

MINNESOTA BIENNIAL BUDGET



FY 2008-2009 Governor's Budget Recommendation

*Presented by
Governor Tim Pawlenty
To the 85th Legislature*

Volume 2
(H – N)

FY 2008 – 2009 Governor’s Budget Recommendations

Volume 2

Recommendations for the following agencies:

- Health, Department of
- Higher Education Facilities Authority
- Housing Finance Agency
- Human Rights, Department of
- Human Services, Department of
- Indian Affairs Council
- Investment Board
- Iron Range Resources and Rehabilitation Board
- Judicial Standards Board
- Labor and Industry, Department of
- Legislative-Citizen Commission on Minnesota Resources
- Legal Profession Boards
- Legislature
- Lottery
- Marriage and Family Therapy, Board of
- Mayo Clinic
- Mediation Service Bureau
- Medical Practices, Board of
- Metropolitan Council Parks
- Metropolitan Transit Council
- Military Affairs, Dept of
- Minnesota Historical Society
- Minnesota State Academies
- Minnesota State Colleges and Universities
- Minnesota State Retirement System
- Minnesota Conservation Corp
- Natural Resources, Department of
- Nursing Home Administrators, Board of
- Nursing, Board of

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☞ Designates that this item is a change item



Protecting, maintaining and improving the health of all Minnesotans

January 22, 2007

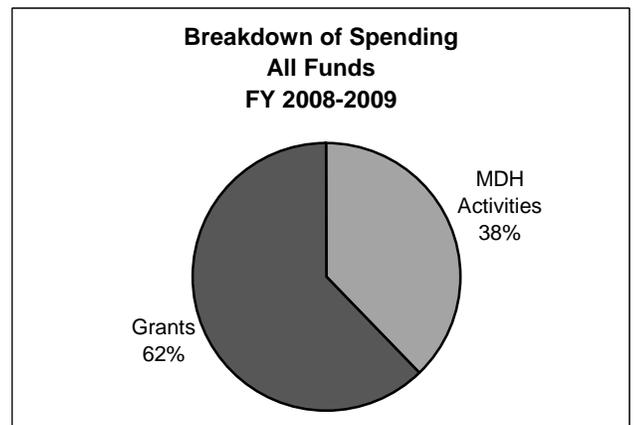
To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Department of Health's budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$164 million from the state's General Fund and \$793 million from all other funds, and is a 5% increase from FY 2006-07 spending and an 11% increase from the FY 2008-09 forecast base.

The Minnesota Constitution affirms that protecting, maintaining and improving the public's health is a duty that falls on government. In Minnesota, the public health system is a state/local partnership. As the graphic indicates, almost two-thirds of our funding is passed on to our partners; local public health agencies, community-based organization, educational institutions, and tribal governments. Together, we will focus on the core activities that protect the public's health and that advance the health status of individuals and communities.

The 2008-2009 budget is based on priorities that focus on core public health functions at the state level:

- Protecting the public from infectious disease outbreaks, including a possible pandemic, and food borne illnesses
- Ensuring that Minnesotans continue to receive high quality care through their HMOs, hospitals, and nursing home, with special emphasis on expanding electronic health records for consumers
- Working to reduce injury, chronic disease, and address maternal and child health needs
- Helping policy makers find ways to contain health care costs
- Monitoring environmental factors that affect the public's health



Our 2008-09 budget is also based on priorities that focus on public health activities that take place at the local and community level:

- Working closely with communities and tribal governments to help reduce health disparities and improve health outcomes
- Supporting and working closely with local public health agencies to maintain a strong public health system across the state

We look forward to working with the legislature in the coming months.

Sincerely,

Dianne Mandernach
Commissioner

Agency Purpose

The statutory mission of the Minnesota Department of Health (MDH) is to protect, maintain, and improve the health of all Minnesotans.

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

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

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

Core Functions

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

- ⇒ Preventing Diseases: MDH detects and investigates disease outbreaks, controls the spread of disease, encourages immunizations, and seeks to prevent chronic and infectious diseases, including HIV/AIDS, tuberculosis, diabetes, asthma, cardiovascular disease, and cancer. The department's public health laboratories analyze some of the most complex and dangerous biological, chemical, and radiological substances known, employing techniques not available privately or from other government agencies.
- ⇒ Preparing for Emergencies: MDH works with many partners – including local public health departments, public safety officials, health care providers, and federal agencies – to prepare for significant public health emergencies. The department takes an "all-hazards" approach to planning so that Minnesota is prepared to respond quickly and effectively to any type of public health emergency, ranging from natural disasters to bioterrorism to an influenza pandemic.
- ⇒ Reducing Environmental Health Hazards: MDH identifies and evaluates potential health hazards in the environment, from simple sanitation to risks associated with toxic waste sites and nuclear power plants. The department protects the safety of public water supplies and the quality of the food eaten in restaurants. It also works to safeguard the air inside public places.
- ⇒ Protecting Health Care Consumers: MDH safeguards the quality of health care in the state by regulating many people and institutions that provide care, including hospitals, health maintenance organizations, and nursing homes. Minnesota has pioneered improvements in the health care system, including the development of policies that assure access to affordable, high-quality care which are models for the nation. The department monitors trends in costs, quality, and access in order to inform future policy decisions. The department also reports to consumers on health care quality through the nursing home report card, adverse health events report and other special projects.
- ⇒ Promoting Good Health: MDH provides information and services to help people make healthy choices. Eating nutritiously, being physically active, and avoiding unhealthy substances, such as tobacco, can help prevent many serious diseases and improve the overall health of the state. The department also protects the health of mothers and children through the supplemental nutrition program Women, Infants and Children (WIC) and services for children with special health needs. Minnesota was one of the first states to regulate smoking in public places, and has developed tobacco prevention strategies used nationwide. MDH programs also address occupational safety, injury, and violence prevention.

At A Glance

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

⇒ Achieving Success Through Partnership: Minnesota has a nationally renowned public health system built on well-articulated state and local government roles. MDH provides both technical and financial assistance to local public health agencies so they can provide programs and services meeting the unique needs of their communities.

Operations

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

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

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

Budget

MDH receives approximately 84% of its funding from non-General Fund resources – the federal government, dedicated cigarette taxes, fees, the health care access fund, and other revenues. The General Fund accounts for the remaining 16% of the budget. Approximately 62% of the budget is “passed through” to local governments, nonprofit organizations, community hospitals, and teaching institutions in the form of grants; 22% represents the cost of the professional and technical staff that carry out the department’s core functions; and 16% is for other operating costs, primarily for technology and space.

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Agency Overview (detailed) <http://www.health.state.mn.us/divs/opa/overview.html>
Agency Performance Measures <http://www.departmentresults.state.mn.us/health/index.html>

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	64,883	74,173	74,173	74,173	148,346
Recommended	64,883	74,173	84,304	79,702	164,006
Change		0	10,131	5,529	15,660
% Biennial Change from 2006-07					17.9%
State Government Spec Revenue					
Current Appropriation	36,320	36,846	36,846	36,846	73,692
Recommended	36,320	36,846	39,836	40,642	80,478
Change		0	2,990	3,796	6,786
% Biennial Change from 2006-07					10%
Health Care Access					
Current Appropriation	6,273	7,779	7,779	7,779	15,558
Recommended	6,273	7,779	34,158	31,498	65,656
Change		0	26,379	23,719	50,098
% Biennial Change from 2006-07					367.2%
Misc Special Revenue					
Current Appropriation	8,553	8,553	8,553	8,553	17,106
Recommended	8,553	8,553	8,553	8,553	17,106
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Federal Tanf					
Current Appropriation	6,000	6,000	6,000	6,000	12,000
Recommended	6,000	6,000	9,000	12,000	21,000
Change		0	3,000	6,000	9,000
% Biennial Change from 2006-07					75%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	61,270	69,923	84,404	79,802	164,206
State Government Spec Revenue	30,407	36,163	39,836	40,642	80,478
Health Care Access	5,674	8,384	34,158	31,498	65,656
Federal Tanf	5,806	6,135	9,000	12,000	21,000
Open Appropriations					
State Government Spec Revenue	188	195	195	195	390
Health Care Access	29	28	28	28	56
Misc Special Revenue	149	215	8,553	8,553	17,106
Statutory Appropriations					
Drinking Water Revolving Fund	447	452	452	452	904
Misc Special Revenue	45,336	53,906	41,379	41,527	82,906
Federal	186,487	226,194	190,516	190,372	380,888
Remediation Fund	166	34	0	0	0
Medical Education & Research	26,313	150,323	71,967	71,967	143,934
Gift	35	157	0	0	0
Total	362,307	552,109	480,488	477,036	957,524
<u>Expenditures by Category</u>					
Total Compensation	91,617	104,032	100,338	101,041	201,379
Other Operating Expenses	67,435	97,844	89,918	84,850	174,768
Payments To Individuals	89,154	103,422	93,761	93,931	187,692
Local Assistance	114,101	251,861	203,352	204,095	407,447
Transfers	0	(5,050)	(6,881)	(6,881)	(13,762)
Total	362,307	552,109	480,488	477,036	957,524

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Program</u>					
Community & Family Hlth Promo	203,419	242,726	215,771	218,611	434,382
Policy Quality & Compliance	56,520	186,194	139,044	136,297	275,341
Health Protection	69,127	86,383	86,069	81,892	167,961
Minority & Multicultural Hlth	7,328	7,923	7,776	8,101	15,877
Administrative Support Service	25,913	28,883	31,828	32,135	63,963
Total	362,307	552,109	480,488	477,036	957,524
Full-Time Equivalent (FTE)	1,296.4	1,277.3	1,271.1	1,270.7	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	74,173	74,173	74,173	148,346
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		50	50	100
One-time Appropriations		(5,000)	(5,000)	(10,000)
Subtotal - Forecast Base	74,173	69,223	69,223	138,446
Change Items				
Fetal Alcohol Spectrum Disorders	0	900	900	1,800
Loan Forgiveness Increase/Consolidation	0	(155)	(155)	(310)
Tuberculosis Prevention	0	652	655	1,307
Public Health Laboratory Operations	0	1,048	1,177	2,225
Pandemic Influenza Preparedness	0	12,375	7,375	19,750
Compensation Adjustment	0	261	527	788
Total Governor's Recommendations	74,173	84,304	79,702	164,006
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	36,846	36,846	36,846	73,692
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		2,335	2,335	4,670
Transfers Between Agencies		(1,831)	(1,831)	(3,662)
Subtotal - Forecast Base	36,846	37,350	37,350	74,700
Change Items				
Loan Forgiveness Increase/Consolidation	0	(400)	(400)	(800)
LTC Workforce & Consumer Info	0	411	411	822
Housing with Services Fee Adjustments	0	134	134	268
Mortuary Science Fee Increase	0	61	61	122
Newborn Screening	0	1,890	2,350	4,240
Specimen Handling Fee Increase	0	51	51	102
Compensation Adjustment	0	339	685	1,024
Total Governor's Recommendations	36,846	39,836	40,642	80,478
Fund: HEALTH CARE ACCESS				
FY 2007 Appropriations	7,779	7,779	7,779	15,558
Technical Adjustments				
One-time Appropriations		(1,500)	(1,500)	(3,000)
Subtotal - Forecast Base	7,779	6,279	6,279	12,558
Change Items				
Loan Forgiveness Increase/Consolidation	0	760	930	1,690
E-Health	0	7,500	11,000	18,500
MERC Federal Compliance	0	8,000	8,000	16,000
Healthy Connections	0	8,950	3,150	12,100
Health Care Access Survey	0	600	0	600
Disease Surveillance Modernization	0	2,000	2,000	4,000
Compensation Adjustment	0	69	139	208
Total Governor's Recommendations	7,779	34,158	31,498	65,656
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	8,553	8,553	8,553	17,106
Subtotal - Forecast Base	8,553	8,553	8,553	17,106
Total Governor's Recommendations	8,553	8,553	8,553	17,106

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: FEDERAL TANF				
FY 2007 Appropriations	6,000	6,000	6,000	12,000
Subtotal - Forecast Base	6,000	6,000	6,000	12,000
Change Items				
Home Visiting	0	2,500	5,500	8,000
MN ENABL	0	500	500	1,000
Total Governor's Recommendations	6,000	9,000	12,000	21,000
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	195	195	195	390
Total Governor's Recommendations	195	195	195	390
Fund: HEALTH CARE ACCESS				
Planned Open Spending	28	28	28	56
Total Governor's Recommendations	28	28	28	56
Fund: MISC SPECIAL REVENUE				
Planned Open Spending	215	8,553	8,553	17,106
Total Governor's Recommendations	215	8,553	8,553	17,106
Fund: DRINKING WATER REVOLVING FUND				
Planned Statutory Spending	452	452	452	904
Total Governor's Recommendations	452	452	452	904
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	53,906	41,379	41,527	82,906
Total Governor's Recommendations	53,906	41,379	41,527	82,906
Fund: FEDERAL				
Planned Statutory Spending	226,194	190,516	190,372	380,888
Total Governor's Recommendations	226,194	190,516	190,372	380,888
Fund: REMEDIATION FUND				
Planned Statutory Spending	34	0	0	0
Total Governor's Recommendations	34	0	0	0
Fund: MEDICAL EDUCATION & RESEARCH				
Planned Statutory Spending	150,323	71,967	71,967	143,934
Total Governor's Recommendations	150,323	71,967	71,967	143,934
Fund: GIFT				
Planned Statutory Spending	157	0	0	0
Total Governor's Recommendations	157	0	0	0
<u>Revenue Change Items</u>				
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Housing with Services Fee Adjustments	0	134	134	268
Mortuary Science Fee Increase	0	89	89	178
Occupational Therapy Fee Reduction	0	(48)	(58)	(106)
Hearing Instrument Dispensers Fee Adjust	0	193	200	393
State Well Program Maintenance	0	0	600	600
Newborn Screening	0	1,886	1,886	3,772
Specimen Handling Fee Increase	0	51	51	102

Program Description

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

Budget Activities

- ⇒ Community and Family Health
- ⇒ Health Promotion and Chronic Disease

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	40,558	42,987	42,987	42,987	85,974
Technical Adjustments					
Current Law Base Change			50	50	100
Subtotal - Forecast Base	40,558	42,987	43,037	43,037	86,074
Governor's Recommendations					
Fetal Alcohol Spectrum Disorders		0	900	900	1,800
Loan Forgiveness Increase/Consolidation		0	(155)	(155)	(310)
Compensation Adjustment		0	101	201	302
Total	40,558	42,987	43,883	43,983	87,866
State Government Spec Revenue					
Current Appropriation	141	128	128	128	256
Technical Adjustments					
Approved Transfer Between Appr			137	137	274
Current Law Base Change			600	600	1,200
Subtotal - Forecast Base	141	128	865	865	1,730
Governor's Recommendations					
Loan Forgiveness Increase/Consolidation		0	(400)	(400)	(800)
Compensation Adjustment		0	3	6	9
Total	141	128	468	471	939
Health Care Access					
Current Appropriation	3,510	3,516	3,516	3,516	7,032
Subtotal - Forecast Base	3,510	3,516	3,516	3,516	7,032
Governor's Recommendations					
Loan Forgiveness Increase/Consolidation		0	760	930	1,690
Compensation Adjustment		0	23	46	69
Total	3,510	3,516	4,299	4,492	8,791
Federal Tanf					
Current Appropriation	6,000	6,000	6,000	6,000	12,000
Technical Adjustments					
Approved Transfer Between Appr			(2,421)	(2,421)	(4,842)
Subtotal - Forecast Base	6,000	6,000	3,579	3,579	7,158
Governor's Recommendations					
Home Visiting		0	2,238	4,923	7,161
MN ENABL		0	500	500	1,000
Total	6,000	6,000	6,317	9,002	15,319

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	39,888	43,688	43,883	43,983	87,866
State Government Spec Revenue	778	872	468	471	939
Health Care Access	3,343	3,757	4,299	4,492	8,791
Federal Tanf	3,506	3,653	6,317	9,002	15,319
Open Appropriations					
Health Care Access	29	28	28	28	56
Statutory Appropriations					
Misc Special Revenue	2,892	3,813	2,689	2,688	5,377
Federal	152,106	183,395	156,965	156,825	313,790
Medical Education & Research	871	3,463	1,122	1,122	2,244
Gift	6	57	0	0	0
Total	203,419	242,726	215,771	218,611	434,382
<u>Expenditures by Category</u>					
Total Compensation	20,182	23,776	20,877	20,907	41,784
Other Operating Expenses	12,087	23,850	13,404	13,361	26,765
Payments To Individuals	89,144	103,420	93,759	93,929	187,688
Local Assistance	82,006	91,680	87,731	90,414	178,145
Total	203,419	242,726	215,771	218,611	434,382
<u>Expenditures by Activity</u>					
Community & Family Health	176,951	213,389	190,993	193,858	384,851
Health Promo & Chronic Disease	26,468	29,337	24,778	24,753	49,531
Total	203,419	242,726	215,771	218,611	434,382
Full-Time Equivalents (FTE)	283.0	267.8	250.9	250.5	

HEALTH DEPT**PROGRAM: COMMUNITY & FAMILY HLTH PROMO**

Change Item: Home Visiting

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Federal TANF				
Expenditures	\$2,500	\$5,500	\$5,500	\$5,500
Revenues	0	0	0	0
Net Fiscal Impact	\$2,500	\$5,500	\$5,500	\$5,500

Recommendation

The Governor recommends a TANF appropriation of \$2.5 million in FY 2008, and \$5.5 million in FY 2009 and each year thereafter for grants to local public health and tribal governments for the provision of family home visiting services (M.S. 145A.17). Increasing and stabilizing funding will enable Minnesota's local public health and tribal health agencies to expand their services to improve the health and well-being of women, children and families, particularly those at highest risk for poor outcomes.

Background

The Local Public Health Grant funding formula (M.S. 145 A.131) distributes TANF funds to Community Health Boards and Tribal Governments for the Family Home Visiting Program. These funds enhance the ability of local public health and tribal health agencies to provide home visiting services to families at risk in their communities. Local communities determine the type of services and interventions that will best address the specific needs of their community.

The Family Home Visiting Program was designed to foster a healthy beginning for children in families at or below 200% of federal poverty guidelines. In 2003, of the families enrolled on the Family Home Visiting Program, 34% were adolescent parents 19 years and under, 63% were families with young children under three years of age, and 40% were families on Minnesota Family Investment Program (MFIP). Issues faced by these families included child abuse and family violence, lack of social support, lack of employment and education opportunities, maternal and infant mental health, substance use and abuse, and child development.

For at least 100 years, home visiting has been used as a service delivery strategy to improve the health and well-being of families. The Centers for Disease Prevention and Control (CDC) estimates that 43% of all births could benefit from receiving home visiting services. These families are experiencing a variety of stressors that impact their ability to provide a healthy, safe, and nurturing environment for their children. In 2006, over 70,000 births occurred in Minnesota. Using the CDC estimate, 30,000 Minnesota families each year with a new infant would benefit from home visiting services. This number would be much higher if we included all families who would benefit from home visiting services.

Public health home visiting programs have been recognized as an evidence-based practice that can:

- ◆ Prevent child abuse and neglect;
- ◆ Decrease foster care placements, hospitalizations and emergency room visits;
- ◆ Reduce unintended pregnancies and subsequent pregnancies, especially in adolescents;
- ◆ Reduce juvenile delinquency;
- ◆ Significantly reduce barriers to access to care;
- ◆ Engage other family members in supporting the mother and family;
- ◆ Positively effect health, development and social relationships of women and children;
- ◆ Improve the cognitive and socio-emotional development of children;
- ◆ Improve parenting behaviors and attitudes; and
- ◆ Positively impact birth outcomes.

Home visiting is a bridge that links the resources of the community with the safety of the home environment, empowering even hard-to-reach parents to build a better future for themselves and their children. Based on a nursing assessment of the physical, psychosocial, and emotional needs of the family, the home visitor can

provide social supports and referral, as well as health education and anticipatory guidance. Home visiting services have been used effectively to transition families from welfare to work, improve pregnancy and birth outcomes, and improve child health and well-being.

Minnesota families continue to experience multiple issues and stressors and could benefit significantly from home visiting services.

Relationship to Base Budget

The current Family Home visiting budget is \$4 million annually.

The 2000 Legislature provided TANF funding for home visiting of \$7 million annually for three years only. The 2001 Legislature increased TANF funding by \$4 million annually. During these years, significant progress was made by counties in the number and intensity of services provided to families. This proposal will provide \$9.5 million annually beginning in FY 2009.

Key Measures

Studies have found home visiting to be a cost-effective, community-oriented approach that improves the health of mothers and children. Key measures and impact will vary depending on the type of home visiting program that communities are implementing.

- ⇒ Programs targeted at improving pregnancy outcomes have been shown to be effective in reducing smoking and improving nutrition during pregnancy and reducing the number of preterm infants and low birth weight babies.
- ⇒ Programs targeted at improved maternal care giving and child health have been shown to reduce child abuse and neglect, decrease childhood injuries, improved immunization rates and reduce the number of emergency room visits.
- ⇒ Programs that focus on improved child and adolescent development have been shown to improve cognitive development, delay subsequent births to teen parents and decrease running away by adolescents.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: COMMUNITY & FAMILY HLTH PROMO**

Change Item: MN ENABL

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Federal TANF				
Expenditures	\$500	\$500	\$500	\$500
Revenues	0	0	0	0
Net Fiscal Impact	\$500	\$500	\$500	\$500

Recommendation

The Governor recommends a TANF appropriation of \$500,000 each fiscal year to maintain Minnesota Education Now and Babies Later (MN ENABL), an abstinence education program at its current funding levels. Federal TANF funds will replace federal 510 abstinence funds and allow a Minnesota tailored abstinence approach to be supported.

Background

MN ENABL is a statewide competitive grant program supporting communities that encourage postponing sexual involvement and promote abstinence until marriage. MN ENABL has a long tradition of using a positive youth based approach with adolescents aged 12-14. Over 9,000 youth participated in MN ENABL last year. Program components focus on the affirmation of personal responsibility and decision making and development of positive relationships and self respect. Community events and public awareness activities strengthen the abstinence messages in MN ENABL grantee communities throughout the state.

MN ENABL was created in 1995 (M.S. 145.9255) and has been funded by combined state and federal 510 abstinence education funds. Currently, 22 community grantees representing a diverse group of organizations and racial and ethnic populations provide curriculum, community events, and public awareness activities that support positive youth-based abstinence messages. As a result of a change in federal guidelines, MN ENABL grantees and state program activities will no longer meet the federal 510 abstinence funding requirements. This proposal would allow Minnesota to continue its tailored approach to abstinence education and to maintain its current level of support for abstinence education efforts.

Relationship to Base Budget

Funding for MN ENABL from all sources in FY 2006 was \$1.040 million (\$489,000 federal 510 abstinence grant, \$480,000 General Fund, and \$71,000 State Government Special Revenue Fund).

