been a violation of statutes or rules.
- ◆ The Rehabilitation Review Panel (RRP) reviews and makes determinations with respect to appeals from orders of the commissioner regarding certification of rehabilitation consultants and vendors; advises the

Activity at a Glance

- ◆ Directs the activities of 212 division employees.
- ◆ Administers division budget of \$93 million (FY 2008).
- ◆ Occupational safety and health jurisdiction of more than 2.6 million Minnesota workers and 171,000 private and public-sector employers
- ◆ Conduct 2,600 safety and health inspections and 1,617 onsite consultation inspections annually
- ◆ Collected assessments of more than \$94 million annually to pay injured workers benefits and workers' compensation program expenses.
- ◆ Recovered \$3.6 million in additional benefits to injured workers through file audits.

department about vocational rehabilitation issues; and assists in the education of the provider community about workers' compensation. The RRP also has the authority to sanction a rehabilitation provider after a hearing at the Office of Administrative Hearings if there has been a violation of the statutes or rules.

- ◆ The Workers' Compensation Insurers' Task Force (WCITF) is an organized body of representatives of insurance companies that write workers' compensation insurance within the state of Minnesota and those employers that self-insure for workers' compensation coverage. There is no statutory authority vested in this body; any recommendations that are forwarded to the commissioner are nonbinding. However, the department values the input from the task force.

Historical Perspective

The 1970 Occupational Safety and Health Act (OSHA) authorized states to administer a state-operated program for occupational safety and health, provided the programs are "at least as effective" as federal OSHA. Today there are 26 states and territories that operate a State Plan Program for workplace safety and health, and work together through the Occupational Safety and Health State Plan Association (OSHSPA). The Minnesota Occupational Safety and Health Act (MNOSHA) program was established by the Minnesota legislature in 1973 with final approval from federal OSHA in 1985

Workers' compensation is a no-fault system designed to provide benefits to employees injured as a result of their employment activities and to limit the liability of employers. Because it is a no-fault system, the employee does not need to prove negligence on the part of the employer in order to establish liability and the employer cannot use negligence on the part of the employee as a defense to a claim. Workers' compensation provides three basic types of benefits: indemnity, medical and vocational rehabilitation services.

Key Program Goals

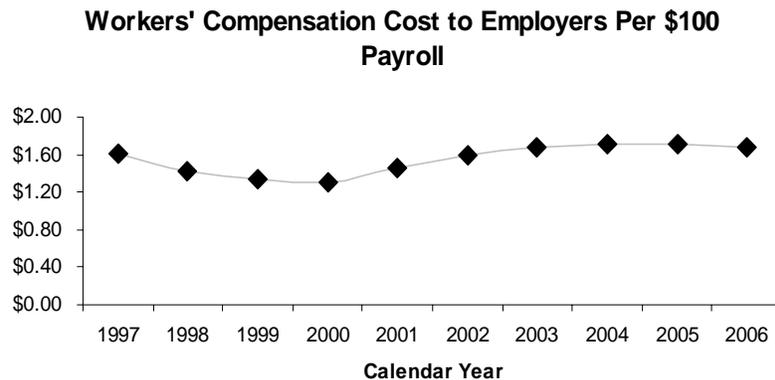
Assure that benefits are delivered to injured workers quickly, efficiently, and at a reasonable cost to employers:

- ◆ to have a top notch regulatory system
- ◆ to have state of the art technology
- ◆ to have a consultative approach

<http://www.departmentresults.state.mn.us/doli/index.html>

Key Measures

- ◆ Workers' compensation costs are affected not only by the law, how the department administers the law, and how the participants in the system, such as insurers and employers, behave (safety practices, claims administration, etc.), but also by nationwide fluctuations in the insurance industry. As part of a nationwide cycle, insurance rates have risen recently in all property/casualty lines, including workers' compensation. The trends in costs relative to payroll are the net result of a falling claim rate (dropping 35% relative to the number of workers) and increasing benefits per claim (indemnity benefits fell 11% while medical benefits rose 15%.)



LABOR AND INDUSTRY DEPT

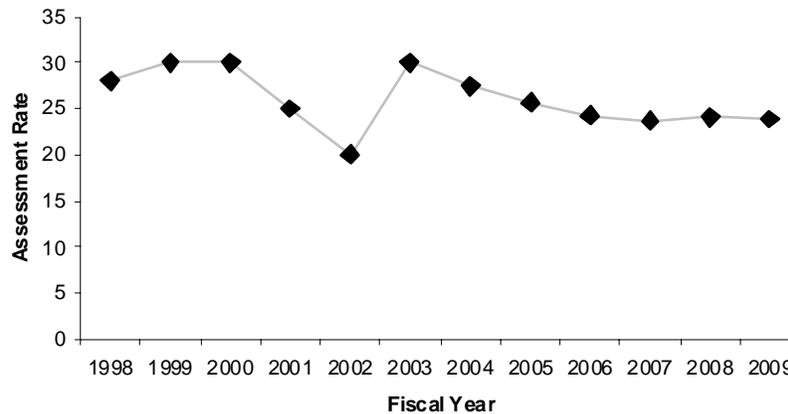
Program: SAFETY & WORKERS COMPENSATION DIVISION

Activity: ADMINISTRATION

Narrative

- ◆ An assessment is collected from insurers and self-insured employers to fund workers' compensation and safety activities of the Department of Labor and Industry, the workers' compensation section of the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, and a portion of the Department of Commerce, as well as the benefits paid under the uninsured, second-injury and supplementary benefits programs. Since 1985, the assessment rate has fluctuated between 20% and 31%. The assessment rate for FY 2008 is 23.9%, down from 30% in FY 2003.

Workers' Compensation Fund Assessment



Activity Funding

The SWCD is funded through an appropriation from the workers' compensation fund and federal grants. Congress established a maximum 50% funding level for the OSHA compliance programs and a maximum 90% funding level for the OSHA consultation programs.

Contact

For more information, contact the Workers' Compensation Division by phone at (651) 284-5017 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.communications@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
 Program: SAFETY & WORKERS COMP DIVISION
 Activity: WC ADMINISTRATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|--------------------|------------|------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 277 | 215 | 243 | 248 | 491 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 8 | 18 | 18 | 18 | 36 |
| Workers Compensation | 252 | 296 | 0 | 0 | 0 |
| Total | 537 | 529 | 261 | 266 | 527 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 409 | 359 | 207 | 210 | 417 |
| Other Operating Expenses | 128 | 170 | 54 | 56 | 110 |
| Total | 537 | 529 | 261 | 266 | 527 |
| Full-Time Equivalents (FTE) | 6.0 | 4.5 | 1.9 | 1.9 | |

Activity Description

Benefit Management and Resolution, (BMR) seeks early intervention and resolution of disputes using assistance, education, and alternative dispute resolution. BMR informs and advises all parties involved in the workers' compensation system of their rights and responsibilities under the Workers' Compensation Act, and provides technical assistance to all parties involved in the workers' compensation system. BMR conducts compliance audits to ensure employers and insurers provide timely and accurate benefits by auditing workers' compensation files, registering vocational rehabilitation providers (qualified rehabilitation consultants, vendors, and firms), and issuing penalties.

Population Served

The BMR unit serves injured workers, employers, attorneys, insurers, rehabilitation and health care providers, and other state agencies.

Services Provided

The BMR Unit provides the following services:

- ◆ delivers assistance by responding to hotline calls, emails, correspondence and walk-ins processes dispute certification requests
- ◆ conducts rehabilitation and medical conferences and mediations
- ◆ audits workers' compensation claims to ensure compliance
- ◆ registers rehabilitation providers
- ◆ responds to requests for insurance verification information
- ◆ assesses a variety of penalties against parties in the workers' compensation system

Key Program Goals

Assure that benefits are delivered to injured workers quickly, efficiently, and at a reasonable cost to employers:

- ◆ to have a top notch regulatory system
- ◆ to have state of the art technology
- ◆ to have a consultative approach

<http://www.departmentresults.state.mn.us/doli/index.html>

Key Measures

The following are the performance measures for the BMR unit:

- ◆ number of disputes resolved
- ◆ percentage of denials of primary liability; and
- ◆ number and dollar value of underpayments.

Activity at a Glance

FY 2008

- ◆ Provided more than 33,000 assistance contacts.
- ◆ Processed 3,532 requests for certification of dispute, resolving approximately 25%.
- ◆ Conducted more than 1,900 administrative conferences, providing resolution 69% of the time.
- ◆ Conducted more than 190 mediation sessions, achieving agreements more than 95% of the time.
- ◆ Recovered \$3.6 million in additional benefits to injured workers through file audits.
- ◆ Reviewed 638 penalty requests, resulting in penalties 75% of the time.

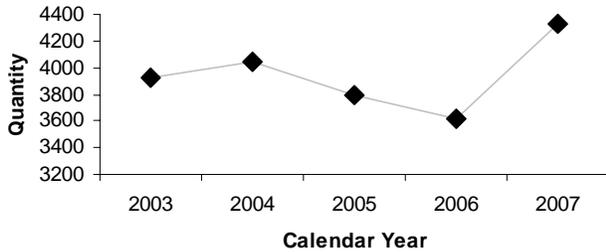
LABOR AND INDUSTRY DEPT

Program: SAFETY & WORKERS COMPENSATION DIVISION

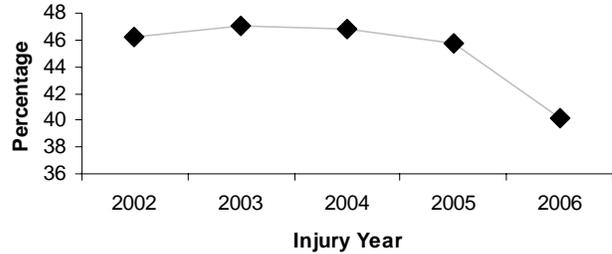
Activity: BENEFIT MGMT & RESOLUTION

Narrative

Disputes Resolved Within BMR

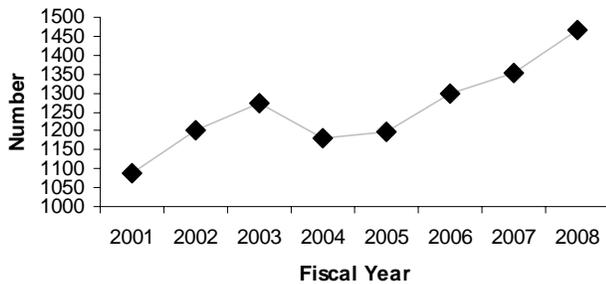


Percent of Initial Claims Denied

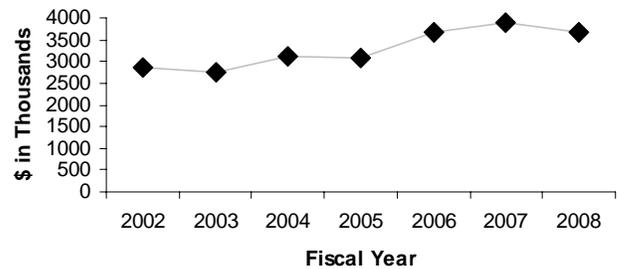


- ◆ The percentage of claims either paid or denied within the statutory time frame of 14 days has increased from 80.7% in 1997 to 88% in 2007.

Underpayments



Underpayment in Dollars



- ◆ Each year, approximately 56,000 files are reviewed looking for indemnity benefit payment mistakes made by insurers. Since 2004 the number of errors found has increased due to additional automation of the claims identified for review. When errors are found, staff contacts the insurers to explain the correction needed. An average of an additional \$3.1 million is paid to injured workers each year due to these audits. The majority of errors involve the incorrect payment of permanent partial disability benefits.

Activity Funding

The BMR unit is financed by an appropriation from the workers' compensation fund. Penalties assessed by this unit are deposited to the assigned risk safety account, which is dedicated for workplace safety programs. The unit recovers its costs for training sessions through participant fees. It also collects registration fees from managed care organizations.

Contact

For more information, contact BMR by phone at (651) 284-5030 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.workcomp@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: SAFETY & WORKERS COMP DIVISION
Activity: WC BENEFIT MGMT & RESOLUTION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 2,742 | 3,528 | 3,462 | 3,462 | 6,924 |
| Total | 2,742 | 3,528 | 3,462 | 3,462 | 6,924 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,417 | 3,228 | 3,228 | 3,234 | 6,462 |
| Other Operating Expenses | 325 | 300 | 234 | 228 | 462 |
| Total | 2,742 | 3,528 | 3,462 | 3,462 | 6,924 |
| Full-Time Equivalents (FTE) | 30.8 | 40.0 | 39.0 | 38.0 | |

Activity Description

The Vocational Rehabilitation unit (VRU) was established in 1983 to provide rehabilitation services when a dispute exists regarding medical causation or primary liability. Vocational rehabilitation services help to restore employment and resolve claim issues, thereby reducing the workers' compensation and socio-economic costs of a work injury.

There are 1,800 to 2,000 claim petitions filed annually in response to a primary denial of liability. Approximately 85% of injured workers receiving VRU services have disputed claims. During the estimated 12-month litigation process, the injured worker does not receive benefits. Rehabilitation services assist with the restoration of an income for the injured worker during this period and reduced wage-loss-compensation owed by the insurer if liability is later determined.

Activity at a Glance

FY 2008

- ◆ 354 open files per month
- ◆ 1,359 injured workers provided services
- ◆ 370 plans completed in average of 289 days at a cost of \$3191 per plan
- ◆ 60 clients per month utilizing VRU placement
- ◆ 87% of date of injury wages were restored
- ◆ 64% of clients returned to 80% of previous wages
- ◆ \$474,750 revenue collect in billings from insurers

Population Served

Injured workers, employers, and insurers directly benefit from the services of VRU. The state benefits from the injured worker's reduced dependence on public financial support programs and by the income tax collected on wages when the employee returns to work. An early return to work helps to reduce the cost of workers' compensation in Minnesota.

Services Provided

- ◆ *Rehabilitation Consultation* – meet with the employee and contacting the treating physician and employer to determine eligibility for rehabilitation services as defined by the statute.
- ◆ *Medical Management* – coordinate the employee's medical treatment with the return-to-work plan.
- ◆ *Job Development and Placement* – determine injured workers' transferable skills utilizing counseling techniques and computerized assessment to assist in identifying job goal areas for job search. Determine job readiness and provide coaching, further assistance or referral for appropriate services as needed. Prepare the injured worker to seek work, assist with a resume, and provide job-seeking skills training, including application and interview assistance. Identify employers and job openings consistent with job goals. Contact employers for jobs, support and encourage the injured worker during the job search, provide the injured worker with weekly job leads and assist in the completion of job logs.
- ◆ *Vinland Vocational Services* – coordinate services for Vinland grant including job readiness skills and resources, therapeutic exercise program, counseling, computer training, and vendor placement.
- ◆ *Vocational Testing and Counseling* – assess the injured worker's interests, aptitudes, and abilities using standardized tests and subsequent meetings with the individual to integrate this information with the medical information, labor market information, and the requirements of occupations to arrive at appropriate job goals.
- ◆ *Coordination of Return to Work with Same Employer* – collaborate with employee, employer, and medical providers in order to determine and assist in successful return to work plan. Assist in identifying light duty work options and job modifications.
- ◆ *Job Analysis* – assess the physical and cognitive demands of the job duties at the worksite and opining the *capacity* of the injured worker to be successful given the medical restrictions. Provide ergonomic or job modification recommendations as needed.
- ◆ *On-the-Job Training and Retraining Evaluation* — coordinate and monitor the training of an employee at a workplace. If an employee is unable to acquire suitable employment, a retraining plan may be explored and then proposed for a formal educational setting to acquire knowledge and skills that will result in suitable employment. A labor market survey and job analysis is required for a retraining plan.
- ◆ *Legal Testimony* – provide court testimony and depositions as needed or requested.

Key Program Goals

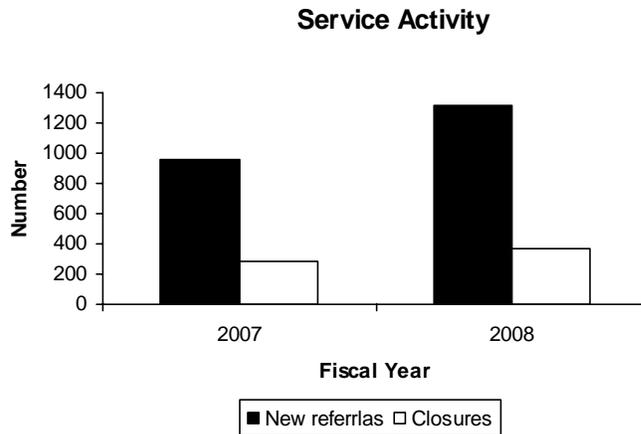
Assure that benefits are delivered to injured workers quickly, efficiently, and at a reasonable cost to employers:

- ◆ to have a top notch regulatory system
- ◆ to have state of the art technology
- ◆ to have a consultative approach

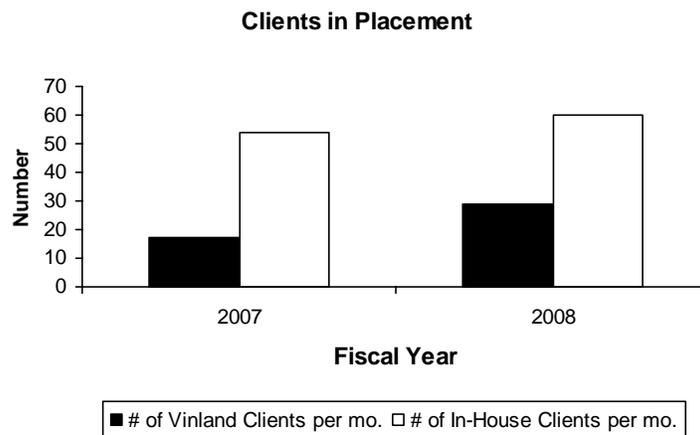
<http://www.departmentresults.state.mn.us/doli/index.html>

Key Measures

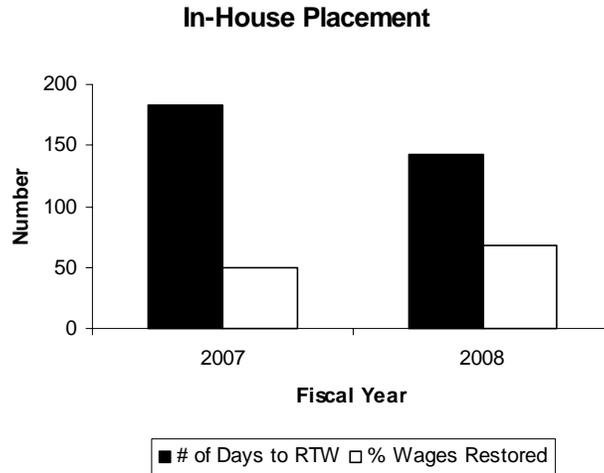
- ◆ VRU measures of service activity include the quantity of new referrals handled and the number of cases closed for the fiscal year. VRU has increased the number of new referrals as well as case closures in FY 2008.



- ◆ VRU has increased service effectiveness by focusing on improvements to job placement services both in-house and through the Vinland grant. The number of clients served has increased for both.

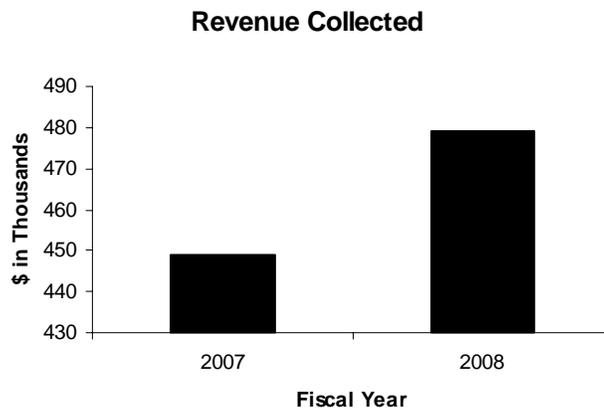


- ◆ The effectiveness of in-house placement has improved in terms of a decrease in the number of days before return to work and an increase in percentage of wages restored.



Activity Funding

VRU is financed by an appropriation from the workers' compensation fund. It collects reimbursements from employers and insurers for vocational services provided.



Contact

For more information, contact the Vocational Rehabilitation unit by phone at (651) 284-5038 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.Vocrehab@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: SAFETY & WORKERS COMP DIVISION
Activity: WC VOCATIONAL REHABILITATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 2,058 | 2,176 | 2,183 | 2,103 | 4,286 |
| Total | 2,058 | 2,176 | 2,183 | 2,103 | 4,286 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,545 | 1,650 | 1,706 | 1,706 | 3,412 |
| Other Operating Expenses | 281 | 287 | 238 | 158 | 396 |
| Payments To Individuals | 39 | 39 | 39 | 39 | 78 |
| Local Assistance | 193 | 200 | 200 | 200 | 400 |
| Total | 2,058 | 2,176 | 2,183 | 2,103 | 4,286 |
| Full-Time Equivalents (FTE) | 23.6 | 23.6 | 23.6 | 23.0 | |

Activity Description

The Claims Services and Investigations unit (CSI) administers programs of the Special Compensation Fund (SCF) designed to increase the fairness and efficiency of the Minnesota workers' compensation law. There are five distinct functions including supplementary benefit/second injury reimbursement, special claims administration, insurance verification, and enforcement of mandatory workers' compensation insurance coverage law and collection of assessments through an insurer premium surcharge and self insured assessments that funds Minnesota workers' compensation programs.

Population Served

CSI activities serve injured workers, employers, and workers' compensation insurers.

Services Provided

- ◆ **Supplementary Benefit and Second Injury (SB/SI) claims administration** – Reimburses insurers and employers for payments made to employees under the second-injury and supplementary benefits programs. Although these programs were discontinued for injuries occurring after 1995 and 1992, respectively, it is estimated payments under those programs will continue to be made on a declining basis until approximately 2050.
- ◆ **Special Claims administration** – Acts as a “safety net,” with CSI staff administering workers' compensation benefits to injured workers whose employers did not have workers' compensation insurance at the time of injury. The SCF serves as the insurer and CSI staff manages these claims in a similar fashion to an insurance company. Recovery is pursued against the uninsured employer and actions taken to promote compliance with the mandatory coverage law. The CSI unit also administers asbestosis medical claims and pays benefits to injured employees of certain self-insured employers that went bankrupt prior to the start up of the Self Insured Security Fund (SISF).
- ◆ **Insurance verification** – Provides paper- based research for both the public and internal claims management for pre-1985 requests regarding insurance verification.
- ◆ **Mandatory coverage investigations** – Enforces the state's workers' compensation mandatory insurance coverage law through the investigation and assessment of appropriate penalties against employers that fail to comply with the law requiring workers' compensation insurance coverage for eligible employees.
- ◆ **Assessment collection** – Collects assessments through an insurer premium surcharge and self-insured assessment. This money funds ongoing obligations including \$43 million in future benefits paid under the uninsured, second-injury and supplementary benefits programs, as well as, paying the operating expenses of the workers' compensation divisions of the Department of Labor and Industry, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals and a portion of the Department of Commerce.

Activity at a Glance

FY 2008

- ◆ Collected assessments of more than \$94 million annually to pay injured workers benefits and workers' compensation program expenses.
- ◆ Received 3,705 supplementary benefit and second injury claims for reimbursement. Provided ongoing claims administration of over 1,300 uninsured claims and received recoveries of over \$946,000.
- ◆ Conducted 438 mandatory coverage investigations and issued 357 penalties for failure to insure. Investigated 154 new claims for uninsured claims benefits.
- ◆ Completed 539 interactive insurance verification requests for the public.

Key Program Goals

Assure that benefits are delivered to injured workers quickly, efficiently, and at a reasonable cost to employers:

- ◆ to have a top notch regulatory system
- ◆ to have state of the art technology
- ◆ to have a consultative approach

<http://www.departmentresults.state.mn.us/doli/index.html>

LABOR AND INDUSTRY DEPT

Program: SAFETY & WORKERS COMPENSATION DIVISION

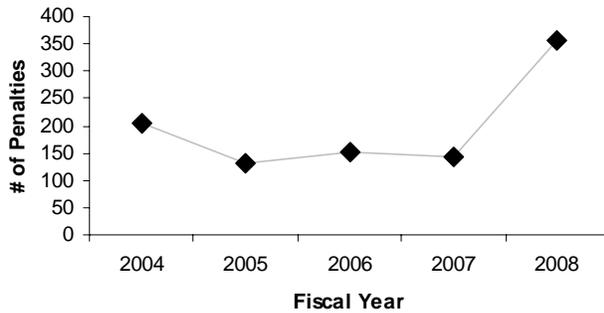
Activity: CLAIMS SERV & INVESTIGATION

Narrative

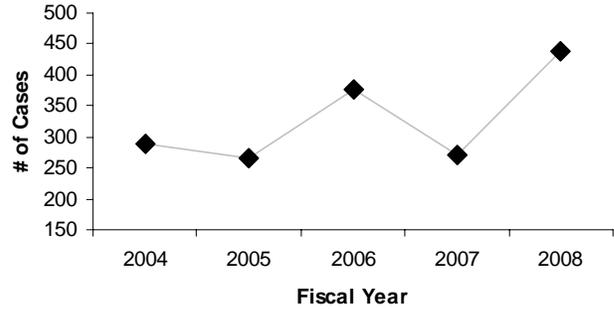
Key Measures

- ◆ The number of penalties issued and the number of mandatory coverage cases open indicates our increased emphasis on ensuring that employers have workers' compensation coverage

Failure to Insure Penalties Assessed

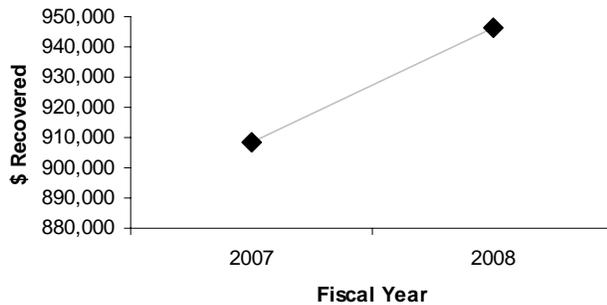


Mandatory Coverage Cases Opened

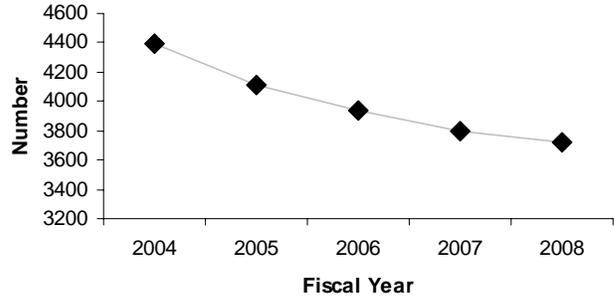


- ◆ The increase in uninsured recoveries indicates we are being more aggressive in recovering the cost from employers. The quantity of annual claims received reflects the claims we provide prior statutory benefits for.

Uninsured Recoveries



Annual Reimbursement Claims Received



Activity Funding

The CSI unit is financed by an appropriation from the workers' compensation fund. The unit collects funding from an insurer premium surcharge and self-insured assessment and also receives recoveries from uninsured employers and bankrupt self-insured employers. Penalties assessed by this unit are deposited to the assigned risk safety account, which is dedicated for workplace safety programs.

Contact

For more information, contact Claims Services and Investigations by phone at (651) 284-5045 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLISpecialcomp@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: SAFETY & WORKERS COMP DIVISION

Activity: WC CLAIMS SERV & INVESTIGATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 2,239 | 2,275 | 2,208 | 2,229 | 4,437 |
| Open Appropriations | | | | | |
| Workers Compensation | 69,129 | 71,432 | 71,432 | 71,432 | 142,864 |
| Total | 71,368 | 73,707 | 73,640 | 73,661 | 147,301 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,771 | 1,880 | 1,948 | 2,022 | 3,970 |
| Other Operating Expenses | 484 | 395 | 260 | 207 | 467 |
| Payments To Individuals | 69,113 | 71,432 | 71,432 | 71,432 | 142,864 |
| Total | 71,368 | 73,707 | 73,640 | 73,661 | 147,301 |
| Full-Time Equivalents (FTE) | 25.6 | 26.1 | 26.1 | 26.1 | |

Activity Description

More than 345 Minnesotans are injured at work each day. The Minnesota Occupational Safety and Health Act (MNOSHA) program's mission is to make sure every worker in the state of Minnesota has a safe and healthful workplace. This is accomplished by reducing occupational hazards through compliance inspections and promoting a safety and health culture through compliance assistance, outreach and cooperative programs.

Activity at a Glance

- ◆ Jurisdiction of more than 2.6 million Minnesota workers and 171,000 private and public-sector employers
- ◆ Conduct 2,600 safety and health inspections annually
- ◆ Respond (within 24 hours) to an average of 25 fatalities each year

Population Served

All public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Based on current Bureau of Labor Statistics data on employers and OSHA staffing levels, it would take more than 64 years for MNOSHA to inspect all employers within the state. Therefore, MNOSHA efforts are concentrated on inspections in high-hazard industries, inspections following employee complaints, and inspections at companies with high workers' compensation injury rates.

Services Provided

The MNOSHA compliance program serves its stakeholders by promoting safe and healthful working conditions for all Minnesota workers by

- ◆ establishing standards that are at least as effective as federal OSHA standards;
- ◆ conducting inspections that identify hazardous conditions;
- ◆ setting abatement dates for inspection violations to eliminate or control hazards;
- ◆ issuing citations and penalties to promote compliance;
- ◆ investigating workplace fatalities and serious accidents to prevent future injuries and illnesses and responding to employee complaints as required by federal OSHA;
- ◆ investigating complaints that employers have discriminated against employees for raising safety or health concerns;
- ◆ providing assistance to statewide Homeland Security planning and incident management; and
- ◆ providing customer education and outreach through information, seminars, and technical assistance.

Highlights

- ◆ The Minnesota OSHA Operations System Enhancement (M.O.O.S.E.) system replaced a 1985 federal system and established a new database management system for processing complaints, accidents, inspection data, citations, penalties and reports – reducing staff time in the office, allowing more time in the field. This state of the art system is one of only two in the nation.
- ◆ The 35W Bridge Removal Partnership between MNOSHA/Minnesota DOT/Carl Bolander & Sons included full time compliance assistance coverage and industrial hygiene monitoring for onsite orientation, approving site specific activity plans, training 4800 workers. Bridge removal took a total of nine weeks and 100,000 work hours with no lost time or serious injuries.
- ◆ The 35W Bridge Design & Build Partnership with MNOSHA/Minnesota DOT/ Flatiron Manson was signed January 2008 for the building phase of new 35W bridge. This partnership mirrors the Removal Partnership. Two MNOSHA compliance assistance personnel were assigned to assist during this work to ensure safety systems were in place to mitigate hazard exposure to workers.
- ◆ The Minnesota Department of Labor and Industry (DLI) implemented two major safety-partnerships that are designed to reduce the number of injuries, illnesses and fatalities at participant construction industry employers. These partnerships are between the Associated General Contractors of Minnesota and MNOSHA, and the Minnesota Chapter of Associated Builders and Contractors (MN ABC) and MNOSHA.

Historical Perspective

In establishing OSHA, Congress specifically encouraged states to develop their own occupational safety and health programs, which would provide enforcement, research and compliance assistance activities. The 1970 Occupational Safety and Health Act authorized states to administer a state-operated program for occupational safety and health, provided the programs are “at least as effective” as federal OSHA. Congress envisioned a comprehensive national program that would provide safety and health protection in all U.S. states and territories. Today there are 26 states and territories that operate a State Plan Program for workplace safety and health, and work together through the Occupational Safety and Health State Plan Association (OSHSPA). The MNOSHA program was established by the Minnesota legislature in 1973 with final approval from federal OSHA in 1985.

Key Program Goals

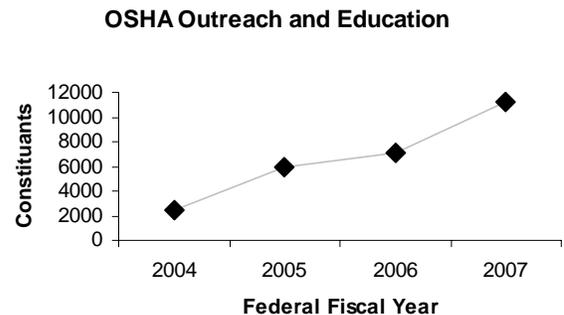
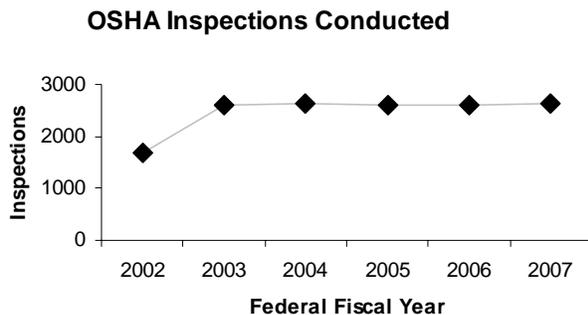
MNOSHA’s mission is to improve workplace safety and health by:

- ◆ reducing the rate of workplace injuries and illnesses;
- ◆ reducing the rate of workplace fatalities;
- ◆ reducing occupational hazards through the number of OSHA compliance inspections

<http://www.departmentresults.state.mn.us/doli/index.html>

Key Measures

- ◆ The quantity of inspections conducted and the constituents provided with training are critical to the reduction in workplace injuries, illnesses, and fatalities.



Activity Funding

Congress established a 50% funding level for states that operate their own OSHA program. MNOSHA is financed by a federal grant that is matched with an appropriation from the workers’ compensation fund. The activity generates nondedicated revenue for the workers’ compensation fund through penalties assessed on employers that are not in compliance with MNOSHA standards.

Contact

For more information, contact MNOSHA by phone at (651) 284-5050 or 1-877-470-OSHA (1-877-470-6742), by email at OSHA.Compliance@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
 Program: SAFETY & WORKERS COMP DIVISION
 Activity: MNOSHA COMPLIANCE

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 3,753 | 4,486 | 4,173 | 4,173 | 8,346 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 5 | 10 | 30 | 30 | 60 |
| Federal | 4,092 | 3,901 | 3,900 | 3,900 | 7,800 |
| Total | 7,850 | 8,397 | 8,103 | 8,103 | 16,206 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 5,841 | 6,114 | 6,281 | 6,391 | 12,672 |
| Other Operating Expenses | 2,009 | 2,283 | 1,822 | 1,712 | 3,534 |
| Total | 7,850 | 8,397 | 8,103 | 8,103 | 16,206 |
| Full-Time Equivalents (FTE) | 83.2 | 84.7 | 82.6 | 82.6 | |

Activity Description

The Workplace Safety Consultation (WSC) unit provides a broad network of occupational safety and health services to employers who request assistance to voluntarily comply with the Minnesota Occupational Safety and Health Act (MNOSHA). These activities assist employers and employees in the identification and elimination of safety and health hazards, and implement effective safety and health programs to prevent injuries and illnesses that may result from exposure to hazardous workplace conditions and work practices.

Population Served

Although efforts are targeted towards small- and medium-sized employers, all public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Therefore, nearly all Minnesota workers and employers are served by WSC.

Services Provided

The WSC unit provides many services including:

- ◆ assisting employers and employees to recognize hazards in the workplace;
- ◆ suggesting approaches or options for solving a safety or health problem;
- ◆ providing a timely written report of findings to the employer, including the posting of hazards;
- ◆ training and educating employers and employees through seminars and workshops throughout the state;
- ◆ recommending partnership and recognition programs such as Minnesota Star (MNSTAR), the Minnesota Safety and Health Achievement Recognition Program (MNSHARP), and Industry Alliances; and
- ◆ providing safe patient handling and safety hazard abatement grants to enable employers and employees to meet and exceed Occupational Safety and Health Act (OSHA) standards.

Other specific programs:

- ◆ **Loggers' Safety Education Program** – The LOGSAFE program provides Minnesota loggers with safety training critical to this historically high-hazard industry. This program is funded by logger employers.
- ◆ **Labor-Management Safety Committee Program** – This program emphasizes the labor-management safety committee structure through a joint effort with the Bureau of Mediation Services. This program reinforces the importance of labor-management cooperation in workplace safety issues to prevent workplace injuries.
- ◆ **Safety Hazard Abatement Grant Program** – The Assigned Risk Safety Account was established to award grants to:
 - ⇒ obtain safety equipment;
 - ⇒ operate and maintain equipment;
 - ⇒ purchase or rent real property to satisfy safety inspections; or
 - ⇒ provide safety and health training.
- ◆ **Workplace Violence Prevention Program** – Helps employers and employees deal with the violence in the workplace. The program develops common-sense preventive measures and informs employers and employees about how to prevent violence and what to do when confronted with a violent situation.
- ◆ **MNSHARP** – MNSHARP provides incentives and support to smaller, high-hazard employers to work with their employees to develop, implement, and improve the effectiveness of their workplace safety and health programs. The goal is to reduce injury and illness rates below the national average for their industry.

Activity at a Glance

- ◆ \$9.4 Million OSHA penalty savings and workers' compensation claims savings.
- ◆ 1,617 Onsite consultation inspections, training, and outreach sessions impacting 113,000 employers and employees.
- ◆ 57 MNSTAR, MNSHARP employers participate in the State's Cooperative Voluntary Compliance programs.
- ◆ 56% Total Recordable Case rate reduction for MNSTAR program employers.
- ◆ 53% Total Recordable Case rate reduction for MNSHARP program employers.
- ◆ 69 State Safe Patient Handling grants provided assistance to nursing homes, hospitals, and surgical centers. State funds \$500,000, employer funds \$670,000, total funds \$1.27 million.

LABOR AND INDUSTRY DEPT

Program: SAFETY & WORKERS COMP DIVISION

Activity: WORKPLACE SAFETY CONSULTATION

Narrative

- ◆ **Safe Patient Handling Grant** – Awarded grants to 69 health care facilities to help purchase equipment to safely lift or move physically-challenged patients. The grants help recipients comply with new state patient-handling regulations that went into effect July 1, 2008.
- ◆ **Alliances** – WSC and its allies work together to reach out to, educate and lead Minnesota employers and their employees in improving and advancing workplace safety and health.
- ◆ **Inspection Deferral Program** – An employer who meets all requirements for the MNSHARP program, corrects all identified hazards, and shows promise of achieving agreed upon milestones and time frames, may be granted an inspection deferral. The deferral does not exceed 18 months. Among other requirements, the employer must be capable of reducing the site's Days Away Restricted Transfer (DART) rate and Total Recordable Case Rate (TRC) rate below the industry national average within the deferral period.
- ◆ **Ergonomic Outreach Program** – This program offers assistance to employers and employees to identify and eliminate risk factors associated with work-related musculoskeletal disorders. Consultants work with employers and industry groups, conducting on-site ergonomic assessments and providing training in an effort to improve safety management techniques, workplace safety practices and working conditions.
- ◆ **Safety and Health Educational Outreach Program** – This program offers workshops to help educate employers and employees about workplace safety and health hazards, and the OSHA standards addressing them. Its aim is to assist employers in implementing and maintaining effective safety and health programs, with the goals of lowering injury and illness rates and reducing workplace injury costs.
- ◆ **Quarterly Strategic Plan Training Seminars** – WSC works with 13 alliances located throughout the state to conduct half-day training seminars. The training alliance sites vary from technical colleges to labor/management associations to a private business.
- ◆ **General Industry training sessions** – WSC currently works with four organizations that sponsor a one-hour safety and/or health meeting every other month. WSC provides a speaker for these sessions. The four locations are located outside of the metro area, two of the organizations are associated with state colleges and two are local-area safety councils made up of safety and health professionals. The intent is to provide low-cost, convenient safety and health training and education to employers and employees.

Key Program Goals

Improve workplace safety and health:

- ◆ percentage of workers in small firms with emphasis on industries who received OSHA consultation services
- ◆ number of individuals receiving OSHA training

<http://www.departmentresults.state.mn.us/doli/index.html>

Key Measures

WSC efforts in the area of safety and health have:

- ◆ resulted in greater voluntary safety and health efforts and improved worker protection through non-adversarial means;
- ◆ led to better allocations of MNOSHA resources by minimizing duplications of work between enforcement and consultation staff; and
- ◆ enabled MNOSHA to concentrate on high-hazard workplaces to assist employers in controlling or eliminating hazards, establishing effective safety and health programs, and reducing workers' compensation costs.

Activity Funding

WSC is financed by a federal grant matched with funding from the assigned risk safety account in the workers' compensation fund. The Loggers' Safety Education program is funded by an assessment paid by wood mills.

Contact

For more information, contact Workplace Safety Consultation by phone at (651) 284-5060 or 1-800-DIAL-DLI (1-800-342-5354), by email at OSHA.Consultation@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: SAFETY & WORKERS COMP DIVISION
Activity: WORKPLACE SAFETY CONSULTATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 557 | 162 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 0 | 21 | 21 | 21 | 42 |
| Federal | 969 | 944 | 942 | 942 | 1,884 |
| Workers Compensation | 2,435 | 5,976 | 2,864 | 2,864 | 5,728 |
| Total | 3,961 | 7,103 | 3,927 | 3,927 | 7,854 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,306 | 1,506 | 1,509 | 1,509 | 3,018 |
| Other Operating Expenses | 520 | 634 | 500 | 500 | 1,000 |
| Local Assistance | 2,135 | 4,963 | 1,918 | 1,918 | 3,836 |
| Total | 3,961 | 7,103 | 3,927 | 3,927 | 7,854 |
| Full-Time Equivalents (FTE) | 16.3 | 17.6 | 16.9 | 16.4 | |

Program Description

The Construction Codes and Licensing Division's primary mission is to promote safe, healthy, durable, and energy efficient living, working and entertainment environments in Minnesota by establishing construction code standards, maintaining consistent administration of construction codes and licensing construction and code professionals. The Construction Codes and Licensing Division (CCLD) oversees and administers programs for plan review, permitting, inspections, professional licensing, education and enforcement activities for all facets of the building construction industry. The program responsibility also includes independent contractor exemption certification, amusement ride regulation, building damage assessment after natural disasters and inspection of boats for hire.

Population Served

The division serves the citizens of Minnesota and construction industry stakeholders such as contractors, design professionals, organized labor, building owners, building managers, and municipal officials.

Services Provided

The CCLD provides the following services:

- ◆ **Training and Education** - delivers training and educational seminars across the state for stakeholders in the construction industry. The division has responsibility for instructor and program approval when continuing education credit is required for a license category.
- ◆ **Code Development** - adopts recognized national codes and standards and amends specific sections to address industry, legislative and geographic requirements. The division assists municipalities in code adoption, interpretation, enforcement and training needs. The division utilizes stakeholder advisory committees to assist in updating the codes.
- ◆ **Boards** - provides funding and administrative support to three authoritative industry boards that have authority to adopt rules regulating the plumbing, electrical and high pressure piping industries.
- ◆ **Enforcement** - investigates complaints regarding persons licensed by the agency or matters subject to the agency's authority. The division works to resolve complaints and takes disciplinary action against both licensees and unlicensed individuals when violations are proven. The division investigates and monitors proper code enforcement at the local level.
- ◆ **Recovery Fund** - administers the residential contractor recovery fund. This fund is funded by a surcharge on licenses for residential contractors and can be accessed to reimburse homeowners who have been harmed by the actions of licensed residential contractors where other means of reimbursement have failed.
- ◆ **Licensing** - administers, issues, and renews 52 types of construction licenses in eight occupational disciplines and provides exemption certificates to independent contractors in the construction industry. The division administers over 10,000 license qualification examinations yearly and tracks fulfillment of continuing education requirements by the appropriate licensees.
- ◆ **Inspection** - inspects boilers, pressure vessels, high-pressure piping, plumbing systems, electrical systems, elevators, amusement facilities, and state of Minnesota owned or licensed facilities. Inspections are performed through a permit process to assure safe design, operation and installation of equipment and piping. Over 200,000 inspections are conducted annually.
- ◆ **Plan Review** - reviews construction documents for state-owned or licensed facilities and plumbing systems.
- ◆ **Manufactured Structures** - regulates manufactured housing (mobile homes) and prefabricated commercial and residential structures and performs plant and dealer lot inspections. The division is the State Administrative Authority for the Federal Department of Housing and Urban Development (HUD).

Program at a Glance

- ◆ Issues 110,000 construction-related licenses, bonds, and certifications and provides for more than 200,000 inspections yearly.
- ◆ Maintains a two tiered program for amusement ride safety, verifies annual inspections by certified amusement ride inspectors of over 600 amusement rides and inspects annually over 400 carnivals, fairs and events.
- ◆ Provides education and training programs for 10,000 construction-related individuals a year.
- ◆ Supports three authoritative industry boards established that have authority to adopt rules regulating the plumbing, electrical and high pressure piping industries.
- ◆ Administers a residential contractor recovery fund, providing over \$2 million in relief for homeowners harmed by the actions of licensed residential contractors.

- ◆ **Natural Disaster Assistance** - upon request from a local jurisdiction, conducts damaged building safety evaluations in communities that have undergone a natural wind or flood event.

Historical Perspective

The CCLD represents a consolidation of the Executive Branch's construction-related codes and licensing activities to provide a one-stop shop for the construction industry in Minnesota. The goals have been to reduce the time and effort necessary to permit a project, get integrated answers to questions that cross code types, provide better, more responsive training to professionals in the field and to develop code enforcement and licensing processes that are consistent. Each professional area of expertise brought a rich history of service delivery and the challenge is to develop the best of the best.

Key Program Goals

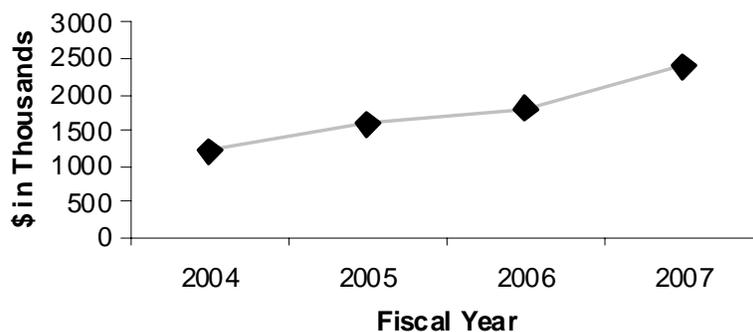
CCLD's mission is to:

- ◆ provide training to the regulated construction industries to keep them abreast of adopted standards and improve uniformity of compliance and enforcement,
- ◆ process applications to grant or renew required construction industry licenses or certificates in the shortest possible time after receipt of complete information,
- ◆ respond to formal complaints against the regulated construction industry and licensed individuals within two business days of receipt,
- ◆ provide timely inspection of installations to enable related construction and operation to proceed on schedule, and;
- ◆ provide comprehensive plan reviews in a timely basis so that buildings and their sub-systems are designed to comply with applicable safety codes while contributing to cost effective construction schedules.

Key Program Measures

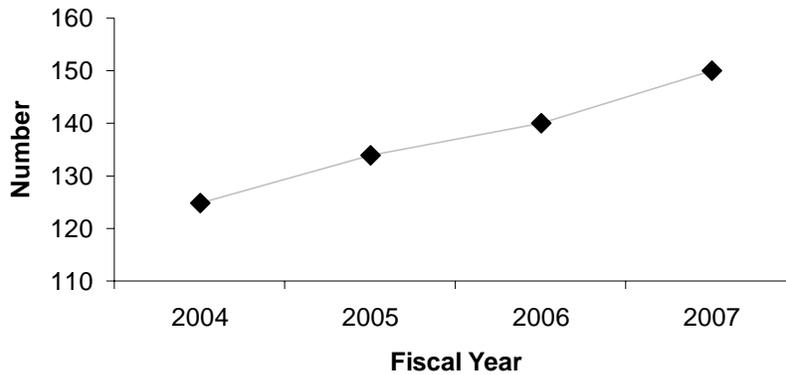
- ◆ Increase the recovery amount for individuals who have received a judgment against a licensed contractor and have no other avenues to recover damages.
- ◆ Individuals who recover money from the fund will receive a benefit closer to their loss due to changes the division has made that incur much less court cost.

Recovery Funds Paid Out



- ◆ Increase the number and quality of audits of local building departments

Jurisdictions Audited



Program Funding

The Construction Codes and Licensing Division is funded through a special revenue fund and operates on a fee for service model. Fees are collected from the industry stakeholders and deposited in the Construction Code Fund established in the state treasury. Fees collected are used to fund the direct services provided.

Contact

For more information, contact Construction Codes and Licensing Division by phone at (651) 284-5012 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.communications@state.mn.us or online at www.doli.state.mn.us/ccld.

LABOR AND INDUSTRY DEPT

Program: CONSTRUCTION CODES & SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Workers Compensation | | | | | |
| Current Appropriation | 500 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 500 | 0 | 0 | 0 | 0 |
| Total | 500 | 0 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| State Government Spec Revenue | 23,201 | 28,537 | 27,949 | 28,455 | 56,404 |
| Miscellaneous Special Revenue | 3,024 | 2,869 | 2,805 | 2,805 | 5,610 |
| Total | 26,225 | 31,406 | 30,754 | 31,260 | 62,014 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 10,315 | 12,814 | 13,657 | 14,197 | 27,854 |
| Other Operating Expenses | 15,824 | 18,344 | 18,364 | 18,330 | 36,694 |
| Local Assistance | 86 | 248 | 248 | 248 | 496 |
| Transfers | 0 | 0 | (1,515) | (1,515) | (3,030) |
| Total | 26,225 | 31,406 | 30,754 | 31,260 | 62,014 |
| <u>Expenditures by Activity</u> | | | | | |
| Construction Codes & Serv Div | 26,225 | 31,406 | 30,754 | 31,260 | 62,014 |
| Total | 26,225 | 31,406 | 30,754 | 31,260 | 62,014 |
| Full-Time Equivalent (FTE) | 127.2 | 156.4 | 163.0 | 163.0 | |

Program Description

The General Support Division supports internal customers in seven management areas:

- ◆ policy development, research and statistics;
- ◆ information technology;
- ◆ legal advice and litigation;
- ◆ financial management;
- ◆ communications;
- ◆ human resources; and
- ◆ data management and administration.

Population Served

This division serves agency programs that focus on the needs of workers, builders, building owners, and employers in Minnesota.

Services Provided

The *Policy Development, Research and Statistics* unit collects, analyzes, and reports workplace safety, workers' compensation, and workplace standards data. To assist in creating safer workplaces, it surveys employers to estimate work-related injury and illness rates. The unit produces three major statistical reports and conducts performance measurement, customer satisfaction surveys, and policy research.

The *Information Technology Services* unit provides technology to support to agency operations. With the security of department data a priority, work includes hardware and software support of the agency's major applications and the equipment used by employees. The unit works cooperatively with the Office of Enterprise Technology and other state agencies to accomplish technological efficiencies.

The *Legal Services* unit provides legal services primarily to agency staff members to ensure that decision-making is legally informed; information the agency disseminates is legally accurate; proposed rules and legislation are clearly drafted and reasonable; effective investigation and resolution is carried out, by settlement or litigation, of the agency's enforcement actions; and the workers' compensation fund's liabilities for second-injury, supplementary benefits, and uninsured claims is appropriately defended. The unit also provides legal assistance to other state agencies, political subdivisions, the legislature, the governor's office, and the public.

The *Financial Services* unit provides financial management services, including budgeting, accounts payable, accounts receivable, cashier, payroll, purchasing, and financial reporting. Fee reviews are conducted to ensure proper collection of revenues and expenditures. The unit also collects the annual assessment and pays all benefits for the workers' compensation fund.

The *Communications* unit manages the agency's communications program, including all internal and external publications, media relations, and Internet/intranet pages.

The *Human Resources* unit manages the following functions to ensure a productive and inclusive workforce and work environment exists: workforce and strategic planning, organizational development consultation, performance management, labor relations, contract administration and negotiation, employee development, recruitment and staffing, job evaluation and classification, compensation, benefits administration, employee safety and health, workers' compensation, and equal employment and affirmative action. Explore different types of employment relationships (part-time, telecommuting, post-retirement) to address the increased demand for work/life balance and to retain and attract a high quality workforce to support agency programs.

The *Data Management and Administration (DMA)* unit receives, processes, and assures the quality of documents and data used in the agency's programs. For Construction Codes and Licensing Division (CCLD) and Minnesota Occupational Safety and Health Act (MNOSHA), DMA is responsible for the processing of documents into the

Program at a Glance

- ◆ Provides support to approximately 460 agency employees located statewide
- ◆ Administers \$136 million budget (FY 2009)
- ◆ Facilitates nearly 6.5 million web hits (CY 2007)
- ◆ Maintains workplace injury survey response rate of 100%
- ◆ Responds to 120 requests for statistical data annually
- ◆ Represents DLI programs in more than 480 cases annually
- ◆ Annually image 2.8 million pages of DLI documents
- ◆ Entered 1.8 million data elements with a 99.8% accuracy rate

computer system. The unit ensures the timely and accurate data-entry of workers' compensation data by entering approximately 175,000 forms with 1.8 million data elements with a 99.8% accuracy rate. DMA ensures the timely and accurate imaging of code CCLD and MNOSHA by maintaining a one-day turnaround for imaged availability of documents.

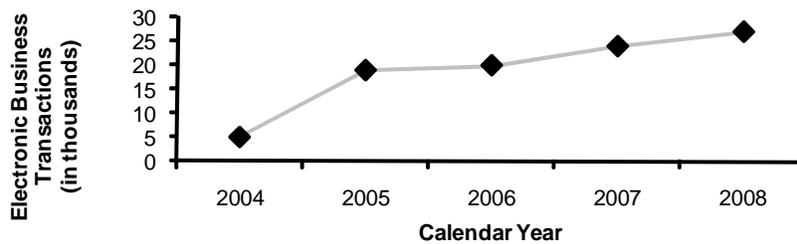
Key Program Goals

The General Support Division provides the leadership and support to agency programs so they can be successful. Activities are customized to meet the unique needs of each activity while assuring adherence to statewide and agency standards for performance, management and documentation of decisions made. Critical goals are:

- ◆ develop and adhere to operating policies and services that meet or exceed statewide standards and policies;
- ◆ create and offer utility services within the agency to meet particular program goals as efficiently as possible while adhering to accepted audit standards;
- ◆ manage agency resources in as transparent a manner as possible to assure stakeholders our stewardship of their investments is sound; and
- ◆ create opportunities for electronic government transactions to assure that existing resources can meet the unique needs of citizens.

Key Program Measures

Expanding Electronic Business Transactions



Program Funding

The General Support Division is financed by an appropriation from the workers' compensation fund and indirect cost revenue recovered from the agency's other programs. The program also administers two federal research grants from the Bureau of Labor Statistics.

Contact

For more information, contact DLI Communications by phone at 651-284-5313 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.communications@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: GENERAL SUPPORT DIVISION

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Workers Compensation | | | | | |
| Current Appropriation | 6,031 | 5,981 | 5,981 | 5,981 | 11,962 |
| Subtotal - Forecast Base | 6,031 | 5,981 | 5,981 | 5,981 | 11,962 |
| Total | 6,031 | 5,981 | 5,981 | 5,981 | 11,962 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Workers Compensation | 8,289 | 9,183 | 8,502 | 8,556 | 17,058 |
| Open Appropriations | | | | | |
| Workers Compensation | 199 | 256 | 256 | 256 | 512 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,378 | 2,899 | 2,399 | 2,399 | 4,798 |
| Federal | 133 | 137 | 130 | 130 | 260 |
| Workers Compensation | 0 | 0 | 270 | 270 | 540 |
| Total | 10,999 | 12,475 | 11,557 | 11,611 | 23,168 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 8,634 | 9,180 | 9,454 | 9,496 | 18,950 |
| Other Operating Expenses | 2,365 | 3,295 | 2,103 | 2,115 | 4,218 |
| Total | 10,999 | 12,475 | 11,557 | 11,611 | 23,168 |
| <u>Expenditures by Activity</u> | | | | | |
| General Support Division | 10,999 | 12,475 | 11,557 | 11,611 | 23,168 |
| Total | 10,999 | 12,475 | 11,557 | 11,611 | 23,168 |
| Full-Time Equivalents (FTE) | 113.5 | 113.0 | 119.6 | 117.6 | |

Program Description

The purpose of the Labor Standards and Apprenticeship unit is to administer and enforce Minnesota employment laws affecting employee wages, child labor, prevailing wages, and fee employment agencies. The unit also exists to promote, develop, approve, and monitor registered apprenticeship training programs in Minnesota workplaces. This unit provides education and outreach activities to the population served. The unit has been established to ensure employers pay all employees in this state for all hours worked, to ensure accurate and timely prevailing-wage rates are set for state-funded construction projects, and to ensure fee employment agencies are knowledgeable of the laws governing them. It also conducts yearly technical assistance visits to training sites to ensure the quality of the apprenticeship program is meeting agreed upon training standards while producing a highly skilled workforce. The authority for these activities comes from M.S. 177 (Minnesota Fair Labor Standards Act), M.S. 181, M.S. 181A (Child Labor Standards Act), M.S. 184 (Employment Agency), and M.S. 178 (Apprentice Training).

Program at a Glance

FY 2008

- ◆ Investigated 466 cases of labor law compliance and processed 1,090 wage claims.
- ◆ Responded to 26,292 calls and email messages.
- ◆ Maintained 325 sponsors of apprenticeship training.
- ◆ Managed 8,349 apprentices in training, including 1,075 women and people of color.
- ◆ Worked with 95 approved veterans receiving GI benefits.

Population Served

This unit serves Minnesota employees and employers, labor organizations, schools, and other state agencies and local units of government that are preparing clients for entry in employment. The unit also services community-based organizations receiving Labor Education Advancement Program (LEAP) grants to promote apprenticeship opportunities to women and people of color.

Services Provided

The primary activities of the unit are enforcement, education, licensing, and surveying. Enforcement methods include investigation, mediation, on-site inspection, and issuance of penalties and fines. Education methods include providing statute and rule information; providing brochures and posters to employers and employees; and participating in speaking engagements and outreach activities to employee and employer organizations, schools, and other state agencies. Telephone calls, correspondence, and e-mail to the unit can result in either an enforcement action or an educational opportunity. Employment agencies complete a process for licensing. A survey is conducted to set the prevailing-wage rates. The unit also provides consultative services to all employers interested in developing and maintaining apprenticeship training standards in Minnesota. The unit provides technical assistance to registered apprentices, assists apprentices in maintaining the agreed upon condition of their employment throughout the training program, and promotes the concept of apprentice training to all employers wishing to use the apprenticeship model to train current and future employees.

Key Program Goals

The unit goals are to insure that workplaces operate within the requirements of Minnesota labor laws and that apprenticeship learning grows as an effective work to learn strategy.

Key Program Measures

The four key performance measures in the Labor Standards and Apprenticeship program are

- ◆ the number of complaints investigated (minimum wage, overtime, child labor);
 - ◆ the number of wage claims processed;
 - ◆ the number of customer contacts; and
 - ◆ the number of apprentices in training and apprenticeship completions.
- ◆ To ensure the timely and accurate payment of wages for all hours worked by employees in Minnesota, the unit investigates complaints in accordance with the Minnesota Fair Labor Standards Act (M.S. 177). And, also ensures the safety and well being of employed minors, the unit investigates complaints and issues penalty violations in accordance with the Minnesota Child Labor Standards Act (M.S. 181A).

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESHIP

Narrative

| Key Measure (1) | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Cases opened | 270 | 236 | 343 | 463 |
| Cases closed | 273 | 215 | 331 | 466 |

- ◆ To ensure the timely payment of wage claims (final paycheck disputes) in accordance with M.S. Chapter 181.

| Key Measure (2) | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Wage claims opened | 108 | 142 | 728 | 1,097 |
| Wage claims closed | 102 | 132 | 647 | 1,090 |

- ◆ To ensure employers and employees know and understand their responsibilities and the rights of employees in the workplace, the unit responds to telephone calls, e-mail messages, and correspondence, and conducts education and outreach activities.

| Key Measure (3) | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Telephone calls and e-mail messages | 29,843 | 24,725 | 26,445 | 26,292 |
| Education and outreach activities (presentations, etc.) | 30 | 121 | 112 | 102 |
| Distribution of all (including translated) informational materials | 23,571 | 53,000 | 60,260 | 69,562 |

- ◆ To ensure the participants in registered apprenticeship programs are provided the technical support in maintaining the apprenticeship agreement to maximize the opportunity for completion of the apprenticeship-training program.

| Key Measure (4) | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total apprentices in training | 7,744 | 8,359 | 9,103 | 9,429 |
| Total apprenticeship completions | 1,609 | 1,343 | 1,517 | 1,326 |

Program Funding

The Labor Standards activity is financed by an appropriation from the general fund. The activity collects revenue from:

- ◆ licensing of fee employment agencies; and
- ◆ fines assessed for violations of the Child Labor Act and Minnesota Fair Labor Standard Act.

The activity also collects back-wages owed to employees by employers. These funds are remitted to the employees.

The Apprenticeship activity is funded from two sources: an appropriation from the workforce development fund and a federal grant from the Department of Veterans Affairs for approving eligible veteran apprenticeship and on-the-job programs.

Contact

For more information, contact Labor Standards and Apprenticeship by phone at (651) 284-5005 or 1-800-DIAL-DLI (1-800-342-5354), by email at DLI.LaborStandards@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESP

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,069 | 981 | 981 | 981 | 1,962 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 1,069 | 981 | 980 | 980 | 1,960 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (100) | (100) | (200) |
| Total | 1,069 | 981 | 880 | 880 | 1,760 |
| Workforce Development | | | | | |
| Current Appropriation | 764 | 779 | 779 | 779 | 1,558 |
| Subtotal - Forecast Base | 764 | 779 | 779 | 779 | 1,558 |
| Governor's Recommendations | | | | | |
| Apprenticeship Program Expansion | | 0 | 250 | 500 | 750 |
| Total | 764 | 779 | 1,029 | 1,279 | 2,308 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 845 | 1,203 | 880 | 880 | 1,760 |
| Workforce Development | 609 | 879 | 1,029 | 1,279 | 2,308 |
| Statutory Appropriations | | | | | |
| Federal | 31 | 41 | 41 | 41 | 82 |
| Miscellaneous Agency | 10 | 11 | 10 | 10 | 20 |
| Total | 1,495 | 2,134 | 1,960 | 2,210 | 4,170 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,047 | 1,323 | 1,443 | 1,449 | 2,892 |
| Other Operating Expenses | 403 | 711 | 417 | 411 | 828 |
| Local Assistance | 45 | 100 | 100 | 350 | 450 |
| Total | 1,495 | 2,134 | 1,960 | 2,210 | 4,170 |
| <u>Expenditures by Activity</u> | | | | | |
| Labor Standards & Apprenticesp | 1,495 | 2,134 | 1,960 | 2,210 | 4,170 |
| Total | 1,495 | 2,134 | 1,960 | 2,210 | 4,170 |
| Full-Time Equivalent (FTE) | 16.2 | 19.7 | 20.7 | 20.2 | |

LABOR AND INDUSTRY DEPT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 22 | 4 | 2 | 2 | 4 |
| Workers Compensation | 553 | 576 | 576 | 576 | 1,152 |
| Other Revenues: | | | | | |
| General | 7 | 27 | 27 | 27 | 54 |
| Workers Compensation | 96,553 | 98,157 | 98,157 | 98,157 | 196,314 |
| Total Non-Dedicated Receipts | 97,135 | 98,764 | 98,762 | 98,762 | 197,524 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 25,365 | 28,825 | 29,664 | 30,480 | 60,144 |
| Miscellaneous Special Revenue | 2,433 | 2,469 | 3,713 | 2,479 | 6,192 |
| Workers Compensation | 3,132 | 3,014 | 3,014 | 3,014 | 6,028 |
| Grants: | | | | | |
| State Government Spec Revenue | 16 | 0 | 0 | 0 | 0 |
| Federal | 5,209 | 5,018 | 5,013 | 5,013 | 10,026 |
| Other Revenues: | | | | | |
| State Government Spec Revenue | 436 | 475 | 335 | 150 | 485 |
| Miscellaneous Special Revenue | 2,700 | 2,641 | 2,641 | 2,641 | 5,282 |
| Workers Compensation | 135 | 120 | 120 | 120 | 240 |
| Miscellaneous Agency | 1 | 10 | 10 | 10 | 20 |
| Total Dedicated Receipts | 39,427 | 42,572 | 44,510 | 43,907 | 88,417 |
| Agency Total Revenue | 136,562 | 141,336 | 143,272 | 142,669 | 285,941 |

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|--|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| OSHA Compliance | \$3,916 | SO | \$4,073 | \$3,900 | \$3,900 | \$3,900 |
| OSHA Consultation | 813 | SO | 970 | 942 | 942 | 942 |
| Bureau of Labor Statistics | 104 | SO | 105 | 103 | 103 | 103 |
| OSHA Survey | 0 | SO | 30 | 32 | 27 | 27 |
| Veteran's Administration - Apprenticeship | 0 | SO | 31 | 41 | 41 | 41 |
| Agency Total | \$4,833 | | \$5,209 | \$5,018 | \$5,013 | \$5,013 |

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

The OSHA Compliance and OSHA Consultation grants are essential to continue the downward trend in occupational fatalities, injuries, and illnesses, and thereby reduce the suffering of workers and families and contain workers' compensation costs. The Bureau of Labor Statistics and OSHA Survey grants provide the funding necessary to conduct surveys to collect, analyze, and report data on workplace injuries. The Veteran's Administration – Apprenticeship grant provides funding necessary to review and approve eligible veteran apprenticeship and on-the-job training programs. This program was transferred to the Minnesota Department of Veterans Affairs 10/01/2008.

Federal funding contributes to 4% of the agencies expenditures. Federal funds received through the OSHA Compliance and Bureau of Labor Statistics programs require matching state funds of 50%. The OSHA Consultation program requires matching state funds of 10%. The required state match is provided by the Workers' Compensation fund. The OSHA Survey and Veteran's Administration – Apprenticeship programs are 100% federally funded.

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|---|---|---------------------|---|
| Safety Hazard Abatement State MN M.S. 79.253 | To make grants or loans to Employers for the cost of Implementing safety recommendations. | Employers | \$2,165,000 | N/A |
| Labor Education and Advancement Program State Laws of 2007, Chap 135, Art 1, Sec 6, Subd. 4 | To facilitate the participation of women and minorities in apprenticeship trades and occupations | Community-based Organizations | \$100,000 | N/A |
| Vinland Center State Laws of 2007, Chap 135, Art 1, Sec 6, Subd 2. | To provide specialized Rehabilitation services for Injured and disabled workers | Vinland Center | \$200,000 | N/A |
| Construction Codes Grants State of MN M.S 16B.70 | To award grants for code Research, development, and Education | Research institutes Education institutes | \$248,000 | N/A |
| | | | | |
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↻ Designates that this item is a change item

Agency Purpose

The purpose of the Legislative-Citizen Commission on Minnesota Resources (LCCMR) is to make funding recommendations to the legislature for expenditures made from the Environment and Natural Resources Trust Fund (Trust Fund). The state constitutional amendment that created the Trust Fund requires that projects funded from its resources must be "for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources". The Commission also is governed by M.S. 116P, which outlines its authorities and duties.

In addition to constitutional and statutory requirements, the Commission also has adopted a 6-year strategic plan to help further guide LCCMR expenditure recommendations made to the legislature.

Core Functions

- ◆ **Review Process:** Based on an adopted Strategic Plan, the Commission issues an annual Request for Proposal (RFP) for project proposals and evaluates them according to the funding priorities and evaluation criteria published in the RFP. The Commission reviews all proposals received, seeks technical advice as needed, and requests additional information in the form of presentations on projects determined to meet the funding priorities and evaluation criteria. Research proposals undergo scientific peer review once the Commission has determined an interest in providing funding. The Commission oversees and evaluates project progress and completion through work program review.
- ◆ **Recommendations:** The LCCMR's recommendations for funding from the Environment and Natural Resources Trust Fund are made annually to the legislature through an appropriations bill. For FY 2010 projects, the LCCMR will be making its recommendations by December 2008 for bill introduction in January 2009. For FY 2011, a new RFP will be issued and proposals will be reviewed in the summer of 2009 for consideration by the 2010 legislature.

History

The Legislative Commission on Minnesota Resources (LCMR) was created in 1963 to make funding recommendations to the legislature for special environment and natural resource projects every two years. During its history, the LCMR has recommended over \$525 million in funding for 1,214 projects.

The 2006 legislature restructured the LCMR into the LCCMR. The funding cycle was changed from biennial to annual and the membership structure of the Commission was changed to incorporate citizen members. To date, the LCCMR has recommended two annual funding cycles, \$22,366,000 in FY 2008 appropriations and \$22,952,000 for FY 2009.

In 2006, the LCCMR was requested by the legislature and the Governor to issue an RFP for a Statewide Conservation and Preservation Plan to help further guide expenditures from the Trust Fund. This long-term plan was finalized in June 2008 and is being used by the Commission to complete its strategic plan and expenditure recommendations.

Operations

The LCCMR is comprised of 17 members consisting of five representatives, five senators and seven citizen members (five appointed by the governor and one member each appointed by the house and senate). The chairs of the house and senate divisions on environment and natural resources finance are designated members. The Commission has adopted operating procedures, including a structure for election of co-chairs and an executive committee. The LCCMR seeks public input and pursues fact-finding on natural resource issues through public forums, web based citizen input, site visits throughout the state, and issue seminars.

The LCCMR employs a full-time professional and support staff of five full-time employees. In addition, it is anticipated that there will be an allocation of approximately \$150,000 to the Department of Natural Resources (DNR) to administer the contracts for recipients of many of the appropriations to non-state agency entities.

Budget

The Environment and Natural Resources Trust fund provides the major source of funding. The state constitution specifies that the amount appropriated from the Trust fund each year of a biennium may be up to 5.5% of its

market value on June 30 one year before the start of the biennium. On June 30, 2008, the Trust Fund market value was approximately \$465 million. The estimated total funding available for FY 2010 and FY 2011 projects is approximately \$25.6 million each year. A small amount of funding may also become available from federal Land and Water Conservation (LAWCON) receipts, Oil Overcharge money and the Great Lakes Protection Account.

Contact

Projects approved since 1991 are available on the LCCMR web site:
<http://www.lccmr.leg.mn>

Contact: Susan Thornton, Director
Legislative Commission on Minnesota Resources
Room 65 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2406

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 1,487 | 155 | 155 | 155 | 310 |
| Recommended | 1,487 | 155 | 25,622 | 25,622 | 51,244 |
| Change | | 0 | 25,467 | 25,467 | 50,934 |
| % Biennial Change from 2008-09 | | | | | 3020.8% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 798 | 1,347 | 0 | 0 | 0 |
| Total | 798 | 1,347 | 0 | 0 | 0 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 456 | 516 | 0 | 0 | 0 |
| Other Operating Expenses | 342 | 831 | 0 | 0 | 0 |
| Total | 798 | 1,347 | 0 | 0 | 0 |
| <u>Expenditures by Program</u> | | | | | |
| Leg-Citizen Comm. Mn Resources | 798 | 1,347 | 0 | 0 | 0 |
| Total | 798 | 1,347 | 0 | 0 | 0 |
| Full-Time Equivalent (FTE) | 4.7 | 4.7 | 0.0 | 0.0 | |

| <i>Dollars in Thousands</i> | | | | |
|---|------------|--------------------|---------------|---------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: ENVIRONMENT & NATURAL RESOURCE | | | | |
| FY 2009 Appropriations | 155 | 155 | 155 | 310 |
| Technical Adjustments | | | | |
| One-time Appropriations | | (155) | (155) | (310) |
| Subtotal - Forecast Base | 155 | 0 | 0 | 0 |
| Change Items | | | | |
| LCCMR Trust Fund Recommendations | 0 | 25,622 | 25,622 | 51,244 |
| Total Governor's Recommendations | 155 | 25,622 | 25,622 | 51,244 |

Preliminary Proposal

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------|----------|----------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Environmental Trust fund | | | | |
| Expenditures | 25,662 | 25,662 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$25,662 | \$25,662 | \$0 | \$0 |

Recommendation

The Governor recommends appropriations from the environmental trust fund for projects and programs that protect and enhance the state’s environment and natural resources. This request is for appropriations recommended by the Legislative-Citizen Commission on Minnesota Resources (LCCMR). The Governor also recommends, contingent upon receipt of federal reimbursements, appropriations from federal Land and Water Conservation receipts (LAWCON) for funding projects as recommended by the LCCMR.

Background

The Governor respects the desires of the LCCMR to independently present their budget requests directly to the legislature without a specific recommendation from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for the LCCMR and its recommended projects as part of preparing a complete balanced budget.

The Minnesota Constitution, Article XI, Sec. 14 specifies that up to 5.5% of the fair market value of the Environmental Trust Fund, as of June 30 one year before the start of the next biennium, is available each year for program expenditures that protect and enhance the state’s environment and natural resources. Recommended funding for program administration is governed by M.S. 116P.09.

Relationship to Base Budget

LCCMR recommendations adopted by the legislature are one-time appropriations.

Statutory Change: Not Applicable

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| Environment & Natural Resource | 1,334 | 0 | 0 | 0 | 0 |
| Minnesota Resources | 17 | 0 | 0 | 0 | 0 |
| Total Non-Dedicated Receipts | 1,351 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Total Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| Agency Total Revenue | | | | | |
| | 1,351 | 0 | 0 | 0 | 0 |

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January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations for the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Supreme Court, Court of Appeals, Trial Courts, and the Board of Public Defense, the Governor recommends a general 5% reduction in appropriations for the FY 2010-11 biennium. For the Trial Courts, the Governor also recommends \$5.586 million for increased costs for mandated services. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no other recommendation regarding specific initiatives put forward by these agencies.

Sincerely,

A handwritten signature in cursive script that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

Agency Purpose

The Minnesota Supreme Court exercising its inherent constitutional authority regulates the practice of law in Minnesota.

The Supreme Court exercises its regulatory authority so that within the state the public is well served by admitting to practice competent attorneys who continuously revitalize their knowledge of the law by attending continuing education programs, by appropriately disciplining after careful investigation those who have been found to have violated the Minnesota Rules of Professional Conduct, and by reimbursing clients under specified circumstances who have lost funds because of attorney misfeasance. The court has implemented a statewide lawyer assistance program to direct lawyers to appropriate and necessary counseling.

Core Functions

The Supreme Court has established regulatory boards to assist in key areas of the regulation of the practices of law.

- ◆ The Continuing Legal Education Board certifies 6,000 programs annually in a wide variety of legal subjects to promote professional growth for the state's 23,000 attorneys and monitors each attorney's compliance with continuing education regulations.
- ◆ The Office of Lawyers Professional Responsibility, working in conjunction with district ethics committees throughout the state, investigates complaints of unprofessional conduct against lawyers, and recommends discipline where appropriate.
- ◆ The Legal Certification Board certifies agencies, which certify lawyers having specified experience and training as specialists.
- ◆ The Client Security Board reviews claims from clients who have experienced monetary loss because of attorney dishonesty and, where the claim meets criteria established by the board, reimburses the client for the loss up to \$150,000.
- ◆ The Board of Law Examiners reviews the credentials of applicants for admission to the practice of law in Minnesota and administers the bar examination.
- ◆ The Lawyer Assistance Program directs lawyers who are suffering from chemical and substance abuse or emotional distress to appropriate treatment.

Operations

The boards, consisting of lawyers and lay members, are appointed by the Supreme Court to carry out the functions identified above within the rules for each board promulgated by the Supreme Court. Each board is authorized to hire staff. The Client Security Board contracts with the Office of Lawyers Professional Responsibility for legal services to examine claims and pursue subrogation claims. The Board of Law Examiners, Continuing Legal Education, and Legal Certification have a single director and share staff.

Key Goals

The Legal Professions Boards conduct administrative functions in support of the following three Supreme Court strategic priority areas:

- ◆ **Access to Justice** – Ensuring the justice system is open, affordable, effective, and accountable to the people it serves.
- ◆ **Administering Justice for More Effective Results** – Adopting approaches and processes for the resolution of cases that enhance the outcomes for individual participants and the public.
- ◆ **Public Trust Accountability and Impartiality** – A justice system that engenders public trust and confidence through impartial decision-making and accountability for the use of public resources.

At A Glance

Business Functions:

- ◆ The Board of Law Examiners tests approximately 900 applicants to the bar annually, and recommends for admission to the bar those persons who establish legal competence and good character.
- ◆ The Board of Continuing Legal Education accredits 6,000 legal education courses annually and monitors 23,000 Minnesota-Licensed attorneys' completion of continuing legal education.
- ◆ The Board of Legal Certification has accredited five legal organizations which certify attorneys as specialist in nine defined specialty fields of law.

Key Measures

The Legal Professions Boards seeks to use its personnel:

- ◆ To investigate complaints of unprofessional conduct consistent with timelines set forth by the Minnesota Rules of Professional Conduct and recommend discipline where appropriate;
- ◆ To process applications and administer the bar exam on a semi-annual basis;
- ◆ To review claims from clients who have experienced monetary loss consistent with procedures set forth in the Rules of the Minnesota Client Security Board;
- ◆ To approve continuing legal education courses and monitor each licensed Minnesota attorney's compliance with continuing education requirements as set forth in the Rules of the Minnesota State Board of Continuing Legal Education.

Budget

Dedicated revenue fully funds the activities of the boards. No general fund monies support the operations of these boards. The Supreme Court assesses each lawyer admitted to practice law in Minnesota an annual registration fee which funds these activities. The registration fee revenue is divided among the boards as determined by the Court after public hearing. The Board of Law Examiners assesses a bar examination fee to each applicant for the bar examination. The boards of Continuing Legal Education and Legal Certification assess various administrative fees. The fees for those boards are included in the Department Earnings Report.

The boards have 37.50 FTE employees.

Contact

Minnesota Supreme Court
Minnesota Judicial Center
25 Rev. Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Sue Dosal
State Court Administrator
Phone: (651) 296-2474
Fax: (651) 297-5636
Home page: <http://www.mncourts.gov>

LEGAL PROFESSIONS BOARDS

Agency Overview

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 4,783 | 5,789 | 5,530 | 5,629 | 11,159 |
| Total | 4,783 | 5,789 | 5,530 | 5,629 | 11,159 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,925 | 3,266 | 3,327 | 3,400 | 6,727 |
| Other Operating Expenses | 1,613 | 2,128 | 1,808 | 1,834 | 3,642 |
| Local Assistance | 245 | 395 | 395 | 395 | 790 |
| Total | 4,783 | 5,789 | 5,530 | 5,629 | 11,159 |
| <u>Expenditures by Program</u> | | | | | |
| Lawyers Board | 4,783 | 5,789 | 5,530 | 5,629 | 11,159 |
| Total | 4,783 | 5,789 | 5,530 | 5,629 | 11,159 |
| Full-Time Equivalentents (FTE) | 38.8 | 36.6 | 36.6 | 36.6 | |

LEGAL PROFESSIONS BOARDS

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|--------------|---------------------|
| <i>Non Dedicated Revenue:</i> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <i>Dedicated Receipts:</i> | | | | | |
| Departmental Earnings: | | | | | |
| Miscellaneous Special Revenue | 5,478 | 4,993 | 5,194 | 5,200 | 10,394 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 185 | 198 | 198 | 198 | 396 |
| Other Sources: | | | | | |
| Miscellaneous Special Revenue | 20 | 20 | 20 | 20 | 40 |
| Total Dedicated Receipts | 5,683 | 5,211 | 5,412 | 5,418 | 10,830 |
| Agency Total Revenue | 5,683 | 5,211 | 5,412 | 5,418 | 10,830 |

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↻ Designates that this item is a change item

January 27, 2009

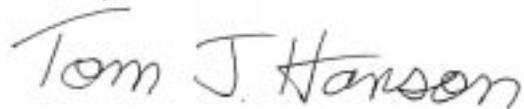
To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the Legislature. The Governor respects the separation of powers and the desire of constitutional officers and officials in the legislative and judicial branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the legislative and judicial branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Legislature, the Governor recommends \$131.546 million in general fund appropriations for the FY 2010-11 biennium, which reflects a 5.6% reduction in appropriations from the agency's forecast budget. This is consistent with recommendations for other constitutional officers. The Governor makes no other recommendation regarding specific initiatives put forward by the 2009 Legislature.

Sincerely,



Tom J. Hanson
Commissioner

Agency Purpose

The legislature is one of the three principal branches of state government (the others are the executive and judicial branches), created by the constitution of the state of Minnesota. The legislative branch is responsible for the enactment and revision of state laws, establishing a state budget and tax policy, electing regents of the University of Minnesota, overseeing the work of state government, as well as proposing amendments to the state constitution. The Minnesota Legislature consists of two bodies: the House of Representatives and the Senate. In addition, the House and the Senate have jointly created Joint Offices that serve specific purposes described more fully below.

Operations

The House and Senate employ separate staff to serve the separate bodies and maintain the structural checks and balances of the bicameral system.

House of Representatives

House of Representatives staff works in one of several non-partisan departments or in one of the caucus departments.

The **DFL Caucus** and the **GOP Caucus** departments each provide legislative services to their respective members. Services provided include legislative management, member administrative support, committee administration and support services, constituent and communication/media services, and caucus research services. (Permanent staff complement is 146.75 FTE positions.)

The **Chief Clerk's Office** provides assistance and advice to the speaker and members of the House of Representatives in meeting the legal and parliamentary requirements of the lawmaking process and to record the history of that process in a clear, unbiased, and accurate manner. The chief clerk, first and second assistant clerks, index clerk, and chaplain are elected officers of the house. The Chief Clerk's Office is responsible for all computer technology functions in the House, such as managing a secure local area network, managing numerous application programs and coordinating computer support to all house staff. (Permanent staff complement is 30 FTE positions.)

The **House Research Department** provides research and legal services to the house and its members and committees. The work of House Research focuses on legislative decision-making: helping house members and committees develop and evaluate government policies and laws. The department is an agency of the House of Representatives as a whole, rather than a committee or caucus. House Research is non-partisan. Its services are available to all members of the house without regard to partisan affiliation or legislative position. The department strives to be politically neutral and impartial on the issues. Its staff does not advocate, endorse, promote, or oppose legislation or legislative decision. (Permanent staff complement is 36 FTE positions.)

The **Fiscal Analysis Department** provides professional, nonpartisan, and confidential services for all members of the House of Representatives, and provides assistance to the house finance and tax committees on state budgetary and fiscal legislation. Department staff analyze spending requests, aid committees in developing and analyzing budgetary options, draft legislation to implement budget decisions, track legislative decisions, and provide analysis for legislative oversight of enacted budgets. Fiscal analysts respond to requests from individual members needing analyses or information on state budgetary issues or government finances. The Fiscal Analysis Department researches, prepares, and distributes publications providing information on state budget issues and government finances. (Permanent staff complement is 12 FTE positions.)

At A Glance

- ◆ 67 senators and 134 representatives compose the Minnesota Legislature.
- ◆ Senators serve four-year terms, and representatives serve two-year terms.
- ◆ The constitution provides that the legislature may meet for up to 120 days during a two-year period. (A legislative day is counted when a quorum of either the house or senate is present to conduct business as a body.)
- ◆ For the 2007-08 biennial legislative session and 2007 special session, 4,259 bills were introduced in the house, and 3,898 bills were introduced in the senate. Of those, 370 bills were presented to the governor for signing.

The **House Public Information Services Department** is a contact point to help the public connect to the Legislature. The mission of this department is to provide credible and timely nonpartisan services that inform the general public about legislative actions, educate the public about the legislative process, and to encourage public participation in the Minnesota Legislature. The department produces and distributes Session Weekly newsmagazine, Session Daily, committee schedules, committee rosters, members and staff lists, legislative directories, and various publications that explain the state's symbols, governmental structure and lawmaking process. It provides photography services for members, staff and the public, and distributes audio CD copies of all House meetings and DVD copies of all House television coverage. The department creates and distributes unedited, gavel-to-gavel television coverage of all House floor sessions, select committee hearings, press conferences, and informational and educational programming. Beginning with the start of each legislative session, programming is broadcast, in conjunction with the Senate, weekdays from 8:00 a.m. to 6:00 p.m. on the digital Minnesota Channel, which is available statewide on Minnesota's public television stations. Live webcasting and video archives of all House television programming is available on the Internet. (Permanent staff complement is 10.5 FTE positions.)

The **House Budget and Accounting Department and Human Resources Department** performs the financial and human resources functions for the house. Financial functions include: accounting, budgeting, staff and member payroll, accounts payable, and expense reimbursements. Human resources functions include: compensation and benefit administration, personnel policy development and communication and house staffing management. (Permanent staff complement is eight FTE positions.)

The **Sergeant-At-Arms Office** provides temporary support staff (pages), parking, facility management, telephone system management, supply and equipment purchases, security, post office, duplication and printing, and educational program services for members, staff, and the public. The speaker appoints the chief sergeant. The assistant sergeants, postmaster, and assistant postmaster are elected by house members to serve with the chief sergeant as officers of the house. Pages serve as support staff for all house and conference committee hearings and aid all departments in accomplishing their duties. (Permanent staff complement is ten FTE positions.)

Senate

In addition to the functions listed under agency purpose, the senate also has the responsibility to advise and consent to governor's appointments.

Joint Legislative Offices

As provided by M.S. Chapter 3 the legislature has established a number of joint legislative offices and commissions.

Legislative Coordinating Commission (LCC)

Established in 1973, the LCC coordinates certain activities of the Senate and House of Representatives and serves as an umbrella organization for joint legislative agencies and commissions. It determines the employee benefits for all legislative staff and health benefits for legislators. The LCC reviews budget requests and establishes staffing levels for all legislative commissions and joint agencies under its jurisdiction. The LCC also sets the compensation for all employees under its jurisdiction.

The President of the Senate and the Speaker of the House alternately serve as chair on an annual basis. The LCC provides staff support for the Compensation Council, the University of Minnesota Regent Candidate Advisory Council, the Minnesota State Colleges and Universities (MNSCU) Board of Trustees Candidate Advisory Council, the Electronic Real Estate Recording Commission, the Preparedness for Terrorism and Disasters Working Group and the Joint House-Senate Subcommittee on Claims. The LCC coordinates the provision of sign language interpreters at legislative hearings and meetings and serves as the first point of contact in scheduling meetings and arranging itineraries for visiting international and state delegations seeking to discuss policy issues and learn more about Minnesota's legislative process.

Within the LCC, the Geographic Information Services Office develops and maintains spatial databases and produces legislative district maps, reports, and web applications. Also within the LCC, the Office on the Economic Status of Women (OESW) studies and reports on all matters relating to the economic status of women in

Minnesota and supports legislators' efforts to enact legislation that furthers the extent to which women can contribute to the state's economy. In total, the LCC maintains 9.5 full-time equivalent positions.

The **Legislative Reference Library (LRL)**, established in 1969, collects, indexes, publishes, and makes available public policy information. The LRL works closely with its main clientele, legislators and legislative staff, to provide information services that support the legislative process. Executive agencies and the public are also served. State law requires that copies of the publications of Minnesota state government agencies, boards, and commissions, and a copy of all state-funded consultants' reports must be deposited with the library. Rules of the House and Senate assign the director a custodial role of the recordings of floor and committee hearings and the accompanying minutes and logs; public access to these materials is required. LRL staff is nonpartisan and all information requests are confidential. The LRL employs 15 FTE.

The **Revisor of Statutes** is a nonpartisan, professional joint legislative office providing drafting, editing, publication, and computer services to the legislature, executive departments, and to the governor and other constitutional officers. Drafting services are provided on a confidential basis and consist primarily of bills and administrative rules. Publications produced by the office include: Laws of Minnesota, Minnesota Statutes, Minnesota Rules, and other miscellaneous publications of legislative and public interest. The computer system supports the drafting, editing, and publishing work of the legislature. The office has been under the jurisdiction of the LCC since 1973, and has 53 permanent and nine seasonal employees.

The mission of the Office of the **Legislative Auditor** and **Legislative Audit Commission** is to strengthen accountability in state government. The office completes 50 to 60 financial audit reports and six to eight program evaluation reports each year with a staff of 62. The office is nonpartisan, and its chief goal is to produce audit and evaluation reports that are accurate and objective. The legislative auditor, who is appointed for a six-year term by the Legislative Audit Commission, directs the office. The bipartisan commission consists of 12 legislators (six representatives and six senators).

The **Mississippi River Parkway Commission** of Minnesota (MN-MRPC) was established in 1963. It is part of the 10-state National Mississippi River Parkway Commission which works collectively to: preserve, promote, and enhance the scenic, historic, and recreational resources of the Mississippi River; foster economic growth in the river corridor; and develop the national, scenic, and historic parkway known as the Great River Road. In Minnesota, the Great River Road runs 575 miles through the heart of the state, adjacent to the Mississippi River, beginning at the river's headwaters at Lake Itasca through Minnesota's north woods, lake country, Twin Cities, and into bluff country along the Minnesota-Wisconsin border before entering Iowa. For its historic, cultural, recreational and scenic qualities, the Federal Highway Administration selected the Minnesota Great River Road to be designated as a National Scenic Byway in 2000 – a distinguished honor bestowed upon the most treasured routes in America. The MN-MRPC consists of 15 members: two from the House; two from the Senate; five regional citizen members; one each from the state departments of Agriculture, Natural Resources, Tourism, Transportation and the Historical Society; and one member voted in by the other 14. The MN-MRPC has one staff member that manages its administration and marketing.

The **Legislative Commission on Planning and Fiscal Policy** was established in 1987 to study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs. In 1988, the duties were expanded requiring study and review of particular items and requiring recommendations to the legislature. In addition to projected state revenue, expenditures, and tax expenditures, other subjects include economic and fiscal policy, mix of revenue sources for programs, investigation of state building needs, and other related matters. Staff is provided by the House, Senate, and the LCC.

The **Legislative Commission on Pensions and Retirement** was established in 1955 to study and investigate on an ongoing basis the various public retirement systems applicable to nonfederal government employees in the state and to make recommendations to establish and maintain sound public employee pension legislation. The commission currently employs 3.5 FTE.

The **Great Lakes Commission** promotes the orderly, integrated, and comprehensive development, use, and conservation of the water resources of the Great Lakes Basin, which consists of eight Great Lakes states, Canada, and all water interconnections between them. There is currently no staff funded for the commission.

The **LCC Subcommittee on Employee Relations** was originally established in 1979 and now exists as a subcommittee of the LCC. It assists the legislature by reviewing and providing interim approval of negotiated agreements and arbitrated awards between the state and its employees. The commission also reviews and approves the Commissioner’s and Managerial Compensation Plans, Minnesota State Colleges and Universities (MnSCU) Personnel Plan for Administrators, and the Office of Higher Education Unclassified Compensation Plan. In addition, the Subcommittee reviews and provides interim approval of the governor’s salary proposal for agency heads. Other duties include the monitoring of the state civil service system, conducting research as directed, and performing other functions as delegated by the legislature.

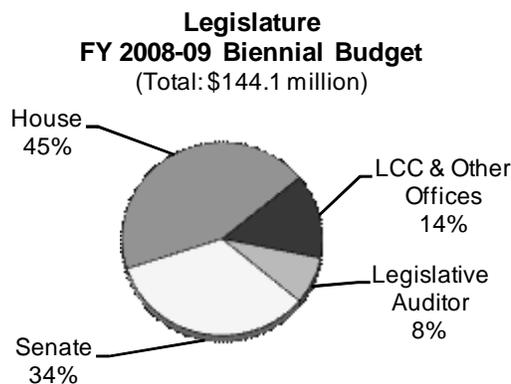
The **Electric Energy Task Force** was established under M.S. 216C.051 to make recommendations to the legislature regarding an environmentally and economically sustainable and advantageous electric energy supply. It consists of ten members of the senate and ten members of the House of Representatives. Under M.S. 216C.051, Sub. 9, the Electric Energy Task Force will be replaced by the Legislative Energy Commission, effective January 3, 2009. Staff is provided by the House, Senate, and the LCC.

The **Legislative-Citizen Commission on Minnesota Resources (LCCMR)** advises the legislature on the allocations for certain dedicated funding sources (primarily the Environment and Natural Resources Trust Fund) for projects “for the public purpose of protection, conservation, preservation, and enhancement of the state’s air, water, land, fish, wildlife, and other natural resources” – Minnesota Constitution Sec. 14 as amended 11-3-1998). The commission consists of five representatives, five senators and seven citizen members (five appointed by the governor and one each by the House and Senate). The governing statute is M.S. Chapter 116P. Funding for LCCMR administration is provided by the Environment and Natural Resources Trust Fund through a direct appropriation. Additional detail on the LCCMR is provided in a separate agency narrative.

The **Legislative Commission to End Poverty in Minnesota by 2020** was created by the legislature in the 2006 session. The commission, consisting of nine members of the House and nine from the Senate, was appointed by the members elected in the fall 2006 elections. The commission is to make its recommendations by 12-31-2008.

Budget

The state legislature receives its funding as direct appropriations from the general fund.



Contact**House of Representatives**

Paul Schweizer, Controller
G-72 State Office Building
Saint Paul, Minnesota 55155
Phone: (651) 296-6648
Website: www.house.mn

Legislative Coordinating Commission

Greg Hubinger, Director
G-72 State Office Building
Saint Paul, Minnesota 55155
Phone: (651) 296-2963
Website: www.commissions.leg.mn

Senate

JoAnn Zoff
231 State Capitol
Saint Paul, Minnesota 55155
Phone: (651) 296-2344
Website: www.senate.mn

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|---------------|---------------|------------------|---------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 74,516 | 69,685 | 69,685 | 69,685 | 139,370 |
| Recommended | 74,516 | 69,685 | 65,773 | 65,773 | 131,546 |
| Change | | 0 | (3,912) | (3,912) | (7,824) |
| % Biennial Change from 2008-09 | | | | | -8.8% |
| Health Care Access | | | | | |
| Current Appropriation | 178 | 178 | 178 | 178 | 356 |
| Recommended | 178 | 178 | 178 | 178 | 356 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 0% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| General | 642 | 4,128 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 68,435 | 76,036 | 65,773 | 65,773 | 131,546 |
| Health Care Access | 178 | 178 | 178 | 178 | 356 |
| Statutory Appropriations | | | | | |
| General | 51 | 197 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 47 | 2 | 0 | 0 | 0 |
| State Airports | 5 | 195 | 0 | 0 | 0 |
| Federal | 7 | 0 | 0 | 0 | 0 |
| Miscellaneous Agency | 340 | 496 | 383 | 383 | 766 |
| Gift | 0 | 95 | 0 | 0 | 0 |
| Total | 69,705 | 81,327 | 66,334 | 66,334 | 132,668 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 11,633 | 12,841 | 12,402 | 12,402 | 24,804 |
| Other Operating Expenses | 58,072 | 68,486 | 53,932 | 53,932 | 107,864 |
| Total | 69,705 | 81,327 | 66,334 | 66,334 | 132,668 |
| <u>Expenditures by Program</u> | | | | | |
| House Of Representatives | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |
| Senate | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |
| Legislative Coordinating Cmsn | 10,335 | 12,361 | 9,516 | 9,516 | 19,032 |
| Legislative Audit Comm | 5,723 | 6,668 | 5,712 | 5,712 | 11,424 |
| Total | 69,705 | 81,327 | 66,334 | 66,334 | 132,668 |
| Full-Time Equivalent (FTE) | 142.6 | 141.4 | 141.4 | 141.4 | |

| <i>Dollars in Thousands</i> | | | | |
|--|---------------|--------------------|---------------|----------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 69,685 | 69,685 | 69,685 | 139,370 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | 13 | 13 | 26 |
| Subtotal - Forecast Base | 69,685 | 69,698 | 69,698 | 139,396 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (3,485) | (3,485) | (6,970) |
| In Lieu of Rent Offset | 0 | (440) | (440) | (880) |
| Total Governor's Recommendations | 69,685 | 65,773 | 65,773 | 131,546 |
| Fund: HEALTH CARE ACCESS | | | | |
| FY 2009 Appropriations | 178 | 178 | 178 | 356 |
| Subtotal - Forecast Base | 178 | 178 | 178 | 356 |
| Total Governor's Recommendations | 178 | 178 | 178 | 356 |
| Fund: GENERAL | | | | |
| Planned Statutory Spending | 4,325 | 0 | 0 | 0 |
| Total Governor's Recommendations | 4,325 | 0 | 0 | 0 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 2 | 0 | 0 | 0 |
| Total Governor's Recommendations | 2 | 0 | 0 | 0 |
| Fund: STATE AIRPORTS | | | | |
| Planned Statutory Spending | 195 | 0 | 0 | 0 |
| Total Governor's Recommendations | 195 | 0 | 0 | 0 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 496 | 383 | 383 | 766 |
| Total Governor's Recommendations | 496 | 383 | 383 | 766 |
| Fund: GIFT | | | | |
| Planned Statutory Spending | 95 | 0 | 0 | 0 |
| Total Governor's Recommendations | 95 | 0 | 0 | 0 |

LEGISLATURE

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(3,485) | \$(3,485) | \$(3,485) | \$(3,485) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(3,485) | \$(3,485) | \$(3,485) | \$(3,485) |

Recommendation

To help address the budget deficit, the Governor recommends a reduction of \$3.485 million per year to the Legislature general fund operating budget.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the legislative and judicial branches to present their budget requests independently to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

As with similar agencies in the executive branch, the Governor suggests that the Legislature receive a 5% reduction to help balance the budget. While the Governor recommends a total amount for the decrease, he respects the legislature's authority in deciding whether to adopt the reduction and in determining how to distribute it among its divisions. For the purposes of producing a complete budget presentation, however, the expenditure reduction was distributed proportionally across the divisions of the Legislature.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the direct appropriated general fund budget.

Statutory Change: Not Applicable.

LEGISLATURE

Change Item: In Lieu of Rent Offset

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(440) | \$(440) | \$(440) | \$(440) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(440) | \$(440) | \$(440) | \$(440) |

Recommendation

The Governor recommends a \$440,000 reduction in the Legislature's budget each year to offset an increase in the *in lieu of rent* appropriation to the Department of Administration. Allocating offsets to tenant agencies' budgets ensures that the cost of maintaining the space is borne by the agencies that benefit from the service.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the legislative and judicial branches to present their budget requests independently to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

The *in lieu of rent* amount is appropriated to the Department of Administration each year from the general fund to pay for plant management costs associated with the office space in the State Office Building, the Capitol Building, the Governor's Residence, and in other ceremonial and statutorily free space. The plant management costs include salaries and benefits for plant management workers, repairs and maintenance, supplies, utilities, depreciation, and bond interest. Other executive branch agencies pay a lease rate based upon the cost of maintaining the space per square foot to the Department of Administration for similar services. While other agencies' lease rates have increased over time, there has been no comparable increase to the *in lieu of rent* appropriation since 2004.

In order to provide a \$500,000 increase to the Department of Administration each fiscal year for *in lieu of rent*, and to minimize fiscal impact to the general fund, offset amounts were allocated to the Legislature, the Historical Society, and the Governor's office. Allocations were made based upon the amount of square footage occupied by each governmental unit. In addition, two-thirds of the cost of the ceremonial space was allocated to the Legislature and one-third was allocated to the Governor's office.

While the Governor recommends a total amount for the offset, he respects the legislature's authority in deciding whether to adopt the reduction and in determining how to distribute it among its divisions. For the purposes of producing a complete budget presentation, however, the expenditure reduction was allocated to the House of Representatives, Senate, and Legislative Coordinating Commission proportional to the square footage of space they occupy, with the ceremonial space divided evenly between the House and Senate. Please refer to the Governor's recommendation in the Department of Administration's budget for more detailed information about this change item.

Relationship to Base Budget

This proposal represents a base level reduction of less than 1% to the biennial general fund budget of \$69.698 million. When added to the recommended operating reduction, the total recommended general fund reduction is \$7.850 million or 5.6%.

Statutory Change: Not Applicable.

LEGISLATURE

Program: HOUSE OF REPRESENTATIVES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 32,686 | 30,794 | 30,794 | 30,794 | 61,588 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 72 | 72 | 144 |
| Subtotal - Forecast Base | 32,686 | 30,794 | 30,866 | 30,866 | 61,732 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (1,543) | (1,543) | (3,086) |
| In Lieu of Rent Offset | | 0 | (258) | (258) | (516) |
| Total | 32,686 | 30,794 | 29,065 | 29,065 | 58,130 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| General | 0 | 1,847 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 29,601 | 33,629 | 29,065 | 29,065 | 58,130 |
| Statutory Appropriations | | | | | |
| Miscellaneous Agency | 199 | 275 | 220 | 220 | 440 |
| Total | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |
| Total | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |
| <u>Expenditures by Activity</u> | | | | | |
| House Of Representatives | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |
| Total | 29,800 | 35,751 | 29,285 | 29,285 | 58,570 |

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 25,820 | 22,967 | 22,967 | 22,967 | 45,934 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (9) | (9) | (18) |
| Subtotal - Forecast Base | 25,820 | 22,967 | 22,958 | 22,958 | 45,916 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (1,148) | (1,148) | (2,296) |
| In Lieu of Rent Offset | | 0 | (152) | (152) | (304) |
| Total | 25,820 | 22,967 | 21,658 | 21,658 | 43,316 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| General | 0 | 1,245 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 23,706 | 25,081 | 21,658 | 21,658 | 43,316 |
| Statutory Appropriations | | | | | |
| Miscellaneous Agency | 141 | 221 | 163 | 163 | 326 |
| Total | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |
| Total | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |
| <u>Expenditures by Activity</u> | | | | | |
| Senate | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |
| Total | 23,847 | 26,547 | 21,821 | 21,821 | 43,642 |

LEGISLATURE

Program: LEGISLATIVE COORDINATING CMSN

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 10,291 | 10,261 | 10,261 | 10,261 | 20,522 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (381) | (381) | (762) |
| Current Law Base Change | | | (19) | (19) | (38) |
| Subtotal - Forecast Base | 10,291 | 10,261 | 9,861 | 9,861 | 19,722 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (493) | (493) | (986) |
| In Lieu of Rent Offset | | 0 | (30) | (30) | (60) |
| Total | 10,291 | 10,261 | 9,338 | 9,338 | 18,676 |
| Health Care Access | | | | | |
| Current Appropriation | 178 | 178 | 178 | 178 | 356 |
| Subtotal - Forecast Base | 178 | 178 | 178 | 178 | 356 |
| Total | 178 | 178 | 178 | 178 | 356 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| General | 607 | 863 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 9,440 | 10,831 | 9,338 | 9,338 | 18,676 |
| Health Care Access | 178 | 178 | 178 | 178 | 356 |
| Statutory Appropriations | | | | | |
| General | 51 | 197 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 47 | 2 | 0 | 0 | 0 |
| State Airports | 5 | 195 | 0 | 0 | 0 |
| Federal | 7 | 0 | 0 | 0 | 0 |
| Gift | 0 | 95 | 0 | 0 | 0 |
| Total | 10,335 | 12,361 | 9,516 | 9,516 | 19,032 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 6,510 | 7,348 | 7,184 | 7,184 | 14,368 |
| Other Operating Expenses | 3,825 | 5,013 | 2,332 | 2,332 | 4,664 |
| Total | 10,335 | 12,361 | 9,516 | 9,516 | 19,032 |
| <u>Expenditures by Activity</u> | | | | | |
| Lcc-Health Care Access | 178 | 178 | 178 | 178 | 356 |
| Lcc-Public Info Tv, Internet | 567 | 627 | 594 | 594 | 1,188 |
| Lcc-Airport Funding Adv Tf | 5 | 195 | 0 | 0 | 0 |
| Lcc-Leg Reference Library | 1,261 | 1,450 | 1,422 | 1,422 | 2,844 |
| Lcc-Revisors Office | 5,654 | 6,658 | 5,832 | 5,832 | 11,664 |
| Lcc-Miss River Pkwy Cmsn | 142 | 74 | 69 | 69 | 138 |
| Lcc-Fiscal Agents | 397 | 688 | 421 | 421 | 842 |
| Lcc-Pensions & Retirements | 351 | 530 | 525 | 525 | 1,050 |
| Lcc-Great Lakes Cmsn | 141 | 75 | 72 | 72 | 144 |
| Lcc-Employee Relations | 89 | 104 | 99 | 99 | 198 |
| Lcc-Commission Operations | 1,499 | 1,585 | 304 | 304 | 608 |
| Lcc-Electric Energy Task | 51 | 197 | 0 | 0 | 0 |
| Total | 10,335 | 12,361 | 9,516 | 9,516 | 19,032 |
| Full-Time Equivalent (FTE) | 79.4 | 79.6 | 79.6 | 79.6 | |

LEGISLATURE

Program: LEGISLATIVE AUDIT COMM

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 5,719 | 5,663 | 5,663 | 5,663 | 11,326 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 381 | 381 | 762 |
| Current Law Base Change | | | (31) | (31) | (62) |
| Subtotal - Forecast Base | 5,719 | 5,663 | 6,013 | 6,013 | 12,026 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (301) | (301) | (602) |
| Total | 5,719 | 5,663 | 5,712 | 5,712 | 11,424 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| General | 35 | 173 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 5,688 | 6,495 | 5,712 | 5,712 | 11,424 |
| Total | 5,723 | 6,668 | 5,712 | 5,712 | 11,424 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 5,123 | 5,493 | 5,218 | 5,218 | 10,436 |
| Other Operating Expenses | 600 | 1,175 | 494 | 494 | 988 |
| Total | 5,723 | 6,668 | 5,712 | 5,712 | 11,424 |
| <u>Expenditures by Activity</u> | | | | | |
| Legislative Auditor | 5,723 | 6,668 | 5,712 | 5,712 | 11,424 |
| Total | 5,723 | 6,668 | 5,712 | 5,712 | 11,424 |
| Full-Time Equivalentents (FTE) | 63.2 | 61.8 | 61.8 | 61.8 | |

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--|------------------|--------------------|---------------------------------------|------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| General | 91 | 216 | 91 | 202 | 293 |
| Other Revenues: | | | | | |
| General | 110 | 104 | 100 | 100 | 200 |
| Total Non-Dedicated Receipts | 201 | 320 | 191 | 302 | 493 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| General | 220 | 0 | 0 | 0 | 0 |
| Grants: | | | | | |
| Miscellaneous Special Revenue | 49 | 0 | 0 | 0 | 0 |
| Federal | 7 | 0 | 0 | 0 | 0 |
| Other Revenues: | | | | | |
| Gift | 51 | 0 | 0 | 0 | 0 |
| Other Sources: | | | | | |
| Miscellaneous Agency | 385 | 383 | 383 | 383 | 766 |
| Total Dedicated Receipts | 712 | 383 | 383 | 383 | 766 |
| Agency Total Revenue | 913 | 703 | 574 | 685 | 1,259 |

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Agency Purpose

The Minnesota State Lottery exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. The Lottery does so by offering games of chance to Minnesota adults in accordance with M.S. Chapter 349A.

Core Functions

To accomplish this purpose, the Lottery must:

- ◆ design, distribute, and promote games that will appeal to the general public in a manner consistent with statutory guidelines and the dignity of the state;
- ◆ maintain security procedures that ensure the integrity of the games will not be compromised;
- ◆ manage a large network of private sector retailers who sell lottery products; and
- ◆ accurately process numerous financial transactions, including payment of prizes to winners, commissions to retailers, proceeds to the state, and the purchase of goods and services necessary for lottery operations.

Operations

Lottery tickets are sold through a network of approximately 3,000 retailers located in more than 650 Minnesota cities. These retailers earn a commission on every ticket sold and can earn additional income by redeeming winning tickets and participating in various incentive programs. Each retailer has a computer terminal that is connected to central lottery computers through a secure telecommunications network. Retailers are the primary contact for the ticket-buying public. More than two out of every three Minnesota adults have purchased a lottery ticket.

The Lottery is managed by a director appointed by the governor with the advice and consent of the senate.

The Lottery is organized into six divisions:

- ◆ **Executive** includes the director and research and planning.
- ◆ **Finance** provides accounting and budget services.
- ◆ **Legal** includes legal services, human resources, and purchasing and contracting.
- ◆ **Marketing** is responsible for retailer service, promotions, advertising, customer relations, and public relations.
- ◆ **Operations** provides computer and telecommunications services, conducts drawings, and is responsible for product design.
- ◆ **Security** protects against internal and external lottery fraud, oversees ticket and equipment distribution, and prevents compromise of the games.

Key Goals

The Lottery strives to increase the revenue returned to the state for the designated beneficiaries. Short-term economic and market fluctuations may cause revenues to drop in one year or increase disproportionately in others, but the long term trend should be one of revenue growth. The Lottery has set a long term goal of \$250 million in annual revenue by 2024.

