Maple Grove Hospital Public Interest Reviews

Senate Health and Human Services Budget Division

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MINNESOTA MDH DEPARTMENT OF HEALTH

Background

- Since 1984, Minnesota law has prohibited the construction of new hospitals or expansion of bed capacity at existing hospitals without specific authorization from the Legislature
  - Currently, there are 18 exceptions listed in the statute
- A 2004 law established a new process for review of proposals for exceptions to the hospital moratorium

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Hospital Public Interest Review Process

- Under the new law, a hospital seeking to increase its number of licensed beds or an organization seeking to obtain a hospital license must submit a plan to MDH for review
- The Commissioner of Health issues a finding as to whether a plan is in the public interest
- The decision of whether to grant an exception to the hospital moratorium is still made by the Legislature

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5 Factors to Be Considered in MDH Public Interest Review:

- Whether the new hospital or hospital beds are needed to provide timely access to care or access to new or improved services
- The financial impact of the new hospital or hospital beds on existing acute-care hospitals that have emergency departments in the region
- How the new hospital or hospital beds will affect the ability of existing hospitals in the region to maintain existing staff
- The extent to which the new hospital or hospital beds will provide services to nonpaying or low-income patients relative to the level of services provided to these groups by existing hospitals in the region
- The views of affected parties

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x

x Likely growth

x How Existing facility Serves area

Proposals to Build a Hospital in Maple Grove: Received November 2004

- North Memorial
- Fairview
- Allina/Park Nicollet/Children's ("Maple Grove Tri-Care Partnership")
- In accordance with the statute, MDH reviewed each plan separately and issued a separate finding for each plan

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MDH Approach to Review of Maple Grove Proposals

- Common to all 3 proposals:
  - Public input
  - Analyzing historical and projected data on demographics and hospital use
    - Statewide
    - Specific to Maple Grove area
  - Reviewing previously published research on relevant topics
- Specific to each proposal:
  - Evaluation in light of each of the statutory factors
  - Analysis of impact on other hospitals in the region, including impact on uncompensated care

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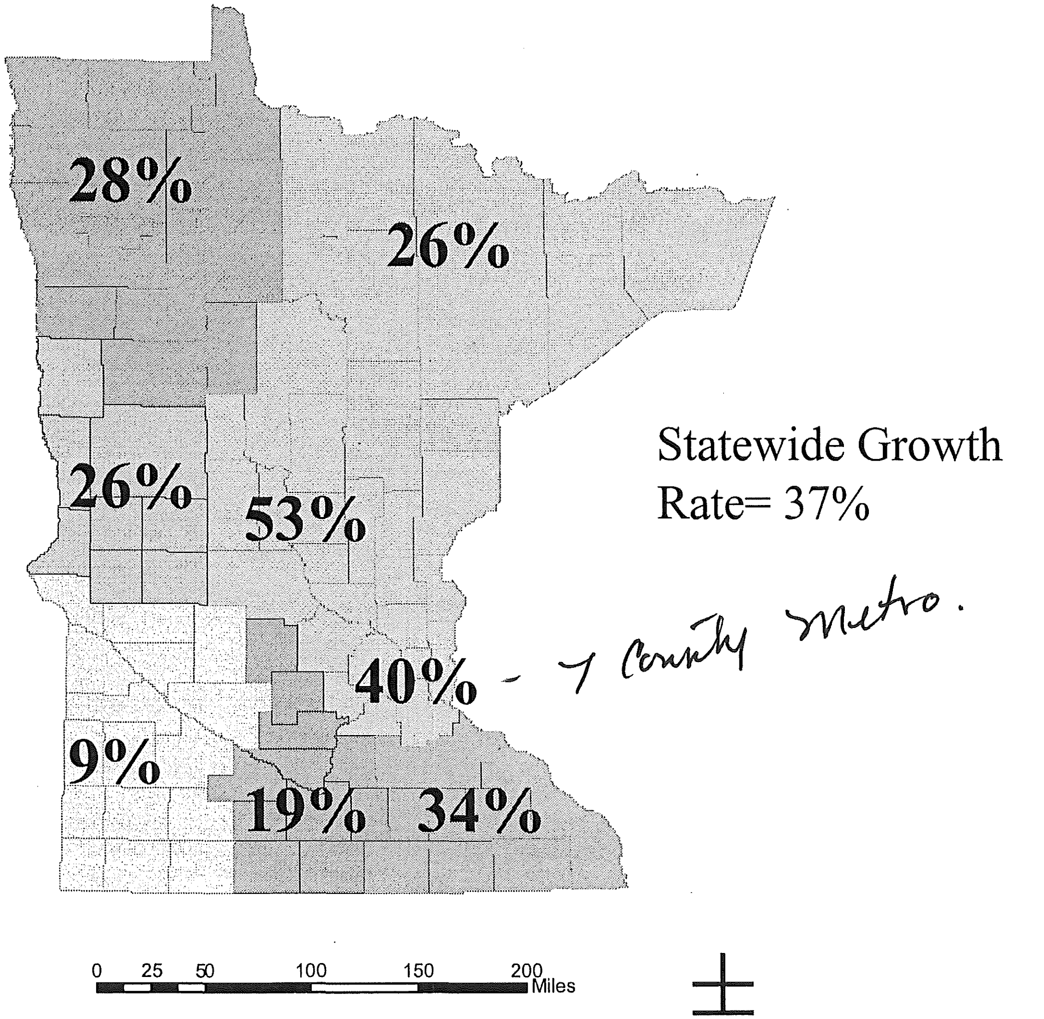
Projected Growth in Inpatient Days by Region, 2000 to 2020



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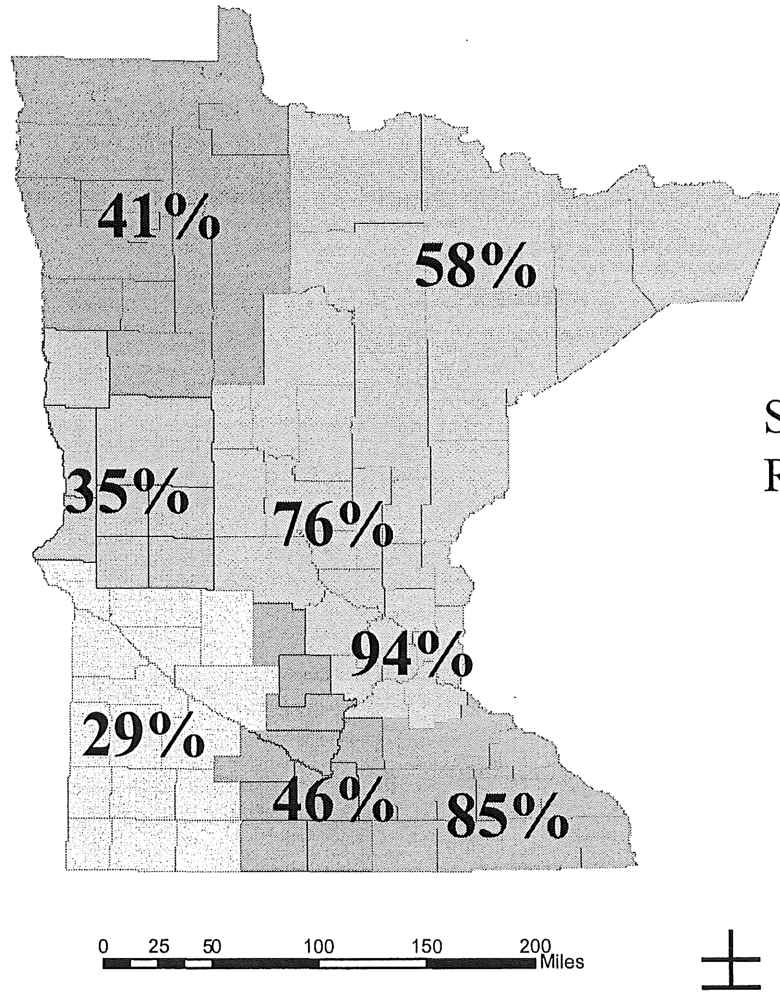
Projected Occupancy Rates as % of 2003 Available Beds, by Region, 2020



Statewide Occupancy Rate= 75%

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Future Occupancy Rates: Additional Factors to Consider

- Occupancy rates vary widely across the state – projected occupancy in Twin Cities metro area is much higher than statewide
- Due to fluctuations in demand, measuring occupancy rates over a full-year period likely understates the degree to which the hospital system may be operating at or near capacity constraints at certain times

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Maple Grove Area: Demographic Trends and Use of Hospital Services

- ✶ The Maple Grove area is experiencing rapid population growth – expected to grow 3 to 4 times faster than the state as a whole over the next decade
- ✶ MDH analysis focused on 11 hospitals that currently serve most patients from the Maple Grove area
  - Projection of occupancy rates at existing hospitals if no new hospital is built
    - Incorporates population growth and aging, and a range of assumptions about future hospital utilization rates
  - Because these 11 hospitals account for about one-third of annual hospital admissions in Minnesota, the results of this analysis have implications beyond Maple Grove

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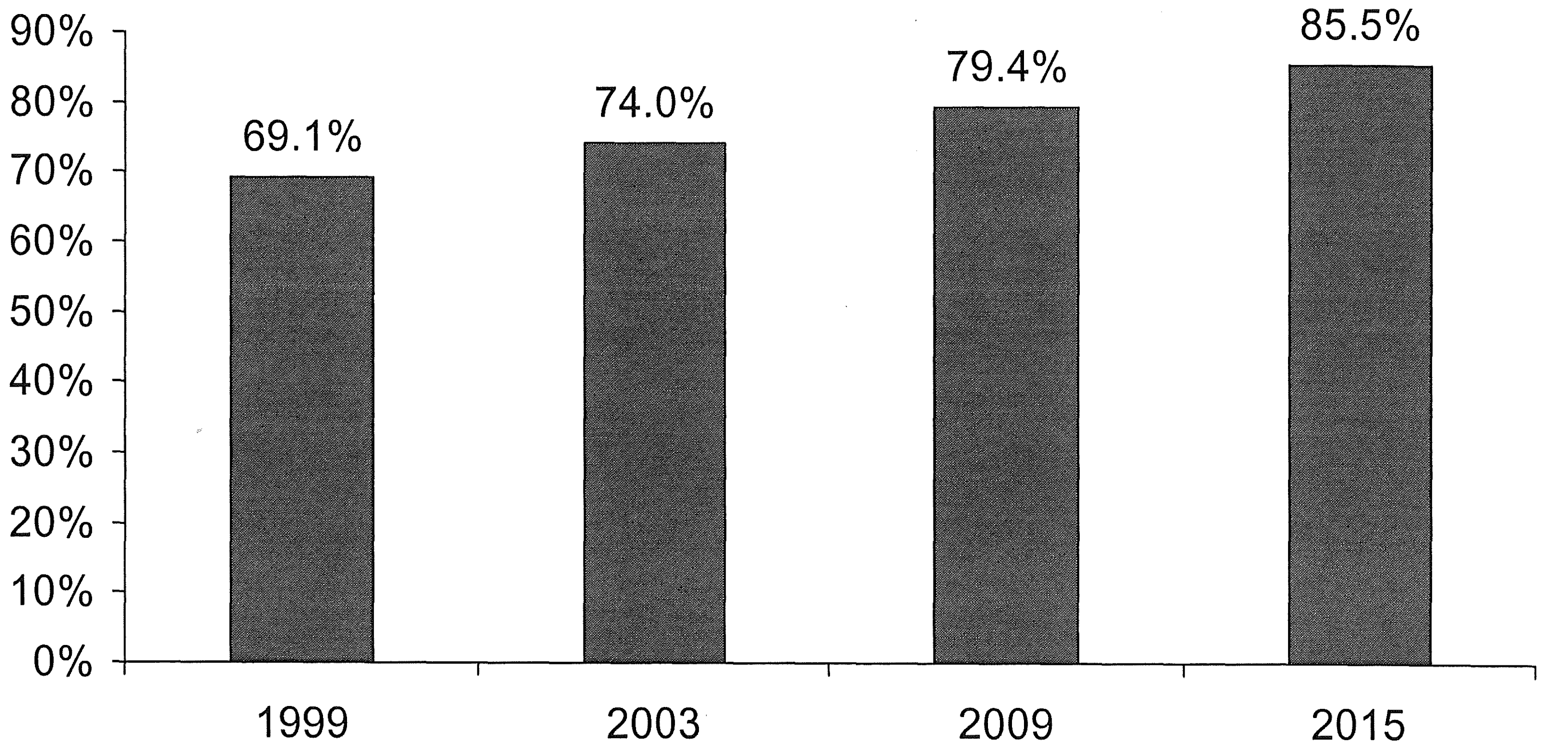
Occupancy Rates at Existing Hospitals Serving the Maple Grove Community



Projected Occupancy Rates at Maple Grove Area Hospitals

- **By 2009:**
  - The group of 11 hospitals serving Maple Grove area resident is projected to have an occupancy rate of 79.4%
  - 6 hospitals in this group are expected to have occupancy above 75%
- **By 2015:**
  - Occupancy rate at the group of hospitals currently serving Maple Grove area residents is projected to be 85.5%
  - 10 hospitals in this group are expected to have occupancy above 75%
  - 4 hospitals in this group are expected to have occupancy above 90%

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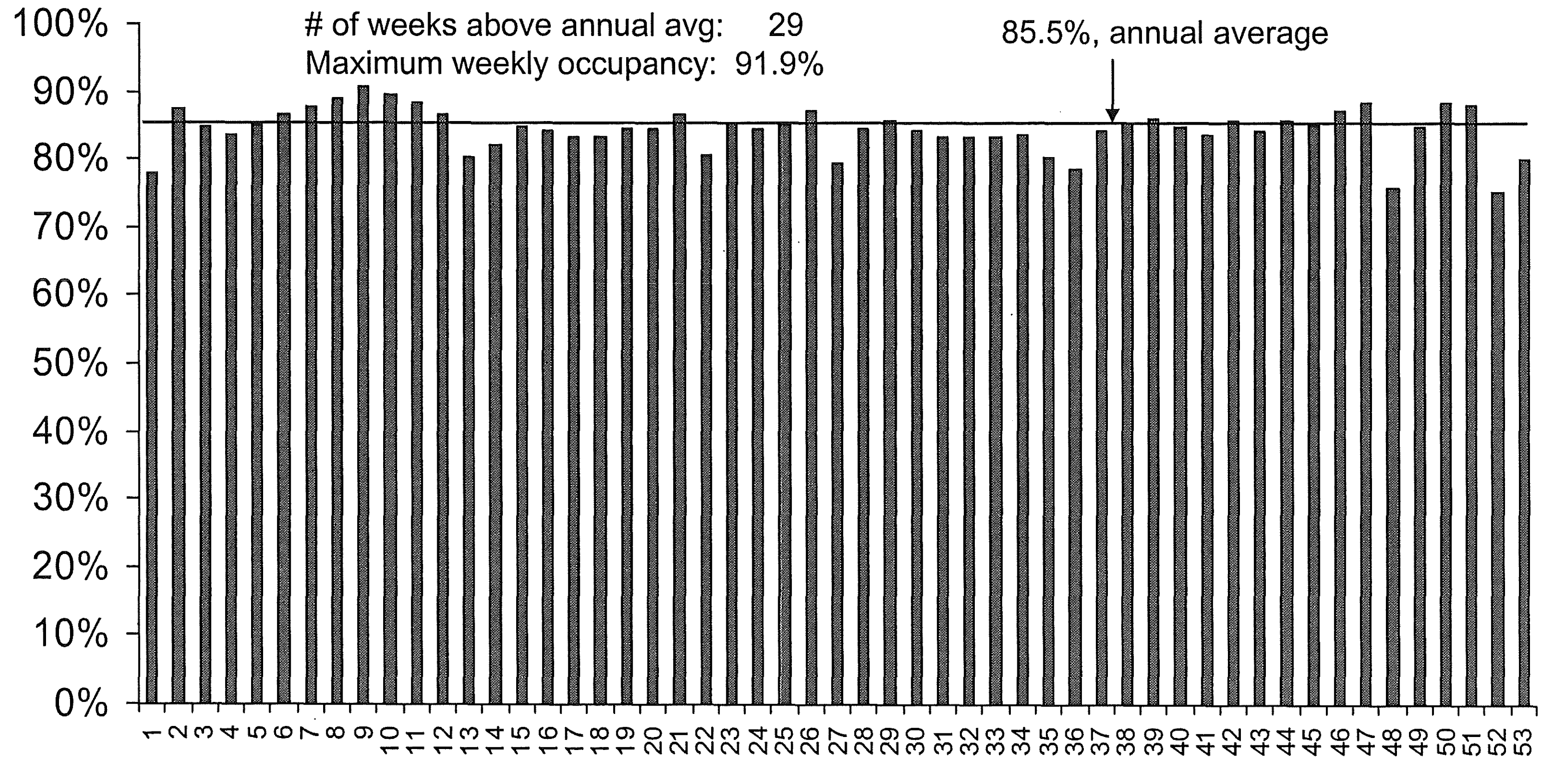
2015 Weekly Projected Occupancy Rates for Hospitals Serving Residents of the Maple Grove Area



Occupancy rates calculated based on 2003 available beds.

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Factor 1: Whether the new hospital or hospital beds are needed to provide timely access to care or access to new or improved services

- MDH analysis shows that there will be increasing strains on capacity at existing facilities serving Maple Grove
- In addition, each report address to varying degrees the specific services identified by the community and MDH as likely necessary services:
  - Inpatient mental health
  - Obstetrics
  - Emergency services
- Relationship between time/distance to emergency services and impact on health outcomes; other factors, such as having a well-functioning EMS system, are also important

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Factor 2: The financial impact of the new hospital or hospital beds on existing acute-care hospitals that have emergency departments in the region

- ✶ Compared to projections in the absence of a new hospital, some facilities are likely to experience a loss of volume
  - – Impact varies depending on current market share
  - – In general, those with largest market share have largest impact
- ✶ In nearly all cases, however, volume of services is projected to rise at area hospitals compared to 2003
- ✶ In other words: for most facilities, growth in demand will still occur, but will be slower than it would have otherwise been

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Factor 3: How the new hospital or hospital beds will affect the ability of existing hospitals in the region to maintain existing staff

- Concerns about shortages of particular types of staff (e.g., nurses)
  - In the Twin Cities, labor shortage seems to have eased compared to a few years ago, but vacancy rates for nurses are still above the statewide average
- Proposed Maple Grove facility is small relative to the overall market so new facility probably won't have a substantial impact
  - May have some impact on labor issues, but other factors such as rising overall demand for hospital services may be even more important
- For individual employees, there will be tradeoffs in employment decisions (e.g., shorter commute vs. less seniority)

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Factor 4: The extent to which the new hospital or hospital beds will provide services to nonpaying or low-income patients relative to the level of services provided to these groups by existing hospitals in the region

- Applicants propose to implement current charity care policies at proposed Maple Grove hospital
- Concerns about impact on safety net hospitals' ability to continue to provide care to low-income or nonpaying populations:
  - MDH analysis looks at sources of health insurance coverage in the areas served by specific hospitals, estimated with and without the impact of the proposed Maple Grove hospital
  - Estimated effect is in the direction expected, but size of impact is small

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Factor 5: The views of affected parties

- ✶ Public meeting in Maple Grove on January 11, 2005
  - Community views summarized in each report
- ✶ MDH received several written comments in support of each application
  - Included in each report
- ✶ North Memorial concerns about impact of Fairview and Tri-Care proposals
  - North Memorial concerns included in each report
  - Fairview and Tri-Care rebuttals also included in their respective reports

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Other Factors Considered

- Hospital competition and consolidation
- Bed types and services provided
- Potential health care system costs

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Summary: Key MDH Findings

- All three reports from MDH to the legislature find that it <u>is in the public interest</u> to build a hospital in Maple Grove:
  - The Maple Grove area can support a hospital
  - Rapid population growth and aging will increase demand for hospital services
  - Hospitals currently serving residents of the area are projected to experience increasing strains on capacity
    - This issue affects all Minnesotans, not just residents of the Maple Grove area (1/3 of statewide discharges)
- We also recommend that the legislature should consider requiring the addition of inpatient behavioral health services as a condition of granting an exception to the hospital moratorium

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Minnesota Department of Health Fact Sheet March 11, 2005

Maple Grove Hospital Public Interest Reviews

Background

Since 1984, Minnesota law has prohibited the construction of new hospitals or expansion of bed capacity of existing hospitals without specific authorization from the Minnesota Legislature (Minnesota Statutes 144.551). A number of exceptions to this hospital construction moratorium have been enacted over time, and there are currently 18 exceptions to the moratorium listed in the law.