A decrease in federal dollars will have a significant impact on MN ENABL grantees and program implementation. The federal 510 abstinence grant fluctuates from year-to-year and has been trending downward in recent years.

Key Measures

A MN ENABL evaluation was conducted from 1998-2002. The evaluation found that participation in MN ENABL curriculum was associated with student reports of increased comfort talking and more frequent communication with their parent. Attitudes towards sexual abstinence generally improved immediately following participation in the MN ENABL curriculum.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: COMMUNITY & FAMILY HLTH PROMO**

Change Item: Fetal Alcohol Spectrum Disorders

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$900	\$900	\$900	\$900
Revenues	0	0	0	0
Net Fiscal Impact	\$900	\$900	\$900	\$900

Recommendation

The Governor recommends a General Fund appropriation of \$900,000 each fiscal year to expand current efforts to prevent Fetal Alcohol Spectrum Disorders (FASD).

Background

FASD is an umbrella term describing the range of effects that can occur in an individual whose mother drank alcohol during pregnancy. FAS (fetal alcohol syndrome) represents the severe end of the range of effects and is the leading known preventable cause of mental retardation and birth defects. FASD is a lifetime disability that affects every aspect of a child's life and the lives of his or her family. With early identification and diagnosis, a child with an FASD can get services that can help him or her lead a more productive life.

FASD is entirely preventable and occurs when a mother drinks during her pregnancy. Alcohol exposure in the first three months of pregnancy can cause structural defects while growth retardation and central nervous system problems can occur from drinking alcohol any time during pregnancy. Women should not drink if they are pregnant, planning to become pregnant, or could become pregnant. There is no known safe amount of alcohol that a woman can drink during pregnancy. Nor, is there a safe time during pregnancy a woman can drink without the risk of poor outcomes.

The Centers for Disease Control and Prevention studies indicate FAS rates ranging from 0.2 to 1.5 cases per 1,000 live births. Other alcohol-related conditions are believed to occur about three times as often as FAS. Based on an estimated 70,000 births per year, we would expect to see between 14 and 105 infants born annually with FAS. FAS is costly to families and to society. The lifetime estimate cost for one individual with FAS was \$2 million in 2002.

The Minnesota Department of Health (MDH) has partnered with the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) to help prevent FASD and improve the quality of life for those affected by the disorders. In FY 2005, MDH began transitioning the general fund appropriation for FASD to MOFAS. Beginning in FY 2007, all General Fund dollars allocated to FASD prevention activities are granted out to MOFAS.

In the past few years, MOFAS has provided education and outreach to almost 10,000 Minnesota families, community members, and professionals about FASD – how to prevent it and how to live with it. This proposal will support state efforts in meeting the growing demand for services.

Relationship to Base Budget

Current funding for the MOFAS grant is \$1.190 million annually. This proposal will increase funding by 76%.

Key Measures

- ⇒ Provide outreach and support services to more than 10,000 Minnesotans.
- ⇒ Expand the capacity for FASD prevention, detection, and intervention around the state.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: COMMUNITY & FAMILY HLTH PROMO**

Change Item: Loan Forgiveness Increase/Consolidation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	(\$155)	(\$155)	(\$155)	(\$155)
State Gov't Special Revenue Fund				
Expenditures	(400)	(400)	0	0
Health Care Access Fund				
Expenditures	760	930	930	930
Net Fiscal Impact	\$205	\$375	\$775	\$775

Recommendation

The Governor recommends a Health Care Access Fund appropriation of \$760,000 in FY 2008 and \$930,000 in FY 2009 to increase and consolidate funding for the loan forgiveness program to maintain service levels, and to simplify its administration and accounting. This will create General Fund savings of \$155,000 each fiscal year and State Government Special Revenue Fund savings of \$400,000 in FYs 2008 and 2009.

Background

Loan forgiveness improves health care access by improving the distribution of providers in the hardest to fill and greatest need situations, and has historically been funded from the Health Care Access Fund. Program participants make binding practice commitments and in return receive yearly loan forgiveness payments for up to four years.

This program provides loan forgiveness payments to the following professions: physicians who commit to practice in rural or underserved areas, pharmacists and midlevel providers who commit to practice in rural areas, nurses who commit to practice in nursing homes or Intermediate Care Facilities for the Mentally Retarded (ICF/MRs), dentists who commit to see substantial numbers of public program and sliding fee patients, and nurse and allied health providers who commit to teach in their professions.

The 2005 Legislature funded additional practitioners by transferring funds to the department from the Boards of Nursing and Medical Practice; these appropriations expire after FY 2009. The 2005 legislature also expanded the program with additional General Fund support. While the legislature intended for this expansion to be ongoing, out-year appropriations (beginning in FY 2008) are not sufficient to cover future loan repayment. The appropriations shortfall for future obligations will greatly curtail the selection of new providers, beginning in FY 2008. In addition, the multiple funding sources have greatly complicated program administration.

Relationship to Base Budget

The FY 2007 loan forgiveness base budget is \$1.395 million, which increases to \$1.545 million in FY 2009, after which it is scheduled to decrease by \$400,000. The number of health professionals serving in priority settings with state support would fall from 215 now to approximately 150 by FY 2010 if this initiative is not adopted.

Key Measures

A 1999 Loan Forgiveness Program Evaluation concluded that the program is effective in getting medical practitioners into rural Minnesota. The evaluation documented that the loan forgiveness incentive is influential in attracting providers to the targeted settings, and the majority of participants remain in the targeted setting upon completing their obligation. This initiative will maintain the state's role in filling challenging vacancies and retaining providers long term in high priority settings.

Statutory Change: Not Applicable

Activity Description

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

Population Served

The entire population of the state is served by this activity with special emphasis on: mothers and children (especially those most at risk for or experiencing poor health outcomes), children with special health care needs and their families, the state's rural residents, and Minnesota's medically underserved urban population.

Activity at a Glance

- ◆ Administer 24 grant programs with grants to more than 611 individual organizations.
- ◆ Provide technical and financial assistance to the state's 53 local public health boards as well as targeted financial/technical aid to more than 120 rural communities.
- ◆ Provide nutrition services and supplemental food to more than 130,000 low-income pregnant women and young children.
- ◆ Provide commodity food products to over 14,000 children and seniors each month.
- ◆ Provide prenatal services to more than 11,000 women.
- ◆ Provide family planning services to more than 37,000 individuals.
- ◆ Provide services to more than 5,000 children with special health care needs.

Services Provided

- ⇒ Help local health departments fulfill a set of essential local public health activities by administering state and federal funding, providing technical assistance to local health boards and staff, and providing public health training to local public health staff.
- ⇒ Improve the health and nutritional status of pregnant and postpartum women, infants, young children, and the elderly by providing nutrition education and counseling, foods to meet key nutritional needs, and referrals for health and social services.
- ⇒ Maintain statewide access to quality health care services by directing state and federal assistance to Minnesota's smallest and most remote rural hospitals and clinics, by providing statewide grants for pre-pregnancy family planning services, and by providing specialized medical assessments to children with chronic illness and disabilities.
- ⇒ Improve the health and well being of infants and children by supporting programs that provide early and continuous screening for disease identification, intervention and followup.
- ⇒ Improve pregnancy outcomes and enhance the health of pregnant and postpartum women and their infants by supporting programs that encourage early access to prenatal care, provide necessary support services, and increase knowledge of healthy behaviors.
- ⇒ Assess and monitor maternal and child health status, including children with special health care needs.
- ⇒ Provide analysis and reports on Minnesota's rural and underserved urban health care system, local public health system and health workforce in order to focus planning for future needs, including resources and education/training.
- ⇒ Implement and maintain a statewide trauma system in Minnesota.
- ⇒ Collaborate with the public and private sectors for quality improvement and measurement of health status to ensure accountability.

Historical Perspective

The federal Women, Infant and Children (WIC) Program and Title V Maternal Child Health (MCH) Block Grant have long provided a foundation for ensuring the health of Minnesota's mothers and children, including children with special health care needs. Minnesota enjoys some of the best health status and health system measures for mothers, infants, and children. However, there remain significant issues that need ongoing attention: disparities in health status based on race, ethnicity, and poverty; improved pregnancy outcomes; early identification and

intervention services; oral health, especially for low-income children; mental health promotion; and obesity reduction. The division provides leadership, accountability, resources, and partnerships for continued work on these challenging issues.

Minnesota's rural health care system has experienced persistent financial and workforce challenges that are projected to continue as the rural population ages. The department's statewide rural health, e-health, and trauma system planning, analysis, and program efforts support quality patient care, stabilize and strengthen the rural health care system, strengthen the health care workforce, encourage regional cooperation among services, and support information technology development.

Ongoing investments in maintaining a viable local public health system that works in a coordinated way with Minnesota Department of Health (MDH) has allowed efficient and effective public health responses to issues ranging from disease outbreaks and disasters to joint efforts to prevent disease and disability. However, the public health system has experienced significant pressures over the last several years. Examples include an aging public health workforce, an aging population and expanded emergency preparedness responsibilities. Maintaining this interlocking but locally governed system requires ongoing coordination, leadership and support, which is the responsibility of Community and Family Health.

Key Measures

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

History	Current	Target
2004	2006	2008
N/A	47%	55%

Source: Minnesota Department of Health

- ⇒ Improve health outcomes by increasing the number of hospitals that participate in a statewide trauma system and registry.

History	Current	Target
2004	2006	2008
N/A	0%	60 %

Source: Minnesota Department of Health

- ⇒ Decrease the ratio of the low birth weight (under 2,500 grams) rate for American Indian women and women of color to the low birth rate for white women.

History	Current	Target
2002	2005	2008
1.6	1.4	1.2

Source: Minnesota Department of Health

- ⇒ Improve the health of infants by increasing the percent of mothers who continue to breastfeed their infants at six months of age.

History	Current	Target
2003	2005	2008
45%	46%	48%

Source: Centers for Disease Control

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: COMMUNITY & FAMILY HEALTH

Narrative

- ⇒ Increase the percent of children and youth with a special health care need with a “medical home” - comprehensive, recurring medical care from a regular primary health care professional that assures a patient that all of their medical and non-medical needs are met.

History	Current	Target
2002	2006	2010
48%	*	55%

Source: SLAITS-CSHCN Survey- *Data available in early 2007

- ⇒ Improve the health of youth by increasing the percent of adolescents who abstain from sexual intercourse or always use condoms if sexually active.

	History	Current	Target
	2001	2004	2008
12 th graders who are abstinent	51 %	52%	53 %
12 th graders who use condoms if sexually active	43 %	45%	47 %

Source: Minnesota Student Survey

- ⇒ Decrease the percentage of children, ages two to five years, receiving WIC services with a Body Mass Index (BMI) at or above the 85th percentile.

History	Current	Target
2002	2005	2008
29%	31%	29%

Source: Minnesota Department of Health

Activity Funding

This activity is funded primarily from appropriations from the General Fund, Health Care Access Fund, State Government Special Revenue Fund, and from federal and Special Revenue Funds.

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HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: COMMUNITY & FAMILY HEALTH

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	31,771	35,421	35,646	35,685	71,331
State Government Spec Revenue	778	872	468	471	939
Health Care Access	3,343	3,757	4,299	4,492	8,791
Federal Tanf	3,506	3,653	6,317	9,002	15,319
Open Appropriations					
Health Care Access	29	28	28	28	56
Statutory Appropriations					
Misc Special Revenue	465	478	344	343	687
Federal	136,185	165,694	142,769	142,715	285,484
Medical Education & Research	871	3,463	1,122	1,122	2,244
Gift	3	23	0	0	0
Total	176,951	213,389	190,993	193,858	384,851
<u>Expenditures by Category</u>					
Total Compensation	10,518	12,902	10,759	10,780	21,539
Other Operating Expenses	7,706	17,566	9,018	9,007	18,025
Payments To Individuals	85,715	99,080	90,158	90,328	180,486
Local Assistance	73,012	83,841	81,058	83,743	164,801
Total	176,951	213,389	190,993	193,858	384,851
Full-Time Equivalents (FTE)	147.7	149.9	134.3	134.3	

Activity Description

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

Population Served

This activity serves the entire population of Minnesota. More than half of all deaths of Minnesotans under the age of 35 and more than three-fourths of all deaths of Minnesotans age 35 and older are due to chronic diseases and injuries. Interventions are focused on youth, among whom prevention efforts have the biggest potential impact; on women, who are disproportionately disabled by chronic disease; and on American Indians and populations of color, who are more likely than white Minnesotans to die from chronic diseases and injuries.

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

- ⇒ Develop and disseminate innovative and effective health promotion strategies.
- ⇒ Support health care providers and systems, public health agencies, and community-based organizations in their prevention efforts.
- ⇒ Fund and support locally-driven interventions to reduce tobacco use and exposure to secondhand smoke.
- ⇒ Coordinate health care provider and public information about identifying and treating persons at risk for or affected by: cancer, diabetes, heart disease, stroke, asthma, arthritis, and traumatic brain and/or spinal cord injury.

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

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

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

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

Activity at a Glance

- ◆ Screened 15,100 low-income women for breast and cervical cancer in FY 2005, at more than 370 clinics across the state.
- ◆ Registered 22,980 newly-diagnosed invasive cancers in the Minnesota Cancer Surveillance System in 2004.
- ◆ Provided an online "Winning with Asthma" training program to more than 400 coaches and physical education teachers during the first six months of 2006.
- ◆ Offered resource and referral information to 4,000 persons with traumatic brain and/or spinal cord injury in 2005.
- ◆ Provided 20 grants in FY 2006 to organizations serving local communities and at-risk populations to reduce tobacco use and exposure to secondhand smoke.
- ◆ Trained 240 people in FY 2005-06 to create walk able communities, 3,000 to prevent underage alcohol use, 900 to improve student and school staff wellness, and 2,000 to prevent and screen for breast and cervical cancer.

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

- ⇒ Facilitate effective collaborations and partnerships.
- ⇒ Convene forums to identify common interests and foster action.
- ⇒ Work with and support health care providers and systems, public health agencies, and other community-based organizations in statewide prevention and planning efforts.
- ⇒ Support the implementation of statewide plans for heart disease, stroke, cancer, diabetes, asthma, and arthritis by multiple partners.

Historical Perspective

Chronic disease and injury result from the cumulative effect of several interacting risk factors. Many of the risk factors are related to lifestyle, are modifiable, and affect more than one condition. These risk factors include high blood pressure, high blood cholesterol, smoking, alcohol misuse, physical inactivity, obesity, and poor nutrition. As the number of Minnesotans over the age of 60 increases in the next 20 years, suffering and health care costs resulting from chronic disease and injury will escalate rapidly. To reduce this impending burden, Minnesota’s public health and health care systems must:

- ◆ encourage healthy behaviors and reduce the prevalence of unhealthy behaviors that put people at increased risk for injuries and chronic diseases and their complications;
- ◆ expand screening for early detection of chronic diseases and risk of injuries for which effective follow-up treatment exists;
- ◆ create opportunities, institute policies and evaluate best practices that promote good health;
- ◆ translate and disseminate best practices and develop scientific standards for effective community and medical interventions; and
- ◆ create and maintain adequate surveillance systems to measure the burden of chronic disease and injury, identify populations at risk, target program efforts, and evaluate program and policy effectiveness.

Key Measures

- ⇒ Reduce deaths from colorectal, cervical, and female breast cancer through improvements in screening and treatment. (Rate is number of deaths per 100,000, by year of diagnosis, age-adjusted.)

	History	Current	Target
	2000-01	2003-04	2010
Colorectal	18.2	16.8	13.0
Cervical	1.4	1.8	1.0
Breast	25.7	22.6	19.0

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

- ⇒ Improve childhood health by increasing the percent of Minnesota children 10 and older who report eating five servings of fruits and vegetables on the previous day.

	History	Current	Target
	2001	2004	2007
6 th graders	22%	21%	30%
9 th graders	15%	15%	30%
12 th graders	13%	13%	30%

Source: Minnesota Student Survey

HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: HEALTH PROMOTION & CHRONIC DISEASE

Narrative

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

	History	Current	Target
	2002	2005	2011
High school youth reporting tobacco use	34.8 %	29.3 %	23.4 %

Source: Minnesota Youth Tobacco Survey

Activity Funding

This activity is funded primarily from federal funds and appropriations from the General Fund.

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HEALTH DEPT

Program: COMMUNITY & FAMILY HLTH PROMO

Activity: HEALTH PROMO & CHRONIC DISEASE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,117	8,267	8,237	8,298	16,535
Statutory Appropriations					
Misc Special Revenue	2,427	3,335	2,345	2,345	4,690
Federal	15,921	17,701	14,196	14,110	28,306
Gift	3	34	0	0	0
Total	26,468	29,337	24,778	24,753	49,531
<u>Expenditures by Category</u>					
Total Compensation	9,664	10,874	10,118	10,127	20,245
Other Operating Expenses	4,381	6,284	4,386	4,354	8,740
Payments To Individuals	3,429	4,340	3,601	3,601	7,202
Local Assistance	8,994	7,839	6,673	6,671	13,344
Total	26,468	29,337	24,778	24,753	49,531
Full-Time Equivalents (FTE)	135.3	117.9	116.6	116.2	

Program Description

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

Budget Activities

- ⇒ Compliance Monitoring
- ⇒ Health Policy

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Direct Appropriations by Fund</i>					
General					
Current Appropriation	3,665	3,665	3,665	3,665	7,330
Subtotal - Forecast Base	3,665	3,665	3,665	3,665	7,330
Governor's Recommendations					
Compensation Adjustment		0	12	24	36
Total	3,665	3,665	3,677	3,689	7,366
State Government Spec Revenue					
Current Appropriation	11,528	11,568	11,568	11,568	23,136
Technical Adjustments					
Approved Transfer Between Appr			335	335	670
Current Law Base Change			800	800	1,600
Subtotal - Forecast Base	11,528	11,568	12,703	12,703	25,406
Governor's Recommendations					
LTC Workforce & Consumer Info		0	411	411	822
Housing with Services Fee Adjustments		0	134	134	268
Mortuary Science Fee Increase		0	61	61	122
Compensation Adjustment		0	94	188	282
Total	11,528	11,568	13,403	13,497	26,900
Health Care Access					
Current Appropriation	2,763	4,263	4,263	4,263	8,526
Technical Adjustments					
One-time Appropriations			(1,500)	(1,500)	(3,000)
Subtotal - Forecast Base	2,763	4,263	2,763	2,763	5,526
Governor's Recommendations					
E-Health		0	7,500	11,000	18,500
MERC Federal Compliance		0	8,000	8,000	16,000
Healthy Connections		0	8,950	3,150	12,100
Health Care Access Survey		0	600	0	600
Compensation Adjustment		0	46	93	139
Total	2,763	4,263	27,859	25,006	52,865

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	662	660	3,677	3,689	7,366
State Government Spec Revenue	8,448	10,429	13,403	13,497	26,900
Health Care Access	2,331	4,627	27,859	25,006	52,865
Open Appropriations					
Misc Special Revenue	149	215	8,553	8,553	17,106
Statutory Appropriations					
Misc Special Revenue	17,984	21,735	13,424	13,424	26,848
Federal	1,500	1,624	1,283	1,283	2,566
Medical Education & Research	25,442	146,860	70,845	70,845	141,690
Gift	4	44	0	0	0
Total	56,520	186,194	139,044	136,297	275,341
<u>Expenditures by Category</u>					
Total Compensation	20,603	23,815	22,854	22,945	45,799
Other Operating Expenses	15,300	19,069	18,142	17,559	35,701
Local Assistance	20,617	148,160	102,898	100,643	203,541
Transfers	0	(4,850)	(4,850)	(4,850)	(9,700)
Total	56,520	186,194	139,044	136,297	275,341
<u>Expenditures by Activity</u>					
Compliance Monitoring	23,779	28,605	25,565	25,622	51,187
Health Policy	32,741	157,589	113,479	110,675	224,154
Total	56,520	186,194	139,044	136,297	275,341
Full-Time Equivalents (FTE)	279.0	285.5	293.1	293.1	

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: E-Health Grants

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Health Care Access Fund				
Expenditures	\$7,500	\$11,000	\$11,000	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$7,500	\$11,000	\$11,000	\$0

Recommendation

The Governor recommends a Health Care Access Fund appropriation of \$7.50 million in FY 2008 and \$11.00 million in FY 2009 and 2010 for investments in health information technology (HIT) to improve patient safety, interconnect clinicians and communities, and strengthen and improve public health in Minnesota.

Background

The introduction of health information technology and electronic health records is transforming health care from a manual and burdensome world of paper records to a modern, interconnected world of electronic information. Electronic health records enhance the availability and accuracy of patient data, provide powerful decision support tools to improve clinical care, readily enable reports for improving quality, safety, and consumer satisfaction, and help protect communities in times of need. In Minnesota, many hospitals, clinics, and health systems have significantly invested in implementing electronic health records and other health information technologies. However, in some settings, especially in rural and underserved urban areas and local health departments, significant gaps remain in the adoption of HIT that result in inequitable delivery of health care services.

This proposal:

- ⇒ Continues and enhances the matching grant program to rural health care providers and underserved areas of Minnesota for adoption of interoperable electronic health records and personal health records.
- ⇒ Supports implementation of the Minnesota Public Health Information Network project to update local health department systems.
- ⇒ Supports technical assistance to grantees and local public health departments.

Interoperable Electronic Health Record Grants

This initiative builds on Governor Pawlenty's 2006 request of \$12 million for matching grants to establish interoperable electronic health records in rural and medically underserved areas of Minnesota, for which the Minnesota Legislature ultimately appropriated \$1.5 million (<http://www.health.state.mn.us/e-health/grntprgrm0607/index.html>). The resulting grant program set out in M.S. 144.366 supports providers and public health agencies that frequently cannot fully afford the conversion to health information technology. This recommendation continues and extends that program to support the purchase and implementation of interoperable electronic health record systems for providers and settings of care who are at an implementation stage, as well as planning grants to support development work for providers and communities who are not yet at the implementation stage. The 2006 grant program demonstrated the significant unmet need in the rural and underserved health care community, as the Department of Health (MDH) received substantially more requests for funding than the program was ultimately able to provide (19 requests were received; 12 projects were funded).

Minnesota Public Health Information Network (MN-PHIN)

This initiative also proposes funding for upgrading local health department information systems as part of the MN-PHIN. The 2004 Minnesota Legislature directed MDH to prepare a plan for the development and implementation of a statewide public health data management system to improve and protect the health of Minnesotans. Upgrading the electronic health records used by local health departments is a critical step in narrowing the HIT gap between private health care and governmental public health. We need to rapidly re-tool public health information systems at the community level so they can readily and securely exchange electronic health information with community health care providers, laboratories, and hospitals. Public health's lack of current capacity to electronically exchange data is rapidly becoming a major frustration for private-sector health care organizations that are investing millions developing their own information systems. This recommendation addresses these needs and implements the MN-PHIN plan developed jointly with the local health departments by:

- ◆ creating more uniformity across fundamental business processes and public health information systems;
- ◆ ensuring public health can electronically and securely exchange health information with the private health care sector by adopting newly released national data standards; and
- ◆ using health information technology in more effective, efficient, and integrated ways to improve services for individuals, families, and communities.

This Governor's initiative is consistent with the recommendations of the Health Information Technology and Infrastructure Advisory Committee established in M.S. 62J.495 to advance the use of interoperable, electronic health records across the state. The public-private advisory committee has issued a series of recommendations for action and has identified the need for public funding to adequately advance the statewide use of health information technology, particularly in rural and underserved urban areas of the state. This initiative supports the advisory committee's recommendations by providing matching grants and technical assistance to achieve Minnesota's overall vision and goals for E-health:

- ⇒ **Informing Clinical Practice** by using health information technology to support high quality, safe and efficient health care.
- ⇒ **Interconnecting Clinicians and Communities** to ensure that health care providers have access to the information needed to provide the best possible health care.
- ⇒ **Personalizing Care** by empowering consumers with information to make informed health care decisions.
- ⇒ **Improving Population/Public Health** through accessible prevention resources and through the rapid detection and response to community health threats.

This initiative is also consistent with the Governor's disease surveillance modernization initiative, which upgrades MDH's information systems to comply with federal standards. By ensuring the use of common electronic standards, these two Governor's initiatives will jointly support early detection of disease events, electronic communication between partners, improved management of disease outbreaks, electronic laboratory reporting, and rapid dissemination of information to the clinical care community.

Relationship to Base Budget

This recommendation uses new funding from the Health Care Access Fund to continue the Interconnected Electronic Health Record Grants Program and to support other statewide E-Health activities. Funds appropriated for this recommendation will be used in four primary activities:

- ⇒ **Provide Matching Grants** to rural providers, underserved areas, and other eligible grantees to support expanded use of health information technology and electronic health records as specified in the Interconnected Electronic Health Record Grants program (M.S. 144.366).
- ⇒ **Support Minnesota's Public Health Information Network** to ensure that state and local health departments have the information systems, policies, and technical expertise necessary to meet their mission.
- ⇒ **Provide Technical Support and Assistance** to grantees and local health departments to ensure coordination of grantee projects around national standards and E-Health activities.

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: E-Health Grants

Activities Supported (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Provide Matching Grants to Rural and Underserved Areas	\$6,250	\$10,000	\$10,000	
Grants to Support the Implementation of Minnesota's Public Health Information Network	500	250	250	
Provide Technical Support and Assistance	750	750	750	
Total	7,500	11,000	11,000	
Grants by Fiscal Year				
	FY 2008	FY 2009	FY 2010	FY 2011
Planning Grants @ \$50,000	9	10	10	
Implementation Grants @ \$200,000 - \$750,000	12	20	20	

Key Measures

This grant program would, with its continued implementation, result in:

- ⇒ By 2012, 66% of inner city community clinics and at least 50% of rural primary care clinics in cities of less than 50,000 population will have implemented or begun to implement interoperable electronic health records and/or other health information technology.
- ⇒ By 2011, statewide consensus standards and requirements will be established for local health department information systems to ensure interoperability across public health agencies and with healthcare providers.
- ⇒ By 2012, all local health departments will be upgrading information systems to adhere to the new standards.
- ⇒ By 2012, all relevant information systems within MDH will have adopted national data standards for health information exchange, as well as privacy and security standards.

Statutory Change: M.S. 144.366

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: MERC Federal Compliance

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Health Care Access Fund				
Expenditures	\$8,000	\$8,000	\$8,000	\$8,000
Revenues	0	0	0	0
Net Fiscal Impact	\$8,000	\$8,000	\$8,000	\$8,000

Recommendation

The Governor recommends a Health Care Access Fund appropriation of \$8 million each fiscal year to offset losses to the Medical Education and Research Costs Fund (MERC) due to changes required by the federal Centers for Medicare and Medicaid Services (CMS). Funds would be used to ensure continued support for the clinical training of physicians, dentists, pharmacists, nurses, physician assistants, and chiropractors. In addition, funding will support efforts within hospitals and training programs to support the Minnesota Department of Health's (MDH) policy goals related to increasing access to mental health services and ensuring a sufficient primary care workforce.

Background

The MERC Program has awarded over \$300 million in grants to Minnesota hospitals and clinics since 1998. The goal of the grant program is to support the clinical training of health care professionals in all settings, including in rural areas and at safety-net facilities. A key tenet of the MERC program is to ensure that funding follows trainees to care delivery sites. This tenet has become increasingly important as the training of medical professionals has moved increasingly from inpatient to outpatient settings. The MERC program has historically received federal matching funds through the Medical Assistance program: each year, the state Department of Human Services goes through an approval process with CMS to secure matching funds.

CMS has indicated that federal participation in MERC funding is contingent upon changes in Minnesota's MERC distribution methodology, beginning in FY 2008, to comply with federal regulations governing the Medicaid program. In particular, CMS is requiring the funding distribution formula more closely align with the relative Medicaid patient volume of eligible clinical training sites, in contrast with the current formula which places a higher emphasis on the relative proportion of clinical trainees at a given training site. CMS has also indicated that they will be unwilling to continue to match certain state funds for MERC, resulting in a potential loss of approximately \$5 million in federal funds for the program. The requested revisions from CMS will therefore reduce the size of the MERC distribution pool, as well as affect the MERC program's ability to continue to distribute funds in a manner consistent with desired state policy goal where funding follows trainees to their sites of training. The changes will lead to a significant loss of revenue for some teaching facilities and would also limit the state's ability to use MERC dollars to address policy priorities through the MERC fund.

Under this proposal, MDH would seek federal matching funds for \$5 million of the proposed \$8 million appropriation, paying those funds out based on relative Medicaid volume at eligible training sites, consistent with CMS regulations. This proposal would also establish a new funding pool for which federal funds would not be sought. A portion of this pool totaling \$1 million, along with existing MERC appropriations from the dedicated cigarette tax, would remain unmatched and would be distributed based on relative education volume, to ensure that facilities with high trainee volume but relatively low Medicaid volume would continue to be supported. Additionally, \$2.0 of the new appropriation would be used to reward qualifying providers who meet policy goals established by the department around mental health training, patient safety, and primary care health care workforce training and retention.

The change to the MERC statute would be effective in FY 2008, with the next distribution cycle for MERC funds.

For more information on the MERC program, go to <http://www.health.state.mn.us/divs/hpsc/hep/merc/index.html>

Relationship to Base Budget

The MERC program awards an average of approximately \$55 million per year in grants to qualifying providers. The MERC program is also statutorily required to provide funding totaling approximately \$20 million per year to individual medical education providers through a separate mechanism. Across all sources of funding, the MERC program distributes close to \$80 million per year to qualifying Medicaid providers.

Key Measures

Progress in supporting programs that are working towards MDH's policy goals around medical education and the healthcare workforce will also be measured. Measures would include the amount and share of the fund directed to supporting those activities, impact on the number of health professionals trained, and impact on access to care in the target area.

Statutory Change: M.S. 62J.692

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Healthy Connections

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
<i>Dept. of Human Services</i>				
General Fund				
Expenditures	\$0	\$0	\$165	\$354
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	\$1,694	\$15,061	\$34,673	\$42,593
Revenues	134	518	1,165	1,201
<i>Dept. of Health</i>				
Health Care Access Fund				
Expenditures	\$8,950	\$3,150	\$0	\$0
Revenues	0	0	0	0
<i>Revenue Impact</i>				
General Fund				
Revenues	\$0	\$(2,300)	\$(6,300)	\$(8,100)
Transfer In	0	2,300	6,300	8,100
Health Care Access Fund				
Transfer Out	\$0	\$2,300	\$6,300	\$8,100
Net Fiscal Impact	\$10,510	\$19,993	\$39,973	\$49,846

Recommendation

The Governor recommends increasing appropriations to expand and modernize MinnesotaCare, establish a Minnesota Health Insurance Exchange, and expand the use of section 125 plans to enable individuals to purchase health coverage with pre-tax dollars.

Background

Although Minnesota has been ranked the healthiest state in the nation, and the state has the lowest un-insurance rates in the country, our current health care system needs reform. Health care cost trends are unsustainable, and the current system lacks incentives for providers to focus on providing the best care at the lowest cost. In addition, many Minnesotans lack access to affordable health insurance.

The costs of both public and private health insurance continue to grow at a rapid rate. Between 2000 and 2006, Medical Assistance average costs per person increased by 35% and MinnesotaCare average cost per person grew by 98%, while private insurance premiums grew by 81% between 2000 and 2005. Wage and income growth in the state has not kept pace with the rising costs of health insurance.

While costs continue to climb, the current system lacks incentives for providers to focus on providing the best care at the lowest cost. For example, providing care that avoids costly complications of chronic disease doesn't pay nearly as well as providing care needed to treat avoidable complications. In addition, more care does not mean better quality – research shows that areas with higher use of services have higher costs but do not have better health outcomes.

Although Minnesota has a low un-insurance rate, Minnesotans who work for small employers are much less likely to have access to employer-based health insurance. Approximately 20% of uninsured Minnesotans work for companies with 11 to 50 employees, and about one third of companies in this size category do not offer health insurance coverage.

Proposal. This proposal has three major components:

1. Establish the Minnesota Health Insurance Exchange (MnHIE) as a way to:

- ◆ Enable working people whose employer does not offer health insurance to pay for health insurance with pre-tax dollars, the same way that people who receive coverage through their employers do. This will substantially improve affordability of coverage in the individual market at relatively low cost to the state, since most of the tax benefit is federal.
- ◆ Serve as a single place where Minnesotans who want to purchase their own health insurance coverage will go to learn about their coverage options, including MCHA, and serve as the entity through which the individual insurance market in Minnesota operates.
- ◆ Reduce the administrative burden associated with offering health insurance benefits. Employers could designate the MnHIE as their health insurance plan, allowing their employees a wider range of health plan options than they typically have now and enhancing portability of coverage.
- ◆ Provide subsidized private insurance options to MinnesotaCare children with incomes between 200% and 300% of federal poverty guidelines (FPG). In this way, it would provide access to a MinnesotaCare benefit set (MinnesotaCare II) that is more like products that are currently sold in the private insurance market.

The MnHIE would be the single place where Minnesotans would enroll in health insurance coverage through the individual market, MCHA, or MinnesotaCare. The MnHIE would assist employers in setting up Section 125 plans, facilitate health plan enrollment, receive subsidy payments for MinnesotaCare enrollees, collect pre-tax premium payments from employers, and pay premiums to the health plans.

The MnHIE would require startup funding from the state, but would become self-sustaining over time through an add-on paid by those offering coverage through the exchange (estimated at 0.5% of premium). Significant startup costs would include the establishment of computer systems to handle enrollment, billing, payment, customer service, and bonus accounts for MinnesotaCare II enrollees who meet standards for appropriate preventive care; in addition, MnHIE would incur ongoing costs for marketing and advertising, actuarial and legal costs, staff costs, and costs for space, equipment and supplies.

2. Expand the use of “section 125” plans to enable individuals without employer-based coverage to buy health insurance with pre-tax dollars.

Employers with 11 or more employees would be required to establish “section 125 plans”, which are named for Section 125 of the Internal Revenue Code and enable employers to withhold money on a pre-tax basis for employee contributions to health insurance. This component of the proposal would substantially improve the affordability of health insurance for people who don't have employer coverage. MinnesotaCare enrollees could also pay their premiums using pre-tax dollars. This requirement would be effective 1/1/09.

Employers who do not offer a group health insurance plan would be required to establish a Section 125 premium only plan and designate MnHIE as their health plan.

Benefits of expanding the use of Section 125 plans include the following:

- ⇒ It would establish a low cost mechanism for employers who do not offer health insurance coverage to provide a significant reduction in health insurance premiums for their employees. The initial cost of establishing a Section 125 plan for an employer is estimated to be \$300, with lower costs in ongoing years. Employers would save money through Section 125 plans by not paying payroll taxes (7.65%) on the amounts that employees elect to deduct from their income to pay for health insurance premiums. Employers could contribute towards the cost of health insurance for their employees, but they would not be required to do so.
- ⇒ It would allow employees without access to employer-based coverage to use pre-tax dollars and get a roughly 30% effective reduction in health insurance premiums at a relatively low cost to the state. Roughly 80% of the tax benefit for employees would be at federal cost.

- ⇒ It would provide a way for employers to offer a greater choice of health plans to their employees and reduce the administrative burden associated with offering employer-based coverage.
- ⇒ It would promote portability of health insurance coverage and allow employees to combine premium contributions from multiple employers to purchase health insurance coverage through the MnHIE.
- ⇒ It would allow MinnesotaCare and MCHA enrollees to pay their premiums pretax through their employer to the MnHIE resulting in an effective 30% premium reduction.

The state cost of the Section 125 employer mandate is estimated to be \$2.3 million in 2009, \$6.3 million in 2010, and \$8.1 million in 2011 due to lost income tax revenue.

3. Expand access to and affordability of MinnesotaCare for children and expand enrollee choice. The proposed changes would provide public health care program coverage to approximately 13,000 new children and require federal approval of either a change to the MinnesotaCare waiver or a Medicaid state plan amendment. The budget estimates do not assume federal matching payments.

Current program. MinnesotaCare currently covers children under age 21 in households with income at or below 275% of FPG. Parents, caretakers, legal guardians and foster parents must have income at or below 275% or \$50,000, whichever is less, to be eligible for MinnesotaCare. Sliding-fee premiums apply to MinnesotaCare children in households with income above 150% of the federal poverty guidelines (FPG), and all adults over age 21. Children in households with income at or below 150% of the FPG pay a fixed \$4 monthly premium. Enrollees who fail to pay their monthly MinnesotaCare premiums are cancelled for nonpayment and are barred from future MinnesotaCare coverage for four months following nonpayment of premiums.

The MinnesotaCare sliding fee scale determines the percentage of monthly gross individual or family income that households at different income levels must pay to obtain coverage. The sliding fee scale contains separate tables based on the enrollment of one, two, or three or more persons in households with one to five family members. The sliding fee scale for a family of five is used for families of more than five. Currently, the same premium is charged per person regardless of age.

Proposal.

Increase MinnesotaCare eligibility for children under age 21 to 300% of the federal poverty guideline (FPG), and increase Medical Assistance eligibility for infants under age two to 305% of FPG.

Both eligibility expansions would be effective 1/1/09. The proposed eligibility expansions are linked; the MA infant income limit must remain higher than the MinnesotaCare income limit in order to maintain access to State Children's Health Insurance Program (SCHIP) federal funding, which is approximately \$50 million in FY 2007.

Decrease MinnesotaCare premiums for children under age 21 by creating a separate MinnesotaCare children's sliding-fee premium scale.

Effective 1/1/09, the new children's sliding-fee scale would reduce MinnesotaCare premiums for children under age 21 in families with income between 150 and 300% of FPG to approximately one third of current sliding-fee scale premium amounts. The children's sliding-fee scale would operate in conjunction with the existing scale, which would remain in place for adult premiums. Families would be charged a total premium made up of individual sliding-fee scale premiums for up to three children, and a separate premium for each adult. Many families with children would see a significant reduction in their MinnesotaCare premium under this proposal.

MinnesotaCare adults 21 and over would continue to pay MinnesotaCare premiums in accordance with the current sliding-fee scale. Children under age 21 in families with income at or below 150% of FPG would continue to pay a fixed \$4 monthly premium.

Repeal the 8% MinnesotaCare sliding-fee scale premium increase currently pending federal approval.

In 2005, state statute changed to increase MinnesotaCare sliding-fee scale premiums by 8%, effective 9/1/05, or upon federal approval, whichever is later. The Department of Human Services has not implemented this change because federal approval has not yet been granted by the Centers for Medicare and Medicaid Services (CMS). This provision would change state law effective 7/1/07.

MinnesotaCare currently charges premiums for families up to 9.8% of income. Cancellation for nonpayment of premiums is the leading cause of disenrollment in MinnesotaCare. Increasing premiums for MinnesotaCare parents is counter productive to creating a new reduced sliding-fee scale for their children.

Amend MinnesotaCare to eliminate adjustments to premiums due to increases and decreases in income between eligibility renewals. Premium changes due to changes in family size and the number of family members covered would continue to be acted upon immediately.

This change, which would be effective 1/1/09, would minimize adjustments to MinnesotaCare premiums for families, so the Department could communicate MinnesotaCare premium and subsidy amounts to the Minnesota Health Insurance Exchange effectively. Assurance of a consistent premium or subsidy amount would be key to MnHIE in assisting MinnesotaCare enrollees with choosing the best source of health care coverage for their families. A stable premium amount throughout the eligibility period would allow families to compare their costs with regard to private health insurance options, and to plan for their health care costs as they do with other fixed household expenses.

Require the commissioner to refer all MinnesotaCare eligible applicants and enrollees to the Minnesota Health Insurance Exchange for assistance with choosing a health plan or private market product.

Effective 1/1/09, the MnHIE would assist MinnesotaCare enrollees who are eligible for MinnesotaCare II in choosing among their coverage options. Eligible applicants would have the ability to simply pay the MinnesotaCare premium to the MnHIE and gain coverage under MinnesotaCare as they do currently.

Create an alternative (MinnesotaCare II) MinnesotaCare private market insurance subsidy option for children under age 21 in households with income above 200 and at or below 300% of FPG.

Under the MinnesotaCare II option, eligible children would choose from several benchmark private market insurance products. These products will include benefit design elements that focus on prevention, outcomes, and healthy behaviors. Enrollees could choose to purchase one of the benchmark plans or enhanced coverage at higher premiums. The department would provide a subsidy for enrollees to use toward the purchase of the private market insurance products. As an incentive to choose the private market option, premiums for children eligible for MinnesotaCare II would be about 50% lower than premiums for MinnesotaCare Classic. Enrollment in MinnesotaCare II would be optional – enrollees could choose to enroll in MinnesotaCare Classic instead, but at a higher premium.

Once enrolled in the MinnesotaCare II option, enrollees would be limited to changing plans and moving back to MinnesotaCare Classic at an annual enrollment period with exceptions for enrollees in families that experience certain qualifying events, such as marriage, divorce, and moving their residence. The option of MinnesotaCare II would be for each individual child who qualifies in a family.

Effective 1/1/09, create two enrollee incentive programs for MinnesotaCare children under age 21 to promote QCare guidelines and encourage positive health behaviors. QCare (Quality Care and Rewarding Excellence) is an initiative that was established by the Governor in July 2006 to promote improvement in health care quality. QCare sets a number of specific targets for the quality of care, such as preventive care and care for chronic conditions such as heart disease and diabetes.

MinnesotaCare Premium Discount Incentive: Families with children under age 21 enrolled in MinnesotaCare Classic would receive a \$4 monthly premium deduction per child (maximum \$12 monthly deduction per family) if they meet QCare guidelines for well-child visits and immunizations.

The premium discount incentive would be administered by the Minnesota Health Insurance Exchange. The Exchange would communicate premium deduction amounts to the Department annually.

MinnesotaCare II QCare Bonus Accounts: Families with children under age 21 enrolled in the MinnesotaCare II option who meet QCare guidelines for well-child visits and immunizations would receive \$50 per child in a QCare bonus account (maximum of \$150/year per family) that can be used for out-of-pocket health care expenditures.

Enrollees would submit eligible claims for reimbursement to the Minnesota Health Insurance Exchange. Bonus health care dollars would be permitted to accumulate in the bonus account over time, and any child in a family could use bonus account money while enrolled in Minnesota Health Care Programs or any other Exchange-related product. Bonus account funds would be forfeited when no children under age 21 remain in a family or when no child in a family has been enrolled in Minnesota Health Care programs or a MnHIE product for six months.

Relationship to Base Budget

In 2006 approximately 129,000 enrollees per month received coverage under MinnesotaCare. This proposal will expand coverage by approximately 14,400 kids and 1,200 parents. The November forecast base for MinnesotaCare is about \$822 million in FY 2008-09 and \$856 million in FY 2010-11. This proposal increases the state share of MinnesotaCare spending by \$12.311 million in FY 2008-09 and \$56.192 in FY 2010-11.

Key Measures

Quantifiable performance measures for this activity include:

- ⇒ The MnHIE assists employers in establishing Section 125 plans to enable their employees to pay for health insurance with pretax dollars, and conducts outreach and educational events around the state to assist employers in establishing these plans.
- ⇒ The majority of employers not offering health insurance coverage establish Section 125 premium only plans.
- ⇒ Employees take advantage of the ability to pay health insurance premiums pretax and enroll in health insurance coverage through Section 125 plans offered by their employer.
- ⇒ Number of uninsured children.
- ⇒ Percentage of enrollees meeting QCare standards related well-child visits, immunizations, cardiac disease and diabetes.
- ⇒ The exchange creates and disseminates a toolkit for employers to establish section 125 plans to enable their employees to pay for health insurance with pretax dollars, and conducts outreach and educational events around the state to assist employers in establishing these plans.
- ⇒ The exchange establishes secure information systems that are capable of efficiently handling large volumes of medical claims and payments, and effectively coordinates with employers, individuals, the Minnesota Department of Human Services, and health plans.
- ⇒ The exchange is ready to begin enrolling private health insurance customers on or before 1/1/09, and is ready to begin enrolling MinnesotaCare II beneficiaries on 1/1/09.
- ⇒ The exchange provides accurate and timely customer service to Minnesotans purchasing health insurance coverage in the non-group market and MinnesotaCare II enrollees.

Statutory Change: 256B.057; 256L.02; 256L.04; 256L.05; 256L.06; 256L.12; 256.15; One new section will be added. Preliminary coding is 256L.075.

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Health Care Access Survey

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Health Care Access Fund				
Expenditures	\$600	\$0	\$600	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$600	\$0	\$600	\$0

Recommendation

The Governor recommends a Health Care Access Fund appropriation of \$600,000 each biennium to conduct a health insurance survey of Minnesota households, in partnership with the University of Minnesota.

Background

Minnesota has a long history of relying on state-level data to inform health policy. The first large-scale health insurance survey in Minnesota was funded by the state and conducted in 1990. At various times since then (1995, 1999, 2001, and 2004), the survey has been repeated using grants from foundations and federal grant funding. This survey enables the state to track trends and variation in insurance coverage and access to health care services over time, as well as disparities in coverage and access by race/ethnicity and geographic region. The results of the survey are used to understand changes in health insurance coverage in Minnesota and will inform efforts to strengthen insurance markets and reduce un-insurance. For example, between FY 2001 and FY 2004, the estimated un-insurance rate in Minnesota increased from 5.7% to 7.4%, the first statistically significant increase that has been measured since the survey began in 1990.

In FY 2001 and FY 2004, the survey was conducted in a manner that allowed the state to quantify, for the first time, disparities in health insurance coverage by race/ethnicity and by geographic region. The survey also provides information on the characteristics of the uninsured in Minnesota and the reasons for changing patterns of insurance coverage and access to health care services in the state. This level of detail, which is critically important to understanding changes and for developing policies that maintain and increase access to care and insurance coverage in the state, is not available from any other source. The Minnesota survey has methodological advantages over national estimates (such as the Current Population Survey), and over time has become the most trusted source for health insurance data within the state. Data from the survey is often used by the Department of Human Services to help estimate the costs of proposed changes to public insurance programs, and the data is also used extensively by health plans, health care providers, the business community, stakeholder groups, and state and local government agencies.