Key Measures

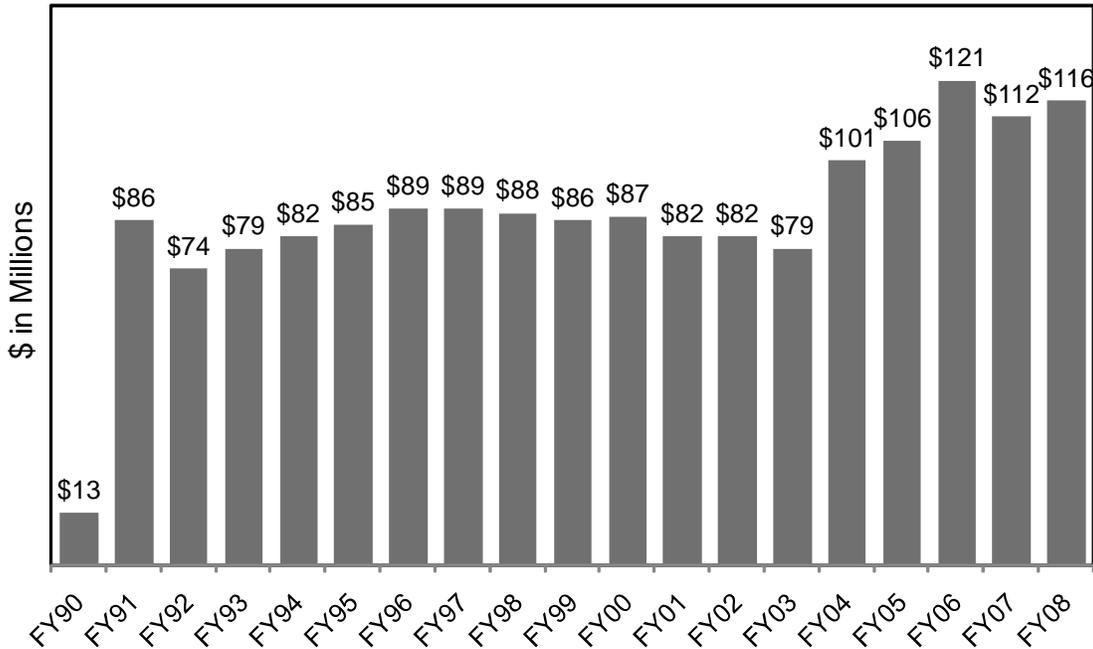
Lottery success is primarily measured by the revenue returned to the state for the designated beneficiaries. In seeking to maximize revenue, the Lottery must also consider security, integrity, social responsibility, and the broader policy concerns of the state. Other measures include administrative efficiency and customer participation and satisfaction.

At A Glance

- ◆ In FY 2008, the Minnesota State Lottery generated \$116 million for state programs from sales of \$462 million.
- ◆ Beneficiaries include the general fund, Environment and Natural Resources Trust Fund, Game and Fish Fund, and Natural Resources Fund.
- ◆ More than two out of three Minnesota adults have purchased a lottery ticket.
- ◆ Scratch games account for 65% of lottery sales. Powerball accounts for another 21%.
- ◆ Since its inception in 1990, Minnesotans have purchased almost \$7 billion in lottery tickets, returning almost \$1.7 billion to the state.
- ◆ Factors such as weather, gasoline prices, local and state economies, and competition for discretionary dollars can all affect lottery sales and proceeds.

The Lottery was able to increase revenues from \$79 million in FY 2003 to \$101 million in FY 2004 due to a number of major changes in operations. Since that time, revenues have grown from \$101 million to \$116 million, an annual increase of 3.7%.

Annual Lottery contributions to State



Beneficiaries

In accordance with the Minnesota Constitution, 40% of net lottery proceeds are dedicated to the Environment and Natural Resources Trust Fund through 2024. The remaining 60% of net proceeds is currently allocated to the general fund. In addition, a 6.5% in-lieu-of-sales tax on lottery sales is divided between the general fund, the Game and Fish Fund, and the Natural Resources Fund. The general fund also receives any unclaimed prizes. Finally, the legislature appropriates money from the Lottery Prize Fund to finance the Department of Human Services compulsive gambling program.

Lottery revenues were distributed as follows in FY 2008:

- ◆ General Fund \$63.9 million
- ◆ Environment and Natural Resources Trust Fund \$30.6 million
- ◆ Game and Fish Fund \$10.9 million
- ◆ Natural Resources Fund \$10.9 million

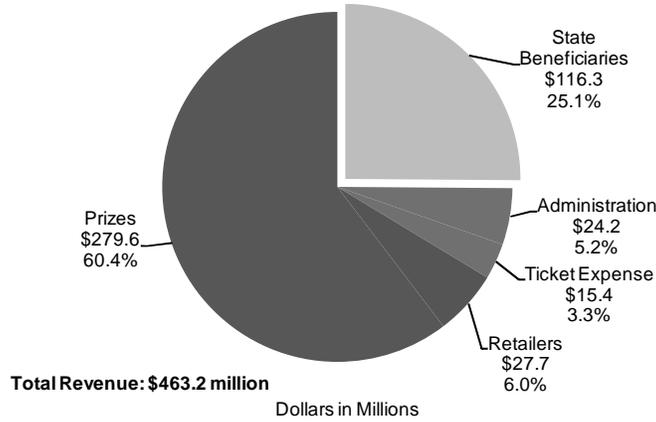
Budget

The Lottery may not spend more than 9% of gross revenue on operations. For FY 2009, the Lottery’s operating budget must not exceed \$28.14 million. Lottery operating expenses are not part of the general fund.

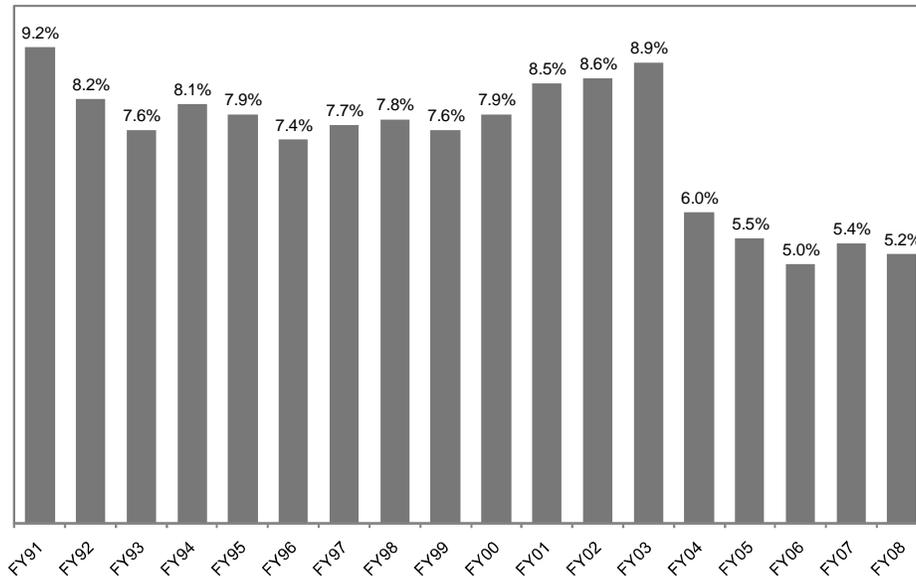
Major administrative expenses include salaries and benefits, advertising and promotions, telecommunications, and computer maintenance. In addition, the cost of goods, including the printing and distribution of tickets, is not included within the budget restrictions mentioned above as these expenses are proportional to sales.

The Lottery has approximately 145 full-time permanent employees located at its headquarters in Roseville and its four regional offices in Detroit Lakes, Marshall, Owatonna, and Virginia.

FY08 Lottery Revenue Distribution



Administrative Expense as % of Total Income



Administrative expense does not include Scratch Ticket or Online Vendor expenses.

Contact

Minnesota State Lottery
 2645 Long Lake Road
 Roseville, Minnesota 55113

<http://www.mnlottery.com>

Phone: (651) 635-8211

Fax: (651) 297-7496

Email: lottery@mnlottery.com

Agency Budget Brief
(\$ in thousands)

| | Actual FY2008 | Budget 2009 | Projected 2010 | Projected 2011 | Projected 2012 | Projected 2013 |
|---|--------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Revenue | | | | | | |
| Scratch Ticket Sales | \$297,973 | \$310,000 | \$314,000 | \$319,000 | \$319,000 | \$319,000 |
| Online Ticket Sales | 163,550 | 173,000 | 173,700 | 178,700 | 178,700 | 178,700 |
| Total Sales Revenue | 461,523 | 483,000 | 487,700 | 497,700 | 497,700 | 497,700 |
| Less In-Lieu-of-Sales Tax | 29,999 | 31,395 | 31,701 | 32,351 | 32,351 | 32,351 |
| Gross Receipts | 431,524 | 451,605 | 456,000 | 465,350 | 465,350 | 465,350 |
| Non-operating Income | 1,660 | 1,333 | 1,548 | 1,548 | 1,548 | 1,548 |
| Gross Revenue | 433,183 | 452,938 | 457,548 | 466,898 | 466,898 | 466,898 |
| Direct Costs | | | | | | |
| Prize Expense | 279,635 | 292,852 | 295,702 | 301,765 | 301,765 | 301,765 |
| Unclaimed Prizes Paid to State Treasury | 7,154 | 7,181 | 7,100 | 7,100 | 7,100 | 7,100 |
| Compulsive Gambling from Prize Fund | 2,525 | 2,130 | 2,005 | 2,005 | 2,005 | 2,005 |
| Retailer Commissions and Incentives | 27,746 | 29,038 | 29,318 | 29,920 | 29,920 | 29,920 |
| Ticket Costs | 5,338 | 4,689 | 4,700 | 4,700 | 4,700 | 4,700 |
| Online/Print-N-Plan(Generation 3) Expense | 10,031 | 10,611 | 10,654 | 10,961 | 10,961 | 10,961 |
| Total Direct Costs | 332,431 | 346,501 | 349,479 | 356,450 | 356,450 | 356,450 |
| Operating Expense | | | | | | |
| Advertising | 6,355 | 6,628 | 6,850 | 6,850 | 6,850 | 6,850 |
| Promotions | 1,985 | 2,163 | 2,200 | 2,200 | 2,200 | 2,200 |
| Game Development/New Initiatives | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Salaries and Benefits | 10,482 | 11,100 | 11,600 | 12,100 | 12,600 | 12,600 |
| Occupancy Costs | 1,347 | 1,384 | 1,457 | 1,508 | 1,558 | 1,558 |
| Communications | 496 | 514 | 529 | 545 | 545 | 545 |
| Purchased Services | 1,333 | 1,610 | 1,621 | 1,621 | 1,621 | 1,621 |
| Depreciation | 519 | 794 | 800 | 800 | 800 | 800 |
| Supplies and Materials | 933 | 918 | 920 | 948 | 948 | 948 |
| Other | 716 | 903 | 1,134 | 1,168 | 1,168 | 1,168 |
| Total Operating Expense | 24,166 | 27,014 | 28,111 | 28,740 | 29,289 | 29,289 |
| Net Proceeds | \$ 76,587 | \$ 79,423 | \$ 79,957 | \$ 81,707 | \$ 81,158 | \$ 81,158 |
| Total Full-Time Equivalent (FTE) | 139.7 | 147 | 147 | 147 | 147 | 147 |

LOTTERY

Agency Overview

| | Actual FY2008 | Budget 2009 | Projected 2010 | Projected 2011 | Projected 2012 | Projected 2013 |
|---|--------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| PAID TO STATE BENEFICIARY | | | | | | |
| General Fund | | | | | | |
| In-Lieu-of-Sales Tax | \$ 8,271 | \$ 8,656 | \$ 8,740 | \$ 8,919 | \$ 8,919 | \$ 8,919 |
| Net Proceeds | 45,952 | 47,654 | 47,974 | 49,024 | 48,695 | 48,695 |
| Unclaimed Prizes | 7,154 | 7,181 | 7,100 | 7,100 | 7,100 | 7,100 |
| Compulsive Gambling from Prize Fund | 2,524 | 2,130 | 2,005 | 2,005 | 2,005 | 2,005 |
| Gambling Enforcement from Operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Total General Fund | 63,901 | 65,620 | 65,819 | 67,049 | 66,719 | 66,719 |
| Envir. and Natural Resources Fund | | | | | | |
| Net Proceeds | 30,635 | 31,769 | 31,983 | 32,683 | 32,463 | 32,463 |
| Unclaimed Prizes | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Envir and Natural Resources Fund | 30,635 | 31,769 | 31,983 | 32,683 | 32,463 | 32,463 |
| Game and Fish Fund | 10,864 | 11,370 | 11,480 | 11,716 | 11,716 | 11,716 |
| Natural Resources Fund | 10,864 | 11,370 | 11,480 | 11,716 | 11,716 | 11,716 |
| TOTAL PAID TO STATE BENEFICIARY | \$ 116,264 | \$ 120,129 | \$ 120,763 | \$ 123,163 | \$ 122,613 | \$ 122,613 |
| % of sales to State | 25% | 25% | 25% | 25% | 25% | 25% |

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Agency Purpose

The Minnesota Board of Marriage and Family Therapy acts as the official licensure agency for marriage and family therapists. The purpose of the board is to protect the public by ensuring that licensees comply with the board's rules and practice in a professional, legal and ethical manner per Minnesota Statutes 148B.01, 148B.175 and 148B.29 and Minnesota Rules 5300.0100-0350.

Core Functions

The core functions are:

- ◆ granting licensure to individuals who meet the statutory education, employment, and ethical requirements and who pass both the national and oral examination as required by rule;
- ◆ establishing and implementing procedures designed to assure that licensed marriage and family therapists comply with the board's rules;
- ◆ reviewing complaints of alleged violations of statutes and rules, holding disciplinary conferences with licensees, and taking legal action to condition, suspend or revoke the licenses of therapists who fail to meet standards;
- ◆ studying and investigating the practice of marriage and family therapy within the state in order to improve the standards imposed for the licensing of marriage and family therapists and to improve the procedures and methods used for enforcement of the board's standards; and
- ◆ providing information and education about licensure requirements and standards of practice to the public, faculty and students and other interested parties.

Operations

- ◆ Licensure affects marriage and family therapists who are mental health professionals trained in psychotherapy and family systems, and licensed to diagnose and treat mental and emotional disorders within the context of marriage, couples, and family systems.
- ◆ The board consists of seven members and normally meets on the third Friday of each month.
- ◆ A newsletter regarding licensure matters and disciplinary actions is available on the board's website.

Key Goals

- ◆ To increase the number of online renewals to 70% by the end of the biennium.
- ◆ To initiate online continuing education registration by licensees by 2010.
- ◆ To establish regular training sessions for board approved supervisors by 2009.

Key Measures

- ◆ Public protection – the board's website offers several services to the public including: access to information on the complaint process and obtaining forms and information regarding how to file a complaint, and viewing individual licensee disciplinary history.
- ◆ Online services – the board offers address and contact information changes, license renewals, information for licensees. All board forms and printed material may be downloaded.
- ◆ Public information – the board offers a public website, newsletters, presentations, public outreach, brochures, and real people answering the phone during business hours.
- ◆ Currently the board has 45% of its licensees using the online renewal service.
- ◆ An on-going survey of 12 academic institutions training students for Minnesota licensure shows 650 current enrollees.

At A Glance

MN Licensed Marriage & Family Therapists Statistics

| | <u>LAMFTs*</u> | <u>LMFTs**</u> |
|---------|----------------|----------------|
| 6/30/06 | 85 | 902 |
| 6/30/08 | <u>242</u> | <u>1,080</u> |
| | +284% | +19.7% |

Complaints

| | |
|-------------|----|
| Carryover - | 8 |
| New - | 40 |
| Closed - | 22 |
| Open - | 16 |

*LAMFT = Licensed Associate Marriage and Family Therapist

**LMFT = Licensed Marriage and Family Therapist

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$365,000 which includes 1.60 FTE employees. Direct expenditures include salaries, rent and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$464,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Board of Marriage and Family Therapy
2829 University Avenue Southeast
Suite 330
Minneapolis, Minnesota 55414-3222

The website at: <http://www.bmft.state.mn.us> gives visitors easy access to useful information about marriage and family therapy. Types of information available through the website include: regulatory news and updates, rules and Minnesota statues, public notices, and forms. License renewals and address changes may be done online and the public may file complaints on line. All board forms and printed materials may be downloaded from this site.

Robert Butler, Executive Director
Email: Robert.Butler@state.mn.us
Phone: (612) 617-2220
Fax: (612) 617-2221

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------|------------|------------------|------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 148 | 154 | 154 | 154 | 308 |
| Recommended | 148 | 154 | 137 | 137 | 274 |
| Change | | 0 | (17) | (17) | (34) |
| % Biennial Change from 2008-09 | | | | | -9.3% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 3 | 0 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| State Government Spec Revenue | 130 | 172 | 137 | 137 | 274 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 8 | 10 | 10 | 10 | 20 |
| Total | 141 | 182 | 147 | 147 | 294 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 100 | 123 | 92 | 90 | 182 |
| Other Operating Expenses | 41 | 59 | 55 | 57 | 112 |
| Total | 141 | 182 | 147 | 147 | 294 |
| <u>Expenditures by Program</u> | | | | | |
| Marriage And Family Therapy, B | 141 | 182 | 147 | 147 | 294 |
| Total | 141 | 182 | 147 | 147 | 294 |
| Full-Time Equivalentents (FTE) | 1.5 | 1.6 | 1.3 | 1.2 | |

MARRAIGE & FAMILY THERAPY BD

Change Summary

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|---|--------|--------------------|--------|---------------------|
| | | FY2010 | FY2011 | |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| FY 2009 Appropriations | 154 | 154 | 154 | 308 |
| Technical Adjustments | | | | |
| One-time Appropriations | | (17) | (17) | (34) |
| Subtotal - Forecast Base | 154 | 137 | 137 | 274 |
| Total Governor's Recommendations | 154 | 137 | 137 | 274 |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| Planned Open Spending | 10 | 10 | 10 | 20 |
| Total Governor's Recommendations | 10 | 10 | 10 | 20 |

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 245 | 220 | 261 | 275 | 536 |
| Total Non-Dedicated Receipts | 245 | 220 | 261 | 275 | 536 |
| <u>Dedicated Receipts:</u> | | | | | |
| Total Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| Agency Total Revenue | 245 | 220 | 261 | 275 | 536 |

| | PAGE |
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↻ Designates that this item is a change item

Agency Purpose

Mayo Clinic aspires to provide the highest quality, compassionate patient care at a reasonable cost through a physician-led team of diverse people working together in clinical practice, education, and research in a unified multi-campus system.

Mayo aims to conduct its interdependent programs of medical care, research, and education in keeping with the highest standards of ethics and quality. Fundamental to this pledge is the need to combine the science and art of medicine and technology with personalized care. Excellence in all endeavors with respect for the individual – both patient and employee – is the primary goal.

Core Functions

Mayo Clinic operates clinics and hospitals throughout Minnesota with the main facility located in Rochester. In addition, Mayo Clinic has sites in Arizona, Florida, Iowa, and Wisconsin. Mayo Clinic actively engages in competitive, prioritized, coordinated research programs, which enhance the care of the patient and decrease the burden of disease. In addition to patient care and research activities, Mayo Clinic provides education in the medical sciences amidst a scholarly environment. Mayo Clinic's education of future physicians, medical scientists, and allied health staff contributes to the quality of healthcare at Mayo Clinic and in communities throughout the state of Minnesota and worldwide. The educational activities of Mayo Clinic staff are a key component of Mayo's continuing excellence.

Operations

Mayo clinics and hospitals served more than 520,000 patients in 2007. The state of Minnesota has provided Mayo Medical School with financial aid for its Minnesota students in the form of capitation support since the opening of the school in 1972. During the 2008-09 academic year each Minnesota student has received \$18,088 in state funding to reduce the cost of tuition.

The Mayo School of Graduate Medical Education Family Medicine Residency Program was established in 1978. The program prepares the prospective family physician for primary care practice in all settings with a special emphasis on rural and underserved communities. Funding provided by the state of Minnesota offsets by approximately \$22,679 the cost of resident stipends that average \$47,953 per year.

Key Measures

- ◆ Mayo Medical School graduates will leave medical school with less debt than the national average.
- ◆ Mayo Medical School will produce highly qualified physicians who practice primary care medicine in rural areas of Minnesota. (Minnesota Milestones Goals 16-20, and 43)
- ◆ Mayo School of Graduate Medical Education Family Medicine Residency Program will train Family Medicine Physicians who are committed to improve the health of Minnesotans by practicing medicine in rural areas of Minnesota. (Minnesota Milestone Goals 16-20)

Budget

Income from current activities, the best indicator of Mayo Clinic's success in funding its overall mission, was \$294 million in 2007. Mayo Clinic makes significant investment in education and research. Total commitment to education was \$215 million in 2007, with Mayo funds accounting for \$166 million of this amount. Total expenditure on research reached \$485 million in the same year. Mayo contributed \$180 million to research endeavors.

At A Glance

- ◆ Patient Care – Physicians, scientists, and allied health staff collaboratively providing healthcare.
- ◆ Medical Education – one of the largest graduate education centers in the country, training physicians in more than 100 specialties.
- ◆ Research – Strong biomedical research programs in both basic and patient oriented area.
- ◆ Over 52% of the 1,347 graduates of Mayo Medical School are Minnesota residents.
- ◆ The Mayo School of Graduate Medical Education Family Medicine Residency Program has graduated 186 physicians. Forty-nine percent of these doctors choose to practice in Minnesota.

Contact

Mayo Clinic
200 First Street Southwest
Rochester, Minnesota 55906
Phone: (507) 284-2511
Website: <http://www.mayo.edu>

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,202 | 1,250 | 1,250 | 1,250 | 2,500 |
| Recommended | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |
| Change | | 0 | (75) | (24) | (99) |
| % Biennial Change from 2008-09 | | | | | -2.1% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |
| Total | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |
| Total | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |
| <u>Expenditures by Program</u> | | | | | |
| Mayo Medical School | 591 | 615 | 577 | 602 | 1,179 |
| Mayo Family & Residency | 611 | 635 | 598 | 624 | 1,222 |
| Total | 1,202 | 1,250 | 1,175 | 1,226 | 2,401 |

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium |
|---|--------|--------------------|--------|----------|
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 1,250 | 1,250 | 1,250 | 2,500 |
| Technical Adjustments | | | | |
| Current Law Base Change | | 50 | 101 | 151 |
| Subtotal - Forecast Base | 1,250 | 1,300 | 1,351 | 2,651 |
| Change Items | | | | |
| Base Reduction | 0 | (125) | (125) | (250) |
| Total Governor's Recommendations | 1,250 | 1,175 | 1,226 | 2,401 |

MAYO CLINIC

Change Item: Base Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(125) | \$(125) | \$(125) | \$(125) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(125) | \$(125) | \$(125) | \$(125) |

Recommendation

The Governor recommends a reduction of \$250,000 for the FY 2010-11 biennium to the Mayo Clinic general fund operating budget. The Governor intends that the Mayo Clinic should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The Mayo Clinic's operating budget of \$1.25 million each year includes amounts budgeted for the Mayo Medical School and the Mayo Family and Residency Program. Mayo clinics and hospitals served more than 520,000 patients in 2007. The state of Minnesota has provided Mayo Medical School with financial aid for its Minnesota students in the form of payment support since the opening of the school in 1972. During the 2008-09 academic years each Minnesota student has received \$18,088 in state funding to reduce the cost of tuition.

The Mayo School of Graduate Medical Education Family Medicine Residency Program was established in 1978. The program prepares the prospective family physician for primary care practice in all settings with a special emphasis on rural and underserved communities. Funding provided by the state of Minnesota offsets by approximately \$22,679 the cost of resident stipends that average \$47,953 per year.

Relationship to Base Budget

This proposal represents a 10% base level reduction to the general fund budget.

Key Goals and Measures

Mayo will safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

Statutory Change: Not Applicable.

Program Description

The mission of the Mayo Medical School is to use the patient centered focus and strengths of the Mayo Clinic to educate physicians to serve society by assuming leadership roles in medical practice, education and research. A newly revised curriculum is designed to foster the individual strengths and talents of each student, and to take full advantage of the unique integrated research, education and practice resources of Mayo Clinic. The school seeks to provide access to a medical education to all students regardless of socioeconomic background. The school also strives to eliminate barriers that may inhibit students from entering the historically lower paying primary care specialties. Finally, Mayo Medical School provides students the opportunity to obtain an excellent medical education that is delivered in a cost efficient manner, and allows these students to graduate unencumbered by a large debt-load.

Program at a Glance

As of July 2008:

- ◆ 55% of enrollment to the Mayo Medical School was from Minnesota.
- ◆ 35% of Mayo Medical School graduates are practicing medicine in Minnesota.

Population Served

Graduates of undergraduate colleges and universities who are seeking a high quality, affordable medical education are served by this activity.

Services Provided

Mayo Medical School (MMS) was founded in 1972. The small class size, 50 students per class, facilitates a personalized course of instruction characterized by extensive clinical interaction and the integration of basic and clinical sciences throughout all segments of the curriculum. A balance is sought to produce physicians interested in medical subspecialties as well as the primary care disciplines of general internal medicine, family medicine, pediatrics, and obstetrics/gynecology.

Historical Perspective

Mayo Medical School has graduated 1,327 physicians since 1976 and of those, 471 (35%) currently practice medicine in Minnesota. Of the 702 graduates who were originally from Minnesota (and received capitation grants), 326 (46%) have stayed to practice in Minnesota. Since 1972, the legislature has provided grants to Minnesota residents. These capitation grants are used to offset tuition paid by Minnesota students. All state monies are provided directly to Minnesota students to reduce their tuition payment. Tuition for 2008-2009 is \$29,200. The FY 2008 state appropriation provided capitation grants of \$18,088 for 34 students.

Key Program Goals

- ◆ Mayo Medical School will produce highly qualified physicians who practice primary care medicine in rural areas. (Minnesota Milestone Goals 16-20, and 43)
- ◆ Mayo Medical School Graduate will graduate with less educational debt than the national average.

Key Program Measures

- ◆ As of July 2008, 647 (55%) of the total enrollment to Mayo Medical School were Minnesota residents.
- ◆ 38% is the five-year average for Mayo Medical School graduates entering primary care residency programs.
- ◆ As of July 2008, 471 (35%) total graduates of Mayo Medical School are practicing medicine in Minnesota.
- ◆ Mayo Medical School graduates leave school with less educational debt than the national average.

Number of Mayo Medical School Graduates Choosing Primary Care Residency Training Programs

| MMS Class of 2002 | MMS Class of 2003 | MMS Class of 2004 | MMS Class of 2005 | MMS Class of 2006 | MMS Class of 2007 | MMS Class of 2008 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 14 for 36% | 19 for 44% | 14 for 35% | 18 for 47% | 14 for 38% | 19 for 43% | 10 for 29% |

Contact

David L. Dahlen
Mayo Medical School
200 First Street Southwest
Rochester, Minnesota 55906
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Fax: (507) 266-5298
Email: dahlen.david@mayo.edu

MAYO CLINIC

Program: MAYO MEDICAL SCHOOL

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 591 | 615 | 615 | 615 | 1,230 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 25 | 50 | 75 |
| Subtotal - Forecast Base | 591 | 615 | 640 | 665 | 1,305 |
| Governor's Recommendations | | | | | |
| Base Reduction | | 0 | (63) | (63) | (126) |
| Total | 591 | 615 | 577 | 602 | 1,179 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 591 | 615 | 577 | 602 | 1,179 |
| Total | 591 | 615 | 577 | 602 | 1,179 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 591 | 615 | 577 | 602 | 1,179 |
| Total | 591 | 615 | 577 | 602 | 1,179 |
| <u>Expenditures by Activity</u> | | | | | |
| Mayo Medical School | 591 | 615 | 577 | 602 | 1,179 |
| Total | 591 | 615 | 577 | 602 | 1,179 |

Program Description

The Mayo School of Graduate Medical Education Family Medicine Residency Program educates and inspires medical school graduates to pursue careers as family physicians. The program emphasizes training in rural primary care augmented by subspecialty training.

Population Served

In the last 30 years, the program has provided the state of Minnesota with 92 family physicians, with 41% of these practicing in rural communities. The program is located at the Mayo Family Clinic – Kasson, a rural community in Dodge County, serving a population area of close to 18,000.

Program at a Glance

- ◆ Trains family medicine physicians.
- ◆ 49% of program graduates are practicing in Minnesota.
- ◆ 41% practice in rural areas in Minnesota.
- ◆ Graduating residents consistently score above average on board exams. The pass rate on the first attempt is 96%.

Services Provided

The residency training program prepares the prospective family physician for primary care medicine in all settings, with special emphasis on rural or smaller communities. The residents-in-training spend a major portion of their training providing ambulatory, primary, and continuity care to patients. The residents participate fully in the department's population management initiatives to improve the quality, and decrease the cost, of employee/dependent healthcare.

Historical Perspective

The three-year training program was established in 1978, beginning with four residents. It has included a maximum of 25 resident trainees. Over time it has grown in size and success, with all training positions being filled for the past 30 years. The program has graduated 186 family physicians. The Minnesota capitation appropriation has supported residents' training stipends since 1978-79.

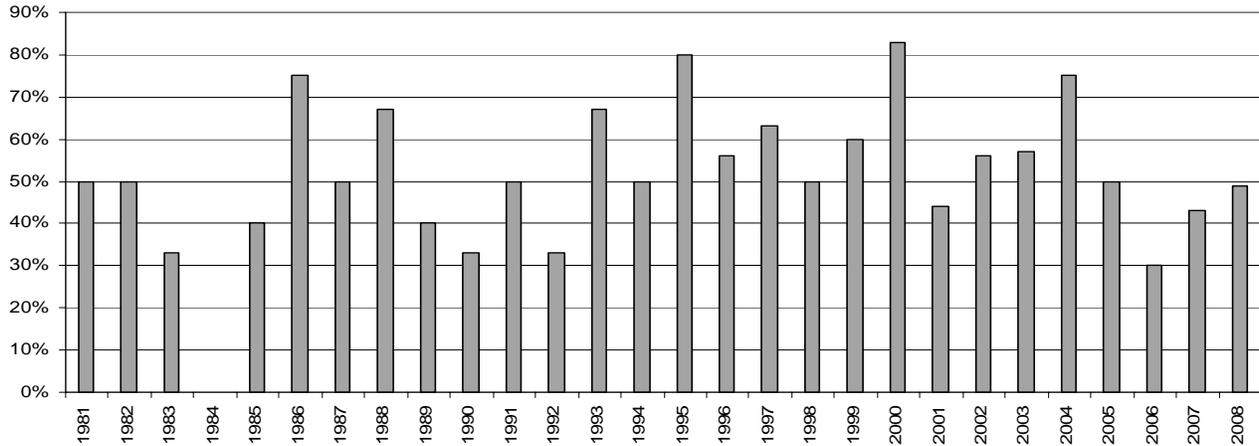
Key Program Goals

- ◆ Mayo School of Graduate Medical Education will train Family Medicine Physicians who are committed to improve the health of Minnesotans (Minnesota Milestone Goals 16-20)
- ◆ Mayo School of Graduate Medical Education will train Family Medicine Physicians who choose careers in rural underserved areas of Minnesota. (Minnesota Milestone Goals 16 – 20)

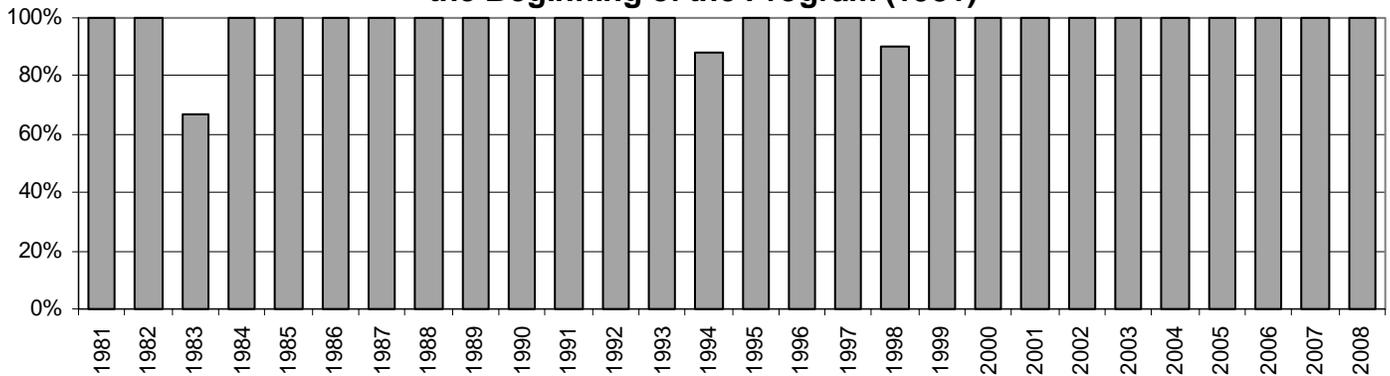
Key Program Measures

- ◆ 49% of Family Medicine graduates practice in Minnesota
- ◆ 92 graduates have practiced in Family Medicine since the program's inception

Family Medicine Graduates Practicing in Minnesota



Graduates Practicing in Family Medicine Since the Beginning of the Program (1981)



Program Funding

The program's calendar year 2007 operating expenses were \$2.7 million. That year the Mayo Clinic supported 77% of the program and the state capitation appropriation of \$636,000 supported 23% of the program cost. The appropriation for the 2007-08 biennium was \$611,000 in 2007 and \$635,000 in 2008. State funding supported \$26,500 of the stipend for each of the 24 residents in 2008.

Contact

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 Residency Program Director
 200 First Street South West
 Rochester, Minnesota 55906
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Jodie L. Boone-Orke
 Administrator
 200 First Street South West
 Rochester, Minnesota 55906
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MAYO CLINIC

Program: MAYO FAMILY & RESIDENCY

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 611 | 635 | 635 | 635 | 1,270 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 25 | 51 | 76 |
| Subtotal - Forecast Base | 611 | 635 | 660 | 686 | 1,346 |
| Governor's Recommendations | | | | | |
| Base Reduction | | 0 | (62) | (62) | (124) |
| Total | 611 | 635 | 598 | 624 | 1,222 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 611 | 635 | 598 | 624 | 1,222 |
| Total | 611 | 635 | 598 | 624 | 1,222 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 611 | 635 | 598 | 624 | 1,222 |
| Total | 611 | 635 | 598 | 624 | 1,222 |
| <u>Expenditures by Activity</u> | | | | | |
| Mayo Family & Residency | 611 | 635 | 598 | 624 | 1,222 |
| Total | 611 | 635 | 598 | 624 | 1,222 |

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➡ Designates that this item is a change item

BMS

BUREAU OF MEDIATION SERVICES

State of Minnesota

January 16, 2009

To the 2009 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Bureau of Mediation Services' budget recommendations for the FY 2010-11 biennial budget. This budget consists of \$3.366 million from the state's general fund. The recommended funding level represents a 10% decrease from FY 2008-09 spending.

With this budget recommendation, we will be able to maintain our commitment to delivering quality services to state agencies and to the public. The proposed budget will support our statutory and core functions, which include:

- ◆ Assisting parties in resolving collective bargaining disputes;
- ◆ Resolving questions of labor union representation and bargaining unit structure;
- ◆ Supporting, training and facilitating joint labor management committees;
- ◆ Providing technical training and
- ◆ Developing and maintaining a roster of labor arbitrators.

Funding at the requested level will assist us in accomplishing our mission of promoting stable and constructive labor-management relations throughout the state.

I would appreciate your support and consideration of this budget request. Please feel free to contact me if you have any questions, or if there is any other information that I can provide.

Sincerely,



Steven G. Hoffmeyer
Commissioner

Agency Purpose

The mission of the Minnesota Bureau of Mediation Services (BMS) is to promote stable and constructive labor-management relations and the use of collaborative processes. (M.S. Chapters 179 and 179A).

Core Functions

- ◆ Assisting parties in resolving collective bargaining disputes.
- ◆ Resolving questions of labor union representation and bargaining unit structure.
- ◆ Supporting, training, and facilitating joint labor management committees.
- ◆ Providing technical training.
- ◆ Developing and maintaining a roster of labor arbitrators.

At A Glance

Summary data for the Bureau of Mediation Services 2007-2008:

| | |
|--------------------------|-------|
| Petitions Received: | 2,512 |
| Meetings Held: | 2,147 |
| Strike Notices Received: | 7 |
| Strikes: | 1 |

- ◆ Approximately \$1.8 million annual budget.
- ◆ Include \$150,000 each year for labor management cooperation grants.
- ◆ 14 FTE

Operations

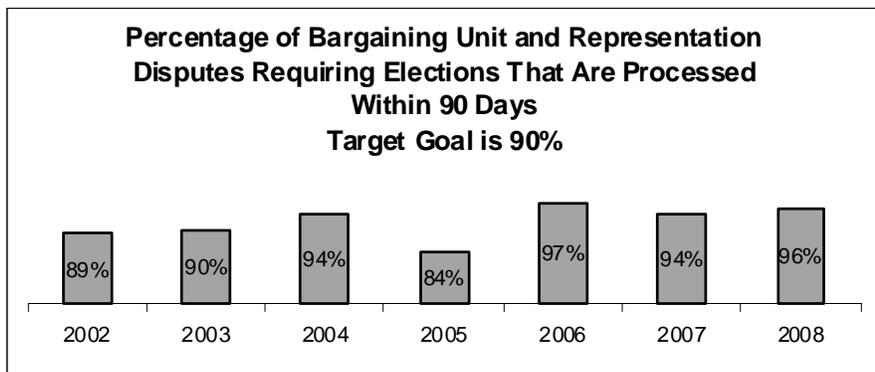
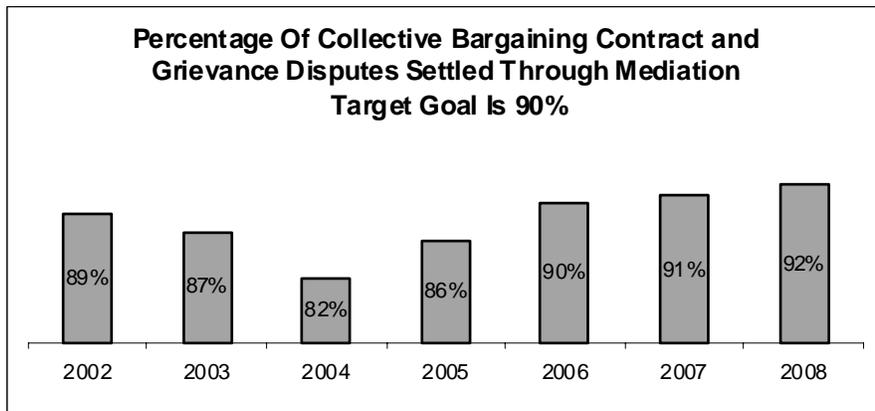
The primary clientele of BMS includes labor organizations and employers (public, nonprofit, and private). Agency services are delivered through:

- ◆ mediating collective bargaining disputes;
- ◆ determining bargaining units;
- ◆ conducting and certifying union representation elections;
- ◆ facilitating labor-management committees and awarding grants to area/industry labor-management councils;
- ◆ training practitioners in labor relations; and
- ◆ offering representation and arbitration decisions to the public.

Key Goals

- ◆ Resolve contract and grievance disputes peacefully, expeditiously and in a manner that contributes to effective labor-management relations.
- ◆ Resolve bargaining unit and other representation disputes consistent with Minnesota laws in a manner that supports effective collective bargaining relationships.

Key Measures



For updated information and a more complete list of the key measurers by which BMS monitors its results, see <http://www.departmentresults.state.mn.us/bms>.

Budget

The department’s primary source of funding for the current biennium is a roughly \$1.8 million annual direct appropriation from the general fund. This includes \$150,000 each year for labor management cooperation grants. Current staff includes 14 full-time equivalent employees.

Contact

Bureau of Mediation Services
1380 Energy Lane, Suite #2
Saint Paul, Minnesota 55108-5253

World Wide Web Home Page: <http://www.BMS.state.mn.us>

Steven Hoffmeyer, Commissioner
Phone: (651) 649-5447
Fax: (651) 643-3013

MEDIATION SERVICES BUREAU

Agency Overview

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,864 | 1,835 | 1,835 | 1,835 | 3,670 |
| Recommended | 1,864 | 1,835 | 1,683 | 1,683 | 3,366 |
| Change | | 0 | (152) | (152) | (304) |
| % Biennial Change from 2008-09 | | | | | -9% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,811 | 1,887 | 1,683 | 1,683 | 3,366 |
| Miscellaneous Special Revenue | 19 | 39 | 20 | 20 | 40 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 0 | 2 | 2 | 2 | 4 |
| Total | 1,830 | 1,928 | 1,705 | 1,705 | 3,410 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,358 | 1,380 | 1,274 | 1,313 | 2,587 |
| Other Operating Expenses | 327 | 393 | 331 | 292 | 623 |
| Local Assistance | 145 | 155 | 100 | 100 | 200 |
| Total | 1,830 | 1,928 | 1,705 | 1,705 | 3,410 |
| <u>Expenditures by Program</u> | | | | | |
| Mediation Services | 1,830 | 1,928 | 1,705 | 1,705 | 3,410 |
| Total | 1,830 | 1,928 | 1,705 | 1,705 | 3,410 |
| <u>Full-Time Equivalent (FTE)</u> | | | | | |
| | 15.1 | 15.0 | 13.0 | 13.0 | |

MEDIATION SERVICES BUREAU

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|--------------|--------------------|--------------|--------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| <i>Fund: GENERAL</i> | | | | |
| FY 2009 Appropriations | 1,835 | 1,835 | 1,835 | 3,670 |
| Subtotal - Forecast Base | 1,835 | 1,835 | 1,835 | 3,670 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (152) | (152) | (304) |
| Total Governor's Recommendations | 1,835 | 1,683 | 1,683 | 3,366 |
| <i>Fund: MISCELLANEOUS SPECIAL REVENUE</i> | | | | |
| Planned Statutory Spending | 2 | 2 | 2 | 4 |
| Total Governor's Recommendations | 2 | 2 | 2 | 4 |

MEDIATION SERVICES BUREAU

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(152) | \$(152) | \$(152) | \$(152) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(152) | \$(152) | \$(152) | \$(152) |

Recommendation

The Governor recommends a \$304,000 base reduction in the Bureau of Mediation Services' FY 2010 and FY 2011 general fund operating budget. This reduction would be accomplished by eliminating a vacant mediator position, cutting \$50,000 from the Labor Management Cooperation Grant Program and a reduction in operating expenses in the form of rent, in the amount of \$14,000. The Governor believes this reduction is necessary to deal with the current budget deficit.

Background

Eliminating a mediator position could affect the timeliness and scope of the Bureau's services. The precise extent to which such services will be affected depends upon factors and developments in the economy affecting labor relations.

This decrease to the BMS' Labor Management Cooperation grant program will affect the Area Labor Management Councils for the immediate future. All of the councils have tried to increase their funding from sources other than the Grant program with mixed results. This amount recommended by the Governor will allow the councils to continue operations while exploring other alternatives for fundraising opportunities.

Relationship to Base Budget

This recommendation results in a general fund budget reduction of 8.3% for the FY2010-2011 biennium.

Key Goals and Measures

- ◆ The Bureau's mediation staff is currently at eight from a high of ten in 2003. The elimination of a mediator's position could have a negative impact on the Bureau's ability to provide mediation and related services in a timely manner. The negative impact could become acute during the teacher negotiation period that will begin in the fall of 2009.
- ◆ With respect to the grant program, the most obvious key measure will be the continued operation of the existing area councils and the development of new area councils. The area councils support the BMS' mission of promoting collaborative strategies that have a positive impact of collective bargaining.

Alternatives Considered

- ◆ All other alternatives considered are a combination of staff reductions in mediation, representation and labor management cooperation.
- ◆ There are no other viable alternatives regarding the funding of the LMC grant program. The BMS has and will continue to challenge grantees to develop other ways of securing operating funds other than the LMC Grant program.

Statutory Change: Not Applicable

MEDIATION SERVICES BUREAU

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|-----------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 6 | 7 | 7 | 7 | 14 |
| Total Non-Dedicated Receipts | 6 | 7 | 7 | 7 | 14 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Miscellaneous Special Revenue | 20 | 20 | 20 | 20 | 40 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 0 | 2 | 2 | 2 | 4 |
| Total Dedicated Receipts | 20 | 22 | 22 | 22 | 44 |
| Agency Total Revenue | 26 | 29 | 29 | 29 | 58 |

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Agency Purpose

The Board of Medical Practice was established July 1, 1887, and is mandated by M.S. 214 and M.S. 147.01 to protect the public. In the interest of public health, safety, and welfare, and to protect the public from the unprofessional, improper, incompetent, and unlawful practice of medicine, it is necessary to provide laws and regulations to govern the granting and subsequent use of the license to practice medicine.

- ◆ The board protects the public by granting qualified applicants the privilege to practice in Minnesota.
- ◆ The board investigates complaints relating to the competency or behavior of individual licensees or registrants.

At A Glance

**Minnesota Board of Medical Practice
License Statistics
(As of June 30, 2008)**

| | |
|----------------------------|---------------|
| Total New Licensed: | 1,666 |
| Total Licensed: | 23,365 |
| Total Complaints: | 868 |
| Total Resolved Complaints: | 779 |

Staff: 24.0 Full-time equivalent employees

Core Functions

The board regulates the practice of medicine by enforcing its rules and applicable laws on ethics and by monitoring continuing education, professional education requirements, quality review and investigating complaints. The board also follows M.S. 214, which generally governs boards and commissions charged with regulating certain occupations in Minnesota.

The board enforces the Medical Practice Act by:

- ◆ ensuring that applicants for credentials have met all statutory requirements for license or registration;
- ◆ investigating and responding to public and agency inquiries, complaints, and reports regarding licensed and registered practitioners;
- ◆ implementing educational or disciplinary action with impaired or incompetent practitioners, thus ensuring that standards of care are met; and
- ◆ providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

Operations

The board is made up of 11 physicians and five public members, all of whom are appointed by the governor. The board also regulates acupuncturists, athletic trainers, physician assistants, respiratory care practitioners, midwives and professional firms.

Approximately 24 board staff are employed to process licensing and complaint information for the board's review and to handle administrative functions. Historically, the board has licensed or registered 2,100 new practitioners each year. On an average, the board receives 700 – 900 complaints per year, resulting in approximately 66 disciplinary orders or corrective action agreements during that time frame.

Key Goals

- ◆ Protect the health of Minnesotans by ensuring quality of medical practice and by the activities included in our mission statement.
- ◆ Respect all of our licensees and registrants and the general public by making informed, fair, and even-handed decisions that protect the public.
- ◆ Ensure that all individuals who come before the board, either as complainants or respondents, fully understand the processes used to protect the public.
- ◆ Strive for consistency and not discriminate with respect to gender, ethnicity, religion, disability status, or sexual orientation in our dealings with employees, public, and licensees.

Key Measures

- ◆ Public protection – the board's website offers several services to the public including viewing disciplinary orders, access to information on the complaint process and obtaining forms and information regarding how to file a complaint and viewing individual licensee disciplinary history.
- ◆ Online services – the board offers license verification, address and contact information changes, license renewals and information for licensees.
- ◆ Public information – the board offers a public website, newsletters, presentations, public outreach, brochures, and staff answering the phone during business hours.
- ◆ Currently the board has 85% of its licensees using the online renewal service.
- ◆ Currently the board has 90% of its licensees using the online renewal service.
- ◆ Licensed/Registered Professionals age distribution is 23 through 96 (years of age).
- ◆ Number of complaints has increased by 12.5% from last biennium.
- ◆ Number of resolved complaints has increased by 8.9% from last biennium.
- ◆ Statistical variables of the professions regulated by the board:
 - Metro Area Licensed/Registered: 10,902
 - Outside of Metro Area Licensed/Registered: 7,658
 - Out of Minnesota Licensed/Regulated: 4,759

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$10.019 million, which includes 24 FTE employees. Direct expenditures include salaries, rent and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program, Office of Mental Health Program and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$9.047 million in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Medical Practice
2829 University Avenue Southeast, Suite 500
Minneapolis, Minnesota 55414-3246

The website at: <http://www.bmp.state.mn.us> gives visitors easy access to useful information about medical practice. Types of information available through the website include; regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Phone: (612) 617-2130
Fax: (612) 617-2166

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 4,120 | 3,682 | 3,682 | 3,682 | 7,364 |
| Recommended | 4,120 | 3,682 | 3,682 | 3,682 | 7,364 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -5.6% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 83 | 577 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| State Government Spec Revenue | 2,336 | 4,277 | 3,682 | 3,682 | 7,364 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 12 | 31 | 58 | 58 | 116 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 3 | 1 | 1 | 1 | 2 |
| Total | 2,434 | 4,886 | 3,741 | 3,741 | 7,482 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,569 | 1,872 | 1,957 | 1,999 | 3,956 |
| Other Operating Expenses | 865 | 3,014 | 1,116 | 1,008 | 2,124 |
| Transfers | 0 | 0 | 668 | 734 | 1,402 |
| Total | 2,434 | 4,886 | 3,741 | 3,741 | 7,482 |
| <u>Expenditures by Program</u> | | | | | |
| Medical Practice, Board Of | 2,434 | 4,886 | 3,741 | 3,741 | 7,482 |
| Total | 2,434 | 4,886 | 3,741 | 3,741 | 7,482 |
| Full-Time Equivalents (FTE) | 22.1 | 26.8 | 26.8 | 26.8 | |

MEDICAL PRACTICE BOARD

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|--------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 4,656 | 4,674 | 4,702 | 4,949 | 9,651 |
| Total Non-Dedicated Receipts | 4,656 | 4,674 | 4,702 | 4,949 | 9,651 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| Miscellaneous Special Revenue | 3 | 1 | 1 | 1 | 2 |
| Total Dedicated Receipts | 3 | 1 | 1 | 1 | 2 |
| Agency Total Revenue | 4,659 | 4,675 | 4,703 | 4,950 | 9,653 |

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↻ Designates that this item is a change item

January 27, 2009

To the 2009 Legislature:

On behalf of Governor Pawlenty, I am submitting the Metropolitan Council's recommendation for the FY 2010-11 budget.

For metropolitan transit operations, the recommendation consists of \$157.234 million from the state's General Fund for the biennium. This represents no change from the current base appropriation.

The Metropolitan Council also receives a dedicated portion of the State's Motor Vehicle Sales Tax (MVST) to support transit operations in the metropolitan region. While this continues to be the largest revenue source for transit operations, MVST receipts have consistently performed below forecast. The underperformance of MVST has been partially offset by fare increases implemented in October, 2008. The November, 2008 forecast projects \$286.6 million in Met Council MVST receipts for the FY 2010-11 biennium. This is a reduction of \$23.4 million from the February, 2008 forecast. In addition, a FY 2009 grant of \$30.783 million from the County Transportation Improvement Board will expire and will not be available to fund regional transit operations in FY 2010-11.

The metropolitan regional transit system is experiencing growing demands from ridership increases, the expansion of bus rapid transit services, and the planned start up of Northstar Rail operations. In order to maintain essential services, one-time solutions will be used to meet immediate term pressures. Longer term, structural budget pressures may require other interventions such as service reductions and additional fare increases.

For the metropolitan regional park system, the Governor's recommendation consists of \$3.645 million per year of general funds and \$4.57 million per year of Lottery in Lieu of Sales Tax revenues. This represents a 10% reduction in General Fund base appropriations from the FY 2008-09 biennium. The Metropolitan Council distributes these appropriations to 10 regional park implementing agencies under a formula contained in MS 473.351. This funding supplements local property taxes and park user fees to finance the operations and maintenance of the Metropolitan Regional Park System.

It is also recommended that the Metropolitan Council receive an allocation of \$6.536 million in FY 2010 and \$13.642 million in FY 2011 from anticipated Clean Water, Wildlife, Cultural Heritage and Natural Areas Sales tax revenues. These funds will be used to further develop and support the Metropolitan Regional Park System. \$188,000 in FY 2010 and \$750,000 in FY 2011 is also recommended to be allocated from these revenues to fund the implementation of the metropolitan water supply plan. This will allow the Metropolitan Council to expand water supply assessment and planning activities for the metropolitan region.

We look forward to working with the legislature in the coming months.

Sincerely,



Peter Bell
Chair

Agency Purpose

The Metropolitan Council is a political subdivision of the state governed by a chairperson and 16 other council members, who represent equal-population districts. All council members are appointed by the governor. Council members' role is to provide a regional perspective and work toward a regional consensus on issues facing the metropolitan area.

The mission of the Metropolitan Council is to develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on transportation, wastewater, parks, and aviation systems that guide the efficient growth of the metropolitan area. The council operates transit and wastewater services and administers housing and other grant programs.

The council has jurisdiction in the seven-county metropolitan area comprising Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. The seven-county area is an economically stable region that is expected to grow by one million people, a half-million households and nearly 600,000 jobs between the year 2000 and 2030.

Core Functions

The Council's main functions are:

- ◆ providing a planning framework for regional growth and conducting long-range planning for regional transportation, wastewater, and parks systems;
- ◆ operating the regional transit system;
- ◆ operating and funding the regional wastewater system;
- ◆ coordinating system-wide planning and capital improvement funding for the regional parks system; and
- ◆ operating a regional housing and redevelopment authority that provides assistance to low-income families in the region.

Operations

The council is organized into staff divisions that focus on community development, the environment, and transportation, supported by administrative and service units.

The **Community Development Division** provides regional planning and local planning assistance to communities, and conducts research to support its planning functions. The division administers the Metropolitan Livable Communities Act, which provides grants to eligible communities to help them clean up polluted sites, expand housing choices, and develop projects that use land and infrastructure more efficiently. The division administers planning and grants for the regional park system. It also delivers rent assistance and provides affordable housing to low-income households through the Metropolitan Housing and Redevelopment Authority.

The **Environmental Services Division** maintains approximately 600 miles of regional sewers and treats an average of 255 million gallons of wastewater daily at eight regional treatment plants. The division maintains near-perfect compliance with clean water discharge permits, and in 2007, all eight treatment plants received awards for operations from the National Association of Clean Water Agencies. Wastewater services are fully fee funded, and the rates are well below the national average. In addition, the division works with approximately 800 industrial

At A Glance

Metropolitan Council Operations:

- ◆ 3,668 employees (FTE)
- ◆ \$701 million unified operating budget: \$482 million in operating expenditures, \$81 million pass-thru grants and loans and \$138 million debt service

Community Development Functions:

- ◆ Comprehensive plans reviewed for 190 metropolitan area communities
- ◆ \$16 million in Livable Communities grants
- ◆ Over 33 million visits a year to 53,000 acre regional park system
- ◆ 6,600 households receive rent assistance through the Metropolitan Housing and Redevelopment Authority

Transportation Functions:

- ◆ 2,684 employees (FTE)
- ◆ \$346 million operating budget
- ◆ \$177.5 million FY 2008-09 biennial state general fund appropriation
- ◆ \$104 million annual projected motor vehicle sales tax (MVST) (\$125 with Suburban Transit Association Providers) in calendar year 2008
- ◆ Over 89 million rides in 2007

Environmental Services Functions:

- ◆ 695 employees (FTE)
- ◆ \$119 million operating budget
- ◆ Average of 255 million gallons of wastewater treated daily

clients in the metro area to reduce pollution and provide water resources and supply monitoring and analysis for the entire region.

The **Transportation Division** is responsible for providing transit services in the region. The division operates Metro Transit, the region's largest transit provider, with nearly 77 million bus rides in 2007. Metro Transit operates the Hiawatha Light Rail, which had over nine million rides in 2007, and is scheduled to begin NorthStar operations in the Fall of 2009. The division also provides Metro Mobility, the region's Americans with Disabilities paratransit service, and manages contracted regular route and dial-a-ride services. It also acts as a liaison with suburban transit authority providers and other regional transit services. The combined ridership for these services reached 89 million in 2007. The council's transit functions are funded by state general fund dollars, Motor Vehicle Sales Tax (MVST), federal revenue, and fares.

The council also serves as the federally designated Metropolitan Planning Organization and manages the allocation of federal transportation funds. In this role, the Transportation Division provides regional transportation planning including aviation, highway, and transit systems. Every four years it develops and updates the 20 - year regional transportation plan, and annually produces the federally required three- year Transportation Improvement Program (TIP) for the metropolitan area.

Key Goals

- ◆ Accommodate growth within the metropolitan area by working collaboratively with our partners.
- ◆ Maximize the effectiveness and value of regional services, infrastructure investments and incentives.
- ◆ Enhance transportation choices and improve the ability of Minnesotans to travel safely and efficiently throughout the region.
- ◆ Preserve vital natural areas and resources for future generations.

Key Measures

Acres of contaminated land cleaned up during the year measures the cooperative effort to return metropolitan area land to productive use. The Tax Base Revitalization Account provides grant funding to assist with the clean up of contaminated sites. Since 2001, in excess of 1,000 acres have been returned to productive use.

Tax Base Revitalization Account funding is also used to retain and create jobs in the metropolitan area. In 2006 and 2007, less than \$1,100 was invested for each job retained or created.

Passengers per revenue hour is a measure of how effective the transit system is at generating ridership for each hour of service that is invested. Increasing passengers per revenue hour reflects more effective use of regional transit service and facilities investments. Since 2004, there has been an increase of 10% to 34.8 passengers per revenue hour in 2007.

Peak-hour transit capacity, as measured in peak seat miles, reflects increased availability of transit service as an alternative to driving, and, by reducing the number of vehicles on the road, mitigates congestion, thereby reducing travel time and crash risk for all commuters. The peak-hour transit capacity has grown from 22.7 million miles in 2002 to 25.9 million miles in 2007.

Ridership for all transit providers in the region (Metro Transit, suburban providers, contracted regular route, community-based dial-a-ride, and ADA paratransit) is collected annually. The Transportation Policy Plan calls for increasing ridership to 145-150 million rides by 2030. To attain this goal, ridership must increase at an annual rate of 3%.

Wastewater operation and maintenance cost per capita measures the council's cost of providing service excluding non-wastewater functions and debt service. The cost per capita, in 2003 dollars, has been reduced over the last five years from \$38.65 in 2003 to \$35.24 in 2007.

The council achieved 99.9% compliance with Clean Water standards in 2007 and has 18 straight months of 100% compliance at all eight facilities through July 2008. Since 1995, the Council has achieved a 78% reduction in phosphorus discharge to area rivers through the implementation of various treatment and prevention methodologies.

Annual regional park visits have grown approximately 5% per year since 1987. Total visits are determined by sample counts and is one of three factors used to distribute State Appropriations to park implementing agencies for Regional Park System operations and maintenance.

Since 1974, over 23,000 acres have been added to the regional park system financed with grants to ten regional park implementing agencies. Funding is provided through state funds and Metropolitan Council issued bonds. The 2030 Regional Parks Policy Plan, adopted in 2005, proposes a total system acreage of 70,000 to serve the outdoor recreation needs of the region’s projected population in 2030 and beyond. Approximately 15,000 acres remains to be acquired.

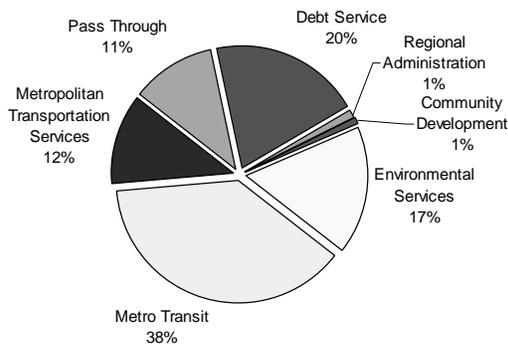
Additional information regarding key goals and measures of the Metropolitan Council can be found at www.departmentresults.state.mn.us

Budget

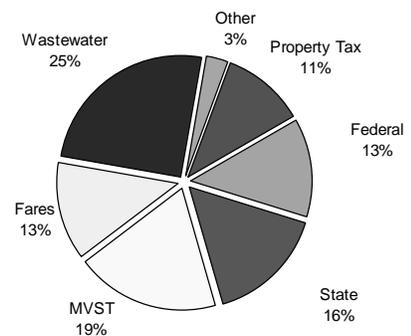
The Council adopts an annual budget for its operations. The \$701 million unified operating budget for calendar year 2008 is composed of three major categories: \$482 million of operating expenditures, \$81 million of pass-through grants and loans, and \$138 million of debt service expenditures. Organization staff includes 3,668 FTE.

Of the Council’s \$482 million of operating expenditures, \$346 million is for transportation, \$119 million is for wastewater treatment, and \$17 million is for planning and administration.

2008 Unified Operating Budget by Function



2008 Unified Operating Budget by Funding



Contact

Metropolitan Council
 390 Robert Street North
 Saint Paul, Minnesota 55101-1805

Peter Bell, Chair
 Phone: (651) 602-1453
 Fax: (651) 602-1358

Tom Weaver, Regional Administrator
 Phone: (651) 602-1723
 Fax: (651) 602-1358

Home Page: <http://www.metrocouncil.org>

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us/>.

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,500 | 0 | 0 | 0 | 0 |
| Recommended | 2,500 | 0 | 0 | 0 | 0 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -100% |
| General | | | | | |
| Current Appropriation | 102,803 | 82,567 | 82,567 | 82,567 | 165,134 |
| Recommended | 102,803 | 82,567 | 82,262 | 82,262 | 164,524 |
| Change | | 0 | (305) | (305) | (610) |
| % Biennial Change from 2008-09 | | | | | -11.2% |
| Natural Resources | | | | | |
| Current Appropriation | 4,570 | 4,870 | 4,870 | 4,870 | 9,740 |
| Recommended | 4,570 | 4,870 | 4,570 | 4,570 | 9,140 |
| Change | | 0 | (300) | (300) | (600) |
| % Biennial Change from 2008-09 | | | | | -3.2% |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Recommended | 0 | 0 | 188 | 750 | 938 |
| Change | | 0 | 188 | 750 | 938 |
| % Biennial Change from 2008-09 | | | | | n.m. |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Recommended | 0 | 0 | 6,536 | 13,642 | 20,178 |
| Change | | 0 | 6,536 | 13,642 | 20,178 |
| % Biennial Change from 2008-09 | | | | | n.m. |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 1,653 | 847 | 0 | 0 | 0 |
| General | 102,803 | 82,567 | 82,262 | 82,262 | 164,524 |
| Natural Resources | 4,570 | 5,170 | 4,570 | 4,570 | 9,140 |
| Clean Water Fund | 0 | 0 | 188 | 750 | 938 |
| Parks And Trails Fund | 0 | 0 | 6,536 | 13,642 | 20,178 |
| Statutory Appropriations | | | | | |
| Transit Assistance | 123,048 | 112,499 | 127,680 | 158,997 | 286,677 |
| Total | 232,074 | 201,083 | 221,236 | 260,221 | 481,457 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 0 | 0 | 188 | 750 | 938 |
| Local Assistance | 232,074 | 201,083 | 221,048 | 259,471 | 480,519 |
| Total | 232,074 | 201,083 | 221,236 | 260,221 | 481,457 |
| <u>Expenditures by Program</u> | | | | | |
| Transit | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |
| Rail | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Parks | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |
| Water | 0 | 0 | 188 | 750 | 938 |
| Total | 232,074 | 201,083 | 221,236 | 260,221 | 481,457 |

| <i>Dollars in Thousands</i> | | | | |
|--|---------|--------------------|---------|----------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| <i>Fund: ENVIRONMENT & NATURAL RESOURCE</i> | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Total Governor's Recommendations | 0 | 0 | 0 | 0 |
| <i>Fund: GENERAL</i> | | | | |
| FY 2009 Appropriations | 82,567 | 82,567 | 82,567 | 165,134 |
| Technical Adjustments | | | | |
| Current Law Base Change | | 300 | 300 | 600 |
| One-time Appropriations | | (200) | (200) | (400) |
| Subtotal - Forecast Base | 82,567 | 82,667 | 82,667 | 165,334 |
| Change Items | | | | |
| Metro Parks Reduction | 0 | (405) | (405) | (810) |
| Total Governor's Recommendations | 82,567 | 82,262 | 82,262 | 164,524 |
| <i>Fund: NATURAL RESOURCES</i> | | | | |
| FY 2009 Appropriations | 4,870 | 4,870 | 4,870 | 9,740 |
| Technical Adjustments | | | | |
| One-time Appropriations | | (300) | (300) | (600) |
| Subtotal - Forecast Base | 4,870 | 4,570 | 4,570 | 9,140 |
| Total Governor's Recommendations | 4,870 | 4,570 | 4,570 | 9,140 |
| <i>Fund: CLEAN WATER FUND</i> | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| Water Supply Planning | 0 | 188 | 750 | 938 |
| Total Governor's Recommendations | 0 | 188 | 750 | 938 |
| <i>Fund: PARKS AND TRAILS FUND</i> | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| Heritage Constitutional Amendment | 0 | 6,536 | 13,642 | 20,178 |
| Total Governor's Recommendations | 0 | 6,536 | 13,642 | 20,178 |
| <i>Fund: TRANSIT ASSISTANCE</i> | | | | |
| Planned Statutory Spending | 112,499 | 127,680 | 158,997 | 286,677 |
| Total Governor's Recommendations | 112,499 | 127,680 | 158,997 | 286,677 |

METROPOLITAN COUNCIL

Program: **PARKS**

Change Item: Heritage Constitutional Amendment

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|----------|----------|----------|
| Parks and Trails Fund | | | | |
| Expenditures | \$6,536 | \$13,642 | \$14,174 | \$14,782 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$6,536 | \$13,642 | \$14,174 | \$14,782 |

Recommendation

The Governor recommends an appropriation of \$6.536 million in FY 2010 and \$13.642 million in FY 2011 from the Clean Water, Wildlife, Cultural Heritage and Natural Areas sales tax revenues to the Metropolitan Council for Regional Parks and Trails operating, capital and development expenditures.

Background

The Metropolitan Council, with the advice of the Metropolitan Parks and Open Space Commission, plans for a regional parks and trail system which will reasonably meet the outdoor recreation needs of the people of the metropolitan area. The Council finances the acquisition and development and rehabilitation of regional parks, facilities, park preserves, special recreation features and regional trails. The parks and trails are owned and operated by ten park implementing agencies (The city of St. Paul Parks and Recreation; Washington County Parks and Recreation; Dakota County Parks; Three Rivers Park District; Ramsey County Parks and Recreation; Scott County Parks; Minneapolis Park and Recreation Board; Bloomington Parks and Recreation; Anoka County Parks and Recreation; and Carver County Parks).

The regional park system plays an important role in protecting Minnesota's natural resources and providing recreational amenities. The system includes 49 regional parks and reserves, more than 170 miles of regional trails and six special recreation features with more than 33 million annual visits. The regional park system serves a metropolitan area of more than 2.6 million people in Dakota, Scott, Carver, Hennepin, Washington, Ramsey and Anoka counties. Between 2000 and 2030 the population of the metropolitan area is projected to grow by nearly one million people. To accommodate that growth, the Metropolitan Council's 2030 Regional Parks Policy Plan calls for expanding the regional park system from today's 53,000 acres to nearly 70,000 acres, and increasing the network of regional trails from 177 miles to 877 miles. The Parks Policy plan also has identified some of the region's "last best places" which include areas of significant natural resources that could provide high quality recreation opportunities. Although these areas may not be developed as parks until after 2030, acquisition of the land is encouraged before such opportunities are lost.

These funds will be used for strategic long term investment and will supplement current sources of funding for the Metropolitan Regional Parks and Open Space System.

Relationship to Base Budget

The base budget for regional parks is \$4.05 million per year for each year of the biennium.

Key Goals and Measures

This funding will implement the Metropolitan Council's adopted *Regional Parks Policy Plan*. These funds will support the current parks system, and help develop 700 miles of new regional trails, and purchase and develop 17,000 acres of new regional park land.

Statutory Change: Not Applicable

METROPOLITAN COUNCIL

Program: **PARKS**

Change Item: **Metro Parks Reduction**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(405) | \$(405) | \$(405) | \$(405) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(405) | \$(405) | \$(405) | \$(405) |

Recommendation

The Governor recommends a reduction of \$405 in FY 2010 and \$405 in FY 2011 to the Metropolitan Council general fund budget for parks. The Governor intends that the Metropolitan Council should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The current financial situation facing the state of Minnesota requires a review of all programs and policies. In order for the Governor to have options for developing a balanced budget, reduction targets for each cabinet agency were established.

The state of Minnesota, through a combination of general fund appropriations and Lottery In Lieu Of Sales Tax Revenue, finances 8.96% of the total operating and maintenance budget of the Regional Park System. This recommendation will result in a reduction of 0.42% in the operating budgets of the Regional Park Agencies.

The amount each of the 10 regional park agencies receives from this appropriation is based on the distribution formula found in M.S. 473.351. The \$810,000 biennial reduction would cut the amount a park agency received in a range from \$2,000 to \$105,000 per year.

Relationship to Base Budget

Base general fund appropriations total \$8.1 million over the biennium. A reduction of \$810,000 represents a reduction of 10% from that revenue source. However, Lottery in Lieu of Sales Tax Revenue, which is statutorily dedicated for this purpose, would provide \$9.14 million over the biennium. The net general fund reduction represents a reduction of 4.64% when both funding sources are combined. The reduction in the general fund Appropriation will reduce budgets for routine maintenance of visitor facilities and natural resource management, and environmental education/recreation programming.

Key Goals and Measures

Key Goal effected: Maximize the effectiveness and value of regional services, infrastructure investments and incentives.

Measure: Annual regional park visits. Annual regional park visits, as determined by sample counts, have grown approximately 5% per year since 1987. Visitation may decline due to the effects of the reduced appropriation.

Alternatives Considered

None.

Statutory Change: Not Applicable.

METROPOLITAN COUNCIL

Program: WATER

Change Item: Water Supply Planning

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Clean Water Fund | | | | |
| Expenditures | \$188 | \$750 | \$800 | \$800 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$188 | \$750 | \$800 | \$800 |

Recommendation

The Governor recommends that \$938,000 be provided to the Metropolitan Council in the 2010 - 2011 biennium to implement the master water supply plan developed for the Twin City metropolitan area under M.S. 473.1565. Development of the master water supply plan was funded by the Metropolitan Council but no funding source was identified for ongoing planning. These funds will allow the Metropolitan Council to continue to collect information and evaluate water supply availability in areas identified by the plan as having uncertainty.

Background

The Twin Cities metropolitan region is fortunate to have abundant supplies of generally high-quality water. However, these supplies are not limitless and they are not always located where needed most. There have been instances where withdrawals have adversely impacted sensitive natural resources or other users. Groundwater or surface water contamination has led to limits on supplies or increased costs for treatment. In addition, there is a lack of sufficient information on the extent, capacity and vulnerability of groundwater systems, which has led to delays in the water supply decision-making process in the region. Many of these issues cut across community boundaries. Municipalities have a hard time making water system investment decisions that might be optimal regionally but cost more to their budgets. In 2005, the Minnesota state legislature recognized that as the region continues to grow, demands on supplies will continue to increase and a coordinated planning effort was necessary to ensure that resources are developed in a sustainable, efficient and informed manner.

The measure passed by the 2005 Minnesota State Legislature (M.S. 473.1565) directs the Metropolitan Council (Council) to "carry out planning activities addressing the water supply needs of the metropolitan area." Specifically, the Council was charged with developing a base of technical information for water supply planning decisions and to prepare a metropolitan regional master water supply plan. The legislature also established a Water Supply Advisory Committee to assist the Council in its planning activities, and directed the Council to submit regular reports to the legislature detailing progress. The legislature also authorized the Council to use \$2 million for these purposes (these one-time funds were originally proceeds from a Council solid waste bond; subsequent to its issuance the Council's responsibilities in solid waste were discontinued).

The results of a preliminary effort were outlined in the 2007 Report to the Legislature. Subsequent work has led to the completion of the Master Water Supply Plan in early 2009. The plan outlines water demand and availability throughout the region. It describes issues that must be addressed in order to sustainably supply projected demands. The current funding request will provide resources for the continued analysis of water supply availability within the metropolitan region and surrounding area. The aquifers used by the communities within the Twin Cities extend beyond the seven county area and therefore the analysis effort also extends beyond the region. The funding will be used to conduct geologic mapping, collect groundwater level and pump test information, evaluate various supply options and to update the regional groundwater model to identify acceptable sources of water that cities can develop to supply future growth and ensure supplies are available for future generations. This information will also be used by communities and other appropriators as well as the Minnesota Department of Health and Minnesota Department of Natural Resources to evaluate supply availability and potential adverse impacts. Without an ongoing water supply planning effort, cities would face greater uncertainty and thus expensive delays and additional costs trying to find water on their own. This coordinated effort will improve efficiency in aggregated governmental efforts related to water supply planning and in some cases may reduce overall costs (e.g. the city of Ramsey was able to plan for groundwater supply due to this effort as opposed to a more expensive river water).

Relationship to Base Budget

Currently there is no base appropriation for this activity.

Key Goals and Measures

This program is directly related to one of the four projects of the Governor's Clean Water Cabinet, Water Supply in the Twin Cities metropolitan region. It will meet the following project goals:

- ◆ propose an institutional framework for regional/sub-regional planning and coordination of drinking water supplies;
- ◆ identify and evaluate water supply options for the Metro area to ensure a sustainable source of drinking water.

M.S. 473.1565 requires, among other things, that the Council undertake the following water supply planning activities:

- ◆ Develop and maintain a base of *technical information*
- ◆ Develop and periodically update a *master water supply plan* that
- ◆ Provides guidance for local water supply systems and regional investments
- ◆ Emphasizes conservation, interjurisdictional cooperation and sustainability
- ◆ Addresses reliability, security and cost-effectiveness

The funding would be used to maintain the base of technical information developed in the past three years. It would also be used to collect information and conduct the analysis necessary for subsequent master plan updates. Funding would also be used to continue evaluating government roles and identifying opportunities for streamlining or efficiency improvements.

Past water use information will be used to project future demand. An assessment of water supplies available to each community will continue and be prioritized for areas with high projected demands and where some potential limitation on future withdrawal exists. As a result, tools and information will be available and up to date so that the assessment of proposed withdrawals can be conducted within three months, in most cases, preventing delays in growth.

Assessment of water availability when public water supply well plans are submitted to the Minnesota Department of Health will be conducted within three months when appropriate information is available.

Alternatives Considered

The alternative is to continue to evaluate projects on a case by case reactive basis.

Statutory Change: Related statutory changes may be included in the Council's Master Water Supply Plan. However, the financial request would not require a statutory change.

METROPOLITAN COUNCIL

Program: TRANSIT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|------------------|----------------|----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 93,453 | 73,324 | 73,324 | 73,324 | 146,648 |
| Subtotal - Forecast Base | 93,453 | 73,324 | 73,324 | 73,324 | 146,648 |
| Total | 93,453 | 73,324 | 73,324 | 73,324 | 146,648 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 93,453 | 73,324 | 73,324 | 73,324 | 146,648 |
| Statutory Appropriations | | | | | |
| Transit Assistance | 123,048 | 112,499 | 127,680 | 158,997 | 286,677 |
| Total | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |
| Total | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |
| <u>Expenditures by Activity</u> | | | | | |
| Met Council Transit | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |
| Total | 216,501 | 185,823 | 201,004 | 232,321 | 433,325 |

METROPOLITAN COUNCIL

Program: PARKS

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|---|---------------|--------------|------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,500 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 2,500 | 0 | 0 | 0 | 0 |
| Total | 2,500 | 0 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 4,050 | 3,950 | 3,950 | 3,950 | 7,900 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 300 | 300 | 600 |
| One-time Appropriations | | | (200) | (200) | (400) |
| Subtotal - Forecast Base | 4,050 | 3,950 | 4,050 | 4,050 | 8,100 |
| Governor's Recommendations | | | | | |
| Metro Parks Reduction | | 0 | (405) | (405) | (810) |
| Total | 4,050 | 3,950 | 3,645 | 3,645 | 7,290 |
| Natural Resources | | | | | |
| Current Appropriation | 4,570 | 4,870 | 4,870 | 4,870 | 9,740 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (300) | (300) | (600) |
| Subtotal - Forecast Base | 4,570 | 4,870 | 4,570 | 4,570 | 9,140 |
| Total | 4,570 | 4,870 | 4,570 | 4,570 | 9,140 |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Heritage Constitutional Amendment | | 0 | 6,536 | 13,642 | 20,178 |
| Total | 0 | 0 | 6,536 | 13,642 | 20,178 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 1,653 | 847 | 0 | 0 | 0 |
| General | 4,050 | 3,950 | 3,645 | 3,645 | 7,290 |
| Natural Resources | 4,570 | 5,170 | 4,570 | 4,570 | 9,140 |
| Parks And Trails Fund | 0 | 0 | 6,536 | 13,642 | 20,178 |
| Total | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |
| Total | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |
| <u>Expenditures by Activity</u> | | | | | |
| Parks | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |
| Total | 10,273 | 9,967 | 14,751 | 21,857 | 36,608 |

METROPOLITAN COUNCIL

Program: RAIL

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Subtotal - Forecast Base | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Total | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Total | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Total | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| <u>Expenditures by Activity</u> | | | | | |
| Rail Operations | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |
| Total | 5,300 | 5,293 | 5,293 | 5,293 | 10,586 |

METROPOLITAN COUNCIL

Program: WATER

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------|----------|------------------|------------|------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Water Supply Planning | | 0 | 188 | 750 | 938 |
| Total | 0 | 0 | 188 | 750 | 938 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Clean Water Fund | 0 | 0 | 188 | 750 | 938 |
| Total | 0 | 0 | 188 | 750 | 938 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 0 | 0 | 188 | 750 | 938 |
| Total | 0 | 0 | 188 | 750 | 938 |
| <u>Expenditures by Activity</u> | | | | | |
| Water | 0 | 0 | 188 | 750 | 938 |
| Total | 0 | 0 | 188 | 750 | 938 |

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Taxes: | | | | | |
| Natural Resources | 4,889 | 4,870 | 4,870 | 4,870 | 9,740 |
| Transit Assistance | 123,048 | 112,499 | 127,680 | 158,997 | 286,677 |
| Total Dedicated Receipts | 127,937 | 117,369 | 132,550 | 163,867 | 296,417 |
| Agency Total Revenue | 127,937 | 117,369 | 132,550 | 163,867 | 296,417 |

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DEPARTMENT OF MILITARY AFFAIRS

MINNESOTA ARMY AND AIR NATIONAL GUARD

OFFICE OF THE ADJUTANT GENERAL

VETERANS SERVICE



STATE OF MINNESOTA

20 WEST 12TH STREET

ST. PAUL, MINNESOTA

January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, the nearly 14,000 members of the Minnesota Army and Air National Guard, and the department's 299 state employees, I am pleased to submit the Department of Military Affairs budget recommendation for fiscal years 2010 and 2011.

This budget consists of approximately \$195 million in federal funding, a request for \$40.65 million in direct appropriations and \$362,000 in open appropriations from the state's general fund, and over \$2 million in special revenue.

The Minnesota National Guard has never been busier accomplishing its federal, state, and local missions. We refer to this level of activity as the "New Normal" because we do not see any reduction in operations over the next several years. In response to this, the Minnesota National Guard is gaining great momentum establishing programs that provide training, education, and support to military members and their families during the difficult times leading up to, during, and returning from deployment. These programs need resources, both money and personnel, to be successful. This budget request helps to maintain that momentum.

The department has also made great strides over the last biennium in improving the quality and quantity of custodial services in our efforts to provide clean, safe, & functional facilities for training our National Guard members. This budget request allows us to continue with those improvements.

Another core activity of the department is related to the execution of a series of cooperative agreements with the federal government. The cooperative agreements require human resources support for the 260 department employees whose salaries are at least partially reimbursed by the federal government, purchasing and contracting services to execute the \$75 to \$125 million dollars in federal funds received annually for construction and repair of supported facilities, and accounting and budgeting services. This budget maintains those capabilities.

Finally, the proposed budget provides the resources necessary to continue our enlistment incentives programs for the soldiers and airmen of the Minnesota National Guard. These programs are crucial in maintaining the strength of the Minnesota National Guard – ensuring we have sufficient members to respond to the continuing war on terror and to any state emergency that might arise. Minnesota continues to lead the nation in recruiting. That would not be possible without the support of the governor, the legislature, and the citizens of the state who entrust us with those resources that we need to maintain that record of excellence. The department anticipates current funding for enlistment incentives will likely be sufficient for the next two years.

The Minnesota National Guard is extremely grateful to the Governor, the Legislature, and to the citizens of the State of Minnesota for their continuing support of the 14,000 members of the Army and Air National Guard and the important missions they are accomplishing both at home and around the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry W. Shellito".

Larry W. Shellito
Major General, MN Army National Guard
The Adjutant General

Agency Purpose

The Minnesota Department of Military Affairs (MNDMA), also known as the Minnesota National Guard, "is comprised of and includes the military forces of the state, the office of the adjutant general, all military reservations, military installations, armories, air bases, and facilities owned or controlled by the state for military purposes, and civilians employed by the state for the administration of the military department." (M.S. 190.05)

- ◆ *Federal Mission:* As a federal entity, military members of the Minnesota National Guard serve as a reserve force for the United States Army and Air Force. They are subject to be called to federal active duty for extended periods of time by the President.
- ◆ *State Mission:* As a state entity, the Minnesota National Guard provides support to local law enforcement agencies during natural disasters and other emergencies at the direction of the governor.
- ◆ *Community Mission:* The Minnesota National Guard is also involved in community support projects throughout the state. These projects give our soldiers a chance to "give back to the community."

Core Functions

The Department of Military Affairs provides the structure and resources to accomplish the four core programs that support the Minnesota National Guard:

- ◆ Maintenance of Training Facilities
- ◆ Enlistment Incentives
- ◆ Emergency Services
- ◆ General Support

Operations

The department's customer base is the 13,930 members of the Minnesota Army and Air National Guard, the directors and managers responsible for the execution of the federal-state cooperative agreements, and the citizens of the state and nation during emergencies. The Minnesota National Guard continues to be heavily engaged in world-wide missions. The National Guard is no longer a cold-war era, strategic reserve force, but rather it is an operational force being utilized daily in the war on terrorism. Since 9/11 and as of August 2008, the Minnesota National Guard has deployed 16,002 Army and Air Guard members.

The **Maintenance of Training Facilities Program** is responsible for maintaining the state's facilities used to train and house the members of the Minnesota National Guard and to protect the state's investment in facilities. Each Air National Guard Base also has a Civil Engineering function that is responsible for the maintenance of the federal facilities that are supported with state dollars.

The **Enlistment Incentives Program** is responsible for supporting and managing the department's enlistment incentives and tuition reimbursement programs. These programs provide incentives to the men and women who enlist and maintain their memberships in the Army and Air National Guard.

Emergency Services is managed by the Current Operations Division of the military staff. They provide the command and control services to the governor when the National Guard is activated in response to state emergencies.

At A Glance

- ◆ There are currently 13,930 military members of the Minnesota National Guard.
- ◆ The Department of Military Affairs manages over 4.6 million square feet in over 1,500 buildings:
 - ⇒ 2.15 million square feet of facilities within 1,397 buildings on 54,496 acres at Camp Ripley and Arden Hills;
 - ⇒ 694,000 square feet within 46 logistical support buildings at nine locations; and
 - ⇒ 1.85 million square feet in 62 National Guard Training and Community Centers (armories).
 - ⇒ During 2009, an additional 200,000 square feet of space will be added with the completion of the Cambridge Armed Forces Reserve Center and the St Cloud Aviation Support Facility.
- ◆ The agency annually supports over 3,300 National Guard men and women through its tuition reimbursement program.
- ◆ The Department has overseen 34,497 National Guard "man-days" in response to state emergencies since 2000.

General Support provides the general administrative, financial, accounting, budgeting, project management, strategic planning, and human resource support necessary for the operation of the department.

Budget

Of the department's total budget, 86% comes from the federal government through cooperative agreements for facilities construction and maintenance, telecommunications, security, firefighting, and the STARBASE educational program serving inner city school students. The state general fund accounts for 13%, and approximately 1% comes from other sources (local government, facility sales, housing operations, etc.).

Additionally, the Minnesota Department of Military Affairs is also responsible for approximately \$350 - \$400 million per year from the federal government. These funds come directly from the federal government, do not pass through the state treasury, and are paid to individuals and vendors for federal-related activities.

The department's staff includes 299 employees. Only 32 of these employees are 100% state-funded. The remainder are predominantly federally funded -- some at 100% and most others at 75% or 80%.

Contact

Department of Military Affairs
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20 West 12th Street
Saint Paul, Minnesota 55155

World Wide Web Home Page:
<http://www.minnesotanationalguard.org>

Major General Larry W. Shellito
The Adjutant General
Phone: (651) 268-8924
Fax: (651) 282-4541

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us/dma/>

*Special Note: The system generated label of **Recommended** on the following fiscal page is somewhat misleading. The \$40 annual reduction is a result of current law implementation (Laws 2008, Chapter 363, Article 9, Subd. 3) not a Governor's recommendation. In addition, the 3.7% biennial change reduction is a simple mathematical comparison of the current law forecast base for the FY 2010-11 biennium to the FY 2008-09 biennium appropriations which included number of one-time appropriations. The Governor is not recommending a reduction to this agency.*

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|---------------|----------------|------------------|---------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 20,823 | 19,414 | 19,414 | 19,414 | 38,828 |
| Recommended | 20,823 | 19,414 | 19,374 | 19,374 | 38,748 |
| Change | | 0 | (40) | (40) | (80) |
| % Biennial Change from 2008-09 | | | | | -3.7% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 18,382 | 23,195 | 20,799 | 19,851 | 40,650 |
| Open Appropriations | | | | | |
| General | 318 | 313 | 208 | 154 | 362 |
| Statutory Appropriations | | | | | |
| General | 37 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 832 | 1,567 | 1,347 | 1,347 | 2,694 |
| Federal | 65,806 | 75,441 | 75,599 | 75,855 | 151,454 |
| Total | 85,375 | 100,516 | 97,953 | 97,207 | 195,160 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 16,464 | 17,744 | 18,007 | 18,272 | 36,279 |
| Other Operating Expenses | 29,231 | 31,395 | 29,456 | 29,348 | 58,804 |
| Capital Outlay & Real Property | 28,079 | 37,995 | 38,170 | 38,170 | 76,340 |
| Payments To Individuals | 10,731 | 11,999 | 11,155 | 10,252 | 21,407 |
| Local Assistance | 870 | 1,383 | 1,165 | 1,165 | 2,330 |
| Total | 85,375 | 100,516 | 97,953 | 97,207 | 195,160 |
| <u>Expenditures by Program</u> | | | | | |
| Maint Training Facilities | 71,325 | 83,275 | 82,139 | 82,395 | 164,534 |
| General Support | 2,890 | 4,870 | 4,358 | 4,310 | 8,668 |
| Enlistment Incentives | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| Emergency Services | 318 | 313 | 208 | 154 | 362 |
| Total | 85,375 | 100,516 | 97,953 | 97,207 | 195,160 |
| <u>Full-Time Equivalent (FTE)</u> | | | | | |
| | 274.4 | 277.4 | 276.4 | 276.4 | |

Program Description

The purpose of the Maintenance of Training Facilities program is to protect the state's investment in state owned facilities; provide for operating costs of both state and federally supported facilities; and to provide the resources necessary to construct training facilities in partnership with the federal and local government.

Budget Activities

- ◆ Camp Ripley/Holman
- ◆ Armory Maintenance
- ◆ Air Base Maintenance – Twin Cities
- ◆ Air Base Maintenance – Duluth

MILITARY AFFAIRS DEPT

Program: MAINT TRAINING FACILITIES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------------|------------------|-------------------------|------------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 6,837 | 6,660 | 6,660 | 6,660 | 13,320 |
| Subtotal - Forecast Base | 6,837 | 6,660 | 6,660 | 6,660 | 13,320 |
| Total | 6,837 | 6,660 | 6,660 | 6,660 | 13,320 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 5,545 | 7,952 | 6,660 | 6,660 | 13,320 |
| Statutory Appropriations | | | | | |
| General | 37 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 552 | 647 | 645 | 645 | 1,290 |
| Federal | 65,191 | 74,676 | 74,834 | 75,090 | 149,924 |
| Total | 71,325 | 83,275 | 82,139 | 82,395 | 164,534 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 14,923 | 15,855 | 16,124 | 16,435 | 32,559 |
| Other Operating Expenses | 28,323 | 29,580 | 28,000 | 27,945 | 55,945 |
| Capital Outlay & Real Property | 28,079 | 37,840 | 38,015 | 38,015 | 76,030 |
| Total | 71,325 | 83,275 | 82,139 | 82,395 | 164,534 |
| <u>Expenditures by Activity</u> | | | | | |
| Camp Ripley/Holman | 27,784 | 26,590 | 26,818 | 27,118 | 53,936 |
| Armory Maintenance | 37,401 | 48,073 | 46,685 | 46,624 | 93,309 |
| Air Base Maint-Twin Cities | 1,964 | 3,343 | 3,361 | 3,371 | 6,732 |
| Air Base Maint-Duluth | 4,176 | 5,269 | 5,275 | 5,282 | 10,557 |
| Total | 71,325 | 83,275 | 82,139 | 82,395 | 164,534 |
| Full-Time Equivalent (FTE) | 254.8 | 254.6 | 254.6 | 254.6 | |

Activity Description

This activity provides for the daily operation, maintenance, and repair of training facilities located at Camp Ripley, Arden Hills, Holman Field in St. Paul, and various other logistical facilities located in nine other communities around the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. The Adjutant General may also, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state.

This activity also provides the structure for acceptance of significant federal funding for construction, environmental programs, range operations, and base security. Some special funds (dedicated revenue) pass through this activity for operational leases of Camp Ripley facilities.

Activity at a Glance

Training Sites – Camp Ripley and Arden Hills

- ◆ 54,496 acres
- ◆ 2.15 million square feet of facilities
- ◆ 1,397 buildings

Logistical Facilities

- ◆ 47 Structures
- ◆ 834,000 total square feet
- ◆ 112 acres
- ◆ \$91.6 million investment in facilities

Population Served

This activity primarily serves the 13,930 members of the Minnesota Army and Air National Guard, providing training, maintenance, and housing facilities. It also serves members of other active and reserve military components, military members from other nations, and state employees from the departments of Natural Resources (DNR) and Public Safety – Camp Ripley is the home for the State Patrol’s Rookie Camp and the DNR Enforcement Training. The Education Center is also used by many other state agencies for training.

Services Provided

This activity provides the state share required to pay for the operation, maintenance, and utility costs for a multitude of facilities. It also provides some of the staff required to construct and repair facilities throughout the state.

Historical Perspective

Since FY 2000, the Army National Guard has added 1,225 acres to our supported sites. This is predominantly the acquisition of additional training area space at Arden Hills. We have also added 140,000 square feet of state supported facilities. This is due to the replacement of the old Combined Support Maintenance Shop at Camp Ripley with a new, state-of-the-art facility.

An Army Aviation Support Facility is currently under construction in St. Cloud, Minnesota. This \$34 million, 140,000 square foot facility is a state-of-the-art helicopter maintenance facility that supports the Army National Guard’s helicopter fleet.

All these facilities support the training of soldiers and repair of equipment used by the Minnesota Army National Guard, which directly affects the readiness posture of the Army National Guard.

Key Program Goals

The key program goals for this activity are to support:

- ◆ Minnesota Milestones statewide goal that “Our Communities will be safe, friendly and caring” (<http://server.admin.state.mn.us/mm/goal.html>) and;
- ◆ Department of Military Affairs’ strategic goal of “Preparing units for mission readiness”. Without training areas that are supported under this activity, the Minnesota National Guard would be unable to meet the objectives of this strategic goal. See Department Results for this goal at http://www.departmentresults.state.mn.us/dma/DeptDetail.htm#Prepare_units_for_mission_readiness.

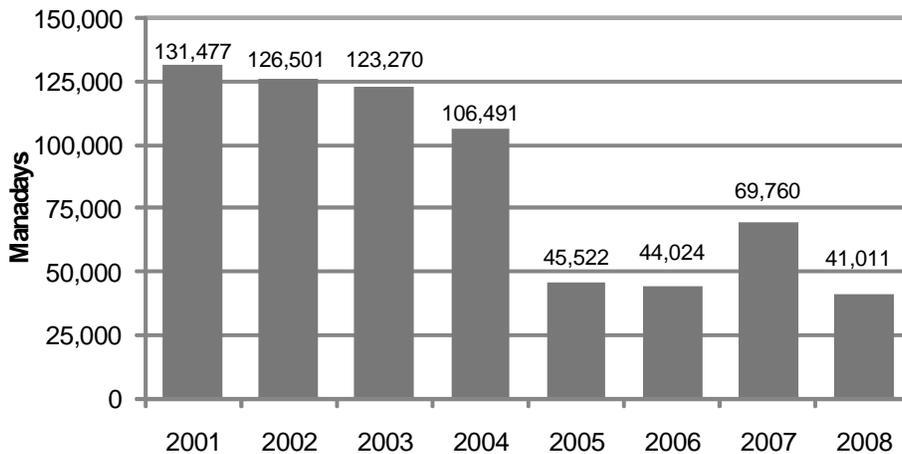
Key Measures

We expect the state funds to be used efficiently to support the federal and state missions of the National Guard. We also expect a high standard of facility maintenance so that employees and military members can focus on accomplishing their work and so we can provide facilities for civilian use when not required for military use.

A pertinent measure is civilian use of the National Guard Training Facilities at Camp Ripley. Our ability to expand the use of facilities at Camp Ripley to state government, community agencies, schools, and civic organizations, reduces the need to build similar facilities in other locations, showcases the outstanding training and educational facilities, and provides another opportunity for the Minnesota National Guard to give back to the citizens of the state.

Civilian usage of Camp Ripley began to decline with increased security on the post. Official government training has also declined as budgets at all levels of government have been reduced; funds available for training have been severely restricted. As of 2005, we no longer track the numbers of visitors. We are now tracking only officially recognized training events.

Camp Ripley Cilivian Use



Most of the facilities at Camp Ripley are supported 100% with federal funds. However, some square footage is predominantly used by the state and some support activities must be paid for by the state. The state's portion receives a direct appropriation from the general fund. Some special funds are also generated through the use of Camp Ripley.

Contact

For further information on this activity, contact:

Facilities Management Office

15000 Highway 15

Little Falls, Minnesota 56345-4173

Phone (320) 632-7314.

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: CAMP RIPLEY/HOLMAN

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 842 | 827 | 854 | 902 | 1,756 |
| Statutory Appropriations | | | | | |
| General | 37 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 531 | 607 | 605 | 605 | 1,210 |
| Federal | 26,374 | 25,156 | 25,359 | 25,611 | 50,970 |
| Total | 27,784 | 26,590 | 26,818 | 27,118 | 53,936 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 8,983 | 9,340 | 9,583 | 9,868 | 19,451 |
| Other Operating Expenses | 18,712 | 17,235 | 17,220 | 17,235 | 34,455 |
| Capital Outlay & Real Property | 89 | 15 | 15 | 15 | 30 |
| Total | 27,784 | 26,590 | 26,818 | 27,118 | 53,936 |
| Full-Time Equivalents (FTE) | 144.3 | 148.5 | 148.5 | 148.5 | |

Activity Description

This activity provides the funding for the daily operation, maintenance, and repair of armories located throughout the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. It also provides the structure for receipt of federal funds for construction, cooperative agreement funding for federal and community use of facilities, and federal funding for telecommunications costs.

Activity at a Glance

- ◆ 62 facilities;
- ◆ 1.85 million square feet of building space;
- ◆ 325 acres of supporting property; and
- ◆ \$249.4 million of investment in facilities.

Population Served

The population served by this program is the Army National Guard soldiers, employees of the department, and to some extent, citizens of the communities where National Guard facilities are located.

Services Provided

Under this program, Military Affairs operates and maintains 62 National Guard Training and Community Centers (armories). One armory at Camp Ripley was recently converted to a soldier processing center to support mobilization of Minnesota Guard members.

This activity provides funding for utilities, maintenance and repair, and various inspections. It also provides funding for some essential facility maintenance equipment. We partner with local government in several locations to leverage resources to operate and maintain facilities.

These facilities provide space for administrative and logistical support and training for the 11,560 Army National Guard soldiers located in Minnesota, stationing and support of soldiers called to state active duty by the governor in response to emergencies, events and programs of government and community organizations, and individuals including the new Distance Learning programs. Armories also serve as emergency shelters during weather emergencies.

Historical Perspective

Due to budget constraints and loss of federally supported manning, the department closed 12 armories in 1991. Since that time, the National Guard's strength in Minnesota has increased significantly from a low of approximately 8,900 in 1991 to almost 11,560 to date. With the layoff of state-funded general maintenance workers in 1992, routine maintenance and upkeep of our armories is being accomplished in two ways: first, through contracting via local vendors to provide maintenance and repair services; and second, routine cleaning is being accomplished by the soldiers located in those facilities, adding to an ever-increasing workload in light of today's military operational requirements.

The National Guard has been called upon to perform a greater role in the defense of the nation and state since 9-11-2001. This has resulted in extremely high operations tempo in the military organizations throughout the state creating a greater burden on the facilities and personnel. Additionally, as we modernize our facilities, new systems are being put in place which requires more technical maintenance procedures and inspections, increasing the need for maintenance dollars. Two such examples are the installation of fire sprinkler systems which must be inspected/serviced on an annual basis and the installation of heating/cooling systems which, because of their complexity, require contracting for the necessary technical expertise.

Key Program Goals

The Armory Maintenance Activity supports the Department's strategic goals of:

- ◆ "Preparing units for mission readiness". Without training facilities that are supported under this activity, the Minnesota National Guard would be unable to meet the objectives of this strategic goal.
- ◆ "Be of value to our communities", specifically measured as the "Civilian usage of Training and Community Centers". See the department's results at (<http://www.departmentresults.state.mn.us/dma>)

MILITARY AFFAIRS DEPT

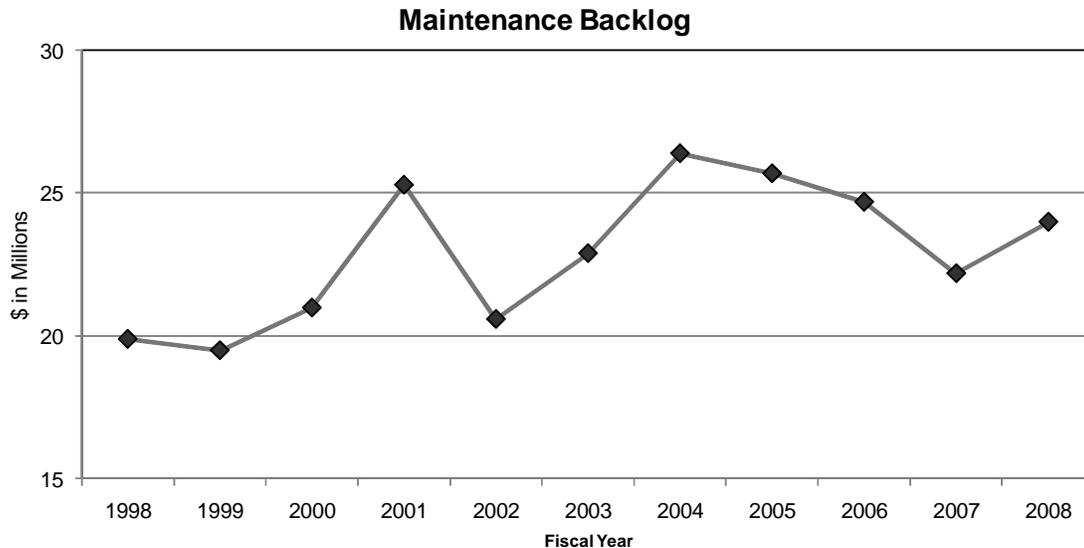
Program: MAINT TRAINING FACILITIES

Activity: ARMORY MAINTENANCE

Narrative

Key Measures

One of the measures of the effectiveness of our preventative maintenance program is the level of maintenance backlog. This measure is directly affected by the amount of money available for major repairs through the capital budget program, but an effective preventative maintenance program can prevent minor repairs becoming much more expensive major repairs. The following chart shows the actual backlog as measured on January 1 of each year. It has been difficult to attack the amount of backlog maintenance to aging facilities, reduced funding for major repairs, loss of custodial support, and increased facility use.



Activity Funding

The state is responsible for maintenance, operation, and upkeep of armory facilities. Some funds are received from the federal government where we share with or lease space to other military organizations, and some local funds are provided where we partner with local government in the operation, maintenance, and use of facilities. We also receive federal funds under cooperative agreements whereby the federal government provides 75% of the basic costs of facility construction. The federal government pays 100% of the telecommunications costs for these facilities.

The state received increased federal funding in FY 2002 and FY 2003 related to completion of the Training and Community center in Mankato and anticipated projects including the design of a maintenance facility in Arden Hills. In FY 2007 and 2008, federal funding was allocated to replace the rented armory facility in Cambridge and replace the current armory in Faribault. Construction is in progress and Cambridge is expected to be completed in the fall of 2008 and Faribault in January 2009. Since these facilities are being constructed jointly with the Army Reserve as Base Realignment and Closure projects, the basic buildings are being funded 100% by the federal government. Prior to FY 2002, some federal construction dollars were tracked under a different accounting structure.

Contact

For further information, contact:
Division of Public Works, Facilities Management Office,
15000 Highway 115
Little Falls, Minnesota 56345-4173.
Phone: (320) 616-3004

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: ARMORY MAINTENANCE

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 185 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 185 | 0 | 0 | 0 | 0 |
| Total | 185 | 0 | 0 | 0 | 0 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 3,848 | 6,124 | 4,780 | 4,715 | 9,495 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 21 | 40 | 40 | 40 | 80 |
| Federal | 33,532 | 41,909 | 41,865 | 41,869 | 83,734 |
| Total | 37,401 | 48,073 | 46,685 | 46,624 | 93,309 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 450 | 500 | 512 | 523 | 1,035 |
| Other Operating Expenses | 8,961 | 9,748 | 8,173 | 8,101 | 16,274 |
| Capital Outlay & Real Property | 27,990 | 37,825 | 38,000 | 38,000 | 76,000 |
| Total | 37,401 | 48,073 | 46,685 | 46,624 | 93,309 |
| Full-Time Equivalents (FTE) | 6.4 | 6.8 | 6.8 | 6.8 | |

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 133rd Airlift Wing, Minnesota Air National Guard base, located at the Minneapolis-St. Paul International Airport.

Population Served

This activity predominantly serves the 1,200 members of the 133rd Air Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the Wing is to command units ready for immediate support to accomplish federal and state requirements for the airlift of troops, cargo, and medical patients for state, national, or international emergencies.

Services Provided

The state partners with the federal government, to provide for facility operational costs, maintenance and repair costs, and base security and fire protection. Activities are regulated on the federal side and the budget and state human resource activities are monitored and approved by the state agency.

Key Program Goals

The Air Base Maintenance – Twin Cities activity supports the Department’s strategic goal of:

- ◆ “Preparing units for mission readiness”. Without training facilities that are supported under this activity, the Minnesota National Guard would be unable to meet the objectives of this strategic goal. See the department’s results at (<http://www.departmentresults.state.mn.us/dma>)

Historical Perspective

The 133rd Airlift Wing participated in several missions during the statewide snow removal operations and floods of 1997, providing snow removal and water pumping equipment and personnel, and airlifting equipment and sandbags to those areas hit by the flood.

In the spring of 2001, the wing also provided assistance statewide for flood response. The 133rd Airlift Wing activated hundreds of members to provide essential services to the residents of the state veteran’s homes during the October 2001 state employee strike. In 2005 the Wing assisted states impacted by Hurricanes Katrina and Rita, providing numerous personnel and equipment for airlift, medical, fire, security and services needs. Most recently the unit has been involved with Operation Jump Start providing assistance to the border patrol and local law enforcement agencies in Arizona and New Mexico and provided support following the collapse of the I-35 bridge in Minneapolis.

Since the 9-11-2001 crisis, the operational pace of the 133rd Airlift Wing has increased dramatically. In 2001 the Wing deployed aircraft and airmen to SW Asia in support of the initial efforts on the War on Terrorism. In 2003 the wing deployed 6 aircraft and over 700 airmen to 18 countries supporting Operations Enduring Freedom and Iraqi Freedom. The wing is currently providing in-theater airlift and ground support and is maintaining a heightened state of alert. To date, over 3,100 airmen from the 133rd have been deployed supporting the War on Terror.

Key Measures

Funding constraints on the federal side drive the state’s obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 25% match and acquire the federal funding. For the last four biennia, we have been able to provide 100% funding for this activity.

Activity at a Glance

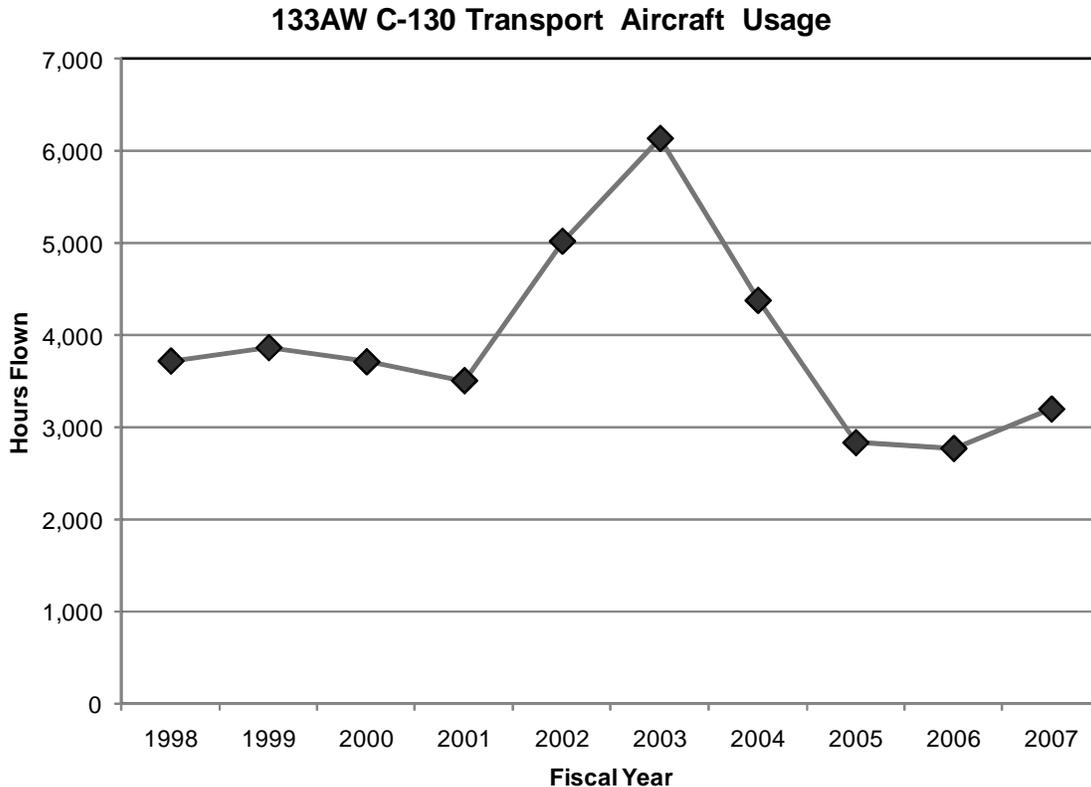
Facilities supported represent:

- ◆ 454,321 square feet;
- ◆ 39 buildings and 48 other facilities; on
- ◆ 125 acres.

These facilities support:

- ◆ Eight C-130H model transport airplanes
- ◆ 1300 air guard members.

Much of the federal funding is driven by the wing's flying hour program. As illustrated in the following chart, there was a substantial increase in flying hours in response to 9-11-2001 which have since decreased with more recent focus on Homeland Defense and Domestic Operations. Increased activities place a much greater strain on facilities.



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 75% of the costs for facility operations and maintenance (includes salaries for Civil Engineer facility maintenance state employees) and airfield lease costs. The state must provide the other 25%. The federal government also pays 100% of the costs of construction and facility repairs, base security and the operational costs for a C-130 regional flight simulator. Federal funding has increased since 9-11-2001.

Contact

For further information on this activity, contact:
Headquarters, Minnesota Air National Guard
Veterans Service Building
20 West 12th Street,
Saint Paul, Minnesota 55155-2098
Phone: (651) 268-8966.

You may also visit the 133rd's website at http://www.minnesotanationalguard.org/units/unit_template.php?unit=133HQ

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: AIR BASE MAINT-TWIN CITIES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 451 | 542 | 560 | 570 | 1,130 |
| Statutory Appropriations | | | | | |
| Federal | 1,513 | 2,801 | 2,801 | 2,801 | 5,602 |
| Total | 1,964 | 3,343 | 3,361 | 3,371 | 6,732 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,591 | 1,871 | 1,878 | 1,886 | 3,764 |
| Other Operating Expenses | 373 | 1,472 | 1,483 | 1,485 | 2,968 |
| Total | 1,964 | 3,343 | 3,361 | 3,371 | 6,732 |
| Full-Time Equivalent (FTE) | 30.4 | 33.0 | 33.0 | 33.0 | |

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 148th Fighter Wing, Minnesota Air National Guard base, located at the Duluth International Airport.

Population Served

This activity predominantly serves the 1,100 members of the 148th Fighter Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the 148th is to provide the nation with a wing of 15 F-16C model fighter aircraft, ready for immediate deployment for state, national, or international emergencies.

Activity at a Glance

Facilities supported represent:

- ◆ 463,246 square feet of facilities; in
- ◆ 61 separate structures.

That support:

- ◆ 1,100 Air National Guard members; and
- ◆ 15 F-16C fighter jets.

Services Provided

Through a series of cooperative agreements with the federal government, the state partners to provide for facility operational costs, maintenance and repair costs, and also base security and fire protection. Activities are regulated on the federal side, and the budget and state human resource activities are monitored and approved by the state agency.

Historical Perspective

The 148th Fighter Wing has participated in many federal missions to include Operations Iraqi Freedom, Enduring Freedom, Noble Eagle, and Jump Start. It also provided security, medical, aircraft refueling, fire support, services support, as well as vehicle maintenance technicians and heavy equipment operators for state active duty call-ups. Unit Explosive Ordnance Disposal (EOD) technicians also support the state and community providing invaluable expertise and responding to 28 local law enforcement requests in 2007. The 148th provides the sole crash, fire, and rescue services to the Duluth International Airports and their tenants on the airfield, responding to 250 airfield emergencies in 2007.

Since the 9-11-2001 crisis, the operational pace of the 148th Fighter Wing has increased dramatically. The wing is currently supporting a 24-hour Air Sovereignty Alert (Air Defense) mission from Duluth, and has simultaneously performed alerts in 2007 and 2008 in support of Air Force needs at Minneapolis, Shaw Air Force Base in South Carolina, Hickam Air Force Base in Hawaii, and Elmendorf Air Force Base in Alaska. Simultaneously, the 148th supported two large deployments of over 300 persons to Balad Air Base, Iraq in 2005 and 2007, and is preparing for its third deployment in 2008. The Wing has also supported multiple deployments throughout SE Asia.

Key Program Goals

The Air Base Maintenance – Duluth activity supports the Department’s strategic goal of:

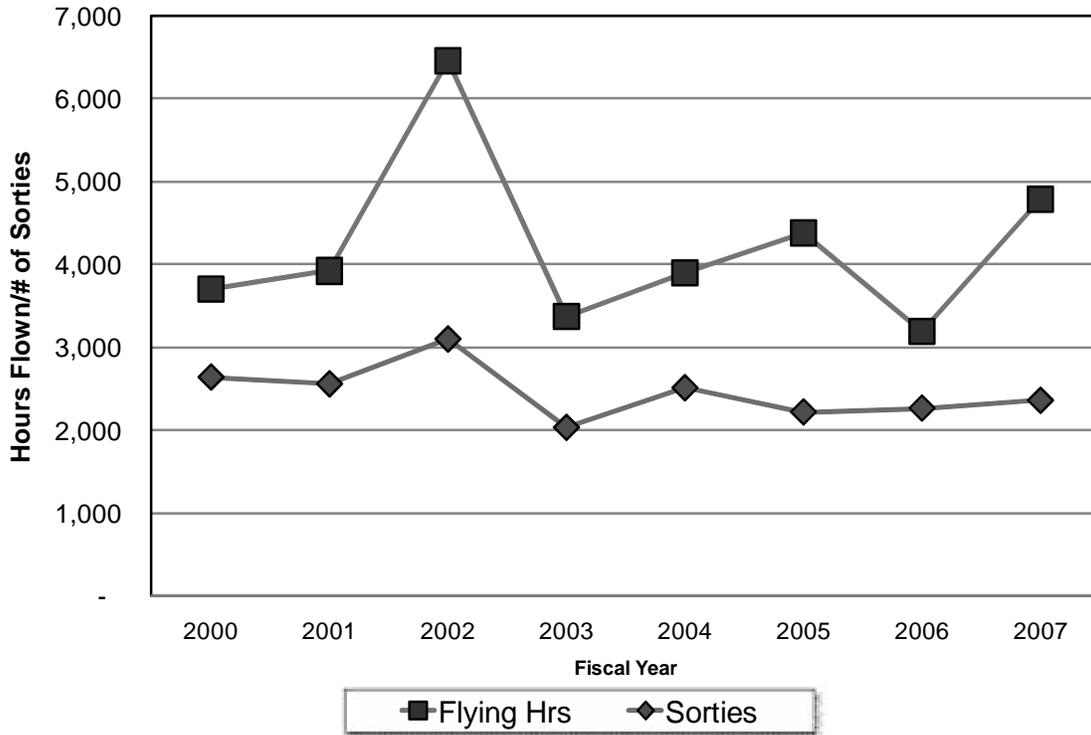
- ◆ “Preparing units for mission readiness”. Without training facilities that are supported under this activity, the Minnesota National Guard would be unable to meet the objectives of this strategic goal. See the department’s results at (<http://www.departmentresults.state.mn.us/dma>).

Key Measures

Funding constraints on the federal side drive the state’s obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 20% match and acquire the federal funding for the operation and maintenance of base facilities. For the last three biennia, we have been able to provide 100% funding for this activity.

The flying hour program and mission requirements drive much of the federal funding the agency receives. These activities put a strain on facilities due to much higher use.

F-16 Fighter Aircraft



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 80% of the costs for operations, maintenance, and airfield lease costs. The state must provide the other 20%. The federal government also pays 100% of the costs of a real property manager, base security, and airfield firefighting. Federal funding for security, firefighting, and operational costs have increased since 9-11-2001.

Contact

For further information on this activity, contact:
 Headquarters, Minnesota Air National Guard
 Veterans Service Building
 20 West 12th Street
 Saint Paul, Minnesota 55155-2098
 Phone: (651) 268-8966.

You may also visit the 148ths website at www.148fw.ang.af.mil

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: AIR BASE MAINT-DULUTH

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 404 | 459 | 466 | 473 | 939 |
| Statutory Appropriations | | | | | |
| Federal | 3,772 | 4,810 | 4,809 | 4,809 | 9,618 |
| Total | 4,176 | 5,269 | 5,275 | 5,282 | 10,557 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,899 | 4,144 | 4,151 | 4,158 | 8,309 |
| Other Operating Expenses | 277 | 1,125 | 1,124 | 1,124 | 2,248 |
| Total | 4,176 | 5,269 | 5,275 | 5,282 | 10,557 |
| Full-Time Equivalents (FTE) | 73.7 | 66.3 | 66.3 | 66.3 | |

Program Description

The purpose of the General Support program is to provide the leadership, administrative, and technical support for the department. It also provides the support for members of the National Guard called to State Active Duty by the governor. It includes the operating costs for the department headquarters in St. Paul including rent for the Veterans Service Building.

Budget Activities Included:

- ◆ Administrative Services
- ◆ Auxiliary Services
- ◆ STARBASE Minnesota

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|-----------------|-----------------|-------------------------|-----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 3,776 | 2,406 | 2,406 | 2,406 | 4,812 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (40) | (40) | (80) |
| Subtotal - Forecast Base | 3,776 | 2,406 | 2,366 | 2,366 | 4,732 |
| Total | 3,776 | 2,406 | 2,366 | 2,366 | 4,732 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,995 | 3,185 | 2,891 | 2,843 | 5,734 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 280 | 920 | 702 | 702 | 1,404 |
| Federal | 615 | 765 | 765 | 765 | 1,530 |
| Total | 2,890 | 4,870 | 4,358 | 4,310 | 8,668 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,289 | 1,630 | 1,655 | 1,610 | 3,265 |
| Other Operating Expenses | 731 | 1,642 | 1,353 | 1,350 | 2,703 |
| Capital Outlay & Real Property | 0 | 155 | 155 | 155 | 310 |
| Payments To Individuals | 0 | 60 | 30 | 30 | 60 |
| Local Assistance | 870 | 1,383 | 1,165 | 1,165 | 2,330 |
| Total | 2,890 | 4,870 | 4,358 | 4,310 | 8,668 |
| <u>Expenditures by Activity</u> | | | | | |
| Administrative Services | 2,020 | 3,232 | 2,938 | 2,890 | 5,828 |
| Auxiliary Services | 255 | 773 | 555 | 555 | 1,110 |
| Starbase Minnesota | 615 | 765 | 765 | 765 | 1,530 |
| Cr Timber Sales | 0 | 100 | 100 | 100 | 200 |
| Total | 2,890 | 4,870 | 4,358 | 4,310 | 8,668 |
| Full-Time Equivalents (FTE) | 17.6 | 20.8 | 19.8 | 19.8 | |

Activity Description

The Adjutant General is the military chief of staff to the governor and is the department head. The assistant Adjutant General, and other key members of his staff, are charged with policy development, management, supervision, and support of the Minnesota Army and Air National Guard. This activity provides the leadership, planning, technical, and administrative support for the state agency. It also provides the support for the separate grants and programs authorized by the legislature, such as the Support Our Troops funding.

Activity at a Glance

This activity provides support to:

- ◆ 299 state employees; and
- ◆ 13,930 members of the Minnesota National Guard.

Population Served

The administrative services activity provides support to the Adjutant General's staff, the department directors responsible for the cooperative agreements with the federal government, the state employees of the department, and, in times of state declared emergencies, the members of the Minnesota Army and Air National Guard called to state active duty.

Services Provided

Areas of policy guidance and support include:

- ◆ strategic planning;
- ◆ administration and training;
- ◆ facility maintenance and management;
- ◆ acquisition of funding for new construction;
- ◆ personnel and recruiting; and
- ◆ military operational readiness.

Some of the administrative and management services provided include:

- ◆ senior leadership and management;
- ◆ budget and accounting functions;
- ◆ fiscal management of the state/federal cooperative agreement;
- ◆ internal audit and management controls;
- ◆ payroll and logistical support to personnel called to state active duty;
- ◆ human resources support services for our 299 state employees; and
- ◆ processing payments for departmental operations.

Historical Perspective

The workload for this part of the agency has generally increased over the past few years, mostly in response to call-up of the Minnesota National Guard for state active duty and also due to increases in federal funding for specific programs. The Minnesota National Guard has never been more engaged in world-wide missions. The National Guard is no longer a cold-war era strategic reserve force, but rather it is an operational force being utilized daily in the war on terrorism. Increases in federal missions also increase the work load for the Adjutant General and his staff.

Key Program Goals

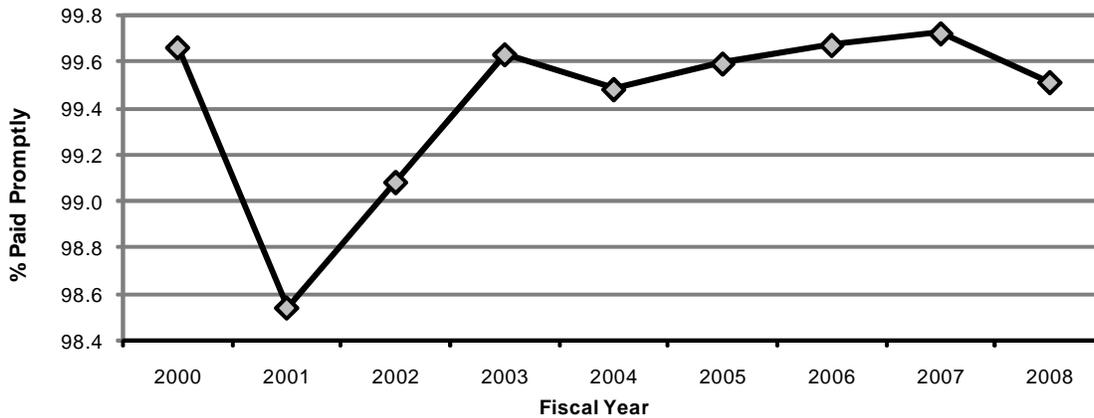
The Administrative Services activity supports the Minnesota Milestones statewide goal under Community and Democracy of "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them" – "Price of government" (<http://server.admin.state.mn.us/mm/goal.html>) in several ways, including:

- ◆ ensuring bills are paid promptly which makes sure that vendors are paid in a timely manner; and
- ◆ avoiding additional charges related to late payment penalties and interest.

Key Measures

One of the measures we use to evaluate our efficiency is the percentage of invoices that are paid promptly as defined by Minnesota statutes. If there is no early payment discount period, the invoice must be paid within 30 days following the receipt of the invoice, merchandise, or service, whichever is later. The data below shows that measure from FY 2000 through FY 2008. Factors that affect our performance include additional workloads caused by National Guard State Active duty callouts, increased federal funding, and employee absences.

Obligation Payment History



Activity Funding

Funding for this activity is predominantly state general fund. Some special revenue is recognized as part of an employee sharing agreement with the Minnesota State Armory Building Commission.

Contact

For further information, contact
Comptroller, Department of Military Affairs
20 West 12th Street
Saint Paul, Minnesota 55155-2098
Phone: (651) 268-8948

You may also visit the department's website at <http://www.minnesotanationalguard.org/>

MILITARY AFFAIRS DEPT
Program: GENERAL SUPPORT
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 3,601 | 2,406 | 2,406 | 2,406 | 4,812 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (40) | (40) | (80) |
| Subtotal - Forecast Base | 3,601 | 2,406 | 2,366 | 2,366 | 4,732 |
| Total | 3,601 | 2,406 | 2,366 | 2,366 | 4,732 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,995 | 3,185 | 2,891 | 2,843 | 5,734 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 25 | 47 | 47 | 47 | 94 |
| Total | 2,020 | 3,232 | 2,938 | 2,890 | 5,828 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,289 | 1,630 | 1,655 | 1,610 | 3,265 |
| Other Operating Expenses | 731 | 1,542 | 1,253 | 1,250 | 2,503 |
| Payments To Individuals | 0 | 60 | 30 | 30 | 60 |
| Total | 2,020 | 3,232 | 2,938 | 2,890 | 5,828 |
| Full-Time Equivalent (FTE) | 17.6 | 20.8 | 19.8 | 19.8 | |

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: AUXILIARY SERVICES

Narrative

Activity Description

This activity provides the accounting and budgeting structure for receipts of payments for sale of closed armories under the provisions of M.S. 193.36.

Activity at a Glance

Serves as "pass through" only for funds from sale of closed armories.

Population Served

The department and other local government entities.

Services Provided

This activity serves as a pass through for the receipt and dispersal of proceeds from the sale of closed armories.

Key Program Goals

This activity supports the broader goal of:

- ◆ Minnesota Milestones statewide goals Indicator 37: Price of government (<http://server.admin.state.mn.us/mm/goal.html>) by using the funds generated from the sale of excess facilities to help pay for new facilities and providing an alternative source of funding for maintenance and repair of department facilities. Both of these help avoid state expenditures.

Key Measures

There are no measures associated with this activity. Occasionally, armories are replaced and the old facility is sold to help finance the construction of the new facility.

Activity Funding

FY 2001 revenue was from sale of unused parcels in Duluth and a contract for deed payment for the sale of the old Montevideo armory. FY 2002 revenue was from the final two contract-for-deed payments from the sale of the old Montevideo armory and the sale of an unused parcel in Dawson, Minnesota. FY 2003 revenue was from down-payment on a contract for deed from the old Long Prairie armory, and FY 2004 revenue was from sale of the old Mankato armory. Both of these facilities have been replaced and in accordance with state statute, the revenue will be used to defray the costs of the replacement facilities.

Contact

Comptroller, Department of Military Affairs
20 West 12th Street
Saint Paul, Minnesota 55155
Phone: (651) 268-8948

Additional information may also be accessed at the department's website at www.dma.state.mn.us.

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT
 Activity: AUXILIARY SERVICES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|--------------------|------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 255 | 773 | 555 | 555 | 1,110 |
| Total | 255 | 773 | 555 | 555 | 1,110 |
| <u>Expenditures by Category</u> | | | | | |
| Capital Outlay & Real Property | 0 | 155 | 155 | 155 | 310 |
| Local Assistance | 255 | 618 | 400 | 400 | 800 |
| Total | 255 | 773 | 555 | 555 | 1,110 |

Activity Description

STARBASE Minnesota's purpose is to increase the knowledge and skills of inner city youth in science, mathematics, and technology using an aerospace environment to motivate and inspire students. This activity exists to provide a "pass through" for federal funding for the STARBASE program.

Population Served

Each year, STARBASE serves over 3,000 inner city youth primarily from Minneapolis and St. Paul inner city schools.

Services Provided

The goal of STARBASE is to increase the knowledge, skills, and interests of inner city youth in science, mathematics, technology and engineering through aerospace. By providing a mix of hands-on, real world learning activities, and scientific experimentation and exploration, students are inspired to learn from unique educational experiences rarely found in traditional classroom settings. STARBASE provides educational services to fourth-sixth, grade students throughout the school year and summer through 20-hour, standards-based programs. Pre and post assessments measure student gains in knowledge, skills, and attitudes in science, math, and technology and in their awareness of careers.

Historical Perspective

The STARBASE program began in 1993. The interest in STARBASE and demand for the program has created a waiting list of schools who would like to attend. STARBASE has steadily expanded its programs and services over the past 15 years, educating nearly 30,000 students to date (September 2008).

Key Program Goals

The key program goals for STARBASE Minnesota directly support:

- ◆ Minnesota Milestones statewide goal that: *Minnesotans will excel in basic and challenging academic skills and knowledge.*
- ◆ Minnesota goals in STEM (Science, Technology, Engineering, Mathematics) education.
- ◆ K-12 Minnesota Academic Standards

Key Measures

STARBASE utilizes a multi-pronged assessment and evaluation process in order to measure effectiveness of programs in meeting the STARBASE mission. FY 2007 results, the most recent full year results, are below. Numerous other reports are utilized to analyze data to identify gaps of understanding and to drive curriculum and instructional decisions.

- ◆ Students who participated in STARS 1 and STARS 2 demonstrated an average post test score of 68% (up from 41% and 43% on pre test).
- ◆ 89% of students responded that they desired to learn more math and science after STARBASE Minnesota.
- ◆ 51% of students reported an interest in a career discussed or observed at STARBASE.
- ◆ 97% of students responded that STARBASE made learning fun.
- ◆ 95% of students responded that they would like to come back to STARBASE.
- ◆ 97% of the teachers who participated in the program reported gains in their own knowledge, skills, and approaches to teaching and learning.
- ◆ 89% of the teachers who participated in the programs rated STARBASE excellent, 11% very good.

Activity Funding

Funding for this activity to date has been 100% federal.

Activity at a Glance

STARBASE Minnesota is an accredited educational program providing;

- ◆ 20-hour science, math, technology engineering programs in an aerospace environment.
- ◆ Over 3,000 students served annually

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: STARBASE MINNESOTA

Narrative

Contact

For further information about STARBASE, contact:

Executive Director, STARBASE Minnesota

659 Mustang Avenue

Saint Paul, Minnesota 55111-4128

Phone: (612) 713-2530

You may also visit the organization's website at <http://www.starbasemn.org>.

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT
 Activity: STARBASE MINNESOTA

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|--------------------|------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Federal | 615 | 765 | 765 | 765 | 1,530 |
| Total | 615 | 765 | 765 | 765 | 1,530 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 615 | 765 | 765 | 765 | 1,530 |
| Total | 615 | 765 | 765 | 765 | 1,530 |

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT
 Activity: CR TIMBER SALES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------|------------|--------------------|------------|------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 0 | 100 | 100 | 100 | 200 |
| Total | 0 | 100 | 100 | 100 | 200 |
| <u>Expenditures by Category</u> | | | | | |
| Other Operating Expenses | 0 | 100 | 100 | 100 | 200 |
| Total | 0 | 100 | 100 | 100 | 200 |

MILITARY AFFAIRS DEPT
 Program: EMERGENCY SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|------------------|------------|------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Open Appropriations | | | | | |
| General | 318 | 313 | 208 | 154 | 362 |
| Total | 318 | 313 | 208 | 154 | 362 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 142 | 140 | 105 | 101 | 206 |
| Other Operating Expenses | 176 | 173 | 103 | 53 | 156 |
| Total | 318 | 313 | 208 | 154 | 362 |
| <u>Expenditures by Activity</u> | | | | | |
| Emergency Services | 318 | 313 | 208 | 154 | 362 |
| Total | 318 | 313 | 208 | 154 | 362 |

Program Description

Incentives for Minnesota citizens to join and remain in the National Guard are authorized by M.S. 192.501, enacted by the legislature in 1989 and amended by the legislature five times, most recently in 2008.

Population Served

This activity provides the funding for the state's enlistment incentives program for 13,930 members of the Minnesota Army and Air National Guard.

Program at a Glance

This program provides enlistment incentives used in FY 2008 by:

- ◆ 3328 (24%) of Minnesota National Guard Members.

Services Provided

The **Tuition Reimbursement** program has not only helped the Minnesota Army and Air National Guard enlist and retain members, it has provided educational opportunities to many members who may not otherwise be financially able to attend school. National Guard members must be prepared to perform a military mission if called, but more practically, they add more value to their state and community if they pursue post secondary education. Tuition reimbursement is not guaranteed and soldiers and airmen must attain a minimum grade of C in their course(s) in order to receive reimbursement.

The **Extended Tuition Reimbursement** program started in FY 2006 as a way for soldiers and airmen who have been ordered to active federal service to utilize their tuition reimbursement benefit after satisfactorily completing their service contracts. The additional time for utilization of the program is meant to provide those service members that have been called to active service with additional time to complete their education. Tuition Reimbursement is available to these soldiers and airmen for two years, plus the time of federal service, after they separate from the Minnesota National Guard.

The **Spousal Tuition Reimbursement** program, authorized by the 2008 legislature, is intended to provide a meaningful benefit for those service members who have completed their education or who choose not to go to school. The spouse of a currently serving member may use any of the unused portion of the member's tuition reimbursement benefit. We are currently working on the database to be able to allocate and track tuition reimbursement requests for eligible spouses.

State Re-enlistment Bonuses are paid to members of the Minnesota National Guard that have between six and twelve years of service. The state offers up to a \$5,000 bonus for a six year extension of service. The bonus is paid in increments of \$1,000 a year until the maximum amount is reached. This incentive greatly aids in the retention of mid-career soldiers and airmen, keeping their valuable experience in service.

Commissioning Bonuses are also paid to some members. A commissioning bonus is designed to attract and encourage quality members of the Minnesota National Guard to become officers or warrant officers within the organization. The state offers a \$1,000 bonus to enlisted members receiving a commission through federal OCS (Officer Candidate School), state OCS, or Air Guard COTS (Commissioned Officer Training School).

Medic Recertification Bonuses, just recently authorized by the legislature, are paid to current members in the Minnesota National Guard who are currently serving in a Medical Duty position that requires Emergency Medical Training-Basic (EMT-B) certification. The incentive is designed to retain service members in the Medical Corps. The state offers a \$1,000.00 bonus to enlisted service members who have completed their biennial EMT-B certification and agree to serve two years in the Minnesota National Guard.

Historical Perspective

The keystone of the incentives program is the **tuition reimbursement** program. Beginning in FY 2006, tuition reimbursement began funding 100% of tuition costs up to the undergraduate rate at the University of Minnesota – Twin Cities Campus. Until FY 2006, funding levels varied from 50% to 80%. 100% funding is a great incentive for soldiers and airmen to join the Minnesota National Guard and further their education. The tuition reimbursement program allows the Minnesota National Guard to compete with neighboring states. The commitment made to

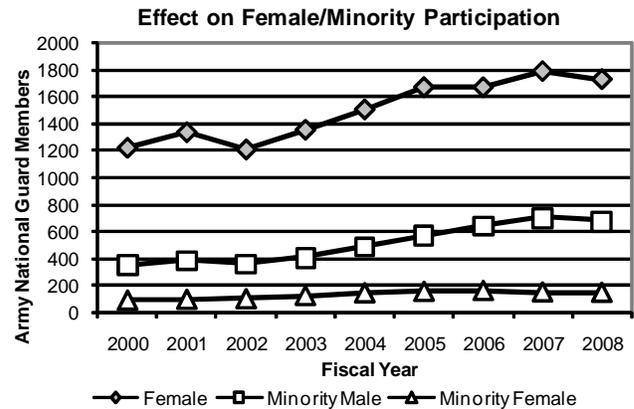
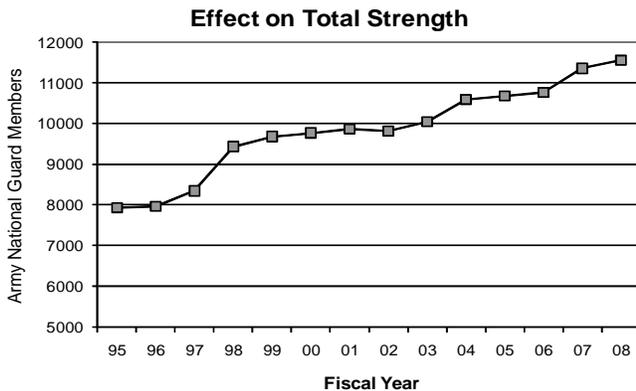
assist with higher education costs is a tangible measure of how the state of Minnesota strives to support the soldiers and airmen of the Minnesota National Guard.

Enlistment incentives are now more critical to our program than ever before. Minnesota National Guard members are being called to active service in numbers greater than any in recent history. These activations often place great strains on work and family life. Incentives are needed to encourage members to maintain their affiliation with the National Guard. We expect further tuition increases to have a potential to erode our ability to maintain 100% reimbursement. The University of Minnesota (whose rates the National Guard use to determine the benefit level) has announced 4.5% increases in tuition for both 2009 and 2010.

Key Program Goals

The Enlistment Incentives program directly supports the following:

- ◆ Minnesota Milestones Indicator number 43 – “Adults with college education” by providing opportunities for members who might otherwise not be able to afford college to attend and be reimbursed when they complete their coursework (<http://server.admin.state.mn.us/mm/goal.html>) and;
- ◆ Agency strategic goal of “Recruit and Retain” – the National Guard needs sufficient forces to accomplish its state and federal missions. See the department’s results at (<http://www.departmentresults.state.mn.us/dma>)



Key Program Measures

The state tuition reimbursement has proven effective in attracting women and minorities. The following tables show the increase in minority and female membership in the Army National Guard and total personnel strengths of the Army National Guard over the past five years. The numbers show a positive correlation between the incentives program and the recruitment and retention of members in general and of females and minorities in particular.

Program Funding

All of the funding for this program is provided from the state general fund. 84% of the funding is spent on tuition reimbursement, 15% on bonuses, and 1% on overhead costs – primarily salary.

Contact

For further information, contact:
 Incentive and Educational Services Officer
 Department of Military Affairs
 20 West 12th Street
 Saint Paul, Minnesota 55155-2098,
 Phone: (651) 268-8189

Additional information is also available at the department’s website at <http://www.minnesotanationalguard.org/>

MILITARY AFFAIRS DEPT
 Program: ENLISTMENT INCENTIVES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 10,210 | 10,348 | 10,348 | 10,348 | 20,696 |
| Subtotal - Forecast Base | 10,210 | 10,348 | 10,348 | 10,348 | 20,696 |
| Total | 10,210 | 10,348 | 10,348 | 10,348 | 20,696 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| Total | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 110 | 119 | 123 | 126 | 249 |
| Other Operating Expenses | 1 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 10,731 | 11,939 | 11,125 | 10,222 | 21,347 |
| Total | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| <u>Expenditures by Activity</u> | | | | | |
| Enlistment Incentives | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| Total | 10,842 | 12,058 | 11,248 | 10,348 | 21,596 |
| Full-Time Equivalentents (FTE) | 2.0 | 2.0 | 2.0 | 2.0 | |

MILITARY AFFAIRS DEPT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|---------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Sources: | | | | | |
| General | 2 | 2 | 2 | 2 | 4 |
| Total Non-Dedicated Receipts | 2 | 2 | 2 | 2 | 4 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Miscellaneous Special Revenue | 424 | 692 | 692 | 692 | 1,384 |
| Federal | 65,491 | 75,296 | 75,529 | 75,785 | 151,314 |
| Other Revenues: | | | | | |
| General | 37 | 0 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 0 | 255 | 255 | 255 | 510 |
| Federal | 125 | 70 | 70 | 70 | 140 |
| Other Sources: | | | | | |
| Miscellaneous Special Revenue | 153 | 0 | 0 | 0 | 0 |
| Total Dedicated Receipts | 66,230 | 76,313 | 76,546 | 76,802 | 153,348 |
| Agency Total Revenue | 66,232 | 76,315 | 76,548 | 76,804 | 153,352 |

Federal Funds Summary

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|--------------------------------------|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Armory Construction | 685 | SO | 16,000 | 15,200 | 6,740 | 0 |
| Logistical Facilities | None | SO | 1,300 | 0 | 33,800 | 0 |
| Air Base Duluth | 406 | SO | 3,737 | 3,800 | 3,820 | 3,850 |
| Air Base Minneapolis | 451 | SO | 1,395 | 1,400 | 1,420 | 1,430 |
| Camp Ripley Construction | None | SO | 0 | 930 | 22,330 | 0 |
| Camp Ripley Operations | 161 | SO | 19,861 | 20,000 | 21,000 | 22,500 |
| Armory Ops/Communications | 5,079 | SO | 3,380 | 3,500 | 3,550 | 3,600 |
| STARBASE | None | GCBO | 615 | 760 | 775 | 780 |
| Agency Total | 6,782 | | 46,228 | 45,590 | 93,435 | 32,160 |

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

| | PAGE |
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↻ Designates that this item is a change item

Agency Purpose

The Minnesota Historical Society (Society) was created by the Territorial Legislature in 1849 as one of the first educational and cultural institutions in Minnesota.

Today, the Society serves a statewide audience through programs and services at the History Center in the Capitol Complex in St. Paul and through a statewide network of historic sites and museums.

The Mission of the Society *is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past, and find purpose for the future.*

The *Mission* is carried out by:

- ◆ providing opportunities for people of all ages to learn about the history of Minnesota;
- ◆ collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and
- ◆ encouraging and doing research in Minnesota history.

The Society's *Vision* is to serve as an educational institution providing a variety of historical programs and services. Through these activities we help people gain meaning for their lives. The Society is a creative and dynamic institution, documenting life in Minnesota and offering programs that are at once educational, engaging, and entertaining.

The Society is governed by an Executive Council of 30 members who are responsible for establishing major policies and monitoring the quality of its programs and services.

Core Functions

The Society serves the citizens of Minnesota through a variety of programs and services. Major operations are as follows:

Historical Programs and Education Division,
Departments include:

- ◆ Historic Preservation, Field Services, and Grants
- ◆ Archaeology
- ◆ History Center Museum and Education
- ◆ Enterprise Technology and Business Development

Historic Sites and Museums Division

- ◆ 32 historic sites statewide
- ◆ Mill City Museum

At A Glance

Two-year operating budget:

- ◆ \$50.248 million in state general funds (FY 2008 – 09 appropriated)
- ◆ \$29.346 million in non-state funds including earned revenue, gifts, grants, etc. (FY 2006 – 07 estimated)

The Society serves, each year:

- ◆ Nearly one million visitors served at sites and museums including nearly 700,000 visitors served at historic sites
- ◆ Nearly 230,000 visitors served at History Center museum and library
- ◆ Nearly 270,000 school children on organized programs at sites and History Center
- ◆ Over 9.5 million “visitor sessions” on the Society’s web site, www.mnhs.org

This work is carried out by

- ◆ 181.9 full-time employees (FTE)
- ◆ 202.9 part-time and seasonal employees (FTE)

The Society preserves over one million items in collections, including three-dimensional objects, artifacts, books, maps, photos, government records, and archaeological artifacts for the benefit of Minnesotans of today and of the future.



Library, Publications and Collections Division, Departments include:

- ◆ Collections
- ◆ Reference
- ◆ State Archives
- ◆ Collections Management
- ◆ MHS Press

External Relations Division, Departments include:

- ◆ Marketing and Communications
- ◆ Government Relations
- ◆ Development

**Human Resources and Volunteer Services
Finance and Administration**

Budget

The Society is supported by state appropriations of approximately \$24.5 million each year, for ongoing operation of the History Center (including building services and debt service, for which approximately \$5.9 million each year is transferred to the Department of Administration), the Historic Sites Network and other activities (including State Archives), the History Center Museum, the History Center Library, the State Historic Preservation Office, and numerous other functions.

In addition, the Society is supported by non-state funds, including earned revenue, gifts, and grants.

Contact

Minnesota Historical Society
345 Kellogg Boulevard West
Saint Paul, Minnesota 55102-1906

General Information: (651) 259-3000

Nina Archabal, Director
Phone: (651) 259-3100
Fax (651) 296-1004

David Kelliher, Legislative Liaison
Phone (651) 259-3103
Fax (651) 296-1004
Email: david.kelliher@mnhs.org

Websites

Minnesota Historical Society Homepage:
www.mnhs.org

History Center information:
<http://www.mnhs.org/places/historycenter/index.html>

Library: Including catalogs, special databases, and genealogy information:
<http://www.mnhs.org/library/index.html>

Minnesota Place Names:
<http://mnplaces.mnhs.org/index.cfm>

Upcoming Events:
<http://www.mnhs.org/events/index.html>

Membership Information:
<http://www.mnhs.org/about/members/index.html>

Minnesota's Historic Sites Network
<http://www.mnhs.org/places/sites/index.html>

Educational Resources:
<http://www.mnhs.org/school/index.html>

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 26,819 | 24,429 | 24,429 | 24,429 | 48,858 |
| Recommended | 26,819 | 24,429 | 21,758 | 21,642 | 43,400 |
| Change | | 0 | (2,671) | (2,787) | (5,458) |
| % Biennial Change from 2008-09 | | | | | -15.3% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 26,155 | 25,004 | 21,758 | 21,642 | 43,400 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 969 | 940 | 940 | 940 | 1,880 |
| Federal | 356 | 356 | 356 | 356 | 712 |
| Gift | 16,789 | 16,818 | 16,818 | 16,818 | 33,636 |
| Total | 44,269 | 43,118 | 39,872 | 39,756 | 79,628 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 23,279 | 23,970 | 22,145 | 22,761 | 44,906 |
| Other Operating Expenses | 16,766 | 16,076 | 14,862 | 14,249 | 29,111 |
| Capital Outlay & Real Property | 268 | 183 | 167 | 151 | 318 |
| Local Assistance | 1,833 | 767 | 576 | 473 | 1,049 |
| Other Financial Transactions | 2,123 | 2,122 | 2,122 | 2,122 | 4,244 |
| Total | 44,269 | 43,118 | 39,872 | 39,756 | 79,628 |
| <u>Expenditures by Program</u> | | | | | |
| Education & Outreach | 28,783 | 28,097 | 25,941 | 25,931 | 51,872 |
| Preservation & Access | 14,974 | 14,850 | 13,687 | 13,679 | 27,366 |
| Fiscal Agents | 512 | 171 | 244 | 146 | 390 |
| Total | 44,269 | 43,118 | 39,872 | 39,756 | 79,628 |
| Full-Time Equivalents (FTE) | 383.2 | 384.8 | 332.3 | 330.1 | |

| | <i>Dollars in Thousands</i> | | | |
|--|-----------------------------|--------------------|---------------|---------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 24,429 | 24,429 | 24,429 | 48,858 |
| Technical Adjustments | | | | |
| Biennial Appropriations | | 116 | 0 | 116 |
| Subtotal - Forecast Base | 24,429 | 24,545 | 24,429 | 48,974 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (2,787) | (2,787) | (5,574) |
| Total Governor's Recommendations | 24,429 | 21,758 | 21,642 | 43,400 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 940 | 940 | 940 | 1,880 |
| Total Governor's Recommendations | 940 | 940 | 940 | 1,880 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 356 | 356 | 356 | 712 |
| Total Governor's Recommendations | 356 | 356 | 356 | 712 |
| Fund: GIFT | | | | |
| Planned Statutory Spending | 16,818 | 16,818 | 16,818 | 33,636 |
| Total Governor's Recommendations | 16,818 | 16,818 | 16,818 | 33,636 |

HISTORICAL SOCIETY

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(2,787) | \$(2,787) | \$(2,784) | \$(2,784) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(2,787) | \$(2,787) | \$(2,784) | \$(2,784) |

Recommendation

The Governor recommends a \$5.568 million base reduction in Minnesota Historical Society's general fund budget. This level of reduction may impact services and programs provided by the Historical Society; but the Governor intends that the Historical Society should focus its operating funds on maintaining its highest priority services. The Governor believes this level of reduction is necessary to deal with the current budget deficit. The Governor also recommends a \$6 thousand reduction in the Minnesota Historical Society's budget for FY 2010 and FY 2011. This reduction is recommended in order to offset an increase to the Department of Administration for its *in lieu of rent* appropriation.

Background

As the state's oldest educational organization, the Minnesota Historical Society provides public service to school groups, seniors, families and tourists through operations at historic sites, museums, the History Center Library, as well as through its award-winning website. Major operations of the Historical Society include: historical programs and education division, historic sites and museums division, library, publications and collections division, external relations division, human resources and volunteer services and finance and administration. Since the Society's operations, and therefore its budget, rely heavily on staffing, as well as fixed costs, such as utilities at historic sites and museums, a reduction in its state-funded budget could result in a lower level of service to these important user groups.

While the Society has made great strides in delivering a high quality history program to the public by supplementing state dollars with additional non-state funds in recent years, the availability of these funds will also be lessened in a challenging economy. For example, the Society expects that donations from individuals, corporations and foundations will be extremely difficult to attract for the next several years. Other funding sources, such as admissions revenues, book sales, etc. will also likely diminish due to economic stress on our principal audience, which is comprised of families, school children and seniors.

The *in lieu of rent* amount is appropriated to the Department of Administration each year from the general fund to pay for plant management costs associated with the office space in the State Office Building, the Capitol Building, the Governor's Residence, and in other ceremonial and statutorily free space. For the Historical Society, this space is located in the Capitol Building. While other agencies' lease rates paid to the Department of Administration have increased over time, there has been no comparable increase to the *in lieu of rent* appropriation since 2004. Allocations were made based upon the amount of square footage occupied by each unit. Please refer to the Governor's recommendation in the Department of Administration's budget for more detailed information about this change item.

Relationship to Base Budget

Assuming the general fund base for the FY 2010-2011 biennium is \$37.120 million, this proposal represents a 15% reduction in the Minnesota Historical Society's general fund budget.

For this budget reduction, fixed or "uncuttable" costs, specifically debt service costs and building service costs for the Minnesota History Center would not be subject to a cut under this budget. In FY2010 and FY2011, these fixed costs were \$5.925 million and \$5.929 million respectively. These costs were subtracted from the biennial base before the reduction amount was calculated.

For budgeting purposes, the reductions were allocated to three programs based on percentages provided by the Historical Society. These three programs included; education and outreach, preservation and access and fiscal agents.

Key Goals and Measures

As a result of reductions under this proposal, the following will be likely results: fewer school groups, families and seniors will have an opportunity to visit the state's historic sites, museums and libraries due to reduced open hours; fewer volunteers will be recruited, trained and managed; fewer collections items will be acquired, cataloged and made available to the public; fewer collections and program resources will be made available through the Society's award-winning website.

In recent years, the Society has taken steps to become more efficient with available dollars. For example, with the help of a recent investment in replacement heating, ventilation and air conditioning (HVAC) control systems, the Society has been able to reduce its energy usage at the Minnesota History Center by 21 percent, making the Society a leader in the Capitol area complex in a state government-wide energy conservation effort. In addition, through the use of technology, the Society has been able to make a greater amount of its collections available to a wider audience across the state. Specifically, in a collaborative effort with the MN Department of Health, family historians now have the ability to research birth and death records, one of the most highly valued and heavily used collections, much more efficiently with the help of an online searchable index.

The budget submitted for Historical Society seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the Historical Society's core functions.

Statutory Change: Not Applicable

Program Description

The Education and Outreach Program supports the Minnesota Historical Society’s mission by “providing opportunities for people of all ages to learn about the history of Minnesota.” This program includes:

- ◆ Historic sites and museums programs (including History Center and Mill City Museum)
- ◆ Educational programs, including school programs, museum programs, family programs, and public programs
- ◆ Exhibits at History Center and historic sites
- ◆ MHS Press
- ◆ State Historic Preservation Office and Field Services office
- ◆ Information Technology, Human Resources and Finance Departments (also partly included in Preservation and Access Program)
- ◆ History Center Building and Debt Service (also partly included in Preservation and Access Program)

Program at a Glance

The Minnesota Historical Society (MHS) serves the public through:

- ◆ 32 historic sites statewide
- ◆ History Center Museum program, including exhibitions, educational, and public programs
- ◆ 108 grants made in FY08, as well as technical assistance provided to local historical organizations to further statewide history efforts
- ◆ 30 books published by the MHS Press in FY 2008
- ◆ www.mnhs.org - the Society's web site, a comprehensive source of information about MHS Historic Sites and History Center programs and activities, including access to the Society's collections

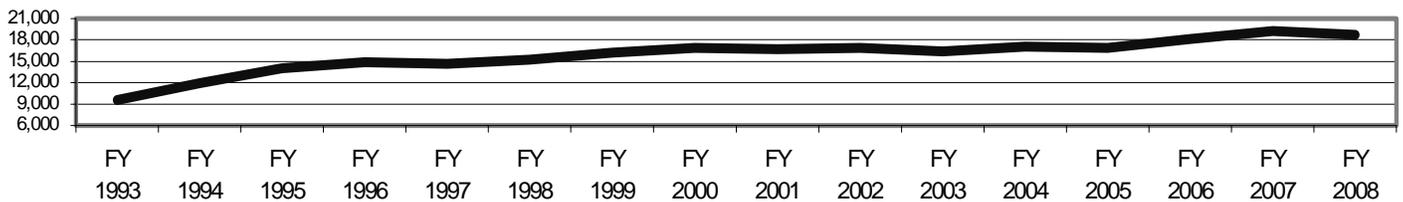
Population Served

Through this program, the Society serves, each year:

- ◆ Over 230,000 visitors to the History Center;
- ◆ Nearly 700,000 visitors served at historic sites and museums statewide; and
- ◆ Nearly 270,000 school children on organized programs at historic sites and museums.

Activities within this program serve visitors from Minnesota and beyond, providing an important component of Minnesota’s \$9 billion tourism sector.

Membership

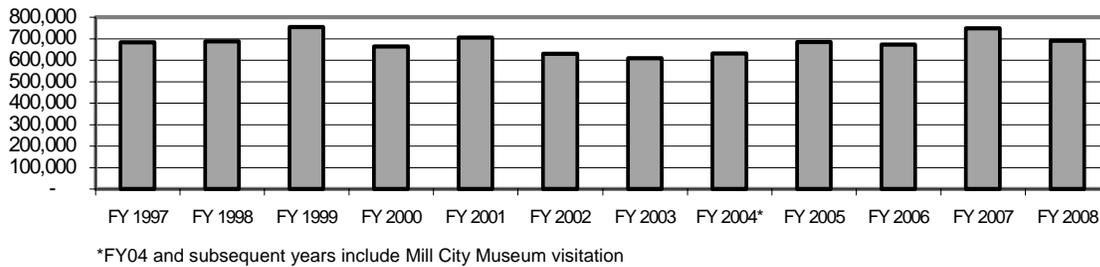


Services Provided

The Education and Outreach program provides the following services to the people of Minnesota:

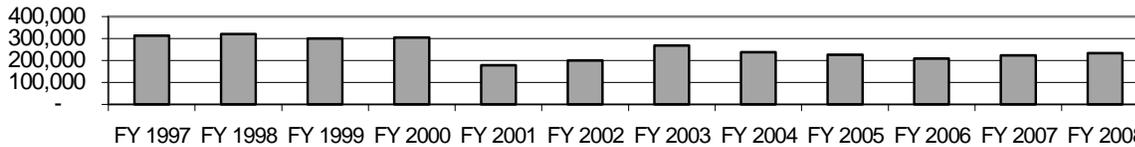
- ◆ *Historic Sites Network* - Minnesota’s statewide network of 32 historic sites was created in 1965 by the Minnesota Legislature under M.S. 138.661-669. By providing visitors with the unique experience of learning about history where it happened, the Network has added richness to the educational and recreational life of Minnesotans and out-of-state visitors, and is an important element of the state’s tourism economy. To provide this service to Minnesotans, the Society preserves 115 structures, many of which are over 100 years old.

Historic Sites Attendance



- ◆ *Exhibits and Museum Program* - Exhibits at the History Center and throughout the Historic Sites Network provide visitors with creative methods to learn about Minnesota’s past. Costumed guides, interactive multi-media installations, and “hands-on” artifacts tell Minnesota’s story in meaningful and memorable ways.

History Center Museum Attendance



- ◆ *Education* - As a central part of our mission, the Society provides public programs for students of all ages. They include lectures, programs geared to students in the classroom, those who visit the History Center and use exhibits as a learning tool, and those who visit historic sites on field trips. Many of these school visits are related to material in *Northern Lights*, the Minnesota history curriculum developed by the Society and widely used in the state’s schools.

One rapidly growing Society-coordinated educational program is History Day, which began with just over 100 participants in the early 1990s. Nearly 30,000 students now participate in this annual program, in which junior and senior high school students undertake original research projects, developing a variety of essential communications skills. In recent years, Minnesota students have taken numerous awards in the National History Day competition. It is expected that History Day will continue to grow, in part due to its applicability to meeting graduation standards.

- ◆ *Minnesota Historical Society Press* - The MHS Press, the oldest publisher in the state helps to fulfill the Society’s mission by providing materials for readers interested in Minnesota’s past. Through popular and scholarly titles, the MHS Press not only encourages research, but it also helps a wider audience learn about Minnesota history. The number of units shipped by the publications area (including books, tapes, CDs, posters) has shown steady increases each year over the past decade, with 30 books published in FY 2008.
- ◆ *Historic Preservation and Field Services* - The Society, as directed by state and federal law, serves as Minnesota’s State Historic Preservation Office (SHPO). This office maintains the *National Register of Historic Places* for properties in Minnesota, provides reviews for compliance with applicable federal laws, and educates the public about the values and benefits of maintaining cultural resources and the historic environment. In FY 2008, the SHPO conducted over 3,000 reviews of state and federal projects to ensure compliance with applicable laws. In addition, the office conducts reviews of applications for the various competitive, matching grant programs administered by the Society, and it helps to coordinate the Society’s contact with the state’s 450 county and local historical organizations. Through matching requirements, state funds are leveraged to accomplished projects with minimal state investment.
- ◆ *Information Technology* - The use of information technology has enhanced the Society’s ability to deliver programs and collections to the public. The Society’s web site (www.mnhs.org) is an active destination for

researchers and users of the History Center, historic sites, educational programs, and public events. In FY 2008, there were over 9.5 million “visitor sessions.” Among the top destinations on the Society’s web page were pages with information about death records, the National Register of Historic Places, the Historic Sites Network and specific sites, and other popular programs.

Contact

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Websites, relating to MHS and the Education and Outreach Program:

Minnesota Historical Society homepage: <http://www.mnhs.org>

Minnesota History Center General Information: <http://www.mnhs.org/places/historycenter/index.html>

Historic Sites Network (with links to specific sites): <http://www.mnhs.org/places/sites/index.html>

State Historic Preservation Office (with links to National Register of Historic Places, grants information):
<http://www.mnhs.org/preserve/shpo/index.html>

MHS Press: <http://www.mnhs.org/market/mhspress/index.html>

School and Educational Programs: <http://www.mnhs.org/school/index.html>

HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 15,787 | 13,862 | 13,862 | 13,862 | 27,724 |
| Subtotal - Forecast Base | 15,787 | 13,862 | 13,862 | 13,862 | 27,724 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (1,581) | (1,591) | (3,172) |
| Total | 15,787 | 13,862 | 12,281 | 12,271 | 24,552 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 15,123 | 14,437 | 12,281 | 12,271 | 24,552 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 969 | 940 | 940 | 940 | 1,880 |
| Federal | 356 | 356 | 356 | 356 | 712 |
| Gift | 12,335 | 12,364 | 12,364 | 12,364 | 24,728 |
| Total | 28,783 | 28,097 | 25,941 | 25,931 | 51,872 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 14,843 | 15,245 | 14,134 | 14,515 | 28,649 |
| Other Operating Expenses | 11,349 | 10,989 | 10,210 | 9,825 | 20,035 |
| Capital Outlay & Real Property | 85 | 83 | 81 | 80 | 161 |
| Local Assistance | 1,317 | 592 | 328 | 323 | 651 |
| Other Financial Transactions | 1,189 | 1,188 | 1,188 | 1,188 | 2,376 |
| Total | 28,783 | 28,097 | 25,941 | 25,931 | 51,872 |
| <u>Expenditures by Activity</u> | | | | | |
| Hist Sites, Mus, Statewide Sv | 24,719 | 23,947 | 21,541 | 21,531 | 43,072 |
| Information & Program Delivery | 1,009 | 1,083 | 1,083 | 1,083 | 2,166 |
| Hist Ctr Bldg & Debt Service | 3,055 | 3,067 | 3,317 | 3,317 | 6,634 |
| Total | 28,783 | 28,097 | 25,941 | 25,931 | 51,872 |
| Full-Time Equivalent (FTE) | 257.9 | 261.4 | 231.2 | 230.0 | |

Program Description

This program helps to fulfill the Minnesota Historical Society's (Society's) mission of "collecting and caring for materials that document human life in Minnesota, and making them known and accessible to people in Minnesota and beyond." Through a variety of public programs, the Society preserves paper, artifacts, and other media that document Minnesota history.

Population Served

In addition to acquiring, processing, and conserving collections, the Society annually serves the following number of customers through the Preservation and Access Program:

- ◆ Nearly 40,000 patrons served, including:
- ◆ 27,652 in person inquiries at the History Center Library
- ◆ 6,400 inquiries by telephone
- ◆ 3,000 inquiries by mail and email
- ◆ Over 3,000 served through classes
- ◆ In addition, the Society's website has experienced large increases in usage, especially as more collections-related information has been added to the website. In FY 2008, over 9.5 million "visitor sessions" occurred on www.mnhs.org. Among the more popular pages on the site are collections catalogs and specific resources, such as the Visual Resources Database and the Minnesota Death Records Database.

Program at a Glance

The Society currently holds for and makes accessible to the people of Minnesota:

- ◆ 415,054 books, pamphlets and periodicals
- ◆ 41,700 cubic feet of manuscripts and 6,000 reels of microfilmed manuscripts
- ◆ 60,000 cubic feet of government records and 12,000 reels of microfilmed records
- ◆ 21,327 maps and atlases
- ◆ 500,000 photographs, albums, and collections
- ◆ 6,100 works of art
- ◆ Over 1.5 million archaeological artifacts
- ◆ Four million issues of 4,000 Minnesota newspapers on 73,000 reels of microfilm
- ◆ Over 260,000 historical artifacts

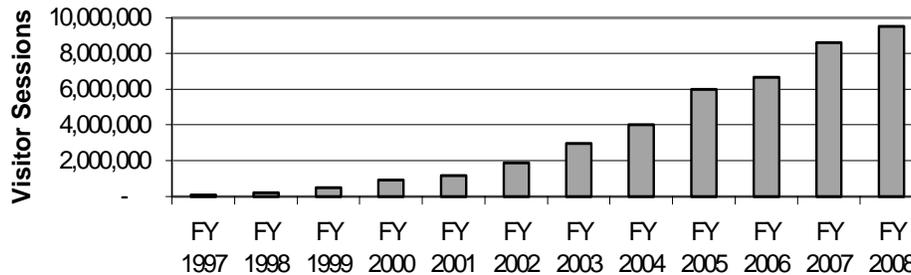
Services Provided

Through this program, the Society provides a number of services to the public to preserve and make collections available today and for future generations:

- ◆ *Library* -- The History Center Library makes accessible to nearly 40,000 patrons each year the written, visual, and oral history materials relating to Minnesota's past.
- ◆ *State Archives* -- The Minnesota Historical Society is statutorily responsible for working with state and local units of government to evaluate the historical importance of all of Minnesota's governmental records and arrange for their permanent preservation or disposal. This activity has experienced constant growth, and is continuing to examine how best to handle records that are increasingly more complex and varied in their form and media.
- ◆ *Processing and Conservation* -- Materials selected for inclusion in the Society's collections are organized, catalogued, and treated to ensure their long-term stability and usability.
- ◆ *Repair and Replacement* -- Since many of the Society's buildings are more than 100 years old; caring for them presents unique, and usually costly, challenges. This activity provides for ordinary but necessary repairs for structures in the History Center and in the Historic Sites Network.
- ◆ *Archaeology* -- The archaeology department provides help to the public and other departments of the Society. Recent work has included assistance with archaeological investigations at historic sites capital projects such as the Sibley Historic Site, the Lindbergh House Historic Site and the Mill City Museum in Minneapolis.
- ◆ *Information Technology* -- The use of information technology has enhanced the Society's ability to deliver programs and collections to the public. The Society's website (www.mnhs.org) is an active destination for researchers. In the last year, there were over 9.5 million "visitor sessions." To date, nearly 200,000 records including 127,000 digital images are available, including photographs, artwork, and posters from the Society's

collection. In addition, an online index of 1.7 million death certificates recorded between 1908 and 1959 was recently launched, and has become one of the most popular destinations on the website.

Web Site Users



Historical Perspective

A significant part of the Society’s mission involves the collection, conservation, and preservation of the state’s cultural heritage and governmental records. The Society started this undertaking in 1849, even before Minnesota became a state. Over the years, the Society has successfully adapted to changing technology, beginning with the introduction of microfilming methods in the mid-twentieth century. In recent years, the Society has begun to offer these resources to the public through the internet. While we will never “digitize” all of the collections, we have begun to offer catalog information about the collections to researchers and genealogists. (The death records collection is a good example of this.) Our continuing challenge is to determine the best ways to continue to collect and preserve these materials, while using the latest technology to deliver them to the public.

Contact

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Websites, relating to MHS and the Preservation and Access Program:

Minnesota Historical Society homepage: <http://www.mnhs.org>

Library: including catalogs, special databases and genealogy information: <http://www.mnhs.org/library/index.html>

PALS - Online catalog to MHS collections:
<http://www.pals.msus.edu/cgi-bin/pals-cgi?palsAction=newSearch&setWeb=MHSCATT>

Visual Resources Database (including photograph collections) <http://collections.mnhs.org/visualresources/>

Death Records Index site: <http://people.mnhs.org/dci/Search.cfm>

HISTORICAL SOCIETY

Program: PRESERVATION & ACCESS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|------------------|---------------|---------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 10,520 | 10,396 | 10,396 | 10,396 | 20,792 |
| Subtotal - Forecast Base | 10,520 | 10,396 | 10,396 | 10,396 | 20,792 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (1,163) | (1,171) | (2,334) |
| Total | 10,520 | 10,396 | 9,233 | 9,225 | 18,458 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 10,520 | 10,396 | 9,233 | 9,225 | 18,458 |
| Statutory Appropriations | | | | | |
| Gift | 4,454 | 4,454 | 4,454 | 4,454 | 8,908 |
| Total | 14,974 | 14,850 | 13,687 | 13,679 | 27,366 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 8,436 | 8,725 | 8,011 | 8,246 | 16,257 |
| Other Operating Expenses | 5,417 | 5,087 | 4,652 | 4,424 | 9,076 |
| Capital Outlay & Real Property | 183 | 100 | 86 | 71 | 157 |
| Local Assistance | 4 | 4 | 4 | 4 | 8 |
| Other Financial Transactions | 934 | 934 | 934 | 934 | 1,868 |
| Total | 14,974 | 14,850 | 13,687 | 13,679 | 27,366 |
| <u>Expenditures by Activity</u> | | | | | |
| Collection Services | 11,384 | 11,140 | 9,730 | 9,722 | 19,452 |
| Information & Program Delivery | 1,203 | 1,323 | 1,323 | 1,322 | 2,645 |
| Hist Ctr Bldg & Debt Service | 2,387 | 2,387 | 2,634 | 2,635 | 5,269 |
| Total | 14,974 | 14,850 | 13,687 | 13,679 | 27,366 |
| Full-Time Equivalent (FTE) | 125.3 | 123.4 | 101.1 | 100.1 | |

Minnesota International Center (MIC)

Established in 1953 as a nonprofit, nonpartisan organization, the MIC mission is to inspire our community to understand global issues and cultures in an ever changing world. Serving as Minnesota’s Door to the World, MIC provides international education programs in the classroom, the community, the workplace and the home. MIC is a member-supported organization with more than 2,000 individual members, 36 corporate members and benefits from the services of more than 1,000 volunteers.

In the classroom, MIC’s International Classroom Connection (ICC) program brought the world first-hand to more than 16,000 children in K-12 schools with 72 international presenters from 38 countries. Nearly 600 presentations helped enhance students’ knowledge of the changing world and encourage respect for diversity and other cultures.

In the workplace, MIC’s International Visitor Leadership program (IVLP) coordinates professional meetings between international emerging leaders, visiting the U.S. as guests of the U.S. Department of State, and their Minnesotan counterparts. This mutually beneficial program allows for the exchange of ideas and best practices. Last year, nearly 300 Minnesota companies and organizations met with 322 visiting professionals from 99 countries. In the home, MIC also offers Minnesotans the opportunity to host international professionals and students for dinner. In the 2005-06 program year, 368 international guests from 99 countries participated in 146 dinners in MIC’s member’s homes.

In the community, MIC encourages Minnesotans to explore international events through first-hand accounts by expert speakers. Last year, MIC sponsored and cosponsored 43 World Affairs events with an attendance of more than 9,000. Speakers included His Excellency Tae-sik Lee, the Republic of Korea’s ambassador to the US as well as his counterpart, His Excellency Alexander Vershbow; Lech Walesa, former president of Poland; and James McGregor, former *Wall Street Journal* bureau chief in Beijing. MIC also sponsors *Great Decisions*, a statewide network of 46 discussion groups. In the 2005-06 program year, 394 meetings were held by these groups to discuss international issues and concerns.

Programs of the Minnesota International Center help encourage the citizens of Minnesota to have an international mindset while bringing national and international recognition to the state. MIC is the 6th largest of the 96 World Affairs Councils of America (WACA.) Its ICC schools program was recognized with the 2006 Carol Marquis Award for Excellence in Schools Programming at the WACA National Conference, and MIC’s IVLP manager was awarded the National Council for International Visitors (NCIV) Outstanding Program Agency Programmer Award at the 2006 NCIV National Meeting in Washington D.C.

Minnesota Military Museum

The Minnesota Military Museum, located at Camp Ripley, is operated by the Military Historical Society of Minnesota. It exists to document, preserve, and depict the stories and contributions of Minnesotans who have served in all branches of military service and on the home front in time of peace and war from Minnesota’s early years to the present. Exhibits and publications are intended to foster awareness and understanding of how armed conflicts and military institutions have shaped our state and national experience. The museum also functions as a major repository in Minnesota for historical military artifacts and records.

Our mission is state-oriented and we depend on state support. We receive no direct funds from the federal government, the military, or local government. Our self funding – gift shop sales, investment income, and contributions from veterans’ organizations and individuals – has grown steadily and accounts for over 75% of our operating revenue. Private fund-raising is hampered due to the museum’s location and the public’s perception that it’s a government-supported military activity.

Program at a Glance

The Minnesota Historical Society serves as the pass through agency for certain organizations determined by the Minnesota Legislature. Those organizations are:

- ◆ Minnesota International Center (MIC)
- ◆ Minnesota Military Museum
- ◆ Minnesota Air National Guard Museum
- ◆ Minnesota Agricultural Interpretive Center (Farmamerica)

At a glance:

- ◆ 13,000 visitors per year
- ◆ 65 tours per year
- ◆ 30,000 artifacts
- ◆ 7,000 books in reference library
- ◆ 160 archives in linear feet
- ◆ 12,000 photographs
- ◆ 1,400 volunteer hours worked last year

Minnesota Air Guard Museum

The Minnesota Air Guard Museum serves as a community resource for the preservation of aviation history, (especially military) offering activities and education for all ages.

The private, nonprofit Minnesota Air National Guard Historical Foundation, Inc. has the funding responsibility for the museum. The museum is located on the Minnesota Air National Guard Base at the Minneapolis/St. Paul International Airport. The Minnesota Air Guard owns most of the aircraft and displays them in an air park next to the museum.

Sources of Financial Support:

- ◆ Membership has increased to 415. That is as high as it has been in recent years.
- ◆ The \$19,000 state biennial grant represents 25% of our income.
- ◆ Museum visitors have decreased over the last few years and as a result revenue is down. We expect about 11,000 visitors in 2002.
- ◆ Private gifts and grants amount to about \$6,500, 10% of our revenue.

Minnesota Agricultural Interpretive Center (MAIC) also known as Farmamerica

Agency Vision and Mission Statement:

The vision of the MAIC is to teach people of all ages about our agricultural, food and environmental systems and their impact on our lives. The mission of the Minnesota Agricultural Interpretive Center is to carry out the vision through public and private partnerships and interactive experiences for visitors to the site. To accomplish this mission, MAIC maintains a 120-acre interpretive site and facilities located four miles west of Waseca on Waseca County Road 2. MAIC provides educational experiences for people of all ages.

Trends, Policies, and Other Issues Affecting the Demand for Services:

The governor and Minnesota state legislature commissioned the MAIC in 1978 to tell the important story of Minnesota's agriculture. It is a not-for-profit educational institution administered by a volunteer board of directors. The story of agriculture is being told through guided tours, hands-on experiential learning experiences, festivals, and exhibitions. Visitors travel on a one-mile timeline road and become involved in activities as they move to the prairie/pond/marsh to the settlement farm of the 1850s. They continue by the one-room schoolhouse, the country church, the 1920/1930s dairy farm, the feed mill, and the blacksmith shop/town hall. The next stop would be the Agri-Hall Museum and the 1970s farm exhibit. The final stop is the newly constructed Visitor's Center that has a modern farm exhibit that projects the future of agriculture. In 2008, a new permanent exhibit, 150 years of Minnesota agricultural development, was built along time lane road in observance of Minnesota's Sesquicentennial.

Trends – technology changes, fewer people involved in farming:

With the tremendous technology changes going on in agriculture and with fewer people involved, there is more need and demand to tell the agriculture story – past, present, and future. In recent years, over 30,000 participated in the school and group tours, outreach programs, and festivals during June - September, as well as the All Hallows Eve and the Holiday Traditions events.

Continued improvements have been made to site facilities since 1978 on the original 120 acres. Facilities and improvements have been made to realize the goals to develop the site with safe and accessible facilities to support educational interpretive public programming about Minnesota's agriculture.

Significant progress has been made to provide necessary facilities in keeping with strategic plans with the most recent addition of the 10,000 square foot visitors center in 2000 and the security and accessibility improvements

in 2001/2002. Presently, Farmamerica is focusing on maximizing use of those facilities and assuring that they are programmed and available to the public.

MAIC is Working to Expand Its Support Base:

With limited funds, it has accomplished much through the help of over 450 volunteers from 37 communities that conduct the programs.

Farmamerica is working aggressively to expand its funding base. It is continuing to develop new revenue sources including the expanded membership program, sponsorship program, naming rights program, annual fundraiser, and expanded user fee based programs and services. Donations and grant funds continue to be pursued for public programming.

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HISTORICAL SOCIETY
 Program: FISCAL AGENTS

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|------------|------------|------------------|------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 512 | 171 | 171 | 171 | 342 |
| Technical Adjustments | | | | | |
| Biennial Appropriations | | | 116 | 0 | 116 |
| Subtotal - Forecast Base | 512 | 171 | 287 | 171 | 458 |
| Governor's Recommendations | | | | | |
| Operating Budget Reduction | | 0 | (43) | (25) | (68) |
| Total | 512 | 171 | 244 | 146 | 390 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 512 | 171 | 244 | 146 | 390 |
| Total | 512 | 171 | 244 | 146 | 390 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 512 | 171 | 244 | 146 | 390 |
| Total | 512 | 171 | 244 | 146 | 390 |
| <u>Expenditures by Activity</u> | | | | | |
| Mn Air National Guard Museum | 16 | 0 | 13 | 0 | 13 |
| Mn Military Museum | 100 | 0 | 85 | 0 | 85 |
| Hmong Studies Ctr Concordia | 75 | 0 | 0 | 0 | 0 |
| Mn International Center | 43 | 43 | 37 | 37 | 74 |
| City Of Eveleth - Hockey Hall | 75 | 0 | 0 | 0 | 0 |
| Farmamerica | 128 | 128 | 109 | 109 | 218 |
| Nicollet Co Hist Soc-Treaty | 75 | 0 | 0 | 0 | 0 |
| Total | 512 | 171 | 244 | 146 | 390 |

HISTORICAL SOCIETY

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|---------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| General | 29 | 0 | 0 | 0 | 0 |
| Total Non-Dedicated Receipts | 29 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| Miscellaneous Special Revenue | 969 | 940 | 940 | 940 | 1,880 |
| Grants: | | | | | |
| Federal | 356 | 356 | 356 | 356 | 712 |
| Gift | 16,789 | 16,818 | 16,818 | 16,818 | 33,636 |
| Total Dedicated Receipts | 18,114 | 18,114 | 18,114 | 18,114 | 36,228 |
| Agency Total Revenue | 18,143 | 18,114 | 18,114 | 18,114 | 36,228 |

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↻ Designates that this item is a change item

Agency Purpose

The mission of the Minnesota State Academies (MSA) is to provide the highest level of self-sufficiency possible for deaf/hard of hearing and blind/visually impaired students in the state of Minnesota. Established in 1858, the MSA are statewide public schools that provide education and related services to students ages 0-21, who are blind, visually impaired, deaf or hard of hearing, including those with multiple disabilities. The MSA are composed of two separate and unique schools – the Minnesota State Academy for the Blind (MSAB), and Minnesota State Academy for the Deaf (MSAD). Federal law mandates that services provided by the MSA meet the student's need for a Free and Appropriate Public Education (FAPE) within the least restrictive environment.

The decision to attend the MSA during the school year is made by an Individualized Educational Planning (IEP) team which includes the parent, the district of residence and MSA staff. For a student to enroll, the IEP team must decide that MSA provides the most appropriate placement. Students may also attend MSA to obtain social skills or for short-term skill development. (For more information, refer to M.S. 125A.69 Admission Standards.)

Core Functions

The MSA educate enrolled and short term placement students and/or support public schools to educate students to:

- ◆ develop self-esteem, social skills, leadership skills, and specialized skills like Braille or sign language;
- ◆ complete a course of study equivalent to public schools;
- ◆ earn a living, become integrated into the community, live on their own or in supported living arrangements;
- ◆ prepare for higher education or vocational training;
- ◆ access and utilize state-of-the-art technology to prepare for employment in the 21st century;
- ◆ acquire technology skills to access information otherwise inaccessible because of their disability and
- ◆ prepare severely, multiply-disabled blind children for adult life.

Operations

The range of services provided by the MSA in support of the agency's mission is unique and often complex when compared to most public schools, making the Academies a necessary option for school districts. The MSA have provided educational services to deaf and blind students for more than 140 years. Historically, the MSA were the only educational options available to deaf or blind students. If students were deaf or blind it was assumed that they would attend the MSA. Today most deaf or blind students attend school in their local community and the Minnesota State Academies are viewed as an extension of the school district. The Minnesota State Academies is a state agency that functions under the leadership of the Academies Administrator. Each special school operates under the direction of a director who is a specialist with expertise in its disability area (blindness at the Minnesota State Academy for the Blind and deafness at the Minnesota State Academy for the Deaf). In addition, the board has reviewed its mission, vision and beliefs, developed a strategic plan to guide its improvement and is currently working on updating its facilities Master plan. See Link for details:

<http://www.msa.state.mn.us/About/mission.asp>

The MSA:

- ◆ provide services that would be prohibitively expensive or unavailable in public schools;
- ◆ provide direct and indirect educational services through a number of program options;
- ◆ provide academic year programs, which include preK-12 academics, early childhood intervention, transition, and programs for students with multiple disabilities;

At A Glance

The Minnesota State Academies (MSA) is a state agency made up of two unique schools serving deaf and/or blind students. MSA serves as a resource to families, school districts and educators throughout Minnesota and the Midwest region. Specifically, students are served as follows:

- ◆ ages 0-21 who reside in the state of Minnesota or the upper Midwest;
- ◆ in a special education environment with a residential component, providing 24 hour services;
- ◆ with additional disabilities, including physical and emotional needs.

- ◆ provide off-campus services in support of local school districts for non-enrolled students including specialized evaluation, direct teacher services, orientation and mobility training, and consultations;
- ◆ provide on-campus services in support of local school districts for non-enrolled students including weekend parent training programs, family and teacher visitation at the Academies to review specialized resources, short-term direct services such as basic skills testing remediation, independent living training, assistive technology training, extended school year programming and transition programs;
- ◆ help the state meet federal statutory requirements of the Individuals with Disabilities Act (IDEA);
- ◆ provide access to a direct communication environment, comprehensive services, additional resources and increased opportunities which meet the individual needs of students as mandated by their IEPs; and
- ◆ offer mainstream courses in conjunction with the Faribault Public Schools which provide access to broader curriculum choices, advanced coursework, opportunities to increase skill in working with interpreters, and integration with non-disabled peers;
- ◆ provide independent living experience and career exploration in conjunction with South Central College and State Services for the Blind.

Budget

The total budget for the MSA for the 2008-09 biennium is approximately is \$30.4 million. This includes educational aides, all gifts, revolving and federal funds. MSA staff include approximately 200 full-time equivalent employees.

Of the total budget, the vast majority (78%) comes from direct state appropriations from the general fund. The Department of Education accounts for another 14% in the form of management aid reimbursements, tuition, and compensatory education revenue. The remainder of the budget is federal funding, employee deposits in tax shelter annuities, student deposits, and gifts. Additionally, approximately \$1.75 million in tuition from school districts for students attending the Academies is returned to the state's general fund.

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 Faribault, Minnesota 55021-0308
 Phone: (507) 332-5400

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 11,788 | 11,915 | 11,915 | 11,915 | 23,830 |
| Recommended | 11,788 | 11,915 | 11,674 | 11,674 | 23,348 |
| Change | | 0 | (241) | (241) | (482) |
| % Biennial Change from 2008-09 | | | | | -1.5% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 11,199 | 12,493 | 11,674 | 11,674 | 23,348 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,993 | 2,440 | 2,452 | 2,655 | 5,107 |
| Federal | 225 | 361 | 250 | 250 | 500 |
| Miscellaneous Agency | 261 | 261 | 265 | 265 | 530 |
| Gift | 47 | 250 | 48 | 48 | 96 |
| Total | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 12,329 | 12,787 | 12,091 | 12,202 | 24,293 |
| Other Operating Expenses | 2,172 | 2,830 | 2,409 | 2,501 | 4,910 |
| Capital Outlay & Real Property | 12 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 57 | 38 | 39 | 39 | 78 |
| Other Financial Transactions | 155 | 150 | 150 | 150 | 300 |
| Total | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| <u>Expenditures by Program</u> | | | | | |
| Resendtl Academies/Deaf&Blind | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| Total | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| Full-Time Equivalent (FTE) | 185.5 | 185.4 | 173.8 | 171.1 | |

| <i>Dollars in Thousands</i> | | | | |
|--|---------------|--------------------|---------------|---------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 11,915 | 11,915 | 11,915 | 23,830 |
| Technical Adjustments | | | | |
| Pt Contract Base Reduction | | (3) | (3) | (6) |
| Subtotal - Forecast Base | 11,915 | 11,912 | 11,912 | 23,824 |
| Change Items | | | | |
| Operating Budget Reduction | 0 | (238) | (238) | (476) |
| Total Governor's Recommendations | 11,915 | 11,674 | 11,674 | 23,348 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 2,440 | 2,452 | 2,655 | 5,107 |
| Total Governor's Recommendations | 2,440 | 2,452 | 2,655 | 5,107 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 361 | 250 | 250 | 500 |
| Total Governor's Recommendations | 361 | 250 | 250 | 500 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 261 | 265 | 265 | 530 |
| Total Governor's Recommendations | 261 | 265 | 265 | 530 |
| Fund: GIFT | | | | |
| Planned Statutory Spending | 250 | 48 | 48 | 96 |
| Total Governor's Recommendations | 250 | 48 | 48 | 96 |

MINN STATE ACADEMIES

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(238) | \$(238) | \$(238) | \$(238) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(238) | \$(238) | \$(238) | \$(238) |

Recommendation

The Governor recommends a reduction of \$238,000 in FY 2010 and \$238,000 in FY 2011 to the Minnesota State Academies' (MSA) general fund operating budget. The Governor intends for these reductions to be taken from non-classroom administrative expenses so that MSA can focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

MSA's operating budget of \$23,824,000 includes amounts budgeted for the Minnesota State Academy for the Deaf and Minnesota State Academy for the Blind. MSA is proposing to meet the reduction target for the FY 2010-11 biennium by eliminating two positions and reducing position hours.

- ◆ Reduction of positions: 2 FTEs \$174,000

The Minnesota State Academies would cut two full time positions; a school administrator and a grants writer.

- ◆ Reduction of hours: \$64,000

The Minnesota State Academies would reduce hours of work for nutrition and health services staff; positions will be reduced from 1.0 FTEs to .8 FTEs. In addition, dormitory directors will transition from year-round to school-year positions.

Relationship to Base Budget

This proposal represents a 2% base level reduction to MSA's general fund budget.

Key Goals and Measures

The budget submitted for MSA seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through staff reductions. The resulting budget will focus on new ways to operate the department's core functions with fewer staff.

Program Description

The Minnesota State Academies (MSA) provides educational opportunities to deaf/hard of hearing and blind/visually impaired students ages 0-21 throughout the state of Minnesota. Students attend the MSA when the family, school district of residence and Academies staff agree that MSA is the appropriate placement. Students may also attend to obtain social skills or for targeted short-term skill development.

Services Provided

The Minnesota State Academy for the Blind (MSAB) and the Minnesota State Academy for the Deaf (MSAD) are located about 1/2 mile apart on separate campuses in Faribault Minnesota. The Academies are governed by a seven member board which is appointed by the governor. Each school operates residential and educational programs unique to its disability. The two academies share a common mission to educate students who are blind/visually impaired or deaf/hard of hearing to their greatest potential. While the mission is a common one, the strategies to accomplish that mission are unique to each school. Teachers at MSAB and MSAD require specialized training and licensure in their respective disability areas and are "Highly Qualified" teachers. Prior to 1975, each school had a full complement of support services. In an effort to economize resources and reduce duplication, the two schools have combined the support departments including maintenance, buildings and grounds, personnel, the business office, nutrition, and health services.

MSAD

MSAD provides direct instruction to deaf/hard of hearing students by licensed teachers fluent in American Sign Language. Instruction and classroom environments are designed to include necessary adaptations unique to deaf/hard of hearing learners. MSAD is a 24-hour, language-rich environment, where American Sign Language and English are utilized to foster effective communication in a community with a critical mass of similar age, language peers. Children have direct communication access 24 hours a day. Mainstream opportunities are available within the local public schools to allow students to interact with their hearing peers. Other educational opportunities include core academics, transition programming, work study experience, functional life skill development, specialized behavioral programming, and specific instructional strategies designed to meet the needs of multi-handicapped learners. All student support services are provided by professional staff licensed and trained to work with deaf/hard of hearing students. Support staff includes licensed school psychologists, social workers, counselors, and speech/language pathologists. Due to staff shortages we have also contracted services for OT/PT and additional speech and language assistance. This has been necessary because these are required services on the students IEPs (Individual Education Plans). Approximately 75% of all academy staff members are deaf or hard of hearing, providing students with successful role models. Recreational and competitive activities provide students with opportunities to develop self-confidence, self-esteem, leadership and self-advocacy skills, knowledge and competence to apply to their future roles as productive, independent citizens.

MSAB

The educational process at MSAB is provided in an environment where a specialized curriculum, related support services and appropriate adaptations and modifications are available to all students. Unlike sighted children, blind and visually impaired children cannot access information in the same manner as their sighted peers. Thus the direct teaching of the skills necessary to overcome the loss of vision is critical. The curriculum taught at MSAB focuses on helping a blind/visually impaired child become a self-sufficient adult. The areas of curriculum instruction offered at MSAB include the following:

Program at a Glance

- ◆ Minnesota State Academies served deaf or blind students in 2007 – 2008 as follows:

| Student Type | MSAD | MSAB |
|-----------------------|-------------|-------------|
| Day | 56 | 17 |
| Residential | 78 | 35 |
| Total Enrolled | 134 | 52 |
| Outreach | 5 | 41 |
| Summer | 92 | 56 |
| Total Served | 231 | 149 |

- ◆ 51% of MSAD students and 75% of MSAB students present multiple disabilities.
- ◆ The Minnesota State Academies maintain 14 buildings with a total of 382,000 square feet and 69 acres of land.
- ◆ The Minnesota State Academy for the Deaf has two buildings that are listed on the National Historic Registry.

- ◆ development of skills to access the curriculum, including Braille, large print and or print with the use of optical devices;
- ◆ orientation and mobility skills for independent travel;
- ◆ independent living skills;
- ◆ career education;
- ◆ technology; and
- ◆ specialized expanded core curriculum to address the unique needs of blind children.

An example of this instruction is a summer transition program that focuses on functional skill development and is offered in conjunction with local schools and vocational rehabilitation assistance at MSAB.

Historical Perspective

The decision to enroll at the Academies is not an easy one for parents and/or school districts to make. Research indicates that if there is early identification of deafness or blindness, with timely and adequate specialized services by appropriately trained teachers, students can develop the tools to be successful, responsible, independent citizens. However, if students do not receive appropriate educational opportunities, the potential for future success and independence is diminished. In addition, the social-emotional needs of deaf/hard of hearing or blind/visually impaired students are unique and real. However, children with disabilities also have the same social-emotional needs as their non-disabled peers and have the right to:

- ◆ form an identity;
- ◆ have a peer group;
- ◆ participate in activities;
- ◆ develop their maximum potential;
- ◆ share life experiences; and
- ◆ feel good about who they are.

Some students who attend the Minnesota State Academies are able to participate in regular public school classes within the local public schools in Faribault, while also taking courses at the Minnesota State Academies. This opportunity provides students with the experience of being a participant in a class with non-disabled peers. Deaf students acquire skills in working with an interpreter and note-taker, while blind students learn to negotiate a sighted environment that is not specifically designed to meet their learning style.

The Minnesota State Academies provide support for teacher preparation programs. Student teachers work under the guidance of Minnesota State Academy for the Deaf licensed professionals. Currently, there are no preparation programs for teachers of the visually impaired in the state of Minnesota. As the current staff at MSAB reaches the age of retirement, it will become exceedingly difficult to find licensed teachers of the visually impaired. We are working with professionals in the state, as well as across the country, to find solutions to this staffing dilemma.

In the past ten years ('98-'08), renovations and asset preservation projects have added usable square footage to the Minnesota State Academies' campuses. On the Minnesota State Academy for the Blind campus, 20,000 square feet has been added to the main building consisting of educational classrooms, physical therapy areas, and office space. At the Minnesota State Academy for the Deaf (MSAD) campus, 9,000 square feet was recently renovated and brought back into service as educational classrooms, living skills training areas, and office space for the resource centers. These projects have increased the demand on heating, cooling, electricity, and janitorial services. Attention has been focused on upgrading the infrastructure of the campuses, including an electrical upgrade, fire protection, and air quality projects. Additionally, demands on the maintenance department have increased due to recent the capital bonding projects. The department has effectively handled these demands without additional cost by postponing other work and having staff handle the increased demands. At times this has increased our deferred maintenance.

Key Program Goals

The Board of the Minnesota State Academies has a defined mission, vision and belief statements that guide the direction of the Academies. These statements are reviewed on an annual basis and reflect input from the Site

Councils of both schools as well as other stakeholders of the Academies. See link for additional information: <http://www.msa.state.mn.us/About/mission.asp>.

- ◆ The MSA mission is to educate deaf/hh and blind/visually-impaired children to their greatest potential. The majority of children who attend the Academies do not enroll academically-achieving at grade level. Each student at the MSA has an IEP (Individual Education Plan) with individual goals for achievement.
- ◆ Another key program goal for the MSA is to prepare students for life and education after high school and for all students to graduate with a high school diploma.
- ◆ The highest priority goal for our central MSA operations departments is to create an environment that is clean, safe and healthy for our students and staff and to provide fiscally responsible, professional and efficient services for both MSAB and MSAD.
- ◆ Also, in large ways and small we are teaching our students to preserve the earth's resources, to "go green" and be ecologically friendly. We are attempting to save energy, recycle and go "paperless" whenever possible.

Key Program Measures

- ◆ **Graduation Success Rates**
 - ⇒ Our graduation rates are above 98% and student drop-out rates are non-existent.
 - ⇒ Of the 20 graduating seniors in the Class of 2008 at MSAD, 95% are enrolled in formal post-secondary educational programs upon graduation.
 - ⇒ Five MSAB students graduated in 2008, three returned for continuing education, one enrolled in the Vector program and one returned to his home.
 - ⇒ The comprehensive transition programs at both MSAB and MSAD is showing signs of great success. Students at MSAB between the ages of 18-21 attended South Central College in Faribault last year and gained confidence finding they were capable of successfully doing college work, developing independent living skills, and earning credits that can be utilized in their post high school education. Students from both MSAB and MSAD set transition goals which provide them with work experiences that integrate them in to the community.
- ◆ **Student Success Rate In Passing State Required Testing**

As special education facilities, progress monitoring via their individualized goals is measured annually. Our children's disabilities make them unique unto themselves and demonstration of proficiency must be done on an individual basis for many of them. We measure growth by looking at where they started and the progress they've made. Other students at the Academies take the Minnesota Standardized Tests and are able to compare their progress to their non-handicapped peers. All of our students are required to have three year evaluations as part of the Individual Education Plan (IEP) process. There is extensive testing done at these three year intervals. Students whose IEPs deem it appropriate also participate in the Minnesota MCA 2's and the NWEAs (Northwest Education Assessments). Students whose IEPs do not deem it appropriate to take the Minnesota standardized tests may have their progress monitored via special assessments related to their disabilities. Those students who attend the Academy Plus program at MSAB do not take the standardized tests because their high school coursework is already completed.

Minnesota State Academy for the Deaf (MSAD)

| BST Class of | Number Passed at State Level | | | Class of | Number Passed at State Level | |
|-----------------|------------------------------|----------|----------|----------|------------------------------|--|
| | Reading | Writing | Math | | Writing | |
| 2009 | 11 (65%) | 9 (53%) | 9 (53%) | 2010 | 2 (17%) | |
| 2008 | 18 (95%) | 13 (68%) | 18 (95%) | 2011 | 4 (44%) | |
| 2007 | 11 (65%) | 10 (59%) | 8 (47%) | | | |

- ⇒ Less than 1% of students attending MSAD are exempt from taking Minnesota's mandated tests. All others take the tests and results are measured and compared to non-handicapped peers.

- ⇒ At MSAB 40% of students were ineligible to take the tests and took an alternative test due to secondary disabilities.
- ⇒ The Basic Skills Tests are not normed for blind/visually impaired students. The math test presents particular challenges for blind/visually impaired students as some questions are presented using graphs or diagrams.

◆ **Accreditation**

- ⇒ Accreditation for MSAD has been achieved through the CEASD (Conference of Educators and Administrators Serving the Deaf) organization. Accreditation is already in place through the North Central Association's school improvement cycle. MSAD is the only dually accredited school for the deaf in the State of Minnesota.
- ⇒ Accreditation is also in place through the North Central Association's school improvement cycle for the Minnesota State Academy for the Blind (MSAB).

◆ **Operations Measures**

- ⇒ Periodic reviews by external agencies validate quality and ensure standards are successfully met. These include: legislative audits, Occupational Safety and Health (OSHA) standards, health standards, food inspection, and Department of Education reviews.
- ⇒ Review and consideration of student, parent, and staff driven evaluations of services.
- ⇒ We have an agency wellness committee that has organized health fairs for students and staff, created healthy snack policies for the schools, promoted healthy living and exercise and encouraged everyone to "get moving."
- ⇒ We have safety committees on each campus that meet quarterly to address safety issues in the environment. These groups are proactive in alerting us to potential dangers before they are problems.
- ⇒ Every year we are focusing on another "earth friendly" activity. Our students started an extensive recycling program, this year we are promoting the use of reusable shopping bags and the reduction in use of plastic bottles.
- ⇒ During the bonding cycle we are focusing our renovation and construction projects on saving energy and building "green."

Contact

For additional information contact:

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Phone: (507) 332-5451
www.msad.state.mn.us

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 11,788 | 11,915 | 11,915 | 11,915 | 23,830 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (3) | (3) | (6) |
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| Governor's Recommendations | | | | | |
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| Other Operating Expenses | 2,172 | 2,830 | 2,409 | 2,501 | 4,910 |
| Capital Outlay & Real Property | 12 | 0 | 0 | 0 | 0 |
| Payments To Individuals | 57 | 38 | 39 | 39 | 78 |
| Other Financial Transactions | 155 | 150 | 150 | 150 | 300 |
| Total | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| <u>Expenditures by Activity</u> | | | | | |
| Academy For The Deaf | 5,852 | 5,969 | 5,822 | 5,906 | 11,728 |
| Academy For The Blind | 4,045 | 4,189 | 4,002 | 3,986 | 7,988 |
| Academy Operations | 4,828 | 5,647 | 4,865 | 5,000 | 9,865 |
| Total | 14,725 | 15,805 | 14,689 | 14,892 | 29,581 |
| Full-Time Equivalentents (FTE) | 185.5 | 185.4 | 173.8 | 171.1 | |

MINN STATE ACADEMIES

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|--------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Grants: | | | | | |
| General | 26 | 0 | 0 | 0 | 0 |
| Total Non-Dedicated Receipts | 26 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Miscellaneous Special Revenue | 2,097 | 2,195 | 2,230 | 2,281 | 4,511 |
| Federal | 284 | 267 | 250 | 250 | 500 |
| Miscellaneous Agency | 1 | 1 | 1 | 1 | 2 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 316 | 211 | 183 | 183 | 366 |
| Miscellaneous Agency | 217 | 211 | 211 | 211 | 422 |
| Gift | 69 | 130 | 49 | 49 | 98 |
| Other Sources: | | | | | |
| Miscellaneous Special Revenue | 71 | 77 | 77 | 77 | 154 |
| Miscellaneous Agency | 40 | 53 | 53 | 53 | 106 |
| Total Dedicated Receipts | 3,095 | 3,145 | 3,054 | 3,105 | 6,159 |
| Agency Total Revenue | 3,121 | 3,145 | 3,054 | 3,105 | 6,159 |

| | PAGE |
|--|-------------|
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↻ Designates that this item is a change item



January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the FY 2010-2011 budget recommendations for higher education. These recommendations would reduce General Fund appropriations to the Office of Higher education, the University of Minnesota and the Minnesota State Colleges and Universities System to help solve the \$4.8 billion projected budget shortfall for the biennium. The Governor's recommendations strike a balance between support for institutions and support for the State Grant program and other student-centered proposals.

The total recommended general fund appropriation for higher education, including the University of Minnesota, the MnSCU system, the Office of Higher Education and the Mayo Clinic is \$2.823 billion. This total reduction is \$312.7 million or about a 10% decrease over the total higher education base budget.

The Governor's budget reduces the general fund base level funding of \$1.394 billion for the University of Minnesota by \$151.0 million. This reduction represents a 10.8% change from base funding.

The Governor's budget reduces the general fund base level funding of \$1.364 billion for MnSCU by \$146.0 million. This reduction represents a 10.7% reduction from base funding.

In addition, the Governor recommends the University of Minnesota Board of Regents and the MnSCU Board of Trustees institute firm caps on tuition increases to ensure rising tuition costs do not unduly harm students.

These recommendations reflect very difficult choices in an economic environment not seen for many decades. We look forward to working with the Legislature in the coming months.

Sincerely,

A handwritten signature in cursive script that reads "Susan Heegaard".

Susan Heegaard
Director

Agency Purpose

The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

The diverse institutions within the system offer an unequaled breadth, variety and quality of educational opportunities across the state. Collectively and in partnership, the colleges and universities offer learning opportunities for a technologically sophisticated world that result in:

- ◆ contributing and empowered citizens;
- ◆ active participants in a democratic society;
- ◆ educated, skilled, and adaptable workers;
- ◆ innovative lifelong learners;
- ◆ practical research and development; and
- ◆ successful communities.

At A Glance

- ◆ Largest provider of higher education in Minnesota, educating about 242,000 students in credit courses annually
- ◆ Serves another 140,000 students in non-credit courses.
- ◆ Graduates 34,000 students each year
- ◆ Produces the largest share of the state's new teachers, accountants, police officers, nurses, firefighters, technicians, trades people and others from a broad range of disciplines.
- ◆ The system has 7 universities and 25 colleges on 53 campuses in 46 Minnesota communities. A 54th campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008.

Vision - The Minnesota State Colleges and Universities will enable the people of Minnesota to succeed by providing the most accessible, highest value education in the nation.

Mission - The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

Core Functions

Teaching and learning are the core functions of the Minnesota State Colleges and Universities.

Operations

The colleges and universities serve students in credit-based courses, non-credit courses and customized training. The colleges and universities offer an extremely wide array of credit-based courses leading to applied doctoral, masters, bachelors, and associate degrees, as well as occupational certificates and diplomas. They also offer non-credit continuing education courses and direct training services to businesses, nonprofit organizations and government agencies seeking to improve their employees' skills.

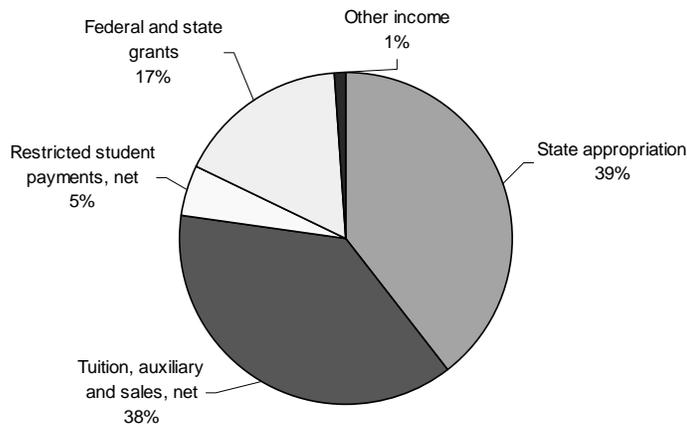
Educational programs are delivered at 53 campus locations statewide, comprising 26 million square feet of space, or approximately one-third of the state's building inventory. Each one of the 32 Minnesota state colleges and universities contribute to the civic, economic, and cultural life in the 46 communities in which they are located.

Budget

Revenue

Fiscal year 2007 operating revenues total \$1.5 billion. State appropriations comprised 39%, and tuition, auxiliary and sales (net) revenue 38% of the system's operating revenues. Other major revenue sources included federal and state grants. More than 95% of the state appropriation was distributed to the colleges and universities. All tuition and fee revenues generated by the colleges and universities remain with the institution that generates the revenues.

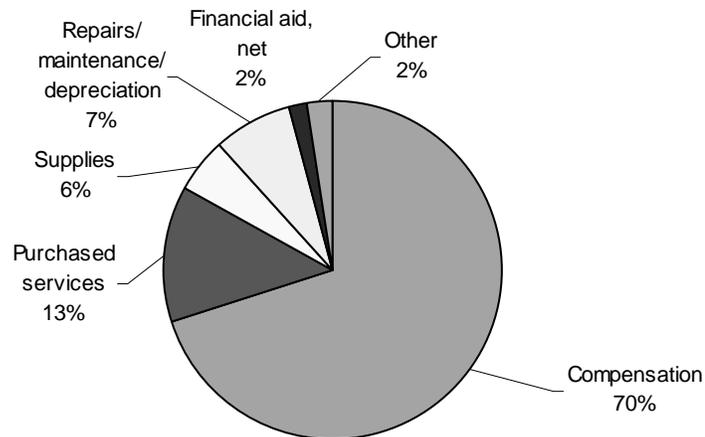
**Revenues – All Funds
Fiscal Year 2007 \$1.5 Billion**



Expenses

Operating expenses during fiscal year 2007 totaled \$1.5 billion. Compensation accounted for 70% of the Minnesota State Colleges and Universities total operating expenses.

**Expenses – All Funds
Fiscal Year 2007 \$1.5 Billion**



Laws of Minnesota for 2007 require the public post-secondary systems in Minnesota to report instructional and non-instructional expenses in the biennial budget document. For fiscal year 2007 (the most recent year of audited financial data), the Minnesota State Colleges and Universities system’s instructional expenses totaled \$617.4 million. The definition of instructional expenses is “a functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. It includes both credit and non-credit instruction.” This definition was developed by the Integrated Postsecondary Education Data System (IPEDS) and is used by all higher education institutions for consistent reporting and cross-institution comparisons.

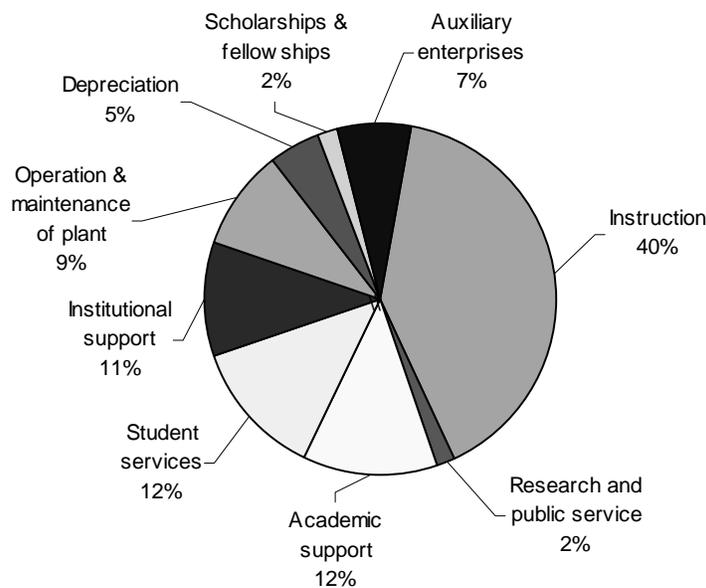
Non-instructional expenses for fiscal year 2007 totaled \$910.4 million. Non-instructional expenses included the following IPEDS categories: research, public service, academic support, student services, institutional support, operation and maintenance of plant, depreciation, scholarships and fellowships, and auxiliary enterprises.

**Operating Expenses
Fiscal Years 2006 and 2007 (\$ in millions)**

| | Fiscal year 2006 | Fiscal year 2007 |
|----------------------------|------------------|------------------|
| Instructional expenses | \$603.3 | \$617.4 |
| Non-instructional expenses | \$855.3 | \$910.4 |
| Total operating expenses | \$1,458.6 | \$1,527.8 |

Instructional activities comprised approximately 40% of the Minnesota State Colleges and Universities total operating expenses.

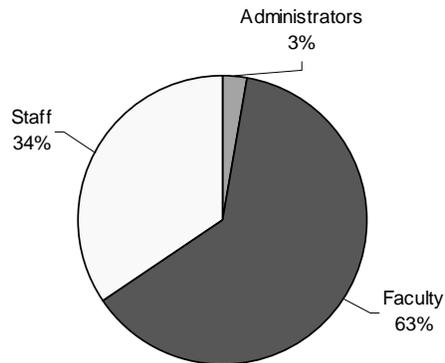
**Operating Expenses by Functional Category
Fiscal Year 2007 \$1.5 billion**



Employees

Faculty comprise 63% of the 19,486 total employee headcount; staff 34% of the total; and administrators 3%.

**Employee Headcount
Fiscal Year 2007**



Contact

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Public Affairs Division: 651.296.9595

Minnesota State Colleges and Universities website:
www.mnscu.edu

Minnesota State Colleges and Universities Finance Division website:
www.finance.mnscu.edu

STATE COLLEGES & UNIVERSITIES

Agency Overview

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 371 | 0 | 0 | 0 | 0 |
| Recommended | 371 | 0 | 0 | 0 | 0 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | -100% |
| Mn State Colleges/universities | | | | | |
| Current Appropriation | 665,883 | 682,417 | 682,417 | 682,417 | 1,364,834 |
| Recommended | 665,883 | 682,417 | 608,597 | 608,597 | 1,217,194 |
| Change | | 0 | (73,820) | (73,820) | (147,640) |
| % Biennial Change from 2008-09 | | | | | -9.7% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 136 | 235 | 0 | 0 | 0 |
| Mn State Colleges/Universities | 665,940 | 682,817 | 608,597 | 608,597 | 1,217,194 |
| Statutory Appropriations | | | | | |
| Minnesota Technology Inc | 1,746 | 1,968 | 1,968 | 1,968 | 3,936 |
| Mn State Colleges/Universities | 747,174 | 784,740 | 792,540 | 799,940 | 1,592,480 |
| Mnscu Special Revenue | 10,354 | 10,876 | 10,300 | 10,300 | 20,600 |
| Mnscu Federal Fund | 46,049 | 45,762 | 45,762 | 45,762 | 91,524 |
| Mnscu Agency Fund | 26,389 | 25,833 | 25,833 | 25,833 | 51,666 |
| Mnscu Gift Fund | 4,201 | 4,350 | 4,350 | 4,350 | 8,700 |
| Sub Supplemental & Ira Retire | 331 | 101 | 101 | 101 | 202 |
| Mnscu Enterprise Activities | 9,652 | 9,283 | 9,283 | 9,283 | 18,566 |
| Mnscu Endowment Fund | 5 | 4 | 4 | 4 | 8 |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 1,511,977 | 1,565,969 | 1,499,038 | 1,506,438 | 3,005,476 |
| Transfers | 0 | 0 | (300) | (300) | (600) |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| <u>Expenditures by Program</u> | | | | | |
| Mn State Colleges & Univer | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |

STATE COLLEGES & UNIVERSITIES

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|---------|--------------------|----------|-----------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: ENVIRONMENT & NATURAL RESOURCE | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Total Governor's Recommendations | 0 | 0 | 0 | 0 |
| Fund: MN STATE COLLEGES/UNIVERSITIES | | | | |
| FY 2009 Appropriations | 682,417 | 682,417 | 682,417 | 1,364,834 |
| Technical Adjustments | | | | |
| Current Law Base Change | | (100) | (100) | (200) |
| One-time Appropriations | | (720) | (720) | (1,440) |
| Subtotal - Forecast Base | 682,417 | 681,597 | 681,597 | 1,363,194 |
| Change Items | | | | |
| Base Reduction | 0 | (73,000) | (73,000) | (146,000) |
| Total Governor's Recommendations | 682,417 | 608,597 | 608,597 | 1,217,194 |
| Fund: MINNESOTA TECHNOLOGY INC | | | | |
| Planned Statutory Spending | 1,968 | 1,968 | 1,968 | 3,936 |
| Total Governor's Recommendations | 1,968 | 1,968 | 1,968 | 3,936 |
| Fund: MN STATE COLLEGES/UNIVERSITIES | | | | |
| Planned Statutory Spending | 784,740 | 792,540 | 799,940 | 1,592,480 |
| Total Governor's Recommendations | 784,740 | 792,540 | 799,940 | 1,592,480 |
| Fund: MNSCU SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 10,876 | 10,300 | 10,300 | 20,600 |
| Total Governor's Recommendations | 10,876 | 10,300 | 10,300 | 20,600 |
| Fund: MNSCU FEDERAL FUND | | | | |
| Planned Statutory Spending | 45,762 | 45,762 | 45,762 | 91,524 |
| Total Governor's Recommendations | 45,762 | 45,762 | 45,762 | 91,524 |
| Fund: MNSCU AGENCY FUND | | | | |
| Planned Statutory Spending | 25,833 | 25,833 | 25,833 | 51,666 |
| Total Governor's Recommendations | 25,833 | 25,833 | 25,833 | 51,666 |
| Fund: MNSCU GIFT FUND | | | | |
| Planned Statutory Spending | 4,350 | 4,350 | 4,350 | 8,700 |
| Total Governor's Recommendations | 4,350 | 4,350 | 4,350 | 8,700 |
| Fund: SUB SUPPLEMENTAL & IRA RETIRE | | | | |
| Planned Statutory Spending | 101 | 101 | 101 | 202 |
| Total Governor's Recommendations | 101 | 101 | 101 | 202 |
| Fund: MNSCU ENTERPRISE ACTIVITIES | | | | |
| Planned Statutory Spending | 9,283 | 9,283 | 9,283 | 18,566 |
| Total Governor's Recommendations | 9,283 | 9,283 | 9,283 | 18,566 |
| Fund: MNSCU ENDOWMENT FUND | | | | |
| Planned Statutory Spending | 4 | 4 | 4 | 8 |
| Total Governor's Recommendations | 4 | 4 | 4 | 8 |

STATE COLLEGES & UNIVERSITIES

Change Item: Base Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|------------|------------|------------|
| General Fund | | | | |
| Expenditures | \$(73,000) | \$(73,000) | \$(73,000) | \$(73,000) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(73,000) | \$(73,000) | \$(73,000) | \$(73,000) |

Recommendation

The Governor recommends a reduction of \$73 million in FY 2010 and \$73 million in FY 2011 to the Minnesota State Colleges and Universities (MnSCU) general fund operating budget. This represents an 10.7% reduction to the general fund operating budget. The Governor intends that MnSCU should focus its operating funds on maintaining its highest priority services. In addition, the Governor expects MnSCU to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition. The Governor also recommends the MnSCU Board of Trustees institute a firm cap on tuition increases.

Background

Given the current budget climate, MnSCU must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. To ensure that rising tuition costs do not unduly harm students, the Governor also encourages the MnSCU Board of Trustees to institute a firm cap on tuition increases. In academic 2007-2008 tuition at MnSCU four year institutions ranked fifteenth in the country and above the national average. In addition, tuition at MnSCU two year institutions ranked third in the country. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities.

Relationship to Base Budget

An 10.7% general operating fund reduction would provide a challenge to the system to prioritize within existing resources. This reduction represents a 10.7% reduction from FY 2009 funding levels and is a \$146 million decrease from FY 2010-11 base levels.

Statutory Change: Not Applicable

Program Description

Minnesota's 25 state colleges and seven universities provide an array of high quality and low cost educational programs to residents in all parts of the state.

Technical colleges offer education for employment - courses and programs that teach specific knowledge and skills leading to particular jobs. The programs range in length from three months to two years.

Community colleges provide the first two years of a four-year college education. Graduates of community colleges can transfer to Minnesota state universities and other colleges to complete four-year degrees. Community colleges also offer general education courses and occupational career programs that directly prepare students for jobs.

Combined technical and community colleges are two-year colleges that offer a mix of technical college and community college courses and programs. These colleges offer the opportunity to start a bachelor's degree or pursue a two-year career program leading immediately to employment.

Minnesota's four-year state universities offer courses and programs leading to bachelors, masters, and advanced degrees. Programs are offered in liberal arts and sciences and in professional fields.

Population Served

Minnesota State Colleges and Universities is the largest provider of higher education in the state of Minnesota with 32 institutions serving approximately 242,000 (unduplicated headcount) students annually in for-credit programs or about 140,000 full-year equivalents (FYE). The state colleges and universities also serve about 151,000 students and 6,000 employers through customized training. The institutions provide applied research and public service to Minnesota communities in all regions of the state. Enrollment is 96% undergraduate. In FY 2007, the system served more than 32,800 students of color, more than all other Minnesota higher education providers combined. Students of color comprise 14.8% of all students. Thirty-five percent are 25 or older. The average age of our students is 25.4. About 41% attend part-time.

Services Provided

The state colleges and universities offer more than 3,900 educational programs. In the past year more than 53,000 students took online courses. Through Minnesota Online, the state colleges and universities offer more than 230 programs completely or predominantly online and more than 8,000 credit and non-credit course sections online.

Historical Perspective

In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities system.

Key Program Goals

The Board of Trustees' strategic plan for 2008-2012, *Designing the Future*, contains four strategic directions which are the system's priorities. Those directions include:

- ◆ Increase access and opportunity.
- ◆ Promote and measure high-quality learning programs and services.
- ◆ Provide programs and services that enhance the economic competitiveness of the state and its regions.

Program at a Glance

- ◆ Largest provider of higher education in Minnesota, educating about 382,000 students each year.
- ◆ Eighty-eight percent (88%) of students are Minnesota residents.
- ◆ Eighty-seven percent (87%) of graduates get jobs related to their major or program within one year after graduation.
- ◆ Eighty-three percent (83%) of graduates stay in Minnesota to work or to continue their education.
- ◆ The system has seven universities and 25 colleges on 53 campuses in 46 Minnesota communities. A 54th campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008.

- ◆ Innovate to meet current and future educational needs

The strategic plan guides the efforts of 32 colleges and universities and the Office of the Chancellor. An annual action plan is adopted by the Board of Trustees which includes measurable goals with targets for each specific strategy. The goals are translated to the work plan for the system leadership and measured as part of the annual performance evaluation process. Additional information about the strategic and action plans is available on the system website at: http://www.mnscu.edu/media/publications/pdf/strategicplan_2008-12.pdf

Key Program Measures

Performance Goals: The Governor and the Legislature included five performance goals for the Minnesota State Colleges and Universities system in the 2007 appropriations act. The system achieved all five of the performance goals. The goals focused on

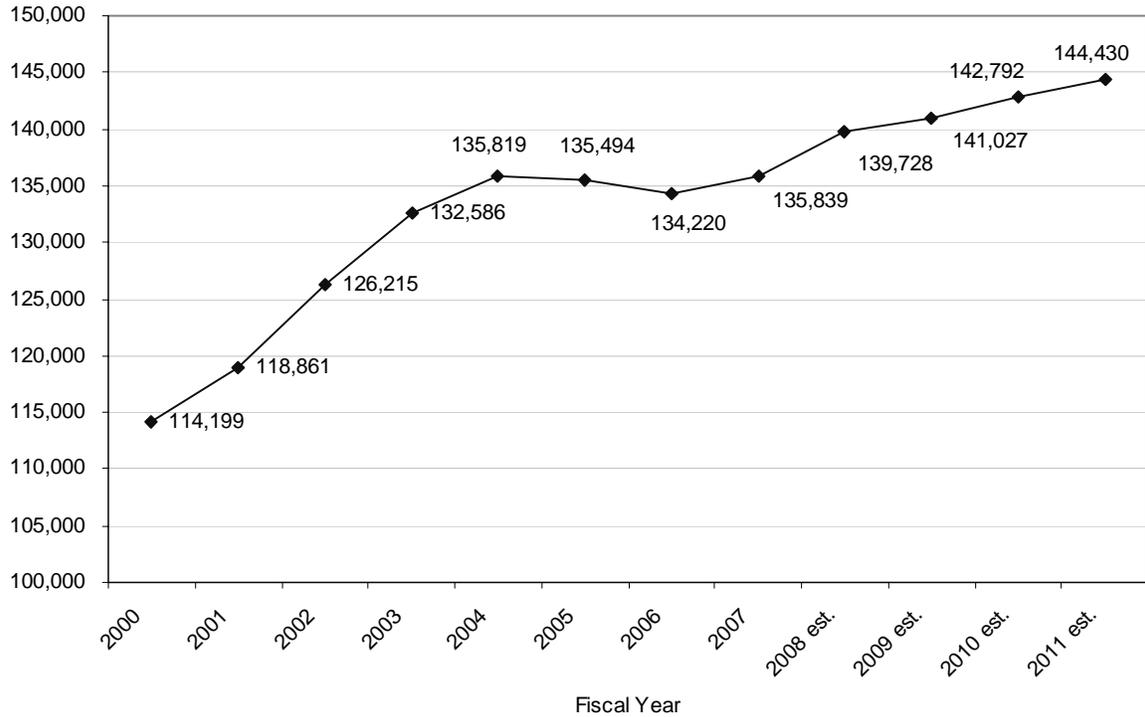
- ◆ Increasing enrollment in courses in science, technology, engineering, and math;
- ◆ Increasing enrollment in courses at the four existing center of excellence programs;
- ◆ Increasing number of students trained on the use of electronic medical record technology;
- ◆ Increasing the number of students taking online courses or the number of online courses offered; and
- ◆ Expanding the use of “awards of excellence” or other initiatives that reward member institutions, faculty, administrators, or staff for innovations designed to advance excellence and efficiency.

Accountability Dashboard: An accountability dashboard was developed that monitors the performance of the Minnesota State Colleges and Universities system on selected key measures. It is designed as a tool for the Board of Trustees, institutions, policymakers and other visitors to access key performance measures for each of the colleges and universities and the system overall. There are ten key performance measures which are tied to the four strategic directions within the strategic plan. Substantial effort will be devoted to improving the following ten performance measures:

- ◆ Percent change in enrollment
- ◆ Net tuition and fees as percent of median income
- ◆ Licensure exams pass rate
- ◆ Persistence and completion rate
- ◆ High quality learning
- ◆ Student engagement
- ◆ Partnerships
- ◆ Related employment of graduates
- ◆ Innovation
- ◆ Facilities condition index

Enrollment: Enrollment at the system’s colleges and universities has grown from 114,199 FYE students in fiscal year 2000 to an estimated 135,839 FYE in fiscal year 2008, a 19% increase. Enrollment is expected to grow an additional one percent each year for FY2009, 2010, and 2011. The system’s FYE enrollment is calculated by dividing the total number of undergraduate credits in a given year by 30 (considered to be a full academic load for an undergraduate student). For graduate FYE, the total number of graduate credits is divided by 20 (considered to be a full academic load for a graduate student).

Full-Year Equivalent Enrollment



Undergraduate enrollment accounts for 97% of total enrollment.

Full-Year Equivalent Enrollment by Level

| | Fiscal year 2006 | Fiscal year 2007 | Fiscal year 2008 (est.) |
|---------------|-----------------------------|-----------------------------|------------------------------------|
| Undergraduate | 129,885 | 131,474 | 135,458 |
| Graduate | <u>4,335</u> | <u>4,365</u> | <u>4,426</u> |
| Total | 134,220 | 135,839 | 139,884 |

Program Funding

The state general fund appropriation to the system totaled \$682.4 million in FY2009. That amount included resources for general operating expenses as well as \$11 million for serving the underserved population and \$28.7 million for the enterprise technology initiative. State General Fund resources support approximately 50% of the system’s total FY2009 budget. The balance of the budget is generally supported through tuition and fee revenues.

The Minnesota State Colleges and Universities system is faced with inflationary cost increases. The Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index (CPI). The HEPI measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities. The CPI, on the other hand, measures goods and services that people buy for day-to-day living. The main components of the HEPI basket of goods are professional salaries and fringe benefits of faculty, administrators and other professional service personnel; non professional wages, salaries and fringe benefits for clerical, technical, service and other non-professional personnel; contracted

STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVER

Narrative

services such as data processing, communication, transportation, supplies and materials, and equipment; library acquisitions; and utilities. The HEPI rose by 3.6% for fiscal year 2008.

The Department of Finance and Employee Relation's inflationary guideline of 3% each year was used in developing the inflationary cost increases for the 2010-2011 biennial budget request.

Contact

Linda Kohl

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Minnesota State Colleges and Universities website: <http://www.mnscu.edu>

Minnesota State Colleges and Universities Finance Division website: <http://www.finance.mnscu.edu>

STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVER

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 136 | 235 | 0 | 0 | 0 |
| Mn State Colleges/Universities | 665,940 | 682,817 | 608,597 | 608,597 | 1,217,194 |
| Statutory Appropriations | | | | | |
| Minnesota Technology Inc | 1,746 | 1,968 | 1,968 | 1,968 | 3,936 |
| Mn State Colleges/Universities | 747,174 | 784,740 | 792,540 | 799,940 | 1,592,480 |
| Mnscu Special Revenue | 10,354 | 10,876 | 10,300 | 10,300 | 20,600 |
| Mnscu Federal Fund | 46,049 | 45,762 | 45,762 | 45,762 | 91,524 |
| Mnscu Agency Fund | 26,389 | 25,833 | 25,833 | 25,833 | 51,666 |
| Mnscu Gift Fund | 4,201 | 4,350 | 4,350 | 4,350 | 8,700 |
| Sub Supplemental & Ira Retire | 331 | 101 | 101 | 101 | 202 |
| Mnscu Enterprise Activities | 9,652 | 9,283 | 9,283 | 9,283 | 18,566 |
| Mnscu Endowment Fund | 5 | 4 | 4 | 4 | 8 |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 1,511,977 | 1,565,969 | 1,499,038 | 1,506,438 | 3,005,476 |
| Transfers | 0 | 0 | (300) | (300) | (600) |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| <u>Expenditures by Activity</u> | | | | | |
| Mn State Colleges And Univ | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |
| Total | 1,511,977 | 1,565,969 | 1,498,738 | 1,506,138 | 3,004,876 |

STATE COLLEGES & UNIVERSITIES

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Total Non-Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| <u>Dedicated Receipts:</u> | | | | | |
| Grants: | | | | | |
| Minnesota Technology Inc | 1,846 | 1,874 | 1,874 | 1,874 | 3,748 |
| Mn State Colleges/universities | 15,058 | 15,100 | 15,100 | 15,100 | 30,200 |
| Mnscu Special Revenue | 2,345 | 2,180 | 2,180 | 2,180 | 4,360 |
| Mnscu Federal Fund | 45,761 | 45,762 | 45,762 | 45,762 | 91,524 |
| Mnscu Gift Fund | 136 | 0 | 0 | 0 | 0 |
| Other Revenues: | | | | | |
| Minnesota Technology Inc | 132 | 94 | 94 | 94 | 188 |
| Mn State Colleges/universities | 743,745 | 759,540 | 767,440 | 774,840 | 1,542,280 |
| Mnscu Special Revenue | 1,485 | 1,389 | 1,389 | 1,389 | 2,778 |
| Mnscu Federal Fund | 6 | 0 | 0 | 0 | 0 |
| Mnscu Gift Fund | 4,233 | 4,350 | 4,350 | 4,350 | 8,700 |
| Sub Supplemental & Ira Retire | 27 | 27 | 27 | 27 | 54 |
| Mnscu Enterprise Activities | 9,365 | 9,283 | 9,283 | 9,283 | 18,566 |
| Mnscu Endowment Fund | 5 | 4 | 4 | 4 | 8 |
| Other Sources: | | | | | |
| Minnesota Technology Inc | -10 | 0 | 0 | 0 | 0 |
| Mn State Colleges/universities | 8,448 | 10,000 | 10,000 | 10,000 | 20,000 |
| Mnscu Special Revenue | 7,045 | 6,731 | 6,731 | 6,731 | 13,462 |
| Mnscu Federal Fund | -28 | 0 | 0 | 0 | 0 |
| Mnscu Agency Fund | 26,026 | 25,833 | 25,833 | 25,833 | 51,666 |
| Sub Supplemental & Ira Retire | 74 | 74 | 74 | 74 | 148 |
| Mnscu Enterprise Activities | 5 | 0 | 0 | 0 | 0 |
| Taxes: | | | | | |
| Mn State Colleges/universities | 5 | 0 | 0 | 0 | 0 |
| Total Dedicated Receipts | 865,709 | 882,241 | 890,141 | 897,541 | 1,787,682 |
| Agency Total Revenue | 865,709 | 882,241 | 890,141 | 897,541 | 1,787,682 |

Minnesota State Colleges and Universities 2010-11 Biennial Budget Request

STATE COLLEGES & UNIVERSITIES

Change Item: Inflation

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | \$25,900 | \$45,800 | \$45,800 | \$45,800 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$25,900 | \$45,800 | \$45,800 | \$45,800 |

Request

The Minnesota State Colleges and Universities requests \$25.9 million in FY2010 and \$45.8 million in FY2011 to support the costs of providing for a general inflationary cost increase to the system's base operations.

Background

The Minnesota State Colleges and Universities is requesting \$25.9 million in FY2010 and \$45.8 million in FY2011 in additional state resources to support the impact of inflation on the system's base costs. In accordance with Minnesota Management and Budget guidelines, inflation is assumed at 3 percent. Overall, the inflation assumptions total \$133.6 million.

Revenues to cover the \$133.6 million inflation costs would be a combination of increased state resources and tuition dollars generated from an average tuition increase of two percent at the state colleges and three percent at the state universities. In addition, the system will reallocate current base resources to supplement the amount needed to cover the inflationary costs.

The Minnesota State Colleges and Universities system is people driven. Approximately three-fourths (75 percent) of the system's general operating fund is devoted to salary and fringe benefit expenses. Employment within the system is spread over 53 campuses in 46 communities across the state. A 54th campus, located in Owatonna, is scheduled to be added to the system by the end of calendar year 2008. The system is the largest state agency, comprising 38 percent (19,486 total employees) of the state's total workforce. The system is a significant employer through the state and a vital component of local economies. Compensation inflation totals \$32.3 million in FY2010 and \$65.6 million in FY2011 for a total of \$97.9 million.

The Minnesota State Colleges and Universities system is faced with inflationary increases in other operating costs such as supplies and materials, equipment, library acquisitions, and utilities. Other operating cost inflation totals \$11.8 million in FY2010 and \$23.9 million in FY2011 for a total of \$35.7 million.

Relationship to Base Budget

The inflation request represents an increase in state resources equal to \$71.7 million over the biennium. With a biennial base appropriation of \$1,363.4 million, the inflation request represents a 5.3 percent increase in state resources.

Key Goals and Measures

- ◆ The Minnesota State Colleges and Universities system will be able to retain quality employees.
- ◆ The Minnesota State Colleges and Universities system will be competitive in recruiting for employees.
- ◆ The Minnesota State Colleges and Universities system will continue to pursue efficiencies in other operating areas (i.e., facilities, supplies, utilities, etc.).

Alternatives Considered

Recruiting and retaining quality faculty and staff has been and continues to be a priority for the system. Compensation packages that are competitive with system peers are critical to quality. With salary and fringe benefit costs approximately 75% of the system's general operating fund, there are few alternatives available to fund salary increases. The system continues to pursue efficiencies throughout its operations.

Statutory Change: Not Applicable

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Agency Purpose

The Minnesota State Retirement System (MSRS) provides a comprehensive system of retirement programs for its members. Membership is comprised of state employees, state law enforcement and correctional officers, constitutional officers, legislators, judges, employees of the University of Minnesota, the Metropolitan Council, and employees of various other designated state agencies. MSRS also operates other plans for all public employees in the state. They include the Minnesota Deferred Compensation Plan (MNDCP), the Health Care Savings Plan (HCSP), and the Hennepin County Supplemental Retirement Plan (SRHC). In total, 31 employers are covered by MSRS defined benefit (DB) retirement plans, and 650 different employers are contributing to MNDCP and the HCSP.

Core Functions

MSRS disburses monthly benefit payments to retired members, survivors, and disabled employees. MSRS disburses lump-sum withdrawals and rollovers to members who have terminated their employment. MSRS reimburses health care costs to the participants of HCSP. Also, MSRS provides a long-term savings plan through its MNDCP.

Operations

MSRS operates from its main office in St. Paul and branch offices located in St. Cloud, Mankato, Detroit Lakes, and Duluth. Members receive retirement planning and pension administration services by phone, through onsite visits and through the MSRS interactive web site(s). Services are provided to active members, former members, retired members, survivors, beneficiaries, and all public members who are participants of the MNDCP and HCSP. Beginning July 1, 2009 MSRS will utilize a third-party administrator to provide record keeping services only for all MSRS defined contribution plans. For these plans, contributions and other revenue will flow through the record keeper to a custodian, and at the direction of MSRS's, the record keeper will make distributions to members, vendor payments, and reimbursements to MSRS for administrative fees. Thus the fiscal pages of this budget document omit financial activities for these plans.

Key Measures

MSRS measures the funding ratio of the defined benefit plans it administers. This ratio represents what portion of a plan's net assets is available to pay the projected liability for member's retirement benefits. Most of our retirement plans are pre-funded and the higher the funding ratio the better. This measure is determined by an annual actuarial valuation; results of the 2008 valuation are depicted in the table below:

| <u>Retirement Plan</u> | <u>Funding Ratio</u> |
|---------------------------------------|----------------------|
| State Employees Plan (General Plan) | 90.18% |
| State Patrol Plan | 85.79% |
| Correctional Employees Plan | 75.32% |
| Judges Plan | 63.70% |
| Legislators Plan (Note 1) | 45.52% |
| Elective State Officers Plan (Note 2) | 5.43% |

Note 1: This plan is closed to new entrants since 1997. This plan is funded on a pay-as-you-go basis.

At A Glance

Membership on June 30, 2008:

- ◆ 54,522 active members in DB plans
- ◆ 23,443 inactive members in DB plans
- ◆ 29,199 retirees and beneficiaries in DB plans
- ◆ 88,616 MNDCP participants
- ◆ 49,526 HCSP participants
- ◆ 3,689 Unclassified Plan participants
- ◆ 2,192 SRHC participants

Benefits paid in FY 2008:

- ◆ \$557.7 million in annuity benefits
- ◆ \$27.5 million in health care benefits
- ◆ \$180.8 million in refunds/rollovers

Actuarial Assets and Liabilities (in 000's):

| <u>At 6-30-2008</u> | <u>Assets</u> | <u>Liabilities</u> | <u>Funding Ratio</u> |
|---------------------|---------------|--------------------|----------------------|
| General Plan | 9,013,456 | 9,994,602 | 90.18% |
| State Patrol Plan | 595,082 | 693,686 | 85.79% |
| Correctional Plan | 572,719 | 760,363 | 75.32% |
| Judges Plan | 147,542 | 231,623 | 63.70% |

The Legislator's and Elective State Officers Plans are funds on a pay-as-you-go basis.

Net Assets as of June 30, 2008:

- ◆ MNDCP = \$3.6 billion
- ◆ HCSP = \$217.6 million
- ◆ Unclassified Plan = \$289.2 million

Note 2: This plan is funded on a pay-as-you-go basis.

Budget

The MSRS revenues are received from employee and employer contributions and investment earnings. Statutory contribution rates, expressed as a percentage of salary for the various retirement plans, for FY 2009 through FY 2010 are detailed in the table that follows:

| <u>Retirement Plan</u> | <u>Employee Rate (%)</u> | | | <u>Employer Rate (%)</u> | | |
|--|--------------------------|---------------|---------------|--------------------------|---------------|---------------|
| | <u>7/1/08</u> | <u>7/1/09</u> | <u>7/1/10</u> | <u>7/1/08</u> | <u>7/1/09</u> | <u>7/1/10</u> |
| General Employees Retirement Plan | 4.50 | 4.75 | 5.00 | 4.50 | 4.75 | 5.00 |
| Military Affairs Plan | 6.10 | 6.35 | 6.60 | 6.10 | 6.35 | 6.60 |
| Transportation Department Pilots' Plan | 6.10 | 6.35 | 6.60 | 6.10 | 6.35 | 6.60 |
| State Fire Marshals Plan | 7.28 | 7.53 | 7.78 | 8.70 | 8.95 | 9.20 |
| State Patrol Plan | 9.80 | 10.40 | 10.40 | 14.60 | 15.60 | 15.60 |
| Correctional Employees Retirement Plan | 7.00 | 7.70 | 8.60 | 10.10 | 11.10 | 12.10 |
| Judges Retirement Plan | 8.00 | 8.00 | 8.00 | 20.50 | 20.50 | 20.50 |
| Legislators Plan | 9.00 | 9.00 | 9.00 | N/A | N/A | N/A |
| Unclassified Employees Retirement Plan | 4.00 | 4.00 | 4.00 | 6.00 | 6.00 | 6.00 |

These funds are dedicated for the payment of monthly retirement and health care benefits, refunds/rollovers and administrative expenses. All benefit payments are determined either by statute or by IRS regulation. Budgets to cover administrative expenses are recommended by the MSRS staff to the Board of Directors for their review and approval. On 6-30-2008, MSRS employed a staff of 91 full-time equivalent employees. Administrative expenses for FY 2008 totaled \$9.74 million. Administrative expenses allocated to the General Plan totaled \$5.15 million, which is .23% of the payroll on which MSRS contributions are based.

Membership statistics by fiscal year (All plans included)

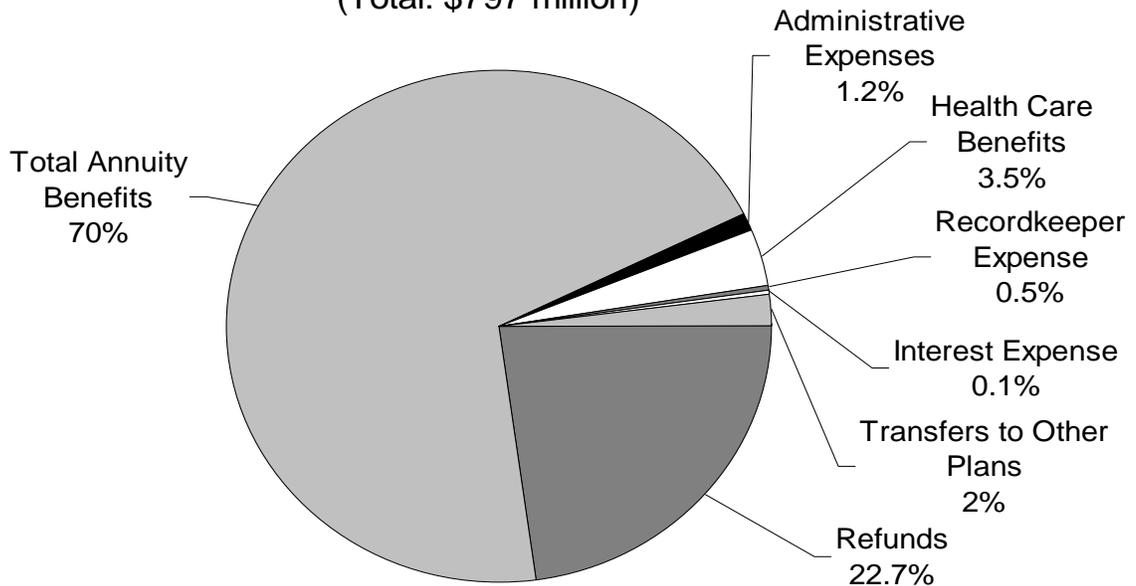
| At June 30 | Active Members | Inactive Members | Retirees and Beneficiaries |
|-------------------|-----------------------|-------------------------|-----------------------------------|
| 2008 | 149,436 | 59,863 | 41,888 |
| 2007 | 136,376 | 57,746 | 39,233 |
| 2006 | 129,488 | 50,381 | 35,665 |
| 2005 | 117,217 | 46,493 | 37,930 |
| 2004 | 138,477 | 27,427 | 37,308 |

Benefits paid (in 000's) by fiscal year

| At June 30 | Annuity Benefits | Health Care Benefits | Refunds/Rollovers |
|-------------------|-------------------------|-----------------------------|--------------------------|
| 2008 | 557,749 | 27,548 | 180,727 |
| 2007 | 523,644 | 23,470 | 179,157 |
| 2006 | 490,457 | 18,210 | 152,766 |
| 2005 | 462,510 | 13,417 | 122,330 |
| 2004 | 405,013 | 9,260 | 17,722 |

**Benefits and Expenses
(FY 2008)**

**Minnesota State Retirement System
(Total: \$797 million)**



Contact

Minnesota State Retirement System
60 Empire Drive, Suite 300
Saint Paul, Minnesota 55103-3000

Phone: (651) 296-2761
(800) 657-5757
Fax: (651) 297-5238

Visit us on the web at www.msrs.state.mn.us.
Telecommunications-device-for-the-deaf (TDD)
Minnesota Relay Service at (800) 627-3529 and ask to be connected to (651) 296-2761.

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|--|----------------|----------------|------------------|----------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Open Appropriations | | | | | |
| General | 3,076 | 1,649 | 1,660 | 1,671 | 3,331 |
| Correctional Employees Retire | 32,148 | 30,400 | 31,160 | 31,939 | 63,099 |
| State Employees Retirement | 439,931 | 414,044 | 424,432 | 435,080 | 859,512 |
| Highway Patrol Retirement | 42,936 | 40,442 | 41,453 | 42,489 | 83,942 |
| Unclassified Employees Retire | 6,712 | 20,041 | 0 | 0 | 0 |
| Postretirement Health Care Ben | 28,568 | 26,603 | 0 | 0 | 0 |
| Henn Cty Supplemental Retirmnt | 6,048 | 11,444 | 0 | 0 | 0 |
| Judicial Retirement | 15,173 | 14,201 | 14,556 | 14,920 | 29,476 |
| Statutory Appropriations | | | | | |
| Legislative Annuities | 5,212 | 4,897 | 5,019 | 5,145 | 10,164 |
| Total | 579,804 | 563,721 | 518,280 | 531,244 | 1,049,524 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 6,244 | 6,946 | 7,155 | 7,370 | 14,525 |
| Other Operating Expenses | 4,286 | 6,045 | 5,081 | 5,208 | 10,289 |
| Capital Outlay & Real Property | 80 | 0 | 0 | 0 | 0 |
| Other Financial Transactions | 569,194 | 550,730 | 506,044 | 518,666 | 1,024,710 |
| Total | 579,804 | 563,721 | 518,280 | 531,244 | 1,049,524 |
| <u>Expenditures by Program</u> | | | | | |
| Mn State Retirement System | 521,727 | 504,927 | 497,045 | 509,508 | 1,006,553 |
| Elective Officers Plan | 435 | 449 | 460 | 471 | 931 |
| Judges Plan | 15,173 | 14,201 | 14,556 | 14,920 | 29,476 |
| Legislators Plan | 7,853 | 6,097 | 6,219 | 6,345 | 12,564 |
| Health Care Savings Fund | 28,568 | 26,603 | 0 | 0 | 0 |
| Srhc | 6,048 | 11,444 | 0 | 0 | 0 |
| Total | 579,804 | 563,721 | 518,280 | 531,244 | 1,049,524 |
| Full-Time Equivalents (FTE) | 83.9 | 80.7 | 80.7 | 80.7 | |

MINN STATE RETIREMENT SYSTEM

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| General | 181 | 169 | 169 | 169 | 338 |
| Correctional Employees Retire | 31,237 | 34,896 | 34,896 | 34,896 | 69,792 |
| State Employees Retirement | 198,366 | 207,320 | 207,320 | 207,320 | 414,640 |
| Highway Patrol Retirement | 13,805 | 14,461 | 14,461 | 14,461 | 28,922 |
| Unclassified Employees Retire | 11,672 | 11,550 | 11,550 | 11,550 | 23,100 |
| Postretirement Health Care Ben | 71,958 | 63,126 | 63,126 | 63,126 | 126,252 |
| Henn Cty Supplemental Retirmnt | 1,209 | 1,189 | 1,189 | 1,189 | 2,378 |
| Judicial Retirement | 10,811 | 11,048 | 11,048 | 11,048 | 22,096 |
| Total Non-Dedicated Receipts | 339,239 | 343,759 | 343,759 | 343,759 | 687,518 |
| <u>Dedicated Receipts:</u> | | | | | |
| Other Revenues: | | | | | |
| Miscellaneous Agency | 4 | 0 | 0 | 0 | 0 |
| Total Dedicated Receipts | 4 | 0 | 0 | 0 | 0 |
| Agency Total Revenue | 339,243 | 343,759 | 343,759 | 343,759 | 687,518 |

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↻ Designates that this is a change item

Agency Purpose

The Minnesota Conservation Corps, an entrepreneurial 501(c)(3), engages young people in community service, natural-resource restoration and emergency-response work. Affiliated with AmeriCorps, MCC continues the legacy of the Civilian Conservation Corps of the 1930s.

Core Functions

- ◆ **Skills development** – MCC provides youth and young adults with the technical and personal skills necessary to not only complete hands-on conservation and community-service projects, but to be successful in their future education, careers and civic involvement.
- ◆ **Positive learning experiences** – MCC provides service-learning experiences that result in personal responsibility, a strong service ethic and changed lives.
- ◆ **Social and environmental impact** — MCC fosters positive improvements to our environment, communities, and young people's lives through a commitment to natural-resource service.
- ◆ **Youth and young adult service** — MCC maximizes the enthusiasm and energy of young people to create positive outcomes for Minnesota communities.

Operations

- ◆ Summer Youth Residential Program operates for eight weeks from a base camp at St. Croix State Park. Youth crews work and camp throughout the state to restore and improve natural resources on public lands.
- ◆ Young Adult Program operates Feb – Dec. Corps members work throughout the state, performing labor-intensive, highly-technical natural resource work on public land and responding to natural disasters.
- ◆ Youth Outdoors (YO), a new after-school program, was launched in the fall 2008 with a pilot program; the full program starts in February 2009. YO participants complete service learning projects in their neighborhoods.

Key Goals

The Minnesota Conservation Corps mission is to provide hands-on environmental stewardship and service-learning opportunities for youth and young adults while accomplishing priority cost-effective conservation, natural resource management and emergency-response work. In 2006, MCC initiated a three-year strategic plan with 12 initiatives in three key areas:

- ◆ **Programs:** Grow existing programs while sustaining a quality corps member experience and project results.
- ◆ **Funding:** Execute our development plan to provide sustainable and alternative sources of funding.
- ◆ **Organization:** Strengthen MCC organization, staff, processes and capabilities to further develop effective and efficient operations.

MCC is currently designing strategic initiatives for 2010-13 through data gathering, analysis and working sessions with the executive team, staff, alumni, stakeholders and board of directors.

Glance

Minnesota Conservation Corps programs:

- ◆ **Young Adult AmeriCorps:** ages 18-25; ten months of service; nonresidential; participants receive education award after completing term.
- ◆ **Summer Youth:** ages 15-18; teens live and work outdoors for eight weeks, unplugged from technology and modern conveniences.
- ◆ **Youth Outdoors:** after-school program, ages 15-18; pilot launched in fall 2008; emphasizes STEM curriculum, service and civic engagement.

MCC restores resources and changes lives by:

- ◆ Annually engaging more than 200 young people in service, working outdoors.
- ◆ Serving more than 125 project sponsors, including nonprofits, community organizations, local governments, and state and federal agencies such as the Department of Natural Resources and U.S. Fish and Wildlife Service.
- ◆ Completing more than 160,000 hours of work such as restoring native habitats, building and maintaining trails and other natural-resource infrastructure, leading volunteers, collecting data, protecting water resources and more.
- ◆ Providing work-skill and personal-development training during 20% of participants' service term.
- ◆ Offering emergency-response work to Minnesota communities and other regions plagued by floods, fire and other disasters.
- ◆ Preparing young people for work in natural resource agencies that will lose 50% of staff in next five years as baby boomers retire.

Key Measures

Outcomes are documented by evaluations and project-tracking procedures tied to performance measures.

Key Measures - changing lives, restoring resources

Project sponsor satisfaction:

89% of project sponsors rated their overall satisfaction with MCC crews as “excellent” or “outstanding”

Member workplace behavior and skills development:

20% of corps members’ time was spent in personal-development and technical-skills training (*in classroom*)

Member post-service path:

- ◆ 33% received employment in related field
- ◆ 26% returned to program in a leadership capacity
- ◆ 21% began or returned to post-secondary education
- ◆ 11% enlisted in voluntary community service or other AmeriCorps programs

Key Measures - YOUTH PROGRAM

Engaging diverse youth:

- ◆ 40% of participants are youth of color; 20% are deaf or hard-of-hearing,
- ◆ Program enrolls equal numbers of male and female, and rural and metro participants

Personal and work-skills development outcomes of 3,484 educational hours:

- ◆ 94% of youth demonstrated increased understanding of the natural environment
- ◆ 77% reported increased interest in new career and vocational pursuits
- ◆ 16% returned to program in positions with higher levels of responsibility
- ◆ 91% demonstrated increased skills with hand tools
- ◆ 82% reported increased confidence interacting with peers and adults.

During the past year, youth and young adult participants contributed more than 160,000 hours of conservation service.

MCC also participates in the national **Corps Network’s Excellence in Corps Operations evaluation**, ranking high in both internal and external reviews.

Budget

MCC spends more than 85% of its funds directly for youth and young adult programs. MCC generates almost half its operating funds from conservation services. State funds are used for priority projects, leveraging resources from other organizations and providing match for the federal AmeriCorps grants.

FY 2010-11 Projected Revenue Summary:

| | |
|--|------------------|
| Fee for service (47%) | 1,500,000 |
| Natural Resources Fund (15%) | 490,000 |
| State General Fund (15%) | 475,000 |
| Federal AmeriCorps grant (11%) | 265,000 |
| ServeMinnesota grant (7%) | 252,000 |
| Contributions and foundation grants (4%) | 150,000 |
| Total | 3,132,000 |

Future Opportunities

- ◆ Working with partners on the Clean Water Legacy Initiative in conjunction with BWSR
- ◆ Receiving additional funds from DEED for deaf and hard of hearing participants
- ◆ Expanding service opportunities for youth.

- ◆ Preparing program participants for green jobs and STEM (science, technology, engineering and math) related careers.

Contact

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www.conservationcorps.org

Len Price, Executive Director, (651) 209-9900 x12
len.price@conservationcorps.org

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|--------------|------------|------------------|------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 525 | 475 | 475 | 475 | 950 |
| Recommended | 525 | 475 | 451 | 451 | 902 |
| Change | | 0 | (24) | (24) | (48) |
| % Biennial Change from 2008-09 | | | | | -9.8% |
| Natural Resources | | | | | |
| Current Appropriation | 490 | 490 | 490 | 490 | 980 |
| Recommended | 490 | 490 | 490 | 490 | 980 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 0% |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 525 | 475 | 451 | 451 | 902 |
| Natural Resources | 490 | 490 | 490 | 490 | 980 |
| Total | 1,015 | 965 | 941 | 941 | 1,882 |
| <u>Expenditures by Category</u> | | | | | |
| Local Assistance | 1,015 | 965 | 941 | 941 | 1,882 |
| Total | 1,015 | 965 | 941 | 941 | 1,882 |
| <u>Expenditures by Program</u> | | | | | |
| Minn Conservation Corps | 1,015 | 965 | 941 | 941 | 1,882 |
| Total | 1,015 | 965 | 941 | 941 | 1,882 |

Dollars in Thousands

| | FY2009 | Governor's Recomm. | | Biennium |
|---|------------|--------------------|------------|------------|
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 475 | 475 | 475 | 950 |
| Subtotal - Forecast Base | 475 | 475 | 475 | 950 |
| Change Items | | | | |
| Base Budget Reduction | 0 | (24) | (24) | (48) |
| Total Governor's Recommendations | 475 | 451 | 451 | 902 |
| Fund: NATURAL RESOURCES | | | | |
| FY 2009 Appropriations | 490 | 490 | 490 | 980 |
| Subtotal - Forecast Base | 490 | 490 | 490 | 980 |
| Total Governor's Recommendations | 490 | 490 | 490 | 980 |

MN CONSERVATION CORPS

Change Item: Base Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$(24) | \$(24) | \$(24) | \$(24) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(24) | \$(24) | \$(24) | \$(24) |

Recommendation

The Governor recommends a reduction of \$24,000 in FY 2010 and \$24,000 in FY 2011 to the Conservation Corps general fund appropriation. The Governor intends that the Conservation Corps should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

This proposal is an approximate 1% reduction of the \$3.1 million in total revenues as projected by the Conservation Corps. The Conservation Corps FY 2009 general fund appropriation is \$475,000. The Governor is proposing to reduce the Conservation Corps's general fund appropriation during the FY 2010-11 biennium.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the general fund appropriation, but only a 1% reduction in the Conservation Corps' overall budget.

Key Goals and Measures

The budget submitted for Conservation Corps seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

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↻ Designates that this item is a change item

January 27, 2009

To the 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the FY 2010-2011 budget recommendation for Minnesota Management & Budget (MMB). Our department was created on June 1, 2008, when the Department of Employee Relations joined the Department of Finance. The Management Analysis and Development Division transferred into the agency from the Department of Administration in August, by executive order.

MMB is responsible for providing leadership, oversight and support in financial management, human resources and enterprise analysis. Our new mission statement – "...to increase state government's capacity to manage and utilize financial, human, information and analytical resources to ensure exceptional service and value for Minnesota's citizens" reflects the broad scope of our combined responsibilities and our commitment to fulfilling these responsibilities creatively and effectively. MMB is the chief human resource and financial office in the executive branch, with responsibility for setting policy, direction and practice in these areas for the executive branch agencies, negotiating contracts for eleven bargaining agreements and plans, and operating the enterprise accounting, budget, payroll and data warehouse systems.

Our agency has been involved in several significant reform efforts, aimed at upgrading the services, analysis, and support that we provide to employees, agencies and the public in a variety of ways.

- MMB is leading a multi-agency team working to replace the state's biennial budget system. We expect that the new system, to be implemented on a trial basis this fall, will be a major improvement in our ability to manage and report budget data.
- The state's insurance program is just now implementing the "Benny" card for pre-tax and health savings accounts, marking a major improvement in the way that employees access these benefits.
- We are in the final stages of testing a "citizen's information" page that will offer a searchable database on state spending, including professional technical contracts
- In February 2007, we completed an upgrade of the state's payroll system (SEMA4), moving it to a new platform. This change has already provided significant savings and funded the most recent version upgrade, in September of 2008.
- MMB provided staff support and original economic research to the Budget Trends Study Commission, with the resulting report offering a more in-depth look at revenue volatility and reserve requirements than has been available in many years.

For FY 2010-2011, the Governor's general fund base budget recommendation totals \$39 million, a five percent reduction from forecast base levels. We will manage this budget reduction by eliminating eight positions and reducing administrative and operational costs throughout the department. We have made several investments in FY 2009 – such as space consolidation and IT purchases -- that should yield considerable savings in the next biennium and help us to absorb this reduction while maintaining our successful work in high priority activities.

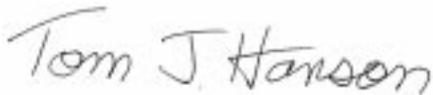
The Governor's budget also recommends continuing the statewide systems billing authority at the current amount of \$13.2 million for the biennium. Billing authority provides the resources for some of the operating costs of the statewide administrative systems. MMB's budget for FY 2010-11 also includes a recommendation for the base amount of \$1.5 billion for the State Employee Insurance Program, and \$5.2 million in other funds.

The Governor's budget includes two major initiatives intended to provide agencies with the tools, support and analysis needed to ensure that state government operates effectively and efficiently.

- The first recommendation is to fund replacement of the enterprise accounting and procurement system, with a cost of \$17.95 million in FY 2010-11 and later biennia. The existing systems (known collectively as the Minnesota Accounting and Procurement Systems, or MAPS) were first installed in 1995 and are now approaching technical obsolescence. MAPS is increasingly incompatible with the state's newer systems with which it must interface, and also fails to take advantage of the many improvements in business practice and security over the last couple decades. Implementation of the new system would be expected in FY 2012 with the Governor's recommendation. Due to the budget deficit and the urgent need to replace this system, the Governor recommends funding this initiative through a lease purchase arrangement, spreading the cost over 10 years.
- The second initiative is \$1.4 million to strengthen the state's financial oversight capabilities by building an internal control team in MMB to augment existing training and support and by expanding oversight of capital projects and debt management. Challenges facing state agencies in this arena have increased, with recent reports by the Office of the Legislative Auditor identifying a varied set of weaknesses in agency financial controls and debt management practices that this initiative will address.

Tight financial circumstances, changing demographics and increasing calls for accountability and transparency will only increase the need for strong support and nimble tools for state government operations and the Governor's recommendation will allow MMB to succeed in our efforts to support and build state government's capacity.

I look forward to working with you on the proposed budget.



Tom Hanson

Agency Purpose

Minnesota Management & Budget (MMB) is responsible for managing and providing leadership in financial management, human resources and enterprise systems and analysis. Our mission is to increase state government's capacity to manage and utilize financial, human, information and analytical resources to ensure exceptional service and value for Minnesota's citizens. MMB was created on June 1, 2008 when a 2007 law went into effect merging most of the Department of Employee Relations with the Department of Finance. In August 2008, the governor signed a reorganization order that moved the Management Analysis & Development (MAD) division to the merged agency from the Department of Administration.

Core Functions

The department provides statewide direction to financial and human resource management processes. This direction ensures adherence to standards, continuity, legal compliance, and financial integrity. Core functions support the policy making process and the resource management of state government. Core functions are:

- ◆ Managing state financial and human resource processes and systems;
- ◆ Providing historical and projected financial and program information;
- ◆ Providing financial analysis;
- ◆ Administering the state's merit system;
- ◆ Providing recruitment, training and other human resource products and services;
- ◆ Negotiating and administering labor agreements;
- ◆ Developing and administering compensation plans; and
- ◆ Developing, implementing and managing insurance benefits for employees, retirees, and their dependents.

Operations

The department operates under two programs:

Statewide Services: state employees, vendors, individuals, financial institutions, school districts, and local governments receive payments through the accounting, payroll, procurement, and human resources business processes and systems. The department also manages systems and processes for the biennial budget, capital budget, fiscal notes, annual spending plans, and performance reporting. As the statewide personnel, insurance benefits and labor relations provider, the department assists all other agencies in issues relating to state employment. Statewide services has nine budget activities:

Accounting Services: provides financial management assistance to agencies, administers the accounting and payroll systems, and reports on the state's financial condition.

Budget Services: coordinates the development and production of the governor's operating and capital budgets and assists legislative committees in their review and deliberations. It also provides financial oversight and technical assistance and support for agencies, and analysis and information for agencies, the governor, the legislature and the public.

At A Glance

Annual Business Processes:

- ◆ Provides accounting and budget management for the state's \$56.5 billion two-year budget including the \$33.3 billion general fund.
- ◆ Provides financial control and human resource management to 130 state agencies.
- ◆ Provides consulting and training services to state agencies, the legislature, local governments, higher education and K-12 institutions through Management Analysis & Development.
- ◆ Negotiates and administers nine bargaining agreements and two compensation plans affecting 37,300 executive branch employees.
- ◆ Processes nearly 100,000 applicant resumes.
- ◆ Pays 50,000 employees bi-weekly.
- ◆ Develops and manages health, dental, life insurance and other benefits for state employees, retirees, and their families, totaling over 120,000 covered individuals.
- ◆ Manages 134 separate state fund classes through 5,500 separate accounts.
- ◆ Conducts 4.9 million expenditure transactions
- ◆ Processes 1.5 million cash deposits.
- ◆ Issues 1.2 million payments.
- ◆ Processes 310,000 purchase orders.
- ◆ Conducts two bond sales, with about \$4.4 billion in outstanding general obligation debt.
- ◆ Manages financial transactions totaling \$331 billion including investment and reinvestment activity.

Economic Analysis: prepares the financial forecasts that identify projected state revenues and expenditures and related information and analysis.

Information Systems: provides technical support for the state's administrative information systems, which include the accounting and procurement system, the payroll and human resources system and the information access system. It also provides technical support for the budget information systems, treasury investment application and the agency's computer network and infrastructure.

Treasury: performs a variety of daily treasury and cash management functions, establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and equipment, and administers the state's tax exempt bonding allocation law.

Management Analysis & Development: provides fee-for-service consulting and training services to state and local government, higher education and other public sector organizations.

Human Resource Management: administers the state's merit system and provides a wide variety of human resource products and services including systems, processes and programs for workforce planning, recruiting and selection, applicant support, training, charitable giving, diversity development, affirmative action and compliance with the Americans with Disabilities Act.

Labor Relations: represents the state executive branch in negotiating and administering collective bargaining agreements and compensation plans and in arbitrating employee grievances.

Agency Administration: provides human resources, fiscal and administrative support for the department and includes the agency leadership and staff in the Commissioner's Office.

Statewide Insurance: administers employee insurance benefits for the state of Minnesota's eligible state employees, retirees, and dependents, and other public employees. Statewide Insurance has two budget activities:

State Employee Group Insurance Program (SEGIP): develops and manages insurance benefits for eligible state employees, retirees, and their dependents to help attract and retain a strong and productive workforce.

Public Employee Insurance Program (PEIP): offers local units of government group health, dental, and life insurance for their eligible employees, retirees, and their dependents.

Budget

Approximately 3% of the department's budget is from the general fund. The other 97% is composed of revenues for statewide administrative systems and the various insurance and state employee benefit programs that the department operates. Non-general fund dollars come from a variety of sources. Funds for statewide administrative systems are collected from state agencies based on the volume of transactions generated in the accounting and payroll systems. SEGIP benefits are funded by premiums collected from state agencies, employees, and self-paid participants and by an administrative fee charged to participating employers. PEIP is funded by premiums paid by participating local units of government and their employees. Pre-Tax Program revenue consists of employee contributions and agency fees for medical, dental, transit, and dependent care expense reimbursement accounts.

The number of full-time employees is 286 as of the third quarter of FY 2008, with 202 supported by the general fund and the remainder by the other sources described above.

Contact

Minnesota Management & Budget
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658 Cedar Street
Saint Paul, Minnesota 55155
www.mmb.state.mn.us

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|------------------|------------------|------------------|------------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 21,567 | 20,554 | 20,554 | 20,554 | 41,108 |
| Recommended | 21,567 | 20,554 | 20,218 | 20,218 | 40,436 |
| Change | | 0 | (336) | (336) | (672) |
| % Biennial Change from 2008-09 | | | | | -4% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 126 | 1,249 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 20,001 | 22,092 | 20,218 | 20,218 | 40,436 |
| Statutory Appropriations | | | | | |
| General | 207 | 207 | 9,182 | 9,182 | 18,364 |
| Miscellaneous Special Revenue | 5,404 | 7,498 | 7,337 | 7,342 | 14,679 |
| State Employees Insurance | 603,180 | 669,933 | 707,284 | 763,210 | 1,470,494 |
| Miscellaneous Agency | 23,645 | 24,411 | 24,821 | 25,812 | 50,633 |
| Management Analysis | 2,084 | 2,187 | 2,181 | 2,197 | 4,378 |
| New Fund | 0 | 0 | 32,335 | 30,305 | 62,640 |
| Total | 654,647 | 727,577 | 803,358 | 858,266 | 1,661,624 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 23,509 | 24,928 | 30,453 | 30,666 | 61,119 |
| Other Operating Expenses | 631,138 | 702,649 | 763,930 | 818,625 | 1,582,555 |
| Other Financial Transactions | 0 | 0 | 8,975 | 8,975 | 17,950 |
| Total | 654,647 | 727,577 | 803,358 | 858,266 | 1,661,624 |
| <u>Expenditures by Program</u> | | | | | |
| Statewide Services | 27,822 | 33,279 | 71,253 | 69,244 | 140,497 |
| Statewide Insurance | 626,825 | 694,298 | 732,105 | 789,022 | 1,521,127 |
| Total | 654,647 | 727,577 | 803,358 | 858,266 | 1,661,624 |
| Full-Time Equivalents (FTE) | 272.8 | 274.4 | 338.3 | 333.4 | |

| <i>Dollars in Thousands</i> | | | | |
|--|----------------|--------------------|----------------|------------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 20,554 | 20,554 | 20,554 | 41,108 |
| Technical Adjustments | | | | |
| Pt Contract Base Reduction | | (9) | (9) | (18) |
| Subtotal - Forecast Base | 20,554 | 20,545 | 20,545 | 41,090 |
| Change Items | | | | |
| Financial Oversight and Assistance | 0 | 700 | 700 | 1,400 |
| Operating Budget Reduction | 0 | (1,027) | (1,027) | (2,054) |
| Total Governor's Recommendations | 20,554 | 20,218 | 20,218 | 40,436 |
| Fund: GENERAL | | | | |
| Planned Statutory Spending | 207 | 207 | 207 | 414 |
| Change Items | | | | |
| MAPS Replacement | 0 | 8,975 | 8,975 | 17,950 |
| Total Governor's Recommendations | 207 | 9,182 | 9,182 | 18,364 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 8,747 | 7,337 | 7,342 | 14,679 |
| Total Governor's Recommendations | 8,747 | 7,337 | 7,342 | 14,679 |
| Fund: STATE EMPLOYEES INSURANCE | | | | |
| Planned Statutory Spending | 669,933 | 707,284 | 763,210 | 1,470,494 |
| Total Governor's Recommendations | 669,933 | 707,284 | 763,210 | 1,470,494 |
| Fund: MISCELLANEOUS AGENCY | | | | |
| Planned Statutory Spending | 24,411 | 24,821 | 25,812 | 50,633 |
| Total Governor's Recommendations | 24,411 | 24,821 | 25,812 | 50,633 |
| Fund: MANAGEMENT ANALYSIS | | | | |
| Planned Statutory Spending | 2,187 | 2,181 | 2,197 | 4,378 |
| Total Governor's Recommendations | 2,187 | 2,181 | 2,197 | 4,378 |
| Fund: NEW FUND | | | | |
| Planned Statutory Spending | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| MAPS Replacement | 0 | 32,335 | 30,305 | 62,640 |
| Total Governor's Recommendations | 0 | 32,335 | 30,305 | 62,640 |
| Revenue Change Items | | | | |
| Fund: NEW FUND | | | | |
| Change Items | | | | |
| MAPS Replacement | 0 | 69,955 | 0 | 69,955 |

MINNESOTA MANAGEMENT & BUDGET

Change Item: MAPS Replacement

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|----------|----------|---------|
| General Fund | | | | |
| Expenditures | \$8,975 | \$8,975 | \$8,975 | \$8,975 |
| Revenues | 0 | 0 | 0 | 0 |
| New Fund | | | | |
| Expenditures | 32,335 | 30,305 | 7,315 | 0 |
| Revenues | 69,955 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(28,645) | \$39,280 | \$16,290 | \$8,975 |

Recommendation

The Governor recommends a new, state-of-the-art, integrated system to replace the existing components of the current statewide accounting and procurement systems, collectively known as MAPS. Total costs to acquire the hardware, software, and implementation services are estimated to be \$69.8 million. Because the MAPS system is the core of the state's basic IT infrastructure, and is expected to have a life span longer than many more transitory systems, the Governor recommends spreading the cost over ten years using lease purchase financing. The lease purchase model also allows for this critical project to move forward despite the budget deficit, reducing the FY 2010-11 general fund cost to \$17.95 million. This initiative represents an opportunity to improve the effectiveness of government operations by changing business processes and to reduce the risks of operating an antiquated system based on increasingly incompatible technology. The target implementation date for the new system is July 2011.

Background

The State of Minnesota's accounting and procurement systems enable the state to process 1.25 million payment and 300,000 purchasing transactions each year. Currently, over 2,300 agency personnel representing more than 130 agencies are authorized to use these systems. For FY 2008, approximately 25 million transaction lines were entered into the systems to record expenditures of \$33 billion and revenue of \$36 billion for all funds.

The existing systems are mainframe-based applications selected in 1992, modified, and brought online in 1995. These applications have been heavily customized to meet some of the unique needs of the state and are approaching technical obsolescence. The last application upgrades were made in 1998 to ensure Year 2000 (Y2K) compliance. The systems lag behind advances in information technology and are growing increasingly incompatible with the state's newer systems, and with best practices in information management.

Research has been conducted by looking at other states that have recently implemented, or are in the process of implementing, new financial management systems. In addition to this research a number of alternative approaches were considered and they are discussed below. The analysis shows that the best approach for the State of Minnesota is to replace the components of MAPS with commercially-available, broadly supported software. Buying an "off- the-shelf product" accomplishes several goals:

- ◆ It will encourage implementation of "best practices" inherent in the software design by realizing process improvements without the need to extensively modify the system.
- ◆ It will also reduce the cost of implementation and future upgrades by avoiding excessive modifications.
- ◆ Finally, it will allow us to maintain an upgrade path that will keep the application current for newly available functionality or evolving technical requirements.

Under the current plan for the replacement project, a contract would be signed with a vendor in early FY 2010. The project is expected to take two years to complete, with a planned implementation date of FY 2012.

Lease Purchase Financing – This change item requests a total of \$69.8 million for development and implementation of the new system during FY 2010-12. To reduce the budgetary impact during the current biennium, this proposal spreads the cost over 10 years using lease purchase financing. Under a lease purchase arrangement, the state would secure up-front project capital in exchange for regular lease payments. The state would incur an estimated \$155,000 in lease administration expenses, which would be added to the principal on the lease. Including interest at an estimated rate of 5%, the lease payments on the total principal of \$69.955 million are estimated to be \$8.975 million per year over 10 years. Lease payments would be funded with a

general fund standing appropriation of \$8.975 million per year. Proceeds from the lease purchase arrangement would be deposited and spent from a new fund dedicated to the project.

Relationship to Base Budget

The FY 2010-11 base budget for Minnesota Management & Budget (MMB) is \$1.578 billion all funds, including \$1.521 billion for insurance and \$14.7 million special revenue funds, of which \$13.9 million is used exclusively for statewide administrative systems. Approximately \$19 million was spent in the early 1990s to create the current accounting and procurement systems.

Costs of similar projects in various stages of development in other states and Hennepin County are as follows:

| State or County | Implementation Date | Anticipated Cost | Acct/Procurement Portion (est.) |
|------------------------|----------------------------|-------------------------|--|
| Connecticut | 2003 | \$102 million | \$68 million |
| Ohio | 2007 | \$158 million | \$105 million |
| Pennsylvania | 2004 | \$212 million | \$141 million |
| Tennessee | 2008 | \$130 million | \$87 million |
| Wisconsin | Planning | \$90 million | \$60 million |
| Hennepin County | 2010 | \$43 million | \$29 million |

Key Goals and Measures

Replacing the existing components of the current statewide accounting and procurement systems with a state-of-the-art integrated system supports MMB's goal of maintaining and improving the operations of the state's financial management infrastructure by enhancing the reliability and functionality of statewide administrative systems.

The key benefits of a new system are:

Stable Technical Infrastructure

- ◆ Compatible with current technology
- ◆ Ongoing vendor support
- ◆ Ongoing staff support available
- ◆ Greatly improved security environment

Better Decisions

- ◆ Enhanced decision-making because information would be more detailed and accessible
- ◆ Improved statewide reporting
- ◆ More detail for better purchasing decisions
- ◆ Enhanced ability to aggregate purchasing for increased volume discounts
- ◆ Better data for spend analysis to use in contract negotiations
- ◆ Improved tools for managing contracts
- ◆ Designed to collect and provide access to data on state purchases, contracts and grants

Greater Efficiency

- ◆ Better tools for more effective and efficient management of state resources
- ◆ Streamlined, standardized processes
- ◆ Better vendor pricing with e-procurement
- ◆ Added functionality and a web-based system will increase efficiency and flexibility
- ◆ Web-based so much less desktop support required
- ◆ Re-engineered workflow patterns
- ◆ Self service options

Alternatives Considered

Each of the following alternatives was evaluated. None are considered viable because of their unacceptable levels of risk and/or cost.

Enhance Existing Systems and Processes – enhance the existing statewide legacy systems through development of additional functionality or additional integration of systems. This alternative fails to provide sufficient efficiencies and process improvements and would not address the technical obsolescence risk associated with the existing system. Making any significant modification to the State’s dated administrative systems would subject the state to high risk.

Custom Development – develop a new, fully integrated, web-centric application in-house that would meet the state’s functional and technical system requirements. This alternative carries unacceptably high risk due to the size, complexity, likely project duration and funding requirements associated with such a project.

Vendor Hosting – contract with an independent supplier(s) that would provide and operate a solution meeting the State’s systems needs for a subscription fee. This alternative would cause the state to be excessively dependent on the hosting vendor, which would subject the State to unacceptable pricing risk as vendors tend to increase the overall cost of service over time. No other state has had long-term success in pursuing a vendor-hosting strategy of this magnitude.

Status Quo – keep the existing statewide legacy systems in place, while making no significant enhancements in functionality, or new integration among those systems or between the statewide systems and agency systems. This alternative places the state at ever-increasing risk by failing to address technical obsolescence issues associated with MAPS. Additionally, it places the state’s accounting and procurement strategic direction on hold and delays the realization of anticipated benefits of a new statewide system.

Statutory Change: Not Applicable.

Technology Funding Detail*

(dollars in thousands)

* Table displays direct project expenditures only, not including debt service and lease costs

| Funding Distribution | FY 2010-11 Biennium | | FY 2012-13 Biennium | | FY 2014-15 Biennium | |
|----------------------|---------------------|-----------------|---------------------|------------|---------------------|------------|
| | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| Personnel | \$5,050 | \$5,050 | \$0 | \$0 | \$0 | \$0 |
| Hardware | 2,000 | 2,000 | 0 | 0 | 0 | 0 |
| Software | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 500 | 500 | 0 | 0 | 0 | 0 |
| Services | 19,630 | 17,555 | 7,315 | 0 | 0 | 0 |
| Training | 0 | 5,200 | 0 | 0 | 0 | 0 |
| TOTAL | \$32,180 | \$30,305 | \$7,315 | \$0 | \$0 | \$0 |

MINNESOTA MANAGEMENT & BUDGET

Change Item: Financial Oversight and Assistance

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$700 | \$700 | \$700 | \$700 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$700 | \$700 | \$700 | \$700 |

Recommendation

The Governor recommends \$700,000 each year to strengthen the state's financial oversight capabilities. This initiative will build an internal control team in Minnesota Management & Budget (MMB) to augment existing training and support for all state agencies. An element of this initiative will also enable the state to better oversee and deliver the state's expanding instruments, ensuring that funds are used according to statute, policy and legal covenants. Finally, the Governor's budget also recommends that funding be enhanced for the Small Agency Resource Team (SmART) in the Department of Administration (Admin) to improve the services available for small agencies. That funding recommendation is carried in Admin's budget submission.

Background

For quite some time, the Department of Finance (now becoming MMB) has emphasized "front end" assistance and training to agencies as the primary method for ensuring sound financial management practices. Working closely with experienced finance, budget and accounting professionals in the agencies, this approach resulted in well functioning and stable financial management.

The challenges facing state agencies in this arena have increased. Recent reports by the Office of the Legislative Auditor (OLA) have identified a disparate set of weaknesses in agency financial controls. With state government experiencing more turnover due to market and demographic pressures, increasingly complex procedures and tight operational budgets, agencies are looking for more training and support for their accounting functions. Changes are necessary to enhance the support available to agencies and provide more robust training and support on a more consistent basis. This initiative would complement the existing training efforts, and also provide additional review and oversight of financial policies and practices.

Internal Control Unit

The first element of this initiative would create a new internal control unit in MMB to support and oversee state financial services. Public expectations for financial controls and reporting have increased in recent years, but the state has not yet responded with an internal control capacity to fulfill these expectations. Recent OLA reports underscore the need for a consolidated approach to financial controls to ensure that any real or potential weaknesses are addressed.

This portion of the initiative would create a six person internal control support unit (ICSU). The ICSU would assist agencies at various points in time, both in addressing questions that agencies have as they implement enacted budgets as well as identifying and fulfilling training needs. This unit would be specifically responsible for working with agencies to follow up on audit findings, and to ensure that statewide training or policies were developed and delivered to respond to any trends or common issues identified by the OLA. The cost of the internal control portion of the initiative is \$512,000/year or \$1.024 million for the biennium.

Bonding Oversight

The second element of this initiative would significantly expand the state's capacity to manage state bond authorizations and the projects that they fund. Minnesota has not changed its staffing for debt management in several decades, despite the rise in state bonding issues, growth in project complexity, and expansion into new financial tools. The December 2008 OLA report on general obligation bonding highlighted the need for a fresh review of the implementation of bond appropriations. The cost of the bonding oversight portion of the initiative is \$188,000/year or \$376,000 for the biennium.

This initiative would add two positions: one to complete periodic audits of selected capital projects, as well as work with current staff to ensure that projects are implemented in accordance with state law and departmental policy, and the second to assume day to day management of some of the existing finance programs and provide assistance to develop new ones.

Relationship to Base Budget

Functions related to internal control and bonding are largely contained within the accounting services and treasury services activities in MMB. Base funding for these activities in FY 2010-11 is \$12.094 million.

Key Goals and Measures

This initiative provides capacity so that all state funds are used toward reaching key goals. Taken separately, this initiative would contribute to the department's goal for highly rated financial reporting and overall ranking when compared with other public entities. The most specific measure of this funding will be the number of repeat audit findings.

Alternatives Considered

The primary alternative would be to call on existing staff for the ICSU's potential duties. While MMB would continue to strive to develop training and provide support that would address and mitigate financial management concerns, our ability to make significant improvements would be limited.

Statutory Change: Not Applicable.

MINNESOTA MANAGEMENT & BUDGET

Change Item: Operating Budget Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(1,027) | \$(1,027) | \$(1,027) | \$(1,027) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(1,027) | \$(1,027) | \$(1,027) | \$(1,027) |

Recommendation

The Governor recommends a reduction of \$1.027 million in FY 2010 and \$1.027 in FY 2011 to Minnesota Management & Budget's (MMB) general fund operating budget. The Governor intends that MMB should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

MMB is proposing to reduce operating expenditures and positions during the FY 2010-11 biennium. MMB's operating budget includes amounts budgeted for statewide services, including these activities:

- ◆ Accounting Services
- ◆ Budget Services
- ◆ Economic Analysis
- ◆ Information Systems
- ◆ State Treasury
- ◆ Human Resource Management
- ◆ Labor Relations
- ◆ Agency Administration

This budget is the first to reflect the merged agency made up of the former Department of Finance, much of the former Department of Employee Relations (DOER) and the Management Analysis and Development division from the Department of Administration.

The specific items proposed for reduction include:

- ◆ Elimination of eight positions throughout the department, involved in agency support and assistance, budget support, human resources management, administrative support, technical management and operations. These changes save \$1.4 million for the biennium.
- ◆ Reduction or elimination of various administrative and operational items, such as space consolidation, reducing employee development and consolidating IT servers. These changes net a total reduction of \$654,000 for the biennium.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the direct appropriated general fund budget.

Through 2009, appropriations for DOER and Finance, now merged in MMB, have been reduced by 20% since FY 2000. The net reductions recommended in this change item reflect a 5% decrease to the FY 2010-2011 general fund operating base budget.

The eight positions eliminated in this plan reflect a 4% decrease in our staffing levels, from 274 FTEs to 266 FTEs. For context, staffing levels in DOER and Finance, now merged as MMB, have decreased from 370 FTEs in 2000, a decrease of 28%.

Key Goals and Measures

This change item will affect MMB's goals and measures in the following ways both internally and externally:

- ◆ Decreased and delayed support and analysis
- ◆ Reduced training and support services
- ◆ Increased risk of errors, audit findings, grievances, and inconsistencies

These affects will be felt by those we serve on a daily basis: state agencies, boards, and councils, the Governor, the legislature, other governmental and private entities, and the citizens of Minnesota.

Alternatives Considered

We examined the programs MMB’s currently operates to determine if there were opportunities for streamlining, downsizing, or total elimination. Previous rounds of budget cuts and our overriding goal to increase operational efficiency have already led MMB to institute ongoing reviews of all operations and implementation of cost-saving technological changes and streamlining of our operations. We will continue to review opportunities as they arise. Reducing MMB’s operating budget beyond the recommended level would likely shift costs or responsibilities to agencies and increase their operating costs, or impose unacceptable levels of risk to state government operations.

Statutory Change: Not Applicable.

Program Description

The purpose of the Statewide Services program is to provide a variety of services, manage and support systems, and develop information for the executive, legislative and judicial branches of state government.

Budget Activities

- ⇒ Accounting Services
- ⇒ Budget Services
- ⇒ Economic Analysis
- ⇒ Information Systems
- ⇒ Treasury
- ⇒ Management Analysis & Development
- ⇒ Human Resource Management
- ⇒ Labor Relations
- ⇒ Agency Administration

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 21,567 | 20,554 | 20,554 | 20,554 | 41,108 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (9) | (9) | (18) |
| Subtotal - Forecast Base | 21,567 | 20,554 | 20,545 | 20,545 | 41,090 |
| Governor's Recommendations | | | | | |
| Financial Oversight and Assistance | | 0 | 700 | 700 | 1,400 |
| Operating Budget Reduction | | 0 | (1,027) | (1,027) | (2,054) |
| Total | 21,567 | 20,554 | 20,218 | 20,218 | 40,436 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 126 | 1,249 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 20,001 | 22,092 | 20,218 | 20,218 | 40,436 |
| Statutory Appropriations | | | | | |
| General | 207 | 207 | 9,182 | 9,182 | 18,364 |
| Miscellaneous Special Revenue | 5,404 | 7,498 | 7,337 | 7,342 | 14,679 |
| Miscellaneous Agency | 0 | 46 | 0 | 0 | 0 |
| Management Analysis | 2,084 | 2,187 | 2,181 | 2,197 | 4,378 |
| New Fund | 0 | 0 | 32,335 | 30,305 | 62,640 |
| Total | 27,822 | 33,279 | 71,253 | 69,244 | 140,497 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 19,958 | 20,439 | 25,596 | 25,614 | 51,210 |
| Other Operating Expenses | 7,864 | 12,840 | 36,682 | 34,655 | 71,337 |
| Other Financial Transactions | 0 | 0 | 8,975 | 8,975 | 17,950 |
| Total | 27,822 | 33,279 | 71,253 | 69,244 | 140,497 |
| <u>Expenditures by Activity</u> | | | | | |
| Accounting Services | 4,354 | 4,879 | 46,150 | 44,120 | 90,270 |
| Budget Services | 2,249 | 2,459 | 2,459 | 2,459 | 4,918 |
| Economic Analysis | 471 | 511 | 511 | 511 | 1,022 |
| Information Systems | 9,878 | 13,635 | 11,857 | 11,859 | 23,716 |
| Treasury | 1,600 | 1,690 | 1,844 | 1,844 | 3,688 |
| Management Analysis & Devlpmnt | 2,440 | 2,528 | 2,522 | 2,538 | 5,060 |
| Human Resource Management | 1,979 | 2,521 | 2,209 | 2,212 | 4,421 |
| Labor Relations | 1,221 | 1,065 | 1,062 | 1,062 | 2,124 |
| Agency Administration | 3,630 | 3,991 | 2,639 | 2,639 | 5,278 |
| Total | 27,822 | 33,279 | 71,253 | 69,244 | 140,497 |
| Full-Time Equivalentents (FTE) | 229.5 | 225.7 | 289.4 | 284.5 | |

Activity Description

The Accounting Services division provides financial management systems and services that support state operations in the following areas: accounting, payroll, and financial reporting. This includes functional support of the Minnesota Accounting and Procurement System (MAPS), and the Statewide Employee and Management System (SEMA4).

Population Served

Primary customers include state agencies, the governor and executive branch management, and the legislature and its staff. Other customers include governmental and non-governmental organizations, financial institutions, the media, and the public. State employees, vendors, individuals, school districts, and local units of government receive payments through MAPS and SEMA4.

Services Provided

The Accounting Services division provides direction and support at a statewide level to help agencies meet their financial needs. This includes establishing policies to ensure the necessary internal controls are in place to safeguard assets and to comply with appropriate financial principles, policies, and legal requirements. The MAPS and SEMA4 systems are valuable tools necessary to help meet these objectives. Over 15 million transactions are processed in these systems to account for over \$30 billion in both expenditures and revenue on an annual basis.

Sets statewide accounting and payroll policies and procedures. This activity establishes statewide policies, procedures and guidelines for agencies as they develop internal policies and procedures for accounting and payroll operations. Instructions in system use, policy application, and financial management best practices are provided. The activity also facilitates agency participation in developing statewide accounting and payroll policies and procedures striving for a balance between agency needs for flexibility with statewide needs for consistency and accountability.

Provides training and assistance to agencies on the state's financial systems. This activity provides training and assistance to agency staff on the effective and efficient use of the statewide systems to meet their objectives. This includes educating agency staff in accounting and payroll system functionality as well as individualized assistance when needed in policy interpretation and application, problem solving, and transaction processing. In addition, Accounting Services works with our customers to ensure their system-related needs are being met. Modifications to the MAPS and SEMA4 systems are made when determined to be appropriate.

Directs and maintains integrity of the accounting and payroll systems. This activity is responsible for directing the operation of the statewide accounting and payroll systems and maintaining the integrity of the information contained in the systems. These systems provide the actual payment of state obligations to vendors and employees by either issuing a warrant (check) or an electronic funds transfer. Program controls assure the integrity of the data and of the internal operations of the accounting and payroll systems.

Prepares statewide financial reports. This activity acts as the state lead in the preparation of the state's portion of the federal single audit report, reporting for federal cash management activities, indirect cost allocations, and other statewide compliance monitoring and reporting. The activity also prepares the state's Comprehensive Annual Financial Report (CAFR). The CAFR is an audited report of all state activities and is prepared in accordance with generally accepted accounting principles.

Historical Perspective

By statute, the commissioner is the state's controller, treasurer, and chief accounting and financial officer. The commissioner fulfills statutory responsibility for the state's accounting, payroll, and financial reporting functions through the Accounting Services division.

Activity at a Glance

- ◆ Provide direction and control of statewide accounting and payroll functions by working with those we serve
- ◆ Prepare Minnesota's financial statements and federal compliance reports.
- ◆ Provide training on multiple statewide systems
- ◆ Maintain integrity of MAPS and SEMA4

Program: STATEWIDE SERVICES**Activity: ACCOUNTING SERVICES**

Narrative

Key Activity Goals

Program goals fall under the Minnesota Milestone statewide goal number 36: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively. This goal will be accomplished by:

- ◆ Maintain Minnesota's national rating as a well-managed state by the Governing Performance Project
- ◆ Maintain integrity of MAPS and SEMA4 systems

Key Activity Measures

- ◆ Receive the annual Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA). The department has received this certificate the last 22 years for its work on Minnesota's CAFR.
- ◆ Maintain an annual unqualified audit opinion from the office of the Legislative Auditor. The department has earned this achievement for its work on the CAFR the last 23 years.
- ◆ Meet agency needs while maintaining the integrity of the MAPS and SEMA4 systems

Activity Funding

This activity is funded by a general fund appropriation. A planning project to replace the statewide accounting and procurement system is funded through a one-time general fund appropriation.

Contact

Assistant Commissioner, Accounting Services

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: ACCOUNTING SERVICES

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium |
|--|--------------|--------------|--------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 4,354 | 4,879 | 4,840 | 4,840 | 9,680 |
| Statutory Appropriations | | | | | |
| General | 0 | 0 | 8,975 | 8,975 | 17,950 |
| New Fund | 0 | 0 | 32,335 | 30,305 | 62,640 |
| Total | 4,354 | 4,879 | 46,150 | 44,120 | 90,270 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 4,050 | 4,166 | 9,665 | 9,665 | 19,330 |
| Other Operating Expenses | 304 | 713 | 27,510 | 25,480 | 52,990 |
| Other Financial Transactions | 0 | 0 | 8,975 | 8,975 | 17,950 |
| Total | 4,354 | 4,879 | 46,150 | 44,120 | 90,270 |
| Full-Time Equivalents (FTE) | 51.3 | 52.0 | 121.5 | 119.5 | |

Activity Description

Budget Services seeks to ensure that objective and relevant fiscal information is readily available for decision-makers. The division keeps track of the state's budget balance, coordinates and creates budget options and resulting documents reflecting the governor's recommendations, answers questions about the impact of legislative proposals, and helps to prepare the state budget forecast. Budget Services seeks to promote sound fiscal policy in decision-making and promotes a statewide view in the management of state resources.

Activity at a Glance

- ◆ Coordinated and supported development of \$56.5 billion all-funds budget for FY 2008-09.
- ◆ Worked with executive branch agencies to complete 729 fiscal notes during the 2008 legislative session and 1,081 fiscal notes during the 2007 legislative session.
- ◆ Provides oversight and monitoring of the budgets at more than 100 state agencies, boards and commissions.

Population Served

Primary customers are the governor, state agencies, legislative staff and committees, and citizens interested in understanding the state budget.

Services Provided

The work of Budget Services can be divided into three broad categories:

Budget Process – Provides the instructions for agency budget planning and coordinates the development of the governor's biennial, capital and supplemental budget recommendations. The resulting products include budget background information and detailed governor's recommendations that are provided to the Legislature for review and consideration. Additional analysis and support are provided throughout the year, including support of legislative hearings and coordination of the Legislative Advisory Commission (LAC) process.

Information & Analysis – Develops and publishes budgetary information for use by decision-makers, staff and citizens. These products include reports on the current budget condition; agency expenditure forecasts and state budget planning estimates; fiscal notes and local impact notes requested by the Legislature; and other reports such as the Consolidated Fund Statement, analysis such as the Fastest Growing Expenditures Report, and budget planning projections.

Oversight - Provides oversight and monitoring of budget implementation by agencies; and provides financial information and analysis of state spending to the governor and legislature.

Key Activity Goals

Minnesota Milestones Indicator 37: Price of government

- ◆ Goal: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.
- ◆ Rationale: This indicator indirectly measures progress toward this goal by tracking how much the government spends compared to how much people earn.

Key Activity Measures

Government Performance Project: Grading the States (Strength=High, Mid-level=Medium, Weakness=Low)

Money

Long-Term Outlook

Budget Process

Structural Balance

Financial Controls/Reporting

(Omits Contracting/Purchasing)

2005

Strength

Mid-level

Strength

Strength

2008

Strength

Strength

Mid-level

Mid-level

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: BUDGET SERVICES

Narrative

Activity Funding

This activity is primarily funded through a general fund appropriation. A small amount of funds come from county program aid to support the local impact note process.

A separate project to modernize the state's biennial budget system is funded through one-time agency carry-forward funds and other state agency funds.

Contact

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: BUDGET SERVICES

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium 2010-11 |
|--|--------------|--------------|--------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 2,042 | 2,252 | 2,252 | 2,252 | 4,504 |
| Statutory Appropriations | | | | | |
| General | 207 | 207 | 207 | 207 | 414 |
| Total | 2,249 | 2,459 | 2,459 | 2,459 | 4,918 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,202 | 2,344 | 2,344 | 2,344 | 4,688 |
| Other Operating Expenses | 47 | 115 | 115 | 115 | 230 |
| Total | 2,249 | 2,459 | 2,459 | 2,459 | 4,918 |
| Full-Time Equivalents (FTE) | 23.6 | 21.8 | 22.1 | 22.1 | |

Activity Description

The Economic Analysis section prepares periodic forecasts of state revenue as required by state law. These forecasts provide the governor and legislature with a starting point for the biennial budget process as well as for making mid-biennium adjustments as warranted. Revenue planning estimates are also prepared for future biennia. These estimates provide guidance for future spending decisions, and signal when long-term spending commitments may exceed projected future revenue. On an ongoing basis, Economic Analysis also provides information and analysis to the public, the media, elected officials and their staff, and other interested parties on the state's economy and the general economic environment and outlook.

Activity at a Glance

- ◆ Prepare revenue forecasts in February and November of each year.
- ◆ Prepare economic updates in January, April, July and October of each year.

Population Served

Primary customers include the governor and executive branch management, the legislature and its staff, state agencies, bond agencies, governmental and nongovernment organizations, the media, and the public.

Services Provided

The Economic Analysis section prepares two revenue forecasts each year--one in November and the other in February. The February forecast serves as the basis for executive and legislative budget decisions. The forecasts provide revenue projections for the current biennium based on the most recent information about the national and state economic outlook and recent revenue collection experience. The forecasts are also the basis for revisions to the revenue planning estimates provided for future biennia. The Economic Analysis section focuses on the revenue side of the forecast, while the expenditure side is prepared by state agency and Budget Services staff.

The revenue forecast is prepared based on a national economic forecast provided by Global Insight Inc. (GII). The national forecast is then reviewed by Minnesota's Council of Economic Advisors. After the Council's review, the national economic outlook is joined with state-level indicators to forecast the Minnesota economy using an econometric model developed and maintained by Economic Analysis staff. The projections obtained from the model of the Minnesota economy are then used as inputs into other models used to compute projected state revenues. Revenue planning estimates for the following biennium are obtained from the same revenue models but are driven entirely by the long term national economic outlook of GII.

The Economic Analysis section also prepares economic updates in January, April, July and October of each year. These economic updates compare how actual revenue collections for the current year compare to the forecast as well as provide notes on changes in the national economic outlook.

Key Activity Goals

Minnesota Milestones Indicator number 36: Satisfaction with government services; and 37: Price of government & Indicator.

Goal: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Economic Analysis Division underlying principle: Sound revenue forecasts make government more efficient by reducing uncertainty for public sector managers and by reducing the need to make short term adjustments in program activities due to unanticipated fluctuations in revenues.

Program: STATEWIDE SERVICES

Activity: ECONOMIC ANALYSIS

Narrative

Key Activity Measures

Government Performance Project: Grading the States (Strength=High, Mid-level=Medium, Weakness=Low)

Money

Long-Term Outlook
Budget Process
Structural Balance
Financial Controls/Reporting

2005

Strength
Mid-level
Strength
Strength

2008

Strength
Strength
Mid-level
Mid-level

Activity Funding

This activity is funded through a general fund appropriation.

Contact

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: ECONOMIC ANALYSIS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|------------|------------|--------------------|------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 471 | 511 | 511 | 511 | 1,022 |
| Total | 471 | 511 | 511 | 511 | 1,022 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 317 | 344 | 344 | 344 | 688 |
| Other Operating Expenses | 154 | 167 | 167 | 167 | 334 |
| Total | 471 | 511 | 511 | 511 | 1,022 |
| Full-Time Equivalents (FTE) | 3.8 | 4.0 | 4.0 | 3.8 | |

Activity Description

The Information Systems (IS) section is responsible for the design, maintenance, and operation of the statewide administrative, budget, and hiring support systems, as well as the treasury investment system, computer network, and web services.

Population Served

The IS section delivers core infrastructure services to state agencies and employees, vendors, individuals, school districts, and many other entities. Through the Information Access (IA) data warehouse, IS provides information to state agencies, the governor, the legislature, other governmental and private sector organizations, the media, and the public. This section also supports several internal systems used throughout the department for analysis and oversight.

Services Provided

IS manages the following:

- ◆ Computer software applications that provide the state's accounting and procurement functions (MAPS), statewide human resources, insurance, and payroll processes (SEMA4), statewide budget planning (BIS), statewide applicant and hiring (Resumix), and treasury functions.
- ◆ The state's information access (IA) data warehouse that provides access to detailed statewide accounting, procurement, payroll, insurance, and human resources data used by agencies for operations, analysis, and reporting.
- ◆ The department's computer network, infrastructure, security, desktop computers, and web services

Historical Perspective

The statewide administrative systems (MAPS, SEMA4, and IA data warehouse) were fully implemented in 1995. These systems support statewide processing of accounting, procurement, payroll, insurance, and human resource transactions, and provide operational information and ad hoc reporting capability to support agencies in their decision-making processes.

Minnesota Accounting and Procurement System (MAPS)

A MAPS upgrade was completed in November 1998 that moved MAPS to a Year 2000-compliant version of the software. Since then, additional functionality has been added for Electronic Funds Transfer (EFT) and the MAPS vendor payments web site. The system has reached the end point of its life cycle and is in need of replacement.

Statewide Employee Management System (SEMA4)

SEMA4 is in very good condition, with upgrade projects in 2001 (technical software upgrade); 2003 (upgraded to current software, reduced the amount of customizations made to the base product, added the insurance administration application, and implemented an online paycheck/advice system and other employee self service functionality); 2007 (moved to a lower cost operational environment); and in 2008 (upgraded to the latest version of software to maintain vendor support and tax upgrades). These projects were all completed within the established timelines (or sooner), and within (or below) the established budgets.

Information Access (IA) Warehouse

The IA data warehouse is the state repository for current and historical data from MAPS and SEMA4, and it provides agencies with both ad hoc and operational reporting capabilities. Since 1995 use of the data warehouse has grown significantly to 1,860 users in 2008. Due to the increase in users and requests for access to additional data, the warehouse platform was upgraded in 1999 and again in 2003. The warehouse will continue to play a key role in delivery of information to its ever-increasing customer base.

Activity at a Glance

Information Systems provides technical support for major statewide applications:

- ◆ MAPS (accounting and procurement) — 2,400 total users
- ◆ SEMA4 (HR, Benefits, and Payroll) — 45,000 total users
- ◆ IA data warehouse — 1,900 total users
- ◆ Budget Information systems (BIS) — 450 total users
- ◆ Resumix (hiring support system) — 250 total users

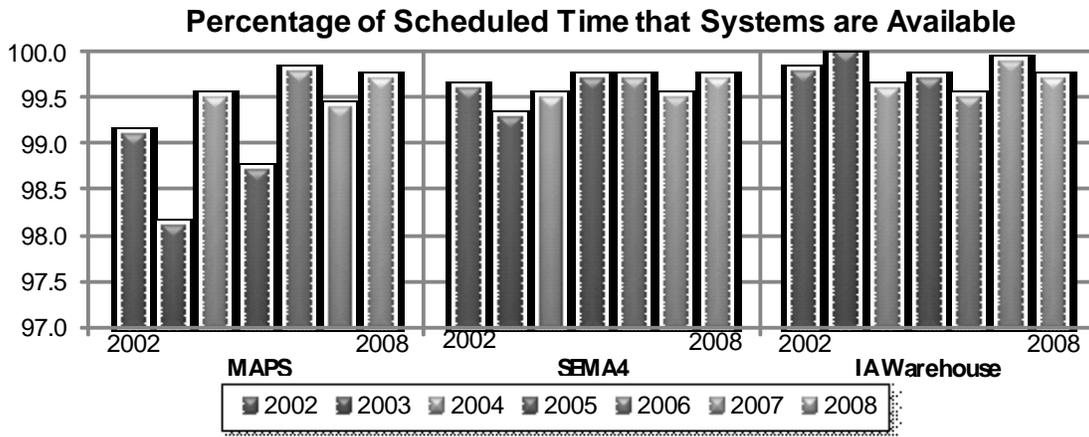
Information Systems also provides application development and support for the budget systems (Capital Budget, Biennial Budget, and Fiscal Note Tracking), applicant/hiring systems (Resumix and Onboarding), various Treasury applications, and other internal systems to support the agency's management and staff needs.

Key Activity Goals

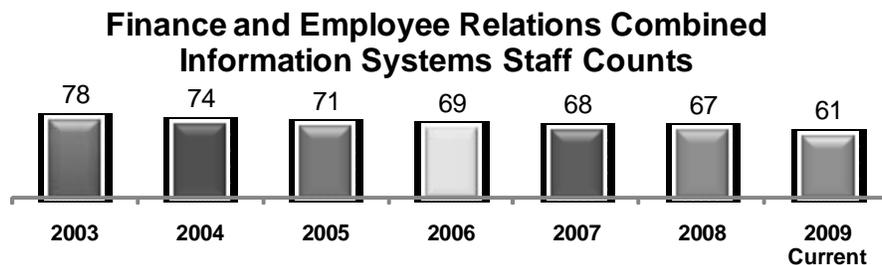
The merger of the Departments of Finance and Employee Relations created opportunities to consolidate technology resources. It also created an opportunity to review the technology goals and strategies of the combined department. These efforts are being led by the department's Information Resources Steering Committee (IRSC). An initial effort of this group was to create a Strategic Information Survey submitted to the Office of Enterprise Technology. This document outlines our high level strategic information plans and goals. As shown below in the chart titled Primary Information Systems, our assessment of our existing applications provides clear information of the high priority systems that are in need of attention (e.g., MAPS and budget systems). Our top priority goals are to replace MAPS, the Budget Systems, and Resumix; to utilize workflow and other productivity enhancements in SEMA4; and to maintain, upgrade, and leverage the technology of the agency to enhance productivity of the agency's employees.

Key Activity Measures

Information Systems have provided reliable and available statewide systems.



The chart below highlights the staffing changes that have been implemented in the Information Systems areas of the former two agencies (Employee Relations and Finance) to result in the present decreased staffing level in the consolidated agency's Information Systems Division.



The following chart highlights some of the major applications supported by IS, primarily those that are used by external users. The chart does not show the many internal support applications in use in the department. The chart is divided into four quadrants (see notes below chart). In the upper left quadrant (the "Replace" quadrant) are the applications most in need of attention and improvement. Definitions for the chart:

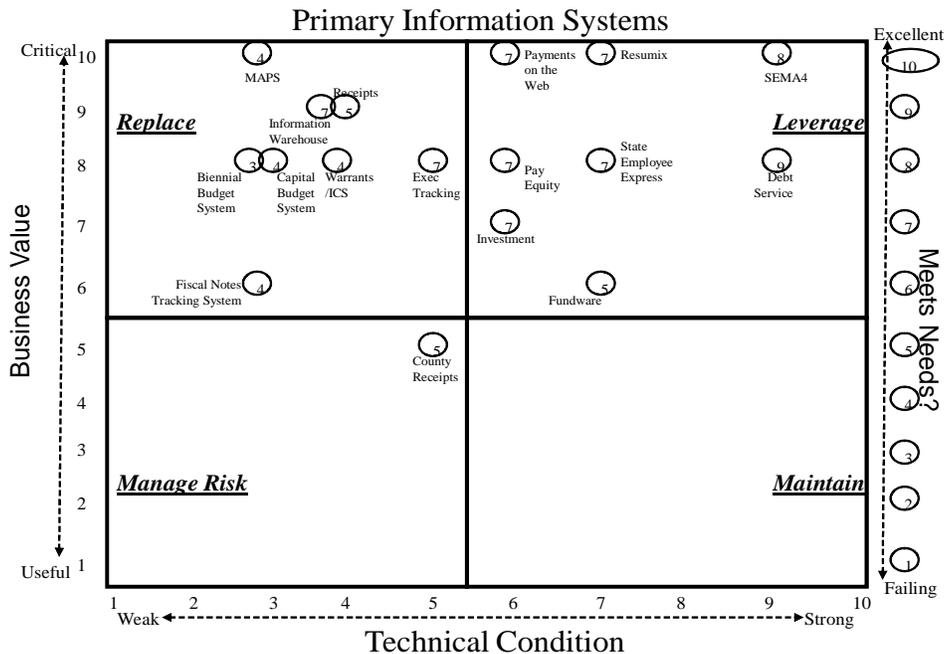
MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: INFORMATION SYSTEMS

Narrative

- ◆ **Leverage** — Systems in this quadrant have high business value and high technical condition. Typically, they are our most recently updated or implemented systems. They offer advanced capabilities, such as employee self service and are consistent with state technology architecture. We view these systems as the architectural foundation and would plan to leverage the investments and technology for new and replacement systems.
- ◆ **Maintain** — Systems in this quadrant are technically sound, but which have relatively low business value. Our objective is to maintain them in proper working order, but not to make major new investments to improve or extend them.
- ◆ **Manage Risk** — Systems in this quadrant have relatively low business value and are in marginal or poor technical condition. Typically, systems in this category are needed for ongoing business functions, but use outdated technology or require significant support to accomplish their objectives. While investments may need to be made, often our choice will be to manage risks associated with the system rather than large scale new investment.
- ◆ **Replace** — Systems in this quadrant need to be replaced. They have high business value and are in marginal or poor technical condition. These systems are our highest priority for investment and effort. Some use software that is no longer supported. Others have simply reached the end of their effective life cycle and must be redesigned. In both cases, we try to go beyond simple replacement, and add value by improving performance and functionality. Systems in this category include our MAPS and Budget Systems.



Activity Funding

The Information Systems Division is 40% funded from a general fund direct appropriation and 60% by special revenue funds. The special revenue funds include the chargeback to agencies through the “statewide systems billing account” and through administrative fees charged to agencies through the insurance administration fee. These special revenue charges to agencies draw against both general fund and non-general fund agency accounts.

Contact

Chief Information Officer

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: INFORMATION SYSTEMS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| Miscellaneous Special Revenue | 126 | 1,249 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| General | 4,719 | 5,343 | 4,918 | 4,918 | 9,836 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 5,033 | 7,043 | 6,939 | 6,941 | 13,880 |
| Total | 9,878 | 13,635 | 11,857 | 11,859 | 23,716 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 5,128 | 5,695 | 5,890 | 5,890 | 11,780 |
| Other Operating Expenses | 4,750 | 7,940 | 5,967 | 5,969 | 11,936 |
| Total | 9,878 | 13,635 | 11,857 | 11,859 | 23,716 |
| Full-Time Equivalents (FTE) | 53.1 | 54.9 | 49.8 | 48.5 | |

Activity Description

The Treasury Division is responsible for processing receipts and warrants, determining daily cash balances available for investment, and paying debt service on state general obligation bonds and certain other revenue bonds. The division also manages the issuance of debt in accordance with debt management guidelines and maintains a debt capacity model that is used to estimate the state's debt capacity and forecast debt service costs of future capital budgets.

Population Served

Principal clientele include staff in other divisions of the department, the governor and his staff, the legislature and their staff, other state agencies, local/regional governments, financial institutions, credit rating agencies, investors, and individuals and groups concerned with treasury and debt management issues.

Services Provided

- ◆ Manage deposit activity in approximately 400 state depository accounts in 240 banks.
- ◆ Provide daily settlement with banks for warrants presented for payment.
- ◆ Manage the state's Electronic Government Services (EGS) internet financial applications.
- ◆ On a daily basis, determine the state's cash position to maximize investment earnings.
- ◆ Verify all investment expenditures made by State Board of Investment staff and authorize payments to brokers.
- ◆ Verify receipt of all investment proceeds earned from investments made on behalf of state agencies.
- ◆ Each day, assure that all state funds on deposit are properly collateralized or insured.
- ◆ Receive, account for, and deposit all payments for federal and state income taxes, and Medicare and Social Security taxes, for the legislature, boards and commissions, state employees and state colleges and universities.
- ◆ Receive, account for and deposit the state's share of county receipts, miscellaneous gifts and escheated estates proceeds.
- ◆ Establish all state depository bank accounts.
- ◆ Manage the state's general obligation and certain revenue bond financing programs.
- ◆ Administer the state's lease purchase financing programs.
- ◆ Provide advice with respect to capital budget issues and projects, including working with state agencies and local governments to implement capital bonding appropriations.
- ◆ Manage the annual tax-exempt bond allocation in accordance with state and federal laws.
- ◆ Work cooperatively with the Departments of Education and Employment and Economic Development to administer the state's bond credit enhancement program for schools, counties and cities.

Activity at a Glance

- ◆ Average amount of cash invested daily is \$615 million
- ◆ Approximately 400 bank accounts reconciled each month
- ◆ Current state general obligation bond ratings are Aa1 (Moody's)/AAA (Fitch)/AAA (Standard and Poor's)
- ◆ Total general obligation debt outstanding (various purpose and trunk highway) is \$4.7 billion
- ◆ Amount of general obligation debt authorized and unissued is \$2.7 billion
- ◆ Total CY08 tax-exempt bond volume available for allocation under federal law is \$609 million
- ◆ Local government debt enhanced under state credit enhancement program totals approximately \$10.7 billion

Historical Perspective

The elected office of State Treasurer was abolished on January 6, 2003, as a result of a constitutional amendment that was approved by the voters in the November 1998 general election. The duties and responsibilities of the former State Treasurer were transferred to the Commissioner of Finance on January 6, 2003, by administrative order.

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: TREASURY

Narrative

Key Activity Goals

- ◆ Safeguard state funds until legally disbursed;
- ◆ Maintain internal controls to assure accurate accounting of state funds; and
- ◆ Obtain and maintain the highest possible credit ratings from the three major rating agencies for state general obligation bonds.

Key Activity Measures

- ◆ Percentage of debt service payments made as scheduled in FY08: 100%.
- ◆ System failures that caused delays in withdrawing funds to invest from state depositories in FY08: 0%.
- ◆ Federal and state payroll withholding payments made on due dates in FY08: 100% (No penalties incurred).
- ◆ Sell state new money general obligation bonds at or below market index rates published the week of each sale (the target rate is the index rate, which is *The Bond Buyer* weekly 20-Bond G.O. Index).

| Sale Date | 7/20/04 | 10/19/04 | 9/21/05 | 7/18/06 | 10/24/06 | 7/24/07 | 7/22/08 | 7/22/08 |
|-------------|---------|----------|---------|---------|----------|---------|---------|---------|
| Index Rate | 4.84% | 4.43% | 4.30% | 4.59% | 4.30% | 4.47% | 4.77% | 4.77% |
| Actual Rate | 4.03% | 3.55% | 3.82% | 4.35% | 4.11% | 4.30% | 4.10% | 4.12% |
| Variance | (0.81)% | (0.88)% | (0.48)% | (0.24)% | (0.19)% | (0.17)% | (0.67)% | (0.65)% |

Activity Funding

The Treasury Division is funded by a direct appropriation from the general fund.

Contact

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Website: www.mmb.state.mn.us

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: TREASURY

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,600 | 1,690 | 1,844 | 1,844 | 3,688 |
| Total | 1,600 | 1,690 | 1,844 | 1,844 | 3,688 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 892 | 938 | 1,126 | 1,126 | 2,252 |
| Other Operating Expenses | 708 | 752 | 718 | 718 | 1,436 |
| Total | 1,600 | 1,690 | 1,844 | 1,844 | 3,688 |
| Full-Time Equivalents (FTE) | 11.8 | 12.0 | 13.9 | 13.5 | |

Activity Description

The Management Analysis & Development (MAD) Division is the state of Minnesota’s management consulting and training organization. MAD offers a wide range of consulting and training services to state and local governments and higher education in accordance with M.S.16B.36.

Population Served

MAD consultants have worked on hundreds of projects with all state agencies, many boards and councils, the governor, the legislature, local units of government, and higher education institutions. The division’s services are available to all public sector organizations on a fee-for-service basis.

The direct recipients are public sector managers and executives; however, the ultimate beneficiaries are the state agencies, other public entities, and the end users whose services are improved.

Activity at a Glance

Management Analysis & Development:

- ◆ Provides consulting and training services to state agencies, the legislature, local governments, the University of Minnesota, Minnesota State Colleges and Universities (MnSCU), and public K-12 institutions.
- ◆ Averages 132 engagements per year.
- ◆ Provides consulting services at lower cost than comparable external providers.

Services Provided

- | | | |
|-------------------------------|----------------------------|------------------------------|
| ◆ organizational improvement | ◆ facilitation | ◆ process mapping & redesign |
| ◆ performance measurement | ◆ contingency planning | ◆ legislative studies |
| ◆ service quality improvement | ◆ evaluation | ◆ grant writing |
| ◆ customer relations | ◆ training and development | ◆ surveys |
| ◆ mediation | ◆ strategic planning | ◆ transition services |

Clients see improvements such as increased productivity, clearer direction, better working relationships, additional grant income, better data for decision making, and increased cooperation with stakeholders and partners.

Historical Perspective

MAD began consulting activities in 1985, with seven engagements in that year. Since that time, the requests for services have become increasingly complex and reflect the funding, societal, and policy pressures on public entities. Budget pressures and public expectations have increased the necessity for accountability, streamlining, and cooperation. Over the five fiscal years from FY 2004 through FY 2008, the number of projects per year averaged 123.

In FY 2004, the state’s centralized training function, the Training and Development Resource Center merged with MAD, which significantly increased MAD’s ability to respond to and provide training services and classes to its clients.

Key Activity Goals

Activity goals fall under the Minnesota Milestone statewide goal number 36: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Key Activity Measures

MAD’s key measure is customer satisfaction. The services MAD staff provide are designed to address each specific client’s needs. The degree to which those needs are satisfied is a critical measure. Some work is quantifiable, but other efforts, such as getting diverse and competing stakeholders to come to consensus, are immeasurable (and critically important to our clients). MAD’s goal is to achieve at least a 95% overall satisfaction rate on an annual basis, as measured by a post-engagement survey of clients; in FY 2008 ,100% of clients responding indicated that they were satisfied or very satisfied with the overall engagement.

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: MANAGEMENT ANALYSIS & DEVLPMNT

Narrative

Activity Funding

The majority (86%) of MAD's operations are supported from fee revenue collected for our services in an internal service fund. The remaining 14% is from an appropriation made from the general fund. This appropriation covers activities such as: legislative mandates (testimony on topics as requested by the legislature); cross-agency management improvement projects; and work on behalf of the state as a whole (supporting statewide productivity improvement initiatives; conducting contingency planning for state operations; establishing a gubernatorial transition office).

Operating Losses/Increases in Retained Earnings:

The division's approved rate increases are helping return the division to the recommended minimum retained earnings level.

History of Rate Changes:

| Fiscal Year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Hourly Rate | \$98 | \$98 | \$103 | \$115 | \$120 | \$125 |
| Change | 0% | 0% | 5% | 12% | 4% | 4% |

Contact

MAD Director

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Website: www.mmb.state.mn.us

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: MANAGEMENT ANALYSIS & DEVLPMNT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 356 | 341 | 341 | 341 | 682 |
| Statutory Appropriations | | | | | |
| Management Analysis | 2,084 | 2,187 | 2,181 | 2,197 | 4,378 |
| Total | 2,440 | 2,528 | 2,522 | 2,538 | 5,060 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,821 | 2,072 | 1,885 | 1,903 | 3,788 |
| Other Operating Expenses | 619 | 456 | 637 | 635 | 1,272 |
| Total | 2,440 | 2,528 | 2,522 | 2,538 | 5,060 |
| Full-Time Equivalents (FTE) | 25.7 | 22.7 | 22.7 | 22.7 | |

Activity Description

The Human Resource Management (HRM) unit provides state agencies with strategic direction by developing and maintaining a comprehensive hiring process and classification and compensation program. These efforts support state agency efforts to attract, hire, and retain a diverse and skilled workforce. In addition, HRM monitors local government subdivisions to ensure their compliance with the Local Government Pay Equity Act. Finally, HRM is responsible for managing the technology that supports agencies hiring (Resumix) and employee data (SEMA4 HR).

Activity at a Glance

- ◆ Serves human resource personnel, managers and supervisors in all executive branch agencies.
- ◆ Maintains a classification and compensation policy framework to guide all executive branch state agencies.
- ◆ Provides training, documentation, and support for over 1,900 SEMA4 users and 250 Resumix users who serve state agencies managers and supervisors.

Population Served

HRM's primary service recipients are state agencies including human resource (HR) personnel, managers, supervisors, and lead workers and all employees through the use of employee self-service in SEMA4. In addition, it serves individuals seeking employment within the executive branch of state government (about 250,000 since 2002).

Services Provided

HRM supports agencies in making strategic hiring, classification, and compensation decisions by providing an effective framework that is free from discrimination and bias and supports the merit system while balancing the needs of state agencies. HRM retains responsibility for classification, compensation and hiring services for agencies that do not have the resources necessary to handle HR functions or where statewide coordination of services may be necessary. HRM holds these responsibilities:

- ◆ Manage Resumix--the state's resume-based application process to link job seekers with job openings
- ◆ Administer a statewide classification and compensation program
- ◆ Coordinate and improve HR functions on a statewide basis in collaboration with the Human Resource Directors Partnership (HRDP) and the Alliance for Cooperation and Collaboration in Employment and State Service (ACCESS)
- ◆ Develop and oversee a policy framework in which state agencies work to attract, hire, retain and compensate their workforce
- ◆ Provide executive branch state agencies with information and services necessary to ensure their compliance with state and federal laws governing affirmative action, ADA, and equal employment opportunity
- ◆ Identify, develop, and implement changes and enhancements to technology systems and provide the resources necessary to ensure consistency and data integrity through audits, training and end user documentation
- ◆ Administer the compliance process for the Local Government Pay Equity Act, ensuring that all political subdivisions (including cities, counties, school districts, and others) report to confirm elimination of sex-based wage inequities
- ◆ Provide guidance and assistance to agencies in their workforce planning and development efforts

Key Activity Goals

Activity goals fall under the Minnesota Milestone statewide goal number 36: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. This goal is supported by the following initiatives:

- ◆ Increase agency involvement in HR decision management and corresponding transactional activities
- ◆ Provide agencies with proper training, guidelines and monitoring to ensure appropriate and consistent compensation and staffing decisions are made

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: HUMAN RESOURCE MANAGEMENT

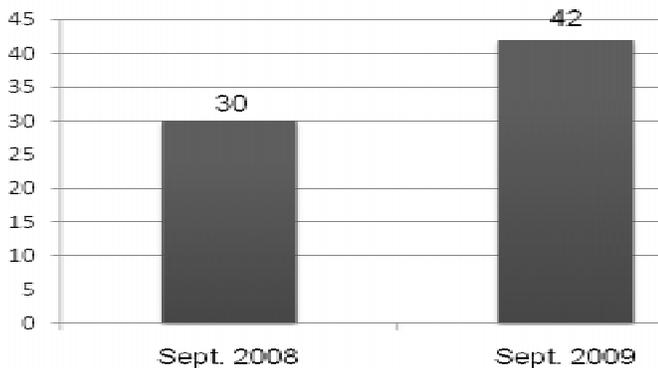
Narrative

- ◆ Create an informative HRM newsletter highlighting key program area functions and distribute it to HR stakeholders.
- ◆ Create opportunities for customer feedback that assess agency needs and interests and determine how services and support can be improved.
- ◆ Compile agency workforce plans and begin developing an enterprise workforce and development action plan.
- ◆ Develop and implement a plan to replace the Resumix system and related software with a value-added and cost effective system that meets the needs of agencies, applicants and other stakeholders.

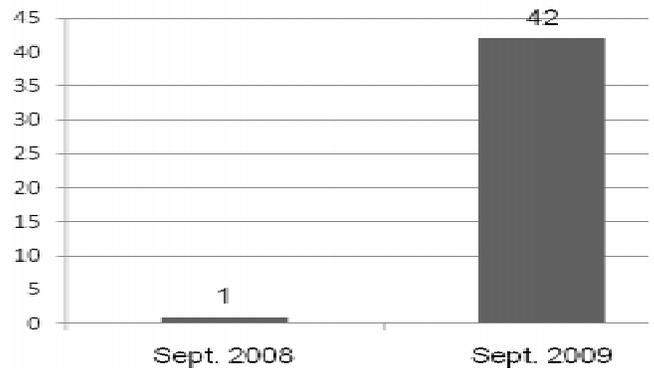
Key Activity Measures

- ◆ Increase agency involvement in HR decisions that results in a 40% increase in the percentage of agencies delegated for class, selection and compensation and a 420% increase in the percentage of agencies delegated to process vacancy postings.
- ◆ Deliver state agency training on these topics: classification, Hay job evaluation, vacancy posting and compensation.
- ◆ Establish a newsletter early in 2009 for all stakeholders, highlighting human resource management program areas.
- ◆ Complete timely and comprehensive audits on the use of classification, selection and compensation delegation of authority to agencies.
- ◆ Solicit customer feedback and use it to improve services through strategic solutions to meet agency staffing and compensation needs.
- ◆ Convene stakeholder groups to review agency workforce data and to develop and implement an enterprise workforce plan to ensure every executive branch agency has an approved affirmative action plan in place that meets legal requirements and ties to the agency's workforce plan.
- ◆ Examine statewide needs and business processes and ultimately replace Resumix.

of agencies with delegated comp, class & selection authority



of agencies delegated to process vacancy postings



Activity Funding

This activity is funded by an appropriation from the general fund.

Contact

Assistant Commissioner, HRM & Employee Insurance Division

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: HUMAN RESOURCE MANAGEMENT

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium 2010-11 |
|--|--------------|--------------|--------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <i>Dollars in Thousands</i> | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 1,905 | 2,326 | 2,114 | 2,114 | 4,228 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 74 | 149 | 95 | 98 | 193 |
| Miscellaneous Agency | 0 | 46 | 0 | 0 | 0 |
| Total | 1,979 | 2,521 | 2,209 | 2,212 | 4,421 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,912 | 2,254 | 2,043 | 2,043 | 4,086 |
| Other Operating Expenses | 67 | 267 | 166 | 169 | 335 |
| Total | 1,979 | 2,521 | 2,209 | 2,212 | 4,421 |
| Full-Time Equivalents (FTE) | 20.9 | 29.5 | 26.5 | 25.5 | |

Activity Description

The Labor Relations division performs the duties assigned to the commissioner under the Public Employment Labor Relations Act (PELRA, M.S. 179A). Its primary responsibility is to conduct contract negotiations with state employee unions.

Population Served

The Labor Relations division provides guidance on a variety of labor relations topics such as: labor contract interpretations, employee discipline, Family Medical Leave Act (FMLA), code of ethics, Fair Labor Standards Act (FLSA) and others, to the management of over 100 state agencies, boards, and councils. The Labor Relations division also participates in policy discussions on proposed legislation as well as specific employment related bills as they are being discussed within the executive branch and in legislative committees.

Activity at a Glance

- ◆ Serves 37,300 of the executive branch's 52,100 state employees.
- ◆ Negotiates nine collective bargaining agreements biennially, (for 35,100 executive branch state employees) and oversees and administers two unrepresented employee plans (for 2,200 executive branch state workers).

Services Provided

- ◆ Negotiate and oversee collective bargaining with the exclusive representatives for executive branch state employees assigned to 14 bargaining units (except the faculty agreements for the Minnesota State Colleges and Universities (MnSCU)).
- ◆ Represent state agencies' positions in interest arbitration for essential bargaining units that do not have the right to strike.
- ◆ Advise state agency management in their relationships with the exclusive representatives for state employees and set statewide policy for management's relationship with labor.
- ◆ Implement significant portions of collective bargaining agreements, interpret collective bargaining agreements, and advise agency management on contract administration.
- ◆ Train supervisors and managers in contract administration.
- ◆ Represent state agency management on all grievances appealed to arbitration by exclusive representatives, including the evaluation of the merits of the grievance, and determination as to whether the grievance should be arbitrated or settled.
- ◆ Provide investigative services and assistance to state agencies on allegations of employee misconduct.
- ◆ Oversee the drug and alcohol testing program as required by federal law for 2,500 state employees required to have a commercial driver's license to perform their job duties.
- ◆ Advise agency management and employees on issues under the State's Code of Ethics.

Key Activity Goals

- ◆ Ensure that the grievances are appealed within the time limits of the labor agreement.
- ◆ Settle the 2009-2011 labor agreements and pay plans within the financial parameters established by the administration and the legislature.
- ◆ Ensure that the settlement agreements maintain a high level of flexibility for management.

Key Activity Measures

- ◆ Success in settling labor contracts within the budget parameters set forth by the administration and the legislature.
- ◆ Continue to increase the knowledge of supervisors and human resources personnel on labor relations issues with the goal of reducing employee grievances and increasing workplace productivity.

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: LABOR RELATIONS

Narrative

| Grievance Status | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|----------------------------|----------------|----------------|----------------|----------------|
| New Appeals to Arbitration | 382 | 316 | 301 | 276 |
| Arbitrated | 20 | 13 | 11 | 14 |
| Settled | 91 | 54 | 68 | 84 |
| Withdrawn | 283 | 219 | 224 | 245 |
| Active at year end | 486 | 516 | 514 | 447 |

Activity Funding

The activity is funded by an appropriation from the general fund. The division also collects a small amount of fees from agencies that request training and consultation.

Contact

Assistant Commissioner, Labor Relations

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: LABOR RELATIONS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 924 | 759 | 759 | 759 | 1,518 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 297 | 306 | 303 | 303 | 606 |
| Total | 1,221 | 1,065 | 1,062 | 1,062 | 2,124 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 901 | 740 | 740 | 740 | 1,480 |
| Other Operating Expenses | 320 | 325 | 322 | 322 | 644 |
| Total | 1,221 | 1,065 | 1,062 | 1,062 | 2,124 |
| Full-Time Equivalents (FTE) | 10.6 | 8.5 | 8.5 | 8.5 | |

Activity Description

Agency Administration provides leadership and operational support to the department. These activities include: administrative and technical support, human resources, fiscal services, information management & communications, and agency strategic direction and leadership through the commissioner’s office.

Population Served

The primary customers served by this activity are the staff of the department. Other customers include the governor and members of executive branch management, the legislature and its staff, state agencies, the media, and the public.

Services Provided

This activity is carried out through the work of the following units:

Administrative Services. This unit is responsible for managing production of several key documents of statewide significance including the governor’s budget, economic forecasts and revenue updates, and the state’s Comprehensive Annual Financial Report (CAFR). Other services include addressing facility issues, conducting training on Microsoft Office Suite, and several other general support related tasks.

Fiscal Services. This unit ensures that the department’s financial integrity is maintained through activities such as preparing and managing the department’s budget, coordinating contracting functions and the fiscal note process, managing accounts payable and receivable, auditing the department’s payroll, and preparing the Office of Enterprise and Technology usage forecasts for the statewide systems the department maintains.

Human Resources. The agency’s HR unit provides support and assistance to the department’s employees and works with management to find and retain the staff needed to meet MMB’s mission. It also ensures that employees obtain the terms and conditions of employment due to them, such as pay and benefits. Human Resources also maintains compliance with applicable laws and rules such as the Family and Medical Leave Act, discrimination and harassment laws, and the Immigration Reform and Control Act.

Information Management and Communications. This unit manages the nine department websites, and also provides design and graphic, publication layout, editing, and technological assistance. This unit also coordinates the agency’s data practices work and business continuity planning.

Technical Services Unit (TSU). This unit establishes and maintains the technical infrastructure that meets the business needs of the department. It also applies security-related best practices to reduce hardware and software vulnerabilities to prevent the department’s data and systems from being compromised.

Commissioner’s Office. This unit provides the strategic direction for the department, and works to support and link all the units in the agency.

Activity at a Glance

- ◆ Provides strategic and administrative support and guidance for the department
- ◆ Serves more than 280 employees
- ◆ Creates and manages the content for nine different websites
- ◆ Coordinates business continuity planning for MMB in the case of an emergency or disaster

Key Activity Goals

Activity goals fall under the Minnesota Milestone statewide goal number 36: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Program: STATEWIDE SERVICES
Activity: AGENCY ADMINISTRATION

Narrative

Key Activity Measures

To meet these goals the department will:

- ◆ Encourage employees to learn and further their understanding of the department’s activities and state government in general;
- ◆ Provide a useful, accurate and timely response to requests for information from other agencies, the legislature and the public;
- ◆ Complete performance evaluations for all employees on a timely basis; and
- ◆ Continually explore and evaluate opportunities to modify and change departmental policies and processes in order to ensure that resources are used most effectively.

Activity Funding

This activity is funded primarily through a general fund appropriation. A small portion of funding comes from the special revenue fund for those costs associated with the support of SEGIP.

Contact

Deputy Commissioner
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Website: www.mmb.state.mn.us

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE SERVICES

Activity: AGENCY ADMINISTRATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|--------------|--------------|--------------------|--------------|--------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 3,630 | 3,991 | 2,639 | 2,639 | 5,278 |
| Total | 3,630 | 3,991 | 2,639 | 2,639 | 5,278 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,735 | 1,886 | 1,559 | 1,559 | 3,118 |
| Other Operating Expenses | 895 | 2,105 | 1,080 | 1,080 | 2,160 |
| Total | 3,630 | 3,991 | 2,639 | 2,639 | 5,278 |
| Full-Time Equivalents (FTE) | 28.7 | 20.3 | 20.4 | 20.4 | |

Program Description

The purpose of the Statewide Insurance program is to administer employee insurance benefits for the state of Minnesota's eligible state employees, retirees, and dependents (SEGIP), and other public employees (PEIP).

Budget Activities

- ⇒ State Employee Group Insurance Program (SEGIP)
- ⇒ Public Employees Insurance Program (PEIP)

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE INSURANCE

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|-------------------------|----------------|------------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| State Employees Insurance | 603,180 | 669,933 | 707,284 | 763,210 | 1,470,494 |
| Miscellaneous Agency | 23,645 | 24,365 | 24,821 | 25,812 | 50,633 |
| Total | 626,825 | 694,298 | 732,105 | 789,022 | 1,521,127 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,551 | 4,489 | 4,857 | 5,052 | 9,909 |
| Other Operating Expenses | 623,274 | 689,809 | 727,248 | 783,970 | 1,511,218 |
| Total | 626,825 | 694,298 | 732,105 | 789,022 | 1,521,127 |
| <u>Expenditures by Activity</u> | | | | | |
| State Employee Group Ins Pgrm | 613,477 | 680,669 | 717,943 | 774,305 | 1,492,248 |
| Public Employees Ins Pgrm | 13,348 | 13,629 | 14,162 | 14,717 | 28,879 |
| Total | 626,825 | 694,298 | 732,105 | 789,022 | 1,521,127 |
| Full-Time Equivalent (FTE) | 43.3 | 48.7 | 48.9 | 48.9 | |

Activity Description

The commissioner is authorized by Minnesota statute to administer the State Employee Group Insurance Plan (SEGIP). The program is managed by the Employee Insurance Division (EID) which maintains revenue and expenditure accounts for insurance benefits as well as non-operating accounts to support the programs. The revenue and expenditure accounts are primarily pass-through funds paid by agencies and employees.

Population Served

SEGIP provides benefits to eligible employees, retirees, and dependents in all three branches of state government, Minnesota State Colleges and Universities (MnSCU), and certain quasi-state agencies. This activity covers over 120,000 individuals statewide.

Services Provided

Current employee insurance benefits administered through SEGIP include health, dental, life, long and short-term disability, and long-term care coverage, as well as pre-tax accounts. To administer these benefits, SEGIP provides the following services:

- ◆ planning, design, and implementation of benefits;
- ◆ actuarial and audit services;
- ◆ support of the collective bargaining process;
- ◆ policy analysis;
- ◆ billing and enrollment;
- ◆ vendor selection and contract management;
- ◆ customer service; and
- ◆ health risk services.

The Minnesota Advantage Health Plan is a cost-tiered employee health benefits plan serving the 120,000 members of SEGIP. The program creates new levels of competition and incentives for efficiency in the health care market.

From the non-operating accounts, payments are made to third party administrators, insurance carriers, and other vendors who are under contract to pay claims and provide networks and related services. Benefit costs funded through this activity include:

- ◆ Employee insurance program: premiums contributed by agencies and employees for health, dental, life, long-term care, and long and short-term disability benefits; and
- ◆ Pre-tax programs: pass-through employee contributions allowing pre-tax expenditures for medical, dental, transit, and dependent care expenses.

These programs are funded primarily by payments collected from state agencies, other participating groups, employees, and retirees which are then passed through to insurance carriers, third party administrators, and other vendors. In addition, the funds are used to pay employee pre-tax benefits. See the table below in the Activity Funding section for additional information.

Activity at a Glance

- ◆ SEGIP is the largest single employer group health purchaser in the state, serving all three branches of state government, Minnesota State Colleges and Universities, and quasi-state agencies such as the Minnesota Historical Society.
- ◆ SEGIP provides employee insurance to state employees, retirees, and dependents – over 120,000 covered lives statewide.
- ◆ The overall cost of administering SEGIP health benefits is approximately 7.0% of total premium costs versus the industry standard of 10-15%. SEGIP receives 1% for internal administrative costs and the remainder is health plan fees.
- ◆ SEGIP spends over \$600 million in insurance benefits for state of Minnesota employees.
- ◆ In 2008 the Advantage program implemented a single Pharmaceutical Benefit Manager (PBM) saving \$7 million.

Historical Perspective

The state of Minnesota is the largest single employer group health purchaser in the state, and it has long played an important role in benefits design, purchasing, and administration. In 1989, SEGIP helped pioneer the health care delivery and financing concept of “managed competition” among competing health plans. Beginning in FY 2000, SEGIP’s health benefits program became fully self-insured. In 2002, it implemented a new employee health benefits concept known as Advantage. Advantage’s use of a tiered cost structure provides signals and incentives to the health care system to contain costs and improve value, while maintaining choices, options, and access to a large network of available health care providers statewide. The Minnesota Advantage Health Plan earned the 2004 Innovations Award by The Council of State Governments as recognition for its innovation and ability to save money while changing the health care marketplace in Minnesota.

SEGIP added optional employee long-term care insurance in 2001 and implemented a disease management function in 2003 to improve employee health and productivity while reducing claims costs. By working with its business partners, SEGIP has increased the use of technology to more efficiently process transactions and serve its customers.

In 2005 the program implemented quality provisions including Centers of Excellence for Bariatric and Cardiac services and integrated the Advantage tiering directly to Community Measurements, a leading industry evaluator of quality in the Minnesota marketplace. Other programs were implemented in 2007 to increase access to preventative services including free smoking cessation programs and drugs and a Medical Therapy Management program to provide better access to diabetic medications and services.

The average premium increase from 2006-2008 was 6% each year, well below the industry average. The projected increase for the 2009 medical premium is 3.5%.

Key Activity Goals

Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. To meet those goals, the State of Minnesota’s SEGIP program will be recognized as a national model for cost effective delivery of employee benefits. The State will be a demanding buyer that sets clear specifications for providers, buys selectively and holds providers accountable for value-based results.

Key Activity Measures

- ◆ Cost effectiveness:
 - ⇒ Plan administration costs for 2009 are projected at 7%, well below industry norms of 10%+;
 - ⇒ 2009 premiums for the advantage health plan are projected at 3.5%. Current industry estimates for 2009 are 8-10% for both regional and national programs;
 - ⇒ Over 99% of open enrollment activity occurs online;
 - ⇒ 73% of plan participants elect to take a health assessment. Since 70% of all health care costs are related to modifiable behaviors, strong health assessment participation presents a greater opportunity to prevent the onset of chronic disease and avoidance of acute care services.
- ◆ Accountability/performance measures for the State and providers:
 - ⇒ 80% of plan participants seek care from high quality/low cost providers;
 - ⇒ The state of Minnesota, along with six large private employers — 3M, Carlson Companies, Medtronic, Wells Fargo, GE, and Honeywell — known as the Champions of Change, rewarded provider groups for meeting or exceeding a minimum standard of care for diabetics in an effort known as Bridges to Excellence. Bridges to Excellence is a national program that provides pay for performance in health care.

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE INSURANCE PROGRAMS

Activity: STATE EMPLOYEE GROUP INSURANCE PLAN (SEGIP)

Narrative

- ◆ Choice/flexibility for members
 - ⇒ The SEGIP medical program makes available all provider groups within the state of Minnesota and surrounding communities
 - ⇒ The SEGIP medical program implemented a Medical Therapy Management program in 2007 which improves quality by removing financial barriers to receiving care, improving both the quality of care for the member and savings on the overall cost to the program.

Activity Funding

SEGIP insurance and claims costs are funded through premiums collected from state agencies and other participating groups, and from employees and retirees. In principal, these are pass-through funds to insurance carriers, third party administrators, and other vendors. SEGIP's administrative revenues are collected primarily through direct, per employee charges to state agencies and other groups.

The Insurance Division's non-operating revenue and expenditures are shown in the table below. Excess revenue and investment earnings for insurance and pre-tax accounts are applied to the respective program to help minimize future increases.

| (Dollars in Thousands) | FY 2008 | | Projected FY 2009 | | Projected FY 2010 | | Projected FY 2011 | |
|------------------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Revenue | Expended | Revenue | Expended | Revenue | Expended | Revenue | Expended |
| Insurance Admin | \$6,306 | \$6,231 | \$7,064 | \$7,095 | \$6,839 | \$7,486 | \$6,839 | \$7,724 |
| Insurance Other | \$71,794 | \$66,444 | \$63,465 | \$70,532 | \$81,790 | \$73,246 | \$84,828 | \$76,459 |
| Minnesota Advantage Plan | \$562,776 | \$515,213 | \$529,503 | \$576,402 | \$625,241 | \$610,141 | \$677,594 | \$661,983 |
| Risk Management Unit | \$300 | \$543 | \$757 | \$760 | \$785 | \$785 | \$815 | \$815 |
| Sub Total | \$641,176 | \$588,431 | \$600,789 | \$654,789 | \$714,655 | \$691,658 | \$770,076 | \$746,981 |
| Pre-Tax Admin | \$1,286 | \$1,402 | \$1,512 | \$1,515 | \$1,462 | \$1,464 | \$1,509 | \$1,512 |
| Pre-Tax Deposits | \$23,723 | \$23,645 | \$21,865 | \$24,365 | \$24,821 | \$24,821 | \$25,812 | \$25,812 |
| Sub Total | \$25,009 | \$25,047 | \$23,377 | \$25,880 | \$26,283 | \$26,285 | \$27,321 | \$27,324 |
| Total Budget Activity | \$666,185 | \$613,478 | \$624,166 | \$680,669 | \$740,938 | \$717,943 | \$797,397 | \$774,305 |

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE INSURANCE

Activity: STATE EMPLOYEE GROUP INS PGRM

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|----------------|--------------------|----------------|------------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| State Employees Insurance | 589,832 | 656,304 | 693,122 | 748,493 | 1,441,615 |
| Miscellaneous Agency | 23,645 | 24,365 | 24,821 | 25,812 | 50,633 |
| Total | 613,477 | 680,669 | 717,943 | 774,305 | 1,492,248 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,399 | 4,285 | 4,645 | 4,831 | 9,476 |
| Other Operating Expenses | 610,078 | 676,384 | 713,298 | 769,474 | 1,482,772 |
| Total | 613,477 | 680,669 | 717,943 | 774,305 | 1,492,248 |
| Full-Time Equivalents (FTE) | 41.6 | 47.2 | 47.4 | 47.4 | |

Activity Description

The Public Employees Insurance Program (PEIP) is a statewide health, dental, and life insurance pool managed by Minnesota Management & Budget (MMB) and offered to local units of government. The program is defined in M.S. 43A.316 and provides Minnesota's public employers with the option to purchase an affordable, uniform package of health care and other benefits for employees, their dependents, and retirees.

Population Served

PEIP is available to local units of government within Minnesota including counties, cities, townships, school districts, and other jurisdictions.

Services Provided

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible. In addition, PEIP offers public sector employers and their employees a choice of health plans wherever possible — unlike the majority of employers in the state that contract with a single carrier or health plan for health insurance.

Historical Perspective

PEIP was launched in 1989. In 1998, PEIP experienced a downturn in enrollment when the program was perceived as no longer being competitive in the market. This was addressed by altering the program design from an insured model to a self-insured model. After peaking in FY 2001, membership has steadily declined as premium rates have risen to meet anticipated claims and costs. In an effort to continue to meet market demands and best serve Minnesota's public employers, MMB developed the PEIP Advantage Health Plan, patterned after the highly successful Minnesota Advantage Health Plan provided to state employees.

Key Activity Goals

Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. To meet those goals, local units of government in Minnesota will be provided with the opportunity to participate in a statewide pool of employee health, dental and life insurance benefits for their employees and dependents. The PEIP will leverage the buying power of the State of Minnesota's SEGIP, otherwise unavailable to smaller local units of government.

Key Activity Measures

- ◆ In 2007, the program implemented PEIP Advantage, modeled after the Minnesota Advantage plan offered to state employees. Approximately 35% of PEIP's membership is enrolled in the Advantage plan.
- ◆ PEIP provided 83 local units of government with quotes for coverage during FY 2008. While only a few of these resulted in the group participating in the PEIP, these employer groups were provided with an assessment of their anticipated insurance costs, helping them in negotiations with employee groups and other carriers.
- ◆ PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates. At present, approximately 4,500 employees, retirees and dependents are covered under PEIP.

Activity at a Glance

- ◆ 83 public employer groups solicited bids from PEIP during FY 2008.
- ◆ As of July 2008, 73 public sector employer groups in Minnesota participated in PEIP. These include 12 school districts, 44 cities and townships, three counties, and 14 other units of government (watershed districts, Housing Redevelopment Authorities, etc.).
- ◆ The average number of employees per group is 19, with groups ranging from one to over 300 members.

MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE INSURANCE PROGRAMS

Activity: PUBLIC EMPLOYEES INSURANCE PROGRAM (PEIP)

Narrative

This table shows participating groups and employees for the past eight years:

| PEIP | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| # of groups | 129 | 137 | 137 | 123 | 107 | 89 | 85 | 73 |
| % change vs. previous year | 36% | 6% | 0% | (10%) | (13%) | (17%) | (4%) | (14%) |
| # of employees | 4,158 | 3,926 | 3,632 | 2,950 | 2,304 | 1,671 | 1600 | 1400 |
| % change vs. previous year | 55% | (6%) | (7%) | (19%) | (22%) | (27%) | (4%) | (12%) |

Activity Funding

PEIP is funded by employer group premiums. Premiums collected in excess of expenses are used to minimize the rates charged to employer groups. Premium investment income is used to offset administrative expenses.

PEIP's revenue and expenditures are shown in the table below.

| (Dollars in Thousands) | FY 2008 | | Projected FY 2009 | | Projected FY 2010 | | Projected FY 2011 | |
|--------------------------------|----------|----------|-------------------|----------|-------------------|----------|-------------------|----------|
| | Revenue | Expended | Revenue | Expended | Revenue | Expended | Revenue | Expended |
| PEIP Administration (Fund 511) | \$244 | \$543 | \$110 | \$498 | \$310 | \$506 | \$310 | \$515 |
| PEIP Plan | \$12,740 | \$12,805 | \$11,518 | \$13,131 | \$13,852 | \$13,656 | \$14,407 | \$14,202 |
| Total | \$12,984 | \$13,348 | \$11,628 | \$13,629 | \$14,162 | \$14,162 | \$14,717 | \$14,717 |

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MINNESOTA MANAGEMENT & BUDGET

Program: STATEWIDE INSURANCE

Activity: PUBLIC EMPLOYEES INS PGRM

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Statutory Appropriations | | | | | |
| State Employees Insurance | 13,348 | 13,629 | 14,162 | 14,717 | 28,879 |
| Total | 13,348 | 13,629 | 14,162 | 14,717 | 28,879 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 152 | 204 | 212 | 221 | 433 |
| Other Operating Expenses | 13,196 | 13,425 | 13,950 | 14,496 | 28,446 |
| Total | 13,348 | 13,629 | 14,162 | 14,717 | 28,879 |
| Full-Time Equivalents (FTE) | 1.7 | 1.5 | 1.5 | 1.5 | |

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--|------------------|--------------------|---------------------------------------|----------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Other Revenues: | | | | | |
| General | 51 | 30 | 30 | 30 | 60 |
| Total Non-Dedicated Receipts | 51 | 30 | 30 | 30 | 60 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| State Employees Insurance | 6,883 | 7,109 | 7,284 | 7,331 | 14,615 |
| Management Analysis | 1,500 | 1,585 | 1,586 | 1,626 | 3,212 |
| Departmental Earnings: | | | | | |
| Miscellaneous Special Revenue | 4 | 4 | 4 | 4 | 8 |
| State Employees Insurance | 367 | 300 | 550 | 550 | 1,100 |
| New Fund | 0 | 0 | 69,955 | 0 | 69,955 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 7,490 | 7,674 | 7,694 | 7,714 | 15,408 |
| State Employees Insurance | 10,085 | 9,860 | 6,920 | 6,920 | 13,840 |
| Management Analysis | 593 | 594 | 594 | 594 | 1,188 |
| Other Sources: | | | | | |
| State Employees Insurance | 638,112 | 596,228 | 705,117 | 761,119 | 1,466,236 |
| Miscellaneous Agency | 23,723 | 21,865 | 24,821 | 25,812 | 50,633 |
| Total Dedicated Receipts | 688,757 | 645,219 | 824,525 | 811,670 | 1,636,195 |
| Agency Total Revenue | 688,808 | 645,249 | 824,555 | 811,700 | 1,636,255 |

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↻ Designates that this item is a change item

Overview

By statute, Minnesota Management & Budget manages several statewide accounts that are not a part of its day-to-day operations. As a group, these accounts are referred to as non-operating accounts. These accounts deal with a broad range of subjects, including local pensions, debt service, tort claims and general contingency accounts. These responsibilities include the statutory requirement to receive the state's share of various monies collected by the counties and judicial districts as fees, fines, assessments and surcharges. The non-operating accounts also serves as a pass through for federal funding for payments in lieu of taxes to local units of government where national forests are located.

Core Functions

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

| FUND (Dollars in Thousands) | FY 2008 | | FY 2009 | FY 2010-11 |
|-------------------------------------|----------------|--------------|----------------|-----------------|
| | Appr. | Spent | Appr. | Rec. Appr. |
| General Fund (100) | \$ 500 | \$ 66 | \$ 500 | \$ 500 |
| State Government Spec Rev. (170) | 400 | 50 | 400 | 800 |
| State Airports (220) | 50 | 0 | 50 | 100 |
| Trunk Highway (270) | 200 | 0 | 200 | 400 |
| Highway User Tax Distribution (280) | 125 | 0 | 125 | 250 |
| Workers Compensation (320) | <u>100</u> | <u>0</u> | <u>100</u> | <u>200</u> |
| Total All Funds | \$1,375 | \$116 | \$1,375 | \$ 2,250 |

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in M.S. 3.736, subd. 7, "a state agency, including an entity defined as part of the state in Section 3.732, subd. 1, incurring a tort claim judgment or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of finance. If the commissioner of finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of finance for tort claim payments." (Statutory references have not been change to reflect the new agency name.) Most of the expenditures made from the general fund and the trunk highway fund appropriations in FY 2007 and 2008 are related to emergency relief claims paid as a result of the I-35W bridge collapse.

| FUND (Dollars in Thousands) | FY 2008 | | FY 2009 | FY 2010-11 |
|--------------------------------|--------------|--------------|--------------|-----------------|
| | Appr | Spent | Appr | Rec. Appr. |
| General Fund (100) | \$162 | \$162 | \$160 | \$ 161 |
| Trunk Highway (270) | <u>600</u> | <u>600</u> | <u>600</u> | <u>1,200</u> |
| Total All Funds | \$762 | \$762 | \$760 | \$ 1,361 |

Additional funding was appropriated to MMB in Minnesota Laws of 2008, Chapter 288, Section 6, for I-35W bridge collapse special compensation payments. The following table summarizes the activity to date in these appropriations.

| Appropriation Name | Appropriation Amount | Amount Expended Through 12/31/08 |
|---|----------------------|----------------------------------|
| Compensation to Survivors | \$24,000,000 | \$0 |
| Supplement Payments | \$12,640,000 | \$0 |
| Administrative Expenses | \$ 750,000 | \$ 420,105 |
| Special Master Panel Services \$340,909 | | |
| Special Master Expenses/Staff Costs \$ 75,000 | | |
| Administrative Costs - Printing, Website, Communications, Postage and Supplies \$ 4,196 | | |
| Total | \$420,105 | |
| Waite House/Pillsbury United Communities Grant | \$ 610,000 | \$ 305,000 |
| TOTALS | \$38,000,000 | \$ 725,105 |

Indirect Costs: Under M.S. 16A.127, state agency operating activities with non-general funds (primarily federal) are obligated to prepare an agency wide cost allocation plan and submit it to their appropriate federal agency for approval. This plan must include agency indirect costs, which are administrative support costs that are not directly charged to a specific program. Agencies are required to reimburse the general fund for any portion of these costs that were originally funded by the general fund and that were used to support non-general fund activities. In addition, these non-general fund activities also rely on support from some of the centralized statewide systems financed by the general fund. The non-general fund activities must also reimburse the general fund for these statewide indirect costs. The commissioner of MMB prepares a plan each year that identifies the sources and amounts of each agency's statewide indirect costs. The commissioner submits this plan to the appropriate federal agency for approval, and notifies the governor and legislature. The commissioner also records all of the agency and statewide indirect cost reimbursements to the general fund.

Debt Service: This account pays principal and interest on general obligation long-term debt. On December 1 of each year, the commissioner of finance must transfer to the debt service fund an amount sufficient (with balance on hand and interest income) to pay all principal and interest on bonds due in the following 19 months. The Minnesota Constitution requires the state auditor to annually levy a statewide property tax sufficient to pay debt service through this 19-month period if sufficient funds are not available. Historically, the legislature has made specific debt service appropriations to the commissioner of finance in order to eliminate the need for levying the statewide property tax. Debt service appropriations are broken down into two categories: existing debt and new debt issues.

(Dollars in Thousands)

| | Actual FY 2008 | Projected (1/20/09) FY 2009 | Projected (Gov Rec) FY 2010 | Projected (Gov Rec) FY 2011 |
|-----------------------------------|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Outstanding Debt | | | | |
| Total | \$4,285,080 | \$4,646,855 | \$4,951,197 | \$4,782,507 |
| Debt Service Appropriation | | | | |
| Existing Debt | 409,276 | 452,762 | 531,300 | 510,050 |
| New Debt Issues | <u>0</u> | <u>0</u> | <u>0</u> | <u>16,186</u> |
| Total | \$ 409,276 | \$ 452,762 | \$531,300 | \$526,236 |

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MMB NON-OPERATING

Change Item: Budget Reserve Partial Restoration

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$250,000 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$250,000 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends restoring \$250 million to the general fund budget reserve for FY 2010-11. Restoring a portion of the budget reserve is important to manage the risk of further revenue declines.

Background

The state has two distinct general fund reserve accounts. The budget reserve account is currently capped at \$653 million and authorized under M.S. 16A.152 subd. 1 and 2. The budget reserve is a "rainy day" fund to help soften the impact of major swings in the economy. The smaller cash flow account is capped at \$350 million and is designed to help offset potential cash shortages caused by the mismatch of monthly revenue collections and authorized payments. The Governor's recommended budget would partially restore the budget reserve to \$250 million for the biennium, and leave the cash flow account unchanged at \$350 million.

The state began FY 2008-09 with the statutory limit of \$653 million in the budget reserve and \$350 million in the cash flow account. The budget reserve was used to rebalance the current budget for FY 2008-09 and the cash flow account remains at \$350 million. \$500 million of the reserve was used during the 2008 session to balance the FY 2009 budget and the remaining \$153 million of the reserve was released in combination with unallotment to resolve the November 2008 forecast deficit. The state's budget reserves were last drawn down during the FY 2002-03 biennium, when both the budget reserve and cash flow account were entirely depleted. This was possible because the state had access to \$1 billion in tobacco endowments to support cash flow needs. Both accounts were subsequently restored to the statutory limits by a combination of legislative action and statutory allocation of forecast balances.

Relationship to Base Budget

The recommended \$250 million reserve represents 0.7% of biennial spending, as proposed in the Governor's budget.

Key Goals and Measures

The state maintains a budget reserve as a cushion against economic downturns and unanticipated budget shortfalls. Restoring the budget reserve quickly after it has been depleted is an important measure of a state's commitment to sound financial management, which is a key factor in maintaining high credit ratings. The state's high credit ratings allow us to borrow money at lower costs and provide financial flexibility, even in difficult economic times.

In time, even higher levels of reserves might be considered. Nationally, five percent of *annual spending* is generally regarded as a prudent level of rainy day funds for state budgets. Minnesota's Council of Economic Advisers has consistently recommended establishing reserves as high as 5% of *biennial revenues*. The Budget Trends Study Commission recommended the state build reserves of 2.9% to 3.3% of *total resources in two consecutive biennia*.

This initiative contributes toward Minnesota Milestones indicator #37: "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively."

Alternatives Considered

Not restoring the budget reserve would leave the state without a cushion if revenues continue to fall during the next biennium.

Statutory Change: Not Applicable.

MMB NON-OPERATING

Change Item: Appropriation Bonds

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-------------|-------------|----------|----------|
| General Fund | | | | |
| Expenditures | \$(505,916) | \$(466,946) | \$73,848 | \$74,711 |
| Revenues | 0 | 0 | 0 | 0 |
| Bond Proceeds Fund | | | | |
| Expenditures | 542,400 | 540,136 | 0 | 0 |
| Revenues | 542,400 | 542,400 | 0 | 0 |
| Net Fiscal Impact | \$(505,916) | \$(469,210) | \$73,848 | \$74,711 |

Recommendation

The Governor recommends the commissioner of management and budget be directed to sell state appropriation bonds up to \$1.085 billion. Conceptually, these bonds are similar to tobacco securities already sold by other states, except that this proposal adds in the state's assurance that bond payments will be made no matter what happens to tobacco revenues. This higher level of assurance enhances the bonds' marketability, reduces the cost, and reflects recent changes in the financial market. To meet state constitutional requirements and federal regulations for tax exempt bonds, all proceeds from these bonds will be used directly for one-time, non-operating costs. The net result is a \$973 million decrease in general fund spending in FY 2010-11.

Background

In 1998, the state settled its lawsuits with several of the largest tobacco companies and related organizations (the "Settlement Agreement"). The Settlement Agreement establishes annual payments which are to be received in perpetuity by the state. These payments are subject to adjustment annually for inflation, volume of tobacco products sold in the U.S., and changes in the profitability of the tobacco companies that are party to the Settlement Agreement. Minnesota currently receives tobacco settlement receipts of approximately \$200 million annually. These receipts are deposited into the general fund and used for operating purposes.

Approximately 16 states have completed securitization of some or all of their tobacco settlement receipts. A securitization involves selling the rights to all or a portion of an expected stream of revenue to investors in return for a lump sum payment today. Such a transaction transfers the risk of future reductions in tobacco settlement receipts to investors.

To help Minnesota through the current economic downturn, the state could attempt securitization of tobacco revenues in a similar manner. However, the financial markets continue to be very unstable, making a transfer of risk through securitization difficult, expensive, and potentially unobtainable. The Governor proposes meeting the same revenue objective with a different financial instrument. Instead of securitizing specific revenues, the state would sell appropriation backed bonds as described above. This approach is a much less risky option for investors and, therefore, a more cost-effective option for the state. The state may consider these bond repayments as coming from tobacco revenues, but investors will not – they will get repaid no matter what happens to the volume of tobacco products sold or profitability of the industry. Bonds could also be structured to permit early repayment if such an economic opportunity presented itself.

Relationship to Base Budget

There is no base budget for this measure. In the Governor's proposed budget (which includes savings from not recommending a bonding bill), annual debt service paid for state general obligation (GO) bonds are estimated to be \$531.3 million in FY 2010 and \$526.3 million in FY 2011. Current long term general fund obligations for things such as real estate lease payments and general fund appropriation for debt issued by other entities are estimated at \$27.5 million for FY 2010 and \$30.2 million in FY 2011.

Under this proposal, proceeds from the appropriation bonds would be used during FY 2010-11 to pay the state's general fund GO bond debt as well as the TCF stadium and bioscience debt service appropriations for the University of Minnesota.

Key Goals and Measures

A key measure of this transaction is whether it supports the state and its financial objectives. Rating agencies provide one indicator of effective financial management, and the state hopes to retain its high credit rating by demonstrating the following:

- ◆ Minnesota is managing the transaction to minimize financing cost and obtain value despite troubled financial markets.
- ◆ If needed, Minnesota will be careful in using these funds to reduce general fund budget pressures during this economic challenge. Using these funds to alleviate spending pressure elsewhere may allow the state to rebuild some of its reserves.

Alternatives Considered

Securitization of tobacco payments was also considered. In this option, the underlying credit would be tobacco companies. It is believed that the market would ask for a substantially higher return on these bonds, possibly 10% or more per year. This means that the state could pledge the same amount of payments and get far less in return. In addition, it isn't clear when financial markets would accept such an instrument. A straight securitization of revenues could not be sold in today's marketplace and it may be years before such an offering could be made.

Statutory Change: Yes.

MMB NON-OPERATING

Change Item: Debt Service Savings

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|------------|------------|
| General Fund | | | | |
| Expenditures | (\$1,715) | (\$8,060) | (\$10,732) | (\$15,436) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | (\$1,715) | (\$8,060) | (\$10,732) | (\$15,436) |

Recommendation

The Governor is not proposing a general obligation bonding bill, which creates savings in projected debt service payments relative to the November 2008 forecast.

Background

Recent forecast practice, jointly agreed to by the executive and legislative branches, is to carry general fund debt service payment estimates in the forecast sufficient to cover “average” bonding bills in the future. In this case, “average” is calculated as the average of the five most recent even-year bonding bills and the five most recent odd-year bonding bills. The debt service estimates in the November 2008 forecast assume future bonding bills of \$120 million in the odd-year sessions and \$725 million in the even-year sessions.

Because the Governor is not recommending a general obligation (GO) bonding bill, the proposed budget incorporates debt service savings relative to the November forecast.

Relationship to Base Budget

Debt service payments are made through an open appropriation under M.S. 16A.641 subd. 10. Therefore there is technically no base budget for debt service. Instead, the expenditures from the open appropriation are estimated in each forecast as described above. The November 2008 forecast estimates for debt service are:

| | |
|---------|-----------------|
| FY 2010 | \$533.0 million |
| FY 2011 | \$534.3 million |
| FY 2012 | \$573.2 million |
| FY 2013 | \$593.2 million |

Key Goals and Measures

One of the state’s important debt capacity guidelines is to keep general fund GO debt service payments below 3% of unrestricted general fund revenues. With the recent revenue losses associated with the economic downturn, the state currently exceeds this guideline – 3.37% for FY 2010-11. The decision not to enact a bonding bill this year would move the state slightly closer to the 3% guideline.

Statutory Change: Not Applicable.

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↻ Designates that this item is a change item

Minnesota Department of Natural Resources

500 Lafayette Road · Saint Paul, Minnesota · 55155-4037

Office of the Commissioner

651-259-5555



January 27, 2009

To the 2009 Minnesota Legislature

On behalf of Governor Pawlenty, I am pleased to submit the Department of Natural Resources' (DNR) budget recommendation for the FY 2010-11 biennial budget. This budget consists of \$231.2 million from the state's General Fund to include both direct and open appropriations and \$345 million from other funds. It represents a 13.5% decrease from FY 2008-2009 direct general fund spending.

The DNR budget consists of a variety of funds, which include: General Fund (34%), Game and Fish fund (29%), Natural Resources Fund (23%), Special Revenue (7%), and Federal (7%). These funds are not evenly distributed to DNR programs. Some programs are almost entirely General Fund (Waters) and others are almost entirely dedicated fund (Fish and Wildlife). In addition, the budget includes requests for dollars generated from the constitutional amendment, \$32.9 million from the new Parks and Trail Fund and \$7.5 million from the Clean Water Fund.

The DNR's goal in this budget process is to achieve a general fund reduction while continuing to meet the mission of the DNR.

The mission of the Minnesota Department of Natural Resources (DNR) is to "work with citizens to conserve and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life."

DNR applies integrated resource management to achieve its three-part mission and priorities. DNR's unique mission requires it to balance among resource protection, recreation and resource use goals.

Achieving mission results requires the DNR to address three driving trends that impact stewardship of Minnesota natural resources:



Outdoor recreation participation

Trend: Outdoor recreation participation is declining in both the state and the nation. As Minnesota's population becomes more urban, more racially and ethnically diverse, and older, demands for recreational opportunities will continue to change and diversify.

Strategy example: DNR outdoor and education programs provide recreational opportunities and promote stewardship, outdoor skill building, and safety. Examples include MinnAqua, Fishing in the Neighborhood, Project Learning Tree, Project WET, Project WILD, Project Get Outdoors, Archery in the Schools, and Becoming an Outdoors Woman. In FY 2008, DNR programs trained 23,000 students in firearms safety, 11,000 in snowmobile safety, 3,600 in All-Terrain Vehicle safety, and 1,600 in advanced hunter education.

Renewable energy and climate change

Trend: Rising fuel prices, climate change, and national security concerns have resulted in new national and state standards for energy efficiency and increased interest in development of conservation-based energy sources as an alternative to fossil fuels. Climate change will have significant implications for natural resource management – how we manage our land and water resources.

DNR Information: 651-296-6157 or 1-888-646-6367 • TTY: 651-296-5484 or 1-800-657-3929 • FAX: 651-296-4779 • www.dnr.gov

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Strategy example: As the largest charter member of the Climate Registry, DNR is defining and applying measurement standards to reduce greenhouse gas emissions, and is focusing on energy efficiency. Camden State Park office building, for example, exceeds state energy code requirements by 40 percent and uses a wind turbine and geothermal heat to provide for all of the facility's energy needs.

Landscape changes from growth and development

Trend: Minnesota is projected to grow by more than 1 million people in the next 20 years. The resulting landscape changes will challenge our efforts to restore and maintain fish and wildlife habitat and provide clean water, quality outdoor recreational opportunities, and sustainable economic uses of natural resources.

Strategy example: The Minnesota Forests for the Future Program brings together state, federal and private partners to secure permanent, large-scale conservation easements to help maintain undeveloped forest land as unfragmented wildlife habitat, a sustainable source of timber, and a place for public outdoor recreation. In 2007, the public-private partnership created one of the largest conservation projects in state history by protecting 51,000 acres of forest through a "working forest" conservation easement.

The Governor's recommendation for 2010 and 2011 includes changes in funding for:

1. **Outdoors Minnesota.** A program designed to support a proactive, coordinated outreach effort to engage young adults, families, youth, and minorities in Minnesota's great outdoors. This proposal seeks to build on and extend high-quality outdoor recreational opportunities.
2. **Forestry Initiatives.** Declining timber stumpage prices, mill closures, and a downturn in the housing market have resulted in reduced revenue to the Forest Management Investment Account. A significant reduction in appropriations from the account in FY 2010 - 2011 is needed to avoid a deficit. To partially offset the divisions' reduction, a General Fund appropriation is recommended for FY 2010 - 2011.
3. **Bovine Tuberculosis.** The DNR is cooperating with the Minnesota Board of Animal Health (BAH), Minnesota Department of Agriculture (MDA), and the U.S. Department of Agriculture (USDA) to eradicate bovine tuberculosis (TB) by monitoring the disease in wild deer, reducing overall deer numbers in TB affected areas, and intensively removing deer from targeted areas.
4. **Clean Water Fund.** Passage of the 2008 Clean Water, Land, and Legacy amendment established a Clean Water Fund to protect, enhance, and restore the quality of Minnesota's lakes, rivers, and streams and to protect groundwater from degradation.
 - Drinking Water. The DNR has the primary responsibility for managing Minnesota's water supplies. Additional resources are needed for technical studies to assess interrelated surface and ground water systems and the adequacy of water resources to supply existing and future growth.
 - Clean Water Legacy (CWL). Funding will support CWL activities including Total Maximum Daily Load (TMDL) study development and planning, water quality assessment and monitoring, and non-point source restoration and protection.
5. **Parks & Trails Fund.** 38% of the money available will be used by the DNR to renew, restore and rehabilitate state parks and state trails through visitor services and outreach, facility maintenance, and resource protection. Another 24% will be used for grants for regional parks and trails in the Twin Cities Metropolitan Area Regional Park and Trail System and for regional parks and trails in greater Minnesota.
6. **General Fund.** DNR achieves a general fund reduction by concentrating on the department's highest priorities; consolidating and integrating work activities to achieve efficiencies and more effective partnerships; and developing new funding sources.

As you review the Governor's recommendations, I look forward to working with you.

Sincerely,



Mark Holsten
Commissioner

Agency Purpose

The mission of the Minnesota Department of Natural Resources (DNR) is to “work with citizens to conserve and manage the state’s natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life.” The DNR’s three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation.

Core Functions

The DNR works to provide opportunities for hunting and fishing, other recreational opportunities, and economic development, as well as to preserve important features of our natural heritage. Integrated resource management is the DNR’s strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests.

The DNR has identified three key drivers of change that influence the agency’s ability to manage for natural resource results. These drivers broadly affect the distribution and quality of Minnesota’s natural resources and the people who use them. The following strategies address these key driving trends:

- ⇒ *Outdoor recreation participation:* Increase outdoor recreation participation through targeted marketing and enhanced community outreach and communications.
- ⇒ *Renewable energy and climate change:* Increase energy efficiency in DNR operations, promote new conservation-based energy sources, and mitigate and adapt to climate change and its effects.
- ⇒ *Landscape changes from growth and development:* Work with private landowners to encourage development that conserves natural resources and promote integrated approaches to managing private and public land and water resources.

Operations

The DNR works directly with citizens, stakeholder groups, and all levels of government in setting priorities, managing diverse natural resources, and providing scientific and technical expertise. The DNR administers 12 million acres in mineral rights and 5.5 million acres of land for state forests, wildlife management areas, parks, recreation areas, scientific and natural areas, state trails, and public water access sites.

The agency is organized into four geographic regions, six operating divisions, and four support bureaus. DNR staff work out of 182 field offices that are located statewide.

- ◆ **Lands and Minerals Division** manages agency real estate transactions and promotes, regulates, and provides expertise on mineral exploration, mining, and mine land reclamation.

At A Glance

Minnesota has approximately 51 million total land acres.

Public Lands and Waters Administered by DNR

- ◆ 5.5 million acres of land owned by the state of Minnesota, including 4.8 million acres predominantly in state forest management
- ◆ 12 million acres of land managed for mineral rights
- ◆ Eight million acres of surface rights and mineral rights managed for horticultural peat, industrial minerals, and construction materials
- ◆ 58 state forests
- ◆ 11,842 lakes
- ◆ 69,000 miles of rivers and streams

Facilities and Recreational Lands Administered by DNR

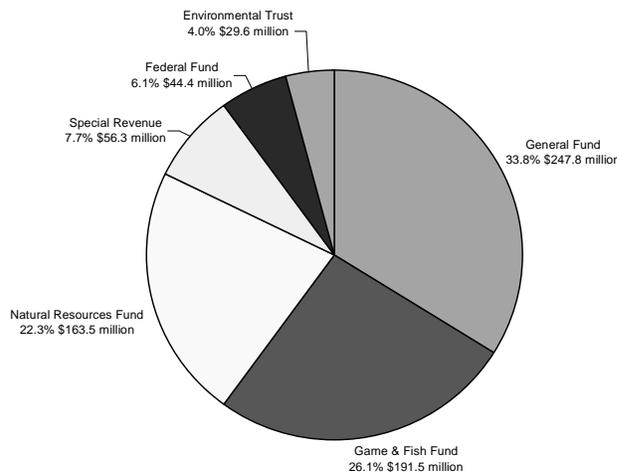
- ◆ 67 state parks and seven state recreation areas and eight state waysides totaling 226,831 acres
- ◆ 54 state forest campgrounds and day use areas
- ◆ 1,429 wildlife management areas, encompassing more than 1.277 million acres
- ◆ 38,014 acres (including 841 shoreland miles) of aquatic management areas
- ◆ 146 scientific and natural areas, totaling approximately 182,900 acres
- ◆ 1,585 state water accesses
- ◆ 340 fishing piers and shorefishing sites
- ◆ 30 designated canoe and boating routes, encompassing over 4,000 miles, and 155 miles of the Lake Superior Water Trail
- ◆ 1,249 miles of multi-use state trails, including 554 miles of paved bicycle trails
- ◆ 870 miles of cross-country ski trails (DNR and Grant-in-Aid)
- ◆ 2,198 miles of off-highway vehicle trails (DNR and Grant-in-Aid)
- ◆ 21,685 miles of snowmobile trails (DNR and Grant-in-Aid)

- ◆ **Waters Division** regulates all phases of the hydrologic cycle, including managing impacts on wetlands, lake, river, and groundwater phases of the hydrologic cycle.
- ◆ **Forestry Division** protects citizens and property from wildfire and strives for the sustainable yield of timber resources for forest products while managing state forests for wildlife habitat and recreation.
- ◆ **Parks and Trails Division** operates a system of state park and state forest campgrounds that conserves and manages natural, scenic, and cultural resources; maintains a statewide network of recreational trails; provides public access to lakes, rivers and streams, designates boating routes; and offers education opportunities.
- ◆ **Fish and Wildlife Division** conserves and enhances the state's fish and wildlife populations and their supporting habitats through regulation, restoration, research, monitoring, and education.
- ◆ **Ecological Resources Division** works to advance healthy, resilient ecosystems through research on native plant and animal communities; regulation and environmental review; provides extensive public information; and maintains the state's scientific and natural areas.
- ◆ **Enforcement Division** enforces laws related to game and fish; wetlands; aquatic plants; and the operation of watercraft, snowmobiles, ATVs and other recreational vehicles; and provides a series of conservation and safety education programs.
- ◆ **Operations Support** includes the commissioner's office, regional operations and recreation and local grants management, providing leadership and coordination, assistance to the department, services to the public, and assistance to local governments and private organizations.

Budget

Direct, open, and statutory appropriations total \$733 million for the FY 2008-09 biennium: 33.8% is from the general fund, 26.1% from the game and fish fund, 22.3% from the natural resources fund, 7.7% from special revenue, and the remaining from other funding sources. Number of full time employees for the DNR from all funding sources is 3,689.70 (due to seasonal fluctuation in workforce, total FY 2008 FTEs is 3,980.96).

FY2008-09 Budgeted Expenditures by Fund
\$733.1 Million



Contact

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Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|---------------|---------------|------------------|---------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 13,370 | 16,200 | 16,200 | 16,200 | 32,400 |
| Recommended | 13,370 | 16,200 | 0 | 0 | 0 |
| Change | | 0 | (16,200) | (16,200) | (32,400) |
| % Biennial Change from 2008-09 | | | | | -100% |
| General | | | | | |
| Current Appropriation | 92,540 | 80,619 | 80,619 | 80,619 | 161,238 |
| Recommended | 92,540 | 80,619 | 74,873 | 74,873 | 149,746 |
| Change | | 0 | (5,746) | (5,746) | (11,492) |
| % Biennial Change from 2008-09 | | | | | -13.5% |
| Natural Resources | | | | | |
| Current Appropriation | 77,564 | 79,326 | 79,326 | 79,326 | 158,652 |
| Recommended | 77,564 | 79,326 | 76,230 | 75,130 | 151,360 |
| Change | | 0 | (3,096) | (4,196) | (7,292) |
| % Biennial Change from 2008-09 | | | | | -3.5% |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 90,111 | 92,818 | 92,818 | 92,818 | 185,636 |
| Recommended | 90,111 | 92,818 | 93,677 | 93,277 | 186,954 |
| Change | | 0 | 859 | 459 | 1,318 |
| % Biennial Change from 2008-09 | | | | | 2.2% |
| Remediation Fund | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Recommended | 100 | 100 | 100 | 100 | 200 |
| Change | | 0 | 0 | 0 | 0 |
| % Biennial Change from 2008-09 | | | | | 0% |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Recommended | 0 | 0 | 2,483 | 4,966 | 7,449 |
| Change | | 0 | 2,483 | 4,966 | 7,449 |
| % Biennial Change from 2008-09 | | | | | n.m. |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Recommended | 0 | 0 | 10,664 | 22,258 | 32,922 |
| Change | | 0 | 10,664 | 22,258 | 32,922 |
| % Biennial Change from 2008-09 | | | | | n.m. |

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|--|----------------|----------------|------------------|----------------|----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 10,705 | 24,103 | 0 | 0 | 0 |
| General | 86,120 | 90,431 | 74,873 | 74,873 | 149,746 |
| Minnesota Resources | 104 | 113 | 0 | 0 | 0 |
| Natural Resources | 70,604 | 84,010 | 76,230 | 75,130 | 151,360 |
| Game And Fish (Operations) | 84,340 | 98,561 | 93,677 | 93,277 | 186,954 |
| Remediation Fund | 99 | 101 | 100 | 100 | 200 |
| Clean Water Fund | 0 | 0 | 2,483 | 4,966 | 7,449 |
| Parks And Trails Fund | 0 | 0 | 10,664 | 22,258 | 32,922 |
| Permanent School | 80 | 320 | 200 | 200 | 400 |
| Open Appropriations | | | | | |
| General | 20,750 | 18,912 | 36,151 | 36,015 | 72,166 |
| Natural Resources | 459 | 809 | 558 | 558 | 1,116 |
| Game And Fish (Operations) | 831 | 1,033 | 1,030 | 1,030 | 2,060 |
| Statutory Appropriations | | | | | |
| General | 306 | 128 | 0 | 0 | 0 |
| Natural Resources | 3,799 | 5,065 | 3,519 | 3,509 | 7,028 |
| Miscellaneous Special Revenue | 20,564 | 21,573 | 20,693 | 20,675 | 41,368 |
| Game And Fish (Operations) | 3,933 | 4,437 | 3,481 | 3,481 | 6,962 |
| Federal | 15,094 | 27,559 | 25,588 | 25,054 | 50,642 |
| Remediation Fund | 1,511 | 1,200 | 506 | 157 | 663 |
| Reinvest In Minnesota | 3,238 | 6,110 | 4,974 | 4,974 | 9,948 |
| Miscellaneous Agency | 13 | 0 | 0 | 0 | 0 |
| Gift | 1,684 | 2,295 | 1,871 | 1,871 | 3,742 |
| Permanent School | 5 | 199 | 3 | 3 | 6 |
| Total | 324,239 | 386,959 | 356,601 | 368,131 | 724,732 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 163,944 | 179,638 | 175,318 | 178,650 | 353,968 |
| Other Operating Expenses | 106,663 | 136,803 | 118,675 | 122,868 | 241,543 |
| Capital Outlay & Real Property | 10,035 | 28,659 | 12,957 | 12,671 | 25,628 |
| Payments To Individuals | 1 | 2 | 2 | 2 | 4 |
| Local Assistance | 43,586 | 41,844 | 32,160 | 36,433 | 68,593 |
| Other Financial Transactions | 10 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 13 | 17,489 | 17,507 | 34,996 |
| Total | 324,239 | 386,959 | 356,601 | 368,131 | 724,732 |
| <u>Expenditures by Program</u> | | | | | |
| Land & Minerals Resource Mgmt | 10,715 | 15,396 | 28,683 | 28,701 | 57,384 |
| Water Resources Mgmt | 21,073 | 18,191 | 16,305 | 17,283 | 33,588 |
| Forest Management | 67,199 | 76,848 | 69,475 | 68,162 | 137,637 |
| Parks & Trails Management | 73,523 | 87,547 | 90,547 | 102,109 | 192,656 |
| Fish & Wildlife Management | 82,234 | 99,731 | 87,610 | 88,331 | 175,941 |
| Ecological Resources | 21,257 | 31,317 | 24,163 | 23,988 | 48,151 |
| Enforcement Nr Laws&Rules | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| Operations Support | 16,252 | 24,269 | 6,672 | 6,411 | 13,083 |
| Total | 324,239 | 386,959 | 356,601 | 368,131 | 724,732 |
| Full-Time Equivalentents (FTE) | 2,425.5 | 2,498.3 | 2,427.8 | 2,473.1 | |

NATURAL RESOURCES DEPT

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|---------------|--------------------|---------------|----------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: ENVIRONMENT & NATURAL RESOURCE | | | | |
| FY 2009 Appropriations | 16,200 | 16,200 | 16,200 | 32,400 |
| Technical Adjustments | | | | |
| One-time Appropriations | | (16,200) | (16,200) | (32,400) |
| Subtotal - Forecast Base | 16,200 | 0 | 0 | 0 |
| Total Governor's Recommendations | 16,200 | 0 | 0 | 0 |
| Fund: GENERAL | | | | |
| FY 2009 Appropriations | 80,619 | 80,619 | 80,619 | 161,238 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Biennial Appropriations | | 125 | 125 | 250 |
| Current Law Base Change | | (93) | (93) | (186) |
| One-time Appropriations | | (1,144) | (1,144) | (2,288) |
| Pt Contract Base Reduction | | (14) | (14) | (28) |
| Subtotal - Forecast Base | 80,619 | 79,493 | 79,493 | 158,986 |
| Change Items | | | | |
| General Fund Reduction | 0 | (7,220) | (7,220) | (14,440) |
| Bovine Tuberculosis Monitoring and Mgmt | 0 | 600 | 600 | 1,200 |
| Forest Management Investment Account | 0 | 2,000 | 2,000 | 4,000 |
| Total Governor's Recommendations | 80,619 | 74,873 | 74,873 | 149,746 |
| Fund: NATURAL RESOURCES | | | | |
| FY 2009 Appropriations | 79,326 | 79,326 | 79,326 | 158,652 |
| Technical Adjustments | | | | |
| One-time Appropriations | | (2,000) | (2,000) | (4,000) |
| Subtotal - Forecast Base | 79,326 | 77,326 | 77,326 | 154,652 |
| Change Items | | | | |
| General Fund Reduction | 0 | 1,814 | 1,814 | 3,628 |
| Forest Management Investment Account | 0 | (5,000) | (6,100) | (11,100) |
| Gray Wolf Management & Research | 0 | 220 | 220 | 440 |
| Outdoors Minnesota | 0 | 470 | 470 | 940 |
| Water Recreation Program | 0 | 1,400 | 1,400 | 2,800 |
| Total Governor's Recommendations | 79,326 | 76,230 | 75,130 | 151,360 |
| Fund: GAME AND FISH (OPERATIONS) | | | | |
| FY 2009 Appropriations | 92,818 | 92,818 | 92,818 | 185,636 |
| Technical Adjustments | | | | |
| Approved Transfer Between Appr | | 0 | 0 | 0 |
| Current Law Base Change | | 48 | (102) | (54) |
| One-time Appropriations | | (674) | (674) | (1,348) |
| Subtotal - Forecast Base | 92,818 | 92,192 | 92,042 | 184,234 |
| Change Items | | | | |
| Forest Management - Heritage Enhancement | 0 | 950 | 950 | 1,900 |
| Forest Productivity for the Future | 0 | 250 | 0 | 250 |
| Walleye Stamp Appropriation | 0 | 285 | 285 | 570 |
| Total Governor's Recommendations | 92,818 | 93,677 | 93,277 | 186,954 |
| Fund: REMEDIATION FUND | | | | |
| FY 2009 Appropriations | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 200 |
| Total Governor's Recommendations | 100 | 100 | 100 | 200 |

NATURAL RESOURCES DEPT

Change Summary

| | <i>Dollars in Thousands</i> | | | |
|--|-----------------------------|------------------------------|---------------|---------------------|
| | FY2009 | Governor's Recomm. FY2010 | FY2011 | Biennium 2010-11 |
| Fund: CLEAN WATER FUND | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| CWF/Clean Water Legacy | 0 | 2,108 | 4,216 | 6,324 |
| CWF/Drinking Water Source Plng & Protect | 0 | 375 | 750 | 1,125 |
| Total Governor's Recommendations | 0 | 2,483 | 4,966 | 7,449 |
| Fund: PARKS AND TRAILS FUND | | | | |
| FY 2009 Appropriations | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 |
| Change Items | | | | |
| Parks and Trails Grants | 0 | 4,128 | 8,616 | 12,744 |
| State Parks and Trails Legacy | 0 | 6,536 | 13,642 | 20,178 |
| Total Governor's Recommendations | 0 | 10,664 | 22,258 | 32,922 |
| Fund: GENERAL | | | | |
| Planned Open Spending | 18,912 | 40,451 | 40,415 | 80,866 |
| Change Items | | | | |
| Pilt Adjustment | 0 | (4,300) | (4,400) | (8,700) |
| Total Governor's Recommendations | 18,912 | 36,151 | 36,015 | 72,166 |
| Fund: NATURAL RESOURCES | | | | |
| Planned Open Spending | 809 | 558 | 558 | 1,116 |
| Total Governor's Recommendations | 809 | 558 | 558 | 1,116 |
| Fund: GAME AND FISH (OPERATIONS) | | | | |
| Planned Open Spending | 1,033 | 1,030 | 1,030 | 2,060 |
| Total Governor's Recommendations | 1,033 | 1,030 | 1,030 | 2,060 |
| Fund: GENERAL | | | | |
| Planned Statutory Spending | 128 | 0 | 0 | 0 |
| Total Governor's Recommendations | 128 | 0 | 0 | 0 |
| Fund: NATURAL RESOURCES | | | | |
| Planned Statutory Spending | 5,065 | 3,499 | 3,499 | 6,998 |
| Change Items | | | | |
| Water Permit Application Costs | 0 | 20 | 10 | 30 |
| Total Governor's Recommendations | 5,065 | 3,519 | 3,509 | 7,028 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 21,573 | 20,693 | 20,675 | 41,368 |
| Total Governor's Recommendations | 21,573 | 20,693 | 20,675 | 41,368 |
| Fund: GAME AND FISH (OPERATIONS) | | | | |
| Planned Statutory Spending | 4,437 | 3,481 | 3,481 | 6,962 |
| Total Governor's Recommendations | 4,437 | 3,481 | 3,481 | 6,962 |
| Fund: FEDERAL | | | | |
| Planned Statutory Spending | 27,559 | 25,588 | 25,054 | 50,642 |
| Total Governor's Recommendations | 27,559 | 25,588 | 25,054 | 50,642 |
| Fund: REMEDIATION FUND | | | | |

NATURAL RESOURCES DEPT

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|--------|--------------------|--------|----------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Planned Statutory Spending | 1,200 | 506 | 157 | 663 |
| Total Governor's Recommendations | 1,200 | 506 | 157 | 663 |
| <i>Fund: REINVEST IN MINNESOTA</i> | | | | |
| Planned Statutory Spending | 6,110 | 4,974 | 4,974 | 9,948 |
| Total Governor's Recommendations | 6,110 | 4,974 | 4,974 | 9,948 |
| <i>Fund: GIFT</i> | | | | |
| Planned Statutory Spending | 2,295 | 1,871 | 1,871 | 3,742 |
| Total Governor's Recommendations | 2,295 | 1,871 | 1,871 | 3,742 |
| <i>Fund: PERMANENT SCHOOL</i> | | | | |
| Planned Statutory Spending | 199 | 3 | 3 | 6 |
| Total Governor's Recommendations | 199 | 3 | 3 | 6 |
| <u>Revenue Change Items</u> | | | | |
| <i>Fund: NATURAL RESOURCES</i> | | | | |
| Change Items | | | | |
| General Fund Reduction | 0 | 1,814 | 1,814 | 3,628 |

NATURAL RESOURCES DEPT

Change Item: CWF/Clean Water Legacy

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Clean Water Fund | | | | |
| Expenditures | \$2,108 | \$4,216 | \$4,216 | \$4,216 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$2,108 | \$4,216 | \$4,216 | \$4,216 |

Recommendation

The Governor recommends an appropriation of \$2.108 million in FY 2010 and \$4.216 million in FY 2011 from the Clean Water Fund for clean water activities including Total Maximum Daily Load (TMDL) study development and planning, water quality assessment and monitoring, and restoration and protection.

Background

This change is necessary to implement a portion of the clean water related activities of the Clean Water, Land and Legacy amendment to Minnesota's Constitution, which dedicates an increase of 3/8ths of 1% of the state sales tax to clean water, habitat, arts, and parks and trails.

The Clean Water Act requires states to achieve and maintain federal water quality requirements by identifying impaired waters, developing TMDLs for pollutants that are causing impairments, and developing and implementing plans to restore impaired waters and prevent healthy waters from becoming impaired. The role of the Department of Natural Resources (DNR) in this effort includes identifying impaired waters, providing technical assistance to local governments in development of TMDL plans, assessing and monitoring of impairments and restoration efforts, restoring impaired waters, and protecting waters that currently meet water quality standards.

This proposal would provide: \$721,000 in FY 2010 and \$1.313 million in FY 2011 for technical assistance for TMDL planning, development of watershed data to support TMDL planning, and restoration planning and implementation; \$1.327 million in FY 2010 and \$2.373 million in FY 2011 for water quality assessment and monitoring to include development of biological indicators for water quality, fish tissue mercury monitoring, stream flow monitoring, watershed delineation, and drainage assessment; and \$60,000 in FY 2010 and \$530,000 in FY 2011 for restoration and protection through shoreland stewardship.

Relationship to Base Budget

DNR received a one-time general fund appropriation of \$4.5 million for Clean Water Legacy (CWL) activities in the fiscal year 2008. There is currently no funding for Clean Water Legacy activities in the DNR's base budget.

Key Goals and Measures

This proposal is consistent with many aquatic resource-related goals, strategies, and performance measures contained in the Legislative-Citizen Commission on Minnesota Resource's (LCCMR) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net), the DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (<http://mndnr.gov/conservationagenda>), and the National Fish Habitat Action Plan (fishhabitat.org). It also addresses changing trends in land use, which is a leading departmental priority.

From LCCMR's *Minnesota Statewide Conservation and Preservation Plan*, this proposal serves to: Protect critical shorelands of streams and lakes; Restore and protect shallow lake habitat; Protect and restore critical in-water habitat of lakes and streams; Keep water on the landscape; Improve understanding of watersheds to multiple drivers of change; Support local and regional conservation-based community planning; and Ensure protection of water resources in urban areas.

From DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission*, this proposal assists in meeting the following targets:

- ◆ Restore and enhance shoreline habitat in collaboration with citizens and conservation organizations
- ◆ Complete river and stream restoration projects to protect aquatic habitat
- ◆ Evaluate hydrologic monitoring to support work priorities
- ◆ Continue outreach to key audiences and increase understanding of river systems

From the *National Fish Habitat Action Plan*, under which this work links to other partnerships and ongoing efforts:

- ◆ Technical assistance and coordination for non-point source restoration and protection not tied to TMDLs
- ◆ Focus on high priority, important recreational fisheries

Specifically, key measures and outcomes associated with this proposal include:

- ◆ Expand web-based technical assistance tools for shoreline protection and restoration to include modules on nutrient and forest management;
- ◆ Increase outreach and education to targeted audiences for better resource management;
- ◆ Complete 100 full lake and/or stream surveys in targeted watersheds to identify and assess impaired waters and provide data for TMDL studies, a portion designated for shallow lakes in FY 2011;
- ◆ Maintain 26 and install eight new automated streamflow gages to provide full coverage for all major watersheds;
- ◆ Assess fish tissue mercury concentrations at 80 additional sites per year;
- ◆ Expand field crews in lake Index of Biotic Integrity (IBI) work to meet MPCA goal of assessing 100 lakes/year;
- ◆ Fisheries technical assistance and coordination for non-point source restoration and protection focused on high priority recreational fisheries in FY 2011;
- ◆ As part of GIS-based watershed tools, complete watershed delineations and identify critical locations for restoration efforts;
- ◆ Delineate watershed areas for priority stream gages and 1,000 shallow lakes;
- ◆ Update watershed data for ten counties and/or watershed districts;
- ◆ One statewide coordinator and eight regional specialists (four in hydrology and four in watershed ecology) to serve on TMDL teams and coordinate DNR information and expertise; and
- ◆ Contribute fisheries technical expertise towards development of TMDL plans in eight watersheds in FY 2011.

Alternatives Considered

None.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Change Item: CWF/Drinking Water Source Planning & Protection

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Clean Water Fund | | | | |
| Expenditures | \$375 | \$750 | \$750 | \$750 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$375 | \$750 | \$750 | \$750 |

Recommendation

The Governor recommends an appropriation of \$375,000 in FY 2010 and \$750,000 in FY 2011 from the Clean Water Fund for drinking water planning and protection activities.

Background

This change is necessary to implement a portion of the clean water related activities of the Clean Water, Land, and Legacy amendment to Minnesota's Constitution, which dedicates an increase of 3/8ths of 1% of the state sales tax to clean water, habitat, arts, and parks and trails. Statute dictates that at least 5% of the Clean Water Fund be dedicated to the protection of Minnesota's drinking water sources.

Additional resources are needed for technical studies to assess interrelated surface and ground water systems and the adequacy of water resources to supply existing and future growth. This information will be used to develop water management plans that protect water resources and help communities plan for the future.

Relationship to Base Budget

This is a major change necessary to address existing and potential future water supply problems. Base level of funding is only adequate to be reactive to problems and it is expected that proactively planning for future water supplies will be cost effective as compared to the alternative - increasing conflicts over multiple uses for water.

Key Goals and Measures

The proposal supports Minnesota Milestones – Water Use Indicator #59: Insufficient information about the state's complex ground water systems makes it difficult to predict the long-term effects of the state's increasing reliance on ground water.

This proposal also supports the Legislative-Citizen Commission on Minnesota Resource's (LCCMR) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) recommendations to improve our understanding of ground water resources (HR11) to support local and regional conservation based community planning (LUR2).

This initiative will provide funding to address water supply information, planning, and protection, including:

- ◆ Drinking Water Supply Planning:
 - ⇒ Identify areas with potential water supply issues;
 - ⇒ Conduct aquifer tests and technical studies; and
 - ⇒ Develop regional and local water supply management plans.
- ◆ Water Level Monitoring:
 - ⇒ Develop a state plan for an adequate ground water level monitoring network; and
 - ⇒ Expand and automate the ground water monitoring network.
- ◆ Aquifer Protection:
 - ⇒ Determine aquifer characteristics to support long-term resource management; and
 - ⇒ Develop resource protection thresholds.

Specifically, key measures and outcomes associated with this proposal include:

- ◆ Complete a statewide assessment to identify areas with potential water supply problems;
- ◆ Develop proactive regional and local water resource plans to manage potential water supply problems before they occur;
- ◆ Complete technical studies to characterize aquifers and establish resource protection limits in areas with existing supply problems, such as for the cities of Moorhead and Brocton and for Pipestone County;

- ◆ Define technical studies and monitoring needs for 20 communities projected to have water supply problems in the Twin Cities Metropolitan Area;
- ◆ Develop a state plan for an adequate ground water monitoring network and identify priorities for implementing the plan; and
- ◆ Equip 100 observation wells for automated water level readings and expand the ground water monitoring network.

Alternatives Considered

None.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Change Item: General Fund Reduction

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(7,220) | \$(7,220) | \$(7,220) | \$(7,220) |
| Revenues | 0 | 0 | 0 | 0 |
| Natural Resources Fund | | | | |
| Expenditures | 1,814 | 1,814 | 1,814 | 1,814 |
| Revenues | 1,814 | 1,814 | 1,814 | 1,814 |
| Net Fiscal Impact | \$(7,220) | \$(7,220) | \$(7,220) | \$(7,220) |

Recommendation

The Governor recommends a reduction of \$7.22 million each fiscal year, which achieves a 10% reduction of agency general fund direct appropriations.

Background

The Department of Natural Resources (DNR) mission is “to work with citizens to conserve and manage the state’s natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life.” DNR’s FY2010-2011 Biennial Budget priorities enhance the interdependent values of a healthy environment, a sustainable economy, and livable communities. DNR priorities are designed to respond to driving trends including declining outdoor recreation participation, growing demands related to renewable energy and climate change, and landscape changes from growth and development.

DNR achieves a general fund reduction by Concentrating on the department’s highest priorities; consolidating and integrating work activities to achieve efficiencies and more effective partnerships; and developing new funding sources.

Lands & Minerals (\$1,877,000)

| | |
|---------------|------------------------|
| \$(1,877,000) | General Fund Reduction |
| | Natural Resources Fund |
| \$1,814,000 | Revenues |
| \$1,814,000 | Expenditures |
| \$(1,877,000) | Net Fiscal Impact |

Real Estate Management Services (\$675,000)

This change item pertains to general fund monies that provide for real estate services related to state-owned lands managed by the department. DNR manages about 12,500 real estate contracts for various purposes, including easements and utility licenses. The division annually issues about 30 access easements, 200 water crossing licenses, and 35 land crossing licenses. Historically, a general fund appropriation provides monies for the cost of issuing these real estate contracts.

The current fee schedule for utility licenses and easements applications does not recover the full cost of staff time required to process the contracts. Specific to utility licenses, with the current build-outs of power line and pipeline infrastructure projects crossing state lands and waters – and additional projects being proposed – the current fee schedule falls short of covering the costs of working with the companies and monitoring construction activities to assure they are performed in an environmentally sound manner. The general fund reduction will also result in the elimination or reduction of various real estate services, including trail sales, transfers of custodial control, resolution of trespasses, and analysis and preparation of restrictions exceeding the Minnesota Public Utilities Commission requirements for utilities.

Mineland Reclamation (\$1,202,000): The Governor recommends that the costs of the Mineland Reclamation Section be borne by the users of the services (i.e. mining companies). An annual Permit to Mine fee would be charged to the ferrous (iron ore, scam and taconite), non-ferrous, and peat mining companies. Historically, the

expenses for the Mineland Reclamation Section were funded by the general fund. Since the 2008 legislative session, DNR is directed to collect fees for the issuance and monitoring of mining permits. This will allow the state to carry out its obligations under statutes 93.44 through 93.51 "to control possible adverse environmental effects of mining, to preserve the natural resources, and to encourage the planning of future land utilization, while at the same time promoting the orderly development of mining, the encouragement of good mining practices, and the recognition and identification of the beneficial aspects of mining."

Waters (\$640,000)

Mississippi Headwaters Board (MHB) and Leech Lake Band State Grants (\$70,000): The Governor recommends that the local governments fully fund their review of local land use decisions associated with these two activities. MHB is a joint powers board consisting of the eight northern-most counties along the Mississippi River; it was established in 1980 as an alternative to federal designation. In 1981, the Minnesota Legislature enacted M.S. 103F.361 - 103F.377 that directed counties to fund MHB and authorized it to seek state grants. Since FY2004-05, state grants have been at \$65,000 per year for the MHB and \$5,000 per year for the Leech Lake Band.

Red River Mediation Agreement (\$70,000): Prior to FY 2008, the funding for this activity was \$210,000 annually. For FY 2008 - 2009, the funding was increased to \$310,000 each year. During the 2008 Legislative Session, the FY 2009 appropriation was reduced by \$30,000 in the supplemental budget. Reducing this grant by \$70,000 returns the level of funding for this work to pre-FY 2008 levels.

Shoreland rulemaking (\$500,000): DNR provides technical assistance to local governmental units in the adoption and administration of their shoreland controls. This involves planning and zoning assistance and most recently efforts to work with partners to update Minnesota's minimum shoreland standards. DNR may delay some efforts to implement new shoreland rules, while existing rules remain in effect.

Fish & Wildlife (\$2,770,000)

Fish and Wildlife Management Activities (\$2,141,000): DNR will adapt programs while continuing to manage for fish and wildlife populations, habitat, and customer service. Efficiencies and improvements will occur through a current redesign effort. The department may also reduce or eliminate programs including research and surveys, technical assistance and guidance, certain habitat management projects, informal environmental review processes, and volunteer programs.

Working Lands Initiative (\$575,000): DNR will target reductions in its "Working Lands" initiative, a public-private partnership that works to improve conservation on public and private lands in Minnesota's prairie pothole region. Specifically, general fund grants to local soil and water conservation districts will be reduced.

MN Shooting Sports and Education Center (MSSEC) (\$54,000): DNR currently operates and maintains the MSSEC, a state-owned facility, and uses it for programs and special events. A new model for funding and operating the MSSEC will need to be developed. Alternatives include leasing to an outside organization to hold shooting events, obtaining grants from private organizations, or assessing fees to users. DNR will also be exploring capital investment in the building to allow for additional office space in the Grand Rapids area, or sale of the building and property.

Agency General Fund Reduction (\$1,933,000)

Organizational Changes: Minnesota's lands and waters are interconnected and are undergoing rapid changes related to population growth, development, and outdoor recreation demands. To position itself for the future, DNR must adapt to these changes. DNR will examine work design, staffing priorities, and organizational innovations and efficiencies to achieve long-term cost savings. Organizational changes will reinforce DNR's integrated approach to natural resource management.

Facilities Consolidation: DNR owns more than 2,500 buildings in 185 locations. To adapt to changing conditions, DNR is re-thinking how to orient workers, equipment, and money to accomplish natural resource management.

New strategies include consolidating DNR operations into shared facilities and partnering with other state agencies and local units of government. By using new strategies and closing some buildings, DNR expects a 10% reduction in facility costs. DNR will still effectively serve citizens and conduct its statewide natural resource management; no citizen who now receives services from the DNR will be more than 35 miles from a working DNR location, and, in nearly every case, no worker will be more than 35 miles from their work in the field.

Relationship to Base Budget

This reduction represents a 10% reduction of agency general fund direct appropriations (not including fire direct appropriations).

Key Goals and Measures

The Department of Natural Resources general fund reduction of \$7.22 million each fiscal year will contribute toward Minnesota's statewide goals of managing state government within the context of an anticipated budget shortfall.

DNR will continue to use a set of performance measures to assess progress toward its overall mission and goals through *DNR's Strategic Conservation Agenda* (<http://www.dnr.state.mn.us/conservationagenda/index.html>). For a complete set of performance measures, demonstrating how the department is accountable to Minnesota's citizens, and more detailed descriptions of each measure, please see *DNR's A Strategic Conservation Agenda, 2003–2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

Alternatives Considered

DNR has designed and implemented a multidisciplinary, systematic approach to reviewing its highest priorities and related budget impacts. This budget reduction addresses the broad themes advanced by the Governor, including transforming government, rewarding performance, and reducing government costs. It also allows DNR to meet its highest departmental priorities for natural resource management.

Statutory Change

Changes related to charging for the issuance of real estate contracts will require the following: easements M.S. sec. 84.63, 84.631, 84.632, and 85.015; utility licenses M.S. 84.415.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Change Item: Bovine Tuberculosis Monitoring and Mgmt

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$600 | \$600 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$600 | \$600 | \$0 | \$0 |

Recommendation

The Governor recommends a \$1.2 million appropriation for the FY 2010-11 biennium for monitoring and managing bovine tuberculosis (TB) in wild deer population. The Department of Natural Resources (DNR) is cooperating with the Minnesota Board of Animal Health (BAH), Minnesota Department of Agriculture (MDA), and the U.S. Department of Agriculture (USDA) to eradicate bovine TB by monitoring the disease in wild deer, reducing overall deer numbers in TB affected areas, and intensively removing deer from targeted areas. This funding change will ensure that DNR wild deer disease surveillance and management efforts are fully consistent with the needs of USDA, MDA and BAH for restoring the state's bovine TB-free status.

Background

Since its initial discovery in cattle and wild deer in 2005, bovine TB has been confirmed in 24 deer, all located within a relatively small core area near Skime, Minnesota. DNR has been monitoring deer for bovine TB, reducing deer numbers through hunting and landowner shooting, and intensively removing deer from the core area by sharpshooting. Concurrently, BAH has been testing cattle, depopulating affected herds, buying out cattle herds from willing sellers, and assisting cattle producers with fencing to separate deer from cattle feed. All of the responsible agencies are working cooperatively with the Governor's office to achieve the goal of restoring Minnesota's USDA TB-free status as soon as possible.

DNR primary responsibilities are to conduct surveillance for bovine TB in wild deer to determine the spatial distribution and infection rates, reduce deer numbers in affected areas, aggressively cull and test deer in the core bovine TB area, and restrict the feeding of wild deer and elk. Specifically, DNR will assign DNR staff to design, conduct, and administer bovine TB sampling programs, deer reduction programs, and provide liaison with BAH, USDA, and other collaborators; contract with students and deploy staff to collect tissue samples at deer registration stations and process them for submission to the University of Minnesota Veterinary Diagnostic Lab; purchase sampling and other supplies and incur travel and miscellaneous expenses required to collect tissue samples; contract with the University of Minnesota Veterinary Diagnostics Laboratory (VDL) to conduct initial histopathological examination of collected tissue samples and prepare and ship samples to the National Veterinary Services Laboratories (NVSL) for bacterial culture and final diagnosis; contract with USDA Wildlife Services assistance in deer removal by sharpshooting; contract with aviation services for removal of deer by aerial gunning; promulgate and enforce rules prohibiting deer and elk feeding, including aerial surveillance for compliance; and promulgate special hunting seasons and limits and provide permits/rules authorizing landowner deer shooting in affected areas. However, the primary purpose of bovine TB monitoring and management in wild deer is not done for purposes of wild deer population management, but rather is necessary for Minnesota to regain its USDA bovine TB-free status for the livestock industry.

Relationship to Base Budget

The Fish and Wildlife Management's FY 2010-11 program budget is \$67.985 million. Of this amount, \$67,000 in general fund in FY 2010 is available to fund all wildlife health activities. This funding is insufficient to meet the bovine TB management needs that DNR, BAH, MDA, and USDA have identified.

Key Goals and Measures

Key measures of performance will be:

- ◆ Collecting sufficient samples from wild deer to meet statistical goals of sample size and distribution;
- ◆ Completing diagnostics on all samples collected;
- ◆ Obtaining USDA and BAH approval of results; and
- ◆ Reducing bovine TB in wild deer within the biennium with the goal of total eradication of the disease.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Change Item: Bovine Tuberculosis Monitoring and Mgmt

Alternatives Considered

In the past, funding from the wild cervid health management account in the Game and Fish Fund has in part funded this activity.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Change Item: Gray Wolf Management & Research

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------------|---------|---------|---------|---------|
| Natural Resources Fund (185) | | | | |
| Expenditures | \$220 | \$220 | \$220 | \$220 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$220 | \$220 | \$220 | \$220 |

Recommendation

The Governor recommends an appropriation of \$220,000 annually from the Natural Resources fund for gray wolf management and research. With the implementation of the Minnesota Wolf Management Plan following the federal delisting of gray wolves in March 2007, the Department of Natural Resources (DNR), Division of Fish and Wildlife seeks to improve monitoring of gray wolves for future management actions. In addition, the division also seeks funding to support the ongoing depredation control program through a cost share agreement to mitigate livestock losses caused by gray wolves in Minnesota.

Background

The Minnesota Wolf Management Plan identified gray wolf management and research priorities to be implemented when wolves were delisted from the federal Endangered Species Act. This initiative is to establish annual base funding of \$100,000 to monitor and manage the wolf population in Minnesota. The first two years will be used to develop research proposals and initiate the development, testing and evaluation of a population monitoring technique to improve the current wolf survey method by increasing accuracy and efficiency of the approach. Additionally, funding will be used to fulfill the U.S. Fish and Wildlife Services (USFWS) five-year post-delisting monitoring requirements by collecting blood and tissue samples from wolves for disease monitoring purposes and monitoring mortality factors of radio-collared wolves in various parts of the state. Base funding for wolf management will assist the DNR's Division of Fish and Wildlife in ongoing management of wolves and evaluation of Minnesota's Wolf Management Plan.

Gray wolf depredation management is a critical component of the Minnesota Wolf Management Plan. U.S. Department of Agriculture (USDA) Wildlife Services through a cooperative agreement with DNR's Division of Fish and Wildlife conduct current gray wolf control activities. The federal Wildlife Services budget experienced an unanticipated reduction in funding. In order to provide the same level of services for gray wolf depredation control, U.S. Wildlife Services has requested a cost share program to support wolf depredation control management in Minnesota and maintain existing efforts to effectively resolve wolf-livestock depredation issues with livestock producers.

Relationship to Base Budget

The Fish and Wildlife Management program budget for FY 2010 is \$67.985 million. The requested annual appropriation of \$220,000 per year is a less than 1% increase. This program is essential in the state's wolf management program.

Key Goals and Measures

Gray Wolf Population Monitoring and Research. A two-year pilot study will be initiated to assess an aerial survey method for enumerating wolves in Minnesota. This method has shown promise in Alaska and Ontario, but the feasibility of doing it at the statewide level under different vegetation and precipitation characteristics may show that it is not feasible for use in Minnesota. The Minnesota Wolf Management Plan identified the wolf population survey method evaluation, in order to increase efficiency and reduce costs, as one of the highest priorities.

During the five-year post delisting monitoring period, those interested in how wolves are managed by the State will closely watch Minnesota. This funding would establish low-level monitoring in various parts of Minnesota's wolf range to assess mortality factors and disease influence and meet USFWS reporting requirements. Funding will support radio-telemetry work to evaluate wolf mortality factors, collection and analysis of blood and tissue

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Change Item: Gray Wolf Management & Research

samples for disease screening, and to establish partnerships with other agencies or tribal entities to establish study areas for low-level wolf monitoring.

Depredation. Since 1978, federal agencies (USFWS and USDA) have provided essential wolf depredation control in Minnesota. Because USDA Wildlife Services has a very effective program and experienced personnel, DNR has maintained the USDA Wildlife Services program through a cooperative agreement, with modifications to include state certified predator controllers. USDA Wildlife Services depredation programs typically require a 50/50 cost share agreement with state agencies. Since delisting in March 2007, USDA Wildlife Services has maintained this program with full federal funding. Due to a reduction in federal funding of this program, USDA Wildlife Services has requested funding from the DNR to maintain the same level of wolf-livestock depredation response in Minnesota. While the gray wolf was under federal control, Minnesota successfully argued for full federal funding of this program. However, since gray wolf management has become a state responsibility, continuation of the USDA Wildlife Services program will require cost-sharing by the state. DNR estimates that the state portion of a cost-share cooperative wolf damage management program will be \$120,000 annually. Additional funding may be needed to provide payments to state certified predator controllers and to conduct training programs.

Alternatives Considered

An Environmental Trust Fund proposal was considered but was not consistent with current Legislative-Citizen Commission on Minnesota Resources (LCCMR) priorities.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPTProgram: **FISH & WILDLIFE MANAGEMENT**Change Item: **Walleye Stamp Appropriation**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Game and Fish Fund | | | | |
| Expenditures | \$285 | \$285 | \$285 | \$285 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$285 | \$285 | \$285 | \$285 |

Recommendation

The Governor recommends a direct appropriation for the new voluntary walleye stamp from the Game and Fish Fund.

Background

A voluntary \$5.00 walleye stamp was created during the 2008 legislative session. Stamps are available March 1, 2009 with sale proceeds to be used for stocking walleye in state waters. An appropriation of stamp funds was not included in the enabling legislation.

The voluntary nature of the stamp complicates accurate revenue projections. Based on 1.14 million fishing license sales in 2007, if 1% of license holders purchase the stamp, approximately \$57,000 would be generated annually. For the purposes of this change item, it is estimated that 5% of anglers will purchase a walleye stamp annually. However, the type of license purchased may affect the likelihood of purchase. For example, from the chart below, over 70,000 seven-day non-resident licenses were sold. It is assumed that these license holders are less likely to buy a voluntary stamp. Therefore, we've estimated revenues and expenditures on a per stamp sold basis.

2007 Fishing License Sales

| | |
|--------------------------------|------------------|
| Resident Annual | 471,457 |
| Resident Combo | 208,234 |
| Resident /Non Resident 1 Day | 56,134 |
| Resident Sports | 98,624 |
| Resident Combo Sports | 80,811 |
| Non-resident | |
| Non Resident Annual | 57,941 |
| Non Resident Family | 28,139 |
| Non Resident 14 Day - Family * | 25,566 |
| Non Resident 7 Day | 70,119 |
| Non Resident 3 Day | 43,453 |
| Total Licenses Sold | 1,140,478 |

Relationship to Base Budget

This is a minor change in relation to the Division of Fish and Wildlife's base budget.

Key Goals and Measures

Assure that proceeds from the walleye stamp go directly to stocking walleyes in Minnesota's managed fishing lakes.

Alternatives Considered

The alternative of not appropriating the revenues would cause the fee to be collected and credited to the account.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Management - Heritage Enhancement

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Other Fund - Heritage | | | | |
| Expenditures | \$950 | \$950 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$950 | \$950 | \$0 | \$0 |

Recommendation

The Governor recommends an appropriation of \$950,000 to the Department of Natural Resources (DNR) from the Heritage Enhancement Account to maintain and expand the Ecological Classification System (ECS) program on state forest lands, and prevent the introduction and spread of invasive species on state lands.

Background

The Ecological Classification System (ECS) is a critical tool that provides DNR staff with science-based information on the full set of management options and site constraints for forest communities that vary geographically across the state. ECS enhances interdisciplinary communication and management decision-making for addressing pressing forest issues involving sustainable harvest, critical habitat needs, and biological diversity.

Every day, opportunities increase for insects, plants, diseases, and other invasive species to enter the United States and Minnesota. For example, gypsy moth is being found in greater numbers in Minnesota each year and will soon impact the health and enjoyment of our state lands. Emerald ash borer, currently not found in Minnesota, is capable of killing all species of ash in any forest type within three to five years of attack. Since invasive species outbreaks can occur at any time and in any place within Minnesota, state agencies must be proactive. Strategies, action plans, and guidelines need to be developed and implemented now to slow the introduction and spread of invasive species and to help combat outbreaks when they occur.

Relationship to Base Budget

The additional \$950,000 from the Heritage Enhancement Account in FY 2010-11 will be used for the ECS program (\$600,000 each fiscal year) and for managing invasive species (\$350,000 each fiscal year).

Additional dollars for the ECS program will be used to:

- ◆ Fund three regional ECS specialist positions (two were established in FY 2008 using dollars from the Heritage Enhancement Account). These positions provide technology transfer; ensuring field staff has training on the application of ECS tools to meet sustainable forestry objectives.
- ◆ Accelerate the completion of native plant community classifications on up to 50,000 acres of state forest land each year.
- ◆ Continue silvicultural interpretations, which are the link between the ecological characteristics of a native plant community and the forest management actions taken to manage that community.
- ◆ Provide training to introduce and incorporate the use of ECS field keys into forest management and planning.

Additional dollars for managing invasive species will be used to:

- ◆ Develop a risk rating of invasive terrestrial plants in Minnesota's forested ecosystems.
- ◆ Finalize and implement silvicultural guidelines for gypsy moth on all land ownerships.
- ◆ Develop and implement silvicultural guidelines for emerald ash borer on all land ownerships.
- ◆ Identify invasive pathways to state lands and inventory a sample of pathways to establish a baseline.
- ◆ Control terrestrial invasive plants found in critical habitats and/or along leading edges of invasive species populations.

Key Goals and Measures

DNR has the goal of maintaining, enhancing, or restoring the health of Minnesota ecosystems so they can continue to serve environmental, social, and economic purposes.

According to M.S. section 89.002, subd. 2 (a), "The commissioner shall maintain all forest lands under authority of the commissioner in appropriate forest cover with species of trees, degree of stocking, rate of growth, and stand

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Management - Heritage Enhancement

conditions designed to secure optimum public benefits according to multiple use, sustained yield principles and consistent with applicable forest management plans.”

Alternatives Considered

Partnerships with federal agencies like the U.S. Department of Agriculture (USDA) APHIS (Animal and Plant Health Inspection Service) have been, and will continue to be, pursued for both technical and financial assistance for invasive species outbreaks.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Management Activities

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$2,000 | \$2,000 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Natural Resources Fund | | | | |
| Expenditures | (\$5,000) | (\$6,100) | (\$6,100) | (\$6,100) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | (\$3,000) | (\$4,100) | (\$6,100) | (\$6,100) |

Recommendation

The Governor recommends a \$2.0 million increase in the general fund appropriation to the Department of Natural Resources (DNR) Division of Forestry for FY 2010 and FY 2011. These additional general fund dollars will help offset the reduction in the Forest Management Investment Account (FMIA) appropriations necessitated by declining receipts in the FMIA. Appropriation reductions of \$5.0 million in FY 2010 and \$6.1 million reduction in FY 2011 are required to avoid a deficit in the account balance.

Background

The Governor's Advisory Task Force on the Competitiveness of Minnesota's Primary Forest Products Industry recommended that the Legislature create a dedicated forest management fund to "provide long-term funding stability and an incentive for active forest management." The FMIA was created in the 2004 legislative session, directing the deposit of timber sale revenues from forestry management activities to the account.

The DNR Division of Forestry received a legislative appropriation of \$37.8 million out of the FMIA for the FY 2008-09 biennium. However, due to reduced receipts in the FMIA resulting from a downturn in Minnesota's forest-based economy, almost \$5.5 million has been unallotted for spending in the FY2008-09 biennium. As the FY 2010-11 biennium approaches, continued poor economic conditions would likely further reduce revenues.

An additional \$4.0 million from the general fund over the FY 2010-2011 biennium will enable the division to retain 30-35 FTEs. Retaining these positions will enable the division to maintain the commitment to offer wood for sale (by offering 800,000 or more cords of wood) and prepare itself to meet the Governor's Task Force recommendation of increased harvest. In addition, forest inventories will be maintained at reduced levels and investments in forest health and productivity will be protected. Investment in state land improvements, stewardship plan writing and associated silvicultural activities, and new land transactions may be reduced.

Relationship to Base Budget

The DNR Division of Forestry's budget totals \$71.0 million per year. \$3.0 million in FY 2010 is a 4 % decrease and \$4.1 million in FY 2011 is a 6% decrease.

Key Goals and Measures

The DNR has the goal of maintaining, enhancing, or restoring the health of Minnesota ecosystems so they can continue to serve environmental, social and economic purposes.

According to Minnesota Statutes, section 89.002, subd. 2 (a), "The commissioner shall maintain all forest lands under authority of the commissioner in appropriate forest cover with species of trees, degree of stocking, rate of growth, and stand conditions designed to secure optimum public benefits according to multiple use, sustained yield principles and consistent with applicable forest management plans."

DNR measures its progress in managing forest lands in many ways. For a complete set of performance measures, demonstrating how the department is accountable to Minnesota's citizens, and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress Toward Mission* (mndnr.gov/conservationagenda/index.html).

Alternatives Considered

The Division of Forestry is investigating other options to increase revenue, including:

- ◆ Negotiating more sand/gravel leases on state-administered forest land
- ◆ Charging back costs incurred by the division when managing non-Forestry lands (for example, seeking payment from the Game and Fish Fund for management activities done on wildlife lands)
- ◆ Applying for more federal grants (although the availability of federal dollars is declining).

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Productivity for the Future

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Game & Fish Fund (239) | | | | |
| Expenditures | \$250 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$250 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends completing a study on the feasibility of developing a public-private partnership for nursery research and large-scale production of containerized seedlings for use in managing Minnesota's forest lands.

Background

The Department of Natural Resources (DNR) state forest tree nurseries produce seedlings that are either sold to the public or used to reforest state-administered lands. DNR typically plants three million seedlings per year on state-administered forest lands as part of its forest management responsibilities using a combination of seedlings produced in its nurseries and seedlings purchased from private nurseries in Minnesota, other states, and Canada.

Public-private partnerships are an excellent opportunity for improving the state's forest tree nursery system. By combining Minnesota's expertise and enterprise, we can enhance the state's natural resources, stimulate economic development, and position the department to better respond to any challenges it will face in the future. This funding will enable a study to be completed that will detail how a public-private partnership for nursery research and seedling production can be formed, including associated costs and how those costs can be covered. The DNR will work with Minnesota's private nurseries to gain their support of the initiative.

This is important because:

- ◆ Demand for high-quality tree seedlings for conservation purposes and sustaining the state's forests exceeds the state's current seedling production capacity and is increasing sharply;
- ◆ The role of forests in mitigating the effects of climate change by sequestering carbon and supplying biomass to replace fossil fuels is widely recognized. Forest land also provides other ecosystem services by improving water quality, providing wildlife habitat, and supporting outdoor recreation. At the same time, however, invasive species (e.g., emerald ash borer) threaten to extirpate some species from our forests; and
- ◆ Invasive species pose a significant risk to the health and productivity of the state's forests. For example, emerald ash borers are capable of killing all species of ash in any forest type within two or three years of attack. A supply of high quality tree seedlings is important for replacing potential tree losses and maintaining forest productivity.

Relationship to Base Budget

This is a one-time request. The Forest Management Program budget for FY 2010 is \$52.972 million. The requested \$250,000 appropriation is a less than 1% increase.

Key Goals and Measures

Reforestation of harvested timberlands is essential for sustaining Minnesota's forest ecosystems. As demand for wood, fiber, and biomass increase and forest management intensifies, more high-quality tree seedlings will be needed.

As part of the state's goals to reduce carbon emissions, the Minnesota Climate Change Advisory Group (MCCAG) recommended that 1 million acres of new forest land be established. In addition, MCCAG recommended that currently understocked forest land be brought to full stocking and productivity.

Minnesota nurseries lack the research support and the investment capital for the upgrades needed to keep pace with these demands.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Productivity for the Future

DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission*

(www.mndnr.gov/conservationagenda) measures wood fiber productivity, an indicator of many factors, including successful planting and growth of high-quality tree seedlings.

Alternatives Considered

Funding this activity with existing dollars would delay development of the private-public partnership and the critical societal benefits it will provide.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: PILT Adjustment

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|-----------|-----------|-----------|-----------|
| General Fund | | | | |
| Expenditures | \$(4,300) | \$(4,400) | \$(5,200) | \$(5,300) |
| Revenues | 0 | 0 | 0 | 0 |
| Other Fund | | | | |
| Expenditures | | | | |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$(4,300) | \$(4,400) | \$(5,200) | \$(5,300) |

Recommendation

The Governor recommends a reduction to the Department of Natural Resources in the appropriation for payments in lieu of taxes (PILT).

Background

PILT payments are governed under M.S. 477A.12. The appropriation is made initially to the Department of Natural Resources and then transferred to the commissioner of the Department of Revenue for payment. They are intended to help counties that have a large amount of state owned land. Because state owned land does not pay local property taxes, delivering even basic level services to that state owned land can be financially difficult for local governments.

PILT payment obligations have grown over the last several years, and they are expected to keep growing. The current forecast base for General Fund PILT is \$21.787 million in FY 2010 and \$21.905 million in FY 2011.

The Governor is proposing to modify the PILT payment formula to provide 80% of funding currently forecast. A reduction to PILT payments does not affect operations of the DNR, but it is a reduction in payments to counties.

Relationship to Base Budget

This proposal will continue to provide PILT payments to counties at 80% of forecasted funding levels.

Key Goals and Measures

This budget item is submitted to help manage cost in the growing PILT program.

Statutory Change: Updates are needed from M.S. 477A.12

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS MANAGEMENT

Change Item: Outdoors Minnesota

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Natural Resources Fund | | | | |
| Expenditures | \$470 | \$470 | \$470 | \$470 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$470 | \$470 | \$470 | \$470 |

Recommendation

The Governor recommends an annual appropriation of \$470,000 to support a proactive, coordinated outreach effort to engage young adults, families, youth, and minorities in Minnesota's great outdoors. This proposal seeks to build on and extend high-quality outdoor recreational opportunities.

Background

Minnesota's history is inextricably linked to the great outdoors. The state has the highest per capita participation in fishing and boating in the nation, and numbers of hunters, park and trail users, and wildlife watchers in Minnesota are far above the national average. However, recent outdoor participation research has signaled a troubling national trend. After some 50 years of growth following World War II, nature-based recreation turned a corner in the 1990s and is now exhibiting broad-based participation declines on a per-capita basis. It affects state parks, national parks and forests, state trails, hunting, fishing, boating, wildlife watching, and wilderness use. The primary driving factor behind this trend is declining participation in outdoor recreation by young adults (20 to 40) and their children across the nation.

Addressing the growing disconnect between people and the outdoors is a major societal issue and a leading departmental priority. This initiative will help organize a department-wide outreach response that strengthens our efforts to connect with youth and young adults, families, new participants, and underserved groups. This proposal would include development of new outreach approaches and build on existing high quality outdoor recreational opportunities, programs, and facilities. Elements of this proposal include:

- ◆ **Outreach:** Connect with young adults (20-40 year olds), families, and youth, the groups that are currently not participating in outdoor recreation at levels that they have in the past. Include communities or groups that historically have been poorly represented at DNR facilities or opportunities (e.g., ethnic communities who experience language or cultural barriers, foreign-born Minnesotans, single parents).
- ◆ **Access:** Make it fun and easy for people to get outdoors and be active. Provide special events and programs that attract new participants to our state parks, trails, lakes and rivers. Build on successful DNR programs such as State Park naturalist programming, School Forests, MinnAqua, and Fishing in the Neighborhood. Strengthen our connection with k-12 schools. Expand existing DNR efforts to support after school outdoor recreation-centered programming.
- ◆ **Building Outdoor Skills:** Enhance outdoor skill building programs and gear them to new participants and families. Programs could include opportunities for angling, camping, archery, hunting, biking, and much more.

Relationship to Base Budget

This is an ongoing appropriation to the department to initiate a comprehensive, department-wide outreach effort to young adults, families, youth, new participants, and under-represented groups. This is an addition of \$470,000 to the department's base budget.

Key Goals and Measures

The key goal of this appropriation is to increase nature-based outdoor recreation participation by providing high quality opportunities. This supports Minnesota's outdoor recreation policy plan, *Adapting to Change: Minnesota's 2008-2012 State Comprehensive Outdoor Recreation Plan* (mndnr.gov/aboutdnr/reports/scorp/index.html).

The department tracks a variety of measures associated with participation in hunting, angling, trail riding, park and forest visitation, and more. These measures, found in DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (<http://mndnr.gov/conservationagenda>), will continue to be touchstones for gauging broad participation in the outdoors. As measurement tools become more refined and sophisticated, we

NATURAL RESOURCES DEPT

| | |
|--------------|---------------------------|
| Program: | PARKS & TRAILS MANAGEMENT |
| Change Item: | Outdoors Minnesota |

will measure connections between participation and support for natural resource conservation and stewardship. In addition, the department commits to evaluating the effectiveness of specific outreach programs to reach their goals (e.g., direct mail marketing campaign to lapsed anglers).

Additional measures relevant to this appropriation include:

- ◆ Participation in nature-based outdoor recreation, particularly among young adults, families, youth;
- ◆ Established Hispanic Community Connections Program, including hiring program coordinator;
- ◆ Number of bilingual web/print publications for young adults, families, youth;
- ◆ Operational capacity for outreach programs within the DNR, and;
- ◆ Number of participants in DNR outdoor education programs.

Alternatives Considered

Recent outdoor participation studies have signaled some troubling trends for outdoor recreation. The department views this as a serious problem and believes it must expand current outreach efforts. This initiative provides a reasonable approach to increase outdoor recreation participation.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: **PARKS & TRAILS MANAGEMENT**

Change Item: **Investing in our State Parks and Trails Legacy**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|----------|----------|----------|
| Parks and Trails Fund | | | | |
| Expenditures | \$6,536 | \$13,642 | \$14,174 | \$14,782 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$6,536 | \$13,642 | \$14,174 | \$14,782 |

Recommendation

The Governor recommends \$6.536 million in FY 2010 and \$13.642 million in FY 2011 be appropriated to the Department of Natural Resources (DNR) from the Parks and Trails Fund.

Background

This change is necessary to implement the parks and trails portion of the Clean Water, Land, and Legacy amendment to Minnesota's Constitution, which dedicates an increase of 3/8ths of 1% of the state sales tax to clean water, habitat, arts, and parks and trails. The DNR will use these funds to renew, restore and rehabilitate state parks and state trails along with expanded resource protection efforts. This change will result in accelerated state park and state trail renewal, restoration and development statewide. The DNR will also use these funds to enhance visitor services and outreach at state parks and state trails.

Relationship to Base Budget

As directed by the constitutional amendment, these funds would supplement existing funding provided for state parks, state trails, state recreation areas and state forest campgrounds and day use areas. This level of funding represents a significant change to address visitor services and outreach, natural and cultural resource protection, facility maintenance, trail improvements, and other system needs.

Key Goals and Measures

- ◆ Create gateways to the outdoors through outreach opportunities at state parks and trails, targeting families and new participants through marketing and new technologies, to attract 50,000 new participants to state parks and trails annually.
- ◆ Increase conservation education, interpretation, outdoor skills training, and outreach activities to reach 20% of the total current users to state parks and trails.
- ◆ Upgrade approximately 4% of facilities in overnight and day use areas and trails.
- ◆ Restore 111 acres of parklands that are currently old fields, cropland, or other non-native vegetation (ultimately: 16,700 acres need to be restored to prairie/savanna; 8,600 acres need to be restored to forest/woodland).
- ◆ Restore or manage native prairies and woodlands on 6% of the developed miles of state trails, including invasive species removal.
- ◆ Rehabilitate and renew motorized and non-motorized trails in state parks and state forests at a rate of 4% per year.
- ◆ Improve accessibility throughout the park and trail systems for visitors of all ability levels with a target of 5% of existing playgrounds and 15 buildings and facilities each year.
- ◆ Increase energy conservation in facilities and operations, promote new conservation-based energy sources, and mitigate and adapt to climate change and its effects in seven buildings and facilities each year.
- ◆ Enhance customer and visitor services, resource management, and facility repairs and services for 74 state park and recreation areas and 54 state forest campground and day use areas with over 5,000 campsites, 68 group sites, 1,250 trail miles, 6,381 picnic sites, 36 swimming beaches, and trail and visitor centers using best management practices.
- ◆ Enhance the state trail system, including improved trail surfaces, trailhead operation, vegetation and natural resources management (including invasive species control), and interpretive services (kiosks, signage, mapping, and brochures).
- ◆ Rehabilitate 20 miles of state trails, repair four to six trail bridges, and replace one to two bridges annually. This work is critical to maintaining public safety along Minnesota's state trails.

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS MANAGEMENT

Change Item: Investing in our State Parks and Trails Legacy

- ◆ Better understand the needs and desires of state parks, trails, and forest users and stakeholders and develop comprehensive statewide strategies for meeting recreation needs. Insights gained from onsite face-to-face visitor surveys will be used to develop strategies for recreation planning, land management, and facility development in a pilot group of heavily used state facilities to better meet the needs expressed by visitors.

Alternatives Considered

Funding alternatives considered include additional user fees and various tax scenarios (e.g. sales tax, property tax, vehicle registration and titling tax, hospitality tax).

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: **PARKS & TRAILS MANAGEMENT**

Change Item: **Water Recreation Program**

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Natural Resources Fund | | | | |
| Expenditures | \$1,400 | \$1,400 | \$1,300 | \$1,300 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$1,400 | \$1,400 | \$1,300 | \$1,300 |

Recommendation

The Governor recommends an annual increase of \$1.4 million from the Water Recreation Account (WRA) in the Natural Resources Fund to enable the Department of Natural Resources (DNR) to meet the public demand for water access facilities. As user trends, interests and technological opportunities evolve, funds must be strategically invested to keep pace with public demand. The additional funds will help DNR meet critical water recreation needs. Focus areas include maintaining public water accesses, restoring shorelines, providing downloadable Global Positioning System (GPS) waypoints and interpretation of river level gauge information. Of this, \$100,000 is a one-time appropriation for each year of the FY 2010-11 biennium to provide downloadable GPS coordinates and river gauge data interpretation.

Background

Public Water Access Maintenance:

Public water access sites on large lakes and rivers will be improved to make launching and retrieval of boats safer, easier, and more efficient, especially for families and older users. Minnesotans are driving larger, more powerful boats, and public facilities are needed that provide more suitable access for these boats, especially on larger lakes and heavily used sites. Access sites on large lakes and rivers such as: Lake Mille Lacs, Red Lake, Lake of the Woods, Lake Superior, and the Mississippi River will be targeted. Additional docks to aid in launching and retrieval will be added, launch ramps will be lengthened, and interpretive signs with lake and safety information will be posted.

Rehabilitation of Existing Public Water Access Sites:

Facility rehabilitation includes more than the repairs and improvements that are accomplished through regular or routine maintenance. When facilities are first constructed, they include best management practices and follow appropriate regulatory procedures. However, over the years, best management practices and facility designs evolve. Some sites will undergo complete redevelopment while others may have portions of the site renewed. Project locations throughout the state will be selected based on facility condition, amount of use, visibility or potential for public outreach, and availability of partnership opportunities.

The division will improve existing outdated water access sites to be demonstration sites showcasing state-of-the-art stormwater management techniques and best management practices. Shoreline buffer areas will be restored using native vegetation. Interpretive signs/kiosks will inform the public about the importance of shoreline buffer zones and how to perform shoreline restoration projects on their property.

Provide Downloadable GPS Coordinates and Interpret River Gauge Data:

This funding request includes a \$100,000 one-time appropriation for each year of the FY 2010-11 biennium to develop GPS waypoints and real-time river level data. Technological advancements in the use and availability of information on the web has created a public need for GPS waypoints and real time river level data. Downloadable GPS map coordinates will be made available on the DNR website for public water accesses, water trail campsites, portages and safety hazards.

River level gauge data on many of the designated water trails is already available on the web. Unfortunately, the information does not translate well to the conditions that exist on the river. There will be analysis of river gauge readings to actual river conditions from the perspective of a canoe and kayak boating public. Those interpretations can put into recreational language using a scale similar to high, moderate, low conditions. The data will have meaning to recreational users providing an element of safety into trip planning.

Relationship to Base Budget

The FY 2008-09 base budget for the Water Recreation Program was \$8.413 million for each year. These funds are used to acquire, develop, and maintain 1,585 public water access sites, over 4,000 miles of water trails for canoeing and kayaking, and small craft/safe harbors on Lake Superior. Funds are also used to rehabilitate local units of government access sites. The addition of \$1.4 million to the base budget in the direct appropriation from this account is an increase of 17% for FY 2010-11.

Key Goals and Measures

This appropriation will result in:

Public Water Access Maintenance

- ◆ 60-80 docks added
- ◆ 100-150 ramps repaired
- ◆ 100 informational kiosks/signs posted

Rehabilitation of Existing Public Water Access Sites

- ◆ Stormwater runoff control measures added at 50 sites throughout the state
- ◆ Minimum of 90,000 square feet of shoreline restored at 50 sites
- ◆ Interpretive signs added at 50 sites

Provide Downloadable GPS Coordinates and Interpret River Gauge Data

- ◆ GPS waypoint data provided for 1,585 DNR public water access sites
- ◆ GPS waypoint data provided for various parts of the states 30 water trails including water trail campsites, portages and safety hazards.
- ◆ Increased safety to canoe/kayak trip planning: Using existing river gauge data, interpret the information to a user-friendly format supplying real time river level information to the recreational user

Additional water recreation measures are found in the DNR's *A Strategic Conservation Agenda* (<http://mndnr.gov/conservationagenda>).

Alternatives Considered

Redesign of existing facilities would be accomplished incrementally with the use of existing funds.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS MANAGEMENT

Change Item: Parks & Trails Grants

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Parks and Trails Fund | | | | |
| Expenditures | \$4,128 | \$8,616 | \$8,952 | \$9,336 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$4,128 | \$8,616 | \$8,952 | \$9,336 |

Recommendation

The Governor recommends \$4.128 million in FY 2010 and \$8.616 million in FY 2011 be appropriated to the Department of Natural Resources (DNR) from the Parks and Trails Fund for grants for regional parks and trails.

Background

This change is necessary to implement the parks and trails portion of the Clean Water, Land, and Legacy amendment to Minnesota's Constitution, which dedicates an increase of 3/8ths of 1% of the state sales tax to clean water, habitat, arts, and parks and trails. Of this amount, 24% will be used for grants for regional parks and trails statewide.

Opportunities for local governments to acquire and protect larger parcels for regional parks are rapidly diminishing. Other local governments are unable to develop adequate recreational facilities to meet the needs of their region. Regional trails provide gateways that connect people to the outdoors and are significant in length and often cross government boundaries. Local governments lack sufficient resources to acquire or develop these facilities on their own.

Relationship to Base Budget

As directed by the constitutional amendment, these funds would supplement existing funding to provide the necessary functions to support parks and trails of regional significance. Grant programs are used to provide state funding support for these facilities.

In 2008, the DNR's Regional Park Grants Program (MS 85.019, subd. 2b) and Regional Trail Grants Program (MS 85.019, subd. 4b) received \$37,800,000 in requests for \$850,000 in available funds.

This funding recommendation represents a significant change to address the need for local government grant assistance to acquire and develop regional parks and trails.

Key Goals and Measure

The Regional Park Grants Program (MS 85.019, subd. 2b) and the Regional Trail Grants Program (MS 85.019, subd. 4b) provide grants to local units of government for community initiatives that leverage local funds to accelerate the protection, development and acquisition of parks and trails. These grants will help increase participation in outdoor recreation by all Minnesotans. Since 1997, the DNR has awarded 25 regional park grants and 59 regional trail grants to communities throughout Minnesota. The regional park and trail grants will address the goal and strategies outlined in the *Minnesota's 2008-2012 State Comprehensive Outdoor Recreation Plan* (SCORP) (mndnr.gov/aboutdnr/reports/scorp/index.html), and will also advance DNR's mission priorities and make progress toward priority indicators as identified in the DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (<http://mndnr.gov/conservationagenda>).

Alternatives Considered

Funding alternatives considered include additional user fees and various tax scenarios (e.g. sales tax, property tax, vehicle registration and titling tax, hospitality tax).

Statutory Change: M.S. 85.019

NATURAL RESOURCES DEPT

Program: WATER RESOURCES MANAGEMENT

Change Item: Water Permit Application Costs

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|---------|---------|---------|---------|
| Natural Resources Fund | | | | |
| Expenditures | \$20 | \$10 | \$5 | \$5 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$20 | \$10 | \$5 | \$5 |

Recommendation

The Governor recommends that the fee for large water use projects continue to be directly appropriated to the Commissioner. Additionally, the Governor recommends fees for field inspections and monitoring be directly appropriated to the Commissioner to cover these costs.

Background

The 2007 legislature created a new fee for large volume projects to require that they pay the full costs of permitting and environmental review. In FY 2008-09, large water use projects included several ethanol plants. Projects requiring large water uses (in excess of 100 million gallons per year [mgpy]) will continue to be proposed, so continuing the direct appropriation is needed to cover the full costs of environmental review, permitting, field inspections, and monitoring associated with these projects.

Relationship to Base Budget

This is a small change, however, it would allow the Department of Natural Resources (DNR) to directly recover its costs for review of large water use projects. The fee provides that the proposer pay the full costs of project review.

Key Goals and Measures

This proposal supports *Minnesota Milestones – Water Use Indicator #59*: Insufficient information about the state's complex ground water systems makes it difficult to predict the long-term effects of the state's increasing reliance on ground water.

This proposal supports the Legislative-Citizen Commission on Minnesota Resource's (LCCMR) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) recommendations to improve our understanding of ground water resources (HR11) to support local and regional conservation based community planning (LUR2).

Important measures in DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (www.mndnr.gov/conservationagenda) include gallons of public water use and number of development projects with environmental review.

Alternatives Considered

The alternative of not appropriating the revenues would allow the fee to be collected and credited to the account.

Statutory Change: M.S. 103G.301 would be amended to extend the collection and use of this fee.

Program Description

The Department of Natural Resources (DNR) is responsible for implementing land policy on state-owned lands and providing fiduciary oversight for real estate and mineral transactions that relate to state lands. This program is the responsibility of the DNR’s Division of Lands and Minerals.

The program’s real estate responsibilities include land purchases, sales, and exchanges that implement the resource management plans reflected in the DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission*. The land survey unit provides the foundation for fee title and conservation easement boundaries.

Mineral management responsibilities include issuing leases for exploration and mining, negotiating lease terms, inspecting mines and exploratory drilling, calculating ores mined, and managing revenue related to mining and exploration. The program also provides technical assistance to local governments on mineral resources and mining issues.

The mineland reclamation program has regulatory authority for reclamation of metallic minerals and peat mines to ensure environmentally sound mining practices. Current work includes environmental review for the ongoing exploration and mineral development projects in northern Minnesota.

Population Served

State-owned lands provide citizens recreational opportunities for hunting, fishing, and other pursuits. Mineral rents and royalties provide financial benefits to state trust funds, local governments, and the general fund.

Services Provided

DNR’s three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management is DNR’s strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. The Land and Minerals Resource Management Program serves the mission by providing real estate management services to the department and managing state-owned minerals resources, including the permitting and reclamation of taconite, non-ferrous metallic minerals, and horticultural peat mines for the various trusts that own the land.

◆ **Real Estate Management**

The program provides the following real estate transactional services: land acquisitions; land exchanges; land sales; road easements; utility licenses; real estate tax and special assessment payments; and agricultural and other types of leases. Land is acquired in fee title and for conservation easements designed to protect habitat and natural resources for current and future generations of Minnesotans. Specific responsibilities include calculating payments in lieu of taxes (PILT) that provide counties revenue for state-owned natural resources lands within each county. Responsibilities also include conducting legislatively mandated reviews for county-proposed, tax-forfeited land sales. This program provides land surveying services for the department, including boundary staking and platting for acquisitions, conservation easements, land sales, and trespass situations. Additional services include: land title research, review of encroachments and adjoining rights, and review of quiet title actions served on the department by the judiciary.

Program at a Glance

- ◆ National Mineral Commodity Rankings*
 - ⇒ 8th in non-fuel mineral production
 - ⇒ 1st in taconite production
 - ⇒ 10th in sand and gravel production
 - ⇒ 3rd in horticultural peat production
- ◆ 12 million acres of land managed for mineral rights and eight million acres of surface rights managed for horticultural peat, industrial minerals, and construction materials
- ◆ Fiduciary responsibilities for the Permanent School Fund and Permanent University Fund
- ◆ \$59.9 million in mineral revenue generated in FY 2007-2008
- ◆ Reclamation program for iron ore, metallic minerals, and horticultural peat
- ◆ Acquisition of 57,469 acres of conservation easements
- ◆ Acquisition of 14,850 acres of fee title land

*Mineral Commodity Summaries 2008, United States Geological Survey

◆ Land Records System

In FY 2008, the department began a four-year project to reengineer the department's Land Records System. The system contains records for about 400,000 individual parcels totaling about 5.3 million acres of DNR-administrated land and 2.9 million acres of county-administered land held in trust by the state in addition to 12 million acres of mineral rights. Fiscal years 2010-11 will be the third and fourth years of the project that will eventually support department-wide strategic land management, increase the transparency of real estate transactions, and enable public Web-based Internet access to the department's land records.

◆ Mineral Management

The DNR is responsible for managing minerals resources owned by the state. Activities include identifying mineral resources and leasing mineral lands for the financial benefit of various trust funds and local units of government. State-owned mineral resources include taconite, iron ore, non-ferrous metallic minerals, horticultural peat, construction aggregates, and industrial minerals. The DNR is responsible for monitoring global commodity demand and pricing; establishing equitable royalty rates for state-owned minerals; developing mineral resource information to support state mineral lease sales and mining, determining ore quality, generating resource and reserve estimates, conducting field inspections, collecting rental and royalties due from exploration and mining on state lands; and reconciling and disbursing mineral rental and royalty payments to the appropriate accounts.

◆ Mineland Reclamation

As directed by Minnesota statutes, the DNR establishes and enforces regulations for reclamation of lands disturbed by mining. Responsibilities include reducing the environmental impacts of mining; ensuring adequate environmental review of proposed developments; issuing permits; ensuring progressive reclamation; enforcing reclamation law; ensuring public review and input to the permitting process; developing mine closure plans and overseeing mine closures.

Historical Perspective

A number of global trends are affecting the Lands and Minerals Management Program. Foremost is the global minerals marketplace. In addition, the country's focus on energy and related infrastructure construction is impacting the department's management of land assets.

Strong global demand for iron ore and steel has continued to have a positive impact for the taconite industry. Worldwide demand for iron ore is expected to surpass two billion tons in 2008, doubling 2001 demand. In Minnesota, taconite plants are operating at capacity, new processing plants are under construction, and companies are expanding mines. Iron demand is not only driving production of taconite pellets in the state, but it is also providing jobs and producing record state royalties.

As of August 2008, the DNR had issued a permit amendment to United Taconite, LLC for an expansion of the Thunderbird Pit near Eveleth and Northshore Mining Company was working toward an expansion of the Peter Mitchell Pit near Babbitt. ArcelorMittal Steel USA was mining in their East Reserve to supplement the declining production from the Laurentian Mine, potentially expanding the life of the mine by 12 to 15 years. U.S. Steel Corporation's Keewatin Taconite was undergoing environmental review and permitting to restart an idled furnace and expand the current mine pit limits. U.S. Steel Corporation's Minntac operation near Virginia was beginning wetland delineation in preparation for a permit amendment to increase the pit limits and production, and Hibbing Taconite Company had applied for a permit amendment to allow for a hydro-separator system to improve tailings segregation and allow for increased storage in their current tailings basin. In addition, the construction of the Mesabi Nugget, LLC commercial iron nugget plant was scheduled for completion in the fall of 2009. Minnesota Steel Industries, LLC has received a permit to mine, and all other required permits, for a planned taconite mine and steel plant near Nashwauk on the western Mesabi Iron Range, and Steel Dynamics, Inc.'s project was undergoing environmental review and permitting to restart mining in some of the adjacent pits to feed the iron nugget plant currently under construction.

As part of its fiduciary responsibilities in managing mineral leases, the DNR has negotiated increases in taconite royalty rates with ArcelorMittal and U.S. Steel. Upon approval of the Executive Council in September, the royalty rate per gross ton of taconite mined increased from \$0.88 per ton to \$1.62 per ton for ArcelorMittal and \$0.88 per gross ton to \$1.52 per ton for U.S. Steel leases.

Similar to iron ore, global non-ferrous metal demand and pricing is driving exploration and development in the state. As of August 2008, metal prices had softened, but prices continued to be near historical highs for copper, nickel, platinum and gold. In Minnesota, PolyMet's NorthMet project was undergoing environmental review for an open pit mine near Hoyt Lakes. In the Duluth Complex, Duluth Metals' Nokomis project, Franconia's Birch Lake project, and Teck Cominco Ltd.'s Babbitt project were in advanced stages of exploration drilling. In addition, Kennecott had announced a significant copper-nickel discovery near Tamarack, in Aitkin County, and has embarked on an extensive drilling program to determine the extent of mineralization.

As of July 2008, the state had 271 active metallic mineral leases, encompassing about 87,000 acres, located in Aitkin, Carlton, Itasca, Kanabec, Koochiching, Lake, Lake of the Woods, Mille Lacs, and St. Louis counties. This was an increase of 61 leases from the 210 active leases two years prior. During the same period, lease acreage had increased by 18,000 acres, to total about 87,000 acres, from two years earlier. Another measure of mineral exploration is drilling footage. In FY 2008, drilling totaled 369,800 feet, which was about two and one-half times the drilling in FY 2007 (151,990 feet), and ten times the drilling footage of FY 2006 (36,386 feet).

The division is in the midst of issuing licenses for key transmission lines and oil and gas pipeline projects that cross state-owned lands and waters. Currently, five multi-year transcontinental oil and natural gas infrastructure projects are ongoing, and five major transmission line projects are being planned, all of which will cross significant areas of state land and public waters. These projects illustrate industry and government's incremental steps in addressing the current energy crisis as well as the department's response, as a major landowner in the state, to reducing energy costs, making more affordable energy available to citizens of the state.

Key Program Goals

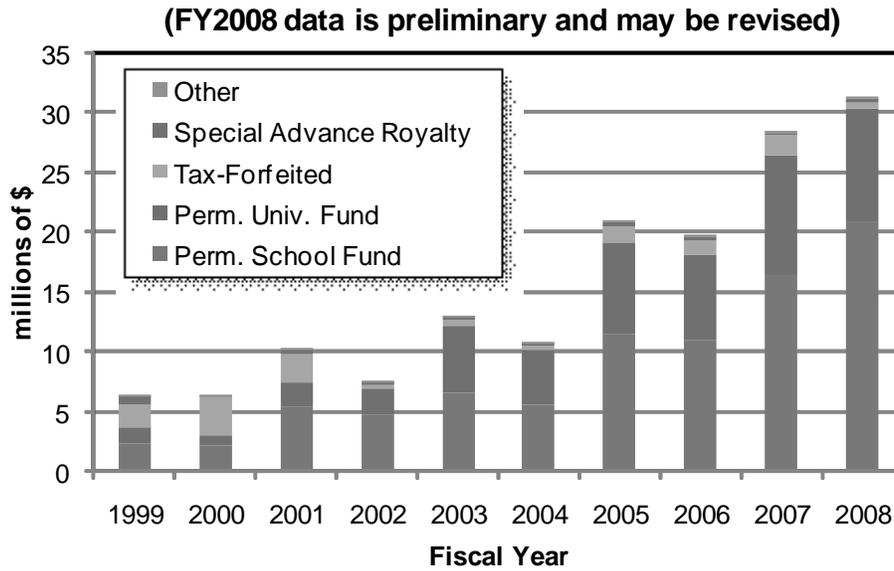
The mineral management program encompasses a state goal of providing for *growth in the gross state product* as outlined in *Minnesota Milestones I* (Indicator 38), which states that Minnesota will have sustainable, strong economic growth. Effective mineral development in the state underpins strong and sustainable economic growth, creating good jobs, economic prosperity, while providing environmental protection.

The program's real estate staff assists the department in implementing strategic land asset decisions, which embraces many other state and departmental goals. Acquisition of lands that support diverse plant communities and wildlife, parkland, and open space, reflect Minnesota Milestone goals 67, 68, and 69, respectively.

Key Program Measures

◆ Mineral Revenue

Rental and royalty revenue is a prime measure of the division's mineral management program. Mineral receipts continued to mark historical highs in FY 2007-08, with revenue of about \$30 million in each year. Both FY 2007 and FY 2008 revenue exceeded FY 2006 revenue by about 30%. FY 2009 revenue is projected to be similar to that of the last two fiscal years. Global iron ore demand and steel production are the drivers of domestic taconite production and subsequent mineral revenue. (See chart on following page.)



◆ **Real Estate Transactions**

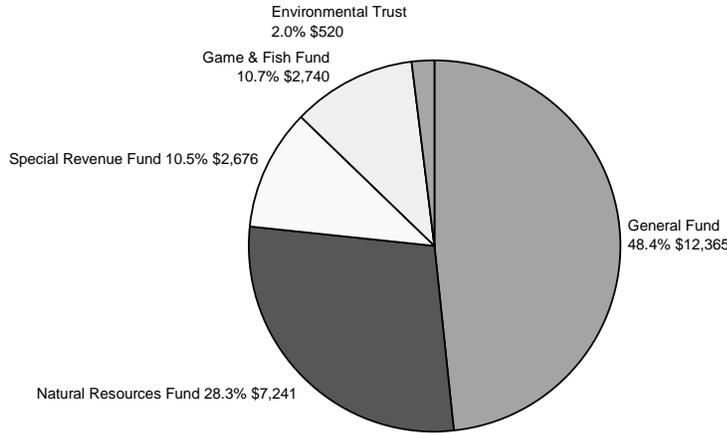
The following table provides a summary of land acquisitions, land sales, and land exchanges completed by the department in FY07-08.

| | | No. | Acres | Cost | Value |
|------------------|--------------|------------|--------------|--------------|--------------|
| Land acquisition | Fee title | 150 | 14,850 | \$44,865,777 | |
| | Easements | 43 | 57,575 | \$11,508,876 | |
| | Total | 194 | 72,425 | \$56,374,653 | |
| <hr/> | | | | | |
| Land sales | | 64 | 1,088 | | \$1,938,498 |
| <hr/> | | | | | |
| Land exchanges | Relinquished | 14 | 5,511 | | \$9,254,580 |
| | Acquired | 14 | 11,544 | | \$9,272,949 |

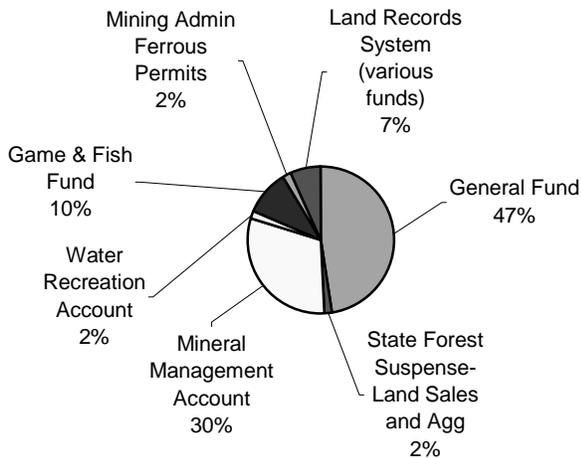
Program Funding

The operating budget for the division is provided by the following sources: the general fund, dedicated dedicated funds from the natural resources fund, the game & fish fund, the permanent school fund, and the special revenue fund. The general fund supports the division’s real estate activities and the mine reclamation unit. The Minerals Management Account in the natural resources fund supports division work related to iron ore, taconite, and nonferrous and industrial minerals. The game & fish fund and the water recreation account in the natural resources fund provide for real estate services on game and fish lands and water recreation lands, respectively. The charts below broadly depict the divisions funding and expenditures by program responsibilities.

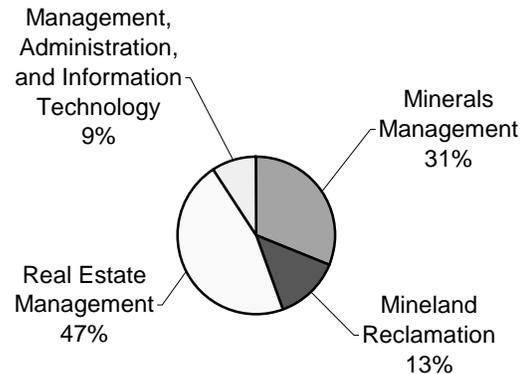
**FY 2008-09 Land and Minerals Budgeted Expenditures
\$25.5 Million (excluding PILT)**



Lands and Minerals Funding



Lands and Minerals Operating Budget



During the 2008 session, the legislature created the Mine Permit Administration Account to provide for the costs of administering mine permits. The account is funded by fees charged to iron ore and taconite operations. The legislature requested a report of the costs of this program to be delivered during the 2009 session to determine the adequacy of the fee structure.

Funding for the final stages of re-engineering the department's Land Records System is also included in the program funding. Funds supporting the project include appropriations from the Water Recreation Account, the Snow Account, Forestry Management Investment Account, and the Game and Fish Fund.

Contact

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mndnr.gov/lands_minerals/index.html

NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 0 | 520 | 520 | 520 | 1,040 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (520) | (520) | (1,040) |
| Subtotal - Forecast Base | 0 | 520 | 0 | 0 | 0 |
| Total | 0 | 520 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 6,633 | 5,805 | 5,805 | 5,805 | 11,610 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (75) | (75) | (150) |
| One-time Appropriations | | | (500) | (500) | (1,000) |
| Pt Contract Base Reduction | | | (2) | (2) | (4) |
| Subtotal - Forecast Base | 6,633 | 5,805 | 5,228 | 5,228 | 10,456 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (1,877) | (1,877) | (3,754) |
| Total | 6,633 | 5,805 | 3,351 | 3,351 | 6,702 |
| Natural Resources | | | | | |
| Current Appropriation | 3,551 | 3,647 | 3,647 | 3,647 | 7,294 |
| Subtotal - Forecast Base | 3,551 | 3,647 | 3,647 | 3,647 | 7,294 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | 1,814 | 1,814 | 3,628 |
| Total | 3,551 | 3,647 | 5,461 | 5,461 | 10,922 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 1,363 | 1,395 | 1,395 | 1,395 | 2,790 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (9) | (9) | (18) |
| Subtotal - Forecast Base | 1,363 | 1,395 | 1,386 | 1,386 | 2,772 |
| Total | 1,363 | 1,395 | 1,386 | 1,386 | 2,772 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 0 | 520 | 0 | 0 | 0 |
| General | 5,300 | 7,001 | 3,351 | 3,351 | 6,702 |
| Natural Resources | 2,704 | 4,494 | 5,461 | 5,461 | 10,922 |
| Game And Fish (Operations) | 919 | 1,821 | 1,386 | 1,386 | 2,772 |
| Permanent School | 80 | 320 | 200 | 200 | 400 |
| Open Appropriations | | | | | |
| General | 46 | 9 | 17,487 | 17,505 | 34,992 |
| Natural Resources | 11 | 20 | 20 | 20 | 40 |
| Statutory Appropriations | | | | | |
| Natural Resources | 0 | 20 | 2 | 2 | 4 |
| Miscellaneous Special Revenue | 1,637 | 969 | 773 | 773 | 1,546 |
| Miscellaneous Agency | 13 | 0 | 0 | 0 | 0 |
| Gift | 0 | 23 | 0 | 0 | 0 |
| Permanent School | 5 | 199 | 3 | 3 | 6 |
| Total | 10,715 | 15,396 | 28,683 | 28,701 | 57,384 |

NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 6,601 | 8,318 | 7,009 | 7,009 | 14,018 |
| Other Operating Expenses | 4,068 | 7,012 | 4,153 | 4,153 | 8,306 |
| Capital Outlay & Real Property | 0 | 57 | 34 | 34 | 68 |
| Local Assistance | 46 | 9 | 14 | 14 | 28 |
| Transfers | 0 | 0 | 17,473 | 17,491 | 34,964 |
| Total | 10,715 | 15,396 | 28,683 | 28,701 | 57,384 |
| <u>Expenditures by Activity</u> | | | | | |
| Land & Minerals Resource Mgmt | 10,715 | 15,396 | 28,683 | 28,701 | 57,384 |
| Total | 10,715 | 15,396 | 28,683 | 28,701 | 57,384 |
| Full-Time Equivalent (FTE) | 85.8 | 110.4 | 94.6 | 94.2 | |

Program Description

The purpose of the Water Resources Management Program is to protect the physical integrity of Minnesota's wetlands, lakes, rivers, and ground water resources. This program is the responsibility of the Department of Natural Resources (DNR) Division of Waters. The division cooperates with local units of government and the public to measure rainfall, lake levels, stream flow, and ground water levels; and also gathers and interprets water resource data to describe how human activities impact the hydrologic system and how negative impacts can be mitigated. The division balances resource protection with reasonable uses of water resources and adjacent lands in administering its programs. Statutory duties are found in M.S. 103A through 103I, with most contained in M.S. 103G.

Population Served

The Division of Waters provides water resources data, information, stewardship education, and water resources technical assistance to other state and federal agencies, local government officials, planning commissions, consultants, environmental organizations, teachers, and the public. The division provides grants, training, and technical assistance to local governments. The Division of Waters also regulates certain activities of riparian land owners, dam owners, persons proposing projects that would result in filling or excavation of public waters, and water users who exceed the threshold of 10,000 gallons a day or one million gallons per year.

Services Provided

DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management is DNR's strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. This program serves the DNR mission by maintaining critical data collection and services not duplicated elsewhere:

- ◆ gathers, compiles, and interprets information from a precipitation monitoring network of over 1,400 volunteers managed by the state climatologist in cooperation with soil and water conservation districts;
- ◆ gathers, compiles, and interprets water level data from a lake level monitoring network encompassing about 1,000 lakes with the assistance of about 700 citizen volunteers and several local government partners;
- ◆ operates a river flood warning system that includes 38 automated stream gages and provides matching funds to support 30 stream flow monitoring gages operated by the U.S. Geological Survey;
- ◆ gathers, compiles, and interprets water level data from over 750 ground water level monitoring wells in partnership with soil and water conservation districts;
- ◆ expands the ground water level monitoring network to adequately assess changes in ground water levels due to water withdrawals and climatic trends;
- ◆ collects information on water use from approximately 7,000 water appropriation permit holders;
- ◆ regulates water withdrawals and approves water supply plans and conservation measures to assure sustainable natural resources for future generations;
- ◆ prepares County Geologic Atlases and Regional Ground Water Assessments in cooperation with the Minnesota Geological Survey and local government partners;
- ◆ prepares maps of ground water aquifers and surface water watersheds;
- ◆ provides assistance to decision-makers through technical analysis and modeling, including ordinary high water level determinations;
- ◆ administers grants for local flood hazard mitigation, dam repair or removal, and coastal zone management projects;

Program at a Glance

- ◆ Regulate over 21,000 public waters basins and 69,200 miles of rivers and streams
- ◆ Permit and monitor about 7,000 large water users and enforce dam safety regulations at over 1,000 public and private dams
- ◆ Manage statewide monitoring networks for precipitation, lake levels, stream flow, and ground water levels
- ◆ Administer flood hazard mitigation grants totaling over \$230 million since 1997
- ◆ Assist 450 local governments to administer floodplain ordinances, and 250 local governments to administer shoreland ordinances
- ◆ Establish stream monitoring gages, delineate watersheds, and provide technical services related to drainage systems and shoreland stewardship to support the Clean Water Legacy Act

- ◆ assists counties and cities in developing and administering zoning ordinances for shorelands, floodplains, critical areas, and wild and scenic rivers;
- ◆ investigates and mitigates domestic well interference problems that may be caused by high capacity wells; and
- ◆ regulates work occurring during periods of low water levels on public waters, permits withdrawals of water from surface and ground water sources, and constructs, operates and maintains public and private dams.

Historical Perspective

The Division of Waters statutory responsibilities to manage Minnesota’s public waters and water supply through a state permit program dates back to 1937. In the 1960s, responsibilities were added to set minimum standards for local shoreland and floodplain zoning ordinances; in the 1970s, a statewide inventory of public waters basins and watercourses was added; and in the 1980s, flood hazard mitigation and dam safety grant programs were created. The 1989 Groundwater Act provided the Division of Waters responsibility for the County Atlas Program.

Also, recent societal trends are changing the nature of the state’s natural resources and their contribution to Minnesota’s quality of life. The Division of Waters works to address critical drivers of change, including:

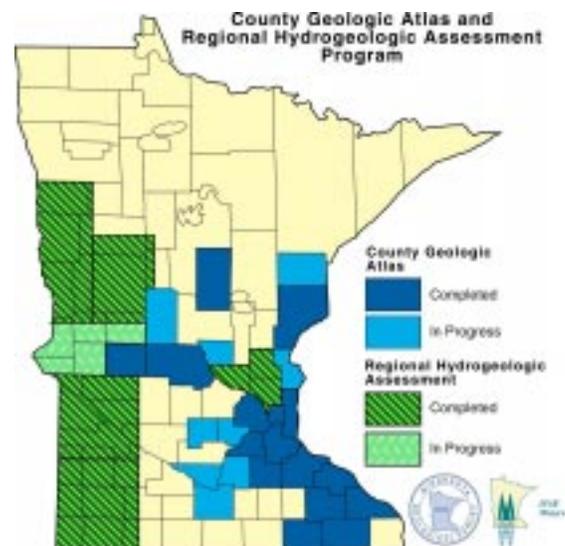
- ◆ **Development pressure and land use change:** The activity’s programs are integral to managing changes from population growth and development. Through its floodplain, shoreland, wild and scenic rivers, and public waters permit programs protect state waters and provide information for long term management of Minnesota’s water resources. Technical assistance and support are provided to local units of government that are responsible for implementation and administration of land use programs.
- ◆ **Climate change and demands for renewable energy:** The Division of Water’s programs address energy and climate change issues by providing technical information for water supply studies, ground water monitoring, climatology, and by managing water use. State climatology office staff collects and maintains data that provide an historic perspective regarding climate trends, recent events, and current conditions.
- ◆ **Changes in outdoor recreation:** The division’s programs also support outdoor recreation opportunities by providing water resource protection and lake and stream level data useful for recreational boating.

Key Program Goals

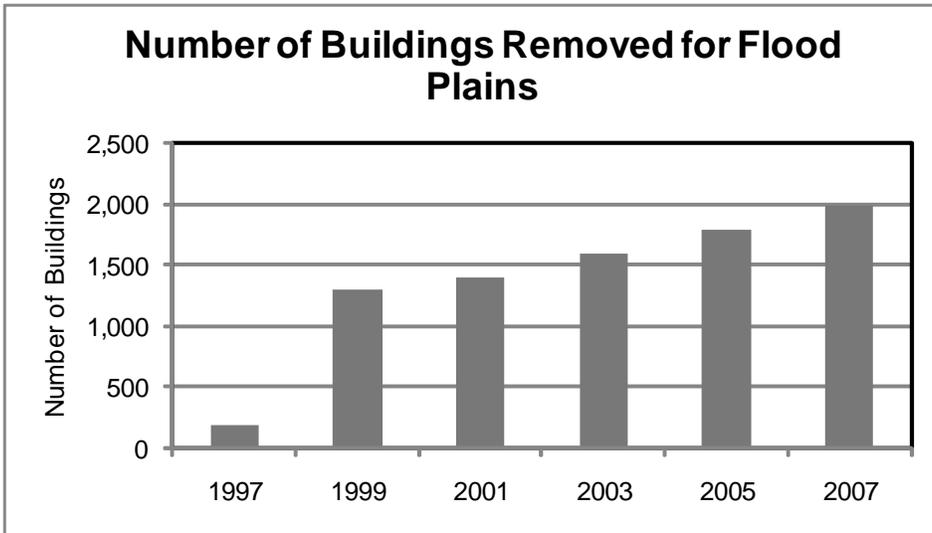
The program balances resource protection with reasonable uses of water resources and adjacent lands in administering its programs. This program contributes to the DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html) by addressing priority resource issues relating to water use, county atlases, wells on state land, monitoring networks, flood hazard mitigation, and development of new shoreland standards. The Legislative-Citizen Commission on Minnesota Resources (LCCMR’s) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) identifies priorities that are principal responsibilities of the Division of Waters including shoreland protection, habitat protection, keeping water on the landscape (see M.S. 103A.205), and improving understanding of ground water resources.

Key Program Measures

- ◆ **County Geologic Atlases or Regional Hydro-geological Assessments are completed:** The Division of Waters, in partnership with the Minnesota Geological Survey (MGS), provides local governments with baseline hydro-geologic information to effectively plan for and manage their land and water resources. Information and technical assistance helps communities find reliable sources of water, and manage water and land use to sustain high quality water resources. Baseline hydro-geologic information is now available for areas that include 75% of the state’s population and 37% of its land area. These data provide local officials, well drillers, consultants, and land owners a common framework for understanding the local ground water resource.



- ◆ **Homes and businesses are removed from flood plains to prevent flood damage:** Flooding is a natural part of river systems, but flood extremes harm people and property. Protecting healthy watersheds, removing structures from floodplains, and preparing for floods before they occur can reduce flood damages. The division's goal is to continue to remove structures from floodplains. Since 1987, DNR has provided funds to communities to build flood-control structures, define flood hazard areas, and buy and remove flood-prone buildings. In Austin, for example, DNR has spent \$1.3 million to acquire flood-prone homes. Major flooding occurred there in 2000 and 2004, and the cost savings due to removal of flood-prone buildings exceeded the cost of acquiring the structures. Statewide, over 2,000 homes have been removed from the floodplain.



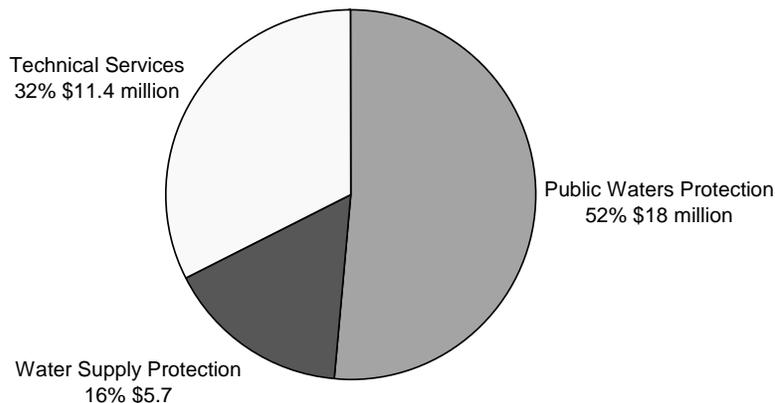
By removing homes from flood plains, the expense and inherent danger of fighting a flood is avoided.

Program Funding

The Division of Waters is funded primarily through general fund appropriations. A small portion (about 2%) of the operating budget comes from the natural resources fund.

Non-dedicated fees collected for permit applications and annual water use fees totaling approximately \$5 million a year are deposited in the general fund. A surcharge on summer water use was initiated in 2005 and brings in approximately \$750,000 in revenue annually. Current sources of federal grant income of about \$2 million a year include Federal Emergency Management Agency grants for the floodplain management and dam safety programs, and National Oceanic and Atmospheric Agency grants for the coastal zone program in the Lake Superior basin.

FY2008-09 Water Resources Program Breakdown by Activity
\$35.1 million



Contact

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For additional Division of Waters program information, visit mndnr.gov/waters/index.html.

NATURAL RESOURCES DEPT

Program: WATER RESOURCES MGMT

Program Summary

Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium |
|---|---------------|---------------|------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 0 | 894 | 894 | 894 | 1,788 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (894) | (894) | (1,788) |
| Subtotal - Forecast Base | 0 | 894 | 0 | 0 | 0 |
| Total | 0 | 894 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 14,851 | 11,974 | 11,974 | 11,974 | 23,948 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (13) | (13) | (26) |
| Biennial Appropriations | | | 125 | 125 | 250 |
| Current Law Base Change | | | (22) | (22) | (44) |
| Pt Contract Base Reduction | | | (2) | (2) | (4) |
| Subtotal - Forecast Base | 14,851 | 11,974 | 12,062 | 12,062 | 24,124 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (640) | (640) | (1,280) |
| Total | 14,851 | 11,974 | 11,422 | 11,422 | 22,844 |
| Natural Resources | | | | | |
| Current Appropriation | 280 | 380 | 380 | 380 | 760 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (100) | (100) | (200) |
| Subtotal - Forecast Base | 280 | 380 | 280 | 280 | 560 |
| Total | 280 | 380 | 280 | 280 | 560 |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| CWF/Clean Water Legacy | | 0 | 1,050 | 1,665 | 2,715 |
| CWF/Drinking Water Source Plng & Protect | | 0 | 375 | 750 | 1,125 |
| Total | 0 | 0 | 1,425 | 2,415 | 3,840 |

NATURAL RESOURCES DEPT

Program: WATER RESOURCES MGMT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|------------------|---------------|---------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 0 | 894 | 0 | 0 | 0 |
| General | 18,862 | 14,349 | 11,422 | 11,422 | 22,844 |
| Natural Resources | 230 | 430 | 280 | 280 | 560 |
| Clean Water Fund | 0 | 0 | 1,425 | 2,415 | 3,840 |
| Statutory Appropriations | | | | | |
| Natural Resources | 0 | 79 | 60 | 50 | 110 |
| Miscellaneous Special Revenue | 215 | 348 | 234 | 234 | 468 |
| Federal | 1,758 | 2,085 | 2,878 | 2,876 | 5,754 |
| Gift | 8 | 6 | 6 | 6 | 12 |
| Total | 21,073 | 18,191 | 16,305 | 17,283 | 33,588 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 9,534 | 11,091 | 10,434 | 11,016 | 21,450 |
| Other Operating Expenses | 3,004 | 4,547 | 3,469 | 3,649 | 7,118 |
| Local Assistance | 8,535 | 2,553 | 2,402 | 2,618 | 5,020 |
| Total | 21,073 | 18,191 | 16,305 | 17,283 | 33,588 |
| <u>Expenditures by Activity</u> | | | | | |
| Water Resources Mgmt | 21,073 | 18,191 | 16,305 | 17,283 | 33,588 |
| Total | 21,073 | 18,191 | 16,305 | 17,283 | 33,588 |
| Full-Time Equivalent (FTE) | 125.8 | 124.9 | 122.7 | 128.8 | |

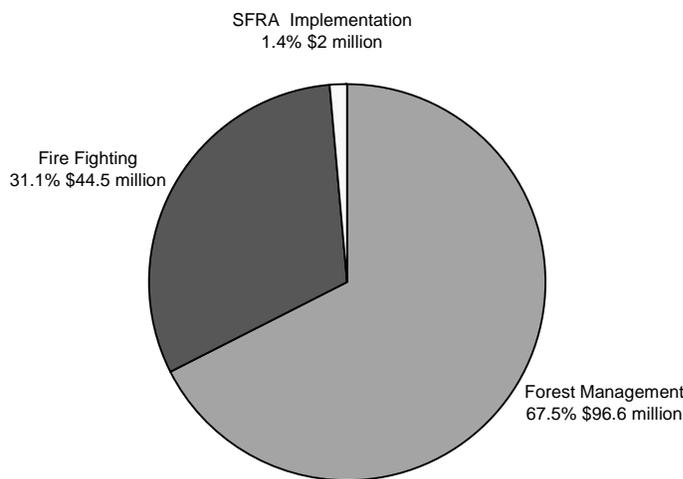
Program Description

The purpose of the Forest Management Program is to:

- ◆ manage forest lands in the state (including community forests) for multiple forest values, including quality timber, wildlife habitat, recreation, and aesthetics, over the long term;
- ◆ protect citizens, property, and natural resources from wildfires; and
- ◆ bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site and landscape-based forest management practices.

This program is the responsibility of the Department of Natural Resources (DNR's) Division of Forestry.

FY2008-09 Forestry Program Breakdown by Activity
\$143.1 million



Budget Activities

This program includes the following budget activities:

- ◆ Forest Management
- ◆ Fire Fighting
- ◆ Sustainable Forest Resources Act Implementation

Key Program Measures

DNR measures its progress in managing forest lands in many ways. The measures in these narratives demonstrate how we are accountable to Minnesota's citizens. See program activity sections for measures related to specific activities. For a complete set of performance measures and more detailed descriptions of each measure, please see the DNR's A Strategic Conservation Agenda, 2003–2007: Measuring Progress toward Mission (mndnr.gov/conservationagenda/index.html).

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,000 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 2,000 | 0 | 0 | 0 | 0 |
| Total | 2,000 | 0 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 24,680 | 25,011 | 25,011 | 25,011 | 50,022 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (500) | (500) | (1,000) |
| One-time Appropriations | | | (53) | (53) | (106) |
| Pt Contract Base Reduction | | | (6) | (6) | (12) |
| Subtotal - Forecast Base | 24,680 | 25,011 | 24,452 | 24,452 | 48,904 |
| Governor's Recommendations | | | | | |
| Forest Management Investment Account | | 0 | 2,000 | 2,000 | 4,000 |
| Total | 24,680 | 25,011 | 26,452 | 26,452 | 52,904 |
| Natural Resources | | | | | |
| Current Appropriation | 19,483 | 18,293 | 18,293 | 18,293 | 36,586 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (1,100) | (1,100) | (2,200) |
| Subtotal - Forecast Base | 19,483 | 18,293 | 17,193 | 17,193 | 34,386 |
| Governor's Recommendations | | | | | |
| Forest Management Investment Account | | 0 | (5,000) | (6,100) | (11,100) |
| Total | 19,483 | 18,293 | 12,193 | 11,093 | 23,286 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 257 | 264 | 264 | 264 | 528 |
| Subtotal - Forecast Base | 257 | 264 | 264 | 264 | 528 |
| Governor's Recommendations | | | | | |
| Forest Management - Heritage Enhancement | | 0 | 950 | 950 | 1,900 |
| Forest Productivity for the Future | | 0 | 250 | 0 | 250 |
| Total | 257 | 264 | 1,464 | 1,214 | 2,678 |

NATURAL RESOURCES DEPT
 Program: FOREST MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|---------------|---------------|------------------|---------------|---------------------|
| | Current | | Governor Recomm. | | Biennium 2010-11 |
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 638 | 2,061 | 0 | 0 | 0 |
| General | 23,226 | 26,403 | 26,452 | 26,452 | 52,904 |
| Natural Resources | 15,849 | 17,201 | 12,193 | 11,093 | 23,286 |
| Game And Fish (Operations) | 230 | 291 | 1,464 | 1,214 | 2,678 |
| Open Appropriations | | | | | |
| General | 12,561 | 11,000 | 11,000 | 11,000 | 22,000 |
| Natural Resources | 58 | 63 | 63 | 63 | 126 |
| Statutory Appropriations | | | | | |
| Natural Resources | 1,671 | 1,794 | 1,531 | 1,531 | 3,062 |
| Miscellaneous Special Revenue | 9,317 | 10,157 | 9,386 | 9,368 | 18,754 |
| Federal | 3,642 | 7,850 | 7,358 | 7,413 | 14,771 |
| Gift | 7 | 28 | 28 | 28 | 56 |
| Total | 67,199 | 76,848 | 69,475 | 68,162 | 137,637 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 34,253 | 38,082 | 36,810 | 35,966 | 72,776 |
| Other Operating Expenses | 27,608 | 30,592 | 27,287 | 26,837 | 54,124 |
| Capital Outlay & Real Property | 1,144 | 5,512 | 3,486 | 3,467 | 6,953 |
| Payments To Individuals | 1 | 2 | 2 | 2 | 4 |
| Local Assistance | 4,193 | 2,660 | 1,890 | 1,890 | 3,780 |
| Total | 67,199 | 76,848 | 69,475 | 68,162 | 137,637 |
| <u>Expenditures by Activity</u> | | | | | |
| Forest Management | 44,013 | 53,536 | 47,096 | 45,783 | 92,879 |
| Fire Fighting | 22,243 | 21,763 | 21,060 | 21,060 | 42,120 |
| Sustain Res Act Implementation | 943 | 1,549 | 1,319 | 1,319 | 2,638 |
| Total | 67,199 | 76,848 | 69,475 | 68,162 | 137,637 |
| Full-Time Equivalent (FTE) | 534.8 | 560.9 | 530.1 | 516.9 | |

Activity Description

The Department of Natural Resources (DNR's) forest management activities sustain and enhance forest ecosystems; supply quality forest products and provide recreational opportunities to meet human needs (e.g., environmental, economic, and social); and provide income to the permanent school trust fund. The goals of this activity are to:

- ◆ provide a long-term, sustainable yield of forest resources (as defined in M.S. 89.001);
- ◆ manage school trust lands and fulfill fiduciary responsibilities to the permanent school trust; and
- ◆ improve the health and productivity of public and private forestlands.

Population Served

Forest management stakeholders include:

- ◆ non-industrial private forest landowners;
- ◆ forest industries;
- ◆ environmental groups;
- ◆ participants in outdoor recreation, including hunters and anglers;
- ◆ public school teachers, pupils and parents;
- ◆ loggers;
- ◆ communities;
- ◆ other state agencies and levels of government; and
- ◆ consulting foresters and other forestry professionals.

Services Provided

The DNR's three-part mission to promote economic development, recreational use, and natural resources protection requires fully integrated resource management. The DNR manages for multiple values and shares stewardship responsibilities with citizens and partners. This program serves the DNR mission by sustaining healthy forest ecosystems capable of supplying high quality forest products and substantial income to the permanent school trust fund.

- ◆ managing of 4.2 million acres of state-owned forest lands, including:
 - ⇒ planning for and managing forest vegetation;
 - ⇒ providing opportunities to harvest forest products, including biomass;
 - ⇒ reforesting harvested areas and improving timber stands;
 - ⇒ conserving old growth, critical ecosystems and habitats, and riparian areas;
 - ⇒ maintaining over 2,000 miles of state forest roads for public recreational uses and access to state lands;
 - ⇒ supporting for outdoor recreation, including motorized and non-motorized activities;
 - ⇒ enforcing state forest rules and regulations; and
 - ⇒ maintaining forest health and minimizing the negative effects of invasive species.
- ◆ providing technical and cost-share assistance to non-industrial private forest landowners;
- ◆ providing technical and cost-share assistance to Minnesota communities for urban forests;
- ◆ producing and selling tree and shrub seedlings for conservation planting on public and private lands;
- ◆ monitoring the health, growth, and composition of Minnesota' forests;
- ◆ monitoring the implementation and effectiveness of forest management practices and guidelines;
- ◆ providing technical assistance to counties on land management approaches
- ◆ developing, monitoring, and evaluating new management approaches; and
- ◆ coordinating forestry related education programs in schools.

Activity at a Glance

- ◆ Manage 4.2 million acres of state-owned forest land
- ◆ Offer for sale 850,000–950,000 cords of wood each year
- ◆ Produce 8-10 million tree seedlings for planting on public and private lands
- ◆ Reforest 30,000 acres of state forest lands each year
- ◆ Provide technical and cost-share assistance serving 140,000 private forest landowners to promote sustainable management on 5.7 million acres of non-industrial private forestland
- ◆ Maintain certification that our management of forests is sustainable and our forest products are sustainably produced

Historical Perspective

Since 1995, the amount of timber harvested in Minnesota has ranged from 3.5 to 4.1 million cords per year. About 20% of the harvested wood came from state-owned forestlands managed by the DNR. New DNR forest management plans outline the means to maintain desired acreages of various forest types; limit losses to decay and mortality; and improve the growth, quality and diversity of our forests while increasing harvests over the next seven to 10 years. As a result, DNR's contribution to state timber harvesting will increase and DNR's forestland will be more productive.

The DNR improves private forest management through the voluntary Forest Stewardship Program by providing professional natural resource management expertise and cost sharing (for tree planting and other actions) to private landowners. The DNR currently provides about 35% of the Forest Stewardship planning assistance. Recent changes to the Sustainable Forestry Incentives Act (M.S. 290C), which provides an incentive payment for landowners that follow a professionally prepared forest management plan, and the creation of a Managed Forestland property tax classification likely will increase the demand for forest management plan preparation and other assistance for private forestland owners.

Established in 1931, DNR Forest Tree Nurseries play a significant role in providing tree seedlings to private and public landowners for conservation purposes. In 1997, the legislature capped tree seedling production at DNR nurseries at 10 million seedlings per year to limit competition with private nurseries. The DNR will continue to cooperate with private nurseries to provide tree seedlings for sustaining Minnesota's forests.

Healthy, resilient, and productive forests are fundamental to meeting many goals, from high water quality and abundant wildlife and plant habitat to recreation and timber. Recent societal trends, however, are changing the nature of the state's forests and their contribution to Minnesota's quality of life. Since 1990, the area of forestland in the state has declined about four percent to 16.4 million acres as forestland was developed or used for pasture, farmland, or rights-of-way. Most of this loss occurred north of the 46th parallel, which runs through Hinckley, Minnesota.

- ◆ **Land ownership changes and development pressure:** Nearly one million acres of large, largely undeveloped private industrial tracts of Minnesota forests are at risk of being sold, divided into smaller parcels, and converted to non-forest uses. Given the recent and dramatic trends in industrial forest ownership, the DNR has joined forces with other state, federal and private partners under the banner of the Minnesota Forest Legacy Partnership and the Minnesota Forests for the Future Program to secure permanent, large-scale conservation easements to help maintain these large blocks of undeveloped forest land as unfragmented wildlife habitat, a sustainable source of timber for the state's forest industries, and a place for public outdoor recreation.
- ◆ **Changes in outdoor recreation:** Use of motorized recreational vehicles on state forestlands has grown substantially in recent years. In response to this growing demand and to limit the potential for negative effects on the state's forest ecosystems, the legislature directed the DNR to identify and designate motorized trail opportunities on state forestlands by the end of 2008. The Forest Management activity will continue to play a significant role in managing motorized recreation, including the ongoing maintenance and operation of designated motorized trails on state forestlands.
- ◆ **Demand for renewable forms of energy and climate change:** Forests and forest management activities help mitigate climate change and its effects. Substituting conservation-based energy sources for fossil fuels and maintaining highly productive forestlands reduces the amount of greenhouse gases that enter the atmosphere. Also, large connected forests are the corridors in which many of Minnesota's plants and wildlife species can migrate in response to climate change.

Key Activity Goals

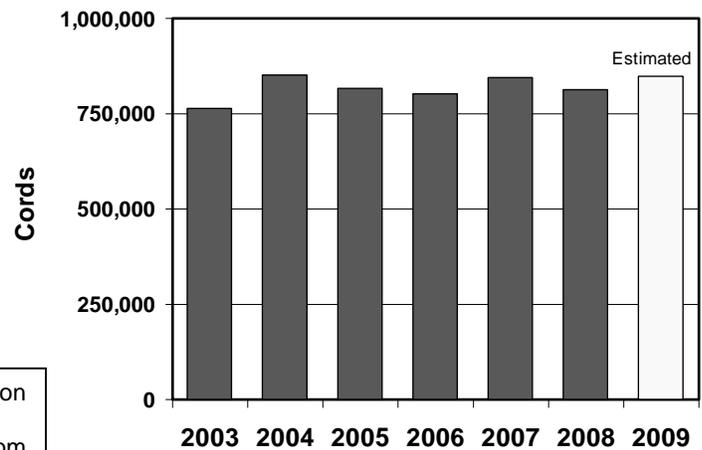
Sustaining Minnesota’s forest ecosystems in a healthy, resilient, and productive state is the best way to ensure that current and future generations enjoy a full range of forest benefits, a primary goal of the DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html). The DNR’s forest management efforts are designed to foster economic development within the forest products industry by providing a sustainable supply of raw materials; to encourage forest-based outdoor recreation by providing high quality opportunities and ready access; and to secure our forest resources by protecting large blocks of working forest from development and expanding sustainable practices as recommended by the Legislative-Citizen Commission on Minnesota Resources (LCCMR’s) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net). The DNR supports the recommendations of the Minnesota Climate Change Advisory Group to protect and enhance the carbon sequestration benefits of forests by maintaining existing forests and adding new forests, increasing forest health and productivity, and reducing the risk of wildfire (http://www.mnclimatechange.us/index.cfm).

Key Activity Measures

- ◆ **DNR Timber Sales:** With 24% of the state’s timberland, DNR is a significant source of raw materials for forest products industries and woody biomass for energy production. Harvesting is an essential management tool and also creates habitat for many kinds of wildlife. DNR integrates timber production from state lands with other goals such as maintaining wildlife population, water quality, and biodiversity, and providing recreational opportunities with guidance from citizens and the legislature.

Indicator: Number of cords of wood offered for sale on DNR lands
Target: Offer for sale about 850,000 cords of timber from DNR lands in FY 2009

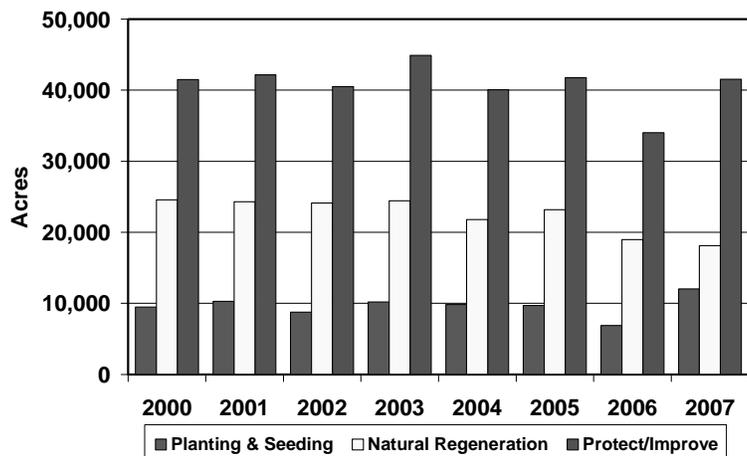
Timber Offered for Sale on DNR Lands



- ◆ **State Land Reforestation:** The DNR is required by statute to restore harvested, damaged (i.e., by natural causes), or otherwise poorly stocked sites on state forestlands to a state of productivity. DNR reforests harvested sites by natural means (i.e., sprouting or natural seeding assisted by appropriate timber harvest design and site preparation), “artificial” means (i.e., tree planting, seeding, and site preparation), and by protecting trees from damaging agents and reducing competition from undesirable species (i.e., to help assure that young trees survive and grow).

Indicator: Acres of reforestation (natural and artificial) and protection/improvement completed on DNR lands
Target: Naturally reforest 22,000 acres, artificially reforest 10,000-12,000 acres, and protect or improve 40,000 acres on DNR lands in FY 2009

State Land Reforestation Completed



NATURAL RESOURCES DEPT

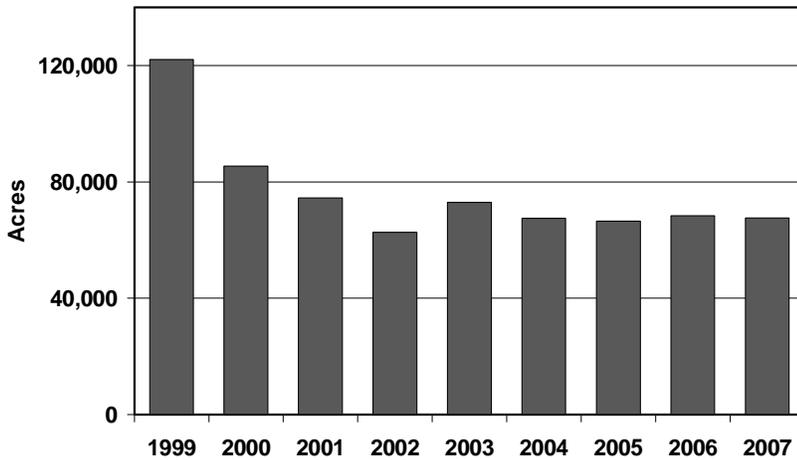
Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

- ◆ **Cooperative Forest Management:** More than 140,000 individuals and organizations (excluding corporations and forest industry) own 40% of Minnesota's forestland. These forestlands provide more than 50% of the timber harvested in the state. To encourage retention and sustainable management of these forestlands despite increasing development pressure, the Forest Stewardship Program prepares sustainable management plans for non-industrial, private forest owners. These plans help guide tree planting, timber harvesting and other forest management activities.

Forest Stewardship Plans Completed by DNR Personnel

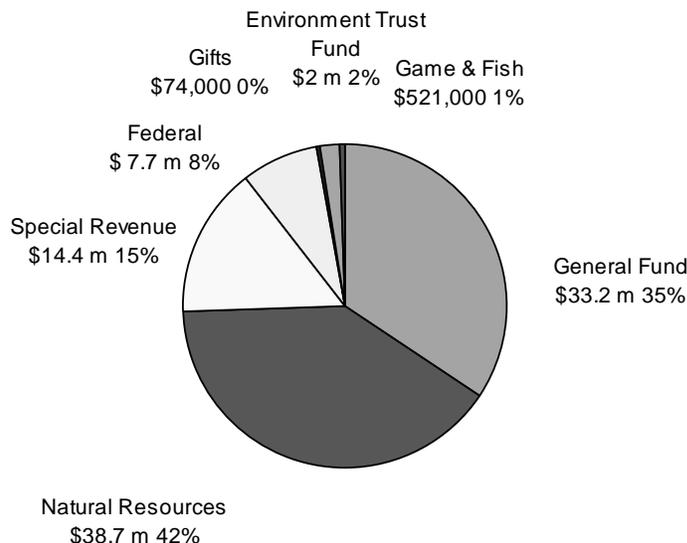


Indicator: Acres of private forestlands with stewardship plans
Target: Complete 125,000 acres of Forest Stewardship Plans in FY 2009 with 45,000 acres completed by DNR staff and the remainder by the private sector

Activity Funding

This activity receives 33.2% of its funding from general fund appropriations, 38.7% from the natural resources fund that includes Forest Management Investment Account, 15% from other special revenue accounts, and 7.7% from federal sources. About 53% of this activity's expenditures are salary-related, 38% are for other operating costs, and 9% are for local assistance grants.

FY 2008-2009 Forest Management Budgeted Expenditures \$96.6 million



NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

Contact

For additional information, please contact:

Olin Phillips, Forest Management and Protection Section Manager

Division of Forestry

Phone: (651) 259-5282

Fax: (651) 296-5954

Email: Olin.Phillips@dnr.state.mn.us

Learn more about:

- ◆ Timber harvesting on state lands at <http://www.dnr.state.mn.us/forestry/harvesting/index.html>
- ◆ Public involvement in forest planning at <http://www.dnr.state.mn.us/forestry/subsection/index.html>
- ◆ Statewide timber harvest at <http://www.mnplan.state.mn.us/mm/goal.html>
- ◆ The Forest Stewardship Program at <http://www.dnr.state.mn.us/grants/forestmgmt/stewardship.html>

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|---------------|---------------|--------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,000 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 2,000 | 0 | 0 | 0 | 0 |
| Total | 2,000 | 0 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 16,443 | 16,764 | 16,764 | 16,764 | 33,528 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | (500) | (500) | (1,000) |
| Pt Contract Base Reduction | | | (6) | (6) | (12) |
| Subtotal - Forecast Base | 16,443 | 16,764 | 16,258 | 16,258 | 32,516 |
| Governor's Recommendations | | | | | |
| Forest Management Investment Account | | 0 | 2,000 | 2,000 | 4,000 |
| Total | 16,443 | 16,764 | 18,258 | 18,258 | 36,516 |
| Natural Resources | | | | | |
| Current Appropriation | 19,483 | 18,293 | 18,293 | 18,293 | 36,586 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (1,100) | (1,100) | (2,200) |
| Subtotal - Forecast Base | 19,483 | 18,293 | 17,193 | 17,193 | 34,386 |
| Governor's Recommendations | | | | | |
| Forest Management Investment Account | | 0 | (5,000) | (6,100) | (11,100) |
| Total | 19,483 | 18,293 | 12,193 | 11,093 | 23,286 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 257 | 264 | 264 | 264 | 528 |
| Subtotal - Forecast Base | 257 | 264 | 264 | 264 | 528 |
| Governor's Recommendations | | | | | |
| Forest Management - Heritage Enhancement | | 0 | 950 | 950 | 1,900 |
| Forest Productivity for the Future | | 0 | 250 | 0 | 250 |
| Total | 257 | 264 | 1,464 | 1,214 | 2,678 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 638 | 2,061 | 0 | 0 | 0 |
| General | 15,268 | 17,877 | 18,258 | 18,258 | 36,516 |
| Natural Resources | 15,849 | 17,201 | 12,193 | 11,093 | 23,286 |
| Game And Fish (Operations) | 230 | 291 | 1,464 | 1,214 | 2,678 |
| Open Appropriations | | | | | |
| Natural Resources | 58 | 63 | 63 | 63 | 126 |
| Statutory Appropriations | | | | | |
| Natural Resources | 1,671 | 1,794 | 1,531 | 1,531 | 3,062 |
| Miscellaneous Special Revenue | 6,650 | 6,371 | 6,201 | 6,183 | 12,384 |
| Federal | 3,642 | 7,850 | 7,358 | 7,413 | 14,771 |
| Gift | 7 | 28 | 28 | 28 | 56 |

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Total | 44,013 | 53,536 | 47,096 | 45,783 | 92,879 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 23,151 | 25,678 | 23,929 | 23,085 | 47,014 |
| Other Operating Expenses | 15,850 | 20,002 | 18,107 | 17,657 | 35,764 |
| Capital Outlay & Real Property | 1,134 | 5,512 | 3,486 | 3,467 | 6,953 |
| Payments To Individuals | 1 | 2 | 2 | 2 | 4 |
| Local Assistance | 3,877 | 2,342 | 1,572 | 1,572 | 3,144 |
| Total | 44,013 | 53,536 | 47,096 | 45,783 | 92,879 |
| Full-Time Equivalent (FTE) | 351.2 | 351.8 | 323.5 | 310.3 | |

Activity Description

The Department of Natural Resources (DNR) is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. This activity is the responsibility of the DNR's Division of Forestry. Activity goals include:

- ◆ providing wildfire protection to avoid loss of life;
- ◆ minimizing loss of property and natural resources;
- ◆ responding to fire and natural disaster emergencies in Minnesota and other states; and
- ◆ supporting the effective use of prescribed fire as a natural resource management tool.

Wildfire control efforts under state authority originated in the early 1900s after a series of devastating wildfires destroyed Hinckley, Baudette, Chisholm, and Cloquet. After a severe wildfire season in 1976, the legislature created an open appropriation account to fund emergency fire suppression efforts. Since then, the division worked with the legislature to assure an appropriate balance between direct and open appropriations.

Activity at a Glance

- ◆ protection of 45.5 million acres of land in Minnesota
- ◆ response to an average of 1,780 fires reported to the DNR each year that burn over 41,000 acres
- ◆ oversight of open burning statutes through the issuing of 60,000-70,000 burning permits each year
- ◆ coordination of wildfire response and resource sharing for wildfire suppression in Minnesota and for out-of-state reciprocal assistance via the Minnesota Interagency Fire Center
- ◆ response to wildfire emergencies outside of Minnesota with equipment and trained staff

Population Served

The population served by this activity include:

- ◆ Minnesota citizens, homeowners, landowners and businesses;
- ◆ Minnesota rural fire departments;
- ◆ other state, provincial, and federal agencies as partners in wildfire and other emergency response; and
- ◆ land and natural resources managers.

Services Provided

The DNR's three-part mission to promote economic development, recreational use, and natural resources protection requires fully integrated resource management. The DNR manages for multiple values and shares stewardship responsibility with citizens and partners. This program serves the DNR mission by protecting against the loss of life, property, and natural resources from wildfire and by enhancing the effectiveness of prescribed fire in natural resource management.

- ◆ *Pre-suppression* activities include:
 - ⇒ training firefighters and support personnel;
 - ⇒ developing and maintaining partnerships and mutual aid agreements with other fire protection agencies;
 - ⇒ operating the Minnesota Interagency Fire Center;
 - ⇒ participating in a national interagency fire equipment cache;
 - ⇒ ensuring that specialized heavy ground and aerial suppression equipment are available statewide;
 - ⇒ maintaining an emergency communications network that supports multi-agency response; and
 - ⇒ developing mobilization and dispatch plans.
- ◆ *Suppression* requires trained firefighters, support personnel, and aerial and ground-based equipment. Activities include:
 - ⇒ locating wildfires using aerial patrols, public reports, and lookout towers (i.e., detection);
 - ⇒ pre-positioning fire-fighting resources to shorten response times (i.e., initial attack); and
 - ⇒ controlling the spread of wildfires and minimizing the damage they cause.
- ◆ *Firewise Structures and Communities'* activities include:
 - ⇒ training and supporting homeowners, developers, and communities in practices that reduce the risk of wildfire (e.g., fuel reduction);

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

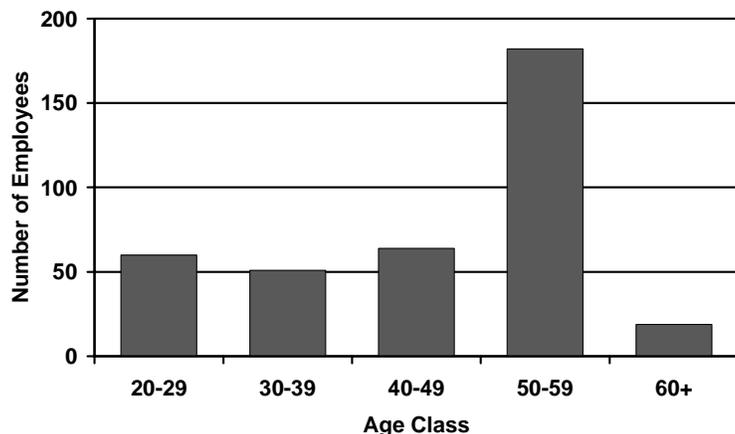
- ⇒ incorporating Firewise principles into K-12 education (e.g., teaching modules for geography and computer science classes); and
- ⇒ increasing fire service communities' use of Geographic Information System technology to assess and respond to wildfire risks.
- ◆ *Prevention* activities include:
 - ⇒ educating children and adults (e.g., Smokey Bear, fire prevention week, school visits);
 - ⇒ regulating open burning (i.e., spring fire restrictions, issuing open burning permits, implementation of internet-based open burning permit system); and
 - ⇒ enforcing state wildfire and open burning laws (M.S. 88).
- ◆ *Emergency response* assistance includes:
 - ⇒ maintaining expertise and interagency qualifications in the National Incident Management System (NIMS); and
 - ⇒ providing assistance in the form of equipment, and NIMS-trained staff in support of other emergency response agencies.
- ◆ *Prescribed burning* helps prepare sites for reforestation; control insects, diseases, and invasive plants; improve wildlife habitat; maintain natural community types; reduce the risk and severity of wildfires; and provide valuable fire suppression training. Activities include:
 - ⇒ planning prescribed fires;
 - ⇒ conducting prescribed fires;
 - ⇒ monitoring and evaluating DNR's prescribed burns; and
 - ⇒ providing training to DNR staff, partner agencies, and organizations involved in prescribed burning.
- ◆ *Rural Community Fire Assistance* helps rural fire departments protect their communities from wildfires through cooperative agreements, training, grants, and contracts. Activities include:
 - ⇒ obtaining federal surplus equipment for local fire departments as part of the Federal Excess Property Program and the new Firefighter Property Program (FPP);
 - ⇒ distributing approximately \$450,000 of state and federal funds per year to small communities (pop. under 10,000) to organize, train, and equip their fire departments for wildfire suppression; and
 - ⇒ providing state surplus wildfire engines to rural fire departments that provide wildfire mutual aid.

Historical Perspective

Firefighting is arduous and hazardous work; heart attacks are the leading cause of wildland firefighter deaths. To maintain the states wildfire suppression capability despite DNR's aging work force and expansion of the wildland-urban interface, DNR will expand use of aircraft, local emergency firefighters, staff overtime, and resources from regional and national partner agencies.

Minnesota's strong reciprocal relationships with state, federal, and provincial partners in wildfire suppression are vital. Maintaining these relationships and sharing resources regionally and nationally will affect the division's other programs. The DNR has managed the increased wildfire threat from the 1999 windstorm in northeastern Minnesota and the expanding wildland-urban interface in part with CL-215 water scooping aircraft and by increasing reliance on partners (e.g., Minnesota National Guard, Superior National Forest, the Provinces of Ontario and Manitoba). In addition, as skilled personnel retire or restrict their physical activities and inexperienced personnel take their places, training must be accelerated.

Age Distribution of Employees
DNR Division of Forestry 2008



NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

In December 2005, the DNR completed the lease purchase of the two CL-215 aircraft. Use of these aircraft is expanding regionally and nationally, due to the reductions in the availability of large air tankers over the last two years. The department increased its reimbursement costs for use of aircraft to account for accelerated depreciation and increased maintenance costs.

Rural community fire departments have long been reliable partners. However, many rural fire departments are also having difficulty recruiting, training, and retaining personnel. This limits their ability to respond to fires independently in the wildland-urban interface.

Healthy, resilient, and productive forests are fundamental to meeting many goals: water quality, abundant wildlife and plant habitat, accessible recreation resources and sustainable supplies of timber. Recent societal trends, however, are changing the nature of the state's forests and their contribution to Minnesota's quality of life.

- ◆ **Climate change:** Higher temperatures and seasonal shifts in precipitation associated with climate change may increase the frequency and geographic extent of wildfire.
- ◆ **Land ownership changes and development pressure:** As Minnesota's population grows and urban development expands the wildland-urban interface, the demands associated with protecting citizens and their property from wildfire will increase substantially.

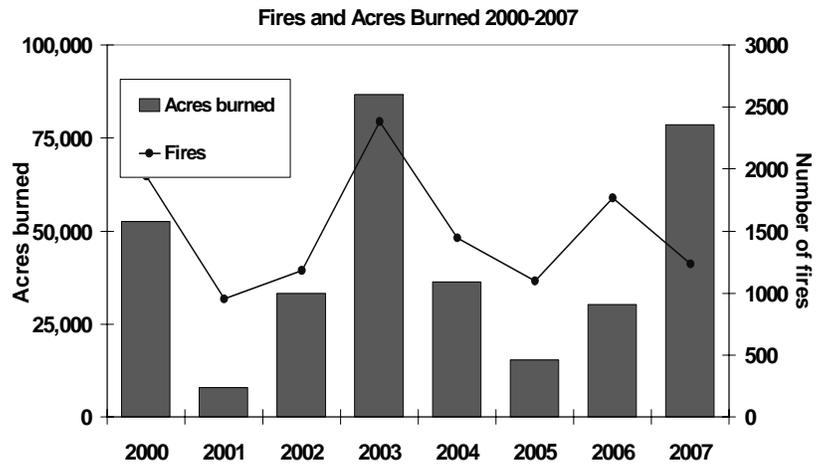
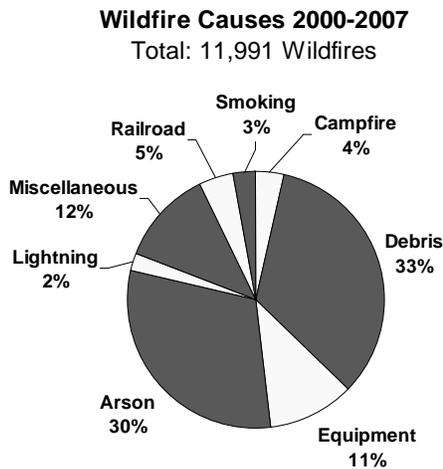
Key Activity Goals

Protecting the lives and property of citizens is the primary goal of this activity. Protecting forests from wildfire is also essential to sustaining the economies of rural communities, supplying biomass for renewable energy production, and maintaining habitat for Minnesota's native plants and animals.

- ◆ Forest product manufacturing is a significant contributor to Minnesota's economy. Rural economies in forested portions of the state rely on raw materials from forests to supply forest products industries and create jobs.
- ◆ Sustainably managed and protected forests can help satisfy increasing demands for renewable energy, help offset greenhouse gas emissions from fossil fuels, and sequester large amounts of greenhouse gases in trees and forest soils, key recommendations of the Minnesota Climate Change Advisory Group (<http://www.mnclimatechange.us/index.cfm>).
- ◆ Protecting older forests from wildfire and using prescribed burning to create and maintain healthy young forests helps maintain the habitats vital to self-sustaining populations of wildlife and plants while enhancing their carbon sequestration potential.

Key Activity Measures

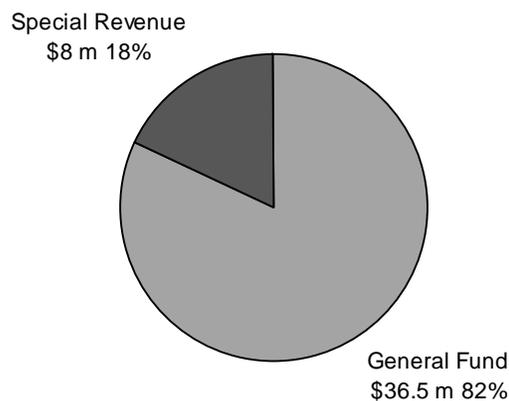
⇒ **Wildfire Protection:** M.S. 88 defines a wildfire as "a fire requiring suppression action, burning any forest, brush, grassland, cropland, or any other vegetative material." The charts below describe the causes, frequency, and size of fires suppressed by the DNR and/or reported to the DNR by other fire departments. Wildfire protection represents a significant workload for the department, but this workload is unpredictable from year to year, as illustrated in the graph below.



Activity Funding

The activity is funded primarily through General Fund appropriations. Of the activity's state expenditures, about 82% are from the General Fund direct and open appropriation. The state receives full reimbursement for personnel or equipment mobilized in support of other states, provinces, or national emergencies.

**FY 2008-2009 Fire Fighting Budgeted Expenditures
\$44.5 million**



NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

Contact

For additional information, please contact:

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Division of Forestry
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Fax: (651) 296-5954
Email: Olin.Phillips@dnr.state.mn.us

To learn more about this activity, please visit the following websites:

- ◆ Fire management in the DNR at http://www.dnr.state.mn.us/forestry/fire_management.html
- ◆ Wildfires in Minnesota at <http://www.dnr.state.mn.us/forestry/fire/index.html>
- ◆ Protecting your home from wildfire at <http://www.dnr.state.mn.us/firewise/homerisk.html>
- ◆ Wildfire prevention materials for educators at <http://www.dnr.state.mn.us/education/wildfire/index.html>

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FIRE FIGHTING

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|--------------------|---------------|---------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 7,217 | 7,217 | 7,217 | 7,217 | 14,434 |
| Subtotal - Forecast Base | 7,217 | 7,217 | 7,217 | 7,217 | 14,434 |
| Total | 7,217 | 7,217 | 7,217 | 7,217 | 14,434 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 7,015 | 7,419 | 7,217 | 7,217 | 14,434 |
| Open Appropriations | | | | | |
| General | 12,561 | 11,000 | 11,000 | 11,000 | 22,000 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 2,667 | 3,344 | 2,843 | 2,843 | 5,686 |
| Total | 22,243 | 21,763 | 21,060 | 21,060 | 42,120 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 10,634 | 11,912 | 12,389 | 12,389 | 24,778 |
| Other Operating Expenses | 11,527 | 9,739 | 8,559 | 8,559 | 17,118 |
| Capital Outlay & Real Property | 10 | 0 | 0 | 0 | 0 |
| Local Assistance | 72 | 112 | 112 | 112 | 224 |
| Total | 22,243 | 21,763 | 21,060 | 21,060 | 42,120 |
| Full-Time Equivalent (FTE) | 178.2 | 202.6 | 202.6 | 202.6 | |

Activity Description

This activity implements provisions of the Sustainable Forest Resources Act (SFRA), M.S. 89A, for promoting sustainable management and protection of Minnesota's forest resources. Through the SFRA, the legislature created the Minnesota Forest Resources Council (MFRC) as a forum of forest stakeholders for solving problems in forest management and protection collaboratively. The MFRC's primary mission is to advise the governor and federal, state, and local governments on forest policy and practices. The MFRC's initiatives address continuing conflicts between economic, ecological and social values associated with forests by focusing on site-based forest resource practices and landscape-level planning and coordination.

Population Served

Forests occupy one-third of Minnesota and provide a variety of benefits vital to many Minnesota communities, their economies and the natural environment. All Minnesotans, both urban and rural, benefit from forestland's contributions to a vibrant economy, viable communities, and healthy ecosystems. Citizens who reside in forested areas and those who recreate there are especially dependent on the state's forest resources.

Services Provided

DNR's three-part mission to promote economic development, recreational use, and natural resources protection requires fully integrated resource management. The DNR manages for multiple values and shares stewardship responsibility with citizens and partners. This program serves the DNR mission by helping to sustain the environmental, recreational and economic values of forests. The MFRC'S key programs focus on: a) providing policy advice to the governor, legislature and public management agencies; b) developing and promoting science-based best management practices; c) coordinating multi-owner, landscape-level forest resource planning and management; d) assessing the implementation and effectiveness of guidelines; e) assessing current trends and conditions of forest resources; f) supporting relevant forest research; and g) evaluating citizen concerns regarding timber harvesting and forest management practices via the Citizens Concern Registration Program.

Historical Perspective

Large increases in timber harvesting beginning in the 1970s led to intense conflict over forest management in Minnesota in the late 1980s. In response, the Minnesota Environmental Quality Board commissioned a Generic Environmental Impact Statement (GEIS) on Timber Harvesting and Forest Management in 1989. The GEIS evaluated the effects that expanded timber harvesting might have on the state's forest resources and suggested strategies to mitigate potential adverse impacts. In 1995, the Minnesota legislature passed the SFRA, one of the state's most significant forestry laws. The SFRA established policies and programs to ensure sustainable use and management of Minnesota's forests. The SFRA also created the MFRC (M.S. 89A.03), and mandated it to develop and oversee programs to address impacts of timber harvesting and forest management.

Key Activity Goals

The *Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) recommends promoting sustainable forest practices by building on the accomplishments of the Minnesota Forest Resources Council. The MFRC's voluntary Timber Harvesting and Forest Management Guidelines and periodic reports on their use have been instrumental in protecting many forest values and in demonstrating to stakeholders the sustainability of forest management practices. The DNR has adopted these guidelines for use in all its timber sale operations.

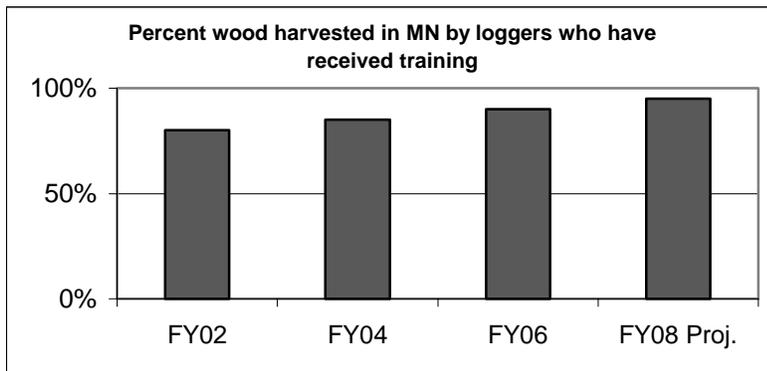
Activity at a Glance

- ◆ Addresses complex forest management issues through collaborative problem solving with the MFRC. The MFRC's 17 members represent a broad spectrum of interests in Minnesota's forests
- ◆ Oversees implementation and monitoring of comprehensive site-level forest management guidelines for sustainable harvest of Minnesota's timber
- ◆ Coordinates long-term forest management across all ownerships in six landscape using common goals
- ◆ Monitors timber-harvesting activity across the state
- ◆ Guides the sustainable management and use of resources that are vitally important to the state's \$6.9 billion forest industry (2006 data) and \$9 billion tourism industry

Continuing the support for monitoring effective implementation of the guidelines and coordinating management among forestland owners is essential for sustaining working forests in Minnesota.

Key Activity Measures

- ◆ **Timber Harvesting and Site-based Forest Management Guidelines:** The MFRC leads and conducts the development, implementation, review and revision of Timber Harvesting and Forest Management Guidelines.

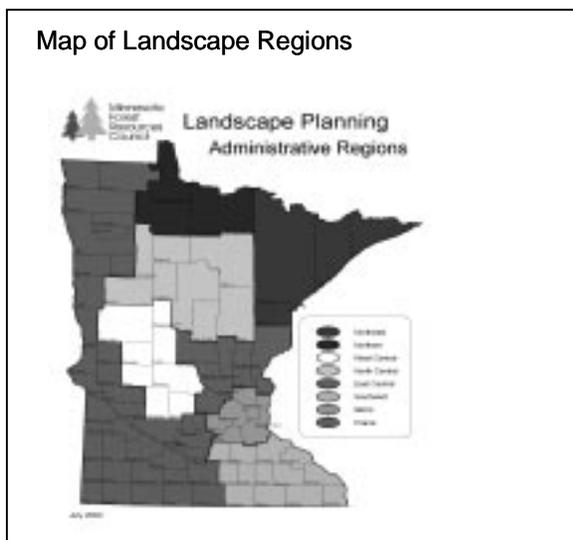


Indicator: Percent of wood harvested by loggers who have received guideline training.

Target: Trained loggers harvest over 95% of Minnesota’s wood.

Additional Target: Promote the use guidelines for sustainable removal of woody biomass from forests and brushlands for energy and monitor their use in forest management activities. These guidelines, the first in the U.S., were published in January 2008.

- ◆ **Landscape-level Planning and Coordination:** The MFRC leads and coordinates the development of landscape-level forest resource plans within six major forested regions of the state.



Indicator: Progress toward the goals of MFRC Landscape plans.

Target: Commitment of resources and coordination among the participating land managers to management actions that further long-term goals.

- ◆ **Forestland Conservation Policy Assessment and Recommendations:** The MFRC assesses policy approaches needed to conserve private forestland in response to unprecedented ownership change, parcelization and development.

Target: Assess trends in forestland parcelization and development in major forest regions, evaluate policy approaches available to address these trends, and make recommendations to the legislature on the most cost-effective approaches.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: SUSTAIN RES ACT IMPLEMENTATION

Narrative

Activity Funding

This activity is funded by a \$2 million general fund appropriation with additional project-specific funds from the Blandin Foundation (\$100,000) and Iron Range Resources and Rehabilitation Board (\$50,000). Additional private funds are being pursued.

Contact

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To learn more about the Minnesota Forest Resources Council and its programs, please visit <http://www.frc.state.mn.us/>.

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: SUSTAIN RES ACT IMPLEMENTATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 1,020 | 1,030 | 1,030 | 1,030 | 2,060 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (53) | (53) | (106) |
| Subtotal - Forecast Base | 1,020 | 1,030 | 977 | 977 | 1,954 |
| Total | 1,020 | 1,030 | 977 | 977 | 1,954 |
| | | | | | |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 943 | 1,107 | 977 | 977 | 1,954 |
| Statutory Appropriations | | | | | |
| Miscellaneous Special Revenue | 0 | 442 | 342 | 342 | 684 |
| Total | 943 | 1,549 | 1,319 | 1,319 | 2,638 |
| | | | | | |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 468 | 492 | 492 | 492 | 984 |
| Other Operating Expenses | 231 | 851 | 621 | 621 | 1,242 |
| Local Assistance | 244 | 206 | 206 | 206 | 412 |
| Total | 943 | 1,549 | 1,319 | 1,319 | 2,638 |
| | | | | | |
| Full-Time Equivalent (FTE) | 5.4 | 6.5 | 4.0 | 4.0 | |

Program Description

The purpose of the Parks and Trails Management Program is to provide a state park system that preserves and manages Minnesota's scenic, natural, and cultural resources for current and future generations while providing appropriate recreational and educational opportunities for the public (M.S. 85 and M.S. 86A). This program also manages state forest campgrounds and day use areas. This program is the responsibility of the Department of Natural Resources (DNR's) Division of Parks and Recreation.

State parks serve as a gateway for connecting people with the outdoors. The Minnesota State Legislature has established the Minnesota State Park System, which contain some of the state's most spectacular scenic, natural, and cultural resources. Minnesota was the second state in the U.S. to recognize the importance of a state park system when it established Itasca State Park in 1891. This was done to ensure that citizens would have places in perpetuity to experience nature at its best, learn about the importance of the natural world, and have a safe and fun outdoor recreational experience.

Program at a Glance

- ◆ 74 state park and recreation areas and eight state waysides totaling 226,831 acres
- ◆ 54 state forest campground and day use areas
- ◆ over 5,000 individual campsites, 218 horse campsites, 68 group campsites, over 1,250 miles of trail, 6,381 picnic sites, 36 swimming beaches, 33 fishing piers, 322 miles of road, and more than 1,600 buildings
- ◆ over eight million recorded visits and \$15.68 million in annual revenue generated

Population Served

All citizens and visitors to Minnesota benefit directly or indirectly from a high quality state park system. In any given year, about 1.3 million Minnesotans participate in state park activities. They make up more than eight million recorded visits to state parks and state recreation areas. In addition, the DNR's state park system benefits visitors, communities, the economy, and the environment. The state park system provides safe, healthy recreation opportunities to the public, as well as places to learn about and enjoy a natural environment, relax, and escape the stresses of modern day life. Communities located near parks gain a sense of community pride, a better understanding of their natural environment, a greater appreciation for what makes their community a special place to live and work, and increased local business activities that support park operations. Economic benefits are generated by increased employment opportunities that strengthen economic vitality within communities. Environmental benefits include a protected and restored natural landscape that supports clean water and provides habitat for a significant number of rare native plant and animal species.

Services Provided

DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management has been the DNR's strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. The Division of Parks and Recreation serves the mission of the DNR through three major program areas comprised of a variety of activities, which in combination provide gateway experiences to connect people with the great outdoors.

Park Operations – This program activity provides for policy development and compliance, customer service, park maintenance, equipment management, interdisciplinary activities, local government contacts, budget management, law enforcement and emergency response, public relations, and personnel management.

- ◆ **Resource Management** – This activity provides direction and technical expertise for the department in protecting, restoring and managing natural and cultural resources on state park lands.
- ◆ **Visitor Services** – This activity provides for a range of recreational opportunities and services for park visitors that includes a variety of trails, day use facilities, and overnight accommodations.

- ◆ **Interpretive Services and Conservation Education** – This activity provides information, interpretive services and environmental education for park visitors, communities, and schools to increase their understanding and appreciation of natural and cultural resources, learn outdoor skills, examine environmental issues, and provides for enhanced recreational opportunities.

Park Development and Real Estate – This program activity is responsible for all capital improvements, determining infrastructure needs, securing funds from the legislature, designing and building park structures and facilities, complying with the Americans with Disabilities Act (ADA), rehabilitation and maintenance of facilities, and completing acquisition and real estate transactions.

- ◆ **Land Acquisition** – This activity provides all the services necessary to evaluate statutory boundaries, determine legal boundary descriptions, acquire, transfer or dispose of land, and maintain land records for the division.
- ◆ **Archaeology** – This activity conducts archaeological investigations and interpretations of all state park sites and projects as required by state and federal law.
- ◆ **Emergency Maintenance** – This activity provides immediate help in the event of natural and man-made disasters such as floods, storms, forest fires, and accidents.

Public Affairs, Information Technology, and Planning – This program activity manages all public affairs, completes comprehensive and strategic park and recreation area planning, completes environmental review, develops marketing plans, produces a variety of brochures, and manages information technology.

- ◆ **Marketing** – This activity creates, communicates and delivers value to customers, and manages customer relationships in ways that benefit stakeholders and supports organizational goals. As a part of this, marketing provides research and development (R&D) for products and assesses consumer trends to aid in organizational planning.
- ◆ **Management and Geographic Information Systems** – This activity provides the hardware and software for all state park computerized functions and the comprehensive management of all state park information, desktop support, Geographic Information System (GIS) surveys, and mapping services.
- ◆ **Merchandise** – The merchandise activity provides high quality products and gifts for sale in state park nature stores and generates revenues for resource and education programs.
- ◆ **Planning** – the planning activity develops the division strategic plan, comprehensive master plans and plan amendments, and performs environmental review, park research, surveys, and prepares special reports and projects.

Historical Perspective

In 1891, the legislature created Itasca State Park to preserve the Mississippi River headwaters region with its old growth red and white pine. In 1895, Interstate Park (Minnesota/Wisconsin) became the first interstate park in the country. Since that time, the system has grown to include 74 state parks and recreation areas, 54 state forest campgrounds and day use recreation areas, and eight state waysides. The most significant growth in the state park system occurred through a series of punctuated state park additions: in 1937, when 10 parks were added across the state; 20 years later, in 1957, five more parks were added to the system, including four along the North Shore; and in 1963, when another 11 parks were added to the park system. The most recent addition occurred in 2008, with the addition of Lake Vermilion State Park.

Recent societal trends are changing the nature of the state's natural resources and their contribution to Minnesota's quality of life. DNR Parks and Recreation works to address critical drivers of change, including:

- ◆ **Changes in Outdoor Participation:** Given recent changes in outdoor recreation participation, there is a concerted effort to increase public engagement in the outdoors by providing new, gateway experiences to Minnesota's great outdoors. Hundreds of programs and activities are provided to build outdoor recreation skills, enhance stewardship of the environment, and support enjoyable outdoor recreation opportunities. The use of technology is becoming increasingly important in supporting the delivery of these services – enhanced websites, geocaching, touch screens for interactive information and education, and WiFi accessibility at Itasca State Park are examples of how the department is striving to meet these new needs. There is also an increased focus on the recruitment of youth and non-traditional users of the state park system. Focus group, visitor and household survey results are guiding efforts to meet the changing expectations of user groups, such as providing more outdoor amenities, rental equipment, virtual tours, and gathering places.
- ◆ **Growing Demands Related to Renewable Energy and Climate Change:** Climate change may impact the department's ability to restore native plant and animal communities and to protect rare, threatened and endangered species. Shorter winters and less reliable snowfall may mean reduced opportunities for winter activities like skiing and snowmobiling, but also possibly longer seasons for camping and other warm weather activities. State parks offer close to home recreation for all Minnesotans – state parks are distributed across the state such that there is a state park located within 50 miles of almost every Minnesotan. Park facilities are being made more energy efficient as well, from small things like replacing incandescent light bulbs with compact fluorescents to efforts such as providing electric cars for use by state park maintenance staff and the addition of a wind turbine and geothermal energy at Camden State Park's remodeled office.
- ◆ **Landscape Changes and Loss of Open Space:** State parks are referred to as the "Windows of Minnesota" because of the protection and restoration of original landscapes throughout the state. Resource management efforts continue to protect and manage species in greatest need for conservation. State parks also demonstrate to the public best management practices for shorelines and landscapes, control of invasive species, and contribute to Clean Water Legacy efforts. State parks will be increasingly valued in the future because of the natural landscape that people seek for physical, mental, and spiritual renewal.

Key Program Goals

Key program goals can be found in the *Minnesota State Parks Strategic Plan 2006-2011* (mndnr.gov/parks_recreation/sp_strategic_plan.pdf) and include the following:

- ◆ protect and restore the natural and cultural resources of the state;
- ◆ increase participation and engagement in the state park system and maintain high visitor satisfaction among visitors to the system; and
- ◆ provide interpretive programs that enhance park visitor experiences and encourage stewardship of natural resources.

This program also addresses the leading habitat protection recommendation contained in the LCCMR's *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net), which is to "Protect Priority Land Habitat." The plan specifically recommends continued support for ongoing programs such as acquisition of 54,000 acres of private land within the statutory boundaries of state parks. Acquisition of these lands should remain a high priority because they reduce fragmentation and add to the concept of maintaining large ecosystems in the state.

The Parks and Recreation Management Program also supports Minnesota's outdoor recreation policy plan, *Adapting to Change: Minnesota's 2008-2012 State Comprehensive Outdoor Recreation Plan* (mndnr.gov/aboutdnr/reports/scorp/index.html), which establishes a goal of increasing participation in outdoor recreation by all Minnesotans and visitors. This program supports the following four strategies of the plan:

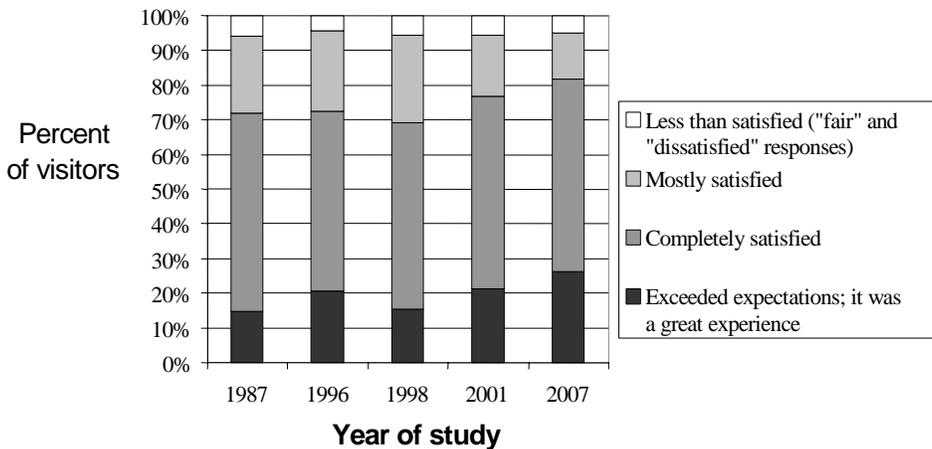
- ◆ acquire, protect, and restore Minnesota's natural resource base, on which outdoor recreation depends;
- ◆ develop and maintain a sustainable and resilient outdoor recreation infrastructure;
- ◆ promote increased outdoor recreation participation through targeted programming and outreach; and
- ◆ evaluate and understand the outdoor recreation needs of Minnesotans and the ability of Minnesota's natural resources to support those needs.

Key Program Measures

The DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html) includes several management principles that are intended to guide the work of the department and describes program efforts to achieve customer service, resource management, cultural and historic preservation, and interpretive service goals within the state park system. State park staff use a range of performance measures to assess its progress in managing parklands and facilities to achieve sustainable management objectives and to provide safe, high-quality recreation services for all citizens.

- ◆ **Visitor Satisfaction:** State parks are an integral part of Minnesota's high quality of life. In 2007, the DNR and the University of Minnesota conducted a joint visitor satisfaction survey. Last year, customer satisfaction was at its highest level.

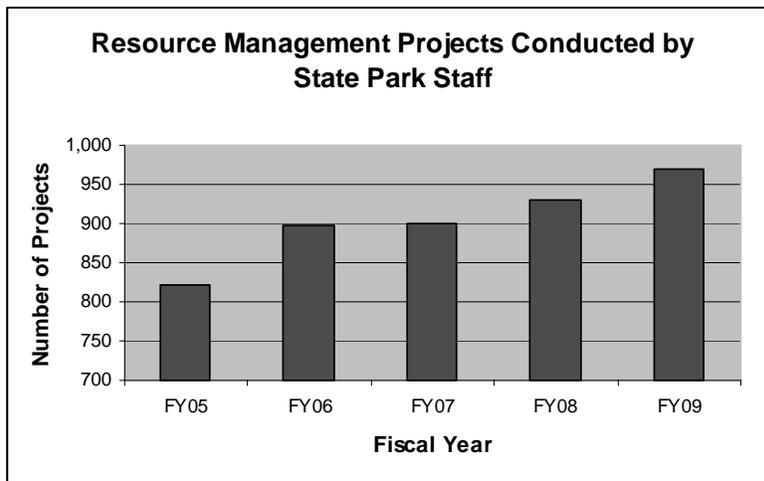
Satisfaction with visit to a MN state park



Indicator: Percent satisfied with a visit to Minnesota state parks
Target: Maintain a 95% or higher satisfaction rating

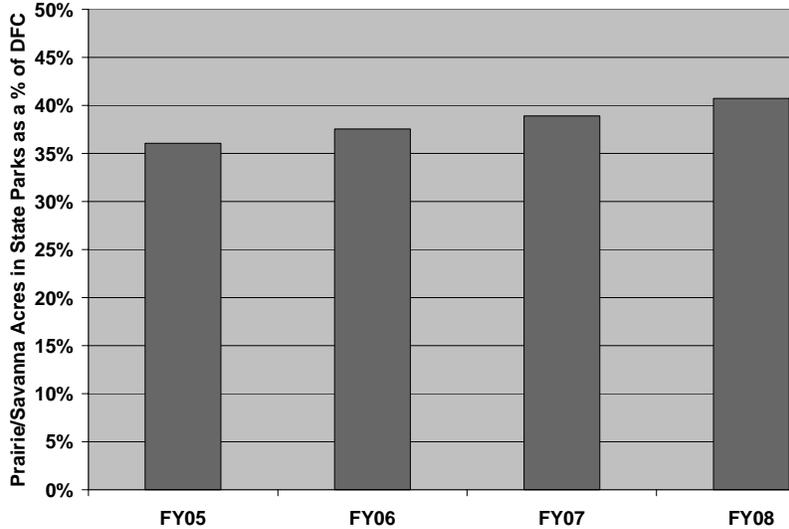
- ◆ **Resource Management:** State park staff protects, manage, and restore pre-settlement natural features, plants, and animals. Over 280 federal or state endangered or threatened or species or species of special concern occur in old growth forest, and they also support more than 80 types of important native plant communities. Prescribed fire, control of invasive plant species, reconstruction of native plant communities, repair of visitor impacts and other types of active management are required to insure that important natural features on state park lands are maintained.

⇒ **Resource management projects conducted by state park staff:** State park staff has committed approximately 34,000 to 42,000 hours annually to accomplish these resource management projects.



Indicator: Number of resource management projects conducted annually by park staff.
Target: Conduct 970 resource management projects in state parks – an average of over 12 projects per park for FY 2009.

⇒ **Prairie/savanna restoration in state parks:** State parks currently contain 11,478 acres of remnant or restored prairie or savanna. A unit-by-unit analysis by state parks resource specialists showed that there is approximately 16,706 acres yet to be restored. Based on this evaluation, the desired future condition for prairie and savanna in state parks is a total of 28,184 acres in 43 state park units.



Indicator: Acres of prairie or savanna (remnant & restored) as percent of the desired future condition (DFC) for prairie/savanna in state parks.

Target: Plant an additional 460 acres of prairie or savanna in FY 2009, bringing the total in state parks to 11,938 acres.

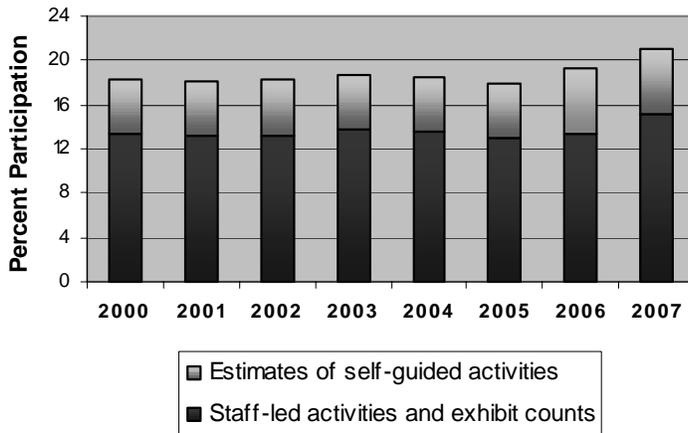
◆ **State Parks Historic Features:** DNR has the statutory responsibility to protect historic properties listed on the National and State Registers. Of the 1,600 total buildings in the state parks system, 369 (23%) are historic buildings or buildings located within the 34 National Register Historic Districts. In addition, the state parks system contains 251 historic structures and objects and five National Historic Landmarks.

Indicator: Maintenance and restoration of historic buildings, structures, and districts within state parks.

Target: Direct 10% of the capital investment for state parks in each biennium to National Register buildings, structures, and districts within state parks and state recreation areas.

⇒ **Outdoor Education:** Education services in state parks reach 1.5 million visitors annually. State park staff provide educational programs interpreting Minnesota’s natural and cultural resources for the public. Outdoor education promotes stewardship of Minnesota’s resources, offers a low-key enforcement tool, and promotes understanding of and support for DNR’s programs, key messages, and management decisions. For more than 60 years, state parks have offered interpretive facilities and hands on educational experiences.

Percent Participation in Parks Education and Interpretive Activities



Indicator: Percent participation in parks education and interpretive activities.

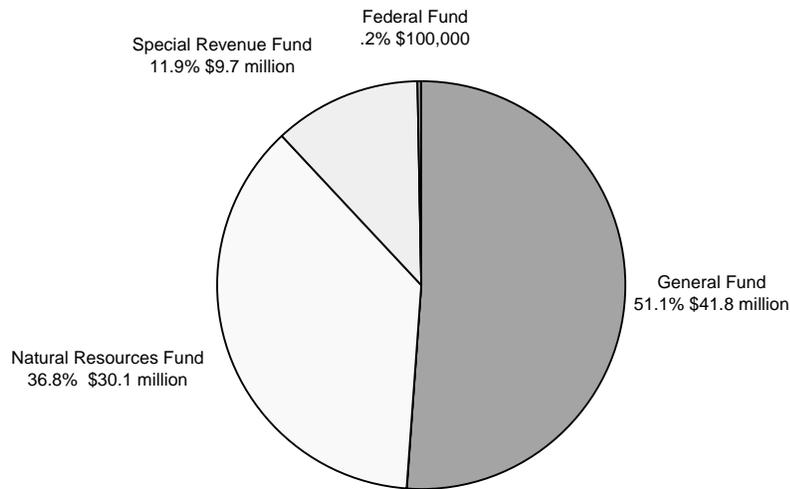
Target: Maintain at least 18 percent participation level of park visitors in outdoor education and interpretive opportunities.

It is anticipated that total education program attendance will increase in calendar year 2008 by 5-10% due to new conservation education funding for interpretive interns and seasonal naturalists and the addition of Sesquicentennial of Statehood events.

Program Funding

State parks generated a total of \$15.68 million in FY 2008. General Fund revenue totaled \$1.07 million in FY 2008. The dedicated account collected \$9.7 million of the revenue total in FY 2008. This was a slight decrease from FY 2007 due to the closing of revenue operating facilities at Whitewater State Park due to the flood in August 2007.

**FY 2008-09 Parks and Recreation Budgeted Expenditures
\$81.7 Million**



Contact

For additional information, please contact:

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Or visit the DNR's website at mndnr.gov/parks_recreation/index.html.

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| General | | | | | |
| Current Appropriation | 23,271 | 23,581 | 23,581 | 23,581 | 47,162 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (23) | (23) | (46) |
| One-time Appropriations | | | (350) | (350) | (700) |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 23,271 | 23,581 | 23,207 | 23,207 | 46,414 |
| Total | 23,271 | 23,581 | 23,207 | 23,207 | 46,414 |
| Natural Resources | | | | | |
| Current Appropriation | 40,231 | 42,121 | 42,121 | 42,121 | 84,242 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (800) | (800) | (1,600) |
| Subtotal - Forecast Base | 40,231 | 42,121 | 41,321 | 41,321 | 82,642 |
| Governor's Recommendations | | | | | |
| Outdoors Minnesota | | 0 | 470 | 470 | 940 |
| Water Recreation Program | | 0 | 1,400 | 1,400 | 2,800 |
| Total | 40,231 | 42,121 | 43,191 | 43,191 | 86,382 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Subtotal - Forecast Base | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Total | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Parks and Trails Grants | | 0 | 4,128 | 8,616 | 12,744 |
| State Parks and Trails Legacy | | 0 | 6,536 | 13,642 | 20,178 |
| Total | 0 | 0 | 10,664 | 22,258 | 32,922 |

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS MANAGEMENT

Program Summary

| | <i>Dollars in Thousands</i> | | | | |
|--|-----------------------------|---------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 922 | 1,869 | 0 | 0 | 0 |
| General | 22,424 | 24,274 | 23,207 | 23,207 | 46,414 |
| Minnesota Resources | 104 | 113 | 0 | 0 | 0 |
| Natural Resources | 39,264 | 45,752 | 43,191 | 43,191 | 86,382 |
| Game And Fish (Operations) | 1,262 | 3,051 | 2,194 | 2,194 | 4,388 |
| Parks And Trails Fund | 0 | 0 | 10,664 | 22,258 | 32,922 |
| Open Appropriations | | | | | |
| Natural Resources | 384 | 721 | 470 | 470 | 940 |
| Statutory Appropriations | | | | | |
| Natural Resources | 245 | 720 | 440 | 440 | 880 |
| Miscellaneous Special Revenue | 5,687 | 6,217 | 5,811 | 5,811 | 11,622 |
| Federal | 3,048 | 4,396 | 4,410 | 4,378 | 8,788 |
| Gift | 183 | 434 | 160 | 160 | 320 |
| Total | 73,523 | 87,547 | 90,547 | 102,109 | 192,656 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 35,437 | 37,655 | 41,272 | 44,128 | 85,400 |
| Other Operating Expenses | 22,483 | 26,296 | 28,336 | 32,586 | 60,922 |
| Capital Outlay & Real Property | 3,559 | 7,290 | 3,219 | 3,219 | 6,438 |
| Local Assistance | 12,034 | 16,296 | 17,711 | 22,167 | 39,878 |
| Other Financial Transactions | 10 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 10 | 9 | 9 | 18 |
| Total | 73,523 | 87,547 | 90,547 | 102,109 | 192,656 |
| <u>Expenditures by Activity</u> | | | | | |
| Parks & Recreation | 40,826 | 43,694 | 50,024 | 58,065 | 108,089 |
| Trails & Waterways | 32,697 | 43,853 | 40,523 | 44,044 | 84,567 |
| Total | 73,523 | 87,547 | 90,547 | 102,109 | 192,656 |
| Full-Time Equivalent (FTE) | 581.2 | 588.9 | 624.5 | 677.1 | |

Activity Description

The purpose of the this activity is to provide a state park system that preserves and manages Minnesota's scenic, natural, and cultural resources for current and future generations while providing appropriate recreational and educational opportunities for the public (M.S. 85 and M.S. 86A). This activity also manages state forest campgrounds and day use areas. This activity is the responsibility of the Department of Natural Resources' (DNR's) new Parks and Trails Division.

State parks serve as a gateway for connecting people with the outdoors. The Minnesota State Legislature established the Minnesota State Park System, which contains some of the state's most spectacular scenic, natural, and cultural resources. Minnesota was the second state in the U.S. to recognize the importance of a state park system when it established Itasca State Park in 1891. This was done to ensure that citizens would have places in perpetuity to experience nature at its best, learn about the importance of the natural world, and have a safe and fun outdoor recreational experience.

Activity at a Glance

- ◆ 74 state park and recreation areas and eight state waysides totaling 226,831 acres
- ◆ 54 state forest campground and day use areas
- ◆ over 5,000 individual campsites, 218 horse campsites, 68 group campsites, over 1,250 miles of trail, 6,381 picnic sites, 36 swimming beaches, 33 fishing piers, 322 miles of road, and more than 1,600 buildings
- ◆ over eight million recorded visits and \$15.68 million in annual revenue generated

Population Served

All Minnesota residents and visitors benefit directly or indirectly from a high quality state park system. In any given year, about 1.3 million Minnesotans participate in state park activities. They make up more than eight million recorded visits to state parks and state recreation areas. Out-of-state guests, who bring in new money to the state, represent 16% of these visits. In addition, the DNR's state park system benefits out-of-state visitors, communities, the economy, and the environment. The state park system provides safe, healthy recreation opportunities to the public, as well as places to learn about and enjoy a natural environment, relax, and escape the stresses of modern day life. Communities located near parks gain a sense of community pride, a better understanding of their natural environment, a greater appreciation for what makes their community a special place to live and work, and increased local business activities that support park visitors and park operations. Economic benefits are generated by increased employment opportunities that strengthen economic vitality within communities. Environmental benefits include a protected and restored natural landscape that supports clean water and provides habitat for a significant number of rare native plant and animal species.

Services Provided

DNR's has a three-part mission based on the interrelated values of economic development, recreational use, and natural resources protection. Integrated resource management has been the DNR's strategy to share stewardship responsibility with residents and partners as we manage for multiple interests. The Parks Management Activity serves the mission of the DNR through three major program areas comprised of a variety of activities, which in combination provide gateway experiences to connect people with the great outdoors.

Park Operations – This program area provides for policy development and compliance, customer service, park maintenance, equipment management, interdisciplinary activities, local government contacts, budget management, law enforcement and emergency response, public relations, and personnel management.

⇒ **Resource Management** – This activity provides direction and technical expertise for the department in protecting, restoring and managing natural and cultural resources on state park lands.

⇒ **Visitor Services** – This activity provides for a range of recreational opportunities and services for park visitors that includes a variety of trails, day use facilities, and overnight accommodations.

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS

Activity: Parks & Recreation

Narrative

Interpretive Services and Conservation Education – This activity provides information, interpretive services and environmental education for park visitors, communities, and schools to increase their understanding and appreciation of natural and cultural resources, learn outdoor skills, examine environmental issues, and provides for enhanced recreational opportunities.

Park Development and Real Estate – This program activity is responsible for all capital improvements, determining infrastructure needs, securing funds from the legislature, designing and building park structures and facilities, complying with the Americans with Disabilities Act (ADA), rehabilitation and maintenance of facilities, and completing acquisition and real estate transactions.

⇒ **Land Acquisition** – This activity provides all the services necessary to evaluate statutory boundaries, determine legal boundary descriptions, acquire, transfer or dispose of land, and maintain land records for the Division.

⇒ **Archaeology** – This activity conducts archaeological investigations and interpretations of all state park sites and projects as required by state and federal law.

⇒ **Emergency Maintenance** – This activity provides immediate help in the event of natural and man-made disasters such as floods, storms, forest fires, and accidents.

Public Affairs, Information Technology, and Planning – This program activity manages all public affairs, completes comprehensive and strategic park and recreation area planning, completes environmental review, develops marketing plans, produces a variety of brochures, and manages information technology.

⇒ **Marketing** – This activity creates, communicates and delivers value to customers, and manages customer relationships in ways that benefit stakeholders and supports organizational goals. As a part of this, marketing provides research and development (R&D) for products and assesses consumer trends to aid in organizational planning.

⇒ **Management and Geographic Information Systems** – This activity provides the hardware and software for all state park computerized functions and the comprehensive management of all state park information, desktop support, Geographic Information System (GIS) surveys, and mapping services.

⇒ **Merchandise** – The merchandise activity provides high quality products and gifts for sale in state park nature stores and generates revenues for resource and education programs.

⇒ **Planning** – The planning activity develops the Division strategic plan, comprehensive master plans and plan amendments, and performs environmental review, park research, surveys, and prepares special reports and projects.

Historical Perspective (optional)

In 1891, the legislature created Itasca State Park to preserve the Mississippi River headwaters region with its old growth red and white pine. In 1895, Interstate Park (Minnesota/Wisconsin) became the first interstate park in the country. Since that time, the system has grown to include 74 state parks and recreation areas, 54 state forest campgrounds and day use recreation areas, and eight state waysides. The most significant growth in the state park system occurred through a series of punctuated state park additions: in 1937, when 10 parks were added across the state; 20 years later, in 1957, five more parks were added to the system, including four along the North Shore; and in 1963, when another 11 parks were added to the park system.

Environmental and Societal Trends

Recent societal trends are changing the nature of the state's natural resources and their contribution to Minnesota's quality of life. DNR's Parks and Trails Program works to address critical drivers of change, including:

- ⇒ **Changes in Outdoor Participation:** Given recent changes in outdoor recreation participation, there is a concerted effort to increase public engagement in the outdoors by providing new, gateway experiences to Minnesota's great outdoors. Hundreds of programs and activities are provided to build outdoor recreation skills, enhance stewardship of the environment, and support enjoyable outdoor recreation opportunities. The use of technology is becoming increasingly important in supporting the delivery of these services – enhanced websites with downloadable GPS waypoints, geocaching, touch screens for interactive information and education, and WiFi accessibility at Itasca State Park are examples of how the Division is striving to meet these new needs. There is also an increased focus on the recruitment of youth and non-traditional users of the state park system. Focus group, visitor and household survey results are guiding efforts to meet the changing expectations of user groups, such as providing more outdoor amenities, rental equipment, virtual tours, and gathering places.
- ⇒ **Growing Demands Related to Renewable Energy and Climate Change:** Climate change may impact the department's ability to restore native plant and animal communities and to protect rare, threatened and endangered species. Shorter winters and less reliable snowfall may mean reduced opportunities for winter activities like skiing and snowmobiling, but also possibly longer seasons for camping and other warm weather activities. State parks offer close to home recreation for all Minnesotans – state parks are distributed across the state such that there is a state park located within 50 miles of almost every Minnesotan. Park facilities are being made more energy efficient as well, from small things like replacing incandescent light bulbs with compact fluorescents to efforts such as providing electric vehicles for use by state park maintenance staff and the addition of a wind turbine and geothermal energy at Camden State Park's remodeled office.
- ⇒ **Landscape Changes and Loss of Open Space:** State parks provide for the protection and restoration of original landscapes throughout the state. Resource management efforts continue to protect and manage species in greatest need for conservation. State parks also demonstrate to the public best management practices for shorelines and landscapes, control of invasive species, and contribute to Clean Water Legacy efforts. State parks will be increasingly valued in the future because of the natural landscape that people seek for physical, mental, and spiritual renewal.

Key Program Goals

Identify a broader goal or goals that the program supports. This should likely come from one of the following:

- ◆ Minnesota Milestones statewide goals – not the specific goal that the activity supports (<http://server.admin.state.mn.us/mm/goal.html>)
- ◆ Agency strategic goals – include reference or link to agency strategic plan if applicable
- ◆ Other statewide goals – indicate goal and include any relevant links or context for the goal

Key Measures

Identify 1-3 key quantifiable performance measures. Include a clear statement of what is being measured and definitions, where appropriate. You may use graphs or charts depending upon which is most useful. The data should be reported by year rather than by biennium, and should include as many prior years as necessary to explain trends.

Activity Funding

This section should provide a general overview of the funding sources and uses for this activity. As with the Agency Profile, focus on proportions, percentages and relationships, rather than specific figures that might quickly

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS

Activity: Parks & Recreation

Narrative

become obsolete. Remember that the fiscal page will follow this narrative when the entire budget presentation is complete in the fall, so this section need only provide a high level overview of the financing structure of the activity.

Contact

Include a general contact, preferably avoiding specific names or positions that can change. Also provide links to the agency's web site, as well as links to relevant supplemental information (an activity's strategic plan, detailed reports on performance, etc.).

NATURAL RESOURCES DEPT
Program: PARKS & TRAILS MANAGEMENT
Activity: PARKS & RECREATION

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 20,733 | 21,063 | 21,063 | 21,063 | 42,126 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 20,733 | 21,063 | 21,062 | 21,062 | 42,124 |
| Total | 20,733 | 21,063 | 21,062 | 21,062 | 42,124 |
| Natural Resources | | | | | |
| Current Appropriation | 14,631 | 15,256 | 15,256 | 15,256 | 30,512 |
| Subtotal - Forecast Base | 14,631 | 15,256 | 15,256 | 15,256 | 30,512 |
| Governor's Recommendations | | | | | |
| Outdoors Minnesota | | 0 | 235 | 235 | 470 |
| Total | 14,631 | 15,256 | 15,491 | 15,491 | 30,982 |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Parks and Trails Grants | | 0 | 4,128 | 8,616 | 12,744 |
| State Parks and Trails Legacy | | 0 | 3,268 | 6,821 | 10,089 |
| Total | 0 | 0 | 7,396 | 15,437 | 22,833 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 7 | 0 | 0 | 0 | 0 |
| General | 20,321 | 21,441 | 21,062 | 21,062 | 42,124 |
| Natural Resources | 14,484 | 15,636 | 15,491 | 15,491 | 30,982 |
| Parks And Trails Fund | 0 | 0 | 7,396 | 15,437 | 22,833 |
| Open Appropriations | | | | | |
| Natural Resources | 73 | 110 | 110 | 110 | 220 |
| Statutory Appropriations | | | | | |
| Natural Resources | 0 | 2 | 2 | 2 | 4 |
| Miscellaneous Special Revenue | 5,626 | 6,061 | 5,741 | 5,741 | 11,482 |
| Federal | 166 | 106 | 102 | 102 | 204 |
| Gift | 149 | 338 | 120 | 120 | 240 |
| Total | 40,826 | 43,694 | 50,024 | 58,065 | 108,089 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 25,207 | 26,799 | 28,611 | 30,039 | 58,650 |
| Other Operating Expenses | 14,901 | 16,451 | 17,285 | 19,410 | 36,695 |
| Capital Outlay & Real Property | 698 | 394 | 0 | 0 | 0 |
| Local Assistance | 10 | 50 | 4,128 | 8,616 | 12,744 |
| Other Financial Transactions | 10 | 0 | 0 | 0 | 0 |
| Total | 40,826 | 43,694 | 50,024 | 58,065 | 108,089 |
| Full-Time Equivalent (FTE) | 434.3 | 432.9 | 439.7 | 465.4 | |

Activity Description

This activity provides non-motorized and motorized trail recreation, and water-based recreational boating and fishing opportunities and services. This activity is the responsibility of the Department of Natural Resources (DNR) Parks and Trails Program.

It supports the DNR's non-motorized trail-related activities, primarily on state trails and within state forests. It is also provides motorized trail users opportunities to access and enjoy the outdoors in a safe, responsible manner while protecting sensitive resources and fostering local economic development.

Water recreation activities provide the public with access (M.S. 97A.141) to lakes, streams, river corridors, and designated canoe and boating routes (M.S. 85.32) for boaters, anglers, paddlers, and other users. Small craft harbors (M.S. 86A20-24) on Lake Superior provide access for trailered boats and a protected harbor, which provides small craft refuge from sudden storms.

Population Served

The users served by this activity include: Bicyclists and mountain bicyclists; Hikers, walkers and joggers; In-line skaters; Horseback riders; Cross-country skiers; Hunters and anglers; Bird-watchers and other wildlife watchers; Snowmobile riders; All-Terrain Vehicles (ATV) riders; Off-Highway Motorcycles (OHM) riders; Off-Road Vehicles (ORV) riders; Boaters; Canoeists; Kayakers; and those who fish or wish to access Minnesota's lakes and rivers.

Services Provided

The DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management is the DNR's strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. This activity serves the DNR mission by providing safe, healthy outdoor recreation opportunities. The services provided by this activity include:

- ◆ operation and maintenance of state trails and state forest trails;
- ◆ acquisition and development of state trails;
- ◆ trail planning and user surveys;
- ◆ evaluation and designation of motorized and non-motorized trails in state forests
- ◆ maintenance and monitoring of trails in state forests;
- ◆ operation of Iron Range OHV recreation areas;
- ◆ volunteer river cleanup opportunities through the Adopt-a-River program;
- ◆ development and distribution of public information materials (e.g., maps, brochures, interpretive information, GIS information, etc.);
- ◆ distribution of grants to local units of government and financial assistance through the Cooperative Trails Grant Program (local trail connections, regional trails, and national recreation trail grants [SAFETEA-LU]);
- ◆ boat access and fishing sites, conducted in partnership with local units of government;
- ◆ development, operation and maintenance of water trails on Minnesota rivers and Lake Superior; and
- ◆ Lake Superior small craft harbors.

Activity at a Glance

- ◆ 1,250 miles of State Trails, including 554 miles of paved State Trails
- ◆ 98 additional miles of state trails are projected to be paved by the end of FY 2011
- ◆ 1,085 miles of trails in State Forests:
 - 390 miles for hiking
 - 275 miles for equestrian use
 - 250 miles for mountain biking
 - 170 miles for cross-country skiing
- ◆ 4,350 miles of Water Trails on 30 rivers and the North Shore of Lake Superior
- ◆ 1,585 Public Water Accesses
- ◆ 340 fishing piers and shore fishing sites.
- ◆ Over 500 miles of shoreline cleaned annually through the Adopt-A-River Program
- ◆ 287 grants to local units of government
- ◆ 251,000 registered snowmobiles
- ◆ 264,000 registered All-Terrain Vehicles (ATVs)
- ◆ Minnesota ranks first in the nation for number of boats per capita (one boat for every six people)
- ◆ Minnesota ranks third in the nation for total boats registered (866,000)

Historical Perspective

This activity addresses major trends facing the DNR, including:

- ⇒ **Changes in outdoor recreation participation:** While Minnesotans tend to be relatively active outdoors, our outdoor recreation participation rates have generally decreased in recent years, which corresponds to national trends. Two noted exceptions are increased participation in all-terrain vehicle (ATV) use and kayaking. Canoe and kayak registrations combined increased 5.5% from 2003-2007. Kayak registrations have shot up 68% and four new water trails (for a total of 530 river miles) have been designated during that same time period. Canoe and kayak user groups have expressed a need for more technologically advanced maps and increased real-time river level gage interpretation in order to more safely plan their paddling trips. ATV use has been steadily increasing in recent years. A recent DNR study, "Ten year forecast of Minnesota adult outdoor recreation participation 2004-2014" predicts a 252% increase in ATV riding during that time period. This trend of increase demand has led to a forest road and trail classification effort from 2003-2008. The resulting designation plans in conjunction with on-going maintenance and monitoring efforts will help meet the needs of the future. Some areas of the state the DNR is pursuing permanent easements, especially in landscapes facing development pressures. These efforts will help meet increasing ATV use demands, while continuing to provide a variety of non-motorized recreational opportunities in state forests, such as hiking, cross-country skiing, horseback riding, and mountain biking. Another good example of the balance between motorized and non-motorized trail uses are snowmobile trails that serve as hiking trails in the summer.

The DNR's state trails and waterways are important "gateways" for the public to connect with natural resources. State trails are located in, or connect to, the majority of larger cities within Minnesota, providing close-to-home recreational opportunities to a diverse, and increasingly urban, population. In addition, outdoor recreation studies are being conducted to determine the type and quantity of recreation activities on public forestlands as well as the characteristics, experiences, and opinions of visitors to the Foot Hills, Land O'Lakes, and Finland forest areas.

Minnesota ranks third in the nation for total boats registered (866,000) and first in the nation in the number of boats per capita (one boat for every six people). Overall boat registrations have increased about 30% over the last 20 years. The amount or quantity of boating use has been relatively stable over time despite this increase in boat registrations. Public access is becoming a greater asset that serves all lake interests, including lakeshore owners and commercial boating-related interests. Minnesota boating studies indicate that public access is serving a broader boating-activity market and is no longer aligned with the single activity of fishing. Boating equipment is also trending to larger, more powerful, and more substantial watercraft, causing many small, private accesses to be inadequate or unusable. The DNR continues to deliver additional facilities, programs and services to meet the changing demands and needs of the public

- ⇒ **Growing demands related to renewable energy and climate change:** DNR is implementing energy efficiency measures and demonstrating renewable energy technologies in its facilities, such as the use of solar panels in facility development. Trails and Waterways activities will encourage opportunities to help address the need to reduce transportation petroleum consumption. By working with communities through the local and regional grant program, trails can provide a connection between residential areas and schools, shopping areas, and other areas of community interest, offering alternative transportation opportunities.
- ⇒ **Landscape changes from population growth and development:** State trails provide natural corridors within changing and developing landscapes, aiding in the conservation of natural areas and promoting nature landscape connections between neighborhoods, communities, and cities. The use of best management practices on trails, such as through restoration of native plant communities, water retention, or control of invasive species, demonstrates the importance of protecting and managing natural areas within an extensive trail system for the use and enjoyment of all Minnesotans. Public water accesses throughout the state are ideal locations for the DNR to demonstrate quality shoreline management and stormwater management practices, and to educate the public on these issues through informational kiosks.

Key Activity Goals

Minnesotans and out-of-state visitors have access to the outdoors through a network of trails that accommodate outdoor recreational activities such as biking, hiking, walking, skiing, in-line skating, horseback riding, snowmobiling, ATV and OHM, and ORV riding; and through a network of access to lakes and rivers that accommodate outdoor recreational activities such as boating, canoeing, kayaking, and fishing. Year-around recreation opportunities help support Minnesota’s quality of life and its regional economies. Developing and sustaining a diverse trail system helps the DNR meet the needs of a variety of trail user populations. Monitoring and maintaining the newly implemented trail systems in state forests will be important in assessing the sustainability of the trails, while also balancing the needs of trail users (forest recreation) and resource management.

DNR will continue to acquire and develop authorized state trails as directed by available funding and continue to maintain or restore native vegetation along state trail rights-of-ways through native plantings, prescribed burns, and actively controlling invasive species. This program supports the recommendations of the Minnesota Climate Change Advisory Group to expand transit, bicycle, and pedestrian infrastructure (<http://www.mnclimatechange.us/index.cfm>).

This activity also helps address several of the habitat protection recommendations contained in the Legislative-Citizen Commission on Minnesota Resources (LCCMR’s) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) including:

- ◆ Protect critical shorelands of streams and lakes; and
- ◆ Improve access to outdoor recreation.

Key Activity Measures

Currently, there are 1,250 miles of state trails providing recreation opportunities for hikers, bicyclists, in-line skaters, horseback riders, and cross-country skiers, as authorized by M.S. 84.029, M.S. 85.015 and M.S. 86A.04. In 2001, management responsibility of state forest trails was transferred from the DNR Division of Forestry to the Division of Trails and Waterways, which is now part of the Division of Parks and Trails. Trails that were developed early in the history of the state trail program are in need of rehabilitation. Trail rehabilitation generally has been funded through the capital budget.

DNR works with local trail associations, trail user groups, and communities to plan, acquire, develop, and manage the entire state trail system. Not all trails accommodate every use; 554 miles are paved to accommodate bicycle use, of which 475 miles are asphalt and 79 miles are surfaced with crushed aggregate... For detailed descriptions of the following measures, see the DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

NATURAL RESOURCES MANAGEMENT

Indicator: Number of acres of natural vegetation restored and managed within trail rights-of-way.

Target: Restoration work projected for FY 2009:

- ◆ 3 acres prairie restoration
- ◆ 103 acres invasive species control
- ◆ 20 acre prescribed burn



NATURAL RESOURCES DEPT

Program: PARKS & TRAILS

Activity: Trails and Waterways Management

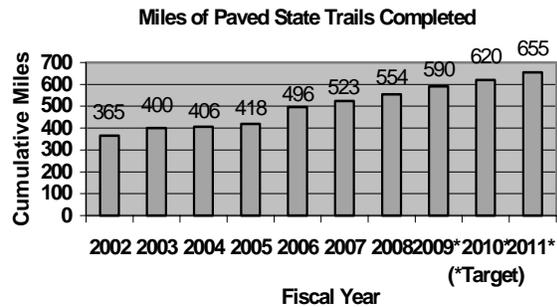
Narrative

BIKE TRAIL DEVELOPMENT

Indicator: Miles of paved trail completed and open to the public for bicycle use.

Target: Develop 98 miles of new paved trail by the end of FY 2011:

- ◆ 30 miles of Paul Bunyan State Trail
- ◆ 9 miles of Cuyuna Lakes State Trail
- ◆ 15 miles of Gitchi Gami State Trail
- ◆ 11 miles of Root River State Trail
- ◆ 5 miles of Blufflands State Trail
- ◆ 4 miles of the Goodhue Pioneer State Trail
- ◆ 3 miles of the Mill Towns State Trail
- ◆ 10 miles of the Great River Ridge State Trail
- ◆ 4 miles of the Shooting Star State Trail
- ◆ 5 miles of Casey Jones State Trail
- ◆ 2 miles of the Blazing Star State Trail



CROSS COUNTY SKI TRAIL DEVELOPMENT AND MAINTENANCE

Indicator: Miles of Grant-In-Aid (GIA) Cross-Country Ski Trails.

Target: Administer the Grant-In-Aid program consisting of 700 miles of ski trails statewide so as to sustain its integrity. The program is made up of 40 trail systems maintained and groomed by local clubs and communities.

MOTORIZED TRAIL DEVELOPMENT AND MAINTENANCE

Indicator: Total Miles of Department of Natural Resources Trails.

Target: DNR develops and maintains trails to meet the growing demand for motorized recreational trails.

| | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Bicycle (St.Tr /St. Forest) | 400 / 0 | 411 / 0 | 420 / 0 | 498 / 0 | 520 / 0 | 570 / 0 |
| Mountain Bike | 400 / 1467 | 411/1447 | 420/1447 | 498 / 1369 | 566 / 1124 | 566 / 1128 |
| Hike | 400 / 1457 | 411/1447 | 420/1447 | 498/1369 | 566/1124 | 566/1128 |
| Equestrian | 69 / 942 | 250 / 542 | 449 / 542 | 469 / 542 | 469 / 542 | 469 / 542 |
| Ski | 87 / 789 | 87 / 702 | 87 / 702 | 87 / 702 | 87 / 702 | 87 / 743 |
| DNR-Snowmobile | 1,015/ 1,120 | 1,015/ 1,120 | 1,015/ 1,120 | 1,015/ 1,120 | 1,015/ 1,120 | 1,015/ 1,120 |
| DNR-ATV/OHM only | | 0/134 | 0/140 | 0/362 | 0/687 | 0/715 |
| DNR-Trail-ATV only | 0/263 | 6/155 | 6/160 | 6/250 | 6/180 | 6/180 |
| DNR-Trail-Off-Hwy Motorcycle only | 0/192 | 0/161 | 0/161 | 0/81 | 0/116 | 0/140 |
| DNR-Trail-Off Road Vehicle | 0/11 | 0/11 | 0/11 | 0/22 | 0/11 | 0/27 |

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS

Activity: Trails and Waterways Management

Narrative

Indicator: Total Miles of Grant-In-Aid (GIA) Trails.

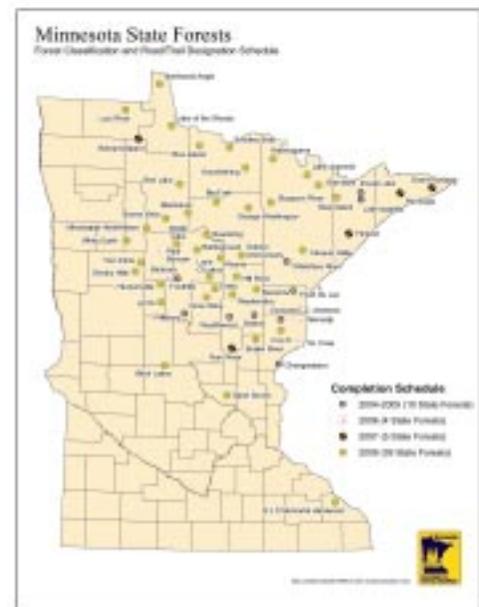
Target: DNR administers a trail system that anticipates and responds to changing public demand through local trail grants.

| | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|-------------------------|---------|---------|---------|---------|---------|---------|
| GIA-Ski | 1792 | 1090 | 1090 | 1003 | 700 | 700 |
| GIA-Snowmobile | 18,200 | 18,250 | 18,300 | 19,500 | 19,550 | 19,550 |
| GIA-All Terrain Vehicle | 525 | 601 | 631 | 821 | 925 | 1,000 |
| GIA-Off-Hwy Motorcycle | 113 | 119 | 125 | 127 | 130 | 160 |
| GIA-Off Road Vehicle | 0 | 0 | 0 | 8 | 8 | 8 |

SUSTAINABLE FOREST TRAIL MANAGEMENT

Indicator: Managed motorized use in state forests.

Target: Continue with maintenance and monitoring of the implemented trail systems. Reassess the recreational trail demand in each state forest. DNR provides a sustainable system of trails and a quality experience for all users of the forest.



ACQUISITION, DEVELOPMENT, RENEWAL OF BOAT ACCESS SITES

Indicator: Number of Boat Access Sites.

Target: DNR anticipates constructing 8 new water access sites and renewing 15 boat access sites, including shore land restoration in FY 2010-11.

| Fiscal Years | Number of DNR Sites |
|--------------|---------------------|
| 2002-03 | 1,560 |
| 2004-05 | 1,570 |
| 2006-07 | 1,585 |
| 2008-09 | 1,595 |
| 2010-11 | 1,603 (Target) |

NATURAL RESOURCES DEPT

Program: PARKS & TRAILS

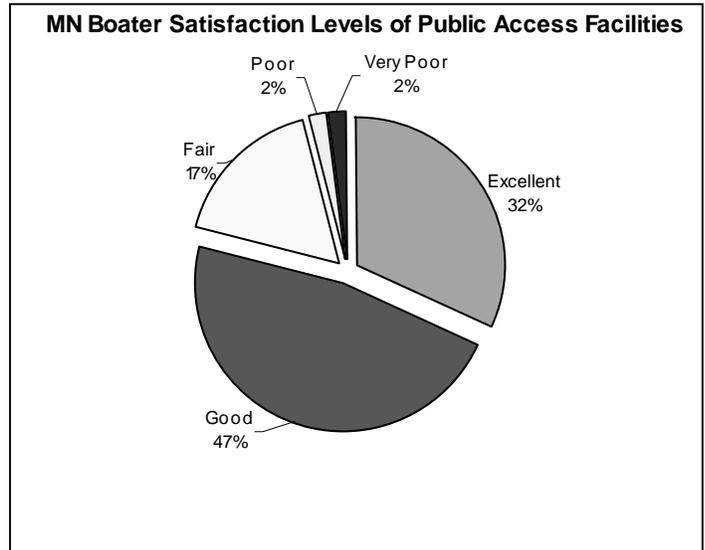
Activity: Trails and Waterways Management

Narrative

BOATER SATISFACTION

Indicator: Minnesota boater satisfaction levels with public access facilities. DNR uses periodic surveys to measure satisfaction levels with facilities and services. The survey ratings below are from a 2001 survey and represent a small improvement over a 1987 survey.

Target: Maintain at least a 75% satisfaction level of "excellent" and "good".



SHORELINE CLEAN-UP

Indicator: Adopt-a-River Program, number of clean-ups reported and miles of shoreline cleaned.

Target: 180 cleanups reported and 525 miles of shoreline cleaned annually by the end of FY 2009.

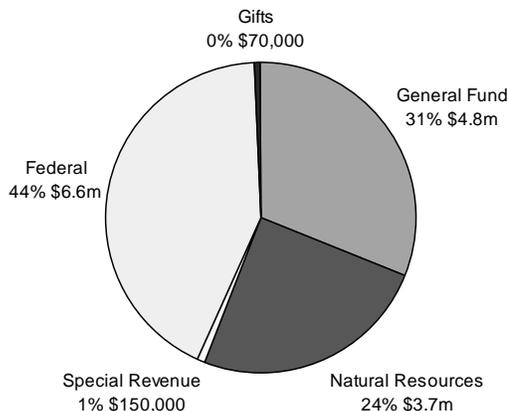
| | FY2004 | FY2005 | FY2006 | FY 2007 | FY 2008* | FY 2009* |
|--------------------|--------|--------|--------|---------|----------|----------|
| Clean-ups Reported | 148 | 147 | 171 | 160 | 170 | 170 |
| Miles Cleaned | 484 | 446 | 517 | 505 | 510 | 525 |
| Tons of garbage | 125 | 70 | 82 | 62 | 82 | N/A |
| Volunteer Hours | 4,519 | 2,744 | 4,807 | 3,467 | 3,200 | 3,300 |

*Projected figures

Activity Funding

The non-motorized activity is funded primarily through Federal Funds, General Fund appropriations, and the Natural Resources Fund (Cross-Country Ski Account, Horse Trail Account (Horse passes), and Lottery-in Lieu of sales tax), with additional funding from the Environment and Natural Resources Trust Fund, and Capital Bonding.

FY 2008-09 Non-Motorized Recreation Budgeted Expenditures \$15.3 million



NATURAL RESOURCES DEPT

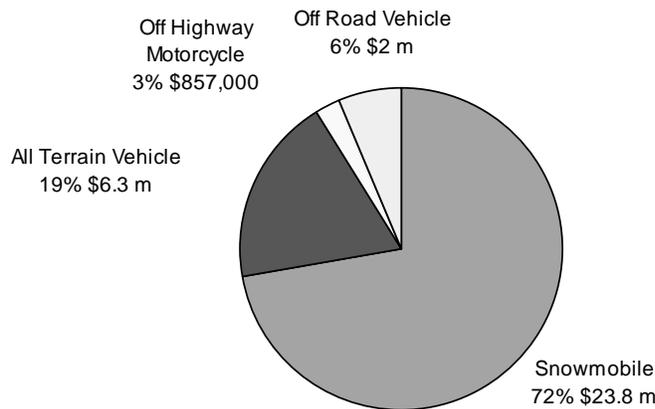
Program: **PARKS & TRAILS**

Activity: **Trails and Waterways Management**

Narrative

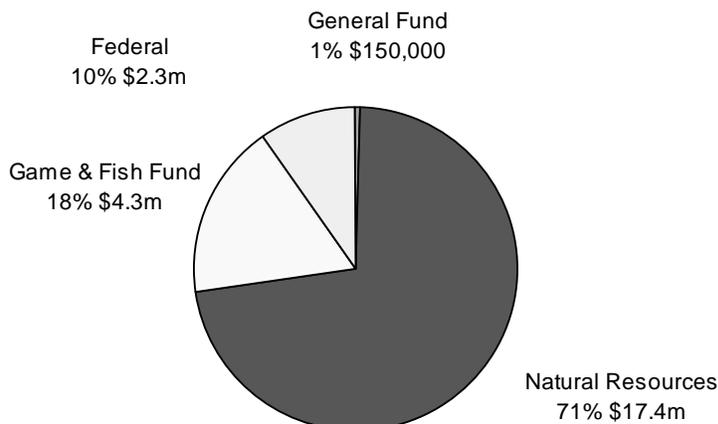
The motorized activity is funded primarily through dedicated revenues from the Natural Resources Fund. Revenues generated for the Off-Highway Motorcycle, Off-Road Vehicle, All-Terrain Vehicle, and Snowmobile Safety and Enforcement Funds come from vehicle registrations, permits, and unrefunded gas tax. Unrefunded gas taxes are those tax dollars attributed to fuel consumed while operating off public roads, including use on public land and trails. Capital bonding is also used for facility development.

FY 2008-2009 Motorized Recreation Budgeted Expenditures \$33 million



Funding for the water recreation activity is from multiple sources, including appropriations from the Water Recreation Fund account of the Natural Resources Fund, which has two revenue sources: unrefunded highway gas tax attributed to motorboat use and watercraft registration fees. The Parks and Trails Division also receives federal Wallop/Breaux funds for boat access from the following two sources: 1) the Game and Fish Fund, based on a federal law requiring 15% of federal receipts from the Sport Fish Restoration Program be spent on public access facilities (75% reimbursement); and 2) the Boat Safety Account administered by the United States Coast Guard (50% match). State Bond funds and Federal Water Recreation Development Act funds have also been appropriated for acquisition and development.

FY 2008-09 Water Recreation Budgeted Expenditures \$24.2 million



NATURAL RESOURCES DEPT

Program: PARKS & TRAILS

Activity: Trails and Waterways Management

Narrative

Contact

For additional information, please contact:

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Additional information can be obtained on the DNR website at mndnr.gov/trails_waterways

NATURAL RESOURCES DEPT
Program: PARKS & TRAILS MANAGEMENT
Activity: TRAILS & WATERWAYS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|--------------------------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 2,538 | 2,518 | 2,518 | 2,518 | 5,036 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (23) | (23) | (46) |
| One-time Appropriations | | | (350) | (350) | (700) |
| Subtotal - Forecast Base | 2,538 | 2,518 | 2,145 | 2,145 | 4,290 |
| | mndnr.gov/ trails_waterways | | | | |
| Total | | 18 | 2,145 | 2,145 | 4,290 |
| Natural Resources | | | | | |
| Current Appropriation | | 35 | 26,865 | 26,865 | 53,730 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (800) | (800) | (1,600) |
| Subtotal - Forecast Base | | 35 | 26,065 | 26,065 | 52,130 |
| Governor's Recommendations | | | | | |
| Outdoors Minnesota | | 0 | 235 | 235 | 470 |
| Water Recreation Program | | 0 | 1,400 | 1,400 | 2,800 |
| Total | 25,600 | 26,865 | 27,700 | 27,700 | 55,400 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Subtotal - Forecast Base | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Total | 2,119 | 2,194 | 2,194 | 2,194 | 4,388 |
| Parks And Trails Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| State Parks and Trails Legacy | | 0 | 3,268 | 6,821 | 10,089 |
| Total | 0 | 0 | 3,268 | 6,821 | 10,089 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 915 | 1,869 | 0 | 0 | 0 |
| General | 2,103 | 2,833 | 2,145 | 2,145 | 4,290 |
| Minnesota Resources | 104 | 113 | 0 | 0 | 0 |
| Natural Resources | 24,780 | 30,116 | 27,700 | 27,700 | 55,400 |
| Game And Fish (Operations) | 1,262 | 3,051 | 2,194 | 2,194 | 4,388 |
| Parks And Trails Fund | 0 | 0 | 3,268 | 6,821 | 10,089 |
| Open Appropriations | | | | | |
| Natural Resources | 311 | 611 | 360 | 360 | 720 |
| Statutory Appropriations | | | | | |
| Natural Resources | 245 | 718 | 438 | 438 | 876 |
| Miscellaneous Special Revenue | 61 | 156 | 70 | 70 | 140 |
| Federal | 2,882 | 4,290 | 4,308 | 4,276 | 8,584 |
| Gift | 34 | 96 | 40 | 40 | 80 |
| Total | 32,697 | 43,853 | 40,523 | 44,044 | 84,567 |

NATURAL RESOURCES DEPT
Program: PARKS & TRAILS MANAGEMENT
Activity: TRAILS & WATERWAYS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Expenditures by Category</i> | | | | | |
| Total Compensation | 10,230 | 10,856 | 12,661 | 14,089 | 26,750 |
| Other Operating Expenses | 7,582 | 9,845 | 11,051 | 13,176 | 24,227 |
| Capital Outlay & Real Property | 2,861 | 6,896 | 3,219 | 3,219 | 6,438 |
| Local Assistance | 12,024 | 16,246 | 13,583 | 13,551 | 27,134 |
| Transfers | 0 | 10 | 9 | 9 | 18 |
| Total | 32,697 | 43,853 | 40,523 | 44,044 | 84,567 |
| <i>Full-Time Equivalent (FTE)</i> | 146.9 | 156.0 | 184.8 | 211.7 | |

Program Description

The purpose of the Fish and Wildlife Management Program is to manage fish and wildlife, their habitats, and public use of fish and wildlife, including fishing, hunting, and trapping. This program is the responsibility of the Department of Natural Resources (DNR's) Division of Fish and Wildlife.

It is the policy of the state that fish and wildlife are renewable natural resources to be conserved and enhanced through scientific management, protection, and use (M.S. 84.941). Hunting and fishing were recognized as a valued part of Minnesota's heritage to be managed by law and regulation for the public good when approved in 1998 as Constitutional Amendment 13, Section 12 by more than 77 percent of voters in the general election.

Program at a Glance

- ◆ Serves 1.4 million licensed anglers (plus 600,000 anglers not required to be licensed), 578,000 licensed hunters and trappers, and 2.1 million wildlife watchers
- ◆ Generates \$3.5 billion in annual expenditures in Minnesota from fishing, hunting, wildlife watching, and trapping
- ◆ Manages fisheries in 5,400 fishing lakes and 16,000 miles of fishable streams and rivers in Minnesota
- ◆ Manages over 50 wildlife game species in Minnesota

Central management of the Fish and Wildlife Division is coordinated through four sections: 1) Fisheries management; 2) Wildlife management; 3) Outreach; and 4) Licensing, volunteer programs, and financial management. Field programs are delivered through Fisheries Management and Wildlife Management activities in regional offices, area offices, and hatcheries. (See activity narratives for additional information).

- ◆ **Fisheries Management:** This section develops, directs, and manages statewide fisheries population and habitat programs; monitors progress so that programs are continuously adapted and improved to meet changing resource conditions and societal needs; implements department and division programs and policies in the field; provides financial, human resource, administrative, and policy support to division field staff; and directs hatchery operations and acquisition and management of aquatic management areas (AMAs).
- ◆ **Wildlife Management:** This section develops, directs, and manages statewide wildlife population and habitat programs; monitors progress so that programs are continuously adapted and improved to meet changing resource conditions and societal needs; implements department and division programs and policies in the field; provides financial, human resources, administrative, and policy support to division field staff; and directs the acquisition and management of wildlife management areas (WMAs).
- ◆ **Outreach:** This section oversees education, communications, and hunting and angling recruitment and retention programs. The section includes MinnAqua (aquatic education), hunter recruitment and retention, Southeast Asian outreach and other minority outreach efforts, mentoring programs, the Becoming an Outdoors Woman program, and coordinates communications (e.g. hunting and fishing regulation booklets, press releases, and media relations).
- ◆ **Licensing, Volunteer Programs, and Financial Management:** This section manages the License Center, volunteer programs, division budgets, revenues, business functions, grants, fleet and facilities.

Population Served

Outdoor recreation opportunities promote personal health and benefit Minnesota's economy through expenditures made to participate in these opportunities. Primary stakeholders of the Fish and Wildlife Management Program include anglers and fishing-related businesses, hunters, trappers, and wildlife viewers and photographers.

Services Provided

DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management is DNR's strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. Fish and wildlife habitats are valued for their natural quality, the recreational opportunities they provide, and the economic benefits derived from the use and development of these opportunities. This program serves the DNR mission by managing fish and wildlife populations, conserving fish and wildlife habitats,

responding to fish and wildlife disease and habitat challenges, and providing economic benefits at local and statewide levels.

Historical Perspective

Societal trends have the ability to either enhance or threaten fish and wildlife habitat and populations, as well as recreational access to the outdoors.

- ◆ **Changes in outdoor recreation participation:** As the population becomes increasingly urban, more diverse, and older, the department is seeking new ways to encourage participation in traditional forms of natural resource-based recreation such as hunting, fishing, trapping, and other wildlife-related forms of recreation. Through increased outreach, mentoring, and marketing efforts, such as National Archery in the Schools, Becoming an Outdoors Woman, Fishing in the Neighborhood, and youth mentoring programs, the DNR is addressing the trend of declining participation in outdoor recreation by working to retain existing and recruit new anglers, hunters, and other outdoor enthusiasts.
- ◆ **Growing demands related to renewable energy and climate change:** There is growing social and economic interest in increasing the energy efficiency of operations and promoting the use of conservation-based energy sources and renewable energy technologies, as well as increasing efforts to mitigate and adapt to climate change and its effects. The DNR is taking innovative approaches to manage important fish and wildlife habitat on both public and private lands needed to support healthy populations, while simultaneously providing opportunities for development of alternative energy sources. For example, implementation of a pilot project to harvest biomass on WMAs serves to meet multiple departmental objectives, including improved resource management, enhanced recreational opportunities, and economic development. One of the primary purposes of this program is to manage fish and wildlife populations and their habitat for the long-term health and resilience of these populations and the systems that support them. Fish and Wildlife Management staff are modifying their research, monitoring, and planning efforts in order to improve the resiliency of fish and wildlife populations and their associated habitats to adapt to climate change and its effects.
- ◆ **Landscape changes from growth and development:** As the state's population increases, and development associated with this population growth spreads, Minnesota's natural landscape changes, with increasing demands on the state's more limited and fragile natural resources. Sustainable use of natural resources requires a balance between resource protection, recreation, and economic development. Resource managers and citizens are challenged to craft innovative approaches that support the sustainable use and enjoyment of Minnesota's natural resources. Fish and Wildlife Management staff are developing programs that work to achieve this balance, through such efforts as the Shoreland Restoration Program, fish culture and stocking, fish species workshops, the Working Lands Initiative, private lands technical guidance, and the Shallow Lakes Program, which form collaborative partnerships to balance restoration and protection of natural resources while fostering economic development.

Key Program Goals

The mission and goal of the Fish and Wildlife Management Program is to *"work with the people of Minnesota to conserve aquatic and terrestrial habitat, to manage fish and wildlife populations and habitat, to provide fisheries and wildlife related recreation, and to preserve Minnesota's outdoor heritage."* Supporting the overall DNR mission, this program focuses on the management and conservation of fish and wildlife habitats and populations. These efforts generate a wide variety of ecological and economic benefits as well as providing extensive public opportunities to hunt, fish, trap, and appreciate these fish and wildlife resources throughout the state.

The Fish and Wildlife Management Program is a critical component of statewide efforts to support Minnesota's fish and wildlife. The DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html) has illustrated several high profile fish and wildlife activities supported by the program. Also, the Legislative-Citizen Commission on Minnesota Resources (LCCMR's) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) identifies critically important fish and wildlife habitat protection and restoration focus areas that are either being currently supported through existing activities or is interested in building or developing new capacities. The Fish and Wildlife

Management Program supports and will continue to be the primary provider of comprehensive habitat and population management services throughout the state. This program also supports the recommendations of the Minnesota Climate Change Advisory Group to protect and enhance the carbon sequestration benefits of public and private lands by protecting and managing state lands and providing technical assistance, cost-share, and other incentives to private landowners, promoting conservation-based energy sources, and investing in climate data and analysis (<http://www.mnclimatechange.us/index.cfm>).

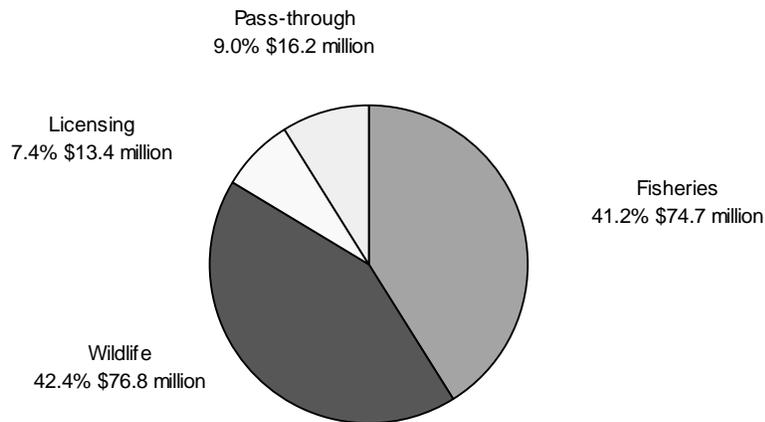
Key Program Measures

The Division of Fish and Wildlife uses a range of performance measures to assess its progress towards the management, protection, use, understanding, and enjoyment of Minnesota’s fish and wildlife resources. See activity sections for specific examples of fish, wildlife, and licensing measures. For a comprehensive set of performance measures and more detailed descriptions of each measure, please see the DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

Program Funding

The program funding for the Division of Fish and Wildlife is split into four distinct activities: Fisheries, Wildlife Licensing, and pass- through treaty payments (see chart below).

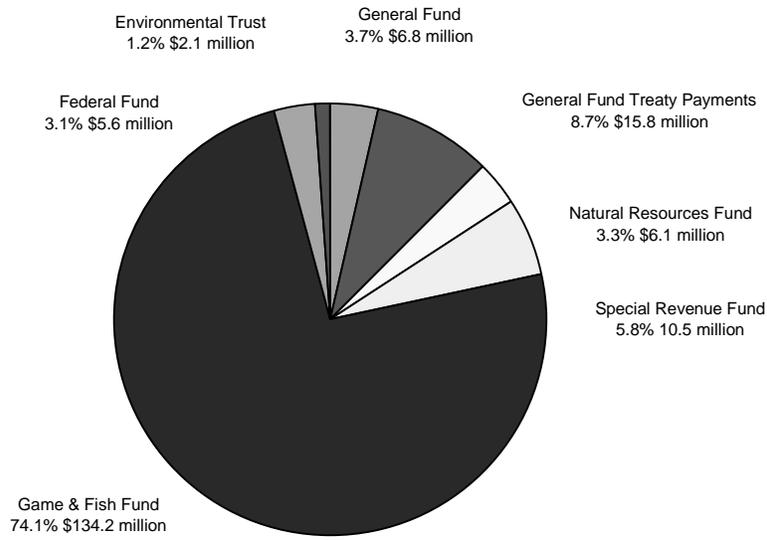
**FY 2008-09 Fish and Wildlife Budget
\$181.1 million**



Approximately 74% of the overall operating funding for the division is from the Game and Fish Fund. The Budget Oversight Committee (BOC), a group of 45 citizens, may change the current and future management of the Game and Fish Fund. The BOC found that fishing-related revenue does not fully support fishing-related activity. Counter to this, hunting-related revenues are outpacing hunting-related activity. The DNR intends to manage this issue through biennial budgeting, fee modifications, funding portfolio management, policy initiatives and long term monitoring.

The remainder of funding comes from a variety of funding sources including the environmental trust fund, general fund, natural resources fund (Water Recreation, All-Terrain Vehicle, Off Highway Vehicle, and Snowmobile), federal funds, gifts, and RIM Critical Habitat Match. A pie chart showing the distribution by funding source is below.

**FY 2008-09 Fish & Wildlife Budgeted Expenditures
\$181.1 Million**



Contact

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General information on the Division of Fish and Wildlife can be found on the Department of Natural Resources web site at mndnr.gov/fishwildlife/index.html. A wide variety of general and technical publications are also available.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|---------------|---------------|------------------|---------------|----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 0 | 984 | 984 | 984 | 1,968 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (984) | (984) | (1,968) |
| Subtotal - Forecast Base | 0 | 984 | 0 | 0 | 0 |
| Total | 0 | 984 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 3,459 | 3,052 | 3,052 | 3,052 | 6,104 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (35) | (35) | (70) |
| Current Law Base Change | | | (71) | (71) | (142) |
| One-time Appropriations | | | (175) | (175) | (350) |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 3,459 | 3,052 | 2,770 | 2,770 | 5,540 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (2,770) | (2,770) | (5,540) |
| Bovine Tuberculosis Monitoring and Mgmt | | 0 | 600 | 600 | 1,200 |
| Total | 3,459 | 3,052 | 600 | 600 | 1,200 |
| Natural Resources | | | | | |
| Current Appropriation | 1,876 | 1,876 | 1,876 | 1,876 | 3,752 |
| Subtotal - Forecast Base | 1,876 | 1,876 | 1,876 | 1,876 | 3,752 |
| Governor's Recommendations | | | | | |
| Gray Wolf Management & Research | | 0 | 220 | 220 | 440 |
| Total | 1,876 | 1,876 | 2,096 | 2,096 | 4,192 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 61,979 | 63,964 | 63,964 | 63,964 | 127,928 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 48 | (102) | (54) |
| One-time Appropriations | | | (674) | (674) | (1,348) |
| Subtotal - Forecast Base | 61,979 | 63,964 | 63,338 | 63,188 | 126,526 |
| Governor's Recommendations | | | | | |
| Walleye Stamp Appropriation | | 0 | 285 | 285 | 570 |
| Total | 61,979 | 63,964 | 63,623 | 63,473 | 127,096 |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| CWF/Clean Water Legacy | | 0 | 0 | 950 | 950 |
| Total | 0 | 0 | 0 | 950 | 950 |

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 593 | 1,844 | 0 | 0 | 0 |
| General | 3,283 | 3,080 | 600 | 600 | 1,200 |
| Natural Resources | 1,608 | 2,144 | 2,096 | 2,096 | 4,192 |
| Game And Fish (Operations) | 58,235 | 67,680 | 63,623 | 63,473 | 127,096 |
| Clean Water Fund | 0 | 0 | 0 | 950 | 950 |
| Open Appropriations | | | | | |
| General | 8,143 | 7,903 | 7,664 | 7,510 | 15,174 |
| Game And Fish (Operations) | 831 | 1,033 | 1,030 | 1,030 | 2,060 |
| Statutory Appropriations | | | | | |
| General | 270 | 0 | 0 | 0 | 0 |
| Natural Resources | 1,151 | 2,071 | 1,202 | 1,202 | 2,404 |
| Miscellaneous Special Revenue | 1,006 | 2,058 | 1,483 | 1,483 | 2,966 |
| Game And Fish (Operations) | 3,711 | 4,212 | 3,256 | 3,256 | 6,512 |
| Federal | 1,034 | 3,853 | 4,086 | 4,161 | 8,247 |
| Reinvest In Minnesota | 2,129 | 3,437 | 2,301 | 2,301 | 4,602 |
| Gift | 240 | 416 | 269 | 269 | 538 |
| Total | 82,234 | 99,731 | 87,610 | 88,331 | 175,941 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 42,582 | 45,216 | 43,607 | 44,307 | 87,914 |
| Other Operating Expenses | 31,762 | 42,331 | 34,601 | 34,622 | 69,223 |
| Capital Outlay & Real Property | 3,879 | 6,997 | 4,859 | 4,859 | 9,718 |
| Local Assistance | 4,011 | 5,184 | 4,543 | 4,543 | 9,086 |
| Transfers | 0 | 3 | 0 | 0 | 0 |
| Total | 82,234 | 99,731 | 87,610 | 88,331 | 175,941 |
| <u>Expenditures by Activity</u> | | | | | |
| Fish Management | 42,948 | 47,655 | 43,653 | 44,374 | 88,027 |
| Wildlife Management | 33,019 | 43,744 | 37,199 | 37,199 | 74,398 |
| Licensing | 6,267 | 8,332 | 6,758 | 6,758 | 13,516 |
| Total | 82,234 | 99,731 | 87,610 | 88,331 | 175,941 |
| Full-Time Equivalents (FTE) | 636.3 | 622.3 | 595.8 | 596.5 | |

Activity Description

The Fisheries Management Activity protects, maintains, and enhances Minnesota’s fishery resources and aquatic communities for recreational, ecological, and economic benefits to the state. The Department of Natural Resources (DNR) is the sole entity responsible for managing the state’s public fisheries resources. In addition, state agencies, such as Agriculture, Health, Pollution Control, and the Board of Water and Soil Resources have responsibility for environmental regulation and management of resources that impact water quality and aquatic habitat. Local units of government also have regulatory authority that impacts aquatic resources.

Population Served

Primary stakeholders include anglers and fishing-related businesses. However, because fishing and the health of the aquatic environment are so important to the state’s economy and overall well being, virtually all Minnesotans have a stake in the management of our fisheries and aquatic resources.

Services Provided

Fisheries Management supports the DNR’s three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. This activity serves the DNR mission by managing fish populations, conserving fish habitats, responding to fish disease and habitat challenges, and providing economic benefits at local and statewide levels.

Activity at a Glance

- ◆ influences recreational and commercial fisheries and aquatic habitat on approximately 5,400 lakes and 16,000 miles of fishable streams and rivers
- ◆ manages and supports the harvest of about 30 million pounds of fish annually
- ◆ serves 1.4 million licensed anglers and 600,000 non-licensed anglers, 1,700 commercial fisheries operators, and over 2,000 resort and ancillary tourist businesses (Minnesota was ranked 4th in the nation for both total number of anglers and angling days in 2006)
- ◆ generates about \$2.7 billion each year in direct expenditures to the state’s economy (Minnesota was ranked 1st in the nation for economic retail contributions from freshwater anglers, and 3rd nationally for overall angler expenditures in 2006)
- ◆ supports Minnesota as an angling destination for nonresidents (Minnesota was ranked 4th nationally in 2006 for nonresident angler expenditures and 3rd in the nation for number of nonresident anglers)

- ◆ **Fish Population and Aquatic Habitat Monitoring:** Primary goals or outcomes for population and habitat monitoring include: 1) collecting and distributing knowledge about fish populations, aquatic ecosystems and management techniques; 2) improving information about individual lake and stream management; and 3) expanding knowledge about angler attitudes, actions, and satisfaction levels.
- ◆ **Fish Population and Aquatic Habitat Management:** Healthy aquatic habitats support sustainable fish populations for recreational and commercial users. Management of healthy aquatic habitats and fish populations require the protection, restoration, and improvement of those habitats. Other goals or outcomes include expanded access to aquatic resources, improved numbers and sizes of fish through special and experimental regulations, and expansion of the quality and diversity of angling opportunities.
- ◆ **Fish Propagation and Stocking:** Fish propagation includes the production of appropriate genetic fish strains and healthy fish stocks that can be used to meet management goals. Certain fish communities are restored, enhanced, and maintained through stocking to meet angler interests.
- ◆ **Public Information and Aquatic Education:** Fisheries staff collaborates with the public, commercial, and governmental organizations on fish and aquatic habitat management efforts. With the strong interest in fishing in Minnesota, it is critically important that the public is aware of natural and altered aquatic systems and how these systems need to be managed for the public good to fully appreciate and enjoy fish and wildlife resources. Aquatic education to stakeholders through the school systems, events, and training are provided through the MinnAqua aquatic education program. Fisheries staff also supports angling recruitment and retention and marketing efforts. The Fishing in the Neighborhood program, the Southeast Asian outreach program, the Becoming an Outdoors Woman initiative, and mentoring programs are all efforts aimed at increasing angling participation.

Historical Perspective

In general, fisheries for many of Minnesota's important game fish species are in good condition, including largemouth and smallmouth bass, muskellunge, brook and brown trout, lake trout, and catfish. Walleye numbers in lakes with natural reproduction are generally good to excellent. The state has worked with stakeholders to develop and implement an aggressive walleye stocking program to provide the best possible fishing in lakes where natural reproduction is not adequate to sustain a healthy fish population. Bluegill and black crappie numbers remain high, but decreasing average size is a major concern. The same is true of northern pike and yellow perch. The department has taken steps to address these species of concern through statewide and lake/stream specific fishing regulation changes.

Angling participation rates on a national level have been declining. Minnesota angling rates have declined as well, but at a slower rate than the national rate. This trend has significant implications for Minnesota's economy. According to the *2006 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation* (USFWS 2006), angler-related expenditures in Minnesota amount to \$2.7 billion each year. The DNR manages natural resources and initiates programs to retain existing and recruit new anglers. Maintaining Minnesota's reputation for providing excellent fishing opportunities and an outstanding quality of life is a critical focus of this activity.

Key Activity Goals

Supporting the overall DNR mission, this activity focuses on the management and conservation of fish habitats and populations. These efforts generate a wide variety of ecological and economic benefits as well as extensive public opportunities to fish and appreciate aquatic resources throughout the state. Broad goals for the Fisheries Management Activity include:

- ◆ To make recreational fishing as good as it can be in the state of Minnesota for the present and future.
- ◆ To conserve, maintain, enhance, or rehabilitate Minnesota's aquatic resources to serve environmental, recreational, and economic purposes.
- ◆ To foster an ethic of natural resource stewardship.

The Fish Management Activity is a critical component of the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (<http://www.dnr.state.mn.us/conservationagenda/index.html>) as illustrated by several high profile fish and aquatic resource activities. The Legislative-Citizen Commission on Minnesota Resources (LCCMR) *Minnesota Statewide Conservation and Preservation Plan* (<http://environment.umn.edu/scpp/>) identifies critically important fish and aquatic habitat protection and restoration focus areas for which the Fish Management Activity has existing efforts or desires expanded or new capacities. The Fish Management Activity supports and will continue to be the primary provider of comprehensive aquatic habitat and fish population management services throughout the state. This activity also supports Minnesota Climate Change Advisory Group priority AFW-2: Land Use Management Approaches for Protection and Enrichment of Soil Carbon (<http://www.mnclimatechange.us/index.cfm>).

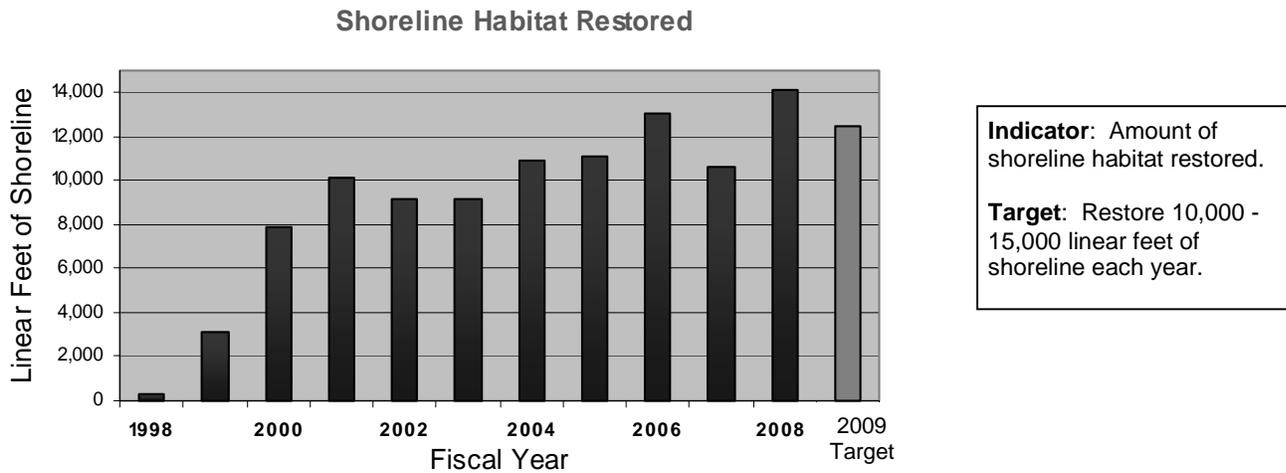
Key Activity Measures

In reference to mission, the primary measures for the Fisheries Management Activity are:

- ◆ game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program;
- ◆ angler catch rates and average size of various fish species as measured by creel surveys;
- ◆ angler satisfaction as measured by attitude surveys;
- ◆ fisheries management plans developed with constituent input for each managed water;
- ◆ regulations that protect the fisheries resource and provide sustainable quality angling opportunities;
- ◆ aquatic habitat capable of sustaining recreational and commercial fisheries;
- ◆ public knowledgeable of the fisheries resource and the ecology, conservation, and ethics of fishing; and
- ◆ numbers of returning and newly recruited anglers as measured by license sales.

The following measures illustrate several program activities and their conservation results. For a more complete set of performance measures and more detailed descriptions of each measure, please see the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

- ◆ **Shoreline Habitat Conservation:** Healthy shorelines have long been recognized as critical for water quality, aquatic plants and essential habitat for fish and wildlife that live in or near Minnesota’s lakes and streams. The DNR works with partners to manage and restore shoreline habitat.



- ◆ **Walleye Stocking:** Walleye fishing is an integral part of Minnesota’s outdoor fishing heritage. (Minnesota has a 29% participation rate in fishing—the second highest in the nation behind the state of Alaska.) The DNR protects and improves walleye habitat, regulates catch, and stocks walleye in approximately 900 lakes where natural reproduction is lacking. Each lake has its own fisheries management objectives, such as stocking targets. To achieve individual lake stocking targets, the DNR stocks mosquito size fry and produces fingerlings (four to six inch walleyes) in natural rearing ponds.
- ◆ **Twin Cities Metropolitan Area Fishing:** With more than two million anglers in Minnesota, it's clear that fishing is one of our state's most popular pastimes. As the state's population has grown, people have become concentrated in the greater metro region. The metro region has over 900 small lakes, but many area residents don't have access to them. One in six Minnesotans owns a boat, and many water bodies lack shorefishing facilities. There is a need to provide adequate fishing locations and management in the metro region to assure future generations will have opportunities to experience our outdoor fishing heritage.

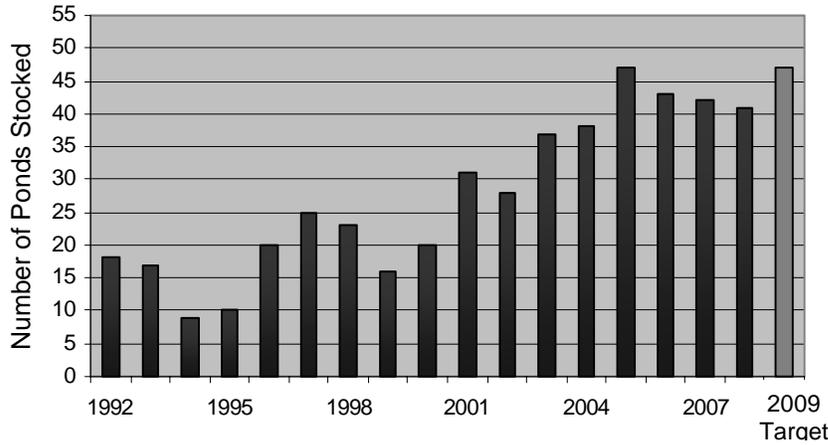
NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: FISH MANAGEMENT

Narrative

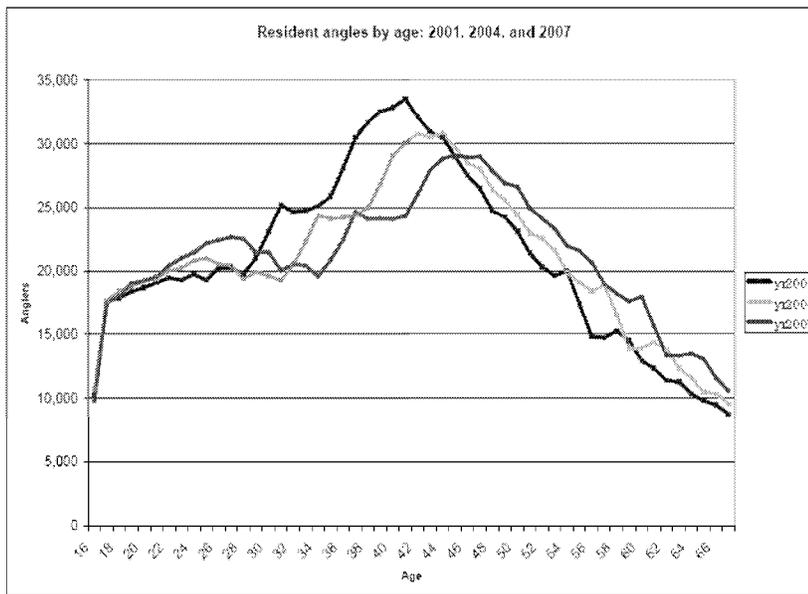
Number of Metro Area Ponds Stocked for Fishing and Education



Indicator: Number of metro region ponds stocked for fishing and education

Target: Stock 45 to 50 ponds, primarily with bluegill and crappie each year

- ◆ **Number of Anglers:** This graph depicts total number of resident anglers by age over a six-year time period.



Activity Funding

The Fish Management Activity generates revenue from the sale of fishing licenses and from federal reimbursement under the Sport Fishing Restoration Act. The United States Fish and Wildlife Service Federal Aid program, commonly referred to as the Dingle-Johnson Act, manages the distribution of revenues derived from federal excise taxes on fishing equipment to state fish and wildlife agencies through grants. In FY 2008-09, the grants under this program will generate over \$18 million in reimbursement. These revenues are deposited in the dedicated Game and Fish fund to support the Fish Management Activity. In addition, the division generates dedicated revenue from cooperative agreements, natural resources sales, sales of publications, and gifts.

NATURAL RESOURCES DEPT

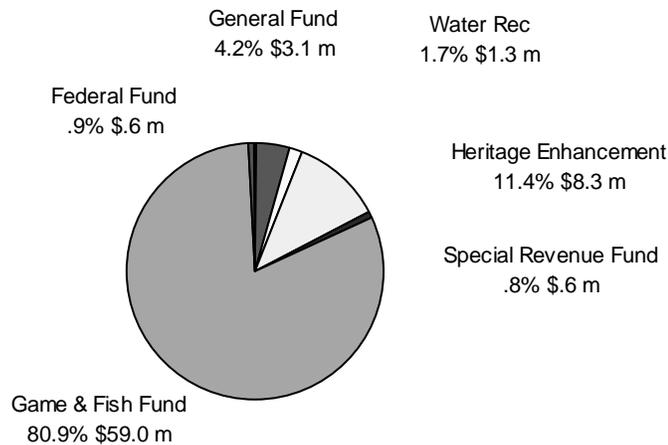
Program: FISH & WILDLIFE MANAGEMENT

Activity: FISH MANAGEMENT

Narrative

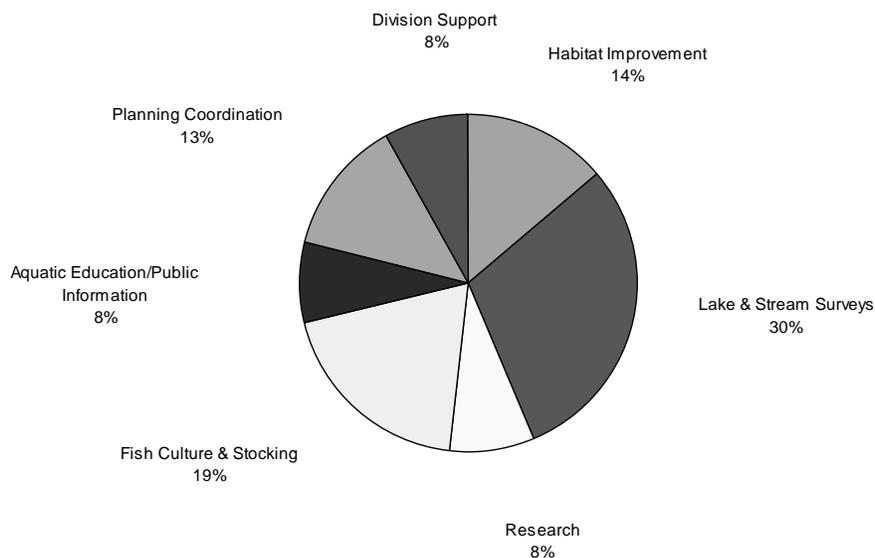
The direct operating budget for FY 2008-09 includes the following sources of funds: Game and Fish 80.9%; Heritage Enhancement 11.4%; General 4.2%; Water Recreation 1.7%; and 1.7% Federal and Special Revenue.

FY 2008-2009 Fisheries Operating Budget
\$72.9 million
 (Does not include Environmental Trust Funding)



Fisheries expenditures are divided into seven activities; Planning, Division Support, Habitat Improvement, Lake and Stream Surveys, Fish Culture and Stocking, and Information/Education. A breakdown of FY 2007 activity expenditures are shown below:

FY 2007 Fish Management Activity



NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: FISH MANAGEMENT

Narrative

The following websites offer additional information on the fish management activity.

- ◆ The DNR Fishing information page provides selected game fish information, news releases, and reports (mndnr.gov/fishing/index.html).
- ◆ The "Lake Finder" provides management information about specific lakes. It also provides information about stocking, fish consumption advice, and water quality (mndnr.gov/lakefind/index.html).
- ◆ General information about the Fish Management Activity and local area fisheries office news is also provided through the DNR website (mndnr.gov/fisheries/index.html).

Contact

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Fisheries Management Section
Division of Fish and Wildlife
Phone: (651) 259-5229
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Email: Ron.Payer@dnr.state.mn.us

NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: FISH MANAGEMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 0 | 850 | 850 | 850 | 1,700 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (850) | (850) | (1,700) |
| Subtotal - Forecast Base | 0 | 850 | 0 | 0 | 0 |
| Total | 0 | 850 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 1,721 | 1,412 | 1,412 | 1,412 | 2,824 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (19) | (19) | (38) |
| One-time Appropriations | | | (175) | (175) | (350) |
| Subtotal - Forecast Base | 1,721 | 1,412 | 1,218 | 1,218 | 2,436 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (1,218) | (1,218) | (2,436) |
| Total | 1,721 | 1,412 | 0 | 0 | 0 |
| Natural Resources | | | | | |
| Current Appropriation | 626 | 626 | 626 | 626 | 1,252 |
| Subtotal - Forecast Base | 626 | 626 | 626 | 626 | 1,252 |
| Total | 626 | 626 | 626 | 626 | 1,252 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 32,113 | 33,293 | 33,293 | 33,293 | 66,586 |
| Technical Adjustments | | | | | |
| Current Law Base Change | | | 48 | (102) | (54) |
| One-time Appropriations | | | (374) | (374) | (748) |
| Subtotal - Forecast Base | 32,113 | 33,293 | 32,967 | 32,817 | 65,784 |
| Governor's Recommendations | | | | | |
| Walleye Stamp Appropriation | | 0 | 285 | 285 | 570 |
| Total | 32,113 | 33,293 | 33,252 | 33,102 | 66,354 |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| CWF/Clean Water Legacy | | 0 | 0 | 950 | 950 |
| Total | 0 | 0 | 0 | 950 | 950 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 353 | 1,449 | 0 | 0 | 0 |
| General | 1,717 | 1,337 | 0 | 0 | 0 |
| Natural Resources | 587 | 665 | 626 | 626 | 1,252 |

NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: FISH MANAGEMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Game And Fish (Operations) | 31,088 | 34,358 | 33,252 | 33,102 | 66,354 |
| Clean Water Fund | 0 | 0 | 0 | 950 | 950 |
| Open Appropriations | | | | | |
| General | 7,953 | 7,700 | 7,461 | 7,307 | 14,768 |
| Game And Fish (Operations) | 831 | 1,033 | 1,030 | 1,030 | 2,060 |
| Statutory Appropriations | | | | | |
| Natural Resources | 1 | 29 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 234 | 474 | 276 | 276 | 552 |
| Federal | 104 | 355 | 900 | 975 | 1,875 |
| Reinvest In Minnesota | 1 | 0 | 0 | 0 | 0 |
| Gift | 79 | 255 | 108 | 108 | 216 |
| Total | 42,948 | 47,655 | 43,653 | 44,374 | 88,027 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 23,815 | 25,148 | 24,252 | 24,952 | 49,204 |
| Other Operating Expenses | 18,280 | 21,552 | 18,562 | 18,583 | 37,145 |
| Capital Outlay & Real Property | 297 | 283 | 15 | 15 | 30 |
| Local Assistance | 556 | 669 | 824 | 824 | 1,648 |
| Transfers | 0 | 3 | 0 | 0 | 0 |
| Total | 42,948 | 47,655 | 43,653 | 44,374 | 88,027 |
| Full-Time Equivalents (FTE) | 359.3 | 349.9 | 344.2 | 345.2 | |

Activity Description

The Wildlife Management Activity provides management, protection, use, understanding, and enjoyment of the state's wildlife. The Department of Natural Resources (DNR) is the primary authority responsible for wildlife population management and harvest regulation, providing healthy wildlife populations for hunting and viewing activities, and resolving conflicts between humans and wildlife.

Because of the critical role of habitat in maintaining healthy and diverse wildlife populations, this program is also the primary lead for other programs that deal with acquiring, managing, and restoring wildlife habitats on public and private lands, and some public waters. This program partners with public and private landowners, state, federal, and local government, nonprofit organizations, and citizens.

Activity at a Glance

- ◆ Serves 578,000 hunters and trappers and 2.1 million wildlife watchers (Minnesota ranked 7th in the nation for the number of hunters and trappers, and 14th in the nation for the number of wildlife viewers and photographers in 2006)
- ◆ Manages 1,429 wildlife management areas (WMAs) for optimal wildlife habitat, encompassing over 1.277 million acres
- ◆ Manages over 50 big game, small game, waterfowl, migratory bird, and furbearer species through regulated harvest

Population Served

The Wildlife Management Activity touches a broad section of the public. With nearly 600,000 hunters and trappers, and 2.1 million wildlife watchers, this activity has a large client-base and serves to meet the needs of the public through the services provided by this activity.

Services Provided

DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Wildlife habitats are valued for their natural qualities, the recreational opportunities they provide, and the economic benefits derived from the use of these opportunities. According to the *2006 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation*, hunting and trapping generates \$494 million and wildlife watching generates \$698 million for Minnesota's economy. Minnesota was ranked 12th nationally for retail sales related to hunting in 2006.

This program serves the DNR mission by managing wildlife populations, conserving wildlife habitats, responding to wildlife disease and habitat challenges, and providing economic benefits at both local and statewide levels. This program serves the DNR mission through:

- ◆ **Wildlife habitat acquisition and development:** This program acquires and manages an extensive system of 1,429 Wildlife Management Areas (WMA) totaling more than 1.277 million acres. A citizen's advisory committee recommended an accelerated goal of acquiring 210,500 acres of new WMA lands within the next 10 years, based on an analysis of current and future needs for wildlife habitat, wildlife population management, and hunter access ("Report on the Wildlife Management Area Land Acquisition Program, December 2002"). Wildlife managers and private lands specialists provide technical assistance to land owners and land managers to improve wildlife habitat on private lands.
- ◆ **Inventorying, monitoring, and conducting applied research on the state's wildlife populations and habitats:** Basic population inventory, monitoring, and research is essential to responsible management of populations. This includes the management of quota systems, setting hunting seasons, and investigating applied population and habitat management needs. Natural resource and habitat assessments using geographical information system technology provide historical and current data on wildlife habitat and land use patterns critical for evaluating, recommending and planning habitat protection and enhancement efforts.
- ◆ **Wildlife population management:** The department provides for wildlife resource-related recreation and manages hunting and trapping seasons for over 50 game species, which provide over 8.4 million days of recreation annually. Goals and outcomes for population management include: 1) establishing and maintaining sustainable regulated wildlife harvest seasons; 2) providing technical assistance and cost sharing to resolve

wildlife-human conflicts; and 3) restoring and enhancing certain wildlife populations through trapping and relocation.

- ◆ **Shallow lake management:** Permanent wetlands and shallow lakes provide critical spring and fall migration habitat for waterfowl. The quality of this habitat has declined markedly due to shoreline development, drainage, excessive runoff, sedimentation and invasive plant and fish species. Active shallow wildlife and wild rice lake management is an important component of department's Long Range Duck Recovery Plan. (See <http://www.dnr.state.mn.us/input/mgmtplans/mnduck/index.html>).
- ◆ **Monitoring and managing wildlife health:** Wildlife populations are faced with a number of animal health issues including Chronic Wasting Disease, Bovine TB, and avian influenza. Monitoring animal health will allow the department to appropriately respond should disease threaten animal populations or human health.
- ◆ **Providing for public information and hunter and trapper retention:** DNR provides public information and education about wildlife and their habitats through publications, mass media, the department web site, and personal presentations by wildlife managers. The long-term retention and recruitment of hunters and trappers is vital for future support of wildlife management programs.

Historical Perspective

Populations of many species are at or near all-time highs including: deer, wild turkeys, black bears, and locally breeding Canada geese. Minnesota also has some of the best ruffed grouse populations in the country and is a major waterfowl production state. Abundant populations of wildlife species provide for increased hunting, trapping, and wildlife-related recreational opportunities. However, abundant populations of wildlife such as deer, bears, and geese can cause conflicts with humans so the DNR also maintains programs to manage populations and address wildlife damage and nuisance problems.

Key Activity Goals

Goals for the Wildlife Management Activity include:

- ◆ high quality and abundant hunting, trapping, and wildlife recreation opportunities
- ◆ healthy and productive wildlife populations and habitats managed on a sustainable basis
- ◆ leadership in resource stewardship
- ◆ effective partnerships with citizens to manage wildlife resources.

Supporting the overall DNR mission, this program focuses on the management and conservation of wildlife habitats and populations. These efforts generate a wide variety of ecological and economic benefits as well as extensive public opportunities to hunt, trap, and appreciate these wildlife resources throughout the state.

The Wildlife Management Activity is a critical component of the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html) as illustrated by several high profile wildlife activities. The Legislative-Citizen Commission on Minnesota Resources (LCCMR's) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) identifies critically important wildlife habitat protection and restoration focus areas for which the Wildlife Management Activity has existing activities or desires expanded or new capacities. The Wildlife Management Activity supports and will continue to be the primary provider of comprehensive habitat and population management services throughout the state. This activity also supports the Minnesota Climate Change Advisory Group priority on Land Use Management Approaches for Protection and Enrichment of Soil Carbon (<http://www.mnclimatechange.us/index.cfm>).

Key Activity Measures

In reference to the mission, the primary measures for the Wildlife Management Activity are:

- ◆ wildlife habitat capable of supporting wildlife populations and hunting and trapping recreation as measured by the acres of WMAs protected;
- ◆ wildlife population abundance and health measured by population surveys and assessment programs;

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: WILDLIFE MANAGEMENT

Narrative

- ◆ sustainable hunter and trapper harvest to meet demand as measured by harvest and hunter satisfaction surveys; and
- ◆ quality shallow lake habitat as measured by fall migratory waterfowl surveys.

For a more complete set of performance measures and detailed descriptions, please see the DNR's *A Strategic Conservation Agenda, 2003–2007: Measuring Progress toward Mission*.

- ◆ **Prairie Wetland Complexes:** Prairie wetland complexes – restored or native grasslands mixed with a range of wetland types and sizes – are important for many species, including waterfowl, shorebirds, amphibians, pheasants, and deer. DNR will need to restore and protect an additional 2 million acres of prairie wetlands and grasslands while maintaining the existing habitat base to meet long-term sustainability goals.

Indicator: Number of acres of prairie wetlands and grasslands protected annually.

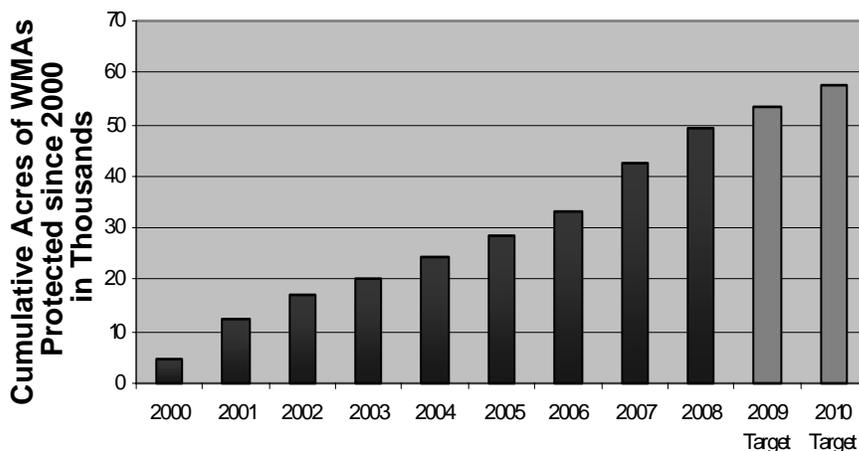
Target: Increase the number of high-quality prairie wetland complexes through the restoration and protection of a total of 40,000 wetland and grassland acres by all partners each year.



The map shading represents areas with the best opportunities for restoring and protection prairie wetland grassland complexes based on existing habitat.

- ◆ **Wildlife Management Areas:** The DNR manages 1,429 public wildlife areas covering over 1.277 million acres of high-quality habitat in 86 of the state's 87 counties. These areas provide recreation for hundreds of thousands of hunters and wildlife watchers each year, who contribute significantly to the state's economy. After FY 2005, stakeholders recommended the DNR acquire 21,000 acres per year for the next 10 years, and then acquire 12,250 acres per year for the following 40 years. Long-range planning will help Minnesota achieve a high-quality network of WMAs totaling an additional 700,000 acres over the next 50 years.

Acres Protected in Wildlife Management Areas

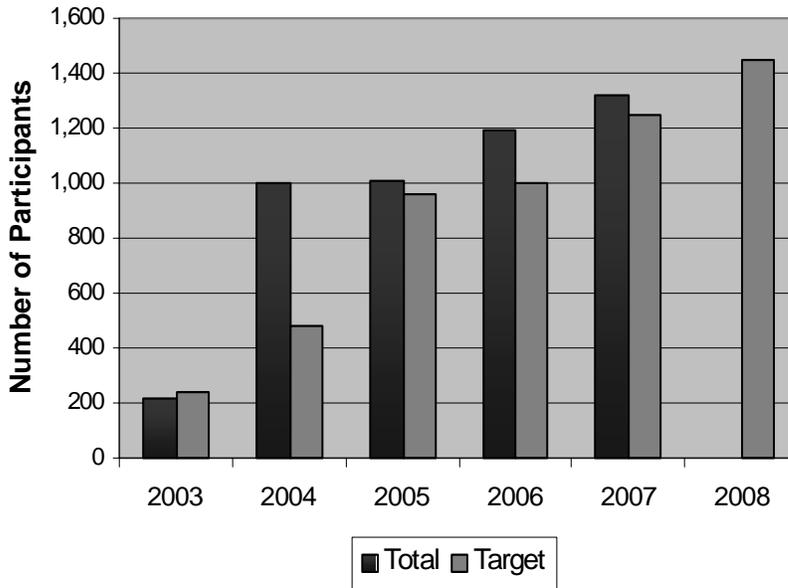


Indicator: Number of acres protected in Wildlife Management Areas

Target: Acquire 4,000 WMA acres per year in FY2009–2010. After FY 2005, stakeholders recommended DNR acquire 21,000 acres/year for the next 10 years

- ◆ **Hunter Recruitment:** The DNR has initiated a special effort to promote and sustain hunting by identifying barriers to participation and enacting programs and policies that reduce or remove them. The DNR has reduced youth hunting license fees; initiated special youth hunts; and is working with hunting organizations to provide educational and introductory experiences.

DNR Special Youth Hunt Participation

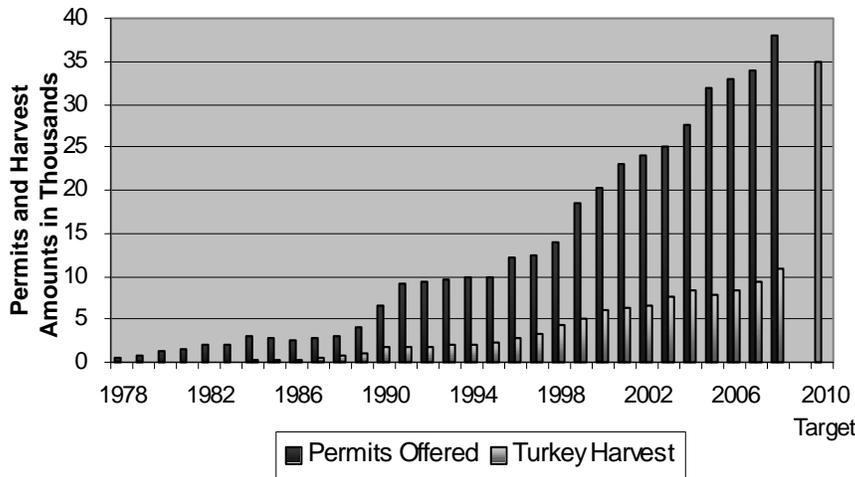


Indicator: Youth hunter participation and hunter satisfaction as measured by surveys

Target: Maintain youth hunter participation as measured by license sales and increase special youth hunts in the future.

- ◆ **Wild turkey hunting opportunities:** As wild turkeys increase their numbers and range, so do hunting opportunities. The DNR sets permits to ensure healthy turkey populations and quality hunting experiences.

Wild Turkey Hunting Opportunities



Indicators: Number of wild turkey hunting permits offered and harvest levels

Target: Offer 35,000 permits in 2010. The DNR offered 37,992 permits in 2008 and exceeded this target.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: WILDLIFE MANAGEMENT

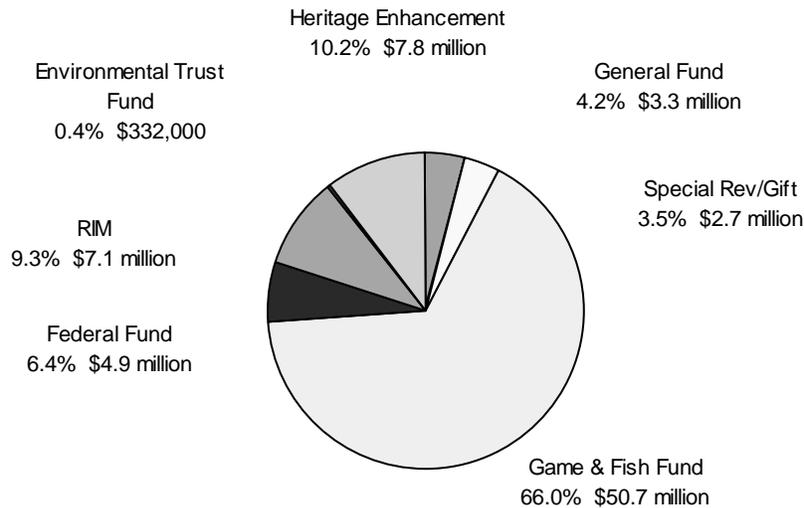
Narrative

Activity Funding

The Wildlife Management activity generates revenue from the sale of hunting licenses and from reimbursement under the Federal Aid in Wildlife Restoration Act. This United States Fish and Wildlife Service Federal Aid program, commonly referred to as the Pittman-Robertson (PR) Act, manages the distribution of revenues derived from federal excise taxes on hunting equipment to state fish and wildlife agencies through grants. In FY 2008-09, these federal grants will generate almost \$30 million in reimbursement. These revenues are deposited in the dedicated Game and Fish Fund to support the Wildlife Management Activity. In addition, the division generates dedicated revenue from cooperative agreements, natural resource sales, sales of publications, and gifts.

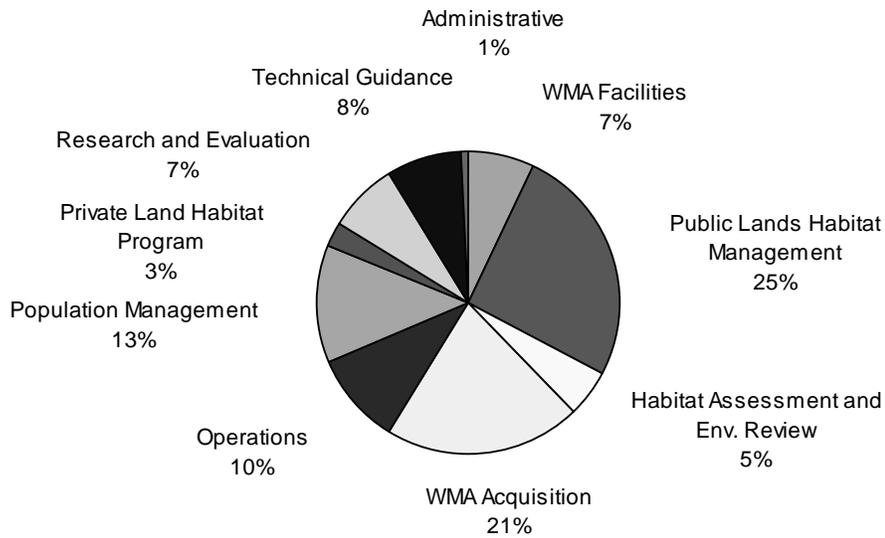
The Wildlife Management Activity receives funding from many sources: the Game and Fish Fund (66%); Heritage Enhancement funds (10.2%); RIM Match accounts (9.3%); Special Revenue (3.5%); General Fund (4.2%); and Federal (6.4%).

**FY 2008-09 Wildlife Operating Budget
\$76.8 million**



Wildlife expenditures are divided into 10 activities. A breakdown of FY 2007 activity expenditures are shown below:

FY 2007 Wildlife Management Activity Expenditures



Contact

For additional information, please contact:

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General information on Wildlife programs can be found on the Department of Natural Resources website mndnr.gov. A wide variety of general and technical publications are also available.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: WILDLIFE MANAGEMENT

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|---------------|---------------|--------------------|---------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 0 | 134 | 134 | 134 | 268 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (134) | (134) | (268) |
| Subtotal - Forecast Base | 0 | 134 | 0 | 0 | 0 |
| Total | 0 | 134 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 1,689 | 1,640 | 1,640 | 1,640 | 3,280 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | (16) | (16) | (32) |
| Current Law Base Change | | | (71) | (71) | (142) |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 1,689 | 1,640 | 1,552 | 1,552 | 3,104 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (1,552) | (1,552) | (3,104) |
| Bovine Tuberculosis Monitoring and Mgmt | | 0 | 600 | 600 | 1,200 |
| Total | 1,689 | 1,640 | 600 | 600 | 1,200 |
| Natural Resources | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| Gray Wolf Management & Research | | 0 | 220 | 220 | 440 |
| Total | 0 | 0 | 220 | 220 | 440 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 28,528 | 29,482 | 29,482 | 29,482 | 58,964 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (300) | (300) | (600) |
| Subtotal - Forecast Base | 28,528 | 29,482 | 29,182 | 29,182 | 58,364 |
| Total | 28,528 | 29,482 | 29,182 | 29,182 | 58,364 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 240 | 395 | 0 | 0 | 0 |
| General | 1,517 | 1,743 | 600 | 600 | 1,200 |
| Natural Resources | 0 | 0 | 220 | 220 | 440 |
| Game And Fish (Operations) | 26,390 | 31,812 | 29,182 | 29,182 | 58,364 |
| Open Appropriations | | | | | |
| General | 190 | 203 | 203 | 203 | 406 |
| Statutory Appropriations | | | | | |
| General | 270 | 0 | 0 | 0 | 0 |
| Natural Resources | 252 | 87 | 1 | 1 | 2 |
| Miscellaneous Special Revenue | 401 | 1,174 | 1,067 | 1,067 | 2,134 |
| Game And Fish (Operations) | 550 | 1,310 | 354 | 354 | 708 |

NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: WILDLIFE MANAGEMENT

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Federal | 920 | 3,422 | 3,110 | 3,110 | 6,220 |
| Reinvest In Minnesota | 2,128 | 3,437 | 2,301 | 2,301 | 4,602 |
| Gift | 161 | 161 | 161 | 161 | 322 |
| Total | 33,019 | 43,744 | 37,199 | 37,199 | 74,398 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 17,416 | 18,413 | 17,700 | 17,700 | 35,400 |
| Other Operating Expenses | 8,566 | 14,102 | 10,936 | 10,936 | 21,872 |
| Capital Outlay & Real Property | 3,582 | 6,714 | 4,844 | 4,844 | 9,688 |
| Local Assistance | 3,455 | 4,515 | 3,719 | 3,719 | 7,438 |
| Total | 33,019 | 43,744 | 37,199 | 37,199 | 74,398 |
| Full-Time Equivalent (FTE) | 253.0 | 247.4 | 230.7 | 230.6 | |

Activity Description

The License Center manages the issuance of game, fish and commercial licenses, registration and titling of watercraft, and registrations of All-Terrain Vehicles (ATVs), Off-Highway Vehicles (OHVs), and Off-Highway Motorcycles (OHMs), and snowmobiles through an electronic licensing system developed specifically for the state of Minnesota.

Population Served

Licensing serves the general public, licensing agents, deputy registrars and management within the Department of Natural Resources (DNR). Other governmental organizations benefit as well from the services outlined below.

Services Provided

Licensing supports the DNR's three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. Easy access to licenses is provided to outdoors enthusiasts. Most agent sites have retail sales of outdoor sporting equipment at a given location, which is often near the activity or resource base, whether that activity is hunting, hiking, or fishing.

The DNR License Center is responsible for the development, implementation, and maintenance of the statewide Electronic Licensing System (ELS). Hunting and fishing licenses can be purchased at any of the 1,700 ELS agent locations, by phone, or online. The License Center responsibilities also include commercial licenses (i.e. minnow dealers, game farms, shooting preserves) and the lottery system for issuing controlled hunt permits (i.e. turkey, antlerless deer, bear, moose, and elk).

The License Center issues all watercraft registration and titles and the registration of snowmobiles, ATVs, OHMs, and Off-Road Vehicles (ORVs) through web-based ELS.

A walk-in service counter provides service to customers for all types of license, registration and titling transactions. Other services include the statewide distribution of a variety of DNR-related materials (e.g. hunting regulations, fishing regulations, waterfowl supplements, boating guides, snowmobile regulations and OHV regulations).

Historical Perspective

The License Center's duties have changed dramatically over the past decade, converting from a manual system to a completely automated system. ELS has enabled the department to provide accurate and timely information pertaining to license holders, license and recreation activities, revenue collected, and numbers of licenses, registrations, and titles issued for use. The department, other state agencies, the legislature, and the general public utilize this information. In addition, the ELS system accelerates the collection of revenues from license, registration, and title sales.

Purchase of licenses can be made from a local agent, by phone, or online. Hunting and fishing licenses can be purchased electronically any time of the day, any day of the week. ELS has also streamlined business practices and cut administrative costs. Currently 135 different transactions are available online, ranging from hunting and fishing licenses to cross-country ski passes, snowmobile trail stickers, and boat and recreational vehicle registration renewals.

The ongoing development and availability of electronic tools will result in continued improved service and efficiency for licensing activities. The DNR is currently in the design phase of enhanced technology that will benefit customer services, create operational efficiencies, and utilize new technologies.

Activity at a Glance

- ◆ manage transactions and collect revenues from 2.9 million DNR game and fish licenses as well as 1.4 million boat/vehicle registrations and watercraft titles
- ◆ manage 1,700 point-of-sale hunting and fishing license agents and 173 registration and titling agents
- ◆ collect \$63 million in receipts annually
- ◆ answer over 100,000 questions via telephone each year

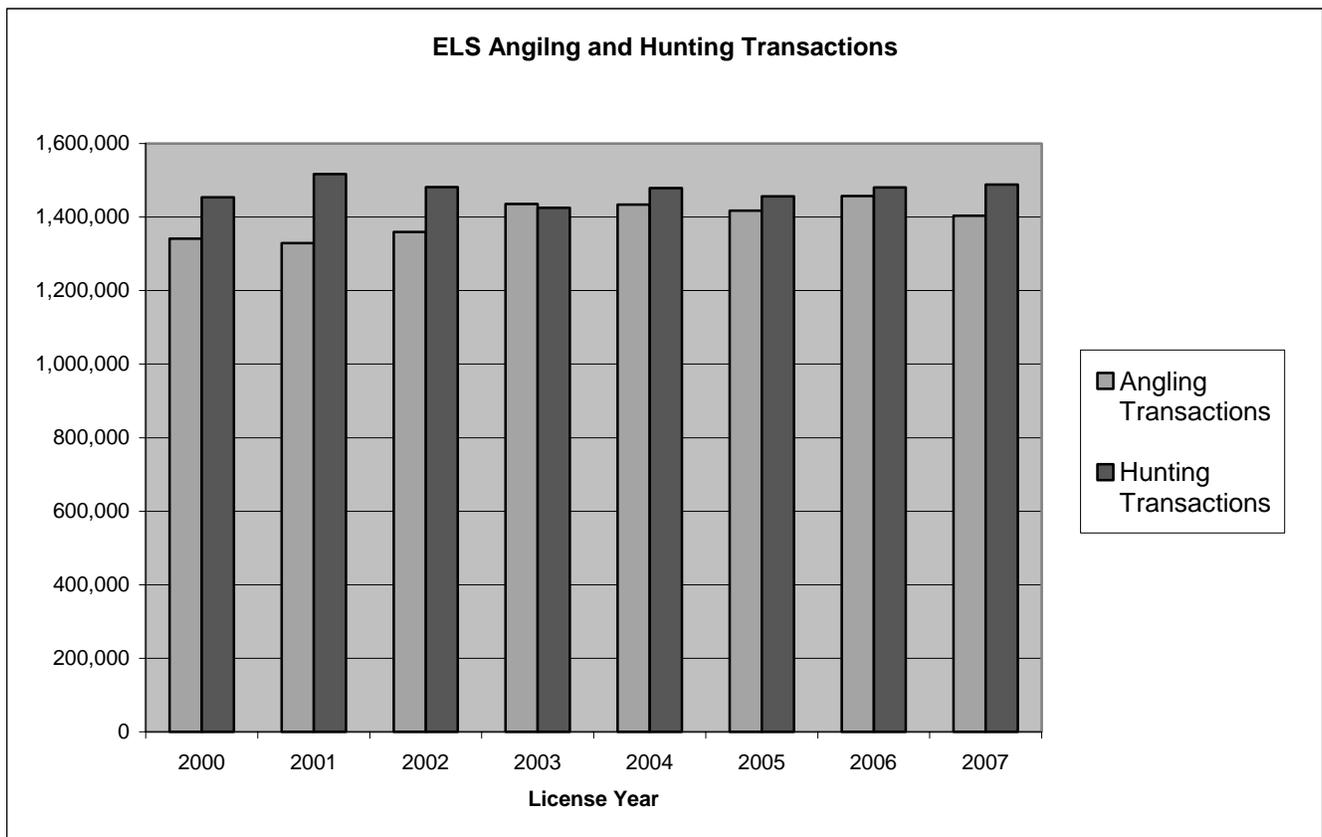
Key Activity Goals

Supporting the overall DNR mission, this Licensing Activity focuses on providing outdoor recreation opportunities. Licensing Activity goals include:

- ◆ providing license services to license vendors and the public in an efficient and cost effective manner. License vendors will provide accurate regulation information to customers purchasing licenses.
- ◆ using ELS data as appropriate for analysis of resource management, existing programs, and recreational trends.

Key Activity Measures

- ◆ **Hunter and angler satisfaction with licensing procedures:** As part of its mission, the DNR provides high-quality services to Minnesota's hunters and anglers. This includes not only managing and sustaining resources, but also providing customers with licenses and useful information. Customer satisfaction is part of the goal of providing high-quality customer services. Information on this indicator will assist the DNR with ongoing assessment of satisfaction levels with ELS.



NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

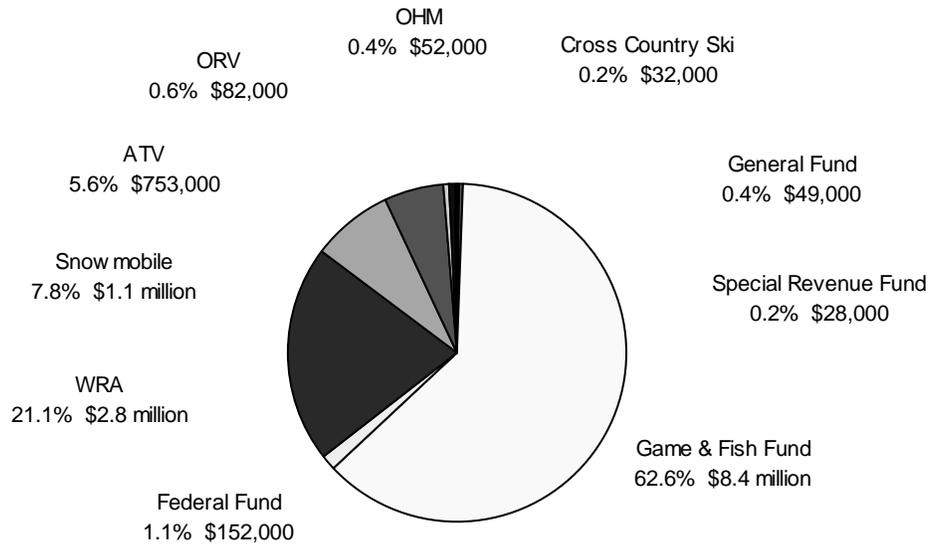
Activity: LICENSING

Narrative

Activity Funding

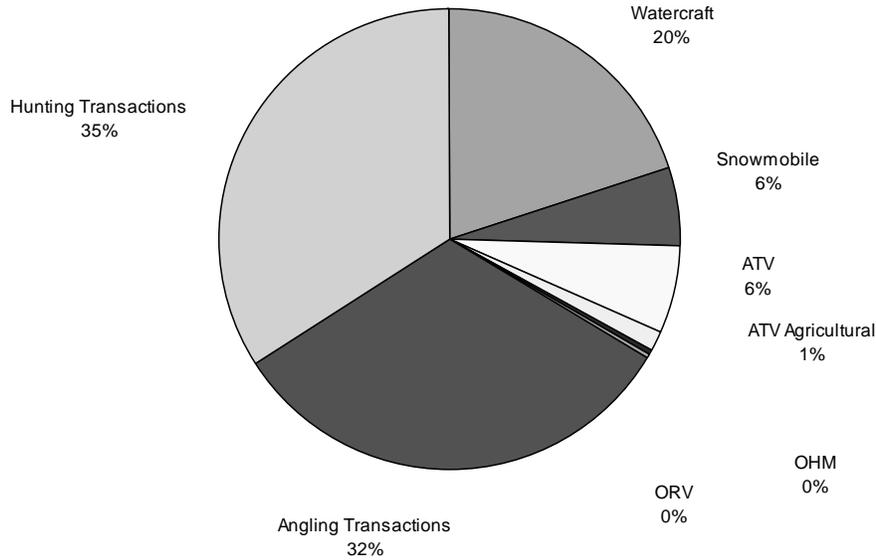
The operating budget for FY 2008-09 includes the following sources of funds: Game and FISH FUND 62.6%; Water Recreation 21.1%; Snowmobile 7.8%; ATV 5.6%; all other 2.9%.

**FY 2008-09 Licensing Operating Budget
\$13.4 million**



Licensing expenditures are summarized into 8 activities. A breakdown of FY 2007 activity expenditures are shown below:

FY 2007 License Center Activity



Contact

For additional information, please contact:

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NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: LICENSING

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 49 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 49 | 0 | 0 | 0 | 0 |
| Total | 49 | 0 | 0 | 0 | 0 |
| Natural Resources | | | | | |
| Current Appropriation | 1,250 | 1,250 | 1,250 | 1,250 | 2,500 |
| Subtotal - Forecast Base | 1,250 | 1,250 | 1,250 | 1,250 | 2,500 |
| Total | 1,250 | 1,250 | 1,250 | 1,250 | 2,500 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 1,338 | 1,189 | 1,189 | 1,189 | 2,378 |
| Subtotal - Forecast Base | 1,338 | 1,189 | 1,189 | 1,189 | 2,378 |
| Total | 1,338 | 1,189 | 1,189 | 1,189 | 2,378 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| General | 49 | 0 | 0 | 0 | 0 |
| Natural Resources | 1,021 | 1,479 | 1,250 | 1,250 | 2,500 |
| Game And Fish (Operations) | 757 | 1,510 | 1,189 | 1,189 | 2,378 |
| Statutory Appropriations | | | | | |
| Natural Resources | 898 | 1,955 | 1,201 | 1,201 | 2,402 |
| Miscellaneous Special Revenue | 371 | 410 | 140 | 140 | 280 |
| Game And Fish (Operations) | 3,161 | 2,902 | 2,902 | 2,902 | 5,804 |
| Federal | 10 | 76 | 76 | 76 | 152 |
| Total | 6,267 | 8,332 | 6,758 | 6,758 | 13,516 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 1,351 | 1,655 | 1,655 | 1,655 | 3,310 |
| Other Operating Expenses | 4,916 | 6,677 | 5,103 | 5,103 | 10,206 |
| Total | 6,267 | 8,332 | 6,758 | 6,758 | 13,516 |
| Full-Time Equivalent (FTE) | 24.0 | 25.0 | 20.9 | 20.7 | |

Program Description

The purpose of the Ecological Resources Program is to ensure that present and future generations enjoy the benefits of healthy ecosystems. This program is the responsibility of the Department of Natural Resources (DNR's) Division of Ecological Resources.

Natural resource agencies have a long tradition of managing fish and wildlife resources that have economic value for recreational hunting and fishing. In the 1970s, however, people began to recognize the need to protect and manage all wildlife species (game and nongame) as well as native plants and natural communities, such as prairies and wetlands. In addition, they recognized the importance of addressing serious threats such as contaminants and invasive non-native species, and the need to restore degraded lakes, rivers and wetlands, to protect and improve the natural resources that are so important to Minnesota's quality of life. The Division of Ecological Resources addresses these important resource issues with 20 different programs concentrated in four key areas: 1) nongame and rare resources; 2) lakes and rivers; 3) ecosystem health; and 4) integrated conservation information.

Program at a Glance

- ◆ survey Minnesota counties for rare biological resources
- ◆ maintain almost 35,000 data records of rare resources
- ◆ provide 22,000 hours/yr of technical ecological assistance to private developers, local governments, and other agencies
- ◆ prevent 1.5 million boaters from spreading invasive species
- ◆ manage 146 scientific and natural areas and 86 native prairie bank conservation easements
- ◆ assist in protecting river systems and in the ecological restoration of degraded rivers statewide

Population Served

Ecological Resources reaches out in partnership and service to a wide range of individuals and organizations. These include: active and concerned citizens, private landowners, outdoor recreation enthusiasts, local units of government, businesses, nonprofit organizations, policy leaders, and natural resource managers.

Services Provided

The work of Ecological Resources is fundamental to DNR's three-part conservation mission based on interrelated values of natural resources protection, economic development, and recreational use. Ecological Resources professionals collect, manage, interpret, and deliver ecological information on Minnesota's natural systems and resources to inform wise resource decisions, land use planning, and economic development in ways that sustain quality of life. The division plays an instrumental role in protecting and restoring native plant and wildlife communities; in managing invasive species; in assessing and monitoring water quality of the state's lakes, rivers, and streams; and in managing the state's system of natural areas that harbor Minnesota's rarest natural features. By working with a variety of partners, Ecological Resources accomplishes this by providing five key services:

- ◆ **Protecting and restoring native plant and wildlife communities:** Key functions include acquisition and management of a statewide system of natural areas and prairie bank easements, native prairie habitat enhancement on private lands, supporting wildlife and nature outdoor recreation opportunities, minimizing the impact of invasive species, and restoring shoreland habitat and rivers. Grants to local units of government and lake associations help them manage and control the impacts of Eurasian watermilfoil and curly-leaf pondweed on public waters. Grants to shoreland owners help them restore habitat at the waters edge. Grants to other DNR disciplines accelerate management of terrestrial invasive species. Shoreland and river restoration work contributes to improved water quality.
- ◆ **Delivering technical assistance:** Ecological Resources provides ecological products, programs, data, and environmental review services to decision makers, resource managers, and educators. Delivering sound, credible information to resource users is critical to the productive decision-making efforts of landowners, business leaders, resource agencies, and local public officials. Several division programs are focused on data interpretation and delivery, technical assistance, community outreach, and education.
- ◆ **Collecting ecological data:** Collecting and interpreting ecological information requires specialized expertise to understand how ecosystems work to provide essential services. Division professionals have ecological expertise in Minnesota's natural communities (such as forests, wetlands, and rivers); the state's flora and

fauna; and how systems respond to change. Small grants are provided to individuals and academic institutions to collect information on rare resources.

- ◆ **Managing ecological data.** The division's emphasis on collecting ecological information means that it must place an equally important emphasis on managing data. The backbone of the Division of Ecological Resource's information is the Natural Heritage Information System, which includes over 20 databases that store data on rare features such as state-listed plants and animals and natural plant communities.
- ◆ **Regulating activities that impact native plant and wildlife communities.** Program staff manage permit programs designed to protect aquatic plants, control invasive species, protect endangered species, and provide for the safe operation of lake aeration systems.

Historical Perspective

The history of the Division of Ecological Resources reflects the growing interest of Minnesota's citizens to address a broader range of natural resource issues. For nearly 40 years the unit provided technical assistance to the department's traditional resource programs in fisheries and wildlife. Beginning in the 1980s, a series of program changes and additions gave shape to a newly expanded division with authorities in a variety of new areas including invasive species, endangered species, wetland mitigation, nongame wildlife, scientific and natural areas, native plants and plant communities, and restoration of degraded grassland and river habitats. A more recent addition of responsibility and authority is the environmental review unit, which analyzes potential impacts associated with development projects.

Key Program Goals

"Protect Priority Land Habitats" with an emphasis on rare land features and sites of biodiversity significance is the number one habitat recommendation in the Legislative-Citizen Commission on Minnesota Resources (LCCMR's) *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net). Ecological Resources provides the information and expertise on rare features and biodiversity on which conservation planning and land management decisions are based. The division also plays an instrumental role in other critical habitat areas identified for protection and restoration, including shorelands, wetlands, aquatic habitat of lakes and streams, connecting corridors, and forests. Ecological Resources produces effective tools and training to better understand and evaluate complex interactions across landscape and watershed scales (Habitat Recommendations #12 - #13). The division contributes to the plan's Energy Recommendations by providing expertise on alternative energy and climate change issues. The DNR supports the recommendations of the Minnesota Climate Change Advisory Group to protect or restore northern peatlands and other wetlands to prevent releases of GHGs and fire and to allow existing peatlands to continue to sequester carbon (<http://www.mnclimatechange.us/index.cfm>).

Recent societal trends are changing the nature of the state's natural resources and their contribution to the Minnesota quality of life. Ecological Resources is responding with innovative and collaborative approaches to address three critical drivers of change:

- ◆ **Changes in Outdoor Recreation Participation:** An elevated interest in addressing a broader range of natural resource issues has been coupled with an increase in the number of wildlife watchers as outdoor recreation participants. The number of Minnesota citizens participating in bird watching, wildlife tourism, bird feeding, and wildlife photography increased from 1.3 million in 1996 to 1.95 million in 2006 – an increase of 50% in 10 years (USFWS 2006). Total expenditures related to wildlife watching by Minnesota residents were \$579 million. Despite the increase in the number of wildlife watchers, there is concern that the percentage of the state's total population participating in this and other outdoor activities is actually decreasing as the overall population increases. Through partnerships and creative programming, Ecological Resources is expanding wildlife tourism efforts and targeting outreach to nontraditional audiences.
- ◆ **Renewable Energy and Climate Change:** As the state seeks renewable energy alternatives and ways to address climate change, Ecological Resources scientists and planners are providing expertise in native prairie seed production and bio-energy projects for native prairie management, participating in department efforts on wind energy and carbon markets and in developing guidelines for prairie restoration and woody biomass harvest, identifying critical natural areas and habitats to detect climate change impact, and conducting a pilot project that links ecological restoration with supplying woody biomass for District Energy in

St. Paul. Environmental review services are being modified and accelerated to support economic development in ways that conserve Minnesota's natural resources.

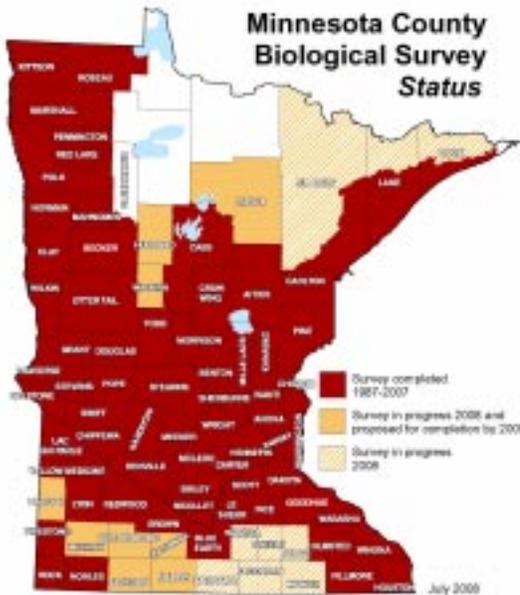
- ◆ **Landscape Changes from Population Growth and Development:** With increasing human population and associated development come increasing demands on Minnesota's natural systems. In the face of landscape changes, Ecological Resources must manage and sustain a system of natural areas to safeguard Minnesota's rarest natural treasures into the future. Ecological Resources provides information on critical habitats and rare features to help prioritize conservation efforts. The program also offers technical and financial assistance to help address threats to these habitats. Inventory and monitoring characterizes changes occurring across Minnesota's landscape and allows us to assess the rate of change and its consequences. Ecological Resources participates in implementing Minnesota's Clean Water Legacy program through monitoring and assessing water quality and developing and implementing total maximum daily load studies. Ecological Resources also manages the department's environmental review program, which reviews development projects and makes recommendations to avoid, minimize, or mitigate environmental impacts.

Key Program Measures

Ecological Resources uses a range of performance measures to assess its progress in collecting and providing ecological information critical to wise resource decisions and sustainable resource results. The following measures illustrate four of the division's core program activities and their conservation results. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003 –2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

- ◆ **Nongame and Rare Resources**

Minnesota County Biological Survey: An important goal for DNR is to ensure that all landowners have the information they need to manage natural resources. The Minnesota County Biological Survey (MCBS) helps meet that goal by providing baseline information about unique natural areas and rare features, and the tools needed to help sustain them. The MCBS is a systematic survey of the state's native plant communities, rare species locations, and potential natural areas. Survey information is made available in various formats, including maps, publications, electronic data files, and through technical assistance. Surveys have been completed in 65 of Minnesota's 87 counties and are underway in 18 other counties.



Indicator: Number of counties with a Minnesota County Biological Survey.

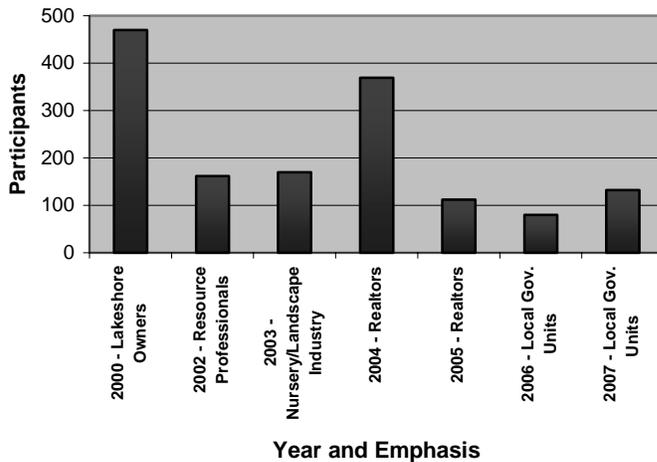
Target: Complete surveys for all counties by 2018.

◆ **Lakes and Rivers**

Ecological Resources has broad responsibilities to help sustainably manage the state's water resources, including lakes, rivers, streams, and wetlands. A critical habitat experiencing intense development pressure is our shorelands.

Shoreline Habitat Conservation: Ecological Resources produces educational materials and management tools on protecting and restoring shoreline habitat. A series of shoreline management workshops have been conducted to reach shoreland owners, nursery and landscape industry professionals, resource managers, realtors and developers, and local units of government.

Education Workshop Participants

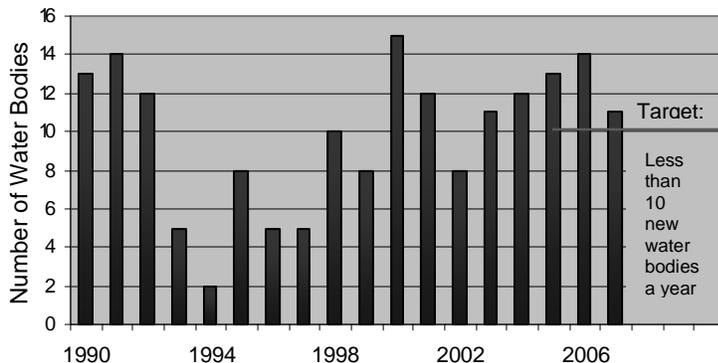


Indicator: Number of shoreline workshop participants.

◆ **Ecosystem Health**

Eurasian watermilfoil is a non-native invasive aquatic plant that harms Minnesota waterways by displacing native species, degrading habitat for fish and wildlife, and limiting lake recreation. Unintentional transport on trailered watercraft and equipment is believed to be the primary means of spread. Ninety percent of Minnesota boaters responding to a question in a 2000-2001 survey said they took action to avoid spreading aquatic invasive species, an increase over a similar survey in 1994 when 70% of Minnesota boaters said they took action.

Number of Additional MN Water Bodies Where Eurasian Watermilfoil was Found



Indicator: Number of water bodies with new infestations of Eurasian watermilfoil

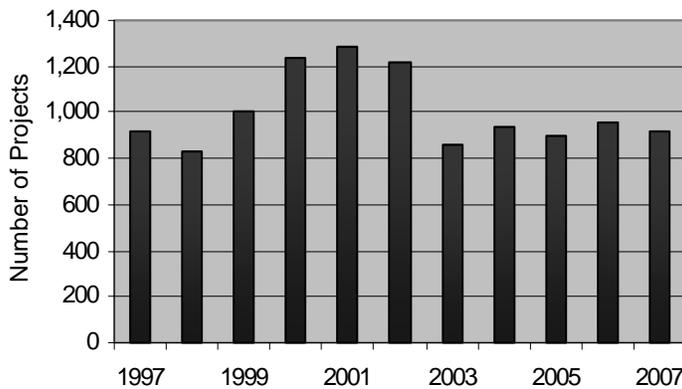
Target: Limit the rate of spread of Eurasian watermilfoil to no more than 10 new water bodies per year

◆ **Integrated Conservation Information**

Environmental Review is the process by which the DNR, other agencies, and the public assess the effects on the environment from proposed human activities. It is a key function of environmental agencies and is required by state and federal laws. Ecological Resources manages the department's environmental review responsibilities.

Between 900 and 1,000 land development projects are proposed each year. In total, these projects annually convert thousands of acres of natural habitats such as woodlands, grasslands, and wetlands into developed landscapes. Environmental Review supports the department's three-part conservation mission by helping projects be more successful in achieving economic viability and natural resource protection. This process ensures that projects will develop in such a way as to avoid or mitigate environmental impacts.

Development Projects Reviewed by Year



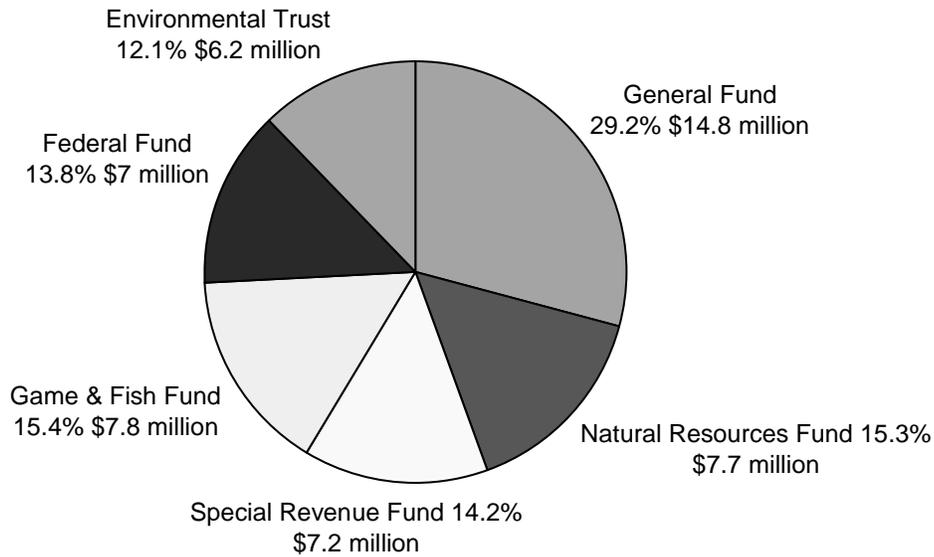
Indicator: Number of development projects reviewed each year

Program Funding

This program generates revenue from aquatic plant and lake aeration permits and reimbursement under the Federal Aid to Sport Fish and Wildlife Restoration and State Wildlife Grant programs. Sport Fish and Wildlife Restoration dollars are deposited in the Game and Fish Fund. State Wildlife Grants are federal dollars reimbursed for state program expenditures targeted at wildlife species of greatest conservation need.

Game and Fish Fund appropriations include dollars from the Heritage Enhancement Account, a sub-account of the Game and Fish Fund that was authorized by the 2000 legislature and funded from a percentage of lottery revenues in lieu of sales tax. Natural Resources funding includes the Water Recreation Account (motorboat gas taxes and boat licenses), Invasive Species Account (surcharge on boat licenses and non-resident fishing licenses), Nongame Fund (state income tax check-off), and Off-Highway Vehicle (OHV) and Recreational Trail funds (OHV registration fees). Federal and Special Revenue funds include dollars from a number of grant programs and cooperative agreements.

**FY2008-09 Ecological Resources Budgeted Expenditures
\$50.7 Million**



Contact

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General information about the division and its diverse program services is available on the DNR website (mndnr/eco). Annual reports are available that summarize the division's expenditures from the Game and Fish Fund and activities with the Aquatic Plant Management and Invasive Species programs. These can be obtained by calling (651) 259-5100.

NATURAL RESOURCES DEPT
 Program: ECOLOGICAL RESOURCES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,020 | 3,590 | 3,590 | 3,590 | 7,180 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (3,590) | (3,590) | (7,180) |
| Subtotal - Forecast Base | 2,020 | 3,590 | 0 | 0 | 0 |
| Total | 2,020 | 3,590 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 8,367 | 6,531 | 6,531 | 6,531 | 13,062 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 8,367 | 6,531 | 6,530 | 6,530 | 13,060 |
| Total | 8,367 | 6,531 | 6,530 | 6,530 | 13,060 |
| Natural Resources | | | | | |
| Current Appropriation | 3,696 | 3,994 | 3,994 | 3,994 | 7,988 |
| Subtotal - Forecast Base | 3,696 | 3,994 | 3,994 | 3,994 | 7,988 |
| Total | 3,696 | 3,994 | 3,994 | 3,994 | 7,988 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 3,882 | 3,951 | 3,951 | 3,951 | 7,902 |
| Subtotal - Forecast Base | 3,882 | 3,951 | 3,951 | 3,951 | 7,902 |
| Total | 3,882 | 3,951 | 3,951 | 3,951 | 7,902 |
| Clean Water Fund | | | | | |
| Current Appropriation | 0 | 0 | 0 | 0 | 0 |
| Subtotal - Forecast Base | 0 | 0 | 0 | 0 | 0 |
| Governor's Recommendations | | | | | |
| CWF/Clean Water Legacy | | 0 | 1,058 | 1,601 | 2,659 |
| Total | 0 | 0 | 1,058 | 1,601 | 2,659 |

NATURAL RESOURCES DEPT
 Program: ECOLOGICAL RESOURCES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 1,288 | 5,124 | 0 | 0 | 0 |
| General | 6,371 | 8,925 | 6,530 | 6,530 | 13,060 |
| Natural Resources | 2,997 | 4,693 | 3,994 | 3,994 | 7,988 |
| Game And Fish (Operations) | 3,379 | 4,454 | 3,951 | 3,951 | 7,902 |
| Clean Water Fund | 0 | 0 | 1,058 | 1,601 | 2,659 |
| Open Appropriations | | | | | |
| Natural Resources | 4 | 3 | 3 | 3 | 6 |
| Statutory Appropriations | | | | | |
| Natural Resources | 1 | 15 | 4 | 4 | 8 |
| Miscellaneous Special Revenue | 2,331 | 1,348 | 2,705 | 2,705 | 5,410 |
| Federal | 2,234 | 2,841 | 2,698 | 2,329 | 5,027 |
| Remediation Fund | 1,504 | 1,190 | 496 | 147 | 643 |
| Reinvest In Minnesota | 1,109 | 2,673 | 2,673 | 2,673 | 5,346 |
| Gift | 39 | 51 | 51 | 51 | 102 |
| Total | 21,257 | 31,317 | 24,163 | 23,988 | 48,151 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 10,170 | 13,568 | 12,143 | 12,181 | 24,324 |
| Other Operating Expenses | 6,977 | 12,953 | 10,092 | 10,284 | 20,376 |
| Capital Outlay & Real Property | 250 | 1,964 | 14 | 8 | 22 |
| Local Assistance | 3,860 | 2,832 | 1,914 | 1,515 | 3,429 |
| Total | 21,257 | 31,317 | 24,163 | 23,988 | 48,151 |
| <u>Expenditures by Activity</u> | | | | | |
| Ecological Resources | 21,257 | 31,317 | 24,163 | 23,988 | 48,151 |
| Total | 21,257 | 31,317 | 24,163 | 23,988 | 48,151 |
| Full-Time Equivalents (FTE) | 163.3 | 194.7 | 177.5 | 177.0 | |

Program Description

The purpose of the Natural Resource Laws and Rules Program (Enforcement) is to ensure public safety and compliance with laws regarding state game and fish, recreational vehicles, natural resource commercial operations, and environmental protection. This program is the responsibility of the Department of Natural Resources (DNR's) Division of Enforcement.

Major responsibilities include law enforcement, public safety, and education in:

- ◆ hunting and fishing seasons, methods of taking wild animals, and bag and possession limits;
- ◆ public safety, especially where it concerns alcohol use while hunting or operating Off-Highway Vehicles (OHV), and watercraft;
- ◆ commercial use and possession of natural resources and products;
- ◆ protection of the state's land, air, and water; and
- ◆ education safety training and hunter education for youth and adults.

Population Served

The Division of Enforcement serves our citizens by safeguarding the public through education and enforcement efforts for 866,971 registered boaters, 1,487,996 licensed hunters, 1,403,357 licensed anglers, 263,640 All-Terrain Vehicles (ATV), 16,312 Off-Highway Motorcycles (OHM), 7,250 Off-Road Vehicles (ORV), 244,432 registered snowmobiles, 2,000 licensed/registered commercial operations, and countless other stakeholders and visitors using our abundant natural resources and recreational opportunities.

Services Provided

The division provides services to the state through the use of 151 community-based conservation officers and specially trained officers assigned for support. Services currently provided through the division are:

- ◆ Special Investigation Unit (SIU), targeting unlawful activity among commercial operations;
- ◆ Aviation Unit, supporting division operations including aerial census and mapping;
- ◆ Wetland Resource Officers (WRO), specifically trained in the complexities of state and federal wetland issues, dealing with unlawful activity in wetlands and wetlands destruction, and recently expanded role as the lead unit addressing invasive species enforcement and education;
- ◆ Training and Standards Unit, concentrating on officer training, academy training, professionalism, and safety; and
- ◆ Information and Education, administering mandated safety training and education programs delivered through volunteer instructors, regional training officers, and local conservation officers.

Historical Perspective

Natural resource commercial and recreational use has increased dramatically in the last half-century; however, the Enforcement Division has maintained approximately the same number of conservation officer positions. In addition to increases in the number of traditional hunters and the number of anglers, the state has new user groups. Some added duties since that time include:

- ◆ wetlands drainage/Wetland Conservation Act (WCA) enforcement;
- ◆ state and Grant-in-Aid (GIA) trails (20,000 miles);
- ◆ All-Terrain Vehicles (ATVs), Off-Road Vehicles (ORVs), Off-Highway Motorcycles (OHMs), snowmobiles (531,634 registered);

Program at a Glance

The Division of Enforcement protects the state's natural resources. There is a direct link between natural resources and the state's quality of life, as well as impacts to the tourism industry and the state's economy. Some FY 2008 highlights:

- ◆ Trained 40,299 citizens attended the division's education/safety classes
- ◆ Documented 22,143 violations
- ◆ Enforced the Wetlands Conservation Act (WCA)
- ◆ Provided aviation support for department needs ranging from stocking fish, wildlife population census to enforcement activities
- ◆ Administered \$1.9 million in grants to local law enforcement agencies for enforcement work in boat and water, snowmobile, Off-Highway Vehicles (OHV)
- ◆ Administered matching dollars for the improvement of public shooting and archery ranges

- ◆ firearm safety classes (22,912 students), snowmobile and OHV safety education, and adult hunter education (1,595 students);
- ◆ boat and water safety enforcement (866,971 registered);
- ◆ water quality and pollution issues;
- ◆ commercial enterprises such as shooting preserves, taxidermists, ginseng exporters;
- ◆ state parks enforcement;
- ◆ invasive species enforcement and education;
- ◆ forest arson investigations;
- ◆ seasons for wildlife species, (e.g., metro goose, light geese, turkey, moose, muzzleloader deer, archery deer, falconry, mourning doves);
- ◆ Indian treaty issues 1837 and 1854;
- ◆ cross-country ski passes, horse passes, shoreline protection; and
- ◆ operating recreational vehicles and hunting while impaired.

Pro-active law enforcement requires increased focus on habitat protection efforts for game and fish population enhancement (forests, waters, wetlands, and prairies). This includes efforts such as WCA enforcement, experimental and special regulation waters, invasive species and water quality and pollution issues.

Key Program Goals

Quality law enforcement contributes to the overall effectiveness of the department's management goals by ensuring the fair and safe use of the state's resources. Specifically, the Division of Enforcement's role in the preservation of key wetlands, are integral to habitat needs of so many of the state's important species. Likewise, enforcement efforts on special regulation and experimental waters are needed to preserve the integrity of the fisheries programs that have been a focus of the DNR's *A Strategic Conservation Agenda, 2003 –2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

Key Program Measures

The effectiveness of law enforcement efforts cannot be gauged simply by tabulating the results of citations and warnings issued. The division has a three-pronged approach to gaining compliance: information, education, and law enforcement, with enforcement action as the last measure. The division will continue to use the media and department education efforts to increase voluntary compliance with natural resources laws and report more violations. The following measures illustrate the division's core program activities. Detailed descriptions of performance measures are found in the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

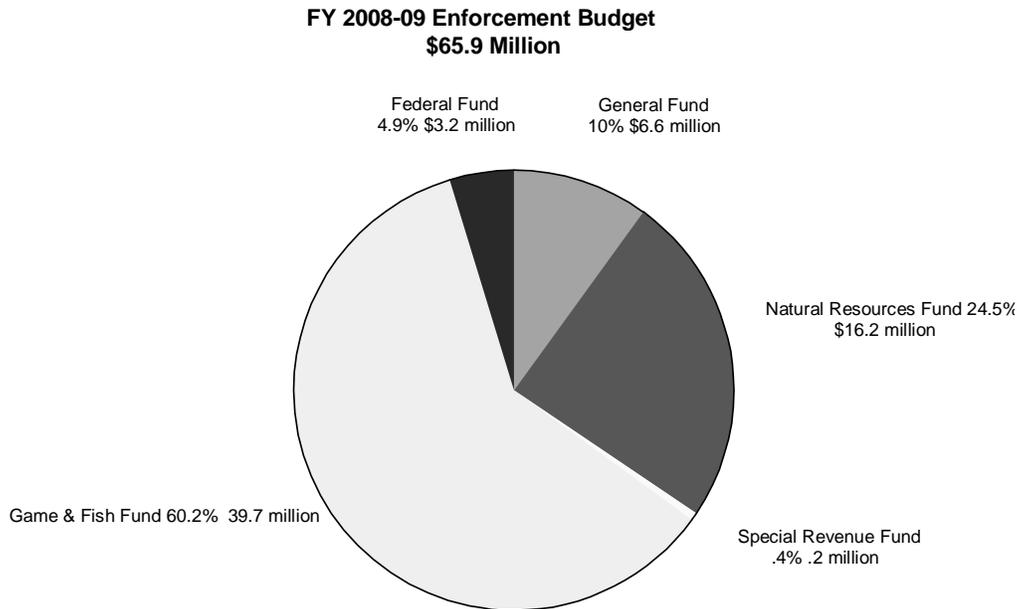
- ◆ **Game and Fish Protection:** Compliance with natural resource laws is difficult to measure. The division's goal is to increase the compliance rate as well as maintain levels of service hours in the following priority areas:
 - ⇒ Wetlands Conservation Act: continue to provide 10,000 hours for WCA enforcement and 5,000 hours on water quality, aquatic vegetation, alter cross-section of lake/stream and invasive species;
 - ⇒ Experimental and Special Regulation Waters: maintain 95,000 hours of fishing-related enforcement activities on these waters.
 - ⇒ Waterfowl Task Force: enforcement efforts by the division will provide 18,000 hours of enforcement of waterfowl regulations.
- ◆ **Recreational Vehicle Law Enforcement:**
 - ⇒ activities will be maintained at FY 2009 levels
 - ⇒ information, education, and training to increase compliance and reduce injuries will be increased.
 - ⇒ A Trail Ambassador program will be continued to provide enhanced trail monitoring by trained volunteers.

◆ **Safety Education:**

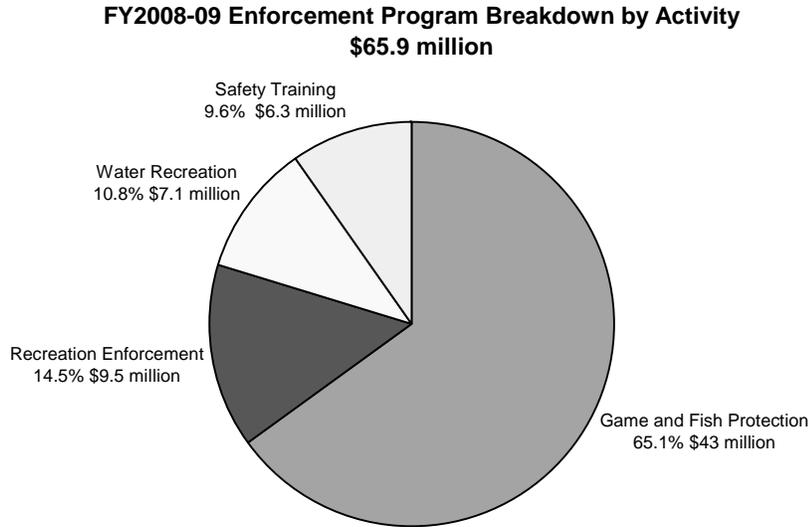
- ⇒ Outreach efforts will be maintained. In FY 2008, the division trained 3,618 students in All-Terrain Vehicle and 10,901 in Snowmobile Safety to reduce the fatalities associated with recreational vehicle use. Goals are to have fewer fatalities than the following historical percentages: Snowmobiling - 7.53/100,000 registered snowmobiles, ATV - 8.26/100,000 registered ATVs; and
- ⇒ Outreach efforts will be increased by partnering with the Hunting Recruitment and Retention Program to provide expanded hunter education opportunities. In FY 2008, the Enforcement Division trained 22,912 students in firearms safety and 1,595 students in advanced hunter education with the goal of reducing the injuries/fatalities associated with firearms hunting incidents.

Program Funding

The operating budget for FY 2008-09 is comprised of the following sources of funds: Game and Fish (60.2%), Natural Resources (24.5%), General (10%), Special Revenue (.4%), and Federal Funds (4.9%).



Enforcement expenditures are summarized into 4 activities. A breakdown of FY 2008-09 activity expenditures are shown below:



Contact

For additional information, please contact:

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E-mail: mark.johanson@dnr.state.mn.us

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS&RULES

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 3,564 | 3,105 | 3,105 | 3,105 | 6,210 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 3,564 | 3,105 | 3,104 | 3,104 | 6,208 |
| Total | 3,564 | 3,105 | 3,104 | 3,104 | 6,208 |
| Natural Resources | | | | | |
| Current Appropriation | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Subtotal - Forecast Base | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Total | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Subtotal - Forecast Base | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Total | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Remediation Fund | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 100 | 200 |
| Total | 100 | 100 | 100 | 100 | 200 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 38 | 0 | 0 | 0 | 0 |
| General | 3,669 | 3,438 | 3,104 | 3,104 | 6,208 |
| Natural Resources | 7,310 | 8,544 | 8,531 | 8,531 | 17,062 |
| Game And Fish (Operations) | 19,355 | 20,037 | 19,970 | 19,970 | 39,940 |
| Remediation Fund | 99 | 101 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Natural Resources | 226 | 152 | 71 | 71 | 142 |
| Miscellaneous Special Revenue | 45 | 44 | 18 | 18 | 36 |
| Game And Fish (Operations) | 222 | 225 | 225 | 225 | 450 |
| Federal | 1,021 | 1,115 | 1,124 | 1,124 | 2,248 |
| Gift | 1 | 4 | 3 | 3 | 6 |
| Total | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 21,759 | 21,705 | 21,419 | 21,419 | 42,838 |
| Other Operating Expenses | 7,424 | 8,748 | 8,520 | 8,520 | 17,040 |
| Local Assistance | 2,803 | 3,207 | 3,207 | 3,207 | 6,414 |
| Total | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| <u>Expenditures by Activity</u> | | | | | |
| Enforcement-Nr Laws&Rules | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| Total | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| Full-Time Equivalents (FTE) | 254.8 | 254.7 | 254.7 | 254.7 | |

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS&RULES

Activity: ENFORCEMENT-NR LAWS&RULES

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| General | | | | | |
| Current Appropriation | 3,564 | 3,105 | 3,105 | 3,105 | 6,210 |
| Technical Adjustments | | | | | |
| Pt Contract Base Reduction | | | (1) | (1) | (2) |
| Subtotal - Forecast Base | 3,564 | 3,105 | 3,104 | 3,104 | 6,208 |
| Total | 3,564 | 3,105 | 3,104 | 3,104 | 6,208 |
| Natural Resources | | | | | |
| Current Appropriation | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Subtotal - Forecast Base | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Total | 7,463 | 8,531 | 8,531 | 8,531 | 17,062 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Subtotal - Forecast Base | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Total | 19,422 | 19,970 | 19,970 | 19,970 | 39,940 |
| Remediation Fund | | | | | |
| Current Appropriation | 100 | 100 | 100 | 100 | 200 |
| Subtotal - Forecast Base | 100 | 100 | 100 | 100 | 200 |
| Total | 100 | 100 | 100 | 100 | 200 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 38 | 0 | 0 | 0 | 0 |
| General | 3,669 | 3,438 | 3,104 | 3,104 | 6,208 |
| Natural Resources | 7,310 | 8,544 | 8,531 | 8,531 | 17,062 |
| Game And Fish (Operations) | 19,355 | 20,037 | 19,970 | 19,970 | 39,940 |
| Remediation Fund | 99 | 101 | 100 | 100 | 200 |
| Statutory Appropriations | | | | | |
| Natural Resources | 226 | 152 | 71 | 71 | 142 |
| Miscellaneous Special Revenue | 45 | 44 | 18 | 18 | 36 |
| Game And Fish (Operations) | 222 | 225 | 225 | 225 | 450 |
| Federal | 1,021 | 1,115 | 1,124 | 1,124 | 2,248 |
| Gift | 1 | 4 | 3 | 3 | 6 |
| Total | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 21,759 | 21,705 | 21,419 | 21,419 | 42,838 |
| Other Operating Expenses | 7,424 | 8,748 | 8,520 | 8,520 | 17,040 |
| Local Assistance | 2,803 | 3,207 | 3,207 | 3,207 | 6,414 |
| Total | 31,986 | 33,660 | 33,146 | 33,146 | 66,292 |
| Full-Time Equivalents (FTE) | 254.8 | 254.7 | 254.7 | 254.7 | |

Program Description

The purpose of the Operations Support Program is to provide direction and coordination of Department of Natural Resources (DNR) programs and services across the state through regional operations and to provide financial assistance to local units of government and private organizations to acquire and develop outdoor recreation areas and to protect and enhance natural areas.

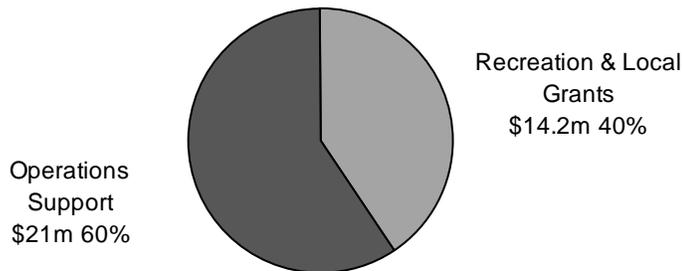
The Operations Support Program serves to provide leadership and support to the DNR. DNR has a three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. This program exists to ensure that the multi-part mission is carried out in an integrated and efficient manner.

Budget Activities

This program includes the following budget activities:

- ◆ Operations Support
- ◆ Recreation and Local Initiative Grants

**Operations Support
\$35.2 million**



Key Measures

The DNR uses a range of organizational indicators to assess its performance related to department-wide operations and business practices. See the program activity sections for specific measures on activities. For a more complete set of performance measures and more detailed descriptions of each measure, please see the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html).

NATURAL RESOURCES DEPT
 Program: OPERATIONS SUPPORT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <i>Direct Appropriations by Fund</i> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 2,540 | 10,212 | 10,212 | 10,212 | 20,424 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (10,212) | (10,212) | (20,424) |
| Subtotal - Forecast Base | 2,540 | 10,212 | 0 | 0 | 0 |
| Total | 2,540 | 10,212 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 3,215 | 1,560 | 1,560 | 1,560 | 3,120 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 146 | 146 | 292 |
| Current Law Base Change | | | 500 | 500 | 1,000 |
| One-time Appropriations | | | (66) | (66) | (132) |
| Subtotal - Forecast Base | 3,215 | 1,560 | 2,140 | 2,140 | 4,280 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (1,933) | (1,933) | (3,866) |
| Total | 3,215 | 1,560 | 207 | 207 | 414 |
| Natural Resources | | | | | |
| Current Appropriation | 984 | 484 | 484 | 484 | 968 |
| Subtotal - Forecast Base | 984 | 484 | 484 | 484 | 968 |
| Total | 984 | 484 | 484 | 484 | 968 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 1,089 | 1,080 | 1,080 | 1,080 | 2,160 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 9 | 9 | 18 |
| Subtotal - Forecast Base | 1,089 | 1,080 | 1,089 | 1,089 | 2,178 |
| Total | 1,089 | 1,080 | 1,089 | 1,089 | 2,178 |

NATURAL RESOURCES DEPT
 Program: OPERATIONS SUPPORT

Program Summary

| <i>Dollars in Thousands</i> | | | | | |
|--|----------------|---------------|-------------------------|---------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 7,226 | 11,791 | 0 | 0 | 0 |
| General | 2,985 | 2,961 | 207 | 207 | 414 |
| Natural Resources | 642 | 752 | 484 | 484 | 968 |
| Game And Fish (Operations) | 960 | 1,227 | 1,089 | 1,089 | 2,178 |
| Open Appropriations | | | | | |
| Natural Resources | 2 | 2 | 2 | 2 | 4 |
| Statutory Appropriations | | | | | |
| General | 36 | 128 | 0 | 0 | 0 |
| Natural Resources | 505 | 214 | 209 | 209 | 418 |
| Miscellaneous Special Revenue | 326 | 432 | 283 | 283 | 566 |
| Federal | 2,357 | 5,419 | 3,034 | 2,773 | 5,807 |
| Remediation Fund | 7 | 10 | 10 | 10 | 20 |
| Gift | 1,206 | 1,333 | 1,354 | 1,354 | 2,708 |
| Total | 16,252 | 24,269 | 6,672 | 6,411 | 13,083 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 3,608 | 4,003 | 2,624 | 2,624 | 5,248 |
| Other Operating Expenses | 3,337 | 4,324 | 2,217 | 2,217 | 4,434 |
| Capital Outlay & Real Property | 1,203 | 6,839 | 1,345 | 1,084 | 2,429 |
| Local Assistance | 8,104 | 9,103 | 479 | 479 | 958 |
| Transfers | 0 | 0 | 7 | 7 | 14 |
| Total | 16,252 | 24,269 | 6,672 | 6,411 | 13,083 |
| <u>Expenditures by Activity</u> | | | | | |
| Operations Support | 9,533 | 16,650 | 6,193 | 5,932 | 12,125 |
| Rec & Local Initiative Grants | 6,719 | 7,619 | 479 | 479 | 958 |
| Total | 16,252 | 24,269 | 6,672 | 6,411 | 13,083 |
| Full-Time Equivalent (FTE) | 43.5 | 41.5 | 27.9 | 27.9 | |

Activity Description

This activity provides administrative leadership to the Department of Natural Resources (DNR) and delivers services to the public including: formulating and establishing department policies and priorities; integrating department operations in a cohesive direction; and delivering services at the local level across the state through regional operations. The DNR’s regional operations includes northwest, northeast, central, and southern regional offices, with headquarters in Bemidji, Grand Rapids, St. Paul and New Ulm.

Legislative guidance is provided in Minnesota statutes pertaining to such topics as: accounting, contracting, and budget; data practices; planning and performance measurement; management of fleet, facilities and assets; management of information technology and information systems; publication of regulations and other information; state employment, labor relations, and state retirement; safety; human rights and accessibility. Article 11 of the Minnesota Constitution provides direction concerning finances, revenue from state lands, the Permanent School Fund, and the Environment and Natural Resources Fund.

Activity at a Glance

- ◆ communicate with executive branch and legislature
- ◆ direct budget and accounting policy for effective use for approximately \$300 million per year
- ◆ manage Federal Emergency Management Agency (FEMA) public assistance grants for damage to DNR properties and facilities from natural disasters
- ◆ protect habitat through acquisition, easements, or ordinances and direct technical and financial assistance to local communities
- ◆ resolve conflicts on natural resource issues within the DNR and with stakeholders

Population Served

Operations Support provides services to DNR managers, supervisors, and employees, and to the general public, local communities, and other governmental organizations.

Services Provided

The DNR has a three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. This activity exists to ensure the multi-part mission is carried out in an integrated and efficient manner, and includes leadership and services provided by:

- ◆ **Commissioner’s Office** provides leadership and direction for the department and manages regulatory and legislative affairs.
- ◆ **Regional Operations** provides leadership and assistance for interdisciplinary delivery of DNR services at the local level, including:
 - ⇒ coordination of natural resource management programs to ensure that the agency provides a unified response and is effectively and appropriately managing and conserving the state’s natural resources;
 - ⇒ technical assistance to local communities, stakeholders, and elected officials;
 - ⇒ local administration of financial assistance programs, including Metro Greenways, and Legislative-Citizen Commission on Minnesota Resources (LCCMR) recommended grants, Community Assistance, Metro Greenways Planning and Metro Corridor grants;
 - ⇒ information and education, communications planning, media relations, and department participation in local education and community events; and
 - ⇒ coordination of the department’s emergency response assistance in the event of a non-fire emergency.

Historical Perspective

The Operations Support Activity previously represented the Commissioner's Office, Regional Operations, and DNR's four service bureaus (Bureau of Human Resources, Bureau of Information and Education, Management Resources, and Office of Management and Budget Services). The Bureau of Human Resources supports agency management through workforce planning and key activities such as payroll and administration of labor laws, rules, and regulations; the Bureau of Information and Education provides information for the general public, media and marketing services, and coordination of DNR educational activities; Management Resources provides leadership and expertise on managing capital assets, information, and employee safety; and the Office of Management and Budget Services (OMBS) pursues effective integration of planning, budgeting, operations, and accountability mechanisms and provides leadership and support through agency management and financial services.

In FY 2006, the DNR initiated a new business model for a significant portion of the Operations Support Activity. The model, called Operations Support Governance, provides improvement in operational efficiency and accountability for managing DNR's information, workforce, assets, and finance and management support services. The Operations Support Governance model guides decisions regarding the quality and cost of shared department services provided and paid for by operating units. Operations Support Governance provides the shared services that DNR relies on in order to conduct business more efficiently. Operating units within the DNR receive and pay for these services based on service tied directly to a unit's business activity. The costs of these services are thereby distributed throughout the department.

Key Activity Goals

The DNR's Operations Support Activity and Operations Support Governance model work to achieve goals as described in the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html), the LCCMR's *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net), and the Minnesota Climate Change Advisory Group's priorities for addressing climate change within Minnesota (<http://www.mnclimatechange.us/index.cfm>). Serving as the support unit for the department's divisions, these activities assist divisions by providing efficiencies in operations, supporting interdisciplinary collaboration and decision-making, and finding innovative solutions to operational challenges.

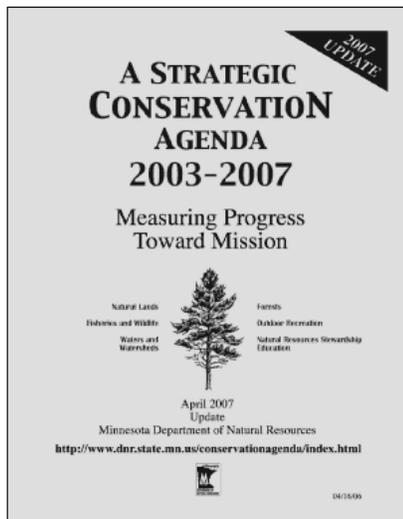
Recent societal trends are changing the nature of the state's natural resources and their contribution to Minnesota's quality of life. The DNR is responding with innovative and collaborative approaches to address three critical drivers of change. The Commissioner's Office provides leadership and direction on these critical trends and Regional Operations implements approaches to address these trends.

- ◆ **Changes in outdoor recreation participation:** As demand for various recreational opportunities changes and diversifies, the DNR must adjust its delivery of recreational services. The Commissioner's Office has directed the department to conduct market research to better understand the people it serves, increase efforts to promote outdoor recreation, and actively connect people with the outdoors through new outreach efforts.
- ◆ **Energy and climate change:** The Commissioner's Office has directed the department to reduce energy use through increased efficiencies in fleet and facilities and to increase the use of renewable energy in DNR operations. The DNR is modeling environmental performance through the use of new, innovative technologies and the demonstration of these technologies to the public. The DNR is supporting integrated teams in developing and incorporating carbon management strategies into management decision-making. This involves designing carbon measuring and reporting protocols and frameworks for mitigating and adapting to climate change and its effects, reporting to the Climate Registry, as well as participating in inter-agency efforts to enhance carbon sequestration within the state.
- ◆ **Landscape change:** Current patterns of low-density development threaten remaining natural lands and waters and people's access to them. In the face of development pressures, the protection and restoration of undeveloped natural and working lands is essential to conserve the many benefits that contribute to Minnesota's quality of life and economic vitality. Community assistance programs in the four DNR regions

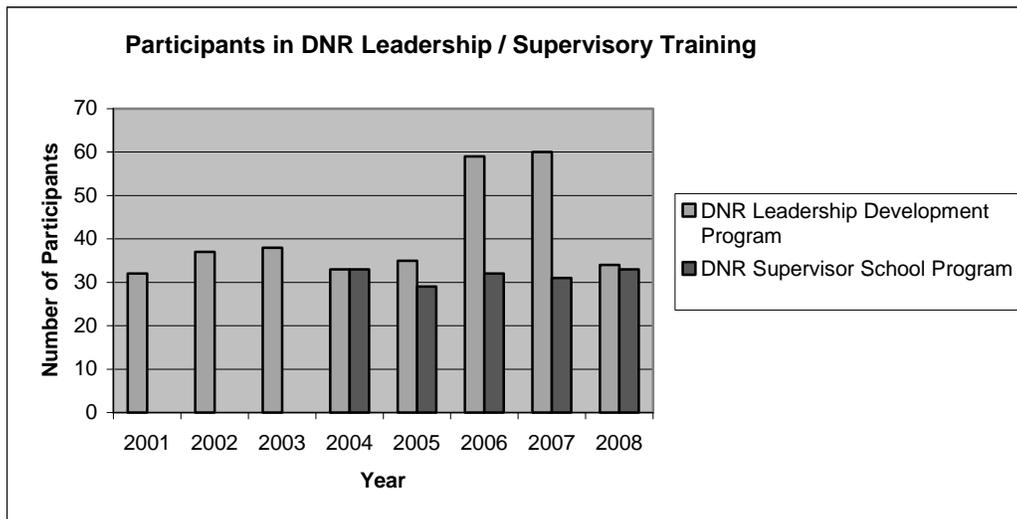
operate in conjunction with local units of government, partners, and stakeholders to provide sound, credible natural resource information as a basis for conservation planning and land use decisions.

Key Activity Measures

- ◆ **Performance measurement system:** The DNR manages an agency-wide performance measurement process that builds and reports on agency performance indicators. These indicators serve to clearly define agency natural resource priorities, measure progress, and document accountability to results. The DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* reports on a set of 91 indicators and associated targets that reflect the range and reach of DNR's mission.



- ◆ **Training and Development:** The number of DNR employees completing the DNR Supervisor School and the DNR Leadership Development Program in the years since program inception. As required by M.S.43A.21, supervisors and managers are required to attend training offered by Management Analysis and Development (MAD). In addition to those training programs, the DNR has determined additional needs that are best met by customized training provided within the agency. On-going curriculum review, involvement of senior management, and action learning projects tied to strategic direction of the agency are hallmarks of these two training programs.



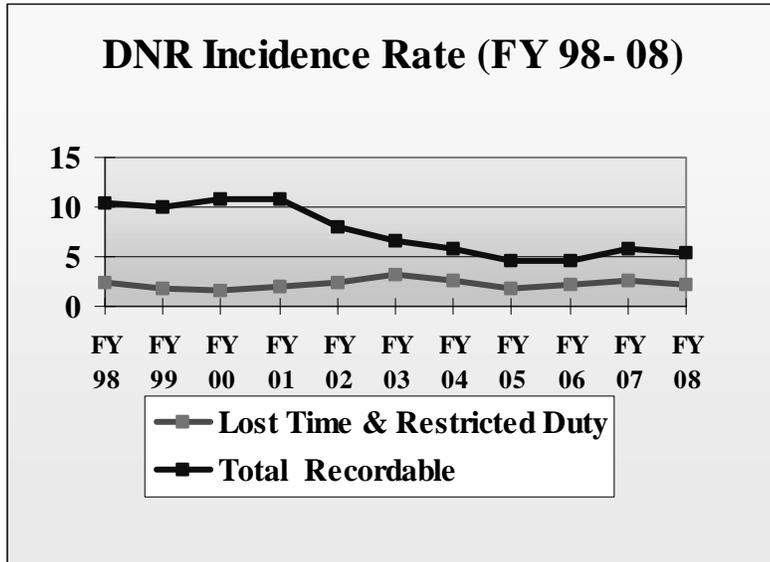
NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

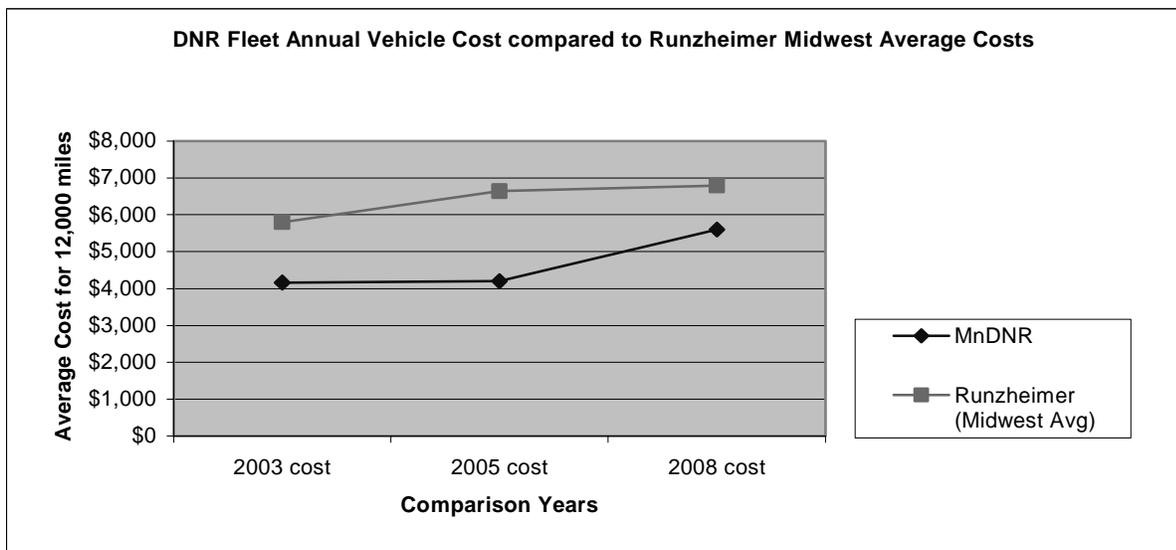
Activity: OPERATIONS SUPPORT

Narrative

- ◆ **Safety Performance:** Incidence rate – The total recordable incidence rate is the number of Occupational Health and Safety Administration (OSHA) recordable injuries and illnesses per 200,000 hours worked. The DNR incidence rate has dropped 56% in the last 10 years and 30% in the last three years. The short-term goal is to reduce the total injuries or illnesses in the DNR so that the recordable claims incidence rate is lower than the private sector total incidence rate (5.7) published by the Bureau of Labor Statistics (BLS).



- ◆ **Fleet Management:** The DNR was ranked as one of the 100 Best Fleets in North America by Fleet Equipment magazine in both 2006 and 2007 (out of 39,000 public and private fleets). DNR requires reliable working equipment to accomplish its mission. Equipment is used to enforce natural resources laws and regulations, and to manage wildfires, wild game, and fish populations. There are 5,000 pieces of equipment in the DNR fleet. It is managed as one pool of vehicles that work from 192 worksites.



NATURAL RESOURCES DEPT

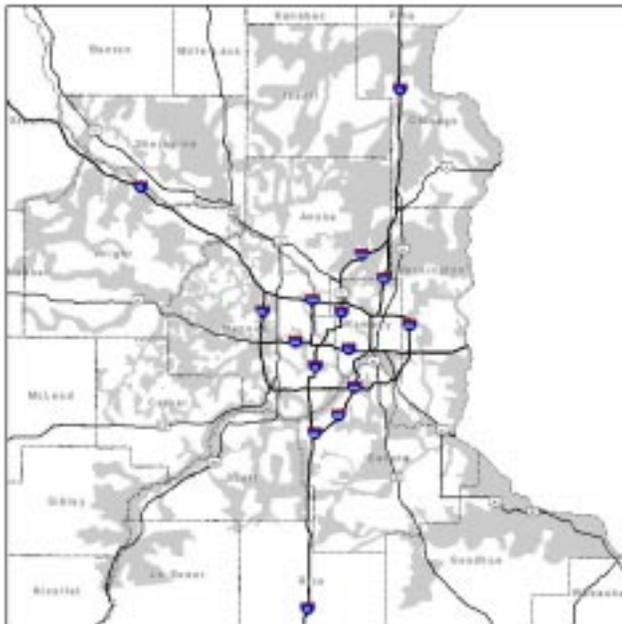
Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

- ◆ **Community Partnerships and Habitat Protection:** The following indicator is an example of conservation partnership activity carried out by Regional Operations. Regional Operations share in the responsibility with DNR divisions to accomplish statewide targets defined in the DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission*. Regional Operations help coordinate the interdisciplinary actions needed to ensure that meeting individual conservation targets is done in ways that optimize overall DNR mission results.

Metro Conservation Corridors 2008 Focus Areas



Indicator: Number of habitat acres protected in the Twin Cities metropolitan area

Target: Protect an additional 1000 acres and restore 500 acres of key habitat in the fast growing metropolitan 12-county region during FY 2010-2011

Activity Funding

For the current biennium, 29% of the funding for this budget activity is from the Minnesota Environment and Natural Resources Trust Fund for projects recommended by the LCCMR; 35% of the budget is from the General Fund, Natural Resources Fund, and the Game and Fish Fund; 24% of the budget comes from federal funds; and the remaining 12% is derived from dedicated receipt sources.

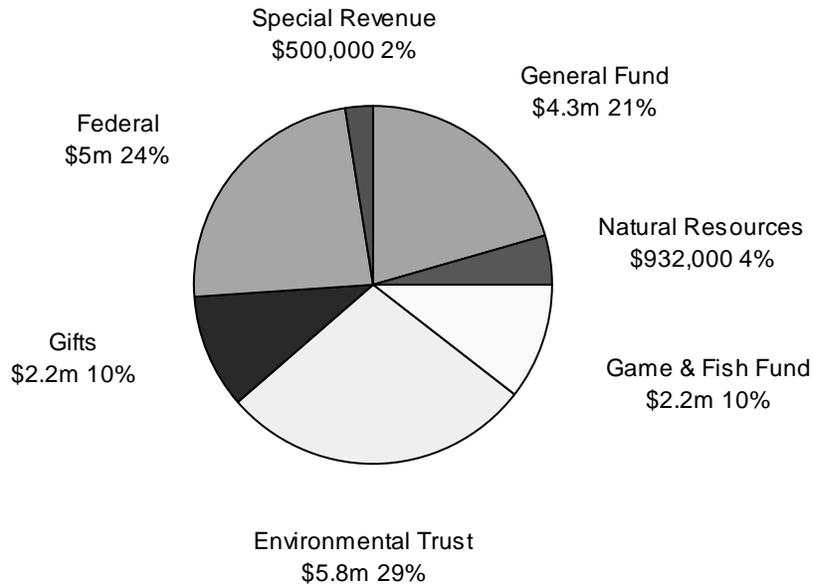
NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

**Operations Support
\$21 million**



Contact

For additional information, please contact:

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NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: OPERATIONS SUPPORT

Budget Activity Summary

Dollars in Thousands

| | Current | | Governor's Recomm. | | Biennium |
|---|--------------|---------------|--------------------|--------------|---------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 1,540 | 3,225 | 3,225 | 3,225 | 6,450 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (3,225) | (3,225) | (6,450) |
| Subtotal - Forecast Base | 1,540 | 3,225 | 0 | 0 | 0 |
| Total | 1,540 | 3,225 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 3,215 | 1,494 | 1,494 | 1,494 | 2,988 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 146 | 146 | 292 |
| Current Law Base Change | | | 500 | 500 | 1,000 |
| Subtotal - Forecast Base | 3,215 | 1,494 | 2,140 | 2,140 | 4,280 |
| Governor's Recommendations | | | | | |
| General Fund Reduction | | 0 | (1,933) | (1,933) | (3,866) |
| Total | 3,215 | 1,494 | 207 | 207 | 414 |
| Natural Resources | | | | | |
| Current Appropriation | 714 | 214 | 214 | 214 | 428 |
| Subtotal - Forecast Base | 714 | 214 | 214 | 214 | 428 |
| Total | 714 | 214 | 214 | 214 | 428 |
| Game And Fish (operations) | | | | | |
| Current Appropriation | 1,089 | 1,080 | 1,080 | 1,080 | 2,160 |
| Technical Adjustments | | | | | |
| Approved Transfer Between Appr | | | 9 | 9 | 18 |
| Subtotal - Forecast Base | 1,089 | 1,080 | 1,089 | 1,089 | 2,178 |
| Total | 1,089 | 1,080 | 1,089 | 1,089 | 2,178 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 1,282 | 4,722 | 0 | 0 | 0 |
| General | 2,985 | 2,895 | 207 | 207 | 414 |
| Natural Resources | 372 | 482 | 214 | 214 | 428 |
| Game And Fish (Operations) | 960 | 1,227 | 1,089 | 1,089 | 2,178 |
| Open Appropriations | | | | | |
| Natural Resources | 2 | 2 | 2 | 2 | 4 |
| Statutory Appropriations | | | | | |
| General | 36 | 128 | 0 | 0 | 0 |
| Miscellaneous Special Revenue | 326 | 432 | 283 | 283 | 566 |
| Federal | 2,357 | 5,419 | 3,034 | 2,773 | 5,807 |
| Remediation Fund | 7 | 10 | 10 | 10 | 20 |
| Gift | 1,206 | 1,333 | 1,354 | 1,354 | 2,708 |
| Total | 9,533 | 16,650 | 6,193 | 5,932 | 12,125 |
| <u>Expenditures by Category</u> | | | | | |

NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: OPERATIONS SUPPORT

Budget Activity Summary

| | Current | | Governor's Recomm. | | Biennium |
|------------------------------------|----------------|---------------|---------------------------|---------------|-----------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| Total Compensation | 3,553 | 3,970 | 2,624 | 2,624 | 5,248 |
| Other Operating Expenses | 3,337 | 4,318 | 2,217 | 2,217 | 4,434 |
| Capital Outlay & Real Property | 1,203 | 6,839 | 1,345 | 1,084 | 2,429 |
| Local Assistance | 1,440 | 1,523 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 7 | 7 | 14 |
| Total | 9,533 | 16,650 | 6,193 | 5,932 | 12,125 |
| Full-Time Equivalents (FTE) | 42.9 | 41.1 | 27.9 | 27.9 | |

Activity Description

The Recreation and Local Initiative Grants activity provides financial assistance to local governments and private organizations to acquire and develop outdoor recreation areas and to protect and enhance natural areas. The Local Parks Grants and Natural and Scenic Area Grants programs are established in M.S. 85.019. The Conservation Partners and Community Environmental Partnerships Grants programs are not established in statute, but have been funded on several occasions by the Legislative-Citizen Commission on Minnesota Resources (LCCMR) since 1995. The Regional Park Grants (Outside Metro) program was initially funded by the legislature in 2000 and is also established in M.S. 85.019. Pass-through contract administration for Environment and Natural Resources Trust fund projects has been funded since FY 2001 by the legislature as recommended by the LCCMR. The core program for this activity is the federal Land and Water Conservation fund (LWCF) program, M. S. 116P.14, which brings federal matching money to state and local projects in Minnesota.

Population Served

This activity serves cities, counties, townships, recognized Indian tribal governments, and eligible private/nonprofit organizations throughout Minnesota. Projects have been completed in every county and in well over 500 cities throughout the state.

Services Provided

The Department of Natural Resources (DNR) three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection, requires a fully integrated approach to conservation. Integrated resource management is DNR's strategy to share stewardship responsibility with citizens and partners as we manage for multiple interests. This program serves the DNR mission by offering financial cost sharing assistance to local governments and private organizations for projects that directly address recreational use and natural resources protection. These partnership projects also foster more livable communities, a healthier population, and greater public appreciation and knowledge of natural resource benefits.

Recreation and Natural Resources Grants:

- ◆ **Local Parks Grants** provide matching grants to encourage the creation or enhancement of outdoor recreation facilities.
- ◆ **Natural and Scenic Area Grants** provide matching grants to protect and enhance significant natural and scenic features.
- ◆ **Conservation Partners Grants** provide matching grants to enhance fish, wildlife and native plant habitats, and research and survey of fish and wildlife directly related to specific habitat improvements.
- ◆ **Environmental Partnership Grants** provide matching grants to encourage environmental service projects and related education activities through public and private partnerships.
- ◆ **Regional Park Grants (Outside Metro)** provide grants to public regional parks organizations outside the Twin Cities metro area to provide regional parks, open space, and recreational facilities. Every \$3.00 of state grants must be matched by \$2.00 of non-state funds.

Activity at a Glance

- ◆ Acquired 60 acres of natural/scenic areas in three city projects. A wooded bluff land in Red Wing; 30 wooded acres with 2,800 feet of lake shore in Prior Lake; and Pilot Knob in Mendota Heights (a site with historical, scenic, cultural and ecological values listed on the National Register of Historic Places) were protected
- ◆ Awarded nine conservation partners and environmental partnership grants for projects throughout the state
- ◆ Acquired 749 acres of regional parkland in three county parks outside the metro area, including 265 acres listed on the state County Biological Survey with a half mile of lake frontage for a new regional park in Stearns County; 344 acres with 1.5 miles of lake shore for a new regional park in Wright County; and a 140 acre addition to the existing 193 acres of hills, shallow lakes, prairie and forest in Kensington Runestone Regional Park in Douglas County, including over 3,000 feet of lake shore
- ◆ Administered \$12 million in previously funded pass-through projects and almost \$12 million in new pass-through appropriations
- ◆ Developed and administered a new state Public Pool Upgrade Program to provide grants for pool drainage safety improvements

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: REC & LOCAL INITIATIVE GRANTS

Narrative

- ◆ **Remediation Fund Grants** provide grants to cities, counties, townships and DNR divisions to acquire, protect, and restore natural resources, compensating the State of Minnesota for damage to resources from the release of hazardous substances from closed landfills.
- ◆ **Public Pool Upgrade Program** provides 75% matching grants to local units of government to help meet new state pool safety equipment requirements.

The Local Grants Unit also administers millions of dollars in pass-through appropriations on behalf of the department. In 2007, the legislature appropriated funds from the Environment and Natural Resources Trust Fund to the DNR for administration of contracts for appropriations to several third-party recipients, such as nonprofits and other levels of government. Pass-through appropriations from the Environment and Natural Resources Trust Fund in 2007 and 2008 totaled about \$10 million for numerous projects. Additional bonding pass-through appropriations for local and regional park projects totaled about \$1.8 million.

The Recreation and Local Initiative Grants programs, and the pass-through appropriations administered by DNR staff protect and enhance natural areas and outdoor recreation areas. One key characteristic of this activity is that it involves a variety of partnerships and cooperative efforts among state, local government, private organizations, and private citizen stakeholders. All projects are undertaken as positive, voluntary initiatives on the part of the participants.

Historical Perspective

The federal Land and Water Conservation fund (LWCF) plays an important role in the country's outdoor recreation and conservation funding efforts. Since its inception, this program is responsible for the acquisition of about seven million acres of land and over 40,000 state and local recreation and open space projects nationwide.

Since 1965, the LWCF program in Minnesota has invested more than \$68 million into the state's outdoor recreation system, funding over 400 state projects and over 800 local projects. The LWCF program in Minnesota is both a state and local program; each receiving 50% of the federal appropriation. The state program supports the acquisition and development of the State Outdoor Recreation System and the cost of administering both the state and local programs. The local program provides matching funds to local units of government, including recognized tribal governments, for outdoor recreation projects.

In federal FY 2002, \$2.5 million in LWCF funds was appropriated to the state. From that peak year the funding has declined to just under \$500,000 in 2006. Half of these funds are used for local parks, regional parks, and natural and scenic area grant programs. The other half is used to fund state projects. The prospects for future funding are unclear. The Recreation and Local Initiatives Grant Program has also received state funding since the 1960s through state bonding and appropriations from the Environment and Natural Resources Trust Fund and the former Future Resources Fund. Through the years, over 2,000 local projects have received over \$50 million in state grants and over \$74 million in federal grants through this program. The local match has exceeded \$95 million. Pass-through appropriations have contributed many additional millions of dollars. Projects have been funded in every county and in over 500 cities throughout the state.

These local projects address the three major trends facing the DNR as follows:

- ◆ **Changes in outdoor recreation participation:** Younger people participate less in outdoor recreation activities. Lack of time, cost and effort are some of the identified constraints to increased participation. Providing more inexpensive, close-to-home opportunities for outdoor recreation in partnership with local governments is known to encourage more young people to participate. Local parks also provide inexpensive and easily accessible settings for schools, non-profit youth programs and local government recreation programs that can help introduce young people to outdoor recreation activities.
- ◆ **Growing demands related to renewable energy and climate change:** Permanent protection of forests, prairies, and other natural lands, as parks and other natural areas helps store and sequester carbon that may otherwise be released to the atmosphere. Providing close-to-home outdoor recreation opportunities that can be accessed by walking, biking, or a short car trip provides an alternative to recreation that requires greater use of fossil fuels.

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: REC & LOCAL INITIATIVE GRANTS

Narrative

- ◆ **Landscape changes from population growth and development:** These grants help local governments afford the acquisition of shoreland, forests, and other sensitive natural areas for open space, public parks and natural areas as development leads to increased land prices. They also help local governments meet the increased needs for parks and outdoor recreation areas resulting from population growth, while at the same time helping them to protect the most valuable natural areas and habitats, shorelands and other areas that are most sensitive to population growth and development. These local assets are managed at no cost to the state.

Key Activity Goals

The DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* (mndnr.gov/conservationagenda/index.html) includes several management principles that are intended to guide the work of the department. As outlined above, the Recreation and Local Initiative Grants activity contributes significantly to one of these principles: "Cooperate with other agencies, local units of government, citizens, and stakeholders to effectively manage and sustain natural resources."

The program also helps address several of the habitat protection recommendations contained in the LCCMR's *Minnesota Statewide Conservation and Preservation Plan* (www.MnConservationPlan.net) including:

- ◆ protect critical shorelands of streams and lakes;
- ◆ protect priority land habitats;
- ◆ restore and protect shallow lakes;
- ◆ restore land, wetlands and wetland-associated watersheds; and
- ◆ improve connectivity and access to outdoor recreation.

Key Activity Measures

The DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress toward Mission* describes 91 performance indicators with conservation targets in 6 key areas. One DNR conservation target under the performance indicator "Helping Local Communities Protect Open Space" is to help local governments acquire 200 to 300 acres per year in 2007-2008 and 200 to 300 acres per year thereafter. The grants portion of the program far exceeded that goal during 2007-2008 with total acquisition of over 800 acres. The tables below illustrate local government demand for open space grants:

| | FY 2008 Requests Received | FY 2008 Funds Available |
|--------------------------|------------------------------|----------------------------|
| Demand for Grants | | |
| Remediation Fund | \$3.1 million | \$1.1 million |
| Natural & Scenic Grants | 2.8 million | 1.0 million |
| Regional Park Grants | 6.7 million | 0.55 million |

| | FY 2009 Requests Received | FY 2009 Funds Available |
|--------------------------|------------------------------|----------------------------|
| Demand for Grants | | |
| CP/EP Grants | \$1.8 million | \$.14 million |
| Natural & Scenic Grants | 1.1 million | 0 million |
| Regional Park Grants | 14.7 million | 1.2 million |

| Results of Grant Investments | FY 2008-09 Projects Funded | Results |
|------------------------------|-------------------------------|--|
| CP/EP Grants | 9 | Projects include shoreland restoration, reforestation, storm water management demonstration projects, and education efforts and invasive species and native plant research |
| Natural & Scenic Grants | 3 | 60 acres of natural and scenic areas and 2,800 feet of lake shore acquired (woods, prairie, bluff land, shoreland, wetlands, scenic vistas) in three city administered areas |
| Regional Park Grants | 3 | 749 acres and 2.5 miles of shoreland acquired in 3 county regional parks (prairie, woods, shallow lakes, marsh, hills) |

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

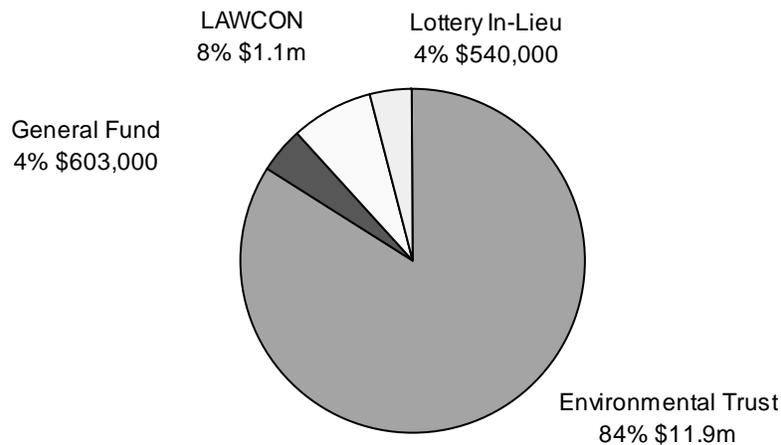
Activity: REC & LOCAL INITIATIVE GRANTS

Narrative

Activity Funding

For the current biennium, about 84% of the funding for the grant program budget activity is provided from the Minnesota Environment and Natural Resources Trust fund, 8% is from the federal Land and Water Conservation Fund (LWCF) and state (LWCF) account appropriations, 4% is from the general fund, and 4% is Lottery in-Lieu of sales tax from the natural resources fund. The remainder is provided by internal DNR Support Service Governance billings. This activity also administers local and regional park pass-through grants funded through state bonding appropriations. In 2008 those appropriations totaled \$1.8 million.

FY 2008-09 Recreation & Local Grants Budgeted Expenditures \$14.2 million



Contact

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NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: REC & LOCAL INITIATIVE GRANTS

Budget Activity Summary

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|---------------|---------------------------|---------------|-----------------|
| | Current | | Governor's Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| Environment & Natural Resource | | | | | |
| Current Appropriation | 1,000 | 6,987 | 6,987 | 6,987 | 13,974 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (6,987) | (6,987) | (13,974) |
| Subtotal - Forecast Base | 1,000 | 6,987 | 0 | 0 | 0 |
| Total | 1,000 | 6,987 | 0 | 0 | 0 |
| General | | | | | |
| Current Appropriation | 0 | 66 | 66 | 66 | 132 |
| Technical Adjustments | | | | | |
| One-time Appropriations | | | (66) | (66) | (132) |
| Subtotal - Forecast Base | 0 | 66 | 0 | 0 | 0 |
| Total | 0 | 66 | 0 | 0 | 0 |
| Natural Resources | | | | | |
| Current Appropriation | 270 | 270 | 270 | 270 | 540 |
| Subtotal - Forecast Base | 270 | 270 | 270 | 270 | 540 |
| Total | 270 | 270 | 270 | 270 | 540 |
| <u>Expenditures by Fund</u> | | | | | |
| Direct Appropriations | | | | | |
| Environment & Natural Resource | 5,944 | 7,069 | 0 | 0 | 0 |
| General | 0 | 66 | 0 | 0 | 0 |
| Natural Resources | 270 | 270 | 270 | 270 | 540 |
| Statutory Appropriations | | | | | |
| Natural Resources | 505 | 214 | 209 | 209 | 418 |
| Total | 6,719 | 7,619 | 479 | 479 | 958 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 55 | 33 | 0 | 0 | 0 |
| Other Operating Expenses | 0 | 6 | 0 | 0 | 0 |
| Local Assistance | 6,664 | 7,580 | 479 | 479 | 958 |
| Total | 6,719 | 7,619 | 479 | 479 | 958 |
| Full-Time Equivalents (FTE) | 0.6 | 0.4 | 0.0 | 0.0 | |

NATURAL RESOURCES DEPT

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. | | Biennium 2010-11 |
|--|------------------|--------------------|--------------------|----------------|---------------------|
| | | | FY2010 | FY2011 | |
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| General | 6,126 | 6,044 | 6,044 | 6,044 | 12,088 |
| Natural Resources | 39,916 | 40,158 | 41,672 | 41,774 | 83,446 |
| Game And Fish (operations) | 78,372 | 76,744 | 76,545 | 76,459 | 153,004 |
| Grants: | | | | | |
| Natural Resources | 256 | 202 | 202 | 202 | 404 |
| Other Revenues: | | | | | |
| General | 384 | 183 | 183 | 183 | 366 |
| Natural Resources | 2,284 | 2,320 | 2,320 | 2,320 | 4,640 |
| Game And Fish (operations) | 1,439 | 1,308 | 1,258 | 1,158 | 2,416 |
| Other Sources: | | | | | |
| General | 65 | 63 | 63 | 63 | 126 |
| Taxes: | | | | | |
| General | 1,987 | 1,904 | 1,934 | 1,974 | 3,908 |
| Total Non-Dedicated Receipts | 130,829 | 128,926 | 130,221 | 130,177 | 260,398 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings (Inter-Agency): | | | | | |
| Natural Resources | 38 | 175 | 175 | 175 | 350 |
| Departmental Earnings: | | | | | |
| Natural Resources | 2,729 | 2,593 | 2,593 | 2,593 | 5,186 |
| Miscellaneous Special Revenue | 24,012 | 22,452 | 21,947 | 22,102 | 44,049 |
| Game And Fish (operations) | 3,816 | 3,961 | 3,961 | 3,961 | 7,922 |
| Miscellaneous Agency | 8,023 | 8,419 | 8,419 | 8,419 | 16,838 |
| Gift | -4 | -3 | -3 | -3 | -6 |
| Permanent School | 30,011 | 24,540 | 24,540 | 24,540 | 49,080 |
| Grants: | | | | | |
| Natural Resources | 505 | 214 | 209 | 209 | 418 |
| Federal | 16,481 | 25,878 | 25,131 | 24,941 | 50,072 |
| Other Revenues: | | | | | |
| General | 45 | 41 | 0 | 0 | 0 |
| Natural Resources | 82 | 85 | 85 | 85 | 170 |
| Miscellaneous Special Revenue | 491 | 459 | 453 | 453 | 906 |
| Game And Fish (operations) | 39 | 40 | 40 | 40 | 80 |
| Remediation Fund | 344 | 0 | 0 | 0 | 0 |
| Reinvest In Minnesota | 1,294 | 1,355 | 1,355 | 1,355 | 2,710 |
| Miscellaneous Agency | 31 | 132 | 132 | 132 | 264 |
| Gift | 1,473 | 1,842 | 1,842 | 1,842 | 3,684 |
| Endowment | 1 | 0 | 0 | 0 | 0 |
| Permanent School | 1,111 | 618 | 618 | 618 | 1,236 |
| Other Sources: | | | | | |
| Miscellaneous Special Revenue | 526 | 616 | 295 | 295 | 590 |
| Miscellaneous Agency | 0 | 1 | 1 | 1 | 2 |
| Total Dedicated Receipts | 91,048 | 93,418 | 91,793 | 91,758 | 183,551 |
| Agency Total Revenue | 221,877 | 222,344 | 222,014 | 221,935 | 443,949 |

This Federal Funds Summary lists anticipated receipts for incoming federal grant listed in the same sequence as program budget activity order in the biennial budget. For information purposes, the end of the list includes information about anticipated reimbursements of federal funds to non-federal accounts for the Sport Fish and Wildlife Restoration Programs, as well as the Land and Water Conservation program.

Federal fund accounts include:

- ◆ Incoming federal grant or federal cooperative agreement revenue deposited directly to a federal (300 fund) account, whether by advance or reimbursement payment; and
- ◆ Federal grant or cooperative agreement revenue passed through another agency to Department of Natural Resources (DNR). If the federal funds are passed through another state agency that other state agency has included this amount also in their biennial budget.

Other federal receipts deposited to non-federal fund accounts per state statute:

- ◆ Federal reimbursements from the U.S. Fish and Wildlife Service Under the Federal Aid in Fish Restoration and Federal Aid in Wildlife Restoration Programs; and
- ◆ Federal Land and Statutes Conservation Fund reimbursements deposited to the 18E fund to meet M. S. 116P.14 Subd.2.

Benefits and flexibility to spend:

Federal funds are accepted when they support the Department's mission, strategies, goals and objectives as found in the current Strategic Conservation Agenda and described in this budget document.

Generally each federal program defines the flexibility the state has to spend the federal funds differently. All programs listed here must comply with the general federal grant administrative and financial requirements, law, and regulation, in addition to specific programmatic law and regulation for that specific source of funding.

Maintenance level of effort:

The only program in DNR that has a federally defined maintenance level of effort is the Sports Fish Restoration Program. Receipts for those programs are deposited to the Game and Fish Fund.

Related state spending:

The amount of state spending on this listing shows the amount reported as state agency expenditures to meet the federal match requirement. In some federal programs, such as the coastal zone program, if we sub grant some of the funds we require that the sub grantees put up the match funding. In other cases, partners provide the match funds.

Also, match is often accomplished over the entire period of the grant award. For this reason, the dollars listed in the "Related SFY 2008 Spending" column may not give a complete picture for an entire federal grant period.

Basis for estimates:

Estimates are based on the best federal funding information currently available at the time this document is created. Most new federal awards that impact state FY 2009-2011 are not yet confirmed. Therefore, we use historical trend information from recent years for ongoing programs.

Programs that subgrant a great deal of their incoming funds in multi year agreements may anticipate the full amount of the federal grant receipt in the year the sub grants are initiated by DNR. Thus actual expenditures appear to be less than expenditures at the close of that year. This explain the difference in the totals between the actual FY 2008 data, for which deposits will still be received, and the higher levels of estimated for FY 2009-2011.

Some of these 2008 accounts have been given authority to continue to spend in FY 2008 until November 26 and receive related reimbursement until February. Thus the receipts for 2008 are somewhat understated at this time.

Federal Funds Summary

Changes:

New funding will be sought in keeping with the Minnesota Department of Natural Resources Conservation Management Plan and state budget priorities. On the federal side, we expect changes in discretionary funding as federal budget priorities change. Some federal agencies are shifting funding methods from formula based to competitive based funding already shifting previously formula funded programs and this may affect our total level of federal funding. When the federal funding changes, our estimates may have to change through the processes provided in M.S. 3.3005.

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|---|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| MN Lake Superior Coastal Zone Program (CZM) | 164 | GPS/SO | 1510 | 1680 | 2302 | 2323 |
| Maps Modernization Management Support (MMMS) | 0 | SO | 62 | 199 | 150 | 50 |
| Cooperative Technical Partners (CTP) | 0 | SO | 143 | 93 | 230 | 303 |
| Community Assistance Program (CAPSSEE) | 50 | SO | 120 | 135 | 204 | 208 |
| Dam Safety | 0 | SO | 68 | 50 | 75 | 75 |
| CFP-Volunteer Fire Assistance | 296 | GPS | 296 | 347 | 350 | 350 |
| CFP State Fire Assistance | 512 | SO | 512 | 496 | 823 | 823 |
| CFP Firewise | 565 | GPS | 1130 | 1160 | 687 | 687 |
| Conservation Education | 0 | SO | 22 | 22 | 22 | 22 |
| Forest Stewardship | 339 | GPS | 339 | 748 | 500 | 500 |
| Forest Land Enhancement | 81 | GPS | 81 | 102 | 0 | 0 |
| Urban and Community Forest | 203 | GPS | 203 | 473 | 350 | 350 |
| Forest Legacy | 34 | SO | 34 | 3493 | 3500 | 3500 |
| NRCS-CRP Contribution Agreement * | 18 | SO | 0 | *18 | 15 | 15 |
| Forest Inventory and Analysis | 171 | SO | 366 | 435 | 375 | 375 |
| NCRS- Contribution Agreement | 30 | SO | 34 | 52 | 30 | 30 |
| Forest Health Mgmt -Oak Wilt -Invasive species Web Portal -Wood Logging Residue | 35 | GPS | 11 | 197 | 182 | 182 |
| Forest Health | 151 | SO | 151 | 399 | 277 | 277 |
| Conservation Reserve Sign Ups | 0 | SO | 34 | 108 | 34 | 108 |
| Recreational Trails Program | 54 | GPS/SO | 1620 | 2500 | 2500 | 2500 |

key:

Primary Purpose
 SO = State Operations
 GPS = Grants to Political Subdivision
 GI = Grants to Individuals
 GCBO = Grants to Community Based Organizations

Federal Funds Summary

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|--|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Clean Vessel Act | 0 | GI | 61 | 125 | 125 | 125 |
| Boating Infrastructure | 0 | GPS | 0 | 100 | 100 | 100 |
| Wildlife HIP | 0 | SO | 0 | 20 | 20 | 20 |
| Wildlife Federal Agreements | 130 | SO | 173 | 1156 | 880 | 880 |
| Wildlife USDA Agreements | 0 | SO | 0 | 0 | 120 | 120 |
| Wildlife-EPA Watershed | 0 | SO | 0 | 0 | 500 | 500 |
| Wildlife North American Waterfowl | 0 | SO | 695 | 1300 | 1500 | 1500 |
| Wildlife North American Waterfowl PF | 0 | SO | 527 | 90 | 90 | 90 |
| Fish Federal Agreements | 16 | SO | 99 | 312 | 575 | 650 |
| Commercial Fish-NOAA | 0 | SO | 0 | 0 | 75 | 75 |
| USFWS Fish Passage Program | 4 | SO | 0 | 0 | 250 | 250 |
| Eco Federal Agreements | | SO | 286 | 356 | 356 | 356 |
| Eco Landowner Incentive Program | 131 | SO/GI | 266 | 600 | 400 | 63 |
| Eco- State Wildlife Grants | 1000 | GPS | 968 | 1204 | 1204 | 1204 |
| Eco-Eco Comprehensive Conservation Grants | 170 | SO | 25 | 259 | 259 | 259 |
| Eco US EPA Agreements | 266 | SO | 294 | 130 | 0 | 0 |
| Endangered Species- Coordination Act Grants | 40 | SO | 1 | 1 | 1 | 1 |
| Endangered Species – Section 6 | 67 | SO | 33 | 45 | 45 | 45 |
| Long Term Resource Monitoring Grants -Direct | | | | | | |
| - Indirect through Wisconsin | 4 | SO | 461 | 516 | 516 | 516 |
| Enforcement Port Security | 0 | SO | 0 | 311 | 0 | 0 |
| Bulletproof Vests | 0 | SO | 0 | 8 | 20 | 20 |
| Underage Alcohol Prevention | 0 | | 4 | 4 | 4 | 4 |
| Boating Safety | 3481 | SO | 3663 | 4300 | 4300 | 4300 |
| Master Naturalist | 0 | SO | 50 | 50 | 50 | 50 |
| Disaster Public Assistance | 168 | SO | 694 | 2831 | 150 | 150 |
| Army Compatible Use Buffer Zone | 0 | SO | 377 | 673 | 1000 | 1000 |

key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Federal Funds Summary

| Federal Program (\$ in Thousands) | Related SFY 2008 Spending | Primary Purpose | SFY 2008 Revenues | SFY 2009 Revenues | Estimated SFY 2010 Revenues | Estimated SFY 2011 Revenues |
|--|---------------------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| Subtotal Federal Funds | | | 15413 | 27098 | 25146 | 25142 |
| NON FEDERAL FUND FEDERAL | | | | | | |
| Sport Fish Restoration(D-J) | | SO | 14806 | 15072 | 15122 | 15122 |
| Wildlife Restoration (P-R) | | SO | 9348 | 10146 | 10382 | 10382 |
| Subtotal Game and Fish Fund Federal | | | 24154 | 25218 | 25504 | 25504 |
| LAWCON Federal Receipts | | SO/GPS | 505 | 214 | 209 | 209 |
| Agency Total | | | 40072 | 52530 | 50859 | 50855 |

key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

*Awaiting legislative approval

The following grants are listed in order of funding source. Federal subgrant detail is not listed separately but can be cross-referenced on the federal fund summary listing. The financial data is based on Biennial Budget Detail. A program not yet included in the budget details is identified with***.

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|---|--|--|---------------------|---|
| State Environment and Natural Resources Fund Grants | Funds appropriated to DNR to help local governments and private entities further the protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources | Local Governments and private entities, academic institutions | 9425 | |
| Flood Hazard Mitigation | Funds to help address local units of government identify their flood damage reduction and other local water resources management issues and needs. | Other governments | 716 | |
| Forest Resources Council | Funds critical forest resource management programs under the 1995 Sustainable Forest Resources Act, including management guideline training and revision, Forest Resources Council and forest landscape level programming. | Non-government Organization | 9 | |
| Forestry Protection | Fire Protection: rural Community Fire Assistance supports rural fire departments and their ability to protect communities from wildfires. | Cities and Towns, Other Government Units, non-government units. | 112 | |
| Forestry Interagency Information | Interagency Information Cooperative Grant to the University of Minnesota for the Interagency Information Cooperative to develop a common forest inventory format- describing key attributes of Minnesota's public forestland base, growth models for managed forest stands, a forest wildlife habitat model format, and an information database | Higher Education | 197 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|---|---------------------|---|
| | on the state's family forest ownership. | | | |
| Forest Management* | Provide assistance to support additional technical and cost-share assistance to non-industrial private forest (NIPF) landowners. | Counties, Higher Education, Non Government Organizations, aid to individuals | 316 | |
| Trails Local Assistance | To encourage the maintenance and development of non-motorized trail opportunities with state forests. | Counties, Other State agencies | 117 | |
| Wildlife Acquisition | Development and Maintenance of wildlife lands and habitat. | Non-governmental organizations, other governments | 203 | |
| Wildlife Local Assistance | Grants for wildlife habitat and management. | Other government agencies, non-governmental agencies. | 536 | |
| Fish MINNAQUA - Gen. Fund | Let's Go Fishing Program grants | Non governmental organizations | 175 | |
| Eco Resources 308-Gen Fund (includes exotic species grants 0 | Includes grants for prairie wetlands restoration and prairie wetlands, invasive species, non-game, and native prairie protection | Non-government, Other governments, cities and towns, native prairie. | 308 | |
| LAWCON –Fed and State Fund 100(match) and fund 18E | To meet the state and locally identified public outdoor recreation needs to strengthen the health and vitality of people. Increase the number of protected state and local outdoor recreation resources and ensure their availability for public use in perpetuity. Encourage sound planning and long term partnerships to expand the quantity and ensure the quantity and quality of needed state and local recreation resources. | Local governments and recognized tribal governments based on priorities established in the State Comprehensive Outdoor Recreation Plans, updated every 5 years. | 269 | |
| Minnesota Resources Fund-Trails & Waterways Mgmt | Matching for federal Tea-21 grants | Counties | 7 | |
| Water Recreation (181)-operations, enforcement | Clean Vessel grants - to encourage the | Cities, towns, counties | 1182 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|--|---------------------|---|
| | development or improvement of marina sanitation facilities for boaters in order to maintain and improve water quality in public waters. | | | |
| Snowmobile (182) | The purpose of this program is the creation and maintenance of locally initiated trails that were financially assisted by the state. To enforce state laws and rules for snowmobile use. | Counties, cities, towns | 8987 | |
| All Terrain Vehicles (183) | To encourage Maintenance, development and acquisition of public, locally controlled all-terrain vehicle. To enforce state laws and rules for ATV use. | Counties, cities, towns | 2392 | |
| Nongame | Grant to Department of Agriculture to manage distribution of seized venison to food selves. | State Agency | 655 | |
| Off Highway Motorcycle (186) | To encourage maintenance, development, and acquisition of public, locally controlled off-highway motorcycle (OHM) trails and areas. To enforce state laws and rules for OHM use. | Counties | 333 | |
| Off Road Vehicle (187) | To encourage maintenance, development, and acquisition of public, locally controlled off-road vehicle (ORV) trails and areas. . To enforce state laws and rules for ORV use. | Counties | 825 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|---|---------------------|---|
| Lottery-in Lieu-State Parks and Trails (188) | Local and Regional Trail Grants - Local/ To promote relatively short trail connections between where people live and desirable locations, not to develop significant new trails. - Regional/ To promote development of regionally significant trails. | Counties | 122 | |
| Metro Parks and Trails- Lottery-in-lieu (18A) | Pass through appropriation to the Twin Cities Metropolitan Council, which distributes to agencies according to priorities established in the regional parks and trails plan | Twin Cities Metropolitan Council | 25 | |
| Local Trails –Lottery- in Lieu (18B) | Maintenance of trails | Counties, cities and towns | 750 | |
| Zoos Lottery- in- Lieu (18C) | Pass –through appropriations to support activities related to specific zoos, specified by law. | The Minnesota Zoo, Duluth Zoo, and the Como Zoo | 270 | |
| Off Highway Vehicle Damage (18D) | Makes funds available to repair damage to private or public lands caused by off-highway vehicle operation in unauthorized or unpermitted areas. | Cities and towns | 380 | |
| Cross Country Ski (18H) | To encourage the maintenance and development of cross- country ski trails by local clubs sponsored through local government units. To enforce natural resources laws and rules related to these trails. | Counties | 262 | |
| Forest Management Investment Account (18J) | Forestry FMIA relief payments for timber sale permits. | Non- Government organizations | 34 | |
| Natural Resources Misc. (18K)-Trails | Horse trails | Counties | 112 | |
| Forest Management PFM- (200 fund) | Forestry Sustainable Woodlands assists landowner cost sharing | Non-Government Organizations | 36 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|---|---------------------|---|
| | and provides informational books and pamphlets. | | | |
| Forest Management Development (200 fund)- State Forest Roads | Forestry County Roads Grants are derived from un-refunded revenue from the gasoline fuel tax which is derived from the operation of motor vehicles on state forest roads and county forest access roads. This revenue must be annually transferred to counties for the management and maintenance of county forest roads. | Counties | 420 | |
| Wildlife Big Game (200 fund) | Funds for the administration of the venison donation program | Department of Agriculture | 50 | |
| Environmental Review | Agreements to conduct environmental reviews for DNR. | Non-governmental Organizations | 58 | |
| Game and Fish Water Recreation | Game and Fish Water Access | Cities and Towns | 253 | 2009 |
| G & F Wildlife Roadsides | To encourage local road authorities and landowners to use Integrated Roadside Resource Management Techniques so that ecological values (water, soil, wildlife, native plants) are considered. For example, this program provides information on state mowing laws so that there is reduction in the disturbance of nesting wildlife. | Public road authorities, conservation groups, and private landowners may request grants for revegetation of roadsides with native grass and forb seed, demonstration plots on biological weed control, and native seed planting and harvesting equipment. | 20 | 2009 |
| G& F Fish MINNAQUA | Education program grants to teach angling recreation and stewardship, as well as the ecology and conservation of aquatic habitats. | Non-governmental organizations | 20 | 2009 |
| Aquatic Plant Restoration | Shoreland restoration | Counties, non-Governmental organizations. | 65 | |
| Waterfowl Habitat Improvement | Development of Wetlands and lakes and designated waterfowl management lakes | Other Governments | 233 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|---|---|---------------------|---|
| Pheasant Habitat Improvement | To provide cost sharing to landowners for management practices that improve pheasant habitat. | Public and private landowners in 64 counties in southern, western and central Minnesota may apply for grants to develop, restore, and maintain suitable habitat for ring-necked pheasants, which includes the establishment of food plots (primarily corn or sorghum), nesting cover, woody cover and wetland restoration. | 253 | |
| Wildlife Acquisition Surcharge | Development and Maintenance of wildlife Lands | Non-governmental organizations. | 15 | |
| Turkey Enhancement | Provide wild turkey habitat on public and private lands | Non governmental organizations | 15 | |
| Heritage Enhancement (239) | To encourage local outdoors clubs to complete wildlife habitat projects on State Wildlife Management Areas or other lands under control of the Section of Wildlife. | State- or nation-wide wildlife habitat conservation organizations that have two or more local or regional chapters, or local, nonprofit outdoor recreation oriented clubs that are unaffiliated with state or national organizations and that list wildlife habitat conservation as a primary focus of their organization's by-laws. All work must be done on State Wildlife Management Areas or other lands under control of the Section of Wildlife | 2012 | |
| Federal | Various, see Federal Summary Listing | Various, see Federal Summary Listing | 8508 | 2008 and 2009 |
| Reinvest In MN (RIM) | Purpose: To encourage private citizens and organizations to help fund the acquisition and development of critical fish | Private Individuals and Groups may apply for grants to acquire and enhance critical habitat, which includes | 353 | |

| Program Name Federal or State or Both (citation) | Purpose | Recipient Type (s) Eligibility Criteria | Budgeted FY 2009 | Most Recent Federal Award (cite year) |
|--|--|--|---------------------|---|
| | and wildlife habitat by having their donations of land or cash matched from a special state fund. | but is not limited to restoring wetlands, improving forest habitat, planting critical winter cover, protecting undisturbed plant communities, preserving habitat for rare plant and animal species, protecting native prairie and grasslands, and preserving spawning and reproduction areas for fish. | | |
| Remediation Fund Grants | To acquire, protect and restore natural resources, compensating the State of Minnesota for damage to those resources | Cities, counties, townships and DNR divisions. Eligible projects may involve fee title acquisition of natural areas and/or ecological restoration leading to the establishment of maintenance of native plant communities. Projects must be in proximity to qualifying closed landfill sites. More detailed ranking criteria related to the quantity of the resource protected, benefit to resources, etc. | 1159 | |
| Gift Fund Grant | Wildlife management operations | Non-Governmental Organization | 15 | |
| DNR Total | | | 42204 | |

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↻ Designates that this item is a change item

Agency Purpose

The Minnesota Board of Examiners for Nursing Home Administrators was established in 1970 and operates through M.S. 144A.19 – 144A.28 and Minn. Rules 6400. The board is charged with the responsibility to act as the official licensure agency for nursing home administrators. It was originally created by federal mandate and currently exists to protect the public’s interest through the regulation of nursing home administrators in the state of Minnesota. Regulation is accomplished through licensure examination and professional development as well as by the investigation of complaints.

The mission of the board is to promote the public’s interest in quality care and effective services for residents of nursing facilities by ensuring that licensed administrators are qualified to perform their administrative duties.

The Board of Examiners for Nursing Home Administrators has an additional budgetary responsibility serving as the fiscal agent for the *Administrative Services Unit*. The mission of the Administrative Services Unit (ASU) is:

- ◆ To provide centralized administrative services to 15 health-related licensing boards, the Emergency Medical Services Regulatory Board (EMSRB) and Board of Barber and Cosmetologist, in the areas of budgeting, fiscal analysis, human resources, transaction processing, purchasing and printing services, operations analysis, contracts, information technology and research and policy analysis.
- ◆ To provide high quality services by having individually trained staff focused on global administrative tasks focusing on cooperative ventures and
- ◆ To assist in the establishment of a consortium of boards to cooperate on matters of common interest.

Core Functions

The board accomplishes its mission by:

- ◆ setting and administering educational and examination standards for initial and continuing licensure;
- ◆ responding to inquiries, complaints and reports from the public and other health care regulators regarding licensure and conduct of applicants, permit holders, licensees and unlicensed practitioners;
- ◆ pursuing educational or disciplinary action with licensees as deemed necessary based upon results of investigations conducted; and
- ◆ providing information and education about licensure requirements and procedures and standards of practice to the public and other interested audiences.

Operations

- ◆ The board is comprised of nine individuals appointed by the governor, of which four are licensed administrators. The Minnesota Department of Health (MDH) and Department of Human Services (DHS) have appointed representatives who serve ex-officio. The board provides information relating to the practice of administration in long-term care facilities by informing the public of appropriate services and expected professional standards of nursing home administrators.
- ◆ The board’s Education Committee reviews the domain of knowledge and skills required for contemporary administration and sets educational and examination standards reviewing 50 applicants and administering 35 state examinations per year.
- ◆ The Standards of Practice Committee annually reviews 100-125 public and agency complaints regarding administrators. Public education is provided to consumers of long term health care.

At A Glance

Minnesota Licensed Nursing Home Administrator Statistics

(As of June 30, 2008)

Credentialing

| | |
|--|------|
| Total Licensed: | 840 |
| % of 1 st time Minnesota candidates’ scores above national standard | 79% |
| Current Average Age of new LNHA | 35.4 |
| Current Average Age of LNHA | 49.4 |

Education:

| | |
|---|----|
| New licensees: | 42 |
| Acting Permits issued | 12 |
| Minnesota Accredited Colleges in Health Care Adm. | 7 |

Complaint Review

| | |
|--|-----|
| Total Complaints reviewed | 108 |
| Total complaints resolved | 105 |
| Percentage of Complaints resolved in <3 months | 91% |

- ◆ There are seven Minnesota approved Long-Term Care Administration academic programs. Students seeking career information are provided assistance from the board.
- ◆ The board assists 385 licensed skill nursing facilities in achieving federal compliance of employing a licensed nursing home administrator.

Key Goals

In 2008, The Board of Examiners for Nursing Home Administrators met and identified four key goals to work towards in this biennium: The four over-arching global goals relate to:

- #1: Goals towards addressing Assisted Living Administrators Credentialing
- #2: Goals directed towards initial academic training and practicum/field experience
- #3: Goals directed toward improving experienced administrators' continued competency
- #4: Goals directed toward board effectiveness of daily operations

Significant detail for each goal is provided on the board's website.

Key Measures

- ◆ Currently the board renewed 82.5% of its licensees in 2007 and 83.7% in FY08 using online electronic service; a stretch goal of 85% will be pursued in the biennium.
- ◆ The processing of a license will occur within two working days of the receipt of all licensing requirements.
- ◆ New Licensees evaluation of the application process will remain in the 4.0 to 5.0 range (5.0 scale) during the biennium. Improvement will take place with an electronic version and a continued satisfaction ranking of 4.0-5.0 rating.
- ◆ New Online Services – collaborating with other health-licensing boards for improved online services, with the additional online services of licensure applications, continuing education sponsors, and continuing education approval process added within this biennium. Goal will be to initially have 33% of all applicants apply online.

Budget

Total direct and indirect expenditures for FY 2008-09 were estimated to be \$1.576 million, which includes 8.60 FTE employees. Direct expenditures include salaries, rent and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professionals Services Program, Office of Mental Health Program and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board of Examiners for Nursing Home Administrators (BENHA) is estimated to collect \$389,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs. An estimated \$127,000 will be collected as dedicated revenue and deposited into the special revenue fund.

The Administrative Services Unit generates no revenue. Funds are appropriated to BENHA from the state government special revenue fund. The 15 health-related licensing boards, EMSRB, and Barbers and Cosmetologists share the cost of this activity. ASU is funded by receipts from all boards through a formula designed to approximate the share of ASU services used by each board. The boards collect revenue through fees charged to licensees, applicants, and other users and deposit them into the state government special revenue fund to cover the expenses of ASU. EMSRB pays for their services through an interagency agreement.

Contact

Minnesota Board of Examiners for Nursing Home Administrators
2829 University Avenue Southeast, Suite 440
Minneapolis, Minnesota 55414

The website at: <http://www.benha.state.mn.us> gives visitors easy access to useful information about nursing home administrators. Types of information available through the website include; regulatory news and updates, rules and Minnesota statues, public notices and forms.

Randy Snyder, Executive Director

Email: benha@state.mn.us

Phone: (651) 201-2730

Fax: (612) 617-2125

TTY: (800) 627-3529

| <i>Dollars in Thousands</i> | | | | | |
|---|----------------|----------------|-------------------------|----------------|-----------------|
| | Current | | Governor Recomm. | | Biennium |
| | FY2008 | FY2009 | FY2010 | FY2011 | 2010-11 |
| <u>Direct Appropriations by Fund</u> | | | | | |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 733 | 912 | 912 | 912 | 1,824 |
| Recommended | 733 | 912 | 1,212 | 1,023 | 2,235 |
| Change | | 0 | 300 | 111 | 411 |
| % Biennial Change from 2008-09 | | | | | 35.9% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 21 | 28 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| State Government Spec Revenue | 640 | 755 | 1,012 | 823 | 1,835 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 12 | 15 | 15 | 14 | 29 |
| Statutory Appropriations | | | | | |
| State Government Spec Revenue | 1 | 1 | 1 | 1 | 2 |
| Miscellaneous Special Revenue | 240 | 270 | 184 | 218 | 402 |
| Total | 914 | 1,069 | 1,212 | 1,056 | 2,268 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 645 | 701 | 835 | 675 | 1,510 |
| Other Operating Expenses | 269 | 368 | 377 | 381 | 758 |
| Total | 914 | 1,069 | 1,212 | 1,056 | 2,268 |
| <u>Expenditures by Program</u> | | | | | |
| Nursing Home Admin, Board Of | 914 | 1,069 | 1,212 | 1,056 | 2,268 |
| Total | 914 | 1,069 | 1,212 | 1,056 | 2,268 |
| Full-Time Equivalent (FTE) | 8.4 | 9.1 | 7.6 | 8.0 | |

NURSING HOME ADMIN BOARD

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|--|------------|--------------------|--------------|--------------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| FY 2009 Appropriations | 912 | 912 | 912 | 1,824 |
| Subtotal - Forecast Base | 912 | 912 | 912 | 1,824 |
| Change Items | | | | |
| ASU-Health Boards' Retirement Costs | 0 | 201 | 0 | 201 |
| ASU-Legal Analyst Position | 0 | 85 | 87 | 172 |
| ASU-Volunteer Health Care Provider Prog. | 0 | 14 | 24 | 38 |
| Total Governor's Recommendations | 912 | 1,212 | 1,023 | 2,235 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Planned Open Spending | 15 | 15 | 14 | 29 |
| Total Governor's Recommendations | 15 | 15 | 14 | 29 |
| Fund: STATE GOVERNMENT SPEC REVENUE | | | | |
| Planned Statutory Spending | 29 | 1 | 1 | 2 |
| Total Governor's Recommendations | 29 | 1 | 1 | 2 |
| Fund: MISCELLANEOUS SPECIAL REVENUE | | | | |
| Planned Statutory Spending | 270 | 184 | 218 | 402 |
| Total Governor's Recommendations | 270 | 184 | 218 | 402 |

NURSING HOME ADMIN BOARD

Change Item: ASU-Health Boards' Retirement Costs

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| State Government Special Revenue Fund | | | | |
| Expenditures | 201 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$201 | \$0 | \$0 | \$0 |

Recommendation

The Governor recommends \$201,000 in FY 2010 from the State Government Special Revenue Fund to the Administrative Services Unit (ASU) housed under this agency to be used to pay for retirement costs in the health related boards. This funding would be available for transfer to the health boards through the biennium only for these costs.

Background

Several health boards anticipate retirements in the FY 2010-11 biennium with total costs estimated at the amount of this recommendation. The timing of a retirement decision is up to the individual, and the resulting irregular severance costs are often beyond the scope of the annual operating budgets of these agencies, especially the smaller ones. This recommendation provides a funding source for the boards that can be assessed for these expenses and eliminates the need for continuously adjusting individual appropriations and seeking deficiency funding. The health boards recover their costs through fees and any retirement funding provided to them would be included in those costs.

Relationship to Base Budget

Severance costs are generally not included in agency base budgets, especially those of smaller agencies.

Key Goals and Measures

Assuring a funding source for these irregular costs will allow the boards to use their regular operating budgets for furthering their missions of protecting the public's health and safety by providing reasonable assurance that the people who practice their profession are competent, ethical practitioners. They will be able to continue their program functions of licensing health care professionals and disciplining licensees whose behavior is a violation of the law and a risk to patient safety.

Alternatives Considered

Funding could be provided separately to each board anticipating retirement costs, but this would likely have to be adjusted as specific retirement decisions are made and actual costs known. Agencies could reallocate existing funding, but with some boards having two or fewer staff, agency operations might have to be shut down.

Statutory Change: Not Applicable

NURSING HOME ADMIN BOARD

Change Item: ASU-Legal Analyst Position

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| State Government Special Revenue Fund | | | | |
| Expenditures | 85 | 87 | 87 | 87 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$85 | \$87 | \$87 | \$87 |

Recommendation

The Governor recommends \$85,000 in FY 2010 and \$87,000 in FY 2011 to the Administrative Services Unit (ASU) housed under this agency for a legal analyst position. This will allow the ASU to support the health related licensing boards, especially the smaller ones without specialized staff, by providing legal assistance to them, particularly for legal drafting services. This recommendation is driven by increasing and increasingly complex complaint caseloads handled by the boards and changes in legal services provided to the boards by the Attorney General's Office (AGO).

Background

The health related licensing boards have seen their consumer complaints against individual health care professional's increase 28% since FY 2002. Complaints are more complex, requiring significantly more legal investigation and documentation. This requires greater staff involvement in processing and resolution. At the same time, the AGO has decreased the number of paralegals available to provide legal assistance to the boards in performing their complaint resolution process. This declining resource has been especially marked in the area of drafting of legal documents; the boards have recently been apprised that the AGO no longer has support staff available to assist the boards in drafting these documents. The boards seek to replace the AGO's services, in a cost effective manner, by hiring a legal analyst to draft documents. The boards' ability to process complaint activities in a timely manner is severely negatively impact by a lack of resources to draft legal documents. At this time there is a combined backlog of nearly 750 open disciplinary cases with over 100 cases awaiting legal documents to be drafted. As the overall number of health licensees increases to meet the increasing need for health care, the number of complaints has increased and will only continue to grow. The AGO has suggested that the hiring of a legal analyst funded by and shared among the boards is the best option to avoid further delays in complaint investigations and resolution. Three boards have hired a dedicated Legal Analyst to assist with document drafting and to limit the backlog at the AGO; this is a model that has worked and actually reduces overall expense. With a further reduction in AGO staffing, current AGO expenses for the boards will increase because attorneys rather than paralegals will be called on to draft these documents. By hiring a shared legal analyst onsite the boards will realize significant savings. This is a transition of essential services from one governmental entity to another at an overall cost reduction to the system. An additional Legal Analyst is needed to assist the boards in fulfilling their vital public protection missions, and to meet the customer service expectations of citizens who bring forward complaints regarding health care professionals.

The ASU is funded by a direct appropriation from the State Government Special Revenue Fund (171 fund). Through an agreed upon cost allocation formula, the costs of the ASU are allocated to each of the 15 health related licensing boards, the Emergency Medical Services Regulatory Board and the MN Board of Barber and Cosmetologist Examiners. These boards must collect and deposit revenue equal to their share of the cost into the Government Special Revenue Fund. The health related licensing boards are considered fee-supported boards that do not receive general fund dollars. While the legislature approves appropriations to the boards, fees assessed to the various licensees of the boards cover all of their direct and indirect expenditures.

The ASU provides services to the boards in the areas of budgeting, purchasing, payroll, human resources, fixed assets, accounts payable, accounts receivable, auditing, reporting and information technology support with 7.12 FTEs. In order to provide services to all the boards, the new Legal Analyst position will be employed 'sharing' the services of this employee with direct expense charged to the boards that utilize the legal services. No fee increase would be needed by any of the health related licensing boards to cover this expense.

Relationship to Base Budget

This recommendation will enhance the ASU's ability to provide shared legal services to the health related boards at a net savings. The boards' funding is self-generated through fees from licensed and registered professionals who have recognized the importance of the work that is done to regulate the professions. There is no other state or federal agency that performs these functions for the citizens of Minnesota. This recommendation will not require fee changes. Currently the boards are collecting sufficient revenue to cover the cost of this increase for compensation and related costs.

Key Goals and Measures

The boards' missions are to protect the public's health and safety by providing reasonable assurance that the people who practice their profession are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role. Funding this recommendation will allow the boards to continue their program functions of licensing health care professionals and disciplining licensees whose behavior is a violation of the law and a risk to patient safety.

Alternatives Considered

Without this change, which would allow the boards to do most of this work in-house, legal documents would continue to be prepared and reviewed by the AGO at a greater expense. With the AGO decreasing legal analyst positions from four to one, longer delays would occur affecting timely interventions with practitioners and delayed or ignored public safety.

If additional staff is not hired to assist the boards with badly-needed legal support services in their complaint investigation programs, it is possible that complaint processing efforts would be focused on complaints of unsafe practices by various healthcare professionals that resulted in actual harm or death of patients. Extremely limited resources would be available to address complaints of unsafe practices, which, if addressed prior to harm, might result in education or corrective action that could avoid actual injury. Complaint processing time would be increased, less attention would be given to public complaints, and expenses would increase without this change.

Statutory Change: Not Applicable

NURSING HOME ADMIN BOARD

Change Item: ASU – Volunteer Health Care Provider Program Funding

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| State Government Special Revenue Fund | | | | |
| Expenditures | 14 | 24 | 24 | 24 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$14 | \$24 | \$24 | \$24 |

Recommendation

The Governor recommends \$14,000 in FY 2010 and \$24,000 in FY 2011 to the Administrative Services Unit (ASU) housed under this agency for an increase to the Volunteer Health Care Provider Program (VHCPP). Funding is used to purchase medical professional liability insurance for health care providers who are registered with the program and who are not otherwise covered by a medical professional liability insurance policy.

Background

The VHCPP was established July 1, 2003. The mission of the VHCPP is to facilitate the provision of health care services provided by volunteer health care providers through eligible health care facilities and organizations. The ASU purchases medical professional liability insurance for a provider volunteering services who is not covered by a medical professional liability insurance policy. The providers and facilities must meet its statutory requirements as defined in M.S. 214.40.

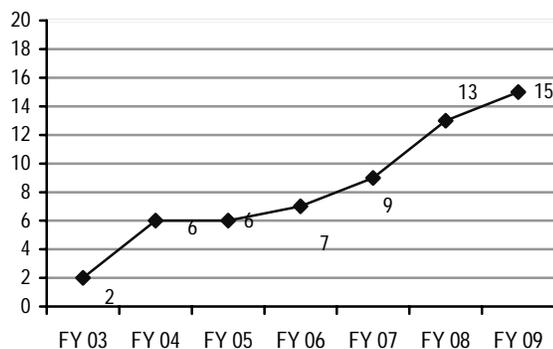
Relationship to Base Budget

Base funding for this program is \$65,000 each year from the state government special revenue fund. This recommendation would increase that amount based on anticipated costs for the program in the FY 2010-11 biennium. Currently the boards of Medical Practice, Nursing and Dentistry collect and deposit sufficient funds into the state government special revenue fund to support the program. Each board will be allocated an expense based on the number of professionals in the program and the cost of the insurance. The boards will collect sufficient funds and deposit them into the state governments' special revenue fund.

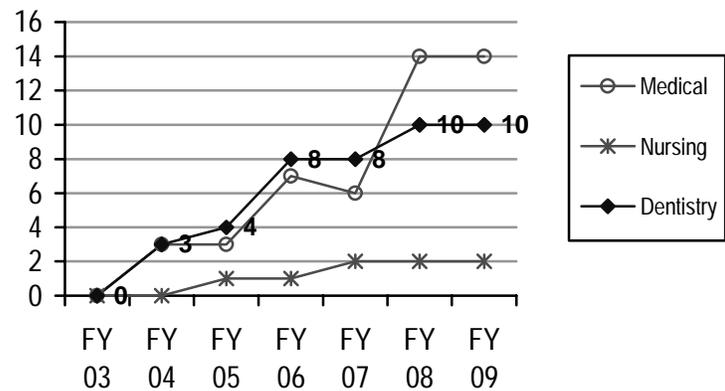
Key Goals and Measures

A total of 15 Facilities have registered in the program currently 13 are active. Currently the ASU pays the premium for malpractice insurance for 26 professional providers.

Total Facilities Each Fiscal Year



Professional Volunteers by Board by Fiscal Year



Alternatives Considered

If the recommendation is not approved, there may insufficient funding available to pay all requests for malpractice insurance. The ASU could also develop a plan on how to prorate the current funds to cover insurance or operate the program on a first-come-first-served basis, although the existing statute provides for full payment.

Statutory Change: Not Applicable

NURSING HOME ADMIN BOARD

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 196 | 191 | 198 | 198 | 396 |
| Total Non-Dedicated Receipts | 196 | 191 | 198 | 198 | 396 |
| <u>Dedicated Receipts:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 1 | 1 | 1 | 1 | 2 |
| Other Revenues: | | | | | |
| Miscellaneous Special Revenue | 0 | 260 | 184 | 218 | 402 |
| Total Dedicated Receipts | 1 | 261 | 185 | 219 | 404 |
| Agency Total Revenue | 197 | 452 | 383 | 417 | 800 |

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➡ Designates that this item is a change item

Agency Purpose

Minnesota Statutes sections 148.171-148.285 provides the Board of Nursing (Board) with authority to regulate nursing practice for the purpose of public protection.

Within this authority, the Board's mission is to protect the public's health and safety by providing reasonable assurance that the persons who practice nursing in Minnesota are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

The Board's activities are guided by the following principles:

- ◆ responsibility for public safety will be fulfilled with respect for due process and adherence to laws and rules;
- ◆ customer services will be delivered in a respectful, responsive, timely, communicative, and nondiscriminatory manner;
- ◆ government services will be accessible, purposeful, responsible, and secure; and
- ◆ business functions will be delivered with efficiency, accountability, innovation, maximization of technology, and a willingness to collaborate.

Core Functions

Credentialing Services

The Board of Nursing licenses registered nurses, licensed practical nurses, advanced practice registered nurses, and public health nurses to assure the public that the individuals who practice nursing in Minnesota have the requisite education, competence, and ethical character to practice nursing safely and effectively. The Board collaborates with organizations to facilitate licensure of foreign nurses and other enforcement agencies to detect fraud and imposters. The Board provides nurse licensure examination success rates to educational programs, workforce organizations and the public. The Board provides guidance to non-successful applicants for licensure.

Education Services

The Board promotes excellence of nursing education standards and approves and monitors nursing education programs by monitoring program graduation pass/fail rates on national nurse licensure examination; facilitating innovative approaches to address nursing workforce and nursing faculty shortages; providing consultation to nursing education programs regarding national nurse licensure examination pass rates; developing and conducting research to promote a safe, competent and sufficient nursing workforce; and advising prospective nursing students regarding educational tracks and scholarships.

Discipline/Complaint Resolution

The Board investigates complaints and takes action against nurses who violate the nurse practice act, including removing nurses from practice who are a risk to patient safety and monitoring nurses whose practice requires remediation and oversight to assure public safety. Public safety is enhanced by providing public access to information regarding a nurse license, discipline status and individual license discipline history, information on the complaint process, and how to obtain forms and file a complaint.

Nursing Practice Standards

The Board promotes standards of safe nursing practice by interpreting the laws and rules related to nursing practice for nurses, employers, and educators. The Board participates in nursing practice forums with nursing organizations and other state agencies to establish nursing performance guidelines so that employers and consumers can make informed decisions regarding the performance of nursing services.

At A Glance

FY2008-09

Credentialing Services

- ◆ 79,000 Registered Nurses
- ◆ 24,000 Licensed Practical Nurses
- ◆ 4,500 Advanced Practical Nurses
- ◆ 11,500 Public Health Nurses
- ◆ 250 Border State Registry Nurses
- ◆ 100 Nursing Registered Firms
- ◆ 1,000 DEA Verifications

Discipline Services

- ◆ Investigate 2,400 jurisdictional complaints of nurses who violate the nurse practice act
- ◆ Resolve 2,100 disciplinary actions
- ◆ Remove from practice 300 nurses who are at risk to public safety
- ◆ Monitor 300 nurses under discipline order
- ◆ Assure monitoring of 400 nurses in Health Professional Services Program

Education Services

- ◆ 64 nursing education programs

Staff: 33 Full-time equivalent employees

Operations

The Board interacts with and provides services to consumers, applicants, licensees, educational institutions, attorneys, other state agencies and health-related licensing boards, national and federal information systems, and a national nurse licensure examination test service. The Board is a state and national leader for envisioning and implementing all licensure services on-line. Information is disseminated by maintaining a web site, participating in statewide initiatives on nursing practice, education, and patient safety, and making public presentations and speeches.

Key Goals

- ◆ Maintain excellence in nursing regulation.
- ◆ Establish Minnesota Board of Nursing as a leader in patient safety.
- ◆ Increase congruence of education, practice and regulation for all levels of nursing practice.
- ◆ Advance the Minnesota Board of Nursing as a key partner in nursing and public policy.

Key Measures

- ◆ The Board increased utilization of online services from FY2007 to FY2008 by 6%, bringing the total of all applications received on-line to 81.2%. Examples include:
 - ⇒ 81.8% of nurses apply for licensure online
 - ⇒ 88.4% of nurses renew their license online
 - ⇒ 97% of Minnesota nursing education programs validate graduation online
- ◆ 90% of verifications of nurse licensure status to employers are conducted online, the equivalent of one FTE.
- ◆ 10 imposters were reported to the National Council of State Boards of Nursing databank.
- ◆ Online requests for data increased 400% from FY2006 to FY2008.
- ◆ Licenses are issued within 24 hours of an applicant meeting all requirements.
- ◆ Disciplinary action is disseminated to employers and public within 24 hours.
- ◆ Nurse licensure data is real time resulting in employers and the public having assurance of the nurse's authority to work.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$10.028 million, which includes 33 full time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professionals Services Program, Department of Health HIV/HBV/HCV program, Office of Mental Health Program and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$10.130 million in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants and licensees.

Contact

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Dollars in Thousands

| | Current | | Governor Recomm. | | Biennium 2010-11 |
|---|--------------|--------------|------------------|--------------|---------------------|
| | FY2008 | FY2009 | FY2010 | FY2011 | |
| <u>Direct Appropriations by Fund</u> | | | | | |
| State Government Spec Revenue | | | | | |
| Current Appropriation | 3,985 | 4,146 | 4,146 | 4,146 | 8,292 |
| Recommended | 3,985 | 4,146 | 3,287 | 3,289 | 6,576 |
| Change | | 0 | (859) | (857) | (1,716) |
| % Biennial Change from 2008-09 | | | | | -19.1% |
| <u>Expenditures by Fund</u> | | | | | |
| Carry Forward | | | | | |
| State Government Spec Revenue | 0 | 300 | 0 | 0 | 0 |
| Direct Appropriations | | | | | |
| State Government Spec Revenue | 2,776 | 3,495 | 3,287 | 3,289 | 6,576 |
| Open Appropriations | | | | | |
| State Government Spec Revenue | 27 | 42 | 34 | 34 | 68 |
| Total | 2,803 | 3,837 | 3,321 | 3,323 | 6,644 |
| <u>Expenditures by Category</u> | | | | | |
| Total Compensation | 2,176 | 2,598 | 2,680 | 2,648 | 5,328 |
| Other Operating Expenses | 627 | 1,239 | 641 | 675 | 1,316 |
| Total | 2,803 | 3,837 | 3,321 | 3,323 | 6,644 |
| <u>Expenditures by Program</u> | | | | | |
| Nursing, Board Of | 2,803 | 3,837 | 3,321 | 3,323 | 6,644 |
| Total | 2,803 | 3,837 | 3,321 | 3,323 | 6,644 |
| Full-Time Equivalent (FTE) | 28.9 | 32.5 | 33.1 | 31.4 | |

NURSING BOARD

Change Summary

| <i>Dollars in Thousands</i> | | | | |
|---|--------|--------------------|--------|----------|
| | FY2009 | Governor's Recomm. | | Biennium |
| | | FY2010 | FY2011 | 2010-11 |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| FY 2009 Appropriations | 4,146 | 4,146 | 4,146 | 8,292 |
| Technical Adjustments | | | | |
| Program/agency Sunset | | (930) | (930) | (1,860) |
| Subtotal - Forecast Base | 4,146 | 3,216 | 3,216 | 6,432 |
| Change Items | | | | |
| Legal Analyst Position | 0 | 71 | 73 | 144 |
| Total Governor's Recommendations | 4,146 | 3,287 | 3,289 | 6,576 |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| Planned Open Spending | 42 | 34 | 34 | 68 |
| Total Governor's Recommendations | 42 | 34 | 34 | 68 |
| <i>Fund: STATE GOVERNMENT SPEC REVENUE</i> | | | | |
| Planned Statutory Spending | 300 | 0 | 0 | 0 |
| Total Governor's Recommendations | 300 | 0 | 0 | 0 |

NURSING BOARD

Change Item: Legal Analyst Position

| Fiscal Impact (\$000s) | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---------------------------------------|---------|---------|---------|---------|
| General Fund | | | | |
| Expenditures | \$0 | \$0 | \$0 | \$0 |
| Revenues | 0 | 0 | 0 | 0 |
| State Government Special Revenue Fund | | | | |
| Expenditures | 71 | 73 | 73 | 73 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact | \$71 | \$73 | \$73 | \$73 |

Recommendation

The Governor recommends \$71,000 in FY 2010 and \$73,000 in FY 2011 for an additional legal analyst at the Board of Nursing to assist with the processing of complaints, primarily for drafting legal documents necessary to resolve open cases. The costs of the additional position will be covered through the existing fee structure of the Board.

Background

Complaints regarding nursing practice have increased 28% since FY2002. Complaints are more complex and require greater staff involvement in processing and resolution. Thus, the Board's ability to process complaint activities in a timely manner is negatively impacted. In addition, the Attorney General's Office has decreased the number of their support staff to draft legal documents needed to resolve open cases. At this time there is a backlog of 624 open discipline cases with over 100 cases awaiting legal documents to be drafted. As the nursing population increases, the number of complaints has increased. The Board hired a Legal Analyst in FY 2008 to assist with the backlog at the Attorney General's office; however, the majority of drafting is now being done in-house. An additional Legal Analyst is needed to further reduce the backlog and maintain an adequate level of timely service of complaint resolution.

Relationship to Base Budget

The Board of Nursing is a small agency now comprised of 32.5 FTEs. Salaries make up approximately 80% of the operating budget. Because the Board of Nursing is a small agency with only licensing, education and complaint investigation programs, it is impossible to cover an increase in staffing costs through cuts in programs. It is not possible to meet the additional costs of adding staff within the current budget.

Key Goals and Measures

If additional staff is not hired in the complaint investigation program, it is possible that complaint processing efforts will be focused on complaints of unsafe nursing practice that address actual harm or death of patients and limited attention will be made to complaints of unsafe nursing practice, which, if addressed prior to harm, might result in education or corrective action to mitigate the incidence of actual injury. Complaint processing time will be increased.

The Board of Nursing mission is to protect the public's health and safety by providing reasonable assurance that the people who practice nursing are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role. This recommendation will allow the Board to continue its program functions of licensing nurses, approving nursing education programs, and disciplining licensees whose behavior is a violation of the law and a risk to patient safety

Statutory Change: Not Applicable

NURSING BOARD

Agency Revenue Summary

Dollars in Thousands

| | Actual FY2008 | Budgeted FY2009 | Governor's Recomm. FY2010 FY2011 | | Biennium 2010-11 |
|--------------------------------------|------------------|--------------------|---------------------------------------|--------------|---------------------|
| <u>Non Dedicated Revenue:</u> | | | | | |
| Departmental Earnings: | | | | | |
| State Government Spec Revenue | 5,066 | 4,338 | 5,105 | 5,105 | 10,210 |
| Other Revenues: | | | | | |
| State Government Spec Revenue | 0 | 1 | 1 | 1 | 2 |
| Total Non-Dedicated Receipts | 5,066 | 4,339 | 5,106 | 5,106 | 10,212 |
| <u>Dedicated Receipts:</u> | | | | | |
| Total Dedicated Receipts | 0 | 0 | 0 | 0 | 0 |
| Agency Total Revenue | | | | | |
| | 5,066 | 4,339 | 5,106 | 5,106 | 10,212 |