Under a new law enacted in 2004 (Minnesota Statutes 144.552), a hospital seeking to increase its number of licensed beds, or an organization seeking to obtain a hospital license, must submit a plan to the Commissioner of Health for review. The Commissioner of Health reviews each plan and issues a finding to the Legislature as to whether the plan is in the public interest. The decision as to whether to grant an exception to the hospital moratorium is still made by the Legislature.

Factors to be considered in review of plans

Under the law, the Minnesota Department of Health (MDH) is required to consider five specific factors in its review of a plan submitted for public interest review. These factors include:

- Whether the new hospital or hospital beds are needed to provide timely access to care or access to new or improved services;
- The financial impact of the new hospital or hospital beds on existing acute-care hospitals that have emergency departments in the region;
- How the new hospital or hospital beds will affect the ability of existing hospitals in the region to maintain existing staff;
- The extent to which the new hospital or hospital beds will provide services to nonpaying or low-income patients relative to the level of services provided to these groups by existing hospitals in the region; and
- The views of affected parties.

Proposals to build a hospital in Maple Grove

In November 2004, MDH received three separate filings for public interest review of proposals to build a new hospital in Maple Grove, Minnesota, located in northwest Hennepin County. The parties proposing to build a hospital in Maple Grove are:

- North Memorial Health Care
- Fairview Health Services
- Allina Hospitals and Clinics, Park Nicollet Health Services, and Children's Hospitals and Clinics, through a collaborative effort known as the "Maple Grove Tri-Care Partnership"

In accordance with the statute, MDH reviewed each plan separately and has issued a separate finding for each plan.

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MDH Findings

All three of the reports on proposals to build a hospital in Maple Grove find that it is in the public interest to build a hospital in Maple Grove.

From a local perspective, the MDH concurs that the community can support a hospital of the size and scope proposed, and that a new facility would provide more convenient access to services for residents in the community.

From a statewide perspective, MDH finds that existing inpatient hospital capacity is likely to experience increasing strains over the next decade, and that construction of some new capacity may be necessary to relieve those strains. Because hospitals that currently serve the Maple Grove area collectively account for about one third of total hospital admissions in Minnesota, this issue is of statewide concern.

MDH also finds that the Legislature should consider whether to require the inclusion of certain services, such as inpatient behavioral health services, as a condition of granting any exception to the hospital moratorium.

While the MDH finds that it is in the public interest to construct a new hospital in Maple Grove, it is unlikely that the construction of three new inpatient facilities in Maple Grove would be in the public interest.

The legislation that established the public interest review process did not contemplate a situation in which there would be simultaneous proposals to expand hospital capacity in the same geographic area. As such, a direct comparison of the three proposals and recommendation as to which proposal is best is beyond the scope of the department's authority under the law.

For more information

For more information about the public interest review process or the specific reports, contact Scott Leitz, MDH Health Economics Program, 651-282-6361; scott.leitz@health.state.mn.us.

Senators Murphy, Marty and Ranum introduced--

S.F. No. 1926: Referred to the Committee on Taxes.

A bill for an act

relating to taxation; increasing the tax on alcoholic beverages; dedicating the proceeds of the increase to provide grants to counties to provide probation supervision and treatment services for certain offenders; appropriating money; amending Minnesota Statutes 2004, sections 254B.01, subdivisions 1, 3; 254B.02, subdivisions 1, 4; 254B.03, subdivisions 1, 2, 5; 254B.04, subdivision 1; 297G.03, subdivisions 1, 2; 297G.04, subdivisions 1, 2; 297G.10; 297G.12, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 254B; 401; repealing Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3; 254B.03, subdivision 4.

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

Section 1. Minnesota Statutes 2004, section 254B.01, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY.] The definitions in this section apply to ~~Laws-1986,-chapter-394,-sections-8-to-20~~ sections 254B.01 to 254B.11.

Sec. 2. Minnesota Statutes 2004, section 254B.01, subdivision 3, is amended to read:

Subd. 3. [CHEMICAL DEPENDENCY SERVICES.] "Chemical dependency services" means a planned program of care for the treatment of chemical dependency or chemical abuse to minimize or prevent further chemical abuse by the person. ~~Diagnostic,-evaluation,-prevention,-referral,-detoxification,-and-aftercare-services-that-are-not-part-of-a-program-of-care-licensable-as-a-residential-or-nonresidential-chemical-dependency-treatment-program-are-not-chemical-dependency-services-for-purposes-of~~

~~this-section.~~ For pregnant and postpartum women, chemical dependency services include halfway house services, aftercare services, psychological services, and case management.

Sec. 3. Minnesota Statutes 2004, section 254B.02, subdivision 1, is amended to read:

Subdivision 1. [CHEMICAL DEPENDENCY TREATMENT ALLOCATION.] The chemical dependency funds appropriated for allocation shall be placed in a special revenue account. The commissioner shall annually transfer funds from the chemical dependency fund to pay for operation of the drug and alcohol abuse normative evaluation system ~~and-to-pay-for-all-costs-incurred-by-adding-two-positions for-licensing-of-chemical-dependency-treatment-and rehabilitation-programs-located-in-hospitals-for-which-funds-are not-otherwise-appropriated.--For-each-year-of-the-biennium ending-June-30,-1999,-the-commissioner-shall-allocate-funds-to the-American-Indian-chemical-dependency-tribal-account-for treatment-of-American-Indians-by-eligible-vendors-under-section 254B.05,-equal-to-the-amount-allocated-in-fiscal-year-1997~~. The commissioner shall annually divide the money available in the chemical dependency fund that is not ~~held-in-reserve-by-counties from-a-previous-allocation,-or~~ allocated to the American Indian chemical dependency tribal account. Six percent of the remaining money must be reserved for the nonreservation American Indian chemical dependency allocation for treatment of American Indians by eligible vendors under section 254B.05, subdivision 1. The remainder of the money must be allocated among the counties according to the following formula, using state demographer data and other data sources determined by the commissioner:

(a) For purposes of this formula, American Indians and children under age 14 are subtracted from the population of each county to determine the restricted population.

(b) The amount of chemical dependency fund expenditures for entitled persons for services not covered by prepaid plans governed by section 256B.69 in the previous year is divided by the amount of chemical dependency fund expenditures for entitled persons for all services to determine the proportion of exempt service expenditures for each county.

(c) The prepaid plan months of eligibility is multiplied by the proportion of exempt service expenditures to determine the adjusted prepaid plan months of eligibility for each county.

(d) The adjusted prepaid plan months of eligibility is added to the number of restricted population fee for service months of eligibility for the Minnesota family investment program, general assistance, and medical assistance and divided by the county restricted population to determine county per capita months of covered service eligibility.

(e) The number of adjusted prepaid plan months of eligibility for the state is added to the number of fee for service months of eligibility for the Minnesota family investment program, general assistance, and medical assistance for the state restricted population and divided by the state restricted population to determine state per capita months of covered service eligibility.

(f) The county per capita months of covered service eligibility is divided by the state per capita months of covered service eligibility to determine the county welfare caseload factor.

(g) The median married couple income for the most recent three-year period available for the state is divided by the median married couple income for the same period for each county to determine the income factor for each county.

(h) The county restricted population is multiplied by the sum of the county welfare caseload factor and the county income factor to determine the adjusted population.

(i) $15,000 shall be allocated to each county.

(j) The remaining funds shall be allocated proportional to the county adjusted population.

Sec. 4. Minnesota Statutes 2004, section 254B.02, subdivision 4, is amended to read:

Subd. 4. [~~ALLOCATION-SPENDING-LIMITS~~ <u>REALLOCATION OF UNSPENT FUNDS</u>.] Money allocated according to subdivision 1 and section 254B.09, subdivision 4, is available for payments for up to two years. ~~The-commissioner-shall-deduct-payments-from-the most-recent-year-allocation-in-which-money-is-available.~~ Allocations under this section that are not used within two years ~~must~~ may be reallocated to ~~the-reserve-account-for payments-under-subdivision-3.--Allocations-under-section 254B.09,-subdivision-4,-that-are-not-used-within-two-years-must be-reallocated-for-payments-under-section-254B.09,-subdivision-5~~ other counties under subdivision 1.

Sec. 5. Minnesota Statutes 2004, section 254B.03, subdivision 1, is amended to read:

Subdivision 1. [LOCAL AGENCY DUTIES.] (a) Every local agency shall provide chemical dependency services to persons residing within its jurisdiction who meet the criteria established by the commissioner for ~~placement-in-a~~ chemical dependency ~~residential-or-nonresidential-treatment service~~ services. Chemical dependency money must be administered by the local agencies according to law and rules adopted by the commissioner under sections 14.001 to 14.69.

(b) In order to contain costs, the county board shall, with the approval of the commissioner of human services, select eligible vendors of chemical dependency services who can provide economical and appropriate treatment. Unless the local agency is a social services department directly administered by a county or human services board, the local agency shall not be an eligible vendor under section 254B.05. The commissioner may approve proposals from county boards to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. If a county implements a demonstration or experimental medical services funding plan, the commissioner shall transfer the money as appropriate. If a county selects a vendor located in another state, the county shall ensure that the vendor is in compliance with the rules governing licensure of programs located in the state.

(c) The calendar year 2002 rate for vendors may not increase more than three percent above the rate approved in effect on January 1, 2001. The calendar year 2003 rate for vendors may not increase more than three percent above the rate in effect on January 1, 2002. The calendar years 2004 and 2005 rates may not exceed the rate in effect on January 1, 2003.

(d) A culturally specific vendor that provides assessments under a variance under Minnesota Rules, part 9530.6610, shall be allowed to provide assessment services to persons not covered by the variance.

Sec. 6. Minnesota Statutes 2004, section 254B.03, subdivision 2, is amended to read:

Subd. 2. [CHEMICAL DEPENDENCY FUND PAYMENT.] (a) Payment from the chemical dependency fund is limited to payments for services ~~other-than-detoxification~~ that, if located outside of federally recognized tribal lands, would be required to be licensed by the commissioner as a chemical dependency treatment or rehabilitation program under sections 245A.01 to 245A.16, and services ~~other-than-detoxification~~ provided in another state that would be required to be licensed as a chemical dependency program if the program were in the state. Out of state vendors must also provide the commissioner with assurances that the program complies substantially with state licensing requirements and possesses all licenses and certifications required by the host state to provide chemical dependency treatment. Except for chemical dependency transitional rehabilitation programs, vendors receiving payments from the chemical dependency fund must not require co-payment from a recipient of benefits for services provided under this subdivision. Payment from the chemical dependency fund shall be made for necessary room and board costs provided by vendors certified according to section 254B.05, or in a community hospital licensed by the commissioner of health according to sections 144.50 to 144.56 to a client who is:

(1) determined to meet the criteria for placement in a residential chemical dependency treatment program according to rules adopted under section 254A.03, subdivision 3; and

(2) concurrently receiving a chemical dependency treatment service in a program licensed by the commissioner and reimbursed by the chemical dependency fund.

(b) A county may, from its own resources, provide chemical dependency services for which state payments are not made. A county may elect to use the same invoice procedures and obtain the same state payment services as are used for chemical dependency services for which state payments are made under this section if county payments are made to the state in advance of state payments to vendors. When a county uses the state system for payment, the commissioner shall make monthly billings to the county using the most recent available information to determine the anticipated services for which payments will be made in the coming month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month.

(c) The commissioner shall coordinate chemical dependency services and determine whether there is a need for any proposed expansion of chemical dependency treatment services. The commissioner shall deny vendor certification to any provider that has not received prior approval from the commissioner for the creation of new programs or the expansion of existing program capacity. The commissioner shall consider the provider's capacity to obtain clients from outside the state based on plans, agreements, and previous utilization history, when determining the need for new treatment services.

Sec. 7. Minnesota Statutes 2004, section 254B.03, subdivision 5, is amended to read:

Subd. 5. [RULES; APPEAL.] The commissioner shall adopt rules as necessary to implement ~~Laws-1986,-chapter-394,-sections 8-to-20.--The-commissioner-shall-ensure-that-the-rules-are effective-on-July-1,-1987~~ sections 254B.02 to 254B.11. The commissioner shall establish an appeals process for use by recipients when services certified by the county are disputed. The commissioner shall adopt rules and standards for the appeal process to assure adequate redress for persons referred to inappropriate services.

Sec. 8. Minnesota Statutes 2004, section 254B.04, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) Persons eligible for Tier I benefits under Code of Federal Regulations, title 25, part 20, persons eligible for medical assistance benefits under sections 256B.055, 256B.056, and 256B.057, subdivisions 1, 2, 5, and 6, or who meet the income standards of section 256B.056, subdivision 4, and persons eligible for general assistance medical care under section 256D.03, subdivision 3, are entitled to chemical dependency fund services. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

Persons with dependent children who are determined to be in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212, shall be assisted by the local agency to access needed treatment services. Treatment services must be appropriate for the individual or family, which may include long-term care treatment or treatment in a facility that allows the dependent children to stay in the treatment facility. The county shall pay for out-of-home placement costs, if applicable.

(b) A person not entitled to services under paragraph (a), but with family income that is less than 215 percent of the federal poverty guidelines for the applicable family size, shall be eligible to receive Tier II chemical dependency fund services within the limit of funds appropriated for this group for the fiscal year. If notified by the state agency of limited funds, a county must give preferential treatment to persons with dependent children who are in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212. A county may spend money from its own sources to serve persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

(c) Persons whose income is between 215 percent and 412 percent of the federal poverty guidelines for the applicable family size shall be eligible for Tier III chemical dependency services on a sliding fee basis, within the limit of funds appropriated for this group for the fiscal year. Persons eligible under this paragraph must contribute to the cost of services according to the sliding fee scale established under subdivision 3. A county may spend money from its own sources to provide services to persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

Sec. 9. [254B.11] [TREATMENT SERVICES.]

Subdivision 1. [DISTRIBUTION OF APPROPRIATED FUNDS.] Funds appropriated to the commissioners of human services and health under section 297G.11 must be distributed as provided in subdivisions 2 to 5.

Subd. 2. [TREATMENT SERVICES.] Sixty-two percent must be deposited in the chemical dependency fund under section 254B.02 for allocation and distribution by the commissioner of human services to counties under the formula provided in section 254B.02, subdivision 1. Notwithstanding any other law, funds distributed under this section must be used by the counties to fund Tier I and Tier II benefits under section 254B.04, subdivision 1, paragraphs (a) and (b), for treatment of alcohol and all controlled substances dependencies, including detoxification and long-term treatments, including inpatient treatment for longer than 28 days, when necessary for successful treatment. No county maintenance effort is required to receive funding under this subdivision.

Subd. 3. [TREATMENT SUPPORT SERVICES.] 18.5 percent is appropriated to the commissioner of human services to make grants to counties for treatment support including local relapse programs and supportive housing and transportation initiatives for alcohol or controlled substances offenders.

Subd. 4. [DETOXIFICATION.] Sixteen percent is appropriated to the commissioner of human services to make grants to counties for detoxification services, including transportation. To receive a grant under this section, a county must contribute funding of at least 50 percent of the grant for the same purposes.

Subd. 5. [HEALTH ASSESSMENTS.] 3.5 percent is appropriated to the commissioner of health for grants to local community health boards to provide health assessments and supportive services to children and vulnerable adults who reside or are otherwise subjected to health risks at the site where methamphetamine is manufactured.

Sec. 10. Minnesota Statutes 2004, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RATE; DISTILLED SPIRITS AND WINE.] The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	~~$5.03~~ $11.36 per gallon	~~$1.33~~ $3.03 per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	~~$-.30~~ $1.35 per gallon	~~$-.08~~ $ .36 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	~~$-.95~~ $1.98 per gallon	~~$-.25~~ $ .53 per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	~~$1.82~~ $2.85 per gallon	~~$-.48~~ $ .76 per liter

(e) Wine containing more than 24 percent alcohol by volume	~~$3.52~~ $4.54 per gallon	~~$ .93~~ $1.21 per liter
(f) Natural and artificial sparkling wines containing alcohol	~~$1.82~~ $2.85 per gallon	~~$ .48~~ $ .76 per liter
(g) Cider as defined in section 297G.01, subdivision 3a	~~$ .15~~ $1.20 per gallon	~~$ .04~~ $ .32 per liter
(h) Low alcohol dairy cocktails	$ .08 per gallon	$ .02 per liter

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

Sec. 11. Minnesota Statutes 2004, section 297G.03, subdivision 2, is amended to read:

Subd. 2. [TAX ON MINIATURES; DISTILLED SPIRITS.] The tax on miniatures is ~~14~~ 19 cents per bottle.

Sec. 12. Minnesota Statutes 2004, section 297G.04, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] The following excise tax is imposed on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, ~~$2.40~~ $18.86 per 31-gallon barrel; and

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, ~~$4.60~~ $21.06 per 31-gallon barrel.

For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

Sec. 13. Minnesota Statutes 2004, section 297G.04, subdivision 2, is amended to read:

Subd. 2. [TAX CREDIT.] A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~$4.60~~ $21.06 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) $115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

Sec. 14. Minnesota Statutes 2004, section 297G.10, is amended to read:

297G.10 [DEPOSIT OF PROCEEDS.]

Subdivision 1. [GENERAL FUND.] All tax revenues and other receipts payable to the state under this chapter must be paid into the state treasury and credited to the general fund. The increase in taxes under sections 10 to 13 must be deposited in the county alcohol and chemical dependency costs account in the general fund for the purposes specified in subdivision 2.

Subd. 2. [ALCOHOL AND CHEMICAL DEPENDENCY ACCOUNT; APPROPRIATION.] A county alcohol and chemical dependency costs account is created in the general fund. The account consists of liquor tax proceeds deposited in it under subdivision 1. Funds in the account are annually appropriated as follows: 30 percent to the commissioner of corrections for the purposes of section 401.25, and 70 percent to the commissioners of human services and health as provided in section 254B.11.

Sec. 15. Minnesota Statutes 2004, section 297G.12, subdivision 7, is amended to read:

Subd. 7. [SOURCE OF REFUND.] There is appropriated annually from the general fund to the commissioner the sums necessary to make the refunds provided by this section. Refunds are appropriated from accounts in the general fund in the same proportions as they are deposited to it.

Sec. 16. [401.25] [COUNTY PROBATION SERVICES GRANTS.]

Subdivision 1. [USE OF FUNDS.] Funds appropriated to the commissioner of corrections under section 297G.10, subdivision 2, must be used to make grants to counties to increase probation supervision of all offenders whose offenses involved alcohol or controlled substance abuse or dependency, including:

(1) development of case plans based on assessments and risk/needs instruments;

(2) development of continuums of probation supervision levels, including intensive supervision programs;

(3) expansion of electronic home alcohol monitoring for both presentencing and postsentencing;

(4) support of local cognitive restructuring programs; and

(5) provision of treatment support services as part of the case plan for probation supervision.

Subd. 2. [DISTRIBUTION OF FUNDS.] To determine the amount of the grant to be paid to each qualifying county, the commissioner of corrections shall apply the formula contained in section 401.10, subdivision 1, except that each county's "base funding amount" under section 401.10, subdivision 1, clause (8), and the "aggregate base funding amount" under section 401.10, subdivision 1, clause (9), must be determined using fiscal year 2006. For purposes of section 401.10, subdivision 1, clause (8), "fiscal year 2007" must be used instead of "fiscal year 1997."

Subd. 3. [REQUIREMENTS FOR GRANT.] To be eligible to receive a grant under this section, the county must develop and submit to the commissioner a plan for use of the funds based on the purposes for which funds may be used under subdivision 1 and their local needs. The plan must incorporate best correctional practices. The plan must include the planned expenditures. No county may receive a grant unless its plan has been determined to be in compliance with this section and approved by the commissioner.

Subd. 4. [REVIEW AND APPROVAL BY COMMISSIONER.] The commissioner shall annually review the plans submitted by the counties before allocating the grants. The review must determine whether the plan and the planned expenditures comply with the requirements of this section. The commissioner may require changes or adjustments to the plan and to the planned expenditures implementing the plan before approving an annual grant to the county.

Subd. 5. [PAYMENT OF GRANTS.] The commissioner of corrections shall make payments of grants in installments, and may make payment adjustments, as provided in sections 401.14, subdivisions 2 and 3, and 401.15.

In counties where the probation services under the plan will be provided by both county and Department of Corrections employees, a collaborative plan must be developed. The commissioner of corrections shall specify the manner in which the grant money allocated to the county shall be distributed between the county and Department of Corrections providers.

Sec. 17. [REPEALER.]

Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3; and 254B.03, subdivision 4, are repealed.

APPENDIX
Repealed Minnesota Statutes for 05-2571

254B.02 CHEMICAL DEPENDENCY ALLOCATION PROCESS.

Subd. 2. **County adjustment; maximum allocation.** The commissioner shall determine the state money used by each county in fiscal year 1986, using all state data sources. If available records do not provide specific chemical dependency expenditures for every county, the commissioner shall determine the amount of state money using estimates based on available data. In state fiscal year 1988, a county must not be allocated more than 150 percent of the state money spent by or on behalf of the county in fiscal year 1986 for chemical dependency treatment services eligible for payment under section 254B.05 but not including expenditures made for persons eligible for placement under section 254B.09, subdivision 6. The allocation maximums must be increased by 25 percent each year. After fiscal year 1992, there must be no allocation maximum. The commissioner shall reallocate the excess over the maximum to counties allocated less than the fiscal year 1986 state money, using the following process:

(a) The allocation is divided by 1986 state expenditures to determine percentage of prior expenditure, and counties are ranked by percentage of prior expenditure less expenditures for persons eligible for placement under section 254B.09, subdivision 6.

(b) The allocation of the lowest ranked county is raised to the same percentage of prior expenditure as the second lowest ranked county. The allocation of these two counties is then raised to the percentage of prior expenditures of the third lowest ranked county.

(c) The operations under paragraph (b) are repeated with each county by ranking until the money in excess of the allocation maximum has been allocated.

Subd. 3. **Reserve account.** The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund.

254B.03 RESPONSIBILITY TO PROVIDE CHEMICAL DEPENDENCY TREATMENT.

Subd. 4. **Division of costs.** Except for services provided by a county under section 254B.09, subdivision 1, or services provided under section 256B.69 or 256D.03, subdivision 4, paragraph (b), the county shall, out of local money, pay the state for 15 percent of the cost of chemical dependency services, including those services provided to persons eligible for medical assistance under chapter 256B and general assistance medical care under chapter 256D. Counties may use the indigent hospitalization levy for treatment and hospital payments made under this section. Fifteen percent of any state collections from private or third-party pay, less 15 percent of the cost of payment and collections, must be distributed to the county that paid for a portion of the treatment under this section. If all funds allocated according to section 254B.02 are exhausted by a county and the county has met or exceeded the base level of expenditures under section 254B.02, subdivision 3, the county shall pay the state for 15 percent of the costs paid by the state under this section. The commissioner may refuse to pay state funds for services to persons not eligible under section 254B.04, subdivision 1, if the county financially responsible for the persons has exhausted its allocation.

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State of Minnesota

S.F. No. 1926 - Chemical Dependency Treatment Services Expansion

Author: Senator Steve Murphy

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 5, 2005

Section 1 (254B.01, subdivision 1) updates cross-references.

Section 2 (254B.01, subdivision 3)strikes language to conform with changes made later in the bill.

Section 3 (254B.02, subdivision 1)strikes language that allowed the coallocation to fund two positions for licensing of cotreatment and rehabilitation programs. Strikes outdated language

Section 4, 5, 6, and 7 (254B.02, subdivision 4; 254B.03, subdivision 1; 254B.03, subdivision 2; 254B.03, subdivision 5) make confirming changes, and updates references.

Section 8 (254B.04, subdivision 1) specifies Tier I, Tier II, and Tier III eligibility under the chemical dependency treatment fund.

Section 9 (254B.11) establishes a section of law for chemical dependency treatment services funding allocation. The funds are from an increase in the excise tax in section 10 on distilled spirits and wine.

> **Subdivision 1** specifies that the fund must be distributed according to subdivisions 2 to 5.
>
> **Subdivision 2** requires 62 percent of the funds must be deposited in the chemical dependency fund. The funds must be used to fund Tier I and II benefits. No county maintenance of effort is required to receive funding under this subdivision.

Subdivision 3 provides 18.5 percent for grants to counties for treatment support, including local relapse programs and supportive housing and transportation initiatives for offenders whose offenses involved alcohol or controlled substances.

Subdivision 4 provides 16 percent for grants to counties for detoxification services. To receive a grant under this section, a county must contribute funding of at least 50 percent of the grant for the same purposes.

Subdivision 5 provides 3.5 percent for grants to local community health boards to provide health assessments and supportive services to children and vulnerable adults who reside or are otherwise subjected to health risks at the site where methamphetamine is manufactured.

Section 10 (297G.03, subdivision 1) increases the excise tax on distilled spirits and wine.

Section 11(297G.03, subdivision 2) increases the tax on distilled spirits and miniatures from 14 to 19 cents per bottle.

Section 12 (297G.04, subdivision 1) increases the excise tax on malt beverages.

Section 13 (297G.04, subdivision 2) increases the tax credit for a qualified brewer producing fermented malt beverages from $4.60 per barrel to $21.06 per barrel.

Section 14 (297G.10), subdivision 1, requires that the increase in taxes under the previous sections be deposited in the county alcohol and chemical dependency costs account in the general fund for purposes specified in subdivision 2.

Subdivision 2 creates the county alcohol and chemical dependency costs account in the general fund. The fund consists of liquor tax proceeds deposited in the account under subdivision 1. Annually, the funds must be appropriated as follows: 30 percent to the Commissioner of Corrections for purposes of Minnesota Statutes, section 401.25, and 70 percent to the Commissioner of Human Services and Health as provided in section 254B.11.

Section 15 (297G.12, subdivision 7) provides that refunds are appropriated from accounts in the general fund in the same proportions as they are deposited into it.

Section 16 (401.25) establishes the section of law related to grants for counties for county probation services, which specifies that funds appropriated under section 14 must be used for grants to counties to increase probation supervision of all offenders whose offenses involved alcohol or controlled substance abuse. This section also provides the process for the distribution of funds, the requirements to receive a grant, the review and approval of plans submitted by the county by the Commissioner of Corrections, and the payment of the grants.

Section 17 repeals sections 254.B02, subdivision 2 (Chemical Dependency Allocation Process; County Maximum Allocation); and 254B.03, subdivision 4 (Chemical Dependency Division of Costs).

JW:rdr

S.F. 1926 (Murphy)

FIVE CENT PER DRINK ALCOHOL USER FEE PROPOSAL

"Funding Recovery from Chemical Dependency"

The intent of this proposal is to address the impact on probation departments and county chemical dependency treatment budgets made by offenders who are abusing or are chemically dependant on alcohol and /or various controlled substances.

Estimated $115 million collected.
70% dedicated to chemical dependency detox and treatment ($80.5 million)
30% dedicated to probation supervision. ($34.5 million)

Use of the funds dedicated to probation supervision of offenders - $34.5 million

Supervision.

- Increase supervision of all cases involving alcohol and/or controlled substance abuse or dependency.
- Develop a case plan based on assessments and risk/needs instruments.
- Develop a continuum of probation supervision levels.
- Expand the use of electronic home alcohol monitoring both pre and post sentence.
- Funding to subsidize local Cognitive Restructuring programs.
- Facilitate treatment support services during probation supervision as part of a case plan.
  (Actual treatment funding comes from the other 70% of the funds.)

Funding Method

- Distribute new funds to each county according to the Community Corrections Act formula. (MS 401.10)
- The funds must be given to each county as a block fund in a process similar to the existing Probation Caseload Reduction grants. (MS 244.22)
  - Each county must develop a plan for the use of the funds based on their local needs.
  - The plan must incorporate best correctional practices.
  - In CPO and DOC contract counties, the funds would be divided based on numbers of selected types of cases supervised in that county.

Treatment and Treatment Support Services - $80.5 million

- $50 million to treatment, to be deposited in the Chemical Dependency Treatment Fund (MS 254B)
  - Distribute under current CCDTF distribution formula (MS 254B.02).
  - Funds can be used flexibly by county for both Tier I and Tier II eligible persons (MS 254B.04).
  - Treatment includes alcohol and all controlled substances.
  - Fund longer-term treatments (inpatient more than 28 days) when applicable.
  - Eliminate county match (maintenance of effort -- approximately $16 million)
- $15 million for treatment support services.
  - Fund local relapse programs.
  - Fund supportive housing and transportation initiatives for chemically dependent offenders.
- $13 million for detox and detox transportation – 50% county match required.
- $2.5 million appropriated to the Department of Health for grants to local Community Health Boards to provide health assessments and supportive services to children and vulnerable adults who reside at or are found at methamphetamine lab sites.

March 23, 2005

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 1926: A bill for an act relating to taxation; increasing the tax on alcoholic beverages; dedicating the proceeds of the increase to provide grants to counties to provide probation supervision and treatment services for certain offenders; appropriating money; amending Minnesota Statutes 2004, sections 254B.01, subdivisions 1, 3; 254B.02, subdivisions 1, 4; 254B.03, subdivisions 1, 2, 5; 254B.04, subdivision 1; 297G.03, subdivisions 1, 2; 297G.04, subdivisions 1, 2; 297G.10; 297G.12, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 254B; 401; repealing Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3; 254B.03, subdivision 4.

Reports the same back with the recommendation that the bill be amended as follows:

Page 8, line 29, after "maintenance" insert "of"

Page 8, line 35, delete "alcohol or controlled substances" and after "offenders" insert "whose offenses involved alcohol or controlled substances"

Page 13, delete section 17

Amend the title as follows:

Page 1, line 12, delete "; repealing"

Page 1, delete line 13

Page 1, line 14, delete everything before the period

And when so amended that the bill be recommended to pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 6, 2005
(Date of Division action)

A bill for an act

relating to crime prevention; providing for an aggressive initiative against impaired driving and chemical dependency; increasing the tax on alcoholic beverages to fund this initiative; eliminating obsolete language and making technical corrections; appropriating money; amending Minnesota Statutes 2004, sections 169A.275, subdivision 5; 169A.284, subdivision 1; 169A.54, subdivision 11; 169A.70, subdivisions 2, 3, by adding subdivisions; 254B.01, subdivision 2; 254B.02, subdivision 1; 254B.03, subdivisions 1, 4; 254B.04, subdivisions 1, 3; 254B.06, subdivisions 1, 2; 297G.03, subdivisions 1, 2; 297G.04, subdivisions 1, 2; 299A.62, subdivisions 1, 2; 609.115, subdivision 8; 609.135, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 373; 609; repealing Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3, 4; 254B.09, subdivisions 4, 5, 7.

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

Section 1. [LEGISLATIVE FINDINGS AND INTENT.]

The legislature finds that:

(1) impaired driving offenses kill and injure more Minnesotans than any other crime;

(2) many violent crimes are committed by offenders who are under the influence of alcohol, methamphetamine, and other drugs; and

(3) alcohol and drug abuse contribute to domestic violence and destroy families.

The legislature considers the need to address the problem of alcohol abuse to be a high priority. Furthermore, the legislature determines that the costs of fighting alcohol abuse should be funded by those who abuse alcohol and those who profit from its sale. Consequently, the legislature is increasing the tax on the sale of alcohol to fund aggressive efforts to reduce impaired driving offenses and generally prevent crime, injury, and loss of life through chemical dependency prevention, screening, and treatment and through increased law enforcement, prosecution, and incarceration efforts.

Sec. 2. Minnesota Statutes 2004, section 169A.275, subdivision 5, is amended to read:

Subd. 5. [LEVEL OF CARE RECOMMENDED IN CHEMICAL USE ASSESSMENT.] Unless the court commits the person to the custody of the commissioner of corrections as provided in section 169A.276 (mandatory penalties; felony violations), in addition to other penalties required under this section, if the person has not already done so, the court shall order a person to submit to the level of care recommended in the chemical use assessment conducted under section 169A.70 (alcohol safety program; chemical use assessments) if the person: (1) is convicted of violating section 169A.20 (driving while impaired) ~~while-having-an-alcohol-concentration-of-0.20-or-more as-measured-at-the-time,-or-within-two-hours-of-the-time,-of-the offense-or-if-the-violation-occurs-within-ten-years-of-one-or more-qualified-prior-impaired-driving-incidents~~; or (2) is arrested for violating section 169A.20, but is convicted of another offense arising out of the circumstances surrounding the arrest.

Sec. 3. Minnesota Statutes 2004, section 169A.284, subdivision 1, is amended to read:

Subdivision 1. [WHEN REQUIRED.] (a) When a court sentences a person convicted of an offense enumerated in section 169A.70, subdivision 2, paragraph (b), clause (1) or (2), (chemical use assessment; requirement; form), it shall impose a chemical dependency assessment charge of $125. A person shall pay an additional surcharge of $5 if the person is convicted of a violation of section 169A.20 (driving while impaired) within five years of a prior impaired driving conviction or a prior conviction for an offense arising out of an arrest for a violation of section 169A.20 or Minnesota Statutes 1998, section 169.121 (driver under influence of alcohol or controlled substance) or 169.129 (aggravated DWI-related violations; penalty). This section applies when the sentence is executed, stayed, or suspended. The court may not waive payment or authorize payment of the assessment charge and surcharge in installments unless it makes written findings on the record that the convicted person is indigent or that the assessment charge and surcharge would create undue hardship for the convicted person or that person's immediate family.

(b) The chemical dependency assessment charge and surcharge required under this section are in addition to the surcharge required by section 357.021, subdivision 6 (surcharges on criminal and traffic offenders).

Sec. 4. Minnesota Statutes 2004, section 169A.54, subdivision 11, is amended to read:

Subd. 11. [CHEMICAL USE ASSESSMENT.] When the evidentiary test shows an alcohol concentration of 0.07 or more, that result must be reported to the commissioner. The commissioner shall record that fact on the driver's record. When the driver's record shows a second or subsequent report of an alcohol concentration of 0.07 or more within two years of a recorded report, the commissioner may require that the driver have a chemical use assessment meeting the commissioner's requirements <u>and those of section 169A.70</u>. The assessment must be at the driver's expense. In no event shall the commissioner deny the license of a person who refuses to take the assessment or to undertake treatment, if treatment is indicated by the assessment, for longer than 90 days. If an assessment is made pursuant to this section, the commissioner may waive the assessment required by section 169A.70.

Sec. 5. Minnesota Statutes 2004, section 169A.70, subdivision 2, is amended to read:

Subd. 2. [CHEMICAL USE ASSESSMENT REQUIREMENT.] <u>(a) As used in this subdivision, "violent crime" has the meaning given</u>

in section 609.133, subdivision 1.

(b) A chemical use assessment must be conducted and an assessment report submitted to the court and to the Department of Public Safety by the county agency administering the alcohol safety program when:

(1) the defendant is convicted of an offense described in section 169A.20 (driving while impaired), 169A.31 (alcohol-related school bus and Head Start bus driving), or 360.0752 (impaired aircraft operation); ~~or~~

(2) the defendant is arrested for committing an offense described in clause (1) but is convicted of another offense arising out of the circumstances surrounding the arrest; or

(3) the defendant is convicted of a violent crime.

Sec. 6. Minnesota Statutes 2004, section 169A.70, subdivision 3, is amended to read:

Subd. 3. [ASSESSMENT REPORT.] (a) The assessment and assessment report for this section must ~~be-on-a-form-prescribed by-the-commissioner-and-shall-contain-an-evaluation-of-the convicted-defendant-concerning-the-defendant's-prior-traffic record,-characteristics-and-history-of-alcohol-and-chemical-use problems,-and-amenability-to-rehabilitation-through-the-alcohol safety-program.--The-report-is-classified-as-private-data-on individuals-as-defined-in-section-13.02,-subdivision-12.~~

~~(b)-The-assessment-report-must-include:~~

~~(1)-a-recommended-level-of-care-for-the-offender-in accordance-with-the-criteria-contained-in-rules-adopted-by-the commissioner-of-human-services-under-section-254A.03, subdivision-3-(chemical-dependency-treatment-rules);~~

~~(2)-recommendations-for-other-appropriate-remedial-action or-care-that-may-consist-of-educational-programs,-one-on-one counseling,-a-program-or-type-of-treatment-that-addresses-mental health-concerns,-or-a-combination-of-them;-or~~

~~(3)-a-specific-explanation-why-no-level-of-care-or-action was-recommended~~ meet the requirements of section 254A.03 and rules adopted under the authority granted in section 254A.10. Additionally, the assessment must include access to and review of criminal records and most recent arrest reports.

Sec. 7. Minnesota Statutes 2004, section 169A.70, is amended by adding a subdivision to read:

Subd. 6. [PRECONVICTION ASSESSMENT.] (a) The court may not accept a chemical use assessment conducted before conviction as a substitute for the assessment required by this section unless the court ensures that the preconviction assessment meets the standards set by sections 254A.03 and 254A.10.

(b) If the commissioner of public safety is making a decision regarding reinstating a person's driver's license based on a chemical use assessment, the commissioner shall ensure that the assessment meets the standards described in this section.

Sec. 8. Minnesota Statutes 2004, section 169A.70, is amended by adding a subdivision to read:

Subd. 7. [TIMING OF ASSESSMENT.] It is a strong preference that the interview with the offender be conducted while the offender is being initially held in custody after arrest.

Sec. 9. Minnesota Statutes 2004, section 169A.70, is amended by adding a subdivision to read:

Subd. 8. [COURT'S AUTHORITY TO REQUIRE ASSESSMENTS IN OTHER INSTANCES.] A court having jurisdiction over a person in a juvenile, criminal, or civil proceeding may order that the person submit to a chemical use assessment under this section if the court has reason to believe that the person may have a chemical dependency problem.

Sec. 10. Minnesota Statutes 2004, section 254B.01, subdivision 2, is amended to read:

Subd. 2. [AMERICAN INDIAN.] For purposes of services provided under ~~section-254B.09,-subdivision-7~~ this chapter, "American Indian" means (1) a person who is a member of an Indian tribe, and the commissioner shall use the definitions of "Indian" and "Indian tribe" and "Indian organization" provided in Public Law 93-638~~.--For-purposes-of-services-provided-under section-254B.09,-subdivision-4,-"American-Indian"-means~~ or (2) a resident of federally recognized tribal lands who is recognized as an Indian person by the federally recognized tribal governing body.

Sec. 11. Minnesota Statutes 2004, section 254B.02, subdivision 1, is amended to read:

Subdivision 1. [CHEMICAL DEPENDENCY TREATMENT ALLOCATION.] The chemical dependency funds appropriated for allocation shall be placed in a special revenue account. The commissioner shall annually transfer funds from the chemical dependency fund to pay for operation of the drug and alcohol abuse normative evaluation system and to pay for all costs incurred by adding two positions for licensing of chemical dependency treatment and rehabilitation programs located in hospitals for which funds are not otherwise appropriated. ~~For-each-year-of-the-biennium ending-June-30,-1999,-the-commissioner-shall-allocate-funds-to the-American-Indian-chemical-dependency-tribal-account-for treatment-of-American-Indians-by-eligible-vendors-under-section 254B.05,-equal-to-the-amount-allocated-in-fiscal-year-1997.--The commissioner-shall-annually-divide-the-money-available-in-the chemical-dependency-fund-that-is-not-held-in-reserve-by-counties from-a-previous-allocation,-or-allocated-to-the-American-Indian chemical-dependency-tribal-account.--Six-percent-of-the remaining-money-must-be-reserved-for-the-nonreservation-American Indian-chemical-dependency-allocation-for-treatment-of-American Indians-by-eligible-vendors-under-section-254B.05,-subdivision 1.--The-remainder-of-the-money-must-be-allocated-among-the counties-according-to-the-following-formula,-using-state demographer-data-and-other-data-sources-determined-by-the commissioner.~~

~~(a)-For-purposes-of-this-formula,-American-Indians-and children-under-age-14-are-subtracted-from-the-population-of-each county-to-determine-the-restricted-population.~~

~~(b)-The-amount-of-chemical-dependency-fund-expenditures-for entitled-persons-for-services-not-covered-by-prepaid-plans governed-by-section-256B.69-in-the-previous-year-is-divided-by the-amount-of-chemical-dependency-fund-expenditures-for-entitled persons-for-all-services-to-determine-the-proportion-of-exempt service-expenditures-for-each-county.~~

~~(c)-The-prepaid-plan-months-of-eligibility-is-multiplied-by the-proportion-of-exempt-service-expenditures-to-determine-the adjusted-prepaid-plan-months-of-eligibility-for-each-county.~~

~~(d)-The-adjusted-prepaid-plan-months-of-eligibility-is added-to-the-number-of-restricted-population-fee-for-service months-of-eligibility-for-the-Minnesota-family-investment program,-general-assistance,-and-medical-assistance-and-divided by-the-county-restricted-population-to-determine-county-per capita-months-of-covered-service-eligibility.~~

~~(e)-The-number-of-adjusted-prepaid-plan-months-of eligibility-for-the-state-is-added-to-the-number-of-fee-for service-months-of-eligibility-for-the-Minnesota-family investment-program,-general-assistance,-and-medical-assistance for-the-state-restricted-population-and-divided-by-the-state restricted-population-to-determine-state-per-capita-months-of covered-service-eligibility.~~

~~(f)-The-county-per-capita-months-of-covered-service eligibility-is-divided-by-the-state-per-capita-months-of-covered service-eligibility-to-determine-the-county-welfare-caseload factor.~~

~~(g)-The-median-married-couple-income-for-the-most-recent three-year-period-available-for-the-state-is-divided-by-the median-married-couple-income-for-the-same-period-for-each-county to-determine-the-income-factor-for-each-county.~~

~~(h)-The-county-restricted-population-is-multiplied-by-the sum-of-the-county-welfare-caseload-factor-and-the-county-income factor-to-determine-the-adjusted-population.~~

~~(i)-$15,000-shall-be-allocated-to-each-county.~~

~~(j)-The-remaining-funds-shall-be-allocated-proportional-to the-county-adjusted-population.~~

Sec. 12. Minnesota Statutes 2004, section 254B.03, subdivision 1, is amended to read:

Subdivision 1. [LOCAL AGENCY DUTIES.] (a) Every local agency shall provide chemical dependency services to persons residing within its jurisdiction who meet criteria established by the commissioner for placement in a chemical dependency residential or nonresidential treatment service. Chemical dependency money must be administered by the local agencies according to law and rules adopted by the commissioner under sections 14.001 to 14.69.

(b) In order to contain costs, the county board shall, with the approval of the commissioner of human services, select eligible vendors of chemical dependency services who can provide economical and appropriate treatment. Unless the local agency is a social services department directly administered by a county or human services board, the local agency shall not be an eligible vendor under section 254B.05. The commissioner may approve proposals from county boards to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. If a county implements a demonstration or experimental medical services funding plan, the commissioner shall transfer the money as appropriate. If a county selects a vendor located in another state, the county shall ensure that the vendor is in compliance with the rules governing licensure of programs located in the state.

(c) ~~The-calendar-year-2002-rate-for-vendors-may-not-increase-more-than-three-percent-above-the-rate-approved-in-effect-on-January-1,-2001.--The-calendar-year-2003-rate-for-vendors-may-not-increase-more-than-three-percent-above-the-rate-in-effect-on-January-1,-2002.--The-calendar-years-2004-and-2005-rates-may-not-exceed-the-rate-in-effect-on-January-1,-2003.~~

~~(d)~~ A culturally specific vendor that provides assessments under a variance under Minnesota Rules, part 9530.6610, shall be allowed to provide assessment services to persons not covered by the variance.

Sec. 13. Minnesota Statutes 2004, section 254B.03, subdivision 4, is amended to read:

Subd. 4. [DIVISION OF COSTS.] Except for services provided by a county under section 254B.09, subdivision 1, or services provided under section 256B.69 or 256D.03, subdivision 4, paragraph (b), the county shall, out of local money, pay the state for ~~15~~ five percent of the cost of chemical dependency services, including those services provided to persons eligible for medical assistance under chapter 256B and general assistance medical care under chapter 256D. Counties may use the indigent hospitalization levy for treatment and hospital payments made under this section. ~~Fifteen~~ Five percent of any state collections from private or third-party pay, less ~~15~~ five percent of the cost of payment and collections, must be distributed to the county that paid for a portion of the treatment under this section. ~~If all funds allocated according to section 254B.02 are exhausted by a county and the county has met or exceeded the base level of expenditures under section 254B.02, subdivision 3, the county shall pay the state for 15 percent of the costs paid by the state under this section. The commissioner may refuse to pay state funds for services to persons not eligible under section 254B.04, subdivision 1, if the county financially responsible for the persons has exhausted its allocation.~~

Sec. 14. Minnesota Statutes 2004, section 254B.04, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) Persons eligible for benefits under Code of Federal Regulations, title 25, part 20, persons eligible for medical assistance benefits under sections 256B.055, 256B.056, and 256B.057, subdivisions 1, 2, 5, and 6, or who meet the income standards of section 256B.056, subdivision 4, and persons eligible for general assistance medical care under section 256D.03, subdivision 3, are entitled to chemical dependency fund services. ~~State money appropriated for this paragraph must be placed in a separate account established for this purpose.~~

Persons with dependent children who are determined to be in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212, shall be assisted by the local agency to access needed treatment services. Treatment services must be appropriate for the individual or family, which may include long-term care treatment or treatment in a facility that allows the dependent children to stay in the treatment facility. The county shall pay for out-of-home placement costs, if applicable.

(b) A person not entitled to services under paragraph (a)~~, but with family income that is less than 215 percent of the federal poverty guidelines for the applicable family size, shall be eligible to receive chemical dependency fund services within the limit of funds appropriated for this group for the fiscal year. If notified by the state agency of limited funds, a county must give preferential treatment to persons with dependent children who are in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212. A county may spend money from its own sources to serve persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.~~

~~(c) Persons whose income is between 215 percent and 412 percent of the federal poverty guidelines for the applicable family size~~ shall be eligible for chemical dependency services on a sliding fee basis~~, within the limit of funds appropriated for this group for the fiscal year~~. Persons eligible under this paragraph must contribute to the cost of services according to the sliding fee scale established under subdivision 3. ~~A county may spend money from its own sources to provide services to persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.~~

Sec. 15. Minnesota Statutes 2004, section 254B.04, subdivision 3, is amended to read:

Subd. 3. [AMOUNT OF CONTRIBUTION.] The commissioner shall adopt a sliding fee scale to determine the amount of contribution to be required from persons under this section. The commissioner may adopt rules to amend existing fee scales. The commissioner may establish a separate fee scale for recipients of chemical dependency transitional and extended care rehabilitation services that provides for the collection of fees for board and lodging expenses. The fee schedule shall ensure that employed persons are allowed the income disregards and savings accounts that are allowed residents of community mental illness facilities under section 256D.06, subdivisions 1 and 1b. ~~The fee scale must not provide assistance to persons whose income is more than 115 percent of the state median income.~~ Payments of liabilities under this section are medical expenses for purposes of determining spenddown under sections 256B.055, 256B.056, 256B.06, and 256D.01 to 256D.21. The required amount of contribution established by the fee scale in this subdivision is also the cost of care responsibility subject to collection under section 254B.06, subdivision 1.

Sec. 16. Minnesota Statutes 2004, section 254B.06, subdivision 1, is amended to read:

Subdivision 1. [STATE COLLECTIONS.] The commissioner is responsible for all collections from persons determined to be partially responsible for the cost of care of an eligible person receiving services under ~~Laws 1986, chapter 394, sections 8 to 20~~ this chapter. The commissioner may initiate, or request the attorney general to initiate, necessary civil action to recover the unpaid cost of care. The commissioner may collect all third-party payments for chemical dependency services provided under ~~Laws 1986, chapter 394, sections 8 to 20~~ this chapter, including private insurance and federal Medicaid and Medicare financial participation. The commissioner shall deposit in a dedicated account a percentage of collections to pay for the cost of operating the chemical dependency consolidated treatment fund invoice processing and vendor payment system, billing, and collections. The remaining receipts must be deposited in the chemical dependency fund.

Sec. 17. Minnesota Statutes 2004, section 254B.06, subdivision 2, is amended to read:

Subd. 2. [ALLOCATION OF COLLECTIONS.] The commissioner shall allocate all federal financial participation collections to the ~~reserve~~ chemical dependency fund under section 254B.02, subdivision ~~3~~ 1. The commissioner shall retain ~~85~~ 95 percent of patient payments and third-party payments and allocate the collections to the treatment allocation for the county that is financially responsible for the person. ~~Fifteen~~ Five percent of patient and third-party payments must be paid to the county financially responsible for the patient. Collections for patient payment and third-party payment for services provided under section 254B.09 shall be allocated to the allocation of the tribal unit which placed the person. Collections of federal financial participation for services provided under section 254B.09 shall be allocated to the ~~tribal-reserve-account~~ chemical dependency fund under section ~~254B.09~~ 254B.02, subdivision ~~5~~ 1.

Sec. 18. Minnesota Statutes 2004, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RATE; DISTILLED SPIRITS AND WINE.] The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	~~$5.03~~ $17.69 per gallon	~~$1.33~~ $4.73 per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	~~$-.30~~ $2.40 per gallon	~~$-.08~~ $0.64 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	~~$-.95~~ $3.01 per gallon	~~$-.25~~ $0.81 per liter
(d) Wine containing more	~~$1.82~~ $3.88	~~$-.48~~ $1.04

than 21 percent but not more than 24 percent alcohol by volume	per gallon	per liter
(e) Wine containing more than 24 percent alcohol by volume	~~$3.52~~ $5.56 per gallon	~~$.93~~ $1.49 per liter
(f) Natural and artificial sparkling wines containing alcohol	~~$1.82~~ $3.88 per gallon	~~$.48~~ $1.04 per liter
(g) Cider as defined in section 297G.01, subdivision 3a	~~$.15~~ $2.25 per gallon	~~$.04~~ $0.60 per liter
(h) Low alcohol dairy cocktails	$ .08 per gallon	$ .02 per liter

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

Sec. 19. Minnesota Statutes 2004, section 297G.03, subdivision 2, is amended to read:

Subd. 2. [TAX ON MINIATURES; DISTILLED SPIRITS.] The tax on miniatures is ~~14~~ 24 cents per bottle.

Sec. 20. Minnesota Statutes 2004, section 297G.04, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] The following excise tax is imposed on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, ~~$2.40~~ $35.32 per 31-gallon barrel; and

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, ~~$4.60~~ $37.52 per 31-gallon barrel.

For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

Sec. 21. Minnesota Statutes 2004, section 297G.04, subdivision 2, is amended to read:

Subd. 2. [TAX CREDIT.] A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~$4.60~~ $37.52 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) $115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

Sec. 22. Minnesota Statutes 2004, section 299A.62, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM ESTABLISHED.] (a) A community-oriented policing grant program is established under the administration of the commissioner of public safety.

(b) Grants may be awarded as provided in subdivision 2 for the following purposes:

(1) to enable local law enforcement agencies to hire law enforcement officers. The grants must be used by law enforcement agencies to increase the complement of officers in the agency by paying the salaries of new officers who replace an existing officer who has been reassigned primarily to investigate and prevent impaired driving crimes, domestic violence crimes, or juvenile crime or to perform community-oriented policing duties;

(2) to enable local law enforcement agencies to assign

overtime officers to high crime areas within their jurisdictions; and

(3) to enable local law enforcement agencies to implement or expand community-oriented policing projects, liaison efforts with local school districts, and other innovative community policing initiatives.

(c) Grants under paragraph (b), clause (3), for community policing activities must be provided for areas with high crime rates and gang, drug, or prostitution activity, for programs that:

(1) include education and training for both peace officers and the community on community policing initiatives;

(2) assign designated peace officers for a period of at least one year to work exclusively in the area where the enhanced community policing efforts will take place; and

(3) include regular community meetings with the designated peace officers, prosecuting authorities, judges with jurisdiction in the area, and community members to further law enforcement outreach efforts.

Sec. 23. Minnesota Statutes 2004, section 299A.62, subdivision 2, is amended to read:

Subd. 2. [AWARDING GRANT.] (a) Grants under this section ~~shall~~ must be awarded by the commissioner of public safety. Before any grants are awarded, a committee consisting of the attorney general, and representatives from the Minnesota Chiefs of Police Association, the Minnesota Sheriffs Association, and the Minnesota Police and Peace Officers Association, shall evaluate the grant applications. Before grants are awarded, the commissioner shall meet and consult with the committee concerning its evaluation of and recommendations on grant proposals.

(b) A grant under subdivision 1, paragraph (b), clause (1), may be awarded only to a law enforcement agency that demonstrates in its application that it currently has a need for an additional officer to be assigned to:

(1) community-oriented policing duties; ~~or~~

(2) the investigation and prevention of juvenile crime, based on the juvenile crime rate in the area over which the agency has jurisdiction;

(3) the investigation and prevention of impaired driving crimes; or

(4) the investigation and prevention of domestic violence crimes.

(c) More than one grant under subdivision 1, paragraph (b), clause (1), may be awarded to an agency; however, each grant may fund only one position. At least 50 percent of the grants awarded under subdivision 1, paragraph (b), clause (1), must be awarded to the cities of Minneapolis and St. Paul.

Sec. 24. [373.50] [REQUIREMENT TO PROVIDE CHEMICAL DEPENDENCY TREATMENT.]

The state shall provide adequate funding for counties to provide comprehensive, needs-specific chemical dependency treatment programs and services to individuals within the county's criminal justice system. The programs and services must take into account the fact that the person has committed a criminal offense and other issues including the individual's gender, ethnic, cultural, and mental health needs.

Sec. 25. Minnesota Statutes 2004, section 609.115, subdivision 8, is amended to read:

Subd. 8. [CHEMICAL USE ASSESSMENT REQUIRED.] (a) If a person is convicted of a felony, the probation officer shall determine in the report prepared under subdivision 1 whether or not alcohol or drug use was a contributing factor to the commission of the offense. If so, the report shall contain the results of a chemical use assessment conducted in accordance with this subdivision. The probation officer shall make an appointment for the defendant to undergo the chemical use assessment if so indicated. If the person is convicted of a violent crime as defined in section 609.133, subdivision 1, the provisions of that section apply.

(b) The chemical use assessment report must include a recommended level of care for the defendant in accordance with the criteria contained in rules adopted by the commissioner of human services under section 254A.03, subdivision 3. The assessment must be conducted by an assessor qualified under rules adopted by the commissioner of human services under section 254A.03, subdivision 3. An assessor providing a chemical use assessment may not have any direct or shared financial interest or referral relationship resulting in shared financial gain with a treatment provider. If an independent assessor is not available, the probation officer may use the services of an assessor authorized to perform assessments for the county social services agency under a variance granted under rules adopted by the commissioner of human services under section 254A.03, subdivision 3.

(c) A chemical use assessment and report conducted under this subdivision must meet the standards described in section 169A.70.

Sec. 26. [609.133] [CHEMICAL DEPENDENCY TREATMENT; ASSESSMENT CHARGE.]

Subdivision 1. [DEFINITION.] As used in this section, "violent crime" has the meaning given in section 609.1095, subdivision 1. The term also includes violations of sections 609.2231, 609.224, and 609.2242.

Subd. 2. [ASSESSMENT CONDUCTED.] The court shall ensure that a chemical use assessment is conducted on a person convicted of a violent crime as required in section 169A.70, subdivision 2.

Subd. 3. [CHARGE.] (a) When a court sentences a person convicted of a violent crime, it shall impose a chemical dependency assessment charge of $125. The court may not waive payment or authorize payment of the assessment charge in installments unless it makes written findings on the record that the convicted person is indigent or that the assessment charge would create undue hardship for the convicted person or that person's immediate family.

(b) The county shall collect and forward to the commissioner of finance $25 of the chemical dependency assessment charge within 60 days after sentencing or explain to the commissioner in writing why the money was not forwarded within this time period. The commissioner shall credit the money to the general fund. The county shall collect and keep $100 of the chemical dependency assessment charge.

(c) The chemical dependency assessment charge required under this section is in addition to the surcharge required by section 357.021, subdivision 6.

Sec. 27. Minnesota Statutes 2004, section 609.135, is amended by adding a subdivision to read:

Subd. 9. [CERTAIN PERSONS TO RECEIVE MANDATORY CHEMICAL DEPENDENCY TREATMENT.] If a court stays the imposition or execution of sentence for a person convicted of a violent crime as defined in section 609.133, subdivision 1, as a condition of probation and in addition to any other conditions imposed, the court shall order the person to submit to the level of care recommended in the chemical use assessment described in section 169A.70, unless there are compelling reasons to do otherwise.

Sec. 28. [JUDICIAL TRAINING.]

The Supreme Court shall include in its judicial education program training relating to a judge's powers and duties regarding chemical use assessments.

Sec. 29. [APPROPRIATIONS.]

(a) $....... for the fiscal year ending June 30, 2006, which is the first year, and $....... for the fiscal year ending June 30, 2007, which is the second year, are appropriated from the general fund to the commissioner of public safety. Of these amounts:

(1) $....... the first year and $....... the second year are to increase the complement of state troopers assigned to enforcing laws on driving while impaired;

(2) $....... the first year and $....... the second year are for grants under Minnesota Statutes, section 299A.62, subdivision 1, paragraph (b), clause (1), to hire law enforcement officers to increase law enforcement efforts targeting crimes for driving while impaired;

(3) $....... the first year and $....... the second year are for grants to local units of government to conduct compliance checks for on-sale and off-sale intoxicating liquor license holders to determine whether the license holder is complying with Minnesota Statutes, section 340A.503;

(4) $....... the first year and $....... the second year are for community policing grants under Minnesota Statutes, section 299A.62, subdivision 1, paragraph (b), clause (3); and

(5) $....... the first year and $....... the second year are for grants to prevent domestic violence and to provide services to victims of domestic violence.

The commissioner shall develop criteria for awarding grants under clause (3). Notwithstanding Minnesota Statutes, section 299A.62, subdivision 2, more than 50 percent of the grants described in clause (2) may be made to government entities other than Minneapolis and St. Paul. By September 30, 2006, each law enforcement agency receiving a grant under clause (4) shall provide a written report to the commissioner of public safety describing how the grant was used and evaluating the effectiveness of the enhanced community policing provided under this grant. By December 15, 2006, the commissioner of public safety shall report to the chairs and ranking minority leaders of the house and senate committees with jurisdiction over criminal justice policy and funding on distribution of grants under clause (4). This report also shall summarize the information provided to the commissioner by the law enforcement agencies receiving grants.

(b) $....... for the fiscal year ending June 30, 2006, the first year, and $....... for the fiscal year ending June 30, 2007, the second year, are appropriated from the general fund to the commissioner of corrections. Of these amounts:

(1) $....... the first year and $....... the second year are for grants under Minnesota Statutes, section 241.022, subdivisions 1 and 2, for costs associated with incarcerating impaired driving offenders and providing programming for these offenders;

254B.02 CHEMICAL DEPENDENCY ALLOCATION PROCESS.

Subd. 2. **County adjustment; maximum allocation.** The commissioner shall determine the state money used by each county in fiscal year 1986, using all state data sources. If available records do not provide specific chemical dependency expenditures for every county, the commissioner shall determine the amount of state money using estimates based on available data. In state fiscal year 1988, a county must not be allocated more than 150 percent of the state money spent by or on behalf of the county in fiscal year 1986 for chemical dependency treatment services eligible for payment under section 254B.05 but not including expenditures made for persons eligible for placement under section 254B.09, subdivision 6. The allocation maximums must be increased by 25 percent each year. After fiscal year 1992, there must be no allocation maximum. The commissioner shall reallocate the excess over the maximum to counties allocated less than the fiscal year 1986 state money, using the following process:

(a) The allocation is divided by 1986 state expenditures to determine percentage of prior expenditure, and counties are ranked by percentage of prior expenditure less expenditures for persons eligible for placement under section 254B.09, subdivision 6.

(b) The allocation of the lowest ranked county is raised to the same percentage of prior expenditure as the second lowest ranked county. The allocation of these two counties is then raised to the percentage of prior expenditures of the third lowest ranked county.

(c) The operations under paragraph (b) are repeated with each county by ranking until the money in excess of the allocation maximum has been allocated.

Subd. 3. **Reserve account.** The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund.

Subd. 4. **Allocation spending limits.** Money allocated according to subdivision 1 and section 254B.09, subdivision 4, is available for payments for up to two years. The commissioner shall deduct payments from the most recent year allocation in which money is available. Allocations under this section that are not used within two years must be reallocated to the reserve account for payments under subdivision 3. Allocations under section 254B.09, subdivision 4, that are not used within two years must be reallocated for payments under section 254B.09, subdivision 5.

254B.09 INDIAN RESERVATION ALLOCATION OF CHEMICAL DEPENDENCY FUND.

Subd. 4. **Tribal allocation.** Eighty-five percent of the American Indian chemical dependency tribal account must be allocated to the federally recognized American Indian tribal governing bodies that have entered into an agreement under subdivision 2 as follows: $10,000 must be allocated to each governing body and the remainder must be allocated in direct proportion to the population of the reservation according to the most recently available estimates from the federal Bureau of Indian Affairs. When a tribal governing body has not entered into an agreement with the commissioner under subdivision 2, the county may use funds allocated to the reservation to pay for chemical dependency services for a current resident of the county and of the reservation.

Subd. 5. **Tribal reserve account.** The commissioner shall reserve 15 percent of the American Indian chemical dependency tribal account. The reserve must be allocated to those tribal units that have used all money allocated under subdivision 4 according to agreements made under subdivision 2 and to counties submitting invoices for American Indians under subdivision 1 when all money allocated under subdivision 4 has been used. An American Indian tribal governing body or a county submitting invoices under subdivision 1 may receive not more than 30 percent of the reserve account in a year. The commissioner may refuse to make reserve payments for persons not eligible under section 254B.04, subdivision 1, if the tribal governing body responsible for treatment placement has exhausted its allocation. Money must be allocated as invoices are received.

Subd. 7. **Nonreservation Indian account.** The nonreservation American Indian chemical dependency allocation must be held in reserve by the commissioner in an account for treatment of Indians not residing on lands of a reservation receiving money under subdivision 4. This money must be used to pay for services certified by county invoice to have been provided to an American Indian eligible recipient. Money allocated under this subdivision may be used for payments on behalf of American Indian county residents only if, in addition to other placement standards, the county certifies that the placement was appropriate to the cultural orientation of the client. Any funds for treatment of nonreservation Indians remaining at the end of a fiscal year shall be reallocated under section 254B.02.

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S.F. No. 606 -Increasing the Tax on Alcoholic Beverages; Fully Funding Chemical Dependency Treatment Programs; Impaired Driving and Chemical Use Assessment Provisions (First Engrossment)

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Date: April 4, 2005

Section 1 provides legislative findings on the cost of drug and alcohol abuse to society and the legislative intent to defray those costs with an increase in the alcohol excise tax.

Section 2 (169A.275, subdivision 5) requires all DUI offenders, as well as offenders convicted of another offense arising out of the circumstances surrounding the arrest, to submit to the level of care recommended in their chemical use assessments. Under current law, only repeat offenders and offenders with a blood alcohol content of 0.20 or more must comply with the recommendations of the chemical use assessment.

Section 3 (169A.284, subdivision 1) is a technical conforming amendment with section 5.

Section 4 (169A.54, subdivision 11) provides that chemical use assessments authorized by the commissioner, when a driver's record shows a second or subsequent report of a blood alcohol content of 0.07 or more within two years of a prior recorded report, comply with the assessment requirements in Minnesota Statutes, section 169.70.

Section 5 (169A.70, subdivision 2) provides that persons convicted of a violent crime must undergo a chemical use assessment. Defines "violent crime" as the crimes listed in Minnesota Statutes, section 609.1095, plus assault in the fourth degree, assault in the fifth degree, and domestic assault.

Section 6 (169A.70, subdivision 3) requires that chemical use assessment and the assessment report to meet the requirements of the statute relating to the state authority on alcohol and drug abuse. Also, the assessment must include access to and review of criminal records and most recent arrest reports.

Section 7 (169A.70, subdivision 6) prohibits the court and the Department of Public Safety from using chemical dependency assessments that do not meet the requirements specified in Minnesota Statutes, section 169A.70.

Section 8 (169A.70, subdivision 7) provides that chemical use assessments be completed preferably while the offender is being initially held in custody after arrest.

Section 9 (169A.70, subdivision 8) allows the court to require a chemical use assessment of any person under its jurisdiction in a juvenile, criminal, or civil proceeding.

Sections 10 to 17 (254B.01, subdivision 2; 254B.02, subdivision 1; 254B.03, subdivision 1; 254B.03, subdivision 4; 254B.04, subdivision 1; 254B.04, subdivision 3; 254B.06, subdivision 1; 254B.06, subdivision 2) strike, and **section 30** repeal current law under Minnesota Statutes, chapter 254B, regarding the current chemical dependency treatment funding allocation to conform with the full funding of chemical dependency treatment programs by the Department of Human Services in section 29, paragraph (c).

Under the bill, local agency chemical dependency treatment duties remain the same (section 12) while the county share of treatment costs falls from 15 percent to five percent (sections 13 and 17). Income requirements for nonentitlement services are eliminated (section 14), though the sliding fee for nonentitlement services remains in place (sections 15 and 16).

Sections 18 and 19 (297G.03, subdivision 1; 297B.03, subdivision 2) increase the alcohol excise tax on all distilled spirits and wine manufactured, imported, sold, or possessed in the state. The excise tax increase is intended to be the equivalent of a point-of-sale increase of ten cents per drink.

Section 20 (297G.04, subdivision 1) increases the alcohol excise tax on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in the state. The excise tax increase is intended to be the equivalent of a point-of-sale increase of ten cents per drink.

Section 21 (297G.04, subdivision 2) increases the brewer's tax credit to conform with the increase in the excise tax on beer. The tax credit applies brewers who manufacture less than 100,000 barrels of beer annually.

Sections 22 and 23 (299A.62, subdivision 1; 299A.62, subdivision 2) expand the funding criteria for the community-oriented policing grant program under the Department of Public Safety to include the hiring of extra peace officers to investigate and prevent impaired driving and domestic violence crimes and grants for community policing in areas with high crime rates, gang, drug or prostitution activity. Grants for the latter must include education and training for peace officers and the community, the assignment of designated peace officers for at least a year in an exclusive area, and community outreach programs.

Section 24 (373.50) requires the state to fund and the counties to provide comprehensive chemical dependency treatment programs and services to individuals within the criminal justice system.

Sections 25 and 26 (609.115, subdivision 8; 609.133) require that presentence investigations for persons convicted of a violent crime as defined in Minnesota Statutes, section 609.1095, subdivision 1, assault in the fourth degree, assault in the fifth degree, or domestic assault, include chemical use assessments. The offender is liable for the cost of the assessment. Payment is in addition to the criminal surcharge under Minnesota Statutes, section 357.021, subdivision 6, and is not waivable.

Section 27 (609.135, subdivision 9) requires persons convicted of a violent crime as defined in section 26, but whose sentence has been stayed by the court, to submit to the level of care recommended in the chemical use assessment described in Minnesota Statutes, section 169A.70, as a condition of their probation, unless there are compelling reasons to do otherwise.

Section 28 requires the Supreme Court to include training on a judge's powers and duties relating to chemical use assessments in its judicial education program.

Section 29, paragraph (a), contains blank appropriations to the Commissioner of Public Safety to fund the following:

- more state troopers;
- community-oriented policing grants to combat impaired driving;
- community-oriented policing grants to combat domestic abuse; and
- liquor license compliance checks.

Paragraph (b) contains blank appropriations to the Commissioner of Corrections to fund the following:

- grants to counties for the incarceration of and programming for impaired drivers;
- incarceration of and programming for felony DUI offenders in state facilities;
- grants to counties for DUI repeat offender programs;
- increased chemical dependency treatment in the state prison system; and
- increased chemical dependency treatment for offenders on supervised release.

Paragraph (c) contains blank appropriations to the Commissioner of Human Services to fully fund chemical dependency treatment programs under Minnesota Statutes, section 254B.04, subdivision 1, and to reimburse counties for detoxification and detoxification transportation services.

Paragraph (d) contains blank appropriations to the chief justice of the Supreme Court to fund the following:

- increased judicial training regarding chemical use assessments; and
- grants to counties for costs related to conducting chemical use assessments.

Paragraph (e) contains blank appropriations to the Commissioner of Health to fund the following:

- health screenings for children and vulnerable adults residing or found at methamphetamine manufacturing sites;
- grants to county health boards for methamphetamine abuse prevention efforts; and
- education and prevention initiatives designed to eliminate underage drinking.

Section 30 repeals Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3 and 4; and 254B.09, subdivisions 4, 5 and 7, relating to chemical dependency treatment funding allocation.

Section 31 provides effective dates for the bill.

JW:rdr

SF 606

"Facing Alcohol's Costs to Society" – the FACTS Coalition supports:

- **Maintaining the current 9% sales tax on alcohol**
- **Increasing the Minnesota alcohol excise tax by at least 5¢ a drink**
- **Dedicating the revenues to public safety, law enforcement, treatment, detox services, and prevention of alcohol problems**

Join the FACTS *Coalition!*

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- AMC - Association of Minnesota Counties
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- Dakota County Attorney's Office
- LPHA - Local Public Health Association
- MADD-Minnesota
- MARRCH – Minnesota Association of Resources for Recovery and Chemical Health
- MICA - Metropolitan Inter-County Association
- MACSSA - Minnesota Association of County Social Service Administrators
- MCAA – Minnesota County Attorneys Association
- MPHA – Minnesota Public Health Association
- Minnesota Sheriff's Association
- Minnesota Criminal Justice System DWI Task Force
- MMA - Minnesota Medical Association
- Minnesotans for Safe Driving

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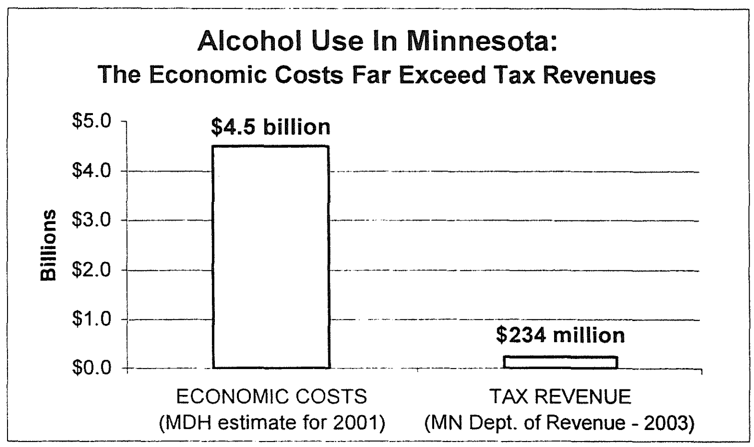
MINNESOTA JOIN TOGETHER

Working together to reduce underage drinking through policy change

The costs of alcohol use far exceed alcohol tax revenue. Alcohol use cost Minnesotans $4.5 billion in 2001, according to a 2004 study by the Minnesota Department of Health.[1] That amounts to over $900 for every person in the state. These costs are 19 times higher than the $234 million collected from alcohol sales in 2003.



Local governments bear most of the high costs of dealing with alcohol-related problems. The economic burden of alcohol use in Minnesota includes costs for public safety, medical treatment, law enforcement, fire and emergency response, criminal justice system, chemical dependency treatment, detox facilities, damage to cars and other property, and the social costs resulting from violence and abuse. Most of these costs fall on cities and counties.

A modest increase in the alcohol excise tax will generate funds to help pay for the costs of alcohol use in Minnesota. An increase of a nickel per drink in the state alcohol excise tax will generate an additional $110 million to pay for law enforcement, treatment, detox services, and prevention.

The alcohol excise tax was last increased in 1987. In the past 20 years, revenue from Minnesota's alcohol excise tax has declined by nearly 40% in real value. The alcohol excise tax currently brings in less than ½ of 1 percent of all state revenue – less than what is collected through the deed transfer tax or the mortgage registry tax.

An increase in the alcohol tax will reduce teen drinking.
Because teenagers are extremely price-sensitive, even a small increase in the cost of alcohol has an impact on underage alcohol use. One study found that a 10% increase in the price of beer reduces by 15% the number of youth who drink 3-5 beers in a day.[2]

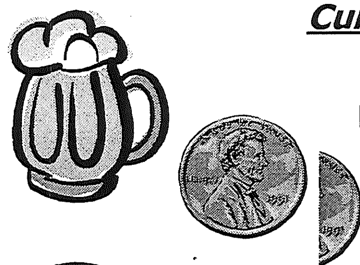
The alcohol excise tax is a true "user fee."
20% of drinkers consume 85% of all alcoholic beverages.[3] That means that the remaining 80% of drinkers consume on average relatively little alcohol and pay a small amount of alcohol taxes. The state excise tax falls on heavy drinkers who appropriately assume a greater share of the cost of problems caused by drinking.

The Minnesota excise tax on alcohol is only pennies per drink.
The current Minnesota excise tax on beer and wine is <u>just over a penny per drink.</u> The tax on liquor is <u>less than 6 cents per drink</u>. Taxes make up only a fraction of the retail cost of alcoholic beverages.

Minnesota ranks low on alcohol excise taxes.
- **Beer:** Minnesota ranks 33rd out of the 50 states.
- **Wine:** Only five states have a lower excise tax on wine.
- **Liquor:** Minnesota ranks 7th of 32 states that have an excise tax on liquor.

Other states have recently increased the user fee on alcohol.
Since 2002, eight states have increased their alcohol excise tax and more are considering it in 2005.

<u>Current MN Excise Taxes</u>



BEER: ***1.4 ¢ per drink***

WINE: ***1.2 ¢ per drink***

LIQUOR: ***5.9 ¢ per drink***

Three out of four Minnesotans support increasing the alcohol tax.
Recent surveys from the AARP and The Robert Wood Johnson Foundation show strong support for an increase in the alcohol excise tax to pay for public safety, prevention, treatment, and law enforcement.[4]

IT JUST MAKES CENTS – IT'S TIME TO FACE THE FACTS ABOUT THE REAL COST OF ALCOHOL USE IN MINNESOTA!

---

1 Minnesota Department of Health. *The Human and Economic Costs of Alcohol Use in Minnesota.* January 2004. (www.health.state.mn.us/alcohol)

2 Grossman M, Coate D, Arluck GM. Price sensitivity of alcoholic beverages in the United States: Youth alcohol consumption. In: Holder H (ed), Control Issues in Alcohol Abuse Prevention: Strategies for States and Communities. Greenwich, CT: JAI Press, pp. 169-198, 1987.

3 Rogers, J.D. & Greenfield, T.K. (1999). Who Drinks Most of the Alcohol in the U.S.? The Policy Implications. Journal of Studies on Alcohol. 60(1).

4 AARP poll conducted Jan. 2005 (http://community.aarp.org/n/mb/display.asp?webtag=rp-mn&msg=138.1). Robert Wood Johnson poll conducted in 1997 and 2001 (www.epi.umn.edu/alcohol/pdf/2002_report.pdf).

- 3/15/2005

Minnesota Join Together • 1000 Westgate Drive • Suite 252 • St. Paul, MN 55114 • 651-290-6280 • mnjointogether@ewald.org

Preliminary

Consolidated Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	

Agencies: Corrections Dept (03/29/05)
Health Dept
Sentencing Guidelines Comm (03/29/05)
Human Services Dept
Supreme Court
Revenue Dept
Public Defense Board
Public Safety Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund	0	45,292	47,884	50,279	52,566
Human Services Dept	0	42,565	45,184	47,579	49,866
Health Dept		2,727	2,700	2,700	2,700
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	0	45,292	47,884	50,279	52,566
Human Services Dept	0	42,565	45,184	47,579	49,866
Health Dept		2,727	2,700	2,700	2,700
Total Cost <Savings> to the State	0	45,292	47,884	50,279	52,566

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund		2.50	2.50	2.50	2.50
Health Dept		2.50	2.50	2.50	2.50
Total FTE		2.50	2.50	2.50	2.50

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:** 03/29/05

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Corrections Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

SF 606 Alcoholic Beverage Tax: Compliance with level of Care.

Bill Description

This bill increases the alcohol excise tax and increases funding for chemical dependency treatment programs. No changes to criminal penalties are included in the bill. However, the bill does require that all DUI offenders and persons convicted of a violent crime who are placed on probation submit to the level of care recommended in their chemical use assessment.

Assumptions

- This bill does not change any sentencing provisions so the impact on prison resources will most likely be minimal.
- There will not be any impact on supervision caseloads.
- This bill is effective August 1, 2005.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Government Costs

The impact on local correctional resources is unknown because there isn't any information on the use of local jail time for violation of chemical dependency conditions.

References/Sources

Minnesota Sentencing Guidelines staff.
Minnesota Department of Corrections staff.

FN Coord Signature: DENNY FONSECA
Date: 03/29/05 Phone: 642-0220

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	0	42,565	45,184	47,579	49,866
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	0	42,565	45,184	47,579	49,866
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	0	42,565	45,184	47,579	49,866
Total Cost <Savings> to the State	0	42,565	45,184	47,579	49,866

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Narrative: SF 606-1E

Bill Description

1. CCDTF changes include:
   a. Elimination of the allocation process;
   b. Elimination of obsolete rate setting language;
   c. Reduction of the county share to 5% of all placements, with elimination of MOE and reserve fund requirements;
   d. Instead of Tiers II and III, the bill provides that all non-entitled persons are eligible for CCDTF on a sliding fee basis; and
   e. Distribution of collections provisions are updated to be consistent with the rest of the bill.
2. The bill provides that DHS reimburse counties for the cost of detoxification services, including transportation costs.

Assumptions

- Tier 1 CCDTF activity will have the costs assigned in the DHS February CCDTF forecast.
- The ratio of Tier 1 expense to Tier 2 expense will be a constant over time, and the ratio of Tier 2 other revenue to total Tier 2 payments will be the same as was experienced in the last year of full Tier 2 funding (SFY 2003).
- County detoxification costs declined during 2004, but this was partly due to closure of some detoxification programs. Additional programs are closing in 2005, which will likely result in further cost decline. It is assumed that the service system will have adjusted and capacity will be increased by 2006, and costs will rise at a 4% rate per year thereafter.
- Detoxification transportation costs will be about the amounts that were submitted as transportation claims by counties when there was a transportation reimbursement program, and costs will rise at 4% per year.

Expenditure and/or Revenue Formula

1. Tier 1 cost of elimination of county maintenance of effort and reduction of county share to 5%. The estimated total CCDTF payments, total other revenue, and total anticipated county revenue were obtained from the DHS CCDTF February forecast. The new county share amount is calculated as (total payments X 5%) minus (other revenue X 5%). The anticipated county revenue is subtracted from this number to obtain the net state revenue impact.
2. Tier 2 total cost is calculated as (SFY 2003 Tier 2 / SFY 2003 Tier 1) X (forecasted tier 1 cost) for each year. Other revenue is computed based on the ratio of other revenue to total payments in 2003 for each year. County share is computed the same as in item 1. The remaining state obligation is then calculated.
3. Tier 3 was last funded in SFY 1990. Because of numerous changes in health care systems since that time, there are no data general health information was gathered to determine an estimate of costs. The counts of uninsured individuals in the 16-64 age range was obtained by level of income, generating the following:

• Less than 100% federal poverty	71,200
• 101% to 200% FPG	88,600
• 201% to 300%	57,900
• 301% to 400%	37,000
• greater than 400%	34,700

   DAANES information shows that about half of all treatment provided in the state is Tier 1 eligible, indicating a strong relationship between low income and entry to treatment. From uninsured and income information we found that the ratio of eligible Tier 2 to Tier 1 is 1.24 to 1, while the CCDTF system shows that the ratio of Tier 2 to Tier 1 expense is .68 to 1. This inverse relationship between income level and likelihood of entering treatment via CCDTF funding is assumed to increase as income increases. The amount spent in Tier 2 was 55% of the amount expected from Tier 1 data if income was not a factor. So it is estimated that the amount spent in Tier 3 will 55% of the amount expected based on the size of the eligible pool from Tier 2 data, or .68X.55=.37. The ratio of Tier 3 to Tier 2 is 2.23 to 1, so the expected ratio of spending in Tier 3 is (Tier 2 X 2.23 X .37=.83) There are no data that will forecast Tier 3 revenue according to the terms of the bill. The bill simply allows the commissioner to establish a sliding fee schedule rather than mandating a particular standard. It is assumed in the calculations that 40% of payments, net of cost of collection activity, will be recouped through third party pay and the sliding fee schedule.

4. State funding of detoxification services was calculated as follows. The SFY 2005 base amount assumes a continued decline of costs, and is calculated as 2004 cost minus (2003 cost – 2004 cost). Then for the period the bill covers, each year is calculated as previous year X 1.04.
5. The base for detoxification transportation is roughly estimated at $550,000 from experience with a previous claims system that provided county assistance for this activity. Then it was assumed that costs will increase at 4% per year.

	SFY 2006	SFY 2007	SFY 2008	SFY 2009
Tier I change to 5% county Match	$14,516,228	$15,412,357	$16,172,920	$16,876,109
Full Funding of Tier 2	$8,499,569	$9,237,634	$9,901,060	$10,514,440
Full Funding of Expanded Tier 3	$4,322,063	$4,697,371	$5,034,726	$5,346,632
Detoxification full funding	$14,677,344	$15,264,438	$15,875,015	$16,510,016
Detoxification Transportation	$550,000	$572,000	$594,880	$618,675
Total State Cost	$42,565,204	$45,183,800	$47,578,601	$49,865,872
County Net Savings	$29,068,749	$30,515,373	$31,856,721	$33,170,007

Long-Term Fiscal Considerations

Local Government Costs

The local impact will be the county savings per the table above.

References/Sources

County cost reports from the DHS BRASS county cost reporting system were used to obtain detoxification costs. CCDTF prior information was obtained from MMIS system information, MAPS and DAANES. The DHS CCDTF forecast was used as the basis for trending CCDTF information forward. Chemical Health Division data were used to estimate detoxification transportation costs.

Agency Contact Name: Wayne Raske 582-1849
FN Coord Signature: STEVE BARTA
Date: 04/06/05 Phone: 296-5685

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue	X	

Agency Name: Health Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		2,727	2,700	2,700	2,700
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		2,727	2,700	2,700	2,700
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund		2,727	2,700	2,700	2,700
Total Cost <Savings> to the State		2,727	2,700	2,700	2,700

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund		2.50	2.50	2.50	2.50
Total FTE		2.50	2.50	2.50	2.50

Preliminary

Bill Description

Section 31 (e) of this bill provides funding to the commissioner of health for:

(1) Health screenings for children and vulnerable adults residing or found at methamphetamine manufacturing sites;
(2) Grants to county health boards for methamphetamine abuse prevention efforts; and
(3) Education and prevention initiatives designed to eliminate underage drinking.

Assumptions

(1) Health screenings.

- In 2004, approximately 420 meth lab sites were reported to the MDH. Reporting is not mandatory and we estimate there could be 3 - 5 times that many meth manufacturing sites that go undiscovered or unreported. County law enforcement and social services staff, report that 50% of meth manufacturing sites have children present.
- If you assume an average of 2 children at each of 210 sites, at least 420 children and/or vulnerable adults would need some form of health screening.
- The various Minnesota County Drug-Endangered Children's Protocols are based on those from the National Drug-Endangered Children's Alliance and have also been reviewed and approved by the Mayo Clinic. The protocols call for:
  - Field medical assessment, done onsite to determine whether children discovered at the scene of a methamphetamine laboratory seizure are in need of emergency medical care.
  - Emergency care, if needed.
  - Baseline assessment, to ascertain a child's general health status, and including medical history, complete physical exam with urinalysis, blood chemistry, neurological screen, developmental screen, evaluation for child abuse, and mental health screen.
  - The protocols also describe appropriate initial follow-up care, as well as a schedule of long-term follow-up needs according to initial findings.
- Costs per child for these analyses have ranged from about $200 for a clinic visit to $2,000 for emergency room visits.
- Some of the children receiving treatment under this protocol have been treated by Medical Assistance already in place. It is assumed that this funding source would replace MA for these screenings.
- The Minnesota Department of Health does not conduct the health screenings, so funds allocated for this activity would be passed on to counties with specific meth ordinances and children's health screening protocols in place.

(2) Methamphetamine abuse prevention grants.

- As of January 1, 2006, there will be 53 community health boards (CHBs). Assumes that each CHB will be allocated $20,000 per year for meth abuse prevention.
- Assumes that MDH would provide technical assistance to the CHBs, in order to assure that local programs are effective.
- Assumes a 1.0 FTE Planner Principal State to develop materials and training, and provide technical assistance to the CHBs.
- Assumes 0.25 FTE clerical support.
- Assumes $35,000 per year for regional workshops.
- Assumes $30,000 in the first year to develop and disseminate meth-specific prevention materials and $10,000 each year thereafter to maintain and disseminate the materials.

(3) Underage drinking initiatives.

- As of January 1, 2006, there will be 53 community health boards (CHBs). Assumes that each CHB will be allocated $10,000 per year for underage drinking grants.
- Assumes that MDH would provide technical assistance to the CHBs, in order to assure that local programs are effective.
- Assumes a 1.0 FTE Planner Principal State to develop materials and training, and provide technical assistance to the CHBs.
- Assumes 0.25 FTE clerical support.
- Assumes $35,000 per year for regional workshops.
- Assumes $10,000 per year to develop, maintain, and disseminate materials about underage drinking.

Expenditure and/or Revenue Formula

(1) Health screenings.

420 children x $2,000 per child would cost **$840,000** per year.

(2) Methamphetamine abuse prevention grants.

EXPENDITURES	**SFY06**	**SFY07**	**SFY08**	**SFY09**
Salary – 1.0 FTE Planner Principal State	51,000	51,000	51,000	51,000
Salary – 0.25 FTE OASI	7,500	7,500	7,500	7,500
Fringe 29%	16,965	16,965	16,965	16,965
Subtotal Sal & Fringe	75,465	75,465	75,465	75,465
Supplies & Exp:				
Communications	600	600	600	600
Travel expenses	1,000	1,000	1,000	1,000
Supplies	1,500	1,000	1,000	1,000
Desktop computer	2,000	0	0	0
Grants	1,060,000	1,060,000	1,060,000	1,060,000
Workshops	35,000	35,000	35,000	35,000
Materials	30,000	10,000	10,000	10,000
Operation Support Services 9.7%	14,120	11,937	11,937	11,937
Subtotal S & E	1,144,220	1,119,537	1,119,537	1,119,537
TOTAL EXPENSES	1,219,685	1,195,002	1,195,002	1,195,002

(3) Underage drinking initiatives.

EXPENDITURES	**SFY06**	**SFY07**	**SFY08**	**SFY09**
Salary – 1.0 FTE Planner Principal State	51,000	51,000	51,000	51,000
Salary – 0.25 FTE OASI	7,500	7,500	7,500	7,500
Fringe 29%	16,965	16,965	16,965	16,965
Subtotal Sal & Fringe	75,465	75,465	75,465	75,465
Supplies & Exp:				
Communications	600	600	600	600
Travel expenses	1,000	1,000	1,000	1,000
Supplies	1,500	1,000	1,000	1,000
Desktop computer	2,000	0	0	0
Grants	530,000	530,000	530,000	530,000
Workshops	35,000	35,000	35,000	35,000
Materials	10,000	10,000	10,000	10,000
Operation Support Services 9.7%	12,180	11,937	11,937	11,937
Subtotal S & E	592,280	589,537	589,537	589,537
TOTAL EXPENSES	667,745	665,002	665,002	665,002

Long-Term Fiscal Considerations

These costs are considered to be on-going.

Local Government Costs

(1) **Health screenings.** Local public health departments would incur costs to arrange and pay providers for these screenings.

(2) Methamphetamine abuse prevention grants. Local public health departments might incur costs above the amount provided in the grant program.

(3) Underage drinking initiatives. Local public health departments might incur costs above the amount provided in the grant program.

References/Sources

This information was based on a conversation with the author of the bill, the department's experience with similar activities, and county-level experience with screening children exposed to methamphetamine.

Technical Note

(2) **Methamphetamine abuse prevention grants.** Page 21, line 12 refers to "county health boards." The author indicated that his intention was to refer to "community health boards" under 145A

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		
Local		
Fee/Departmental Earnings		
Tax Revenue		

Agency Name: Revenue Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:** 03/29/05

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Sentencing Guidelines Comm

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

This bill increases the alcohol excise tax and increases funding for chemical dependency treatment programs. No changes to criminal penalties are included in the bill. However, the bill does require that all DUI offenders and persons convicted of a violent crime who are placed on probation submit to the level of care recommended in their chemical use assessment.

The effective date is August 1, 2005 and it applies to offenses committed on or after that date.

Assumptions

It is assumed that that most offenders with chemical dependency problems are currently being assessed and identified. When preparing Pre-sentence Investigations for felony offenses, the probation officer is required to determine if chemical use was a contributing factor to the commission of the offense. If so, the offender is required to undergo a chemical use assessment. Offenders placed on probation can already be required to comply with assessment recommendations. This bill requires chemical use assessments for all offenders convicted of certain crimes. Thus, it may result in some increase in the number of offenders identified as being in need of chemical dependency programming.

Impact on State and Local Correctional Resources

This bill will impact state prison resources only if it results in more offenders being mandated to undergo chemical dependency treatment, and an increase in probation revocations for offenders who fail to complete treatment. Since it is assumed that most felony offenders in need of chemical dependency treatment are already being identified, the projected impact on state prison resources is minimal.

This bill may result in a significant increase in the number of misdemeanor and gross misdemeanor offenders required to undergo chemical dependency assessments. It requires assessments for all persons convicted of fourth and fifth degree assault and domestic assaults. If as a result of the increased number of assessments, more misdemeanor and gross misdemeanor offenders are required to complete treatment, there could be an increase in use of local jail beds for violations of treatment requirements. The size of this impact is uncertain because no information is available on the current use of local jail time as a sanction for violations of chemical dependency conditions.

FN Coord Signature: ANNE WALL
Date: 03/25/05 Phone: 296-0144

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		
Local		
Fee/Departmental Earnings		
Tax Revenue		

Agency Name: Public Safety Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		
Local		
Fee/Departmental Earnings		
Tax Revenue		

Agency Name: Supreme Court

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Preliminary

Fiscal Note – 2005-06 Session

Bill #: S0606-1E **Complete Date:**

Chief Author: MARTY, JOHN

Title: DWI & CHEMICAL DEPENDENCY PREVENTION

Fiscal Impact	Yes	No
State		
Local		
Fee/Departmental Earnings		
Tax Revenue		

Agency Name: Public Defense Board

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

re: SF 606

April 5, 2005

Hon. Senator Linda Berglin
323 Capitol Building
Saint Paul, MN 55155

Dear Senator Berglin:

I am writing to you concerning Senate File 0606 which proposes to increase the rate of state excise taxes on beer from $4.60 to $37.52 per barrel. Simply stated, this eight-fold increase would ruin Summit Brewing Company.

As you may know, prior to founding the brewery I was a professional in the chemical dependency field. Therefore, I possess an uncommon level of insight and sensitivity concerning alcohol abuse and alcoholism. Funding for education, prevention and treatment of alcohol abuse and alcoholism is essential. I understand that the intent of this proposed legislation is that these costs should be funded by "those who profit from the alcohol industry". However, I must explain and illuminate what "profitability" means to Summit Brewing Company.

Summit Brewing Company's taxable removals (beer shipped from the brewery) for the year of 2004 were 59,782 barrels. For the sake of simplicity, I will round up the removals to 60,000 barrels for 2004. The brewery's revenues for 2004 were $9,546,298. Total excise taxes paid to federal and state governments were $546,921, representing a 6% direct cost to the brewery. Cost of sales was $5,529,197 resulting in a gross profit of $3,470,180. After sales, general and administrative expenses, interest expense and income taxes, the brewery posted a net profit of $235,016, which is 2% of the brewery's annual revenues.

State excise taxes, at the rate of $4.60 per barrel, on removals of 60,000 barrels equal $276,000. As a small brewer, Summit Brewing Company receives a tax credit of $4.60 per barrel for 25,000 barrels removed in any fiscal year beginning July 1. The net state excise taxes are $161,000.

910 Montreal Circle
St. Paul, Minnesota 55102
(651) 265-7800

State excise taxes, at the rate of $37.52 per barrel, including the small brewer's tax credit, on removals of 60,000 barrels equal $1,313,200. This level of tax exceeds the brewery's net cash flow of $1,302,440 for the year of 2004. This increase in the amount of state excise taxes would represent 15% of total expenses of the brewery's 2004 operations. Raw materials, labor and packaging costs based on 2004 revenues were 11%, 13% and 19% respectively. Quick analyses of the comparable costs reveal an unjust, if not misinformed, position against this "type of business" - the brewing industry.

Obviously, this tax burden would eliminate any net profit and annihilate the brewery's net cash flow. The brewery could not continue as a business. Furthermore, the existence of what remains of the brewing industry in Minnesota will be threatened.

There exists a belief that excise taxes are a "pass through" tax. Price sensitivity is a major competitive concern for small brewers. The value of a case of beer (finished goods in our inventory) would increase from $8.00 to $9.60 – a 20% increase. This cost of producing beer is increased twice after the beer leaves the brewery - once at the wholesale and the retail level. It is naïve to believe that the growth of the brewery would not be affected if the price of a Summit six-pack increased from $6.49 to $8.99.

The true cost of excise taxes is hidden from the consumer. The "dime per drink" formula is a reverse calculation that does not recognize the collection point of the tax. As a "user", I know what the gasoline excise taxes are at the gas pump.

Summit Brewing Company is starting its nineteenth year in business. Six years ago, we moved into a new facility – the first brewery to be designed, engineered and built from the ground up in Minnesota in over one hundred years. The brewery has been recognized for the quality of its products, innovation, business ethics, employee diversity, rate of growth, corporate citizenship and job creation.

The livelihood of 45 great employees is threatened by this proposed legislation. Summit Brewing Company, considered by many in the community as a great business leader and role model for other small businesses, would no longer exist.

Thank you for addressing my concerns.

Sincerely,

Mark O. Stutrud
Founder and President

re: SF 606

April 5, 2005

Hon. Senator Linda Berglin
323 Capitol Building
Saint Paul, MN 55155

Dear Senator Berglin:

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Obviously, this tax burden would eliminate any net profit and annihilate the brewery's net cash flow. The brewery could not continue as a business. Furthermore, the existence of what remains of the brewing industry in Minnesota will be threatened.

There exists a belief that excise taxes are a "pass through" tax. Price sensitivity is a major competitive concern for small brewers. The value of a case of beer (finished goods in our inventory) would increase from $8.00 to $9.60 – a 20% increase. This cost of producing beer is increased twice after the beer leaves the brewery - once at the wholesale and the retail level. It is naïve to believe that the growth of the brewery would not be affected if the price of a Summit six-pack increased from $6.49 to $8.99.

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Thank you for addressing my concerns.

Sincerely,

Mark O. Stutrud
Founder and President

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 606: A bill for an act relating to crime prevention; providing for an aggressive initiative against impaired driving and chemical dependency; increasing the tax on alcoholic beverages to fund this initiative; eliminating obsolete language and making technical corrections; appropriating money; amending Minnesota Statutes 2004, sections 169A.275, subdivision 5; 169A.284, subdivision 1; 169A.54, subdivision 11; 169A.70, subdivisions 2, 3, by adding subdivisions; 254B.01, subdivision 2; 254B.02, subdivision 1; 254B.03, subdivisions 1, 4; 254B.04, subdivisions 1, 3; 254B.06, subdivisions 1, 2; 297G.03, subdivisions 1, 2; 297G.04, subdivisions 1, 2; 299A.62, subdivisions 1, 2; 609.115, subdivision 8; 609.135, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 373; 609; repealing Minnesota Statutes 2004, sections 254B.02, subdivisions 2, 3, 4; 254B.09, subdivisions 4, 5, 7.

Reports the same back with the recommendation that the bill be amended as follows:

Page 20, line 36, delete "30" and insert "28"

Page 21, delete section 30

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 17, delete "; repealing Minnesota"

Page 1, delete line 18

Page 1, line 19, delete everything before the period

And when so amended that the bill be recommended to pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 6, 2005
(Date of Division action)

Senators Berglin, LeClair and Higgins introduced--

S.F. No. 2054: Referred to the Committee on Finance.

A bill for an act

relating to human services; changing the chemical dependency allocation; amending Minnesota Statutes 2004, section 254B.02, subdivision 3.

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

Section 1. Minnesota Statutes 2004, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased, except the county expenditure under subdivision 2 shall not exceed 55 percent of the total allocation for fiscal year 2005; 50 percent in fiscal year 2006; 45 percent in fiscal year 2007; and 40 percent in fiscal year 2008. Thereafter the expenditure shall decrease by five percent each fiscal year until the maximum county match is 15 percent. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund.

Fiscal Note – 2005-06 Session

Bill #: S1349-0 **Complete Date:** 04/05/05

Chief Author: LECLAIR, BRIAN

Title: CHEMICAL DEPENDENCY RESERVE ACCOUNT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
DHS Chemical Depend Svcs Fund	1,268	5,934	8,116	8,444	11,113
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
DHS Chemical Depend Svcs Fund	1,268	5,934	8,116	8,444	11,113
Revenues					
DHS Chemical Depend Svcs Fund	0	(4,122)	(5,557)	(5,596)	(6,325)
Net Cost <Savings>					
DHS Chemical Depend Svcs Fund	1,268	10,056	13,673	14,040	17,438
Total Cost <Savings> to the State	1,268	10,056	13,673	14,040	17,438

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

NARRATIVE: SF 1349/HF 1428

This bill provides for reductions and eventual elimination of county Chemical Dependency Consolidated Fund (CCDTF) Maintenance of Effort (MOE) liability. MOE requirements are limited to 55% of CCDTF in SFY 2005, and the limit is decreased by 5% per year until MOE liability is eliminated. There is no change to the requirement that the normal county share of CCDTF liability is 15%. The bill language needs to be revised by eliminating the term "expenditure" and replacing this with the term "base level." The county allocation is not an expenditure, but rather a number that determines county and state liabilities for chemical dependency treatment expenses over the course of a fiscal year. "Expenditure" includes a large amount of money that is neither State or County expense, and supporting documentation from bill proponents indicates that limitations based on total expenses is not what was intended.

The bill does not have any special effective date provision, indicating that it would be effective July 1 of 2005. This means that DHS would somehow have to do retroactive transactions with certain counties in order to implement the SFY 2005 55% maximum stated in the bill. The bill should be changed to move all the dates forward one year.

A second provision states that "after the state appropriation is expended" county payments for CCDTF placement is optional.

The bill language needs to be revised in recognition of two things.

First, because the CCDTF is currently limited to Tier I, it is a "forecast item" in the DHS budget and therefore the State appropriation is never exhausted. It is likely that the intent of the bill was to provide that county payments are optional when the county has expended the formula allocation and maintenance of effort amount.

Second, county duties must be clarified so that, at a minimum, chemical dependency treatment placements continue in a manner that perserves Minnesota's Federal Medicaid Waiver that is an integral part of CCDTF operations. In the event that bill proponents meant to limit county mandatory liabilities to the amount assigned in the CCDTF allocation formula in Chapter 254B (which is not what the language does) this would have to be done in a manner that continues placement of eligible clients for the remainder of the year. Loss of the Waiver removes $4.1 million in Federal Funds from the CCDTF in 2005, rising to $6.3 million by 2009.

Assumptions

It is assumed that this change will not affect county CCDTF placement activity. It is assumed that while the term "expenditure" is used, the intent of the bill is to limit the ratio between the MOE liability assignment and the county allocation amount in the CCDTF allocation formula, because that is the calculation used in supplementary documents provided by bill proponents.

Expenditure and/or Revenue Formula

While the total potential MOE liability under the CCDTF allocation formula is $6 million per year, the actual fiscal impact of the bill is limited to the amount of MOE payments the Department receives in actual CCDTF operations. Data on actual MOE revenues in SFY 2004 by county were obtained and the amount of revenue change according to the bill for each year was calculated. Then each calculated amount was increased by the ratio of county expense in SFY 2004 to the projected county expense for future years in the most recent CCDTF forecast produced by DHS Reports and Forecasts Division. This resulted in the following:

55% cap	1,267,797
50%	1,812,887
45%	2,558,411
40%	2,770,784
35%	4,788,368

The revenue change was based on the assumption that removing the entitlement feature of the CCDTF would make the program ineligible for Federal financial participation under MA. The current revenue projections from the Reports and Forecasts Division of DHS are in the table below. This revenue decrease is added to the change in county share payments to arrive at the total impact of this bill on the general fund.

	Federal Share of MA
FY 2004	$2,014,998
FY 2005	$2,813,231
FY 2006	$4,112,771
FY 2007	$5,556,741
FY 2008	$5,955,814
FY 2009	$6,324,782

Long-Term Fiscal Considerations

The bill reduces the maximum MOE assignment by 5% per year until all counties are liable for no more than 15% of the allocation. This process reduces the county CCDTF contribution from a current average of 24% costs to 15% of costs over the long term.

Local Government Costs

The MOE reduction reduces county costs by an amount equal to the increase in State expense. It is not possible to calculate with precision what county savings might acrue from the option to discontinue payments into the CCDTF until bill language is clarified.

References/Sources

Data from the DHS operated MMIS payment system, and information from the DHS Chemical Health System CCDTF allocation tables.

Agency Contact Name: Wayne Raske 582-1849
FN Coord Signature: STEVE BARTA
Date: 04/04/05 Phone: 296-5685

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: DOUG GREEN
Date: 04/05/05 Phone: 286-5618

Senate Counsel, Research, and Fiscal Analysis
G-17 State Capitol
75 Rev. Dr. Martin Luther King, Jr. Blvd.
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(651) 296-4791
FAX: (651) 296-7747
Jo Anne Zoff Sellner
Director

Senate
State of Minnesota

S.F. No. 2054 - Chemical Dependency Reserve Account County Allocation Modification

Author: Senator Linda Berglin

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 4, 2005

S.F. No. 2054 amends the chemical dependency allocation formula, specifically modifying the subdivision relating to the chemical dependency reserve account for counties that have met or exceeded the base level expenditures for eligible chemical dependency treatment. The bill specifies that the county expenditure under subdivision 2 shall not exceed 55 percent of the total expenditure for fiscal year 2005, 50 percent in FY 2006, 45 percent in FY 2007, and 40 precent in FY 2008. Thereafter, the county expenditure must decrease by five percent each fiscal year until the maximum county match is 15 percent.

JW:rdr

SF 2054

Consolidated Chemical Dependency Treatment Fund Maintenance of Effort (CCDTF MOE)

CHAPTER 254B
CHEMICAL DEPENDENCY TREATMENT

Distribution Formula

The distribution formula takes into account:

1. Native American population (254B.02, subd. 1, (a)), referred to as the "restricted population
2. Welfare eligibility (254B.02, subd. 1, (b-f), includes a complicated formula considering PMAP and non-PMAP eligibility, GAMC and MA eligibility and MFIP eligibility
3. Median income of the county (254B.02, subd. 1, (g-h), based on married couple households
4. Base allocation of $15,000 (254B.02, subd.1, (i))
5. Adjusted population of the county (254B.02, subd. 1, (j))

County Allocation and MOE

There are three phases in the way funds are spend.

1. The state pays 85%, the county 15% until the state allocation ("funds for treatment") is used up
2. After the state appropriation (funds for treatement minus the administrative allocation) is expended, the county pays 100%, until their MOE is met
3. Once the MOE is met, the state pays 85%, the county 15%; this money comes from the "reserve" account. The size of the reserve account is determined by what the state estimates the need will be for the entitlement for treatment for Tier I CCDTF

The Effect of the Current Allocation and MOE Determination

- Counties that put a lot of their own money into CD treatment in 1986 are assigned high MOEs
- The effect of an initially high MOE is compounded each year
- Counties with high MOEs typically spend more time at the 100% phase than low MOE counties
- Counties with high allocations and low MOEs either never get to the 100% phase or they move through it very rapidly
- Counties with high allocation and high MOEs have difficulty ever getting into the reserve fund
- The current system ties funding to the county poverty levels and to the county's historical spending on CD; the money does not follow the needs of the individual

Options for Change

- Lower the MOE for higher paying counties
  - Eliminate the MOE
  - Equalize the MOE all three spending phases to 15% (which equalizes the MOE across all counties at 15%)
  - Set the MOE for all counties at the current statewide average of 22%
  - Hold the higher MOEs steady, let lower MOEs rise
  - Phase in lower county MOEs for counties with MOEs above a certain point
    - For counties with MOE's above 55%, lower to 55% and an additional 5% each year until all counties have MOEs at 15%; this will take nine years using the current numbers.

- Cap entitlement to program

  Not everyone who is MA eligible and needed treatment would receive treatment; Other options besides treatment could be provided, which is some cases may be more appropriate (i.e. harm reduction strategies for long-term, recalcitrant alcoholism).

Table 3 - SFY 2005 Allocations a Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess of match	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Washington	$948,668.85	$28,960.95	$919,707.89	$655,733.01	493,432	944,326	$641,585.84	0.5%	2.2%	69%
Mahnomen	$56,441.56	$2,839.99	$53,601.57	$37,590.08	28,131	61,340	$40,852.27	-8.0%	-8.0%	67%
Hennepin	$9,996,740.97	$271,689.71	$9,725,051.26	$6,454,579.82	4,738,394	9,278,013	$6,315,324.92	7.7%	2.2%	65%
Carver	$349,487.21	$11,206.02	$338,281.20	$207,944.89	148,248	334,740	$199,170.22	4.4%	4.4%	60%
Cook	$61,963.20	$2,906.21	$59,056.99	$35,181.26	24,759	63,061	$34,422.24	-1.7%	2.2%	57%
Clay	$523,161.25	$17,516.37	$505,644.88	$296,632.43	207,401	551,395	$312,641.09	-5.1%	-5.1%	57%
Cass	$252,352.44	$9,544.26	$242,808.18	$129,227.51	86,379	277,686	$142,200.77	-9.1%	-9.1%	51%
Dakota	$1,743,094.62	$52,989.53	$1,690,105.09	$845,400.89	547,147	1,769,307	$858,113.95	-1.5%	-1.5%	49%
Red Lake	$74,246.67	$3,073.51	$71,173.16	$35,913.36	23,353	67,411	$32,607.11	**10.1%**	**10.1%**	48%
Mower	$631,396.38	$19,206.74	$612,189.64	$304,474.91	196,441	609,431	$297,905.99	3.6%	2.2%	48%
Redwood	$172,681.43	$7,216.70	$165,464.74	$81,514.95	52,315	197,773	$93,359.65	**-12.7%**	**-12.7%**	47%
Polk	$557,078.56	$17,971.38	$539,107.18	$259,733.11	164,597	567,017	$254,129.47	-1.8%	2.2%	47%
Pope	$180,211.39	$6,534.62	$173,676.78	$82,572.44	51,924	174,355	$80,790.98	3.4%	2.2%	46%
Carlton	$316,173.49	$11,625.82	$304,547.67	$143,426.24	89,683	349,153	$146,518.88	-9.4%	-2.1%	45%
Pennington	$187,243.54	$5,959.92	$181,283.61	$81,464.35	49,473	154,624	$67,272.54	**21.1%**	**21.1%**	44%
St. Louis	$2,365,953.88	$71,257.07	$2,294,696.81	$1,005,500.57	600,554	2,396,493	$998,825.07	-1.3%	0.7%	42%
Freeborn	$366,272.91	$11,369.42	$354,903.49	$148,602.35	85,972	340,350	$138,085.07	7.6%	7.6%	41%
Jackson	$117,738.67	$4,755.12	$112,983.55	$47,686.87	27,749	113,259	$45,872.53	4.0%	4.0%	41%
Ramsey	$4,573,392.49	$136,381.96	$4,437,010.53	$1,811,063.42	1,028,062	4,632,447	$1,834,449.12	-1.3%	-1.3%	40%
Fillmore	$236,978.57	$8,629.17	$228,349.40	$82,097.78	41,801	246,268	$85,316.01	-3.8%	-3.8%	35%
Rice	$418,697.36	$13,565.59	$405,131.77	$144,468.31	72,974	415,752	$143,452.06	0.7%	0.7%	35%
Becker	$337,580.31	$11,063.42	$326,516.89	$115,114.88	57,494	329,844	$112,476.81	2.3%	2.3%	34%
Benton	$340,109.49	$10,581.60	$329,527.89	$110,721.64	52,570	313,302	$102,041.48	8.6%	8.5%	33%
Marshall	$148,804.22	$5,113.53	$143,690.70	$45,893.22	20,536	125,564	$38,725.77	**18.5%**	**18.5%**	31%
Watonwan	$120,041.96	$5,182.65	$114,859.31	$36,012.59	15,743	127,938	$38,381.28	-6.2%	-6.2%	30%
Stearns	$1,140,944.22	$34,084.46	$1,106,859.76	$341,483.65	146,155	1,120,233	$334,116.28	1.8%	2.2%	30%
Beltrami	$536,112.34	$17,101.58	$519,010.76	$159,792.66	68,203	537,154	$156,345.20	-0.2%	2.2%	30%
Kittson	$80,578.76	$3,492.50	$77,086.26	$23,736.91	10,133	78,305	$23,067.13	2.9%	2.9%	29%
Otter Tail	$571,525.77	$18,953.73	$552,572.04	$167,824.95	70,312	600,745	$176,404.91	-4.9%	-4.9%	29%
Yellow Medicir	$135,599.60	$5,703.08	$129,896.53	$39,695.34	16,772	145,806	$42,683.03	-7.0%	-7.0%	29%
Goodhue	$340,689.20	$11,090.16	$329,599.05	$95,348.64	37,184	330,762	$92,570.33	3.0%	3.0%	28%
Koochiching	$197,307.48	$7,483.89	$189,823.59	$52,678.31	19,180	206,947	$51,541.80	-4.7%	2.2%	27%
Wilkin	$93,146.50	$4,512.66	$88,633.84	$24,816.11	9,175	104,935	$26,037.06	**-11.2%**	-4.7%	27%
Scott	$408,616.69	$13,195.33	$395,421.36	$107,264.31	37,484	403,040	$104,950.13	1.4%	2.2%	26%
Nobles	$227,728.36	$8,683.23	$219,045.13	$59,389.93	20,735	248,124	$64,709.02	-8.2%	-8.2%	26%
Blue Earth	$738,306.71	$22,584.54	$715,722.16	$191,074.62	64,771	725,403	$187,735.03	1.8%	1.8%	26%
Douglas	$444,506.05	$14,134.64	$430,371.41	$111,162.23	35,214	435,289	$108,763.95	2.1%	2.2%	25%
Aitkin	$207,056.62	$8,683.18	$198,373.44	$48,536.17	13,529	248,122	$58,162.41	**-16.6%**	**-16.6%**	23%

Table 3 - SFY 2005 Allocations and Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Kandiyohi	$451,973.16	$14,011.05	$437,962.10	$104,857.77	27,570	431,046	$100,002.72	4.9%	4.9%	23%
Lake	$131,063.00	$4,979.16	$126,083.84	$29,358.11	7,108	120,951	$27,093.08	8.4%	8.4%	22%
Chippewa	$164,810.90	$6,365.38	$158,445.52	$35,320.28	7,359	168,545	$36,120.45	-2.2%	-2.2%	21%
Lyon	$250,031.75	$8,566.00	$241,465.74	$53,179.95	10,568	244,099	$51,918.18	2.4%	2.4%	21%
Sherburne	$368,997.47	$11,348.34	$357,649.12	$78,281.59	15,167	339,626	$76,592.70	8.6%	2.2%	21%
Mille Lacs	$235,818.86	$8,154.00	$227,664.86	$49,625.21	9,449	229,954	$48,391.04	2.6%	2.6%	21%
Dodge	$152,890.80	$5,389.70	$147,501.10	$30,731.36	4,702	135,046	$27,144.58	**13.2%**	**13.2%**	20%
Martin	$286,887.93	$9,041.69	$277,846.24	$57,090.70	8,059	260,431	$51,825.85	**10.2%**	**10.2%**	20%
Olmsted	$1,463,965.81	$42,293.92	$1,421,671.90	$281,003.69	30,120	1,402,091	$274,941.15	4.4%	2.2%	19%
Le Sueur	$215,745.82	$7,472.13	$208,273.69	$40,898.94	4,145	206,543	$39,154.38	4.5%	4.5%	19%
Itasca	$429,179.85	$13,920.11	$415,259.74	$78,969.09	5,688	427,924	$78,738.00	0.3%	0.3%	18%
Waseca	$181,579.21	$6,494.59	$175,084.62	$33,226.29	2,329	172,981	$31,652.91	5.0%	5.0%	18%
Winona	$481,615.28	$16,147.47	$465,467.81	$87,993.87	5,852	504,396	$92,156.13	-4.5%	-4.5%	18%
Faribault	$201,577.09	$7,362.50	$194,214.58	$36,283.88	2,011	202,779	$36,500.28	-0.6%	-0.6%	18%
Chisago	$320,807.98	$10,195.92	$310,612.05	$53,154.37	0	300,060	$49,716.66	6.9%	6.9%	17%
Steele	$276,372.05	$9,464.30	$266,907.75	$44,135.65	0	274,941	$43,907.09	0.5%	0.5%	16%
Swift	$147,185.25	$6,023.27	$141,161.98	$23,255.27	0	156,799	$24,774.23	-6.1%	-6.1%	16%
Renville	$257,218.65	$8,982.21	$248,236.44	$38,317.73	0	258,389	$37,491.04	-0.5%	2.2%	*15%*
Pipestone	$169,990.94	$6,292.77	$163,698.17	$24,716.28	0	166,052	$24,183.04	2.4%	2.2%	*15%*
Wright	$556,556.88	$17,769.84	$538,787.05	$79,587.63	0	560,098	$80,093.97	-0.6%	-0.6%	*14%*
Traverse	$84,114.65	$3,716.64	$80,398.01	$11,953.03	0	84,133	$11,955.59	0.0%	0.0%	*14%*
Anoka	$2,051,544.21	$56,803.79	$1,994,740.42	$289,959.72	0	1,900,263	$283,703.96	8.0%	2.2%	*14%*
Morrison	$351,609.73	$10,878.74	$340,730.98	$49,163.58	0	323,503	$45,233.65	8.7%	8.7%	*14%*
Roseau	$131,700.28	$5,320.27	$126,380.01	$18,402.16	0	132,663	$18,536.64	-0.7%	-0.7%	*14%*
Brown	$258,426.08	$9,160.49	$249,265.58	$36,091.84	0	264,510	$36,941.54	-2.3%	-2.3%	*14%*
Stevens	$127,212.89	$5,220.66	$121,992.23	$17,420.32	0	129,243	$17,044.49	-1.6%	2.2%	*14%*
Meeker	$299,143.61	$10,089.23	$289,054.39	$39,725.54	0	296,397	$38,868.48	0.9%	2.2%	*13%*
Clearwater	$163,362.85	$6,241.96	$157,120.90	$21,662.35	0	164,307	$21,194.99	-0.6%	2.2%	*13%*
Houston	$180,292.05	$6,796.92	$173,495.13	$23,574.31	0	183,361	$23,975.57	-1.7%	-1.7%	*13%*
Nicollet	$234,573.96	$7,875.85	$226,698.11	$29,703.02	0	220,404	$27,908.75	6.4%	6.4%	*13%*
Norman	$110,148.86	$4,351.18	$105,797.69	$13,548.31	0	100,631	$12,377.56	9.5%	9.5%	*12%*
Murray	$116,684.62	$4,699.25	$111,985.37	$14,344.77	0	111,341	$13,687.83	4.8%	4.8%	*12%*
Crow Wing	$585,894.87	$18,515.39	$567,379.48	$69,122.15	0	585,695	$69,098.58	0.0%	0.0%	*12%*
Isanti	$245,151.89	$9,378.07	$235,773.82	$28,437.62	0	271,980	$31,549.72	-9.9%	-9.9%	*12%*
Pine	$293,764.42	$9,598.65	$284,165.77	$31,884.71	0	279,554	$30,342.30	5.1%	5.1%	*11%*
McLeod	$379,553.73	$12,149.45	$367,404.29	$39,848.77	0	367,131	$38,989.05	3.4%	2.2%	*10%*
Lac qui Parle	$109,735.96	$4,703.77	$105,032.19	$10,000.33	0	111,496	$10,160.74	-1.6%	-1.6%	*9%*
Todd	$297,204.62	$11,468.12	$285,736.50	$27,042.19	0	343,739	$31,276.27	**-13.5%**	**-13.5%**	*9%*
Grant	$112,281.11	$4,832.67	$107,448.44	$10,163.32	0	115,922	$10,492.85	-3.1%	-3.1%	*9%*

Table 3 - SFY 2005 Allocations . Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Lincoln	$89,523.06	$3,893.86	$85,629.20	$8,084.87	0	88,740	$8,014.17	0.9%	0.9%	*9%*
Wabasha	$193,782.84	$7,139.00	$186,643.84	$17,324.40	0	195,106	$17,442.67	-0.7%	-0.7%	*9%*
Cottonwood	$164,892.32	$6,016.05	$158,876.27	$13,944.12	0	156,551	$13,238.75	5.3%	5.3%	*8%*
Sibley	$150,636.80	$5,860.09	$144,776.71	$11,919.28	0	151,196	$11,963.57	-0.4%	-0.4%	*8%*
Kanabec	$159,303.36	$6,396.40	$152,906.96	$11,211.61	0	169,610	$11,936.95	-6.1%	-6.1%	*7%*
Hubbard	$289,392.42	$9,874.60	$279,517.82	$19,973.21	0	289,028	$19,542.30	0.1%	2.2%	*7%*
Rock	$106,515.07	$3,994.10	$102,520.97	$7,262.04	0	91,347	$6,227.88	**16.6%**	**16.6%**	*7%*
Lake of the Wo	$75,474.30	$3,312.82	$72,161.48	$4,882.57	0	73,633	$4,777.23	2.5%	2.2%	*6%*
Wadena	$212,828.84	$7,256.63	$205,572.21	$10,606.31	0	199,144	$9,924.35	6.9%	6.9%	*5%*
Big Stone	$120,823.90	$5,004.03	$115,819.87	$4,422.84	0	121,805	$4,458.75	-0.8%	-0.8%	*4%*
Total	$44,638,471.70	$1,397,667.26	$43,240,804.44	$16,773,021.68	**9,594,109**			**37.6%**	**37.6%**	32

Senator ..... moves to amend S.F. No. 2054 as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased<u>, except the base level shall not exceed 55 percent of the county allocation provided in subdivision 1 for fiscal year 2006; 50 percent in fiscal year 2007; 45 percent in fiscal year 2008; and 40 percent in fiscal year 2010. Thereafter, the maximum base level shall decrease by five percent each year until the maximum county match is 15 percent</u>. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund."

To: Senator Cohen, Chair

Committee on Finance

Senator Berglin,

Chair of the Health and Human Services Budget Division, to which was referred

S.F. No. 2054: A bill for an act relating to human services; changing the chemical dependency allocation; amending Minnesota Statutes 2004, section 254B.02, subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased<u>, except the base level shall not exceed 55 percent of the county allocation provided in subdivision 1 for fiscal year 2006; 50 percent in fiscal year 2007; 45 percent in fiscal year 2008; and 40 percent in fiscal year 2010. Thereafter, the maximum base level shall decrease by five percent each year until the maximum county match is 15 percent</u>. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund."

And when so amended that the bill be recommended to pass and be referred to the full committee.

Linda Berglin
(Division Chair)

April 6, 2005
(Date of Division action)

Senator LeClair introduced--

S.F. No. 1349: Referred to the Committee on Finance.

A bill for an act

relating to human services; changing the chemical dependency allocation; amending Minnesota Statutes 2004, section 254B.02, subdivision 3, by adding a subdivision.

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

Section 1. Minnesota Statutes 2004, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased<u>, except the county expenditure under subdivision 2 shall not exceed 55 percent of the total expenditures for fiscal year 2005; 50 percent in fiscal year 2006; 45 percent in fiscal year 2007; and 40 percent in fiscal year 2008. Thereafter the expenditure shall decrease by five percent each fiscal year until the maximum county match is 15 percent</u>. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2. For counties providing medical assistance or general assistance medical care through managed care plans on January 1, 1996, the base year is fiscal year 1995. For counties beginning provision of managed care after January 1, 1996, the base year is the most recent fiscal year before enrollment in managed care begins. For counties providing managed care, the base level will be increased or decreased in proportion to changes in the fund balance from which allocations are made under subdivision 2, but will be additionally increased or decreased in proportion to the change in county adjusted population made in subdivision 1, paragraphs (b) and (c). Effective July 1, 2001, at the end of each biennium, any funds deposited in the reserve account funds in excess of those needed to meet obligations incurred under this section and sections 254B.06 and 254B.09 shall cancel to the general fund.

Sec. 2. Minnesota Statutes 2004, section 254B.02, is amended by adding a subdivision to read:

Subd. 3a. [COUNTY EXPENDITURE.] After the county meets its expenditure requirement under this section and the state appropriation is expended, counties may provide chemical dependency treatment under this section as funding allows. Counties are not required to spend additional funds for chemical dependency treatment.

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Senate
State of Minnesota

S.F. No. 1349 - Chemical Dependency Reserve Account County Allocation Modification

Author: Senator Brian LeClair

Prepared by: Joan White, Senate Counsel (651/296-3814)

Date: April 4, 2005

Section 1 amends the chemical dependency allocation formula, specifically modifying the subdivision relating to the chemical dependency reserve account for counties that have met or exceeded the base level expenditures for eligible chemical dependency treatment. The bill specifies that the county expenditure under subdivision 2 shall not exceed 55 percent of the total expenditure for fiscal year 2005, 50 percent in FY 2006, 45 percent in FY 2007, and 40 percent in FY 2008. Thereafter, the county expenditure must decrease by five percent each fiscal year until the maximum county match is 15 percent.

Section 2 creates a new subdivision relating to county expenditure. After a county meets its expenditure requirement under this section and the state appropriation has been expended, counties may provide chemical dependency treatment as funding allows however, the counties are not required to spend additional funds for chemical dependency treatment.

JW:rdr

SF 2054

Consolidated Chemical Dependency Treatment Fund Maintenance of Effort (CCDTF MOE)

CHAPTER 254B
CHEMICAL DEPENDENCY TREATMENT

254B.01	Definitions.
254B.02	Chemical dependency allocation process.
254B.03	Responsibility to provide chemical dependency treatment.
254B.04	Eligibility for chemical dependency fund services.
254B.041	Chemical dependency rules.
254B.05	Vendor eligibility.
254B.06	Reimbursement; payment; denial.
254B.07	Third-party liability.
254B.08	Federal waivers.
254B.09	Indian reservation allocation of chemical dependency fund.

Distribution Formula

The distribution formula takes into account:

1. Native American population (254B.02, subd. 1, (a)), referred to as the "restricted population
2. Welfare eligibility (254B.02, subd. 1, (b-f), includes a complicated formula considering PMAP and non-PMAP eligibility, GAMC and MA eligibility and MFIP eligibility
3. Median income of the county (254B.02, subd. 1, (g-h), based on married couple households
4. Base allocation of $15,000 (254B.02, subd.1, (i))
5. Adjusted population of the county (254B.02, subd. 1, (j))

County Allocation and MOE

There are three phases in the way funds are spend.

1. The state pays 85%, the county 15% until the state allocation ("funds for treatment") is used up
2. After the state appropriation (funds for treatement minus the administrative allocation) is expended, the county pays 100%, until their MOE is met
3. Once the MOE is met, the state pays 85%, the county 15%; this money comes from the "reserve" account. The size of the reserve account is determined by what the state estimates the need will be for the entitlement for treatment for Tier I CCDTF

The Effect of the Current Allocation and MOE Determination

- Counties that put a lot of their own money into CD treatment in 1986 are assigned high MOEs
- The effect of an initially high MOE is compounded each year
- Counties with high MOEs typically spend more time at the 100% phase than low MOE counties
- Counties with high allocations and low MOEs either never get to the 100% phase or they move through it very rapidly
- Counties with high allocation and high MOEs have difficulty ever getting into the reserve fund
- The current system ties funding to the county poverty levels and to the county's historical spending on CD; the money does not follow the needs of the individual

Options for Change

- Lower the MOE for higher paying counties
  - Eliminate the MOE
  - Equalize the MOE all three spending phases to 15% (which equalizes the MOE across all counties at 15%)
  - Set the MOE for all counties at the current statewide average of 22%
  - Hold the higher MOEs steady, let lower MOEs rise
  - Phase in lower county MOEs for counties with MOEs above a certain point
    - For counties with MOE's above 55%, lower to 55% and an additional 5% each year until all counties have MOEs at 15%; this will take nine years using the current numbers.

- Cap entitlement to program

  Not everyone who is MA eligible and needed treatment would receive treatment; Other options besides treatment could be provided, which is some cases may be more appropriate (i.e. harm reduction strategies for long-term, recalcitrant alcoholism).

Table 3 - SFY 2005 Allocations Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess of match	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Washington	$948,668.85	$28,960.95	$919,707.89	$655,733.01	493,432	944,326	$641,585.84	0.5%	2.2%	69%
Mahnomen	$56,441.56	$2,839.99	$53,601.57	$37,590.08	28,131	61,340	$40,852.27	-8.0%	-8.0%	67%
Hennepin	$9,996,740.97	$271,689.71	$9,725,051.26	$6,454,579.82	4,738,394	9,278,013	$6,315,324.92	7.7%	2.2%	65%
Carver	$349,487.21	$11,206.02	$338,281.20	$207,944.89	148,248	334,740	$199,170.22	4.4%	4.4%	60%
Cook	$61,963.20	$2,906.21	$59,056.99	$35,181.26	24,759	63,061	$34,422.24	-1.7%	2.2%	57%
Clay	$523,161.25	$17,516.37	$505,644.88	$296,632.43	207,401	551,395	$312,641.09	-5.1%	-5.1%	57%
Cass	$252,352.44	$9,544.26	$242,808.18	$129,227.51	86,379	277,686	$142,200.77	-9.1%	-9.1%	51%
Dakota	$1,743,094.62	$52,989.53	$1,690,105.09	$845,400.89	547,147	1,769,307	$858,113.95	-1.5%	-1.5%	49%
Red Lake	$74,246.67	$3,073.51	$71,173.16	$35,913.36	23,353	67,411	$32,607.11	**10.1%**	**10.1%**	48%
Mower	$631,396.38	$19,206.74	$612,189.64	$304,474.91	196,441	609,431	$297,905.99	3.6%	2.2%	48%
Redwood	$172,681.43	$7,216.70	$165,464.74	$81,514.95	52,315	197,773	$93,359.65	**-12.7%**	**-12.7%**	47%
Polk	$557,078.56	$17,971.38	$539,107.18	$259,733.11	164,597	567,017	$254,129.47	-1.8%	2.2%	47%
Pope	$180,211.39	$6,534.62	$173,676.78	$82,572.44	51,924	174,355	$80,790.98	3.4%	2.2%	46%
Carlton	$316,173.49	$11,625.82	$304,547.67	$143,426.24	89,683	349,153	$146,518.88	-9.4%	-2.1%	45%
Pennington	$187,243.54	$5,959.92	$181,283.61	$81,464.35	49,473	154,624	$67,272.54	**21.1%**	**21.1%**	44%
St. Louis	$2,365,953.88	$71,257.07	$2,294,696.81	$1,005,500.57	600,554	2,396,493	$998,825.07	-1.3%	0.7%	42%
Freeborn	$366,272.91	$11,369.42	$354,903.49	$148,602.35	85,972	340,350	$138,085.07	7.6%	7.6%	41%
Jackson	$117,738.67	$4,755.12	$112,983.55	$47,686.87	27,749	113,259	$45,872.53	4.0%	4.0%	41%
Ramsey	$4,573,392.49	$136,381.96	$4,437,010.53	$1,811,063.42	1,028,062	4,632,447	$1,834,449.12	-1.3%	-1.3%	40%
Fillmore	$236,978.57	$8,629.17	$228,349.40	$82,097.78	41,801	246,268	$85,316.01	-3.8%	-3.8%	35%
Rice	$418,697.36	$13,565.59	$405,131.77	$144,468.31	72,974	415,752	$143,452.06	0.7%	0.7%	35%
Becker	$337,580.31	$11,063.42	$326,516.89	$115,114.88	57,494	329,844	$112,476.81	2.3%	2.3%	34%
Benton	$340,109.49	$10,581.60	$329,527.89	$110,721.64	52,570	313,302	$102,041.48	8.6%	8.5%	33%
Marshall	$148,804.22	$5,113.53	$143,690.70	$45,893.22	20,536	125,564	$38,725.77	**18.5%**	**18.5%**	31%
Watonwan	$120,041.96	$5,182.65	$114,859.31	$36,012.59	15,743	127,938	$38,381.28	-6.2%	-6.2%	30%
Stearns	$1,140,944.22	$34,084.46	$1,106,859.76	$341,483.65	146,155	1,120,233	$334,116.28	1.8%	2.2%	30%
Beltrami	$536,112.34	$17,101.58	$519,010.76	$159,792.66	68,203	537,154	$156,345.20	-0.2%	2.2%	30%
Kittson	$80,578.76	$3,492.50	$77,086.26	$23,736.91	10,133	78,305	$23,067.13	2.9%	2.9%	29%
Otter Tail	$571,525.77	$18,953.73	$552,572.04	$167,824.95	70,312	600,745	$176,404.91	-4.9%	-4.9%	29%
Yellow Medicir	$135,599.60	$5,703.08	$129,896.53	$39,695.34	16,772	145,806	$42,683.03	-7.0%	-7.0%	29%
Goodhue	$340,689.20	$11,090.16	$329,599.05	$95,348.64	37,184	330,762	$92,570.33	3.0%	3.0%	28%
Koochiching	$197,307.48	$7,483.89	$189,823.59	$52,678.31	19,180	206,947	$51,541.80	-4.7%	2.2%	27%
Wilkin	$93,146.50	$4,512.66	$88,633.84	$24,816.11	9,175	104,935	$26,037.06	**-11.2%**	-4.7%	27%
Scott	$408,616.69	$13,195.33	$395,421.36	$107,264.31	37,484	403,040	$104,950.13	1.4%	2.2%	26%
Nobles	$227,728.36	$8,683.23	$219,045.13	$59,389.93	20,735	248,124	$64,709.02	-8.2%	-8.2%	26%
Blue Earth	$738,306.71	$22,584.54	$715,722.16	$191,074.62	64,771	725,403	$187,735.03	1.8%	1.8%	26%
Douglas	$444,506.05	$14,134.64	$430,371.41	$111,162.23	35,214	435,289	$108,763.95	2.1%	2.2%	25%
Aitkin	$207,056.62	$8,683.18	$198,373.44	$48,536.17	13,529	248,122	$58,162.41	**-16.6%**	**-16.6%**	23%

Table 3 - SFY 2005 Allocations and Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Kandiyohi	$451,973.16	$14,011.05	$437,962.10	$104,857.77	27,570	431,046	$100,002.72	4.9%	4.9%	23%
Lake	$131,063.00	$4,979.16	$126,083.84	$29,358.11	7,108	120,951	$27,093.08	8.4%	8.4%	22%
Chippewa	$164,810.90	$6,365.38	$158,445.52	$35,320.28	7,359	168,545	$36,120.45	-2.2%	-2.2%	21%
Lyon	$250,031.75	$8,566.00	$241,465.74	$53,179.95	10,568	244,099	$51,918.18	2.4%	2.4%	21%
Sherburne	$368,997.47	$11,348.34	$357,649.12	$78,281.59	15,167	339,626	$76,592.70	8.6%	2.2%	21%
Mille Lacs	$235,818.86	$8,154.00	$227,664.86	$49,625.21	9,449	229,954	$48,391.04	2.6%	2.6%	21%
Dodge	$152,890.80	$5,389.70	$147,501.10	$30,731.36	4,702	135,046	$27,144.58	**13.2%**	**13.2%**	20%
Martin	$286,887.93	$9,041.69	$277,846.24	$57,090.70	8,059	260,431	$51,825.85	**10.2%**	**10.2%**	20%
Olmsted	$1,463,965.81	$42,293.92	$1,421,671.90	$281,003.69	30,120	1,402,091	$274,941.15	4.4%	2.2%	19%
Le Sueur	$215,745.82	$7,472.13	$208,273.69	$40,898.94	4,145	206,543	$39,154.38	4.5%	4.5%	19%
Itasca	$429,179.85	$13,920.11	$415,259.74	$78,969.09	5,688	427,924	$78,738.00	0.3%	0.3%	18%
Waseca	$181,579.21	$6,494.59	$175,084.62	$33,226.29	2,329	172,981	$31,652.91	5.0%	5.0%	18%
Winona	$481,615.28	$16,147.47	$465,467.81	$87,993.87	5,852	504,396	$92,156.13	-4.5%	-4.5%	18%
Faribault	$201,577.09	$7,362.50	$194,214.58	$36,283.88	2,011	202,779	$36,500.28	-0.6%	-0.6%	18%
Chisago	$320,807.98	$10,195.92	$310,612.05	$53,154.37	0	300,060	$49,716.66	6.9%	6.9%	17%
Steele	$276,372.05	$9,464.30	$266,907.75	$44,135.65	0	274,941	$43,907.09	0.5%	0.5%	16%
Swift	$147,185.25	$6,023.27	$141,161.98	$23,255.27	0	156,799	$24,774.23	-6.1%	-6.1%	16%
Renville	$257,218.65	$8,982.21	$248,236.44	$38,317.73	0	258,389	$37,491.04	-0.5%	2.2%	*15%*
Pipestone	$169,990.94	$6,292.77	$163,698.17	$24,716.28	0	166,052	$24,183.04	2.4%	2.2%	*15%*
Wright	$556,556.88	$17,769.84	$538,787.05	$79,587.63	0	560,098	$80,093.97	-0.6%	-0.6%	*14%*
Traverse	$84,114.65	$3,716.64	$80,398.01	$11,953.03	0	84,133	$11,955.59	0.0%	0.0%	*14%*
Anoka	$2,051,544.21	$56,803.79	$1,994,740.42	$289,959.72	0	1,900,263	$283,703.96	8.0%	2.2%	*14%*
Morrison	$351,609.73	$10,878.74	$340,730.98	$49,163.58	0	323,503	$45,233.65	8.7%	8.7%	*14%*
Roseau	$131,700.28	$5,320.27	$126,380.01	$18,402.16	0	132,663	$18,536.64	-0.7%	-0.7%	*14%*
Brown	$258,426.08	$9,160.49	$249,265.58	$36,091.84	0	264,510	$36,941.54	-2.3%	-2.3%	*14%*
Stevens	$127,212.89	$5,220.66	$121,992.23	$17,420.32	0	129,243	$17,044.49	-1.6%	2.2%	*14%*
Meeker	$299,143.61	$10,089.23	$289,054.39	$39,725.54	0	296,397	$38,868.48	0.9%	2.2%	*13%*
Clearwater	$163,362.85	$6,241.96	$157,120.90	$21,662.35	0	164,307	$21,194.99	-0.6%	2.2%	*13%*
Houston	$180,292.05	$6,796.92	$173,495.13	$23,574.31	0	183,361	$23,975.57	-1.7%	-1.7%	*13%*
Nicollet	$234,573.96	$7,875.85	$226,698.11	$29,703.02	0	220,404	$27,908.75	6.4%	6.4%	*13%*
Norman	$110,148.86	$4,351.18	$105,797.69	$13,548.31	0	100,631	$12,377.56	9.5%	9.5%	*12%*
Murray	$116,684.62	$4,699.25	$111,985.37	$14,344.77	0	111,341	$13,687.83	4.8%	4.8%	*12%*
Crow Wing	$585,894.87	$18,515.39	$567,379.48	$69,122.15	0	585,695	$69,098.58	0.0%	0.0%	*12%*
Isanti	$245,151.89	$9,378.07	$235,773.82	$28,437.62	0	271,980	$31,549.72	-9.9%	-9.9%	*12%*
Pine	$293,764.42	$9,598.65	$284,165.77	$31,884.71	0	279,554	$30,342.30	5.1%	5.1%	*11%*
McLeod	$379,553.73	$12,149.45	$367,404.29	$39,848.77	0	367,131	$38,989.05	3.4%	2.2%	*10%*
Lac qui Parle	$109,735.96	$4,703.77	$105,032.19	$10,000.33	0	111,496	$10,160.74	-1.6%	-1.6%	*9%*
Todd	$297,204.62	$11,468.12	$285,736.50	$27,042.19	0	343,739	$31,276.27	**-13.5%**	**-13.5%**	*9%*
Grant	$112,281.11	$4,832.67	$107,448.44	$10,163.32	0	115,922	$10,492.85	-3.1%	-3.1%	*9%*

Table 3 - SFY 2005 Allocatioı ıd Maintenance of Effort

	Total Allocation	Administrative Allowance	Funds for Treatment	Maintenance of Effort	MOE in excess	Old Alloc	Old MOE	Alloc. % Chg	MOE % Chg.	MOE % of Alloc
Lincoln	$89,523.06	$3,893.86	$85,629.20	$8,084.87	0	88,740	$8,014.17	0.9%	0.9%	*9%*
Wabasha	$193,782.84	$7,139.00	$186,643.84	$17,324.40	0	195,106	$17,442.67	-0.7%	-0.7%	*9%*
Cottonwood	$164,892.32	$6,016.05	$158,876.27	$13,944.12	0	156,551	$13,238.75	5.3%	5.3%	*8%*
Sibley	$150,636.80	$5,860.09	$144,776.71	$11,919.28	0	151,196	$11,963.57	-0.4%	-0.4%	*8%*
Kanabec	$159,303.36	$6,396.40	$152,906.96	$11,211.61	0	169,610	$11,936.95	-6.1%	-6.1%	*7%*
Hubbard	$289,392.42	$9,874.60	$279,517.82	$19,973.21	0	289,028	$19,542.30	0.1%	2.2%	*7%*
Rock	$106,515.07	$3,994.10	$102,520.97	$7,262.04	0	91,347	$6,227.88	**16.6%**	**16.6%**	*7%*
Lake of the Wo	$75,474.30	$3,312.82	$72,161.48	$4,882.57	0	73,633	$4,777.23	2.5%	2.2%	*6%*
Wadena	$212,828.84	$7,256.63	$205,572.21	$10,606.31	0	199,144	$9,924.35	6.9%	6.9%	*5%*
Big Stone	$120,823.90	$5,004.03	$115,819.87	$4,422.84	0	121,805	$4,458.75	-0.8%	-0.8%	*4%*
Total	$44,638,471.70	$1,397,667.26	$43,240,804.44	$16,773,021.68	**9,594,109**			**37.6%**	**37.6%**	32