The federal grant program that funded all or part of the two most recent insurance surveys (in 2001 and 2004) has been discontinued. As a result, unless other funding is provided to conduct timely and regular survey updates, this valuable resource for Minnesota policymakers will be out of date and there will be no means of tracking market developments and the impacts of policy changes on insurance coverage.

With the proposed \$600,000 per biennium, the Minnesota Department of Health (MDH) will conduct a biennial health insurance survey (beginning in 2007) of approximately 10,000 Minnesota households. The survey will be conducted in a manner that allows for comparison to previous estimates and analysis of changes over time. The information detail will also enable the MDH to examine changes in access and insurance status by racial and ethnic groups and by geographic region of the state.

A summary of the results of the 2001 and 2004 surveys is available at:

<http://www.health.state.mn.us/divs/hpsc/hep/publications/coverage/2006hhfact.pdf>, and the detailed survey report is available at <http://www.health.state.mn.us/divs/hpsc/hep/publications/coverage/2006hhsrvrpt.pdf>.

Relationship to Base Budget

There is currently no funding for this activity in the state budget, and no similar activities are taking place in the state. The scale of the proposed state-funded survey (10,000 households) is somewhat smaller than the 2001

and 2004 surveys (27,000 and 13,000 households, respectively) but is expected to be sufficient to provide detailed information on insurance coverage and changes over time.

Key Measures

Quantifiable performance measures for this activity include:

- ⇒ The survey is completed on a timely basis and initial results are publicly available within three months of the completion of data collection.
- ⇒ The survey is conducted in a manner that is consistent with standards for academically rigorous survey research, and achieves a high response rate.
- ⇒ Detailed survey results are made available to the public in a manner that is concise and easily understandable.
- ⇒ Policy-appropriate responses are developed as a result of the findings, resulting in increased access to health insurance and health care in Minnesota.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Long Term Care and Alternatives

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$411	\$411	\$411	\$411
Revenues	0	0	0	0
Net Fiscal Impact	\$411	\$411	\$411	\$411

Recommendation

The Governor recommends a State Government Special Revenue Fund appropriation of \$411,000 each fiscal year to provide continued and expanded services including: eliminating the current backlog in background check appeals to increase the available workforce, improving consumer information, and planning the best regulatory approach for this rapidly growing industry for the future.

Background

The home care industry has experienced rapid growth in recent years. The number of qualifying providers has increased over 55% in the last seven years from 715 in 1997 to 1,226 in 2006. This rapid growth results in the need for additional resources for the department to meet current obligations to citizens and health care providers. This proposal addresses three issues.

Background Checks. Based on the outcome of a background check, individuals may be disqualified from eligibility to work in certain direct care positions. They may seek to have that disqualification "set aside", thus allowing them to work again. Because of shortages in direct care staffing, it is important that the department both keep up with set-aside requests and do a thorough case review. In FY 2006, 1,190 cases were reviewed and this caseload is expected to grow to 1,590 in 2007. There is currently a backlog of 325 cases waiting for review. Without additional resources, this number will increase. This proposal will eliminate the current backlog and maintain timely review of cases.

Consumer Information. Provider classifications and health care services offered can be complex and confusing to consumers. The department currently collects a significant amount of information about providers that *could* be made available to consumers in user-friendly formats that aid consumers in making home care provider and service choices. This proposal will make information on home care providers and their contracted services available on the web for citizens and policy makers around the state.

Strategic Planning. The commissioner is responsible for conducting inspections, investigating complaints, and assuring home care providers meet specified standards in the delivery of care to their clients. However, the industry is growing rapidly and the current fee structure does not support the required oversight to meet current regulatory strategies. Fees paid vary from one provider to another – new entrants into the industry are small and in many cases pay a fee of a few hundred dollars or less. Many large providers requiring extensive survey hours have their fees capped at \$781. This proposal will support a workgroup of advocates, providers, consumers, and regulators to review and make recommendations regarding the state's future home care regulatory needs and a means to fund them.

Relationship to Base Budget

Base funding for this activity has not changed in recent years. This appropriation represents a 41% increase in resources for this activity. Sufficient revenues have been collected in previous years to support this appropriation without further adjusting fees at this time.

Key Measures

- ⇒ Background check appeals are completed within the timeframes specified in law without individuals waiting for extended periods of time for their set-aside.
- ⇒ Additional information will be made available to consumers such as the availability of nursing services; the inclusion of non-nursing services performed by non-licensed personnel; and medication storage.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Housing with Services Fee Adjustments

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$134	\$134	\$134	\$134
Revenues	134	134	134	134
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends a State Government Special Revenue Fund appropriation of \$134,000 in each fiscal year, and a corresponding increase in the Housing With Services (HWS) Fee to maintain current services and provide improved consumer information.

Background

HWS establishments are the division's fastest growing registration category. In August 1996 there were 81 establishments; in March 1997 there were 181; in March 2001 there were 686; and in September 2006 there were 1,116. There has been more than a 1200% increase in registered providers over the last ten years

Currently, the Minnesota Health of Department (MDH) posts a list of registered providers on its website. It is a list of establishments by county, with the name, address and contact information. Consumers are not able to identify the services each individual establishment provides. MDH receives consumer inquiries on a daily basis regarding which services are available and consumers want to know where they are provided. In the Twin Cities Metropolitan Area the list of establishments varies widely from eight in Scott County to 181 in Hennepin County. Since consumers cannot distinguish between services available, they need to contact each individual establishment to determine services offered.

This proposal will enable MDH to capture the necessary data electronically and place the information on the web to enable consumers to search for services available. Having consumer information more readily available will assist an aging population to identify both the location and services provided by HWS establishments. This proposal will improve consumer decisions by providing more information about availability of services.

Relationship to Base Budget

The registration fee increase from \$35 to \$155 will allow HWS fees to support the registration process while making baseline consumer information available. The annual revenue will increase by \$134,000 (from \$39,000 to \$173,000 annually). It is estimated that \$104,000 will be used to fund the existing registration process and approximately \$30,000 is needed to automate the registration data for consumers on an on-going basis.

Key Measures

- ⇒ By 7/1/08 consumers will be able to search the MDH web site for service information.
- ⇒ Register more than 1,100 providers each year.

Statutory Change: M.S. 144D.03, Subd. 1

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Mortuary Science Fee Increase

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$61	\$61	\$61	\$61
Revenues	89	89	89	89
Net Fiscal Impact	(\$28)	(\$28)	(\$28)	(\$28)

Recommendation

The Governor recommends a State Government Special Revenue Fund appropriation of \$61,000, and an increase in fee revenues of \$89,000 per year to maintain the current licensure and regulatory oversight activities of the Mortuary Science Program.

Background

The licensure of crematories began in 1997 when the state cremation rate was 23%; it has now reached 40 percent without the collection of fees for licensure or the increase in oversight responsibilities. In 1997 the majority of crematories were either in funeral establishments or connected to them. All of the crematories were operating without any oversight or regulation and the crematories, as well as the department, believed that the best outcome would be for the mortuary science section to license and regulate the crematories in the same manner that was being used for funeral establishments. At that time, legislation passed to license and regulate crematories without the inclusion of a fee. Current revenues are not adequate to meet the expanded responsibility.

Proposed fee and appropriation adjustments will affect the funeral establishments, crematories, individual licensees, and the Mortuary Science Program as follows:

- ◆ Increase the funeral establishment license fee from \$225 to \$300;
- ◆ initiate crematory license fee of \$300, the same as funeral establishments;
- ◆ increase individual mortician license fee from \$100 to \$125; and,
- ◆ increase pre-need trust fund report fee from \$15 to \$25.

Relationship to Base Budget

Mortuary Science last increased fees in FY 2000, by a minor amount. Current revenues are \$259,000. This request would increase revenues to \$348,000 (a 34% increase). Current expenditures for this program are \$279,000. The additional \$61,000 appropriation reflects a 22% increase in resources.

Key Measures

- ⇒ Regulatory responsibilities in funeral establishments and crematories will continue and consumer confidence will be maintained for the proper disposition of the deceased.
- ⇒ Regulatory oversight will continue as required.

Statutory Change: M.S. Sec. 149A.50 (6), 149A.51 (2), 149A.52, 149A.20 (8), 149A.40 (3), and 149A.97, Subpart 7.

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Occupational Therapy Fee Reduction

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(48)	(58)	(48)	(58)
Net Fiscal Impact	(\$48)	(\$58)	(\$48)	(\$58)

Recommendation

The Governor recommends a State Government Special Revenue Fund revenue reduction of \$48,000 in FY 2008 and \$58,000 in FY 2009 from reducing initial and renewal license fees for occupational therapy practitioners so that biennial revenues will more closely approximate biennial expenditures.

Background

The Health Occupations Program is responsible for licensing occupational therapists and occupational therapy assistants in Minnesota. Steady growth in the number of Occupational Therapy licensure applicants, without equivalent increases in regulatory costs has resulted in fee revenues that consistently exceed expenditures. In the 2004-05 biennium, a license fee "holiday" reduced an accumulated surplus of fee revenue. At the end of the current biennium, the account will have an estimated surplus of \$90,000 that will increase in the next biennium if fees are not reduced.

The proposed license fee reduction will take effect at the beginning of FY 2008. The Health Occupations Program will notify applicants of the revised license fee amount as part of the application process.

The historical and projected trends in numbers of practitioners, and the corresponding revenues and expenditures indicate steady rather than fluctuating changes for the next two biennia, repeating patterns seen in past biennia. Maintaining license application fees at the current levels will produce excess surpluses.

Relationship to Base Budget

The change in license fee amount represents a 20% reduction for each new or renewing license applicant. The differing amounts of revenue reduction reflects the cyclical nature of when fees are collected.

Key Measures

⇒ By 2010, a 50% reduction in the accrued revenues will be achieved and the program will be able to continue its regulatory responsibilities with this fee reduction.

Statutory Change: M.S. 148.6445, Subd. 1 and 2.

HEALTH DEPT**PROGRAM: POLICY QUALITY & COMPLIANCE**

Change Item: Hearing Instrument Dispensers Fee Adjust

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	193	200	200	200
Net Fiscal Impact	(\$193)	(\$200)	(\$200)	(\$200)

Recommendation

The Governor recommends additional State Government Special Revenue fund revenues of \$193,000 in FY 2008 and \$200,000 in FY 2009 from increasing the certification fee and the examination fee for non-audiology hearing instrument dispensers so that total biennial revenues will approximate biennial expenditures.

Background

Regulatory costs and licensing revenues have fluctuated widely over the last decade for this occupational licensure program resulting in significant deficits alternating with sizeable surpluses. Administrative costs and the number of practitioners in the certification system have been unstable during the last five years. In FY 2004 a certification fee holiday reduced a large accumulated surplus in the account. In FY 2005 audiologists that dispensed hearing instruments were successful in passing legislation to exempt all audiologists from the certification requirement, and this action reduced the number of persons paying fees from over 400 to less than 175.

Certification fees were not adjusted in FY 2005 to compensate for the certification changes because the account still had a significant surplus and the fiscal impact of the changes were unknown. Though certifying fewer people reduced some administrative costs in FY 2005, the cost associated with the significant number of complex investigations of hearing aid consumer complaints, the increasing number of appeals of failing examination scores, and the administration of the hearing instrument dispenser examinations required for certification greatly exceeded examination fee revenues.

In response to these cost pressures the program has streamlined its processes as well as introduced technology to increase efficiencies. However, with less than 175 practitioners, fees must be increased significantly to produce revenues that will support regulatory costs.

A minor change to regulatory requirements to allow licensed audiologists to supervise dispenser trainees might increase entry to the occupation without compromising consumer protections. The Governor is also recommending statutory changes to allow licensed audiologists to supervise hearing instrument dispenser trainees which will lead to future consumer and professional benefits. However, because entry to the occupation is through informal training, this will not likely increase the number of practitioners for the next two biennia. Given current estimates of 175 to 185 practitioners over the next two biennia, fees must be increased significantly to produce sufficient revenues.

Relationship to Base Budget

Revenues have fallen from \$176,000 in FY 2005 to an estimated \$88,000 in FY 2008. This proposal will increase fee revenues to an estimated \$281,000 in FY 2008. While this fee increase seems sizable, practitioners who have been in the field for at least three years have also experienced fee holidays, as well as years of no fee increases.

Key Measures

⇒ Program revenues will fully recover program expenditures.

Statutory Change: M.S. 153A.17

Activity Description

The Compliance Monitoring Division monitors compliance with laws and rules designed to protect the health and safety of Minnesota's nursing home residents, home care clients, hospital patients, and clients of certain allied health professional groups.

Population Served

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

Services Provided

- ⇒ Monitor compliance with federal and state laws and rules, designed to protect health and safety, through unannounced inspections and surveys.
- ⇒ Investigate reports of maltreatment in accordance with the Vulnerable Adult Act and other complaints of abuse, neglect, or maltreatment.
- ⇒ Conduct reviews of requests for set asides of criminal/maltreatment cases.
- ⇒ Approve all architectural and engineering plans for all new construction or remodeling of health care facilities to assure that the facilities' physical plants meet life safety and health standards.
- ⇒ Conduct annual reviews of at least 15% of Medicaid and private pay residents in certified nursing facilities.
- ⇒ Regulate funeral service providers to ensure the proper care and disposition of the dead.
- ⇒ Regulate individuals who want to practice as audiologists, hearing instruments dispensers, speech language pathologists, and occupational therapists.
- ⇒ Regulate HMOs to ensure compliance with statutes and rules governing financial solvency, quality assurance, and consumer protection.
- ⇒ Investigate complaints against HMOs filed by enrollees and providers.
- ⇒ Respond to several thousand calls annually to the health information clearinghouse.
- ⇒ Provide professional education, including clinical and technical training on a statewide basis; personal consultation; informational bulletins; and online, web-based information.

Activity at a Glance

- ◆ Monitor 6,375 health care facilities for safety and quality.
- ◆ Review qualifications and regulate more than 5,000 allied health practitioners.
- ◆ Monitor 10 health maintenance organizations (HMOs) and three county-based purchasing organizations that provide health care services to 1.2 million Minnesotans.
- ◆ Conduct hospital and nursing home construction plan reviews. In state fiscal year 2006 alone, construction plan reviews amounted to nearly \$275 million in capital investments for these facilities.
- ◆ Ensure criminal background checks are conducted on 108,000 applicants for employment in health care facilities.
- ◆ Maintain a registry of more than 53,000 nursing assistants.
- ◆ Maintain the nursing home report card web site, which has had more than 99,000 visits since it was announced in January 2006.

Historical Perspective

In January 2006, a state nursing home report card tool was launched to help Minnesotans make better choices when choosing a nursing home for themselves or other family members. This is a user-friendly way to help consumers better understand the quality and performance of nursing homes in Minnesota. Nursing homes can receive up to five stars on each of the following eight measures: state inspections, quality-of-life survey among more than one-third of residents, care quality, hours of direct service per resident, staff turnover, staff retention, use of temporary staff members, and percentage of single-bed rooms.

The top three measures selected by visitors to the web site are: quality-of-life survey (or resident satisfaction), care quality, and state inspections. As the web-based report card matures, adjustments will be made to the measures in response to consumer input.

Assisted living providers are the fastest growing industry in the long-term care arena. Over the last five years there has been a 60% increase in the number of providers. This is reflective of consumer desires for less institutional care and more demand for more community-based care options by the elderly. Compliance

monitoring is working with providers, consumer representatives, and advocates to align its regulatory activities to better serve this growing industry. The division is working to increase the number of assisted living home care providers who have an understanding of state regulations and are in compliance with them. Assisted living providers can obtain compliance information on the department's website. More information will be made available to consumers for decision making purposes as this industry matures.

Key Measures

The federal Government Performance Results Act (GPRA) for the Centers for Medicare and Medicaid Services has two indicators for assessing patient care in nursing homes. The first goal is to have no more than 6.4% of patients whose care assessments indicate use of physical restraints; Minnesota currently is at 3.5%, which satisfies the federal indicator. The second GPRA goal is for no more than 8.8% of patients whose care assessments indicate pressure ulcers. Minnesota currently satisfies this goal at 6.1% of residents with pressure ulcers. The GPRA goals will continue to be monitored even though states may meet these objectives. The primary emphasis is to meet the goals and more importantly for nursing homes to develop processes and procedures for continued care to ensure residents receive quality care.

The Health Occupations Program has two goals to improve compliance by practitioners and to protect Minnesotans. The first goal is to improve compliance of credentialed practitioners by increasing the percentage of practitioners in compliance with regulations. The measurement for this goal is based on the number of complaints and application investigations. Compliance is currently at 93%, with the goal to reach 95% in 2008. The second goal is to protect Minnesotans using services of alternative/complementary practitioners from unsafe practices. There are currently 33 investigations pending, with the goal to have no more than 25 cases pending by 2008.

[Note—other outcome measures are available at the department results web site,
<http://www.departmentresults.state.mn.us/subjects/healthcare/index.htm>]

Activity Funding

This activity is funded by direct appropriations from State Government Special Revenue Fund and the General Fund, and from federal funding.

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HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Activity: COMPLIANCE MONITORING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	166	185	3,213	3,216	6,429
State Government Spec Revenue	5,976	7,231	9,364	9,416	18,780
Health Care Access	96	154	156	158	314
Statutory Appropriations					
Misc Special Revenue	17,212	20,412	12,311	12,311	24,622
Federal	329	623	521	521	1,042
Total	23,779	28,605	25,565	25,622	51,187
<u>Expenditures by Category</u>					
Total Compensation	15,559	17,401	16,459	16,516	32,975
Other Operating Expenses	8,220	11,204	9,106	9,106	18,212
Total	23,779	28,605	25,565	25,622	51,187
Full-Time Equivalents (FTE)	204.3	203.9	206.9	206.9	

Activity Description

The Office of Health Policy, Statistics and Informatics tracks and monitors health care access, quality, and cost in Minnesota; assesses and reports on the health of the population; monitors and reports on adverse health events; works to promote the adoption of health information technology throughout the state; supports the training of medical professionals in Minnesota; and reports on health care marketplace and infrastructure issues.

Population Served

This activity serves patients, consumers, and providers of health care services; individuals or families needing birth or death records; and state and local policy makers.

Services Provided

- ⇒ Conduct surveys and other research to collect data for use by policy makers; provide analysis of health department and other data to assist in determining: health market conditions and competition, access, health care spending, market trends, capital expenditures, and risk adjustment for publicly funded, prepaid medical insurance programs.
- ⇒ Collect information on adverse health events in Minnesota hospitals and ambulatory surgical centers; and provide information to providers, health plans, patients, and other stakeholders about patient safety in Minnesota.
- ⇒ Securely administer health data resources used throughout the department to build knowledge about health care that will empower consumers, educate purchasers, inform providers, and guide policy makers.
- ⇒ Assist health care payers and providers to standardize administrative processes, resulting in reduced health care costs.
- ⇒ Promote, through the Minnesota e-Health Initiative, the adoption and use of health information technology (HIT) to improve healthcare quality, increase patient safety, and reduce healthcare costs.
- ⇒ Maintain a permanent file of birth and death records, useful both to public health researchers and also to citizens who need records for legal purposes.
- ⇒ Conduct surveys; analyze data and report on health status, trends, and disparities; provide information to local health departments and health providers on the health status of the population, and health behaviors, conditions, and disease.
- ⇒ Respond to an estimated 1,200 to 1,300 requests per year to our health economics program from legislative staff, staff of state and local agencies, researchers, and the general public.
- ⇒ Administer the medical education and research costs fund, providing \$50-\$60 million in funds each year to clinical health professions training sites in Minnesota.

Historical Perspective

As health care has become a larger portion of our state and federal budgets, we are providing information to state and local decision makers to help ensure quality of care, value for money spent, outcomes of various services, risk factors affecting health status, and other data to inform the public debate around health care. We help to identify trends and anticipate the changing services that will be needed, such as the aging of the population and the increasing preference for home care rather than institutional care. We do this through survey instruments, other research, and analysis of data.

Activity at a Glance

- ◆ Track and report health care cost growth and trends in the health care marketplace.
- ◆ File more than 70,000 birth records and 38,000 death records each year.
- ◆ Maintain approximately eight million birth and death records in a statewide computer system.
- ◆ Conduct periodic surveys to determine insurance coverage and access to health care.
- ◆ Monitor trends in patient safety and adverse health events, and report on the prevalence of adverse events in Minnesota hospitals.
- ◆ Provide annual grant funding of over \$50 million in support of medical education activities throughout Minnesota.
- ◆ Provide grant funding and technical support to health care providers to accelerate the adoption of health information technology.

Because knowledge and understanding of factors affecting health care cost, quality, and access are critical to helping policymakers formulate state health policy, the health economics program conducts research and analysis to monitor Minnesota's health care markets, to understand how and why they have changed over time, and to examine the potential impacts of proposed policy changes. In addition to regular collection and analysis of data to monitor key indicators such as the rate of uninsurance, overall health care spending, and the rate of growth of health insurance premiums in the state, staff also provide technical assistance in the development of state health policy by serving as an unbiased source of timely information and analysis.

The office participates in and publishes reports regarding health status and trends, and provides technical assistance to local public health agencies and others as they determine local health priorities and how to address them. This includes the Minnesota student survey, conducted every third year and used by local public health agencies and schools to develop targeted instruction in topics such as: seatbelt use, smoking, alcohol and drug use, sexual activity, violence, and safety. The Minnesota health statistics annual profile and the Minnesota county health profiles reflect demographic data statewide and by county, as well as incidence of several types of diseases, injuries, outbreaks, etc. We also work in partnership with others such as the University of Minnesota to conduct research and analysis.

The office has also been actively involved in health care infrastructure support. Two active areas of support are the Minnesota e-Health Initiative and the medical education and research cost fund. The Minnesota e-Health Initiative vision is to accelerate the adoption and use of health information technology to improve healthcare quality, increase patient safety, reduce healthcare costs, and enable individuals and communities to make the best possible health decisions. The initiative provides grants to health care providers in rural and underserved areas of Minnesota to support the development of electronic health record systems. In addition, the e-Health steering committee provides broad overall policy advice to the commissioner of health and serves as a statewide coordinating body for e-Health issues.

The medical education and research cost fund has provided over \$300 million in grant funding over the past eight years to support the clinical training of medical professionals throughout Minnesota. The program supports the training of physicians, nurses, pharmacists, physician assistants, dentists, and chiropractors in Minnesota through grants that provide an incentive for clinical training sites to engage in the training of medical professionals.

Key Measures

The Office of the State Registrar provides accurate health data through a statewide computer system for collecting, maintaining, and disseminating vital statistics records and related data. Vital records are now available through the local registrar offices in all 87 counties. In addition, 100% of hospitals with birthing facilities in the state and nearly 100% of funeral homes report births and deaths respectively through the electronic system. The major priority in the next two-three years is to increase physicians, medical examiners, and coroners using the system to report the cause-of-death information. The specific results and future targets for this priority are as follows:

⇒ Increase the percentage of deaths where the physician is reporting the cause-of-death electronically.

History	History	Current	Target
2002	2004	2006	2009
3%	18%	38%	75%

⇒ Increase the number of counties where the Medical Examiner or Coroner is reporting the cause-of-death electronically.

History	History	Current	Target
2002	2004	2006	2009
17	53	66	87

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Activity: HEALTH POLICY

Narrative

[Note—other outcome measures are available at the department results web site,
<http://www.departmentresults.state.mn.us/subjects/healthcare/index.htm>]

Activity Funding

This activity is funded from direct appropriations from State Government Special Revenue Fund, the General Fund, the Health Care Access Fund; and federal funds, Medical Education and Research Costs Funds, and Special Revenue Funds.

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HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Activity: HEALTH POLICY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	496	475	464	473	937
State Government Spec Revenue	2,472	3,198	4,039	4,081	8,120
Health Care Access	2,235	4,473	27,703	24,848	52,551
Open Appropriations					
Misc Special Revenue	149	215	8,553	8,553	17,106
Statutory Appropriations					
Misc Special Revenue	772	1,323	1,113	1,113	2,226
Federal	1,171	1,001	762	762	1,524
Medical Education & Research	25,442	146,860	70,845	70,845	141,690
Gift	4	44	0	0	0
Total	32,741	157,589	113,479	110,675	224,154
<u>Expenditures by Category</u>					
Total Compensation	5,044	6,414	6,395	6,429	12,824
Other Operating Expenses	7,080	7,865	9,036	8,453	17,489
Local Assistance	20,617	148,160	102,898	100,643	203,541
Transfers	0	(4,850)	(4,850)	(4,850)	(9,700)
Total	32,741	157,589	113,479	110,675	224,154
Full-Time Equivalents (FTE)	74.7	81.6	86.2	86.2	

Program Description

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

Budget Activities

- ⇒ Environmental Health
- ⇒ Disease Epid Prev Cntrl
- ⇒ Public Health Laboratory
- ⇒ Office of Emergency Preparedness

HEALTH DEPT

Program: HEALTH PROTECTION

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,068	14,068	14,068	14,068	28,136
Technical Adjustments					
One-time Appropriations			(5,000)	(5,000)	(10,000)
Subtotal - Forecast Base	9,068	14,068	9,068	9,068	18,136
Governor's Recommendations					
Tuberculosis Prevention		0	652	655	1,307
Public Health Laboratory Operations		0	490	496	986
Pandemic Influenza Preparedness		0	12,375	7,375	19,750
Compensation Adjustment		0	120	237	357
Total	9,068	14,068	22,705	17,831	40,536
State Government Spec Revenue					
Current Appropriation	24,316	24,815	24,815	24,815	49,630
Technical Adjustments					
Approved Transfer Between Appr			(137)	(137)	(274)
Current Law Base Change			935	935	1,870
Transfers Between Agencies			(1,831)	(1,831)	(3,662)
Subtotal - Forecast Base	24,316	24,815	23,782	23,782	47,564
Governor's Recommendations					
Newborn Screening		0	1,890	2,350	4,240
Specimen Handling Fee Increase		0	51	51	102
Compensation Adjustment		0	242	491	733
Total	24,316	24,815	25,965	26,674	52,639

HEALTH DEPT

Program: HEALTH PROTECTION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,187	12,018	22,805	17,931	40,736
State Government Spec Revenue	21,181	24,862	25,965	26,674	52,639
Open Appropriations					
State Government Spec Revenue	188	195	195	195	390
Statutory Appropriations					
Drinking Water Revolving Fund	447	452	452	452	904
Misc Special Revenue	5,403	8,140	4,705	4,697	9,402
Federal	32,530	40,639	31,947	31,943	63,890
Remediation Fund	166	34	0	0	0
Gift	25	43	0	0	0
Total	69,127	86,383	86,069	81,892	167,961
<u>Expenditures by Category</u>					
Total Compensation	39,953	44,152	43,741	44,286	88,027
Other Operating Expenses	24,265	37,169	38,596	33,874	72,470
Payments To Individuals	10	2	2	2	4
Local Assistance	4,899	5,260	5,761	5,761	11,522
Transfers	0	(200)	(2,031)	(2,031)	(4,062)
Total	69,127	86,383	86,069	81,892	167,961
<u>Expenditures by Activity</u>					
Environmental Health	29,393	33,877	30,769	31,016	61,785
Infect Disease Epid Prev Cntrl	20,215	25,537	22,395	22,425	44,820
Public Health Laboratory	14,899	18,367	17,498	18,044	35,542
Office Emergency Preparedness	4,620	8,602	15,407	10,407	25,814
Total	69,127	86,383	86,069	81,892	167,961
Full-Time Equivalents (FTE)	584.4	575.4	573.9	573.9	

HEALTH DEPT**PROGRAM: HEALTH PROTECTION**

Change Item: State Well Program Maintenance

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	600	600	600
Net Fiscal Impact	\$0	(\$600)	(\$600)	(\$600)

Recommendation

The Governor recommends an increase in well management fees to generate \$600,000 in additional revenue to the State Government Special Revenue Fund in FY 2009 and beyond to maintain essential service levels in the Well Management Program.

Background

This program performs two essential health and safety protection functions: the protection of the drinking water for 70% of all Minnesotans, and the finding and sealing of abandoned wells. Abandoned wells, when buried and forgotten, allow contaminants to pollute the aquifers that people depend on to supply their drinking water.

During the past two decades, the Well Management Program has protected drinking water by dramatically improving the sanitary construction of new wells – ensuring they are built using the proper materials, and techniques, and are located away from potential hazards like landfills or septic systems. Also, the program works actively with many industries and private citizens to have abandoned wells properly sealed, especially when properties transfer ownership.

The Well Management Program is funded entirely by fees. Fee revenues are closely tied to sales and construction in the housing market – this proposal is the result of unanticipated instability in that market. To illustrate the recent volatility in the housing market, 13,000 residential wells were constructed in FY 2004, compared to an average of 11,400 each year during the past 10 years. In FY 2007, it is projected that approximately 8,800 new wells will be constructed, a 23% reduction compared to the ten-year average.

The Well Management program has taken steps to reduce program expenditures as revenues have declined, such as implementing a hiring freeze on all non-critical positions. The program will need to implement other cost-cutting measures if program revenues are not increased. Additional reductions in staff through layoffs would seriously impair the program's ability to maintain essential services as the pool of qualified technical staff for this specialized industry is extremely limited.

The requested fee increases anticipates a gradual recovery of the housing market over the next four years, and is projected to adequately fund critical program activities throughout that time.

For additional program information see: www.health.state.mn.us/divs/eh/wells/index.html

Relationship to Base Budget

Fees were last increased in FY 2007, but with the sharp downturn in the housing market, the current fees are now inadequate to fund the basic program, even with the implementation of a hiring freeze and other cost saving measures (representing a 12% reduction in expenditures).

Assuming a gradual recovery of the housing market during the next several years, the proposed fee increases are expected to generate an additional \$600,000 in FY 2009, bringing total program revenues to approximately \$4.1 million. The proposed changes include an increase in: one-time fees for well notifications, permits, and variances from \$175 to \$215; the one-time fee for a well sealing from \$35 to \$50; the annual fee for an unused well maintenance permit from \$150 to \$175, and; the one-time fee for a well disclosure at property transfer from \$40 to \$45. These changes should increase fee revenue by approximately 17%.

Key Measures

Drinking Water Safety: In the past, the program maintained a 20-25% rate of inspection for all new wells resulting in 97% of them meeting the proper sanitary standards. During this biennium, the proposal will ensure at least 95% of all new wells meet all sanitary standards (prior to inspection), and violations of standards are corrected.

Sealing Abandoned Wells: There are an estimated 500,000 abandoned wells remaining across the state. Through the program's efforts over the past 18 years, 205,000 have been sealed. This proposal will result in approximately 20,000 more abandoned wells being sealed over the upcoming biennium.

Statutory Change: M.S. 103I.208

HEALTH DEPT**PROGRAM:****HEALTH PROTECTION**

Change Item:

Tuberculosis Prevention

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$652	\$655	\$655	\$655
Revenues	0	0	0	0
Net Fiscal Impact	\$652	\$655	\$655	\$655

Recommendation

The Governor recommends a General Fund appropriation of \$652,000 in FY 2008 and \$655,000 in FY 2009 and each year thereafter for tuberculosis (TB) testing, treatment and case management. This funding will help stop the spread of this disease by ensuring treatment and prevention services are available – particularly to high-risk communities of color – and reduce the financial burden of these diseases on the health care system.

Background

Minnesota's public health system is facing significant challenges with TB treatment and case management, especially for people of color.

Since 2004, the number of TB cases in Minnesota has remained at or near 200 per year. However, in 2006, the state saw a 17% rise in the number of newly diagnosed cases. The majority (81%) of Minnesota's TB cases occur among foreign-born persons, particularly refugees and immigrants. During 2006, the first case of extensively drug-resistant (XDR) TB was identified in Minnesota. This individual was resistant to 11 of 13 available TB medications. The mortality rate for XDR TB is 33% and it is extremely expensive to treat. Currently more than 15% of Minnesota's TB cases are multi-drug resistant (MDR), or cases resistant to at least one of the four "first line" TB drugs. These cases necessitate treatment with costlier drugs for longer periods of time. Medications to treat a "simple case" of TB cost approximately \$800, while medication costs for a MDR case can exceed \$25,000.

In addition, the wholesale costs of TB medications and pharmacy handling fees continue to rise. The costs to purchase and administer the "second-line" drugs to treat the type of drug resistant strains increasingly seen in Minnesota are very high. Current allocations will not keep up with the increased demand for expensive drugs. Although the Minnesota Department of Health (TB) program recoups some costs for medications supplied to patients with insurance, most of the medications are provided to patients with no insurance coverage for medications.

Part of this new TB funding (\$200,000) will ensure that medications continue to be available to treat those infected with TB. These funds, plus existing funds, will be used to provide outpatient medications for Minnesota residents with active TB disease or with latent infection (to prevent active TB disease). Insurance is billed when available. This will ensure that persons with TB disease are treated so the infection will not spread.

Coupled with the rising cost of medications, local resources for treatment and case management are decreasing. Therefore the second portion of the TB funding (\$200,000) will be used for case management, which is primarily a local public health (LPH) responsibility. Increased funding for case management is needed to ensure LPH is able to conduct contact investigations, provide directly observed therapy (DOT), and other case management duties. TB therapy is very effective, but it is lengthy, complex, and time-consuming. The majority of cases require daily supervision by LPH staff as part of DOT. Outreach staff must observe TB patients taking their medication to ensure compliance. It is essential that healthcare providers and state and LPH departments collaborate to provide ongoing case management to ensure that patients with TB finish treatment, do not develop drug-resistant TB, and no longer pose a public health risk.

MDH currently provides modest grants to some LPH agencies to assist with case management costs. These funds cover only a small percentage of the costs to the agencies, leading to a restriction in the level of services they provide. Many counties not receiving grants are unable to fund even critical basic services, such as ensuring that refugees with latent TB infection receive treatment, and identifying, evaluating, and treating close contacts of infectious TB cases.

A cost-benefit analysis published in 1995 in the *Journal of the American Medical Association* estimated the cost of conducting a TB contact investigation at \$1,696 per case. Costs in 2007 dollars and for cases needing language interpreters are even higher. Contact investigations represent just one component of TB case management. One local public health department estimated total case management costs in 2003 to be approximately \$4,000 for an uncomplicated case of TB. Many TB cases in the state are complicated by factors such as drug resistance, homelessness and language barriers.

Providing appropriate TB case management services to individuals with TB disease and infection will ensure treatment completion and that case contacts are treated appropriately to prevent the spread of the disease. TB case management is strongly recommended by the Centers for Disease Control, the American Thoracic Society, the Infectious Diseases Society of America, and other medical and public health organizations. It has been proven to be cost effective in preventing drug resistance and relapses.

The final portion of the TB funding (\$252,000 in FY 2008 and \$255,000 in FY 2009) will support accurate and timely laboratory diagnostic testing needed to prevent the spread of TB in our communities. The MDH Public Health Laboratory (PHL) is the state's primary reference center for mycobacterial disease, including tuberculosis and related conditions. Accurate and timely detection and identification of tuberculosis is critical to effective treatment and to reducing the spread of TB to others. The laboratory conducts drug susceptibility testing on isolates from all TB cases in Minnesota. This information is used by healthcare providers to guide treatment decisions and by the TB control programs to direct resources to halt the spread of disease. Resources are also needed to keep up with new technology and methods such as rapid detection by nucleic acid amplification, sequence-based identification, and Quantiferon testing. Federal funding for TB disease prevention and control has declined over the past decade, while the number of TB cases in Minnesota and the cost of testing have steadily increased. TB testing at the state lab has increased from 2,200 specimens in 1999 to approximately 5,000 specimens in 2006.

Finally, curing and preventing TB saves money and reduces healthcare costs. Preventing a case of MDR-TB can save up to \$137,000 in medical costs alone, and treating infected persons before they develop active TB is simpler, less costly, and safer for the patient and their community.

Relationship to Base Budget

MDH currently receives \$547,000 a year in state funding for the TB program. In addition, Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare cover some of the medical treatment costs. Specifically, MA may cover the medical visit, but it does not cover more indirect, yet necessary, care coordination services such as arranging for interpreters and transportation, and addressing cultural issues to ensure treatment compliance. GAMC only covers TB medications, not DOT and case management services. In addition, MA, GAMC, and MinnesotaCare do not cover contact investigations – a crucial component of TB control.

Moreover, due to income eligibility guidelines for MA and GAMC and cost participation requirements of MinnesotaCare, many individuals do not qualify for these programs. In addition, immigrants who arrive with a sponsor are not eligible for MA or GAMC. The sponsor is required to cover the medical expenses; however, they are usually unable to pay for the costs of treatment.

Key Measures

- ⇒ The percentage of patients who complete treatment will increase, reducing long-term healthcare costs.
- ⇒ The number of TB patients to whom we provide anti-TB medication will increase.
- ⇒ Healthcare providers and LPH professionals will have resources to help them offer culturally sensitive and medically appropriate care thus resulting in the decrease in prevalence of TB among people of color.
- ⇒ Communities will be better protected against infectious disease because the likelihood of diseases being transmitted to the general public will be reduced.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: HEALTH PROTECTION**

Change Item: Public Health Laboratory Operations

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,048	\$1,177	\$1,177	\$1,177
Revenues	0	0	0	0
Net Fiscal Impact	\$1,048	\$1,177	\$1,177	\$1,177

Recommendation

The Governor recommends a General Fund appropriation of \$1.048 million in FY 2008 and \$1.177 million in FY 2009 and beyond to cover new and unanticipated costs associated with lease rates and the operation of the new laboratory building. This proposal ensures the Minnesota Department of Health (MDH) Public Health Laboratory is able to both respond to public health emergencies and to support core public health functions.

Background

Lease Costs: When the Department of Administration (DOA), the agency that determines lease rates for all state facilities, originally estimated lease rates in August of 2004, there was not sufficient information about the new building to accurately project rental costs. Furthermore, projections were made based on the costs of operating other MDH and Bureau of Criminal Apprehension facilities, which contained labs, but also contained office space. Since the new lab building has been up and running, actual costs have been higher than expected. Other DOA estimated expenses, such as supplies and salaries tied to building operations, are also higher than budgeted. DOA has significantly increased the lease rates for FY 2008 to recover actual and anticipated expenses.

In the 2005 session, the governor recommended and the legislature appropriated increases for the rental and operational costs for the laboratory. Based on over a year's experience in the new building, this request funds costs not anticipated in the original request. This proposal includes \$558,000 in FY 2008, and \$681,000 in FY 2009 to cover MDH's share of the increased lease rates in the new lab building.

Laboratory Operations: With a new state-of-the-art lab space comes many unanticipated operating costs – the need for additional supplies, maintenance agreements, equipment, and laboratory support personnel has increased. Funding for these costs was not anticipated nor added to the department's budget at the time of construction. These unfunded operational expenses have placed an enormous burden on laboratory program budgets, which pay for staff and resources needed to perform laboratory analyses.

The laboratory was designed with a high-efficiency air filtration system, and a sophisticated pure water system that require annual maintenance to run optimally. Maintenance of these systems is not included in our lease rates. The new lab also has more square feet, more work space, and an additional floor compared to our old lab. New equipment is needed to fully utilize specialty laboratory areas in the building designed with highly complex air-handling systems. Construction modifications are needed to effectively use areas that were not fully completed due to construction budget constraints. Finally, additional supplies and technical services staff is needed to equip the work areas and monitor protocols so that employees can work safely and effectively.

This proposal provides \$490,000 in FY 2008 and \$498,000 in FY 2009 for maintenance agreements on new equipment, for equipment replacement costs, for physical improvements and modifications to the lab space, and for supplies and technical staff to support the work of the laboratory.

The state laboratory provides essential services that protect public health. Through science and service, the laboratory promotes health and quality of life by preventing and controlling disease, birth defects, disability and death resulting from interactions between people and their environment. This facility also provides critical capacity for the detection of anthrax, avian flu, nerve agents, weapons of mass destruction, and other health threats. The laboratory building also incorporates advanced technology into the routine investigation and control of communicable, environmental, and heritable diseases.

Relationship to Base Budget

Current funding for the laboratory is a mixture of General Funds, Federal Funds, fee and contract revenue. The General Fund base budget for the lab is \$2.171 million, with only \$134,000 allocated for laboratory services. This proposal will increase this funding by \$490,000 in FY 2008 and \$496,000 in FY 2009.

The laboratory's lease is funded with a combination of General Funds and revenues from the department's federally approved indirect cost rate. The 2005 Legislature partially funded the increased lease rates that were anticipated prior to moving into the new lab building. This proposal reflects a biennial increase in lease rates of 26%.

Key Measures

This proposal will ensure the MDH Public Health Laboratory has the resources to meet the goals and principles of the agency and the governor in the following areas.

- ⇒ Ensures ability to support the MDH Strategic Plan: Emergency Preparedness.
- ⇒ Ensures capacity to support efforts to ensure our communities are safe and free from health threats.
- ⇒ Builds on the success of the Public Health Laboratory.
- ⇒ Demonstrates a commitment to the MDH mission; focuses on meeting the needs of our partners; and supports improvement by innovation.

Statutory Change: Not Applicable

HEALTH DEPT**PROGRAM: HEALTH PROTECTION**

Change Item: Newborn Screening

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$1,890	\$2,350	\$2,350	\$2,350
Revenues	1,886	1,886	1,886	1,886
Net Fiscal Impact	(\$4)	(\$464)	(\$464)	(\$464)

Recommendation

The Governor recommends an increased appropriation of \$1.89 million in FY 2008, and \$2.35 million in FY 2009 from the State Government Special Revenue Fund to continue the Newborn Screening Program. The appropriation will be offset by a \$20.00 increase to the newborn screening fee to cover both one time and ongoing program costs.

Background

Each year approximately 72,000 infants born in Minnesota are screened shortly after birth for 53 rare heritable and congenital (present at birth) medical conditions. The newborn screening system is designed to detect and treat these medical conditions as early as possible. By detecting these conditions soon after birth, treatment can begin that will prevent chronic illness, physical disability, mental retardation, developmental problems, or infant death. Without screening to detect and treat these conditions before symptoms develop, these infants would be subjected to countless tests once symptoms have developed, lengthy stays in neonatal intensive care units, serious delay in diagnosis and treatment, and permanent harm.

Screening in Minnesota began in 1965 with a test for Phenylketonuria (PKU). PKU is an enzyme deficiency that results in mental retardation unless the baby is started on a specialized diet soon after birth. By the 1990s, recognition that the benefits of screening far outweigh the cost led to the expansion of the newborn screening panel. In the past few years, advances in scientific technology and medical management have spurred the addition of more disorders to the newborn screening panel.

These conditions are so rare that most physicians lack familiarity and expertise to diagnose and treat these disorders. In addition, treatment may require multiple services that are often provided by a patchwork of agencies, both public and private, and some resources may not be available locally for the management of such rare disorders. An important role of public health is to assist families in accessing appropriate treatment before the onset of symptoms. This proposal will continue and enhance the ability of providers and families to manage their child's health care needs.

In FY 2007, the Minnesota Department of Health (MDH) began screening newborns for cystic fibrosis (CF). CF is a genetic disease that most commonly affects breathing and digestion. Diagnosis of CF before the onset of symptoms can result in long term health benefits including less damage to the lungs. Early detection and early involvement of CF specialists in patient care and infection control can minimize and better control the potential harm associated with CF. Advances in CF treatment continue to have a great impact on the length and quality of life for babies with CF.

MDH partners with the Mayo Clinic's Biochemical Genetics Laboratory (BGL) to screen newborns using advanced technology called tandem mass spectrometry (TMS). TMS makes it possible to screen for multiple conditions using a single test. This unique public-private partnership places Minnesota at the forefront of national discussions of NBS standards. It builds on the scientific expertise of both partners, and enhances screening to reduce the rate of false-positive results as well as the subsequent costs to families and the health care system.

Mayo Clinic's BGL screens for 42 disorders while MDH screens for 11. MDH maintains overall responsibility for the screening program including: setting and collecting fees; receiving and distributing specimens for analysis; notifying physicians of presumptive positive results; and providing follow-up to assure infants are connected with specialty care.

HEALTH DEPT**PROGRAM: HEALTH PROTECTION**

Change Item: Newborn Screening

Relationship to Base Budget

This proposal would increase the fee of \$20.00 per newborn and provide an increased appropriation effective 7/1/07. This fee was last raised in 2003 from \$21.00 to \$61.00.

A fee increase is necessary to cover the costs of ongoing screening and follow-up. The fee covers the cost of screening approximately 72,000 infants born in Minnesota each year for 53 separate medical conditions. Screening costs include laboratory staff, laboratory supplies, and laboratory equipment and maintenance. The fee also covers the costs of follow-up to assure infants are immediately connected with specialty care.

Key Measures

This change item will provide the revenue needed for MDH to improve health outcomes for Minnesota newborns by increasing the number of treatable medical conditions identified and confirmed as positive.

Number of newborns identified with treatable disorders per year

Historical 1993-2005	Estimate 2006	Actual* 2006	Target 2007**	Target 2008-2011*
32-79 (range)	80	93	100	100

Source: Public Health Laboratory, Minnesota Department of Health

* The target is based on the expected incidence of the disorders in the population of newborns screened.

** Cystic fibrosis was added to the panel of disorders for screening during FY 2007. The 2007 estimate of 100 includes cystic fibrosis testing.

Statutory Change: M.S. Ch. 144

HEALTH DEPT**PROGRAM: HEALTH PROTECTION**

Change Item: Specimen Handling Fee Increase

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
State Gov't Special Revenue Fund				
Expenditures	\$51	\$51	\$51	\$51
Revenues	51	51	51	51
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends a State Government Special Revenue Fund appropriation of \$51,000 each fiscal year for laboratory specimen handling costs, including reporting, postage, and specimen kit preparation. In addition, the Governor recommends a corresponding increase in the laboratory specimen handling fee from \$15.00 per specimen to \$25.00 per specimen effective 7/1/07.

Background

The 1979 Legislature established a \$15.00 laboratory specimen handling charged to healthcare providers who submit certain specimens to the Minnesota Department of Health (MDH) Public Health Laboratory for diagnostic testing. This fee was intended to help cover the costs of handling specimens including reporting, postage, specimen kit preparation, and other overhead costs. Most of the infectious disease monitoring work of the state lab benefits the general public, and therefore is exempt from the fee. However, the fee is assessed to a relatively small percentage of tests that are conducted to support health prevention and control programs, and are used for routine patient management such as, tuberculosis, sexually transmitted diseases, and parasitological examinations, primarily for the uninsured. The limited primary diagnostic testing conducted at the lab benefits both the state and healthcare providers. This service will continue to benefit both entities after this minimal adjustment.

The law specifies that the fee is \$15.00 per specimen until the commissioner promulgates rules. Rules to implement the statute have never been promulgated. While the fee has not been adjusted since 1979, inflation has increased the costs of specimen handling. This proposal seeks to increase the fee from \$15 to \$25 and remove the requirement to establish the fee in rule.

Relationship to Base Budget

Approximately 5,110 specimens are received each year by the state lab that are subject to this fee. A \$10 fee increase will generate an additional \$51,000 in revenue. This revenue will help to cover approximately 25% of the costs to the department for doing diagnostic and or confirmatory testing for diseases of public health significance. The balance of the costs are funded with General Fund dollars.

Key Measures

The specimen handling fee is charged to healthcare providers who submit specimens for diagnostic testing that primarily affect the poor and disadvantaged. The availability of tuberculosis, syphilis, and parasite testing has enabled the agency to address healthcare disparities. Furthermore, problems with tuberculosis increase with advancing age and decreased immune function.

⇒ Diagnostic testing for Tuberculosis, Syphilis, and other parasites will be performed on 100% of the samples submitted to the state lab.

Statutory Change: M.S. 144.123

HEALTH DEPT**PROGRAM:****HEALTH PROTECTION**

Change Item:

Pandemic Influenza Preparedness

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$12,375	\$7,375	\$4,375	\$4,375
Revenues	0	0	0	0
Net Fiscal Impact	\$12,375	\$7,375	\$4,375	\$4,375

Recommendation

The Governor recommends a General Fund appropriation of \$12.375 million in FY 2008; \$7.375 million in FY 2009; and \$4.375 million in FY 2010 and beyond to support the capability of the Minnesota Department of Health (MDH), local public health and the healthcare system to be ready for a pandemic influenza event. Pandemic influenza could cause 30% of the state's population to become ill, and an estimated 172,000 persons to require hospitalization. The funding supports developing a state stockpile of health care supplies, planning and training, exercising, plans to distribute vaccine to all state residents, and early detection/management of this large event.

Background

An influenza pandemic is a very large outbreak of influenza that affects the entire world. A pandemic happens with a major change in the virus that causes influenza and when humans do not have immunity. Unlike regular influenza, this new "pandemic" virus can show up any time of year. Vaccine will not be available for an estimated six to nine months after the virus changes and antiviral drugs may be in short supply.

Pandemics have happened three times in the last century – in 1918, 1957 and 1968. The 1918 pandemic was the worst. It made a third of the population ill, killed tens of millions of people worldwide, and caused widespread social disruption. Scientists believe that another pandemic is coming and it might be a major pandemic, like the one we had in 1918, or a milder pandemic, like the ones in 1957 or 1968. Either way, we need to be ready to reduce transmission as much as possible and to care for the many people who become ill. When the vaccine becomes available, we need to have plans and staff prepared to get it to people quickly.

In 1918, pandemic influenza spread across the country in less than a month. Today, a new pandemic will probably spread even faster. We would not be able to expect help from other states. People won't be able to come to work because they are sick, are caring for someone who is sick, or are scared they will get sick from others at work, so absenteeism rates may be very high. Services such as utilities, grocery stores, and public transportation may be disrupted. Schools may close. The following chart depicts the impact on Minnesota if the national estimates are used:

National Estimates for Severe Pandemic Influenza (1918-like)	Minnesota Planning Assumptions	Current resource status
Disease Attack Rate 30%	1,544,000 sick people	NA
Hospitalization rate of 1% to 10+% of cases	15,000 to 172,000 hospital patients	16,000 licensed beds and potentially 4,700 additional surge beds
Outpatient medical care	772,000 patients	Unknown
Intensive Care (15% of hospitalized patients)	2,250 to 27,700	1,200 beds
Mechanical respiratory ventilator needed by 7% of hospitalized patients	1,120 to 12,900 ventilators	1,000 total ventilators in the state by July 2007
Expected deaths from 0.2% to 2% of cases	3,600 to 32,900 deaths	Annual seasonal influenza deaths: 675
N-95 masks needed for 8 weeks	8,000,000	290,000 in state stockpile

The number of ill patients would quickly overwhelm current healthcare systems. Many people will need to be cared for at home. Others may get care at off-site care facilities such as community centers. Eventually there will be a vaccine, but it will take months to produce, and there will not be enough for everyone at first. However, one of the critical responsibilities for public health will be to maintain capacity in the midst of a pandemic to readily distribute the vaccine across the state.

Preparing the public health and healthcare systems, businesses, schools, community organization and educating the public on personal and family preparedness are government responsibilities that can help Minnesota prepare for this potential event. Because it is uncertain when, or if, such a situation develops, systems designed to respond to pandemic influenza need to be the same as the systems used for response to smaller, more routine events such as disease outbreaks, natural disasters, chemical exposures, or other similar types of emergencies. This is consistent with national and state planning for disasters and is called the All-Hazard approach.

The 2006 Legislature approved \$5 million to support pandemic influenza preparedness. Of that amount, \$2.1 million is being used by MDH to purchase some antiviral medications and ventilators, local and state planning and training, and public education.

This initiative proposal builds on that important foundation and increases preparedness in the following areas:

- ⇒ **Health care supply stockpiles** of personal protective equipment, ventilators, medications for the and medical equipment and supplies to care for a sudden surge of extraordinary number of pandemic influenza patients will require an increase of more than 40 times currently stockpiled equipment and supplies.

Hospitals and health care providers are limited by space, equipment, supplies, and staffing in their management of patient care. Adequate supplies of masks and other protective equipment are in short supply. Stockpiles of respiratory ventilators are currently inadequate for the number of people that would need them. Alternate care site facilities will need cots, linens, specialized equipment and supplies, temporary morgues, sanitation, medications, and food services. A critical component of this stockpile is the planning and expertise to develop a delivery system to rapidly distribute the supplies across the state.

The governor proposes \$10 million the first biennium for kick starting the stockpile and an ongoing \$2 million beginning in FY 2010 and beyond for continuing expansion, replacement and storage costs. Our goal is to have supplies to care for the estimated 172,000 hospitalized patients, 772,000 outpatients, have adequate personal protective equipment for health care workers, and have supplies to support at least some of the patients who will be cared for at home. For example, using national estimates, we believe we need 8 million N-95 masks, which cost approximately \$1.00 each. This proposal includes one FTE to manage the purchase, storage, and quality control of the supplies.

- ⇒ **Purchase of antivirals for treatment** from the federal program in order to be able to provide treatment for up to 25% of Minnesota's population

Currently the federal government is developing a stockpile that would be stored at the federal level to cover 15% of Minnesota's population. Minnesota is eligible to purchase antiviral medication to cover an additional 10%. \$1 million of state funds and a potential estimate of approximately \$2 million of private funds have been identified to purchase antiviral medications, bringing coverage to about 19% of the population. This proposal will provide an additional \$5 million in one-time funding is needed to achieve coverage for 25% of the population.

- ⇒ **Minnesota Department of Health activities** for ongoing laboratory testing, epidemiology investigation of potential cases, developing coordinated plans with other response partners, exercises of those plans, guidelines by which to evaluate the level of preparedness at state and local levels, and workforce and volunteer readiness. A total of \$1,375,000 is recommended for the following program areas:

Public Health Laboratory: Maintaining the capacity of the Minnesota Public Health Laboratory (PHL) to monitor statewide to detect and confirm outbreaks of influenza is critical to preparedness. This monitoring program involves the receipt of specimens from hospital laboratories and sentinel emergency rooms statewide to test for influenza viruses and determine if they are new, novel strains with pandemic potential. The MDH PHL is the only one in Minnesota capable of rapidly identifying influenza pandemic strains. To do this requires the laboratory to be operational for 24/7 responses to provide real-time investigation in conjunction with epidemiology, infection control, and testing for antiviral resistance. A few examples of previous quick actions by the laboratory and its partners which **halted the spread of disease** when only a few individuals had been affected include polio, mumps, and meningitis outbreaks. Such rapid assessment of the cause of infections is a vital part of best practices to protect the health of Minnesota's residents.

Epidemiology and Infection Control: Staff is needed to assure 24/7 statewide capacity to receive disease reports, investigate potential and actual cases of disease, respond to limit the outbreak, provide support to local public health and health care partners, and monitor the situation to protect the public's health. Protecting health care workers, family members, and volunteers requires development of ongoing and just-in time training materials, technical consultation about personal protective equipment, monitoring and interpretation of international research, and patient-care guidelines. The capability to identify early cases in order to take measures to control transmission requires skilled staff and effective connections to the health care system.

Planning and Exercises: Plans and protocols to respond need practice and evaluation to determine effectiveness. Without practicing our response, we will not be able to rapidly or successfully implement our plans, and may put public health and health care staff and the public at risk. Individuals with special needs, including persons with reduced immune response, language barriers, children and the elderly will need extra efforts to contain the mortality rate.

Healthcare system training: Caring for sick patients requires health care workers who feel prepared and confident the personal protective equipment is working and adequate, and who have the support they need to continue to come to work. This activity would focus on working with the healthcare system to identify needs and provide training and guidelines, identify alternative workforce options, and coordinate across the state.

- ⇒ **Local public health agency** activities include preparing community resources to care for large numbers of the sick, working with organizations to continue their work in a pandemic, and educating partners, community groups and the public. Local public health agencies are the lead resource in developing vaccination plans. Tribal governments have been critical partners from the early stages of pandemic planning. Supporting their ongoing involvement increases capacity to care for tribal members as well as large numbers of guests visiting reservation businesses. A total of \$1,000,000 per year is recommended for local and tribal grants.

Additional information about pandemic influenza can be found at the Minnesota Department of Health's web site: <http://www.health.state.mn.us/divs/idepc/diseases/flu/pandemic/index.html> Additional information and resources are available on the State of Minnesota web site: www.birdflu.state.mn.us

Relationship to Base Budget

This recommendation is a new request for the base budget. The 2006 Legislature appropriated \$5 million General Fund dollars to support pandemic influenza preparedness. \$2.9 million was transferred to the Department of Public Safety, and the balance remained at MDH. Other than these one-time funds, the federal government has exclusively funded emergency preparedness in the public health and health care systems.

This recommendation builds on the successes of the federally funded initiatives and increases response capacity for pandemic influenza with state-controlled and managed assets. Federal funding has limitations and restrictions, especially for building a stockpile of resources, exercising plans, and maintaining a core infrastructure. The Centers for Disease Control reports that funding reductions are likely for grant funding in the coming year.

Response to pandemic influenza, as well as other disasters or emergencies, requires a prepared and ready local system. This recommendation recognizes that reality through an ongoing grant program to support local public health and tribal governments in planning, exercising, training, increased workforce and volunteer capacity, and response to "normal" emergencies. The public health and health care system preparedness is similar to that of a fire department that needs to be ready to react with limited notice but with considerable skill.

Key Measures

Health care supply stockpiles

- ⇒ By June, 2008 a ventilator will be available for each of the 1,200 intensive care beds in the state.
- ⇒ By June 2009, 50% of the estimated need for personal protective equipment (N-95 masks and other supplies) will be purchased and in a state-managed stockpile.
- ⇒ By December 2007, Minnesota will purchase antiviral medications for 10% of our population.

Minnesota Department of Health Activities:

- ⇒ Ongoing capacity for 24/7 laboratory response and epidemiology follow-up for testing specimens and evaluating potential cases of pandemic influenza.
- ⇒ By June 2008, develop and distribute guidelines for infection control to hospitals, alternative care sites, home care, or other places where persons with influenza receive care.
- ⇒ By June 2009, all healthcare workers and volunteers will receive at least one training session about personal protective equipment, infection control practices, and pandemic influenza basics.

Local public health agencies and tribal governments

- ⇒ By June 2008, each local jurisdiction and tribal government will have pandemic influenza plans and participate in an exercise to address prevention, patient care coordination, and vaccine delivery.

Statutory Change: Not Applicable

Activity Description

The Environmental Health Division protects Minnesotans from health hazards in the environment. We assure that Minnesotans have safe drinking water and food, and are protected from hazardous materials in their homes and communities. The division also identifies emerging environmental health threats, implements prevention activities against these threats, and responds to public health emergencies.

Population Served

This activity serves the entire population of Minnesota by ensuring that all Minnesotans have clean drinking water, safe food, sanitary lodgings, and are protected from hazardous materials in their environment.

Services Provided

Protect the quality of water:

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

Protect the safety of food:

- ⇒ Inspect restaurants to ensure safe food handling.
- ⇒ Certify professionals in food safety.
- ⇒ Monitor and assist local delegated programs.
- ⇒ Educate citizens regarding the safe handling of food.
- ⇒ Develop guidelines for the safe consumption of fish.

Protect the quality of indoor environments:

- ⇒ Develop standards for safe levels of contaminants in air and abatement methods for asbestos and lead.
- ⇒ Monitor the exposure of citizens to lead and issue guidelines on screening and treatment.
- ⇒ Issue guidelines on cleaning contaminants from clandestine methamphetamine laboratory activities.
- ⇒ Focus attention on children to ensure they are protected from harmful chemicals and other hazards.
- ⇒ Develop a birth defects information system to understand, treat, and prevent birth defects.
- ⇒ Review health impacts of sites that emit hazardous substances.
- ⇒ Inspect and monitor lodging, manufactured home parks, and recreational camping areas.
- ⇒ License and inspect use of radioactive materials.
- ⇒ Educate citizens, communities, and medical professionals.

Historical Perspective

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

Activity at a Glance

- ◆ Monitor more than 8,000 public water systems. More than 95% of people served by community water systems receive water that meets all health-based drinking water standards.
- ◆ Sample private wells and issue drinking water advisories. In 2006, 289 private wells were sampled and 461 advisories were issued.
- ◆ Assure safe food, drinking water, lodging, and swimming pools in 21,000 licensed restaurants and hotels statewide. 7,000 certified food managers are registered annually.
- ◆ Assure asbestos and well contractors comply with codes for their work, which are both currently at a 96% compliance rate.
- ◆ Promote radon awareness and mitigation in homes. Since 1-1-05, contractors have reported 1,353 successful mitigations.
- ◆ Respond to environmental health threats during natural disasters and biological, chemical and radiological emergencies.

Key Measures

⇒ Prevent ground water contamination by increasing the number of abandoned wells that are sealed.

	History 1987	History 2000	Current 2006	Target 2009
Number of wells sealed (cumulative)	3,275	149,000	200,000	225,000

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

⇒ Decrease the number of children with elevated blood lead levels (above 10µg/dl).

	Baseline 1995	Past 2003	Current 2005	Target 2010
Elevated blood lead reported to MDH	11.6%	2.7%	1.8%	0%

Source: MDH Environmental Health Services Section

⇒ Improve food safety by increasing the percent of food establishments that have trained and certified food managers (CFM) as a method to reduce critical violations of the food code.

	Requirement Start 2000	History 2001	Current 2005	Target 2007
Establishments with a CFM	0	74%	82%	85%

Source: MDH Environmental Health Services Section

⇒ Train school coordinators so all schools have an indoor air quality management plan.

	2001	2002	2003	2004	2005
Schools meeting EPA criteria for a plan	36%	68%	73%	82%	84%
Schools completing Minn. requirements for a plan	n/a	57%	64%	76%	79%

Source: MDH Indoor Air Unit *All data are cumulative (includes prior years). n/a=not applicable*

Activity Funding

The division is funded by appropriations from the State Government Special Revenue Fund (over 50% of funds are from this source) and the General Fund. In addition, the division also receives federal funds, Special Revenue Funds, Drinking Water Revolving Funds, and resources from other miscellaneous funds.

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: ENVIRONMENTAL HEALTH

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,512	2,642	2,622	2,661	5,283
State Government Spec Revenue	16,017	18,535	19,354	19,560	38,914
Open Appropriations					
State Government Spec Revenue	188	195	195	195	390
Statutory Appropriations					
Drinking Water Revolving Fund	447	452	452	452	904
Misc Special Revenue	1,699	1,710	405	407	812
Federal	8,349	10,309	7,741	7,741	15,482
Remediation Fund	166	34	0	0	0
Gift	15	0	0	0	0
Total	29,393	33,877	30,769	31,016	61,785
<u>Expenditures by Category</u>					
Total Compensation	18,136	19,265	19,409	19,652	39,061
Other Operating Expenses	10,124	13,959	12,738	12,742	25,480
Local Assistance	1,133	853	653	653	1,306
Transfers	0	(200)	(2,031)	(2,031)	(4,062)
Total	29,393	33,877	30,769	31,016	61,785
Full-Time Equivalents (FTE)	257.6	268.9	253.1	253.1	

Activity Description

The Infectious Disease Epidemiology, Prevention and Control (IDEPC) Division provides statewide leadership to protect Minnesotans from infectious diseases.

Population Served

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

Services Provided**Prepare for emergencies:**

- ⇒ Develop and maintain statewide pandemic influenza, mass vaccination, and mass antibiotic distribution plans.
- ⇒ Monitor for unusual patterns of respiratory illness.
- ⇒ Establish systems to implement isolation and quarantine provisions of the Minnesota Emergency Health Powers Act.

Monitor disease trends:

- ⇒ Collect disease reports supplied by hospitals, laboratories, and physicians.
- ⇒ Prepare summary reports for health care providers, policymakers, and the public.
- ⇒ Conduct specialized studies on diseases of high concern to the public and the medical community.

Identify and control disease outbreaks:

- ⇒ Analyze data to detect outbreaks, identify the source, and implement control measures.
- ⇒ Alert health professionals and the public about outbreaks and how to control them.
- ⇒ Help medical professionals manage persons ill with, or exposed to, infectious disease.
- ⇒ Maintain food-borne illness hotline to receive citizen complaints and detect outbreaks.

Manage disease prevention and control programs:

- ⇒ Manage treatment of and provide medications for tuberculosis (TB) cases to prevent spread of disease.
- ⇒ Distribute publicly purchased vaccines for children whose families are unable to afford them.
- ⇒ Provide leadership for development of a statewide immunization information collection system.
- ⇒ Investigate cases of Human Immunodeficiency Virus (HIV), sexually transmitted diseases (STDs), TB, and other communicable diseases.
- ⇒ Conduct follow-up activities to facilitate treatment and counseling of HIV, STDs, and TB cases to prevent disease transmission.
- ⇒ Coordinate testing of persons in contact with persons who have TB or sexually transmitted diseases.
- ⇒ Coordinate medical screening programs for newly arrived refugees.

Provide education for health care professionals and the general public:

- ⇒ Furnish information to medical providers on current management of infectious diseases. This information is provided on the web, through publications and by direct telephone consultation services (24/7 on-call system).
- ⇒ Develop and implement health education programs for high-risk populations.
- ⇒ Provide information to the public on disease testing, treatment and prevention methods.

Activity at a Glance

- ◆ Develop systems to respond to biological terrorism and other emergencies.
- ◆ Detect state and national outbreaks such as multidrug-resistant salmonellosis associated with "pocket-pet" rodents, and *E. coli* O157:H7 associated with pre-packaged salads.
- ◆ Investigate intestinal disease outbreaks (more than 4,000 persons were affected in 2003).
- ◆ Provide funding for STD and HIV testing (In 2005, Minnesota Department of Health (MDH) funded clinics that tested more than 28,000 people for STDs, treated more than 2,000 infected persons, and tested 10,500 people for HIV).
- ◆ Coordinate programs to immunize 70,000 babies annually to prevent serious diseases.
- ◆ Manage treatment for TB cases (199 in 2005 and evaluated 967 contacts to cases).
- ◆ Investigate the spread of West Nile virus (45 cases and three deaths in 2005).
- ◆ Coordinate health screenings for newly arrived refugees-in 2005, 97% received a screening within three months of arrival.

Provide grants to local public health agencies and nonprofit organizations:

- ⇒ Administer grant contracts, including 21 agencies to deliver HIV/STD prevention programs, and 22 HIV and 37 STD testing sites.
- ⇒ Involve high-risk communities, the medical community, and concerned citizens in assessing, planning, implementing, and evaluating solutions to infectious disease problems that affect them. Task forces and advisory committees have been established to address issues such as immunizations, TB, HIV/STD, and immigrant health.

Support the work of local public health agencies to provide services to their populations:

- ⇒ Provide technical support to localities for dealing with local outbreaks or disease control issues.
- ⇒ Provide guidelines and technical assistance in developing local programs.
- ⇒ Provide guidelines and standards to develop preparedness and emergency response plans (including biological terrorism and pandemic flu) for local health departments, hospitals, and other agencies.

Historical Perspective

The following are some major trends in the division's activities:

- ⇒ In the 1980s, decreased federal funding for childhood immunization programs led to low immunization rates. A nationwide measles outbreak occurred in 1989-1991, and Minnesota reported 559 cases and three deaths. With increased focus on immunizing every baby, only 35 measles cases have occurred in the last 10 years. The Centers for Disease Control and Prevention (CDC) estimates that \$14 is saved for every \$1 spent on immunizations alone.
- ⇒ HIV prevention activities have contributed to the decline of over 50% in new HIV infections over the past 10 years. However, preliminary analyses of 2006 HIV data indicate that there will be a substantial increase in the number of new HIV cases in 2006. Preventing HIV infection and Acquired Immune Deficiency Syndrome (AIDS) cases provides enormous cost savings. As a result of the effectiveness of HIV prevention programs in averting new infections, research suggests that Minnesotans have avoided half a billion dollars in medical costs.
- ⇒ The number of confirmed food-borne disease outbreaks has increased substantially over the past 15 years, from 12 in 1990 to 52 in 2005. This increase is due to changes in food production, food processing, and eating habits as well as finding more outbreaks through improved disease surveillance and new laboratory testing methods. MDH estimates that 450,000 cases of food-borne illness occur each year in Minnesota.
- ⇒ IDEPC led Minnesota's response to emerging infectious diseases, including West Nile virus, Monkeypox, and Severe Acute Respiratory Syndrome (SARS) in the last several years.

Key Measures

- ⇒ Ensure children get a healthy start in life by increasing on-time immunization rates among all children. Delays in immunizations increase the risk of infection and complications from communicable diseases.

	History		Most Recent Available	Target
	1992-93	1996-97	2001-02	2010
4 months	86.2%	89.6%	93%	90%
6 months	74.9%	80.2%	87%	90%
8 months	64.2%	70.9%	81%	90%
16 months	56.7%	65.1%	78%	90%
20 months	45.6%	54.7%	75%	90%
24 months	60.7%	68.4%	81%	90%

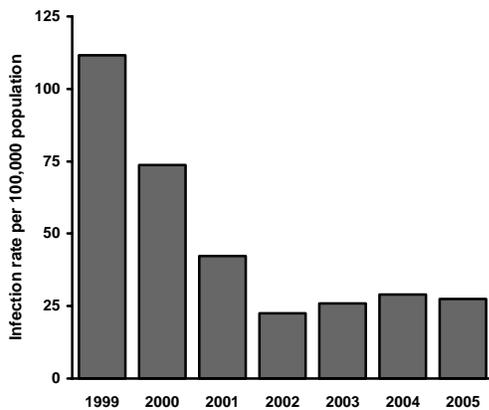
Source: MDH Retrospective Kindergarten Immunization Survey

⇒ Increase the percent of new TB patients who complete therapy in 12 months. Completion of TB therapy prevents spread and reduces the development of resistant strains of TB.

History	History	History	Current	Target
1996	2000	2002	2004	2006
63%	79%	84%	91%	91 %
(n=78)	(n=136)	(n=184)	(n=171)	

Source: MDH Tuberculosis Annual Progress Report

⇒ Increase usage of a new vaccine against pneumococcus, which causes meningitis and blood poisoning. This vaccine has reduced serious pneumococcus infections in children less than five years old by 75%.



Source: MDH Infectious Disease Surveillance System.

Activity Funding

This activity is funded primarily (approximately 90%) from federal funds and from appropriations from the General Fund.

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: INFECT DISEASE EPID PREV CNTRL

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,439	5,147	5,261	5,302	10,563
State Government Spec Revenue	100	157	159	162	321
Statutory Appropriations					
Misc Special Revenue	505	1,738	851	841	1,692
Federal	15,161	18,452	16,124	16,120	32,244
Gift	10	43	0	0	0
Total	20,215	25,537	22,395	22,425	44,820
<u>Expenditures by Category</u>					
Total Compensation	11,429	12,533	12,135	12,175	24,310
Other Operating Expenses	5,011	8,595	6,150	6,140	12,290
Payments To Individuals	9	2	2	2	4
Local Assistance	3,766	4,407	4,108	4,108	8,216
Total	20,215	25,537	22,395	22,425	44,820
Full-Time Equivalent (FTE)	165.1	144.2	145.5	145.5	

Activity Description

The Minnesota Public Health Laboratory (PHL) provides scientific expertise and data used by public health partners for critical intervention and policy decisions regarding biological, chemical, and radiological threats. In addition, the PHL screens all babies born in the state for rare, life-threatening congenital and heritable disorders that are preventable if detected and treated soon after birth. The PHL also certifies all laboratories that conduct regulated environmental testing in Minnesota.

Population Served

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

Activity at a Glance

- ◆ Analyzed 55,962 clinical specimens for infectious bacteria, viruses, fungi, and parasites in FY 2006.
- ◆ Performed 76,301 tests to detect chemical and bacterial contaminants in water, soil, and air in FY 2006.
- ◆ Screened 70,696 newborn babies for more than 50 treatable, life-threatening congenital and heritable disorders FY 2006.
- ◆ Certified 156 public and private environmental laboratories to assure quality in FY 2006.

Services Provided

- ⇒ Analysis of air, water, wastewater, sludge, sediment, soil, wildlife, vegetation, and hazardous waste for chemical and bacterial contaminants in partnership with local and state government agencies.
- ⇒ Reference and confirmatory testing of clinical specimens for infectious bacteria, parasites, fungi, and viruses.
- ⇒ Application of high-tech molecular methods such as DNA fingerprinting, amplification, and sequencing for rapid, early detection of infectious disease outbreaks, and identification of infectious agents.
- ⇒ Testing of each Minnesota newborn for over 50 treatable congenital and heritable disorders.
- ⇒ Reference and confirmatory testing of environmental samples using scientific expertise and state-of-the-art methods not available in other laboratories.
- ⇒ Certification of public and private environmental laboratories that conduct testing for the federal safe drinking water, clean water, resource conservation and recovery, and underground storage tank programs in Minnesota.
- ⇒ Emergency preparedness and response in collaboration with public health and public safety officials at the local, state, and federal levels to assure early detection and rapid response to all hazards, including agents of chemical, radiological, and biological terrorism.
- ⇒ Participation on Minnesota's radiochemical emergency response team, which responds in the event of a release of radioactive chemicals at Minnesota's nuclear power plants.
- ⇒ Collaboration with the "Minnesota Laboratory System" to assure that public and private laboratories are trained for the early detection of possible agents of chemical and biological terrorism.

Historical Perspective

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

Key Measures

⇒ Improve health outcomes for Minnesota newborn babies by increasing the number of congenital and heritable disorders identified and confirmed as positive.

Number of newborns identified with treatable disorders

Historical 1993-2005	Estimate* (FY 2006)	Actual** (FY 2006)	Estimate* (FY 2007)
32-79 (range)	80	86	100

Source: *Minnesota Public Health Laboratory*

* The estimate is based on the expected incidence of the disorders in the population of newborns screened.

** The 2007 estimate of 100 includes Cystic Fibrosis testing as part of the panel of disorders for screening.

⇒ Improve Minnesota laboratory preparedness for pandemic influenza.

- ◆ Develop PHL testing capability to detect and characterize influenza-like illnesses, including avian influenza or other potentially pandemic influenza strains.
- ◆ Provide laboratory preparedness training to members of the laboratory response network (LRN) at locations throughout the state. Training will include tabletop exercises designed to improve laboratory preparedness for pandemic influenza.

Number of laboratory preparedness training conferences for laboratory professionals.

Historical FY 2006	Estimate* (FY 2007)
10	10

Source: *Minnesota Public Health Laboratory*

Activity Funding

The laboratory is funded by appropriations from the General Fund and State Government Special Revenue Fund. It also receives federal and Special Revenue Funds.

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: PUBLIC HEALTH LABORATORY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,236	2,718	3,667	3,713	7,380
State Government Spec Revenue	5,064	6,170	6,452	6,952	13,404
Statutory Appropriations					
Misc Special Revenue	3,117	4,682	3,449	3,449	6,898
Federal	4,482	4,797	3,930	3,930	7,860
Total	14,899	18,367	17,498	18,044	35,542
<u>Expenditures by Category</u>					
Total Compensation	7,976	9,175	9,328	9,590	18,918
Other Operating Expenses	6,922	9,192	8,170	8,454	16,624
Payments To Individuals	1	0	0	0	0
Total	14,899	18,367	17,498	18,044	35,542
Full-Time Equivalents (FTE)	129.5	131.7	143.5	143.5	

Activity Description

The Office of Emergency Preparedness (OEP) provides strategic leadership and coordination to ensure statewide readiness to rapidly identify and effectively respond to threats or actual events of bioterrorism, pandemic influenza, outbreaks of infectious disease, and other public health emergencies. The program has a focus on training, exercises, and steady improvement in response capability.

Population Served

All residents of the state of Minnesota are served by this activity. The activity involves local health departments, Indian Tribes, the hospital and health care provider community, emergency management agencies, the National Guard, Emergency Medical Services, the Office of Rural Health, police, fire departments, other rescue personnel, associations of health professionals, the Red Cross, volunteer agencies, the University of Minnesota, and other state agencies.

Activity at a Glance

- ◆ Conduct comprehensive planning with partners to protect the health of Minnesotans in emergencies.
- ◆ Set baseline response expectations and manage reporting mechanisms to assure response readiness.
- ◆ Measure response and recovery effectiveness, identifying program gaps and implementing improvement actions.
- ◆ Assure capacity to manage communication before, during, and after a health emergency
- ◆ Provide training and exercises to enhance the efforts of health responders.
- ◆ Develop and manage systems to support the effective use of health volunteers.

Services Provided

To carry out the assigned responsibilities, the OEP performs the following activities:

- ⇒ Leads planning, development, and implementation of Minnesota Department of Health's (MDH) All-Hazard Response Plan and the MDH portion of the Minnesota Emergency Operations Plan.
- ⇒ Assures compliance with requirements of grants from the Centers for Disease Control (CDC) and Health Resources Services Administration (HRSA).
- ⇒ Coordinates the planning for the receipt and distribution of strategic national stockpile (SNS) assets (pharmaceutical and other medical supplies) in the event of a public health emergency. Maintains pre-deployed federal and state assets that are distributed regionally.
- ⇒ Conducts a variety of needs assessments of the public health and healthcare system capacities related to bioterrorism and other infectious disease outbreaks and emergencies.
- ⇒ Assesses statutes and regulations, and proposes changes within the state and local public health jurisdictions regarding authority for implementing emergency health measures.
- ⇒ Operates the health alert network, the department's tool for timely threat communications to local public health, hospitals, and other health care providers.
- ⇒ Coordinates the development of education and training materials for building the capacity of local public health and the health care system to respond to threats of terrorism and other infectious disease.
- ⇒ Administers (in conjunction with the department's Community and Family Health Division) almost \$8 million in grants to community health boards and tribes, and over \$5 million in grants to hospitals to build public health and health care preparedness.
- ⇒ Coordinates the activities of staff located throughout MDH in implementing grant objectives, and works with local public health partners and other leaders in a variety of related fields to better prepare Minnesota for public health emergencies and response to acts of bioterrorism.

Historical Perspective

The OEP was established in 2002, as required by the first public health preparedness and response for bioterrorism grant from the CDC. This grant has expanded to include the cities readiness initiative to distribute medications in the metropolitan area and the pandemic influenza grant. A grant from HRSA supports preparedness efforts involving the department, hospitals, and other healthcare system partners.

Key Measures**Assessment and Training:**

Assess state and local capacity to respond to a health threat. Implement training and technical assistance to address performance standards set by the CDC and HRSA grant while also addressing Minnesota-specific needs. Build capacity of local public health and the health care system for just-in-time training by the installation, testing, and use of distance learning technology.

Planning and Coordination:

Develop and test plans for all aspects of local, regional, and statewide incident response in consultation with partners, who may be involved in response to a health threat. Develop emergency preparedness and response systems to support response efforts. Exercise and fully test the public health and health care system's ability to rapidly detect, respond to, and recover from a public health emergency.

Communication:

Operate the health alert network and enhance the electronic systems that support it. Plan, implement, and test communication systems to assure MDH staff 24/7 alert; 24/7 alert of local public health, tribes, and hospital emergency departments; inter-agency communication about emergency events; and maintain a web-based secure site for vital information transactions during a health threat event.

⇒ Percent of MDH staff called to set up the department operations center who responded within 60 minutes.

	2002	2004	Current	Target
Percent of staff responding in 60 minutes	N/A	N/A	78%	100%

⇒ The number of emergency preparedness trainings held by city and county public health agencies (N = 91), Tribes (N = 11) and hospitals (N = 140).

Partners	2002	2004	Current	Target
City and County Public Health	N/A	N/A	1,162	1,200
Hospitals	N/A	N/A	405	500
Pandemic Influenza	N/A	N/A	695	1000

⇒ Percentage of public health agencies, tribes and hospitals that respond to health alerts within two hours.

Partners	2000	2004	Current	Target
City and County Public Health	50%	100%	86%	100%
Tribes	N/A	64%	N/A	100%
Hospitals	N/A	48%	N/A	100%

Activity Funding

The OEP is funded primarily with federal funds and with appropriations from the General Fund.

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HEALTH DEPT

Program: HEALTH PROTECTION

Activity: OFFICE EMERGENCY PREPAREDNESS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	1,511	11,255	6,255	17,510
Statutory Appropriations					
Misc Special Revenue	82	10	0	0	0
Federal	4,538	7,081	4,152	4,152	8,304
Total	4,620	8,602	15,407	10,407	25,814
<u>Expenditures by Category</u>					
Total Compensation	2,412	3,179	2,869	2,869	5,738
Other Operating Expenses	2,208	5,423	11,538	6,538	18,076
Local Assistance	0	0	1,000	1,000	2,000
Total	4,620	8,602	15,407	10,407	25,814
Full-Time Equivalents (FTE)	32.2	30.6	31.8	31.8	

Program Description

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

Population Served

This activity serves Minnesota's tribal communities and populations of color, who are American Indian (59,987), African/African American (218,455), Asian American (179,344), and Hispanic/Latino American (186,912).

Services Provided

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

- ⇒ Develop and implement a comprehensive and coordinated plan to reduce health disparities.
- ⇒ Promote collaboration and increase communication between state, local, and tribal governments; non-governmental organizations; and communities of color.
- ⇒ Develop strategies, programs, and policies to improve health status of people of color.
- ⇒ Build capacity to meet the needs of people of color in the areas of health promotion, disease prevention, and the health care delivery system.
- ⇒ Coordinate Minnesota Department of Health (MDH) health disparity issues.
- ⇒ Promote workforce diversity and cultural competency in workplaces and health care settings.

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

- ⇒ Award/manage grants and provide technical assistance to community organizations and tribal governments to address health disparities.
- ⇒ Assist communities to assess the public health needs of American Indians and populations of color.
- ⇒ Convene health committees within each community of color and local community meetings regarding minority health issues.
- ⇒ Partner with existing MDH grant programs to increase their impact on closing health disparities gaps.

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

- ⇒ Assess risk behaviors associated with health disparities.
- ⇒ Establish measurable outcomes to track Minnesota's progress in reducing health disparities.
- ⇒ Support ongoing research and studies regarding health status and concerns of American Indians and populations of color.
- ⇒ Provide information on the health status of American Indians and population of color to interested parties.
- ⇒ Improve the recording and reporting of race/ethnicity health-related data.
- ⇒ Evaluate the efforts of MDH, community organizations, and tribal governments to improve the health of American Indians and population of color.

Activity at a Glance

- ◆ Continue to track outcomes to measure Minnesota's progress toward reducing health disparities.
- ◆ Award grants (16 in 2006) to address immunizations for adults and children and infant mortality in American Indians and populations of color.
- ◆ Award grants (57 in 2006) to address breast and cervical cancer, HIV/AIDS and sexually transmitted infections, cardiovascular disease, diabetes, and unintentional injuries and violence in American Indians and populations of color.
- ◆ Award grants (20 in 2006) to promote healthy youth development by promoting healthy nutrition, and reduce infant mortality by addressing high teen pregnancies rates in American Indians and populations of color.
- ◆ Mobilize and work with populations of color and American Indians to take responsibility for their own health.

Historical Perspective

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

Minnesota's population is becoming increasingly diverse. In the 1980 census, 3.4% of Minnesotans identified themselves as non-white or Hispanic/Latino; in the 2000 census, 10.6% did so.

Minnesota Population Change: 1980-2000

Racial/Ethnic Group	1980 Census	1990 Census	2000 Census ¹	2005 Census ¹	Average Annual Percent Change	1980–2005 Percent Change
African American	53,344	94,944	171,731	218,455	12.9	309.5
American Indian	35,016	49,909	54,967	59,987	3.0	71.3
Asian	32,226	77,886	143,947	179,344	19.0	456.5
Hispanic	32,123	53,884	143,382	186,912	20.1	481.8
White	3,935,770	4,130,395	4,400,282	4,600,774	0.7	16.8
Total Population²	4,075,970	4,375,099	4,919,479	5,132,799	1.1	25.9

Source: U.S. Bureau of Census

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

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

Disparities in health status between the European majority and other populations in Minnesota have existed for some time, and have, in some cases, been getting worse, not better. These disparities are a result of a complex interplay of many factors, including racism, access to health care, genetics, social conditions, and health behaviors. Populations of color and American Indians experience worse health outcomes and exhibit poorer health status than the white population.

- ⇒ African Americans: individuals are less likely to have health insurance; infants are much more likely to be born early or too small or to die during infancy; children are less likely to be immunized; girls are much more likely to become pregnant; youths are more likely to die as a result of firearms; individuals are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.
- ⇒ American Indians: individuals are less likely to have health insurance; infants are much more likely to die during infancy; children are less likely to be immunized; youth are much more likely to commit suicide; girls are more likely to become pregnant; individuals are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.
- ⇒ Asian Americans: individuals are more likely to have health insurance, but less likely to use it; children are less likely to be immunized; and individuals are more likely to suffer from stroke.
- ⇒ Hispanic/Latinos: individuals are less likely to have health insurance; children are less likely to be immunized; youth are more likely to be victims of violence; girls are more likely to become pregnant; are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.

Key Measures

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

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

<i>Racial/Ethnic Group</i>	History		Current	Target
	1989-1993	1995-1999	1999-2003	2010
American Indian	16.2	13.5	9.9	9.5
Asian/Pacific Islander	6.2	7.1	5.9	6.3
Black/African American	16.5	13.2	10.2	9.4
Hispanic or Latino	7.3	7.0	6.1	6.3
White Population	6.4	5.5	4.8	5.5

Source: MDH Center for Health Statistics

- ⇒ Improve childhood health by decreasing the disparity in childhood immunization rates for American Indians and populations of color, as compared to rates for whites.

Percent of children up-to-date on immunizations by age two

<i>Racial/Ethnic Group</i>	History	Current	Target
	1996-97	2001-02*	2010
American Indian	55%	73%	90%
Asian/Pacific Islander	42%	66%	90%
Black/African American	50%	62%	90%
Hispanic or Latino	44%	65%	90%
White	72%	85%	90%

Source: MDH Retrospective Kindergarten Immunization Survey

Activity Funding

The office is funded by appropriations from the General Fund and also receives federal funding.

Contact

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HEALTH DEPT

Program: MINORITY & MULTICULTURAL HLTH

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,190	8,051	8,051	8,051	16,102
Technical Adjustments					
Approved Transfer Between Appr			(3,069)	(3,069)	(6,138)
Subtotal - Forecast Base	6,190	8,051	4,982	4,982	9,964
Governor's Recommendations					
Compensation Adjustment		0	10	20	30
Total	6,190	8,051	4,992	5,002	9,994
State Government Spec Revenue					
Current Appropriation	335	335	335	335	670
Technical Adjustments					
Approved Transfer Between Appr			(335)	(335)	(670)
Subtotal - Forecast Base	335	335	0	0	0
Total	335	335	0	0	0
Federal Tanf					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
Approved Transfer Between Appr			2,421	2,421	4,842
Subtotal - Forecast Base	0	0	2,421	2,421	4,842
Governor's Recommendations					
Home Visiting		0	262	577	839
Total	0	0	2,683	2,998	5,681
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,891	5,024	4,992	5,002	9,994
Federal Tanf	2,300	2,482	2,683	2,998	5,681
Statutory Appropriations					
Misc Special Revenue	37	128	27	27	54
Federal	100	289	74	74	148
Total	7,328	7,923	7,776	8,101	15,877
<u>Expenditures by Category</u>					
Total Compensation	491	595	576	586	1,162
Other Operating Expenses	258	567	238	238	476
Local Assistance	6,579	6,761	6,962	7,277	14,239
Total	7,328	7,923	7,776	8,101	15,877
<u>Expenditures by Activity</u>					
Minority & Multicultural Hlth	7,328	7,923	7,776	8,101	15,877
Total	7,328	7,923	7,776	8,101	15,877
Full-Time Equivalents (FTE)					
	6.4	7.0	7.0	7.0	

Program Description

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

Budget Activities

- ⇒ Administrative Services
- ⇒ Executive Office

HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,402	5,402	5,402	5,402	10,804
Technical Adjustments					
Approved Transfer Between Appr			3,069	3,069	6,138
Subtotal - Forecast Base	5,402	5,402	8,471	8,471	16,942
Governor's Recommendations					
Public Health Laboratory Operations		0	558	681	1,239
Compensation Adjustment		0	18	45	63
Total	5,402	5,402	9,047	9,197	18,244
Health Care Access					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Disease Surveillance Modernization		0	2,000	2,000	4,000
Total	0	0	2,000	2,000	4,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,642	8,533	9,047	9,197	18,244
Health Care Access	0	0	2,000	2,000	4,000
Statutory Appropriations					
Misc Special Revenue	19,020	20,090	20,534	20,691	41,225
Federal	251	247	247	247	494
Gift	0	13	0	0	0
Total	25,913	28,883	31,828	32,135	63,963
<u>Expenditures by Category</u>					
Total Compensation	10,388	11,694	12,290	12,317	24,607
Other Operating Expenses	15,525	17,189	19,538	19,818	39,356
Total	25,913	28,883	31,828	32,135	63,963
<u>Expenditures by Activity</u>					
Administrative Support Service	23,290	25,940	28,793	29,075	57,868
Executive Office	2,623	2,943	3,035	3,060	6,095
Total	25,913	28,883	31,828	32,135	63,963
Full-Time Equivalents (FTE)	143.6	141.6	146.2	146.2	

Activity Description

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

Population Served

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

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

Activity at a Glance

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

Services Provided**Facilities Management:**

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

Financial Management:

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

Human Resources:

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

Information Systems and Technology Management:

- ⇒ Provide technical expertise, planning, and development of technology systems and data architectures.
- ⇒ Supply high-level security for all departmental data, systems, and communications.
- ⇒ Manage departmental communications networks and telecommunications systems.
- ⇒ Supervise and manage MDH central networks and infrastructure connecting all employees and 11 building locations.

HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: ADMINISTRATIVE SERVICES

Narrative

Key Measures

⇒ M.S. 16A.124 requires that payments to vendors must be made within 30 days receipt of invoice. The Department of Finance has established a statewide goal of 97% of payments made within this time frame.

History	Current	Target
2004	2006	2008
99.6%	98.9%	99.6%

Source: Department of Finance Prompt Payment Report

⇒ The department will increase the percentage of people of color in the MDH workforce.

History	Current	Target
2004	2006	2008
10.7%	10.1%	12%

⇒ The Office of Enterprise Technology is advancing project management as a tool to reach information technology (IT) goals and objectives. MDH has set a goal of 100% for IT projects to be implemented using project management methodologies.

History	Current	Target
2004	2006	2008
60% (est.)	100%	100%

⇒ The Department of Health will increase the number of workstations using a consistent, secure configuration.

History	Current	Target
2004	2006	2008
NA	< 10%	50%

Activity Funding

This activity is funded primarily from Special Revenue Funds and from appropriations from the General Fund.

Contact

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HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: ADMINISTRATIVE SUPPORT SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,787	7,653	8,168	8,293	16,461
Health Care Access	0	0	2,000	2,000	4,000
Statutory Appropriations					
Misc Special Revenue	17,503	18,285	18,625	18,782	37,407
Gift	0	2	0	0	0
Total	23,290	25,940	28,793	29,075	57,868
<u>Expenditures by Category</u>					
Total Compensation	8,286	9,315	9,802	9,804	19,606
Other Operating Expenses	15,004	16,625	18,991	19,271	38,262
Total	23,290	25,940	28,793	29,075	57,868
Full-Time Equivalents (FTE)	119.0	115.3	120.3	120.3	

Activity Description

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

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

Activity at a Glance

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

Population Served

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

Services Provided**Commissioner's Office:**

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

Government Relations:

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

Communications:

- ⇒ The communications office is responsible for leading and coordinating communications on statewide public health issues and programs.
- ⇒ The office works closely with the news media, including issuing an average of 75 news releases and responding to thousands of media inquiries each year.
- ⇒ The office also manages the department's web site and helps to coordinate community outreach.

Library Services:

- ⇒ Library services is responsible for locating, organizing, sharing, and distributing information; coordinating the purchase of books and journals; and assisting clients' research in library materials, databases and the Internet.
- ⇒ The R.N. Barr Library provides access to information for department staff, local public health agencies, and school nurses. The public is welcome to use materials onsite. This library also distributes posters, pamphlets, brochures, and other department publications.

HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: EXECUTIVE OFFICE

Narrative

⇒ The audiovisual library has a large collection of videos on health-related subjects that is available to the public.

Activity Funding

The office is funded from appropriations from the General Fund and from Special Revenue Funds.

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HEALTH DEPT

Program: ADMINISTRATIVE SUPPORT SERVICE

Activity: EXECUTIVE OFFICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	855	880	879	904	1,783
Statutory Appropriations					
Misc Special Revenue	1,517	1,805	1,909	1,909	3,818
Federal	251	247	247	247	494
Gift	0	11	0	0	0
Total	2,623	2,943	3,035	3,060	6,095
<u>Expenditures by Category</u>					
Total Compensation	2,102	2,379	2,488	2,513	5,001
Other Operating Expenses	521	564	547	547	1,094
Total	2,623	2,943	3,035	3,060	6,095
Full-Time Equivalents (FTE)	24.6	26.3	25.9	25.9	

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Health Care Access Fund				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	0	0	0	0
Net Fiscal Impact	\$2,000	\$2,000	\$2,000	\$2,000

Recommendation

Governor recommends a Health Care Access Fund appropriation of \$2 million each fiscal year to develop and implement an integrated state-wide disease surveillance system that will comply with emerging national standards and requirements. The new system will improve the detection and response to bio-terrorism events, disease outbreaks such as pandemic flu, and trends in chronic diseases such as cancer and diabetes. This proposal complements the E-Health proposal because it enables the Minnesota Department of Health (MDH) to exchange data electronically with partners who are investing in electronic health information technology.

Background

The Centers for Disease Control (CDC) and the state of Minnesota have traditionally supported the MDH in its statutory obligation to monitor the occurrence of diseases, respond rapidly to outbreaks, and develop and implement strategies for preventing and controlling diseases. This activity will help protect and improve the health of Minnesotans. Traditionally, federal support for these kinds of systems has occurred primarily on a disease-by-disease basis. The new system will ease the burden on hospitals, laboratories and local health departments to report data on a wide range of disease issues. This will improve MDH's ability to analyze data on critical health issues and respond appropriately.

The public health communities (local, state, and federal) now recognize that interoperable and integrated information systems are critical to the public's health. Efforts to develop and migrate to those systems have begun. The private sector is investing hundreds of millions of dollars to implement electronic health records that comply with emerging national standards and requirements. The goal is a nationwide interoperable health information technology infrastructure to improve the quality and efficiency of health care and the ability of consumers to manage their care and safety. An additional goal is to transform public health by coordinating its public health functions and organizations to support early detection of disease events, electronic communication between partners, improved management of disease outbreaks, electronic laboratory reporting, and rapid dissemination of information to the clinical care community and the public. In Minnesota, the legislature authorized the creation and support of a statewide e-Health initiative that is laying the groundwork for secure health information exchange.

Just as the state made large investments to implement health care systems that were compatible with the 1996 Health Insurance Portability and Accountability Act (HIPAA), MDH now needs to make investments to comply with federal requirements and to keep pace with the expectations of partners.

This proposal does not expand the surveillance authority of the MDH, but simply makes technological improvements to meet the growing needs for disease surveillance and prevention and control of those diseases.

Examples of needed investments include the following:

- ◆ Implementation of interoperable systems to ensure secure exchange with partners;
- ◆ integration of systems to improve efficiencies within the department;
- ◆ implementation and maintenance of secure messaging among partners using national security standards;
- ◆ strong authentication and authorization to assure appropriate access;
- ◆ 24/7/365 notification and support; and,
- ◆ auditing to ensure security requirements are met.

Several of our critical surveillance systems are aging and are in great need of modernizing. Making these aging systems compliant with national standards would be a poor use of resources. The most cost-effective solution –

and the one that has the greatest potential to further protect and improve the health of Minnesotans – is an integrated statewide disease surveillance system.

The outcomes for this initiative will be an integrated and efficient disease surveillance system that:

- ◆ is compliant with emerging federal requirements;
- ◆ enables MDH to meet the needs of our private and public sector reporting partners through standardized electronic exchange of disease information;
- ◆ improves monitoring and analysis of disease information and trends;
- ◆ improves responses to outbreaks, incidents and emergency incidents;
- ◆ increases capacity to report trends and patterns to improve the quality of healthcare and to empower consumers with timely prevention information; and
- ◆ integrates with MN-PHIN and Minnesota e-health initiatives.

This proposal has several components – planning, modernizing the department’s cancer surveillance system, and coordinating the department’s disease reporting.

Planning: The department needs to develop a detailed roadmap, business process requirements, and functional specifications for key disease surveillance systems with a detailed plan for upgrade to national standards. This will involve working with many stakeholders and partners, including MDH staff and partners (local public health and private sector partners) in a complete analysis of surveillance activities.

Minnesota Cancer Surveillance System (MCSS) Modernization: The re-engineering of the MCSS is imperative due to its age and the difficulty in staffing and maintaining the existing system. This initiative ensures that the state will continue to have accurate information about cancer occurrence.

- ⇒ Year one - conduct business/process analysis in conjunction with other disease surveillance activities.
- ⇒ Year two - evaluate and procure cost estimates for a modernized cancer surveillance system.
- ⇒ Years two and beyond - based on business requirements, develop and implement a cancer surveillance system using secure and efficient technologies that include electronic data exchange and national standards. The resulting system will be integrated and interoperable according to MDH and CDC requirements and within the limits of Minnesota Law.

Disease Reporting Coordination: Coordinating and integrating the reporting and analysis of all disease data is critical to supporting the timely detection of and response to diseases and other emergencies. The results will be consolidated reporting of disease to MDH and satisfaction of reporting requirements to CDC in a more efficient and effective manner, and more real-time data collection and analysis and reporting to partners. This effort will involve staff from infectious disease, acute disease and environmental health at the state, local and federal levels.

- ⇒ Year one - conduct business/process analysis in conjunction with other disease surveillance activities.
- ⇒ Year two - evaluate and develop cost estimates for an integrated infectious disease surveillance system.
- ⇒ Years two and Beyond - based on business requirements, procure and implement an infectious disease surveillance system using secure and efficient technologies that include electronic data exchange and national standards. The resulting system will be integrated and interoperable according to MDH and CDC requirements and within the limits of Minnesota Law.

Relationship to Base Budget

There currently is no funding in the department’s base budget for this activity. While the NHIN/PHIN standards and requirements are in place, the CDC has not provided states additional funding. Updating our systems to be compliant must be done using existing or new state funds and/or existing federal funds.

Current funding for the current MCSS supports the on-going operations only. Other disease reporting is funded by both state and federal sources, but federal funding has been reduced and is unlikely to return. Modernization cannot happen without additional funds, as the existing system must be maintained until a new system is available. MDH’s ability to improve or develop new systems for disease reporting, particularly in a way that is comprehensive and integrated, is dependent on additional funding.

This initiative is a parallel proposal to the E-Health initiative that expands the capacity for secure electronic health information exchange for local public health.

Key Measures

- ⇒ By January, 2008 the selection of a solution for integrated and interoperable disease surveillance systems
- ⇒ By January, 2009 the completion of a modernized cancer surveillance system
- ⇒ By January, 2010 the modernization of two or more infectious disease reporting/surveillance programs
- ⇒ By January, 2011 the modernization of key disease surveillance systems

Statutory Change: Not Applicable

HEALTH DEPT**Change Item: Compensation Adjustment**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$261	\$527	\$527	\$527
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	\$69	\$139	\$139	\$139
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	\$339	\$685	\$685	\$685
Revenues	0	0	0	0
Net Fiscal Impact	\$669	\$1,351	\$1,351	\$1,351

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for personnel costs in the General Fund and 2% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

HEALTH DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	32,062	33,394	36,407	36,988	73,395
Other Revenues:					
General	9	0	0	0	0
State Government Spec Revenue	29	0	0	0	0
Total Non-Dedicated Receipts	32,100	33,394	36,407	36,988	73,395
<u>Dedicated Receipts:</u>					
Grants:					
Drinking Water Revolving Fund	447	452	452	452	904
Misc Special Revenue	698	517	467	457	924
Federal	187,359	231,473	195,933	195,789	391,722
Other Revenues:					
Misc Special Revenue	31,818	32,607	33,441	33,635	67,076
Federal	625	683	583	583	1,166
Medical Education & Research	59,458	88,865	71,967	71,967	143,934
Miscellaneous Agency	94	0	0	0	0
Gift	19	12	0	0	0
Total Dedicated Receipts	280,518	354,609	302,843	302,883	605,726
Agency Total Revenue	312,618	388,003	339,250	339,871	679,121

HEALTH DEPARTMENT

Federal Funds Summary

Federal Program (\$ in Thousands)	Primary Purpose	SFY 2007 Revenues	SFY 2008 Revenues	SFY 2009 Revenues	Related State Spending; Required Match, Maintenance of Effort
Women, Infants & Children	GI SO GPS GCBO	126,117	110,545	110,545	
Bioterrorism Preparedness	SO GPS GCBO	20,202	17,278	17,278	
Maternal & Child Health Block Grant	SO GPS GCBO	12,760	9,632	9,632	Required match: 7,109 Maintenance of effort: 7,440
Bioterrorism Funds for Hospitals	SO GPS GCBO	12,393	8,168	8,168	
Temporary Assistance for Needy Families (TANF)	GPS GCBO	6,135	6,000	6,000	
Medicare	SO	6,000	6,000	6,000	
National Breast and Cervical Cancer Early Detection Program	SO GPS GI GCBO	5,778	4,750	4,750	Required match: 1,681 Maintenance of effort: 2,036
Immunizations and Vaccines for Children	SO GPS GCBO	4,400	4,067	4,067	
Preventive Health and Health Services Block Grant	SO GCBO	3,456	2,474	2,474	
AIDS/HIV Prevention	SO GPS GCBO	3,239	2,829	2,825	
Emerging Infections Program	SO GPS	2,937	2,791	2,791	
Safe Drinking Water Program	SO	2,469	2,469	2,469	Required match: 2,718
Drinking Water Revolving Fund	SO GCBO	2,200	2,200	2,200	
Water Operators Training Grant	SO	2,128	500	500	
Expanding Lab & Epidemiology Capacity	SO	1,681	1,703	1,703	
National Tobacco Control Program	SO	1,600	1,318	1,318	Required match: 272
National Program of Cancer Registries and National Comprehensive Cancer Control Program	SO GPS GCBO	1,572	1,385	1,385	Required match: 354 Maintenance of effort: 721
Steps to decrease Asthma, Diabetes and Obesity	SO GPS	1,500	1,500	1,500	Required match: 285
Prevention of Sexually Transmitted Diseases	SO GPS GCBO	1,332	1,332	1,332	
Small Hospital Improvement Grant	SO GCBO	1,233	733	733	
Comprehensive Diabetes	SO	1,182	1,104	1,104	Required match: 276
Commodity Supplemental Food Program	SO GCBO	1,012	802	802	

HEALTH DEPARTMENT

Federal Funds Summary

Federal Program (\$ in Thousands)	Primary Purpose	SFY 2007 Revenues	SFY 2008 Revenues	SFY 2009 Revenues	Related State Spending; Required Match, Maintenance of Effort
Rural Hospital Flexibility Program	SO GCBO	935	620	620	
5-A-Day Power Plus Program	SO GCBO	874	86	0	
Tuberculosis Cooperative Agreement	SO GPS	849	849	849	
Childhood Lead Poisoning	SO GPS	604	604	604	
Addressing Asthma	SO	600	600	600	
Department of Education Community Based Systems for Children with Special Health Care Needs	SO	583	583	583	
Food Safety: Discovering Novel Causes of Foodborne Illness	SO	579	272	272	
Counter Terrorism Coordination for Public Water Supplies	SO	565	153	153	
WISEWOMAN	SO GPS GI GCBO	561	510	510	Required match: 164
EPA Indoor Radon Grant	SO GPS GCBO	556	382	382	Required match: 540
Breast & Prostate Cancer Data Surveillance	SO	551	307	307	
Sexual Assault Prevention	SO GPS GCBO	490	292	292	
Agency for Toxic Substance Disease Registry (ATSDR)	SO	460	442	442	
Fetal Alcohol Syndrome Prevention	SO	452	425	425	
Abstinence Education Block Grant	SO GPS GCBO	445	445	445	Required match: 366
Active Surveillance for Pertussis	SO	418	307	307	
Integrated Core Injury Prevention and Control Program	SO	395	395	395	
Behavioral Risk Factor Surveillance	SO	364	340	340	
Cardiovascular Health Programs	SO	352	352	352	
Reducing the Burden of Arthritis	SO GPS GCOB	340	215	215	
Clinical Lab Improvement Act Program (CLIA)	SO	319	252	252	
HIV/AIDS Surveillance	SO	301	301	301	

HEALTH DEPARTMENT

Federal Funds Summary

Federal Program (\$ in Thousands)	Primary Purpose	SFY 2007 Revenues	SFY 2008 Revenues	SFY 2009 Revenues	Related State Spending; Required Match, Maintenance of Effort
State Implementation Grant for Integrated Community Systems for Children with Special Health Care Needs	SO	300	300	300	
EPA Lead Cooperative Agreement	SO	268	250	250	Required match: 50
Genomics Program	SO	250	209	209	
Promoting Integrated State Health Information Systems	SO	247	0	0	
Refugee health Services	SO GPS	227	222	222	
Primary Care Cooperative Agreement	SO	192	186	186	
Community HIV Project	SO	188	0	0	
EHDI Surveillance, Tracking and Intervention	SO	182	175	175	
Addressing The Transmission and Prevention of MSRA	SO	171	171	171	
Evaluating Surveillance Methods for Monitoring Atypical HIV Strains	SO	169	192	192	
Medical Assistance Health Plan	SO	160	160	160	Required match: 209
Pregnancy Risk Assessment Monitoring System (PRAMS)	SO	150	151	151	
Office of Rural Health Program	SO	150	146	146	Required match: 450
Applied Research on Antimicrobial Resistance	SO	145	145	145	
Community Integrated Service System	SO	140	140	140	
State Planning Grant for Health Care Insurance	SO	140	0	0	
New Born Screening and Hearing Program	SO	136	150	150	
Cooperative Agreement to Support State Assessment Initiatives	SO	135	135	135	
STD Surveillance Network	SO	131	118	118	
Promoting Child Mental Health	SO	130	80	80	
Prevention of Secondary Condition Injuries	SO	125	125	125	
Develop Improved Population Based Birth Defects Information	SO GCBO	110	110	110	
Remedial Lead Paint Hazard Program	SO	100	0	0	

Federal Program (\$ in Thousands)	Primary Purpose	SFY 2007 Revenues	SFY 2008 Revenues	SFY 2009 Revenues	Related State Spending; Required Match, Maintenance of Effort
National Health Service Corp Loan Repayment Program	GI	97	74	74	Required match: 83
Surveillance of Hazardous Substance Emergencies	SO	95	95	95	
Fire Injury Prevention Program	SO	95	0	0	
Childhood Oral Healthcare Access Program	SO	82	65	11	
Surveillance of Serious Trauma Injuries	SO	71	60	60	
Wellhead Protection	SO	65	65	65	
Title X Family Planning	SO GCBO	52	0	0	
Crash Outcome Data Evaluation Systems (CODE)	SO	45	45	45	
Asthma Triggers	SO	44	40	40	
State System Development Initiative	SO	35	35	35	
Tools for Schools	SO	30	0	0	
Fatal Accident Central Event Program (FACE)	SO	25	0	0	
Escape: Child and Adolescent Violence Prevention in Minnesota	SO	20	0	0	
Capture Stroke Network	SO	19	19	19	
Hydro Geologic Barrier Study	SO	18	0	0	
Environmental Interventions to Reduce Allergen Exposure in Pediatric Asthma Patients	SO	7	0	0	Required match: 5
Lake Superior Binational Program	SO	2	2	2	
Agency Total		237,667	201,977	201,833	

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Program: Community and Family Health Promotion				
Budget Activity: Community and Family Health				
Positive Alternative Grants	Provide support encouragement, and assistance to pregnant women	Provide nonprofit organization that has had a program in existence for at least one year as of 7/1/2005 (37 grantees)	\$2,350,000 (GF)	
Fetal Alcohol Spectrum Disorders Grant <i>Laws of MN 2004, Chapter 288, Art. 6, Sec. 27</i>	Provide prevention and intervention services related to fetal alcohol spectrum disorder	Statewide non-government organization (1 grantee)	\$1,190,000 (GF)	
Family Planning Special Projects <i>M.S. 145.925</i>	Provide pre-pregnancy family planning services to high risk low income individuals	Government and non-profit organizations; competitive (42 grantees)	\$3,774,000 (GF)	
Family Planning Grants Greater Minnesota	Support family Planning Clinics serving out state Minnesota that are experiencing financial need	Government and non-profit organizations serving out state Minnesota (15 grantees)	\$500,000 (GF)	
Minnesota Education Now and Babies Later (MN-ENABL) <i>M.S. 145.9255; Title V, SSA</i>	Promote sexual abstinence in young teens	Government and non-profit organizations; competitive (23 grantees)	\$293,000 (GF) \$71,000 (SGSR)	\$341,000
Indian Health Grants <i>M.S. 145A.14, Subd. 2</i>	Provides health service assistance to Native Americans who reside off reservations	Community Health Boards (5 grantees)	\$177,000 (GF)	
Migrant Grants <i>M.S. 145A.14, Subd. 1</i>	Subsidizes health services, including mobile, to migrant workers and their families	Cities, counties, groups of cities or counties, or non-profit corporations (1 grantee)	\$104,000 (GF)	
Local Public Health Grants <i>M.S. 145A.131</i>	Develops and maintains an integrated system of community health services under local administration and within a system of state guidelines and standards.	Community Health Boards (county, multi-county, city) 53 grantees	\$21,152,000 (GF)	
Rural Hospital Capital Improvement Grant Program <i>M.S. 256B.195</i>	Update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of small rural hospitals	Rural hospitals with 50 or fewer beds (21 grantees)	\$1,787,000 (GF)	
Community Clinic Grant Program <i>M.S. 145.9268</i>	Assist clinics to serve low-income populations, reduce uncompensated care burdens or improve care delivery infrastructure	Nonprofit community clinics (15 grantees)	\$317,000 (GF) \$250,000 (HCAF)	

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Pharmacy Preservation Grants <i>M.S. 144.1476</i>	Planning, establishing, keeping in operation, or preserving access to prescription medications and the skills of a pharmacist	Eligible rural communities or health care providers in eligible rural communities (6 grantees)	\$180,000 (SGSR)	
Donate Dental Services <i>M.S. 150A.22</i>	To provide dental care to low-income or uninsured recipients	Non-profit organization (1 grantee)	\$63,000 (HCAF)	
Rural Hospital Planning & Transition Grant (State) <i>M.S. 144.147</i>	Assist with strategic planning; transition projects	Rural hospitals with 50 or fewer beds (15 grantees)	\$300,000 (HCAF)	
Summer Health Care Internships <i>M.S. 144.1464</i>	Summer internship program for high school and college students	Statewide non-profit organization representing health facilities (1 grantee/multiple sub-grantees)	\$300,000 (HCAF)	
Health and Long Term Care Career Promotion Grant Program <i>M.S. 144.1486</i>	Develop or implement health and long term care career curriculum for K-12	Consortia of K-12 districts, post-secondary schools and health/long term care employers	\$147,000 (HCAF)	
Loan Forgiveness Program <i>M.S. 144.1501</i>	Health education loan forgiveness for physicians, nurses, nurse practitioners, and physician assistants, in rural and urban underserved areas	Average number of grantees—Faculty (22), Dentist (9), Pharmacist (13) Nurses practicing in nursing homes (7) Midlevel (4); (38 new and 13 continuing participants)	\$155,000 (GF) \$767,000 (HCAF)	
National Health Service Corp <i>M.S. 144.1487</i>	Health education loan forgiveness for physicians in rural and urban underserved areas	Physicians (4 grantees per year)	\$100,000 (HCAF)	\$97,000
Nurses Loan Forgiveness <i>M.S. 144.1501</i>	Health education loan forgiveness for nurses, allied health faculty and nurse faculty	Nurses (17 new and 1 continuing)	\$200,000 (SGSR)	
Board of Medical Practice <i>M.S. 144.1501</i>	Health education loan forgiveness for physicians in rural and urban underserved areas	Physicians (7 new and 1 continuing)	\$200,000 (SGSR)	
Medicare Rural Hospital Flexibility Program/Critical Access Hospital Program	Support Critical Access Hospitals and rural health systems; improve quality	Small rural hospitals, ambulance services, other rural providers (20 grantees)		\$426,000
Hospital Preparedness Grants	Hospital preparedness planning	Hospitals (8 grantees)		\$4,315,000
Small Hospital Improvement Program (SHIP)	Supports small hospital Health Insurance Portability and Accountability Act (HIPAA) compliance, patient safety, quality improvement, and Prospective Payment System (PPS) costs	Rural hospitals of 50 or fewer beds (82 grantees)		\$1,153,000
Commodity Supplemental Food Program (CSFP) <i>Agriculture Appropriations Act</i>	Provide nutrition information and supplemental foods	Government and non-profit organizations (4 grantees)		\$888,000

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Maternal and Child Health Block Grant <i>Title V, SSA and M.S. 145.88 – 145.883</i>	Supports public health services to low-income, high-risk mothers and children	All community health boards (53 grantees)		\$7,775,000
Family Home Visiting Program <i>M.S. 145A.17</i>	Promote family health and self sufficiency	Community health boards (53 grantees)		\$3,653,000 (TANF)
Title X <i>Social Security Act</i>	Provide pre-pregnancy family planