

**Human Services, Department of**

**Project Funding Summary**  
(\$ in Thousands)

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2014	2016	2018	2014	2016	2018
MN Security Hospital - Design, Construct, Remodel Facilities	1	GO	\$56,317	\$47,500	\$0	\$56,317	\$47,500	\$0
MSOP (St. Peter) - Design, Remodel/Construct	2	GO	7,405	14,100	13,218	7,405	14,100	13,218
System-wide Asset Preservation	3	GO	6,218	7,000	7,782	4,000	4,000	4,000
Early Childhood Facilities	4	GO	5,000	5,000	5,000	3,000	3,000	3,000
Anoka - Upgrade Residential Facilities		GO	0	600	6,000	0	0	0
MSH/MSOP (St. Peter) Remodel, Upgrade Shared Dietary Facilities		GO	0	400	4,000	0	0	0
MSOP (Moose Lake) - Design Expansion Phase III		GO	0	0	3,325	0	0	0

Project Total	\$74,940	\$74,600	\$39,325	\$70,722	\$68,600	\$20,218
General Obligation Bonding (GO)	\$74,940	\$74,600	\$39,325	\$70,722	\$68,600	\$20,218

<b>Funding Sources:</b>	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

**Mission**

The Minnesota Department of Human Services, working with many others, helps people meet their basic needs so they can live in dignity and achieve their highest potential. Our values are:

- We focus on people, not programs.
- We provide ladders up and safety nets for the people we serve.
- We work in partnership with others; we cannot do it alone.
- We are accountable for results, first to the people we serve and, ultimately, to all Minnesotans.

DHS practices these shared values in an ethical environment where integrity, trustworthiness, responsibility, respect, diversity, justice, fairness and caring are of paramount importance.

**Statewide Outcome(s)**

Human Services supports the following statewide outcome(s).

Minnesotans are healthy.

Strong and stable families and communities.

People in Minnesota are safe.

**Context**

Minnesota's human services delivery system has a strong tradition of providing services for people in need and helping them live as independently as possible. The Minnesota Department of Human Services (DHS) plays a key role in that effort, along with Minnesota counties and tribes – which administer most direct services – and an array of community partners in the private sector. DHS provides oversight and direction for many health and human services programs, making sure providers meet service expectations. DHS employees also provide direct care and treatment to people with mental illness, chemical dependency and developmental disabilities as well as to individuals civilly committed for sex offender treatment.

Examples of the service administered by DHS include:

- An array of health care programs -- including Medical Assistance, MinnesotaCare, the Healthy Minnesota Contribution Program, and the Chemical Dependency Treatment Fund -- which purchase medical care and related home- and community-based services for children, the elderly and people with low incomes or disabilities.
- Economic support programs -- including the Minnesota Family Investment Program, the Diversionary Work Program, child support enforcement, child care assistance, Minnesota Supplemental Assistance, General Assistance, and the Supplemental Nutrition Assistance Program -- which provide assistance to Minnesotans in poverty or at risk of poverty as they work to re-establish their livelihoods.
- Child safety and well-being services designed to identify children subject to or at risk of abuse or neglect, and to intervene to improve the safety and quality of their home life or, if that isn't possible, to place them with safe and loving foster, relative or adoptive families.
- A number of grant programs to support local delivery of human services for a variety of populations in need, including recent refugee immigrant populations, adults and children with mental illness or substance abuse problems, people who are deaf or hard of hearing, vulnerable adults and the elderly.
- Direct care provided through a statewide array of community-based and residential services for people with mental illness, chemical dependency, developmental disabilities and/or an acquired brain injury, some of whom are civilly committed by the court because they may pose a risk to themselves or others.
- Inpatient services and treatment to people who are committed by the court as a sexual psychopathic personality or a sexually dangerous person.

### Strategies

DHS emphasizes several strategies across its budget activity and program areas to realize its mission and support the statewide outcomes listed above. The strategies currently emphasized within DHS are organized in four broad categories:

Provide smart care that keeps people healthy and in their homes and communities

- Keep more people fed and healthy by increasing nutrition assistance participation, especially for seniors.
- Better protect vulnerable adults, especially those directly in our care.
- Increase the number of Minnesotans served in their homes and communities rather than in institutions.
- Create pathways to employment.
- Increase access to affordable health care.
- Integrate primary care, behavioral health and long-term care.
- Launch a campaign to encourage people to plan for long-term care.
- Keep more children out of foster care and safely with their families.

Redesign our care delivery systems

- Institute payment reform in health care purchasing.
- Create a new partnership model for our work with counties and tribes.
- Use technology to increase our outreach through online applications, a new website and e-licensing initiatives.
- Develop secure alternatives for a select group of Minnesota Sex Offender Program clients.
- Develop integrated services through smarter use of technology.
- Implement MnCHOICES assessment model to better align services to individual needs.

Narrow disparities and improve outcomes

- Enhance capacity of our tribal partners to assume more direct service delivery
- Decrease the disproportionate number of children of color in out-of-home placements
- Narrow the health care quality gap between clients in publicly funded health care and private enrollees

- Increase enrollment outreach to communities of color
- Improve life expectancy for people with a serious mental illness
- Increase access to high quality child care

Reduce fraud, waste and abuse

- Establish Office of Inspector General to improve fraud prevention and lead to increased prosecutions and collections of overpayments.
- Expand field investigations through Medicaid Recovery Audit Contracts.
- Create new enforcement tools including background study expansion, data analytics and financial integrity standards in licensing.

### Measuring Success

The DHS Dashboard -- <http://dashboard.dhs.state.mn.us/default.aspx> -- provides Minnesotans with a simple way to track the department's progress toward key agency goals. Since June 2011, the DHS Dashboard has outlined and charted progress toward goals in four priority areas: people, innovation, equity and program integrity.

**At A Glance: Agency Long-Range Strategic Goals**

Minnesota Department of Human Services (DHS) has two business areas which are capital intensive.

- State Operated Services (SOS): In partnership with others, SOS provides innovative and responsive behavioral health care to people with complex needs and challenges, some of whom may present substantial safety risks.
- Minnesota Sex Offender Program (MSOP) promotes public safety by providing world class treatment and successful reintegration opportunities for civilly committed sexual abusers.

DHS also administers an Early Childhood Facilities grant program that helps local entities provide quality facilities for early childhood programs statewide.

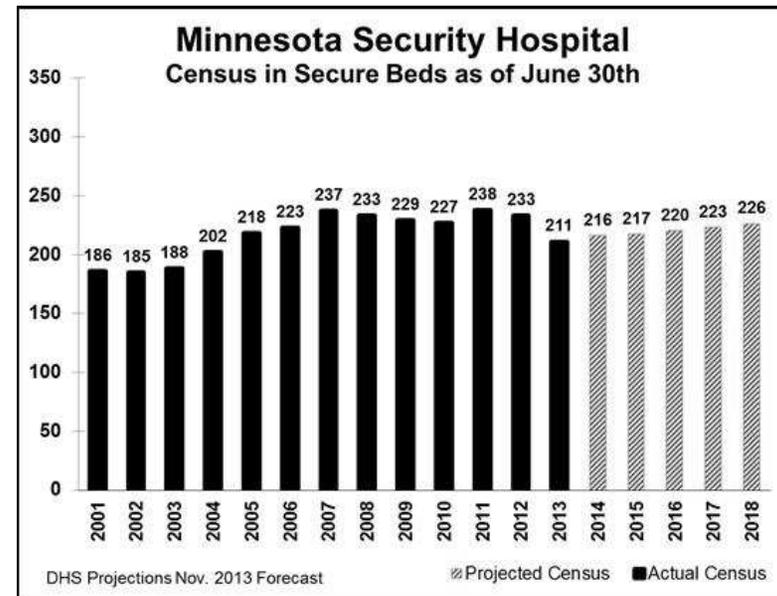
- Quality preschool and early childhood facilities promote better outcomes for children.

**Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs**

**State Operated Services** - DHS State Operated Services (SOS) provides an array of treatment, vocational, and residential services to people with chemical dependency, neuro-cognitive, psychiatric and developmental disorders, some of whom pose a risk to society. These services are provided at approximately 200 sites around the state. Since its peak in 1960, when large state operated institutions provided residential care to an average daily population of 16,355 persons, population levels receiving services have steadily declined. This decline has occurred through a deliberate strategy to deinstitutionalize persons with disabilities and integrate them into their home communities when it is considered beneficial and appropriate. Advancements in treatment delivery, medications, and the involvement of the individual in their own care have further contributed to reducing the need for large state operated institutions. SOS currently serves approximately 5,500 individuals per year in a variety of large campus and smaller community-based residential settings. As SOS has changed its method of delivering services to

the most clinically and behaviorally complex individuals, DHS has been able to reduce the SOS operating budget.

**Minnesota Security Hospital (MSH)** – Operated by SOS, the Minnesota Security Hospital, or MSH, (which includes the Forensic Services, Forensic Transition Services, and Competency Restoration programs and the Forensic Nursing Home) provides evaluation and treatment to individuals civilly committed to the commissioner as Mentally Ill and Dangerous (MI&D) under Minnesota Statutes Chapter 253B, and to persons with mental illness whom the criminal court has ordered for evaluation and treatment, under Minnesota Rules of Criminal Procedure, 20.01 and 20.02, before the start of a criminal trial. The Forensic Transition Services program helps re-integrate individuals back into the community in the least restrictive setting. The following chart reflects MSH census as of June 30, 2013 and projected census through FY 2018.



Similar to other populations once served in state institutions, advancements in treatment delivery, medications, and the involvement of the individual in their own care have contributed to improving how care and treatment is delivered to persons who have been committed as MI&D. However, the

existing physical plant currently used by MSH limits the program’s ability to accommodate specialized treatment units needed to provide effective treatment.

**Minnesota Sex Offender Program** - The primary mission of MSOP is to provide sex offender treatment. Similar to other civil commitment programs, MSOP is statutorily required to provide treatment and programming to an individual who is committed as a sexually dangerous person and/or as a sexual psychopathic personality. The minimum treatment program services are outlined in Minn. Rules, part 9515.3040. They include sexual offender-specific treatment, psychiatric, medical, dental, psychological, social and advocacy services; educational programming; and vocational rehabilitation services.

MSOP individualized treatment plans address all of the areas listed in M.R. part 9515.3040 and include components of contemporary evidence-based sex offender treatment methods. As such MSOP must have the ability to provide services to any client who is willing to engage in treatment, while maintaining a safe and secure living environment. At this time, approximately 87 percent of the population actively participates in sex offender-specific treatment. Clients’ risk factors are targeted through their participation in core treatment and psycho-educational groups. Participation in rehabilitative programming (vocational, educational and recreational) is also very important as these settings provide environments for clients to apply skills learned in treatment and demonstrate meaningful change.

The MSOP client population has more than quadrupled in the last 14 years (from 149 in 2000 to 690 by July 2013). The primary reason for this growth was a change in the referral process and subsequent review by the courts. MSOP has no control over the number of clients that enter the program, as the courts decide who is committed and who is ultimately discharged from the program.



The legislature funded Phase I, a 400-bed expansion at Moose Lake, in the 2006 legislative session. While the expansion, MSOP Complex One, was being built, MSOP was left with the only viable option of renting very expensive and highly inefficient beds from the Department of Corrections (DOC). When MSOP Complex One was opened in July 2009, the facility was already half full when MSOP moved 200 clients from the rented DOC beds.

The 2010 bonding bill included funds to develop the ancillary support space at the Moose Lake facility required to meet constitutional and statutory obligations to provide clients with sex offender-specific treatment, educational programming, and vocational services. The 2010 project focused on the development of areas to provide appropriate food service, laundry for clothing and linen, medical services, and health care services. Work areas for client record keeping, information technology, financial services (client banking and program financial services), security systems and physical plant operations were also developed. The 2011 bonding bill authorized the renovation of Shantz Hall on the St. Peter campus, which will provide 72 new beds, sufficient to meet MSOP bed space needs through 2014.

If the current admission trends continue, population projections indicate that by spring of 2015 MSOP facilities will be completely full and MSOP will again be out of bed space.

**Early Childhood Facilities** - Demand for early childhood facilities continues to rise due to factors such as:

- Increased focus on early learning services as a way to promote school readiness and success, especially for low-income children, which will likely increase general demand for early childhood facilities into the future;
- High quality early childhood programs focus on the comprehensive needs of children and their families, often leading to increased community partnerships and an interest in co-locating services in a single space;
- There is an ongoing need for early childhood spaces to be safe and accessible and to meet DHS child care licensing standards;
- Recent rising child poverty rates increase the number of children eligible for early childhood services such as Head Start and Early Head Start;
- Increased demand on space for K-12 programming purposes (e.g. full-day kindergarten, expanded summer and before- and after-school programs) can limit options for early childhood programs in existing school buildings; and
- Upgrading space to fully benefit from current technologies (e.g. adaptive and assistive equipment) available for early childhood programming is also a consideration.

Grant funds for early childhood facilities allow local service providers to deliver high quality services to increased numbers of young children and their families.

**Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets**

**State Operated Services (SOS)** - Over the last 30 years the Department has requested and received funding to construct and/or remodel residential/program/ancillary facilities for the Anoka-Metro Regional Treatment Center, the SOS program at Cambridge, community-based

residential services, and the MSOP at Moose Lake and St. Peter. In addition, the Legislature also provided funding necessary to address the reduction/elimination of the large amount of non-functional surplus space in the SOS institutional system. Most recently this resulted in the sale and reuse of the Regional Treatment Center (RTC) campuses at Willmar, Fergus Falls and Ah-Gwah-Ching, and the demolition of eleven non-utilized buildings on the Brainerd campus in preparation for future re-development of a large portion of the Brainerd campus.

**Minnesota Sex Offender Program** - The MSOP Phase II project for Moose Lake that was funded in the 2010 Session addressed the need to develop space for the ancillary/support services essential in providing sex offender treatment. This project was critical to ensure MSOP continues to be a clinically effective and constitutionally sound program.

With the addition of the 72 beds that the completion of the renovation of Shantz Hall on the St. Peter campus will provide (funded in the 2011 bonding bill), DHS's current projections indicate that MSOP will be out of space by spring 2015. With an expected 24-month design construction process, it is critical that the Department's requests for bond funding for design and construction on the St. Peter campus are funded in a 2014 bonding bill, and that construction on the requested new facilities for MSH is completed by the late fall 2015. This will allow State Operated Services to move Minnesota Security Hospital (MSH) patients out of Bartlett Hall, freeing it for use by the MSOP program.

MSOP should be able to occupy one half of Bartlett Hall while the other half is being renovated. Upon completion of the first phase of the renovation (approximately 12 to 15 months) of Bartlett Hall, MSOP will move to the updated space and the vacated space would be upgraded to provide additional bed capacity for the MSOP program. Sunrise Building and part of Green Acres will also be updated to be used for both residential and treatment purposes by the MSOP program.

**Early Childhood Facilities** - Unlike other DHS bonding requests, the Early Childhood Facilities grant program requests funds for local projects that are awarded via a competitive request for proposal (RFP) process. Sixty-five projects have been completed since 1992, with demand for competitive grants far outpacing the availability of funds. Three early childhood facility projects are currently underway.

Implementation of all-day Kindergarten has increased the demand for construction and rehabilitation of Early Childhood facilities. Looking toward the future, because of the ongoing need for facilities rehabilitation and the increased demand for early childhood services, DHS' long-term plan anticipates that the Early Childhood Facilities grant program would conduct a statewide competitive RFP for these projects every other year.

### Long-Range Strategic Goals and Objectives

**Strategic objective one:** Over the years the Department of Human Services has focused on the need to provide adequate/appropriate facilities for the long-term operation of its programs and facility operations. The 2014-2019 Six-Year Capital Plan outlines a long-range strategic plan for the St. Peter Campus, which will, over a period of time, relocate all of the Minnesota Security Hospital (MSH) program activities from the lower campus to the upper campus. The plan will lead to the development of facilities that can better accommodate the specific treatment needs of persons committed as MI&D. Relocation of MSH program activities will make space available on the lower campus for future redevelopment/reuse by the MSOP.

The intent of this proposal is to provide a logical long-range plan to address several very significant issues that both MSH and MSOP face as they operate two very distinctly different programs on the St. Peter campus.

First, there is a real need to separate the two programs on the St. Peter campus. Currently both programs have individuals who in the course of their treatment have been granted a reduction in custody with an increase in liberties such as the ability to move about campus with limited control. While MSH patients are vulnerable adults, MSOP clients are not. Allowing individuals from both programs to intermingle on the lower campus creates concerns about the safety of the MI&D population and there needs to be a concerted effort to separate the two populations. Moving MSH programs to new facilities on the upper campus will address this issue and eliminate the intermingling of these very different populations in the future.

Second, constructing new facilities on the upper campus for MSH will facilitate development of modern residential treatment facilities specifically designed to meet the long-term needs of the distinctly different populations which MSH is required to serve through the commitment process for the mentally ill. Advancements in the delivery of treatment are leading to the implementation of best practices as they are identified and the development

of specialized treatment units focused on providing specific levels of care within the Minnesota Security Hospital. These efforts will be maximized by the modernization of the program facilities.

Third, MSOP will need additional bed capacity on the St. Peter campus as its program continues to grow. Currently all of MSOP's St. Peter programs operate on the lower campus. Accordingly, it makes sense to plan/direct any future MSOP expansion at St. Peter to the lower campus. Moving MSH programs to new facilities on the upper campus will free up a number of buildings on the lower campus that can be renovated to meet MSOP's residential and programming needs and focus MSOP's growth on the lower campus.

Last but not least, the type of space that MSOP needs at St. Peter (the location which MSOP uses for individuals that are in the later stages of treatment), is much different than the space that it uses for the early stages of treatment at Moose Lake. Smaller living units promote a much more therapeutic environment for those individuals that are working hard to reach the reintegration phase of their treatment program. The buildings that MSH would vacate on the lower campus once new facilities are constructed on the upper campus for MSH programs, would, after basic renovation and/or infrastructure upgrades, readily meet MSOP later stage treatment program requirements.

The Department's **Six-Year Projects Summary** list for 2016 and 2018 presently indicates that the Department may request funding to design and construct the third phase of facility development at the Moose Lake campus. That project could provide up to an additional 400 beds for the long-term growth of the MSOP. After full occupancy of those additional beds at the Moose Lake facility, it is anticipated that any further bed expansion for the program would focus on the St. Peter lower campus.

**Strategic objective two:** One of SOS' primary strategic objectives has long focused on the shift of campus-based mental health (MH) services to an array of community-based MH services that provide appropriate levels of care closer to patients' homes. This strategy focuses on providing better care to patients, increasing federal participation in funding care, and reducing use of less effective and relatively more expensive RTC-based services. The successful implementation of this long-range objective resulted in a large amount of non-functional surplus space throughout the RTC system.

In 2001, DHS initiated a strategic program to address the surplus space issue with the objective to convert surplus property to other (non-state) ownership. In addition, funds were requested and appropriated during the 2002 legislative session to start the process of demolishing buildings that are determined to be non-functional and/or are considered to have exceeded their useful designed life.

In 2005 SOS, in partnership with local communities, completed comprehensive redevelopment/reuse plans for the Ah-Gwah-Ching Center (AGCC), Fergus Falls Regional Treatment Center (FFRTC) and Willmar Regional Treatment Center (WRTC) campuses. In the fall of 2005, SOS and the Department of Administration in conjunction with Crow Wing County and the City of Brainerd began the process of developing a comprehensive redevelopment plan for the Brainerd Regional Human Services Center.

The 2005 Legislature authorized the disposition of the Ah-Gwah-Ching, Fergus Falls and Willmar RTC campuses. The 2006 Legislature authorized the disposition of the Brainerd campus. In addition, the 2005, 2006, and 2008 Legislatures appropriated funds for improvements to facilitate the redevelopment/disposition of these campuses, including funds for demolition of deteriorated, unsafe, non-functional buildings and improvements to public infrastructure needed to support redevelopment of the surplus campuses.

In January 2006 the transfer/sale of the Willmar campus was negotiated between the state, Kandiyohi County, and MinnWest, a private company from the Willmar area. On June 30, 2007 the City of Fergus Falls purchased the Fergus Falls regional treatment center, and on June 3, 2008 title to the Ah-Gwah-Ching Center was transferred to Cass County.

The Brainerd campus master planning project, coordinated by Crow Wing County, was completed during the spring of 2007. However, neither the County nor the City of Brainerd was interested in assuming ownership of the Brainerd campus and managing the campuses redevelopment. Accordingly, during the summer of 2011 the Department, with assistance from the Department of Administration, implemented projects to abate hazardous materials (lead, asbestos, mercury, PCB's, etc.) and to demolish vacant/surplus non-functional buildings on the Brainerd campus. Demolition of eleven buildings was completed in June 2013. The resulting vacant land/property will soon be available for redevelopment.

**Strategic objective three:** This objective relates to asset preservation. This objective centers on the need to address critical repair, replacement, and renewal needs specific to the physical plants of State Operated Services and the Minnesota Sex Offender Program. Extensive assessments of the facilities identified the following concerns: safety hazards, code compliance issues, and mechanical and structural deficiencies; major mechanical and electrical utility system repairs/replacements/improvements; abatement of asbestos-containing materials; roof work and tuck pointing; and other building envelope work such as window replacement, and road/parking lot maintenance. Asset preservation projects included in this six-year capital plan are consistent with the anticipated needs of the evolving state-operated mental health service system, and the future needs of the Department's campus-based forensic programs.

#### **Agency Process Used to Arrive at These Capital Requests**

Each year, the DHS executive team conducts strategic planning for the department. Priorities – the long-range strategic goals – are confirmed and revised. Work plans for how to achieve these priorities are constructed; budget and legislative proposals come from this work.

Grounded in these discussions, a planning team, consisting of a subset of the agency executive team, reviewed and prioritized initial bonding proposals. The group worked to prepare final proposals in line with the priorities and strategic objectives of the department.

State Operated Services and MSOP use long-range strategic operational programs for each of the services provided to manage change to the systems. These operational programs are reviewed on an annual basis, and updated as needed, with the intent to outline and describe services to be provided, methods of delivering these services, and resources required/available for providing these services in the future. These strategic operational programs must demonstrate a strategic link to the agency's system-wide strategic objectives/goals. These annual reviews are used to initiate long-range capital planning. This process includes:

- a facilities analysis and planning program;
- identification of viable alternatives for meeting future physical plant needs;

- identification of any surveys or studies (predesign) that may be required to assess viable alternatives; and
- implementation/review of existing/new campus master planning projects.

After completion of this work long-range (six-year) physical plant project budgets are reviewed/revised/updated. These six-year plans should outline all capital projects proposed for each facility and also identify all known physical plant deficiencies, scheduled maintenance, or proposed/required improvements. Each project is evaluated and listed in a recommended budget category (repair and replacement, or R&R: R/R special projects: capital equipment; asset preservation; capital; etc.) This information is then used to:

- establish potential costs associated with improving specific buildings or groups of buildings;
- determine the appropriateness of related or proposed expenditures;
- assess alternatives for meeting an individual facility’s operational program; and
- develop recommendations for the agency’s senior staff to review and consider for inclusion in the agency’s six-year capital budget plan.

The six-year plan outlines an incremental plan for improving and upgrading the physical plant resources required to support future operational programs at the SOS and MSOP facilities in accordance with the department’s strategic goals and objectives outlined in preceding sections of this Strategic Planning Summary document. If funded, the master plan for the St. Peter campus will provide approximately 200 additional beds for MSOP by renovating several buildings on lower campus that will be vacated when the SOS Minnesota Security Hospital moves its lower campus residential programs to the newly constructed facilities requested for them on the St. Peter upper campus in this 2014 and in a 2016 DHS Capital Request.

With respect to the Early Childhood Facilities capital grant program, DHS regularly receives feedback from Child Care Resource and Referral agencies and Community Action Agency grantees (who largely operate Head Start in Minnesota) about early childhood and anti-poverty programming needs, including early childhood facilities. In the past surveys have been conducted which demonstrate the growing need for early childhood facilities.

**Major Capital Projects Authorized in 2011 and 2012 (\$000’s)**

**Laws of Minnesota 2011, 1<sup>st</sup> Special Session, Chapter 12**

<b>Section 15</b>	<b>\$ 13,900</b>
Asset Preservation	\$ 4,700
Early Childhood Learning and Child Protection Facilities	\$ 1,900
MSOP Treatment Facilities – St. Peter	\$ 7,000
Remembering with Dignity	\$ 300

**Laws of Minnesota 2012, Regular Session, Chapter 293**

<b>Section 18</b>	<b>\$ 7,683</b>
Asset Preservation	\$ 2,000
Maplewood - Harriet Tubman Center (pass-through grant)	\$ 2,000
Minnesota Security Hospital – Phase 1 Pre-design/design	\$ 3,683

## MN Security Hospital - Design, Construct, Remodel Facilities

**2014 STATE APPROPRIATION REQUEST:** \$56,317,000

**AGENCY PROJECT PRIORITY:** 1 of 4

#### Project At A Glance

- Design, construct and renovate, and furnish/equip new residential and program/activity space on the upper campus of the St. Peter Regional Treatment Center for individuals committed to the Minnesota Security Hospital.
- This space will be used to provide patient living, treatment and work/activity programming for patients served by the Minnesota Security Hospital and/or the facility's Transition program.
- Vacated Buildings on the lower campus will be separately redeveloped for use by the Minnesota Sex Offender Program (MSOP).

#### Project Description

This request is for funds to design and construct, furnish and equip new residential, program, activity and related ancillary facilities on the upper campus of the DHS St. Peter Regional Treatment Center for the Minnesota Security Hospital (MSH) programs.

This request, and the second priority project in the Department's 2014 Capital Budget request, represents a long-range strategic plan for the St. Peter campus. This new, phased initiative will result in the eventual relocation of all of the MSH residential and program activities from the lower campus to the upper campus and the reuse/redevelopment of the lower campus for the Minnesota Sex Offender Program (MSOP). These projects will be phased over several biennia.

The 2012 Legislature appropriated \$3.683 million for predesign and design of the first phase of this two phase project. For the Phase One project, the designers are designing a Campus Center, Vocational program building, 48 beds for Transition Program housing, a 12-bed Crisis Unit, a 4-bed Evaluation Unit, a new Administration Building, a central power plant,

connecting links, warehousing. In addition, space is being developed for pharmacy and other medical services. Funds for the design for phase two are included in the 2014 request.

Phase Two will focus on the development of additional transition housing, the reconstruction of the acute units on the east side of original MSH Building and remodeling of the pre-transition units on the west side of the original MSH Building, including installation of a fire sprinkler system, improved HVAC systems, updated security, and a general replacement of finishes.

#### Background Information

Operated by DHS State Operated Forensic Services, the Minnesota Security Hospital provides evaluation and treatment to individuals who have been civilly committed to the commissioner as Mentally Ill and Dangerous (MI&D), and to persons with mental illness who a criminal court as ordered for evaluation and treatment before the start of a criminal trial. The MSH program shares the St. Peter campus with MSOP.

The intent of this proposal for the St. Peter campus is to provide a logical long-range plan to address several significant issues that the Department faces as it operates MSH and MSOP, two distinctly different programs, on the St. Peter campus.

First, there is a real need to address critical patient and staff safety issues resulting from the design of the living units in the existing Minnesota Security Hospital. The patient bedroom areas (living pods) were constructed with a split level design. These living pods are accessed by going up or down narrow stairways, and the existing layout of the patient units provides poor sightlines for unit staff to monitor patient activity in these pod areas. If patient behavior requires intervention by staff to protect a patient from self-injury, or to protect other patients in the living pod from harm/injury, this poor unit configuration often results in patient and/or staff injury as staff attempt to relocate the patient from the living pod up or down these narrow stairs.

Second, both programs currently have individuals which are housed on the lower campus who have reached the point in their treatment where they have earned the privilege of campus liberty (the ability to move about campus with limited control). While MSH patients are considered vulnerable adults,

## MN Security Hospital - Design, Construct, Remodel Facilities

MSOP clients are not. Allowing individuals from both programs to circulate on the lower campus is not good policy and presents safety risks. The Department believes it is time to make a concerted effort to separate the two populations. Moving MSH programs to new facilities on the upper campus will address this issue and physically separate these very different populations in the future.

Third, MSOP will need additional bed capacity on the St. Peter campus as that program continues to grow. MSOP will be out of beds by the spring of 2015. The type of space that MSOP needs at St. Peter (the location which MSOP uses for individuals that are in the later stages of treatment), is much different than the space that it uses for the early stages of treatment at Moose Lake. The buildings that MSH will vacate on the lower campus once new facilities are developed on upper campus for MSH programs, will, after basic remodeling and/or infrastructure upgrades, readily meet MSOP's later stage treatment program requirements. Smaller living units promote a much more therapeutic environment for those individuals that are working hard to reach the reintegration phase of their treatment program. In addition, since all of MSOP's St. Peter programs currently operate on the lower campus, it makes sense to plan/direct future MSOP expansion at St. Peter to the lower campus.

Last, but not least, constructing new facilities on the upper campus for MSH would facilitate development of modern residential treatment facilities specifically designed to meet the long-term needs of the distinctly different subpopulations which MSH is required to serve through the commitment process for the mentally ill.

Please note that the MSOP renovations and building infrastructure upgrade are a separate and distinct capital project, for which the Department is making a separate bonding requests. In 2014 the Department is requesting funding to develop additional bed capacity for MSOP in Green Acres and Sunrise Buildings and funds to design the renovation/construction of the Bartlett Building which will also provide additional future bed capacity for MSOP on the St. Peter campus.

**Impact on Agency Operating Budgets (Facilities Notes)**

The projects associated with this request may increase the overall cost of the Department's operating budget for MSH; however, the improved facilities that will be developed under this proposed plan for MSH is intended to reduce the average length of treatment by 20 to 25 percent. Reducing the average length of treatment should eventually reduce costs for the operation of the MSH program.

**Previous Appropriations for this Project**

The 2012 Legislature appropriated \$3.683 million for predesign and design of the first phase of this two phase project

**Other Considerations**

Needed facilities for MSOP's later stages of treatment could be developed with new construction and renovation of existing buildings could be completed for MSH. However, that alternative approach appears to be at least equal in construction/development costs over the long-term, and yet it would not address either the safety or the overall programmatic needs of the MSH programs or the Department's goal to physically separate the two programs on the St. Peter campus.

**Project Contact Person**

Carol Olson, DHS Direct Care Executive Director  
Forensic Treatment Services  
Direct Care and Treatment Administration  
Phone: (507) 985-3128  
Email: Carol.Olson@state.mn.us

**Governor's Recommendations**

The Governor recommends general obligation bonding of \$56.317 million for this request. Also included is a budget planning estimate of \$47.5 million in 2016.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	181	0	0	0	181
3. Design Fees	2,975	3,829	868	0	7,672
4. Project Management	187	1,245	1,229	0	2,661
5. Construction Costs	340	46,439	37,173	0	83,952
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	1,317	1,328	0	2,645
9. Inflation	0	3,487	6,902	0	10,389
<b>TOTAL</b>	<b>3,683</b>	<b>56,317</b>	<b>47,500</b>	<b>0</b>	<b>107,500</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	3,683	56,317	47,500	0	107,500
<b>State Funds Subtotal</b>	<b>3,683</b>	<b>56,317</b>	<b>47,500</b>	<b>0</b>	<b>107,500</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>3,683</b>	<b>56,317</b>	<b>47,500</b>	<b>0</b>	<b>107,500</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	8,018	10,668	18,686
Other Program Related Expenses	0	632	1,116	1,748
Building Operating Expenses	0	346	480	826
Building Repair and Replacement Expenses	0	27	37	64
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	9,023	12,301	21,324
Revenue Offsets	0	<902>	<1,210>	<2,112>
<b>TOTAL</b>	<b>0</b>	<b>8,121</b>	<b>11,091</b>	<b>19,212</b>
Change in F.T.E. Personnel	0.0	47.5	66.5	114.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	56,317	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019

## MSOP (St. Peter) - Design, Remodel/Construct

**2014 STATE APPROPRIATION REQUEST:** \$7,405,000

**AGENCY PROJECT PRIORITY:** 2 of 4

#### Project At A Glance

- Predesign and Design funding is requested for the lower campus of St. Peter. Renovation and remodeling of buildings (Green Acres, Sunrise, Bartlett and Tomlinson) will provide bed and program space to individuals committed to the DHS Minnesota Sex Offender Program (MSOP) as Sexual Psychopathic Personalities or Sexually Dangerous Persons.
- Creates critical bed space: Current projections indicate that by the spring of 2015, MSOP will again be in need of bed space. Considering options within existing buildings on the lower campus is being proposed.

#### Project Description

This project represents a multi-year request for funds to design, remodel/construct, furnish and equip existing buildings on the lower campus of the Department's St. Peter Regional Treatment Center for MSOP residential and program operations. The buildings proposed to be remodeled are Green Acres, Sunrise, Bartlett and Tomlinson.

Renovation work will include the replacement and/or upgrading of the building HVAC systems, plumbing and electrical, security and life safety (fire sprinklers and new detection/alarm systems) systems. In addition, the building envelopes will be upgraded, including tuck pointing and window and door replacement. Some interior reconfiguration will also be involved; however, the extent of interior reconfiguration will be finalized in the predesign phase planned for completion during the summer fall of 2014.

#### Phase One (2014) requests \$7.4 million to:

- Renovate/construct and furnish/equip the west wing of the Green Acres Building. This wing will provide approximately 30 additional beds for MSOP.
- Design, renovate/construct and furnish/equip the East wing of the Sunrise Building. This wing will also provide approximately 30 additional beds for MSOP.
- Design through construction documents the renovation/construction project for the Bartlett Building. Bartlett will be utilized as a residential treatment building for MSOP.

#### Phase Two (2016) will request \$14.1 million to:

- Renovate/construct and furnish/equip Bartlett Building. Bartlett Building will be used as a residential/treatment program building by MSOP, and will provide approximately 144 additional beds for the MSOP.
- Design, renovate/construct and furnish/equip Tomlinson Building. Tomlinson will be utilized for program activities (e.g., recreation, chapel, library, mart, etc.)

#### Phase Three (2018) will request \$13.2 million to:

- Design, renovate/construct and furnish/equip the north and west wings of Sunrise. The north wing will continue to be utilized for clinical purposes, the west wing will be utilized for additional bed capacity.
- Design, renovate/construct and furnish and equip the north wing of Green Acres. This wing will be used for treatment program activities.

#### Background Information

This request, and the first priority project listed in the Department's 2014 Capital Budget request, are part of the long-range strategic plan for the St. Peter campus. This phased initiative will result in the eventual relocation of all of the MSH residential and program activities from the lower campus to the upper campus **and the reuse/redevelopment of the lower campus for the Minnesota Sex Offender Program (MSOP).**

As discussed in the narrative for DHS's first priority project, the intent of this new proposal for the St. Peter campus is to provide a logical long-range plan to address several very significant issues that the Department faces as it

## MSOP (St. Peter) - Design, Remodel/Construct

operates both MSH and MSOP, two distinctly different programs, on the St. Peter campus.

First, as discussed in the narrative for the first priority project, there is a real need to address critical patient and staff safety issues resulting from the design of the living units in the existing Minnesota Security Hospital. The poor unit configuration often results in patient and staff injury as staff attempt to relocate a patient from a living pod whose behavior requires staff intervention.

Second, while MSH patients are considered vulnerable adults, MSOP clients are not. Currently both programs have individuals who have been approved for having privileges outside the secure perimeter and therefore have the ability to walk outside on campus grounds. As more MSOP clients move to the later stages of treatment, more are likely to be approved for these kinds of privileges. However, allowing individuals from both programs to circulate on the lower campus is not good policy. The Department believes it is important to make a concerted effort to separate the two populations. Having MSH vacate all of its program space on the lower campus will address this issue and eliminate the potential for intermingling of these very different populations in the future.

Third, MSOP will need additional bed capacity on the St. Peter campus as its program continues to grow. Econometric modeling projects 50 new clients committed to the MSOP each year under current law and current practices. MSOP will be out of beds by the spring of 2015. The type of space that MSOP needs at St. Peter (the location which MSOP uses for individuals that are in the later stages of treatment), is much different than the space that it uses for the early stages of treatment at Moose Lake. The buildings that MSH will vacate on the lower campus, once new facilities are developed on upper campus for MSH programs will, after basic renovation and/or infrastructure upgrades, provide space that readily meets MSOP's later stage treatment program space requirements and create needed space for MSOP to utilize for residential and program purposes. The smaller living units promote a much more therapeutic environment for those individuals that are working hard to reach the reintegration phase of their treatment program.

As proposed in this request, the renovation of the west wing of Green Acres during 2014 and early 2015 will provide approximately 30 additional beds for

MSOP. Renovation of the east wing of Sunrise during the early spring and summer of 2015 will provide approximately 30 additional beds. These two renovation projects should provide enough additional bed capacity to meet MSOP's capacity requirements until the completion of Phase One of the MSH project on the upper campus, which will then allow for the relocation of MSH patients from Bartlett Hall.

MSOP will then occupy part of Bartlett Hall and begin to remodel the unoccupied space in the building. Upon completion of the first part of the Bartlett Hall renovation, MSOP clients will be relocated into the renovated space and the balance of the building will then be renovated. **Please note that the MSOP renovations and building infrastructure upgrade are a separate and distinct capital project from the Department's first priority project.**

In addition, since all of MSOP's St. Peter programs currently operate on the lower campus, it makes sense to plan/direct future MSOP expansion at St. Peter to the lower campus.

#### **Impact on Agency Operating Budgets (Facilities Notes)**

The increasing MSOP population will add future costs to the Department's operating budget for MSOP.

#### **Previous Appropriations for this Project**

No previous funds have been appropriated for design or remodeling Bartlett or Sunrise Buildings for the MSOP program.

#### **Other Considerations**

MSOP currently occupies all of Pexton Hall and the second floor of Shantz Hall on the lower St. Peter campus. After renovations are completed on the Shantz Building (funded in 2011), MSOP will occupy the entire building. Pexton and Shantz Buildings are located within one secure perimeter.

The Department's proposal for the St. Peter campus addresses several significant factors for MSOP:

**MSOP (St. Peter) - Design, Remodel/Construct**

- By specifically renovating the Green Acres, Sunrise and Bartlett Buildings, MSOP can offer treatment within smaller living units, which promotes a safe therapeutic environment, while meeting the bed space needs of the program.
- This plan allows for the gradual progression of MSOP treatment and increased privileges to occur from Moose Lake to the St. Peter campus.
- The design and renovation/construction of Bartlett Hall and Sunrise will provide approximately 200 additional beds on the St. Peter campus, which solves bed space needs for MSOP through 2018.

**Project Contact Person**

Nancy Johnston  
Direct Care Executive Director  
Minnesota Sex Offender Program  
Direct Care and Treatment Administration  
Phone: (651) 431-5652  
Email: nancy.a.johnston@state.mn.us

**Governor's Recommendations**

The Governor recommends general obligation bonding of \$7.405 million for this request. Also included are the budget planning estimates of \$14.1 million in 2016 and \$13.218 million in 2018.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	50	50	100
3. Design Fees	0	1,088	142	875	2,105
4. Project Management	0	177	355	348	880
5. Construction Costs	0	5,058	10,344	8,080	23,482
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	477	849	600	1,926
9. Inflation	0	605	2,360	3,265	6,230
<b>TOTAL</b>	<b>0</b>	<b>7,405</b>	<b>14,100</b>	<b>13,218</b>	<b>34,723</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	0	7,405	14,100	13,218	34,723
<b>State Funds Subtotal</b>	<b>0</b>	<b>7,405</b>	<b>14,100</b>	<b>13,218</b>	<b>34,723</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>7,405</b>	<b>14,100</b>	<b>13,218</b>	<b>34,723</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	373	11,384	13,661	25,418
Other Program Related Expenses	79	3,137	5,416	8,632
Building Operating Expenses	40	385	792	1,217
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	492	14,906	19,869	35,267
Revenue Offsets	<49>	<1,491>	<1,987>	<3,527>
<b>TOTAL</b>	<b>443</b>	<b>13,415</b>	<b>17,882</b>	<b>31,740</b>
Change in F.T.E. Personnel	56.5	112.9	117.9	287.3

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	7,405	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019

## System-wide Asset Preservation

**2014 STATE APPROPRIATION REQUEST:** \$6,218,000

**AGENCY PROJECT PRIORITY:** 3 of 4

#### Project At A Glance

- Maintain and preserve capital investments in state assets
- Provide repairs and replacements to basic facility infrastructure and key mechanical, electrical, utility, and HVAC systems
- Address known security and safety hazards, health risks and code deficiencies
- Repair and replace leaking or deteriorated roofing systems
- Maintain the basic building envelope systems of the state's buildings

#### Project Description

This project request involves the repair, replacement, and renewal needs specific to the operations of the Department of Human Services' State Operated Services (SOS) facilities and Minnesota Sex Offender Program (MSOP) facilities. These needs developed over time, and represent a system-wide assessment of the facilities' deficiencies, including, but not limited to the following:

- Security and safety hazards and code compliance issues
- Life/fire safety deficiencies (fire sprinkling, detection/alarm systems)
- ADA requirements/reasonable accommodations
- Emergency power/egress lighting upgrades
- Roof repair and replacement
- Mechanical and structural deficiencies
- Tuck pointing and other building envelope work (window and door replacement, fascia and soffit work, re-grading around foundations, etc.)
- Elevator repairs/upgrades
- Road and parking lot maintenance
- Major mechanical and electrical utility system repairs, replacements, upgrades and/or improvements, including the replacement of boilers and

- upgrade of steam systems
- Abatement of hazardous materials (e.g., asbestos containing pipe insulation, floor and ceiling tile, lead paint, etc.), and
- Demolition of deteriorated/unsafe/non-functional buildings and structures

#### Background Information

Funding of this request will enable the department, and its facilities, to continue to address/reduce the problem of deferred maintenance and deferred renewal at the DHS State-owned Facilities. Failure to fund this request will only intensify the problem. Additional deterioration will result and the state's physical plant assets will continue to decline. Future costs may actually compound, as complete replacement may become the most cost effective and efficient alternative for addressing related deficiencies.

The key objective of asset preservation is to help reduce the amount of deferred maintenance and deferred renewal referred to as the "capital iceberg." Although most projects associated with this request are considered nonrecurring in scope, all facility components require scheduled maintenance and repair, and eventually many require replacement. The average life cycle of most projects associated with this request range between 25 and 30 years; however, some have longer life cycles, (i.e. tuck pointing, window replacement), and a few may have shorter life cycles, (i.e. road and parking lot seal coating and overlays, exterior painting, and UPS (uninterruptable power systems)). These projects involve significant levels of repair and replacement and because of the system-wide magnitude cannot be addressed with the current level of repair and replacement funding in the agency's operating budget.

Each of the department's facilities is responsible for maintaining a list of projects required to preserve their fixed assets. These perpetual and ever changing lists are comprised of projects directly related to asset preservation or deferred maintenance and renewal. The facilities' asset preservation plans must support the future need and projected use of the facility. Building components are not evaluated on an individual deficiency basis, but rather on an overall building evaluation or assessment basis to determine that its life cycle characteristics and program suitability are in balance.

## System-wide Asset Preservation

**Impact on Agency Operating Budgets (Facilities Notes)**

Lack of funding of this request, will require the use of a large percentage of limited repair and replacement operating funds to address critical and expensive asset preservation projects. This action would limit the agency's ability to address routine preventative, predictive and corrective facility maintenance and would actually compound the existing deferred maintenance problem and result in a substantial increase in the long-range deferred maintenance/renewal at the agencies facilities. Funding of this request will not require the agency's operating budget to increase or decrease.

**Previous Appropriations for this Project**

2012 Legislature appropriated \$2 million  
2011 Legislature appropriated \$4.7 million  
2010 Legislature appropriated \$2 million  
2009 Legislature appropriated \$2 million  
2008 Legislature appropriated \$3 million  
2006 Legislature appropriated \$3 million  
2005 Legislature appropriated \$3 million  
2002 Legislature appropriated \$4 million

**Other Considerations**

Continued funding at the requested level for several biennia will enable the department to make a significant impact on the system's deferred maintenance problem.

Adequate funding levels for maintaining state physical plant assets could be appropriated to each agency's operating budget to maintain new or upgraded facilities. When a new building is authorized appropriate amount of maintenance funds could also be appropriated to the agency's base budget to maintain the new facility into the future. These funds could be placed into a special agency revolving account so they can be utilized and/or managed over a period of years to address major repairs, and replacement/renewal of major building components without agencies having to compete for such funding in future bonding bills.

In some cases repair and improvement may be a very prudent measure, while in other cases total replacement may be the most viable alternative. However, in light of the department's current excess building capacity, demolition of some buildings may be determined to be the most economical and prudent choice of action. In addition, downsizing of facilities and/or deactivation of individual buildings must also be considered when determining which buildings asset preservation funds should be requested for, or committed to.

**Minnesota Statutes 2010, sec. 16A.11, subd. 6. Building maintenance and capital betterment:** *The detailed operating budget and capital budget must include amounts necessary to maintain and better state buildings. The commissioner of management and budget, in consultation with the commissioner of administration, the Board of Trustees of the Minnesota State Colleges and Universities, and the regents of the University of Minnesota, shall establish budget guidelines for building maintenance and betterment appropriations. Unless otherwise provided by the commissioner of management and budget, the combined amount to be budgeted each year for building maintenance and betterment in the operating budget and capital budget is one percent of the replacement cost of the building, adjusted up or down depending on the age and condition of the building.*

**Project Contact Person**

Alan Van Buskirk, Physical Plant Operations Manager  
Direct Care and Treatment Administration  
Department of Human Services  
Phone: (651)431-3695  
E-mail: [alan.vanbuskirk@state.mn.us](mailto:alan.vanbuskirk@state.mn.us)

**Governor's Recommendations**

The Governor recommends general obligation bonding of \$4 million for this request. Also included are budget estimates of \$4 million in each of planning periods 2016 and 2018.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	498	509	504	1,511
4. Project Management	0	258	236	228	722
5. Construction Costs	0	4,975	5,108	5,037	15,120
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	487	1,147	2,013	3,647
<b>TOTAL</b>	<b>0</b>	<b>6,218</b>	<b>7,000</b>	<b>7,782</b>	<b>21,000</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	0	6,218	7,000	7,782	21,000
<b>State Funds Subtotal</b>	<b>0</b>	<b>6,218</b>	<b>7,000</b>	<b>7,782</b>	<b>21,000</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>6,218</b>	<b>7,000</b>	<b>7,782</b>	<b>21,000</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	6,218	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019

**Early Childhood Facilities**

**2014 STATE APPROPRIATION REQUEST:** \$5,000,000

**AGENCY PROJECT PRIORITY:** 4 of 4

**Project At A Glance**

\$5 million is requested for Early Childhood Facilities grants to political subdivisions:

- Early Childhood grants help local entities renovate and renew substandard older, or construct new, early childhood facilities
- Grants must be matched 50% with non-state funds
- This statewide grant program supports children’s school readiness

**Project Description**

Minnesota Statutes section 256E.37 [**Early Childhood Learning and Child Protection Facilities**] funds construction or rehabilitation of facilities for early childhood programs, crisis nurseries, or parenting time centers. The facilities must be owned by the state or a political subdivision, but may be leased to organizations that operate the programs. Programs include Head Start, School Readiness, Early Childhood Family Education, licensed child care, and other early childhood intervention programs.

This grant program is administered by the Department of Human Services per statute. Funding is awarded through an RFP process. A grant for an individual facility must not exceed \$500,000 for each program that is housed in the facility, up to a maximum of \$2 million for a facility that houses three programs or more. State appropriations must be matched on a 50 percent basis with non-state funds. Priority will be given to projects that demonstrate how the grant can enhance or support provision of early childhood services that improve children’s school readiness by meeting research-based program quality standards.

Head Start and other early childhood programs need funding to construct or renovate facilities that have become substandard or not appropriately configured for early childhood programs. With \$5 million funding requested for 2014, eight to ten projects could be ready to begin construction/rehabilitation in spring of 2015 with an average cost of \$500,000

per project. Quality preschool and early childhood facilities promote better outcomes for children. Investing in early childhood through facility improvement helps create jobs and meet the demand for high quality learning experiences. Demand is growing as low-income Minnesota families access high quality early learning programs, including Minnesota Early Learning Scholarships Program and child care subsidies tied to high-quality programs, and use information garnered through Parent Aware, Minnesota’s Quality Rating & Improvement System.

Priority may be given to projects that collaborate with child care providers, including all-day and school-age child care programs, special needs care, sick child care, nontraditional hour care, programs that include services to refugee and immigrant families, programs that will increase their child care worker’s wages as a result of the grant, and projects that will improve the quality of early childhood programs.

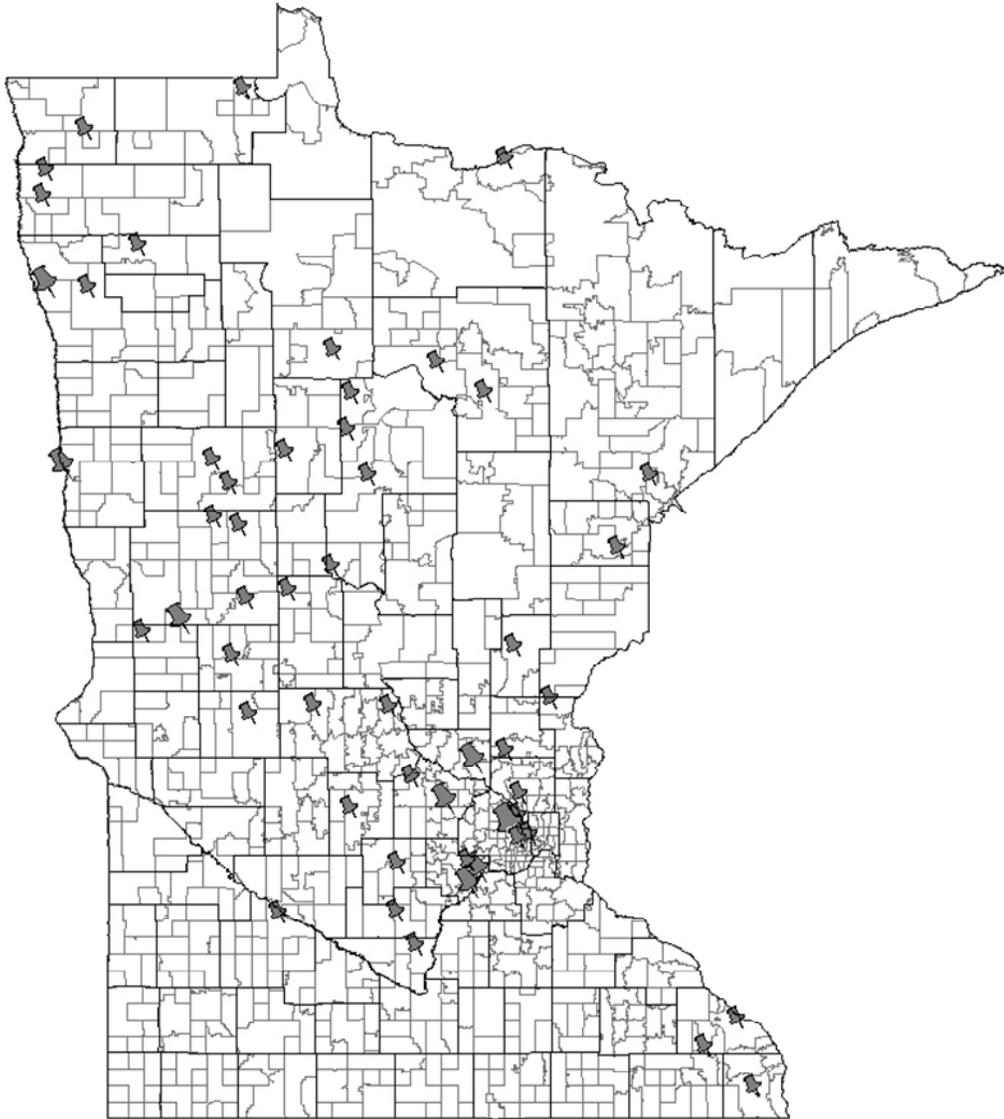
**Impact on Agency Operating Budgets (Facilities Notes)**

No direct impact. DHS needs 0.5 FTE to manage this grant program. Per the MMB policy on using bond appropriations to pay staff costs for project management, the department will track and charge the time that this 0.5 FTE spends on the early childhood projects to the bond appropriation.

**Previous Appropriations for this Project**

<b>Year</b>	<b>GO Bonds</b>	<b>General Fund</b>
1992	\$2,000,000	
1994	\$2,000,000	
1996	\$3,500,000	
1998	\$2,000,000	\$3,000,000
2000	\$2,000,000	
2005	\$ 500,000	
2006	\$ 500,000	
2011	\$1,900,000	

The Legislature first provided \$2 million in bond funds in 1992 for eleven projects to construct or rehabilitate facilities for early childhood learning programs. In 2011 \$1.9 million was appropriated in the bonding bill (2011 1<sup>st</sup> Special Session chapter 12, sec. 15, subd. 3). Five projects were funded; two are completed and three are in the construction phase.

**Early Childhood Facility Bonding Program Sites 1992-2013****Total Funds Awarded:** \$17,400,000    **Number of Sites:** 69**Award Profile:**            14 projects in Metro counties  
55 projects in Greater Minnesota**Other Considerations**

The need for early childhood facilities is driven by requirements that space be safe and accessible. Early childhood programs must comply with DHS child care licensing rules. Preference is given to proposals that demonstrate meaningful collaboration within a community. In many parts of the state, it is difficult to find existing space that is safe and age appropriate; therefore, this funding is a catalyst for collaboration between cities, counties and school districts to improve early childhood facilities and promote better outcomes for children. Implementation of all-day Kindergarten has increased the demand for construction and rehabilitation of Early Childhood facilities. Early Childhood programs are being displaced or relocated to less desirable space to make room for all day Kindergarten.

To have lasting impact, funding for this grant program should be regularized and sustained. Consequently this request also includes planned requests of \$5 million in the 2016 and 2018 bonding cycles.

**Project Contact Person**

Francie Mathes  
Community Partnerships and Child Care Services Division  
Minnesota Department of Human Services  
Phone: (651) 431-3814  
Email: [francie.mathes@state.mn.us](mailto:francie.mathes@state.mn.us)

**Governor's Recommendation**

The Governor recommends general obligation bonding of \$3 million for this request. Also included are the budget estimates of \$3 million in each planning periods 2016 and 2018.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	64	112	112	288
5. Construction Costs	17,400	4,936	4,888	4,888	32,112
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>17,400</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>32,400</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	14,400	5,000	5,000	5,000	29,400
General	3,000	0	0	0	3,000
<b>State Funds Subtotal</b>	<b>17,400</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>32,400</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>17,400</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>32,400</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	61	106	106	273
Other Program Related Expenses	3	6	6	15
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	64	112	112	288
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>64</b>	<b>112</b>	<b>112</b>	<b>288</b>
Change in F.T.E. Personnel	0.5	0.5	0.5	1.5

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	5,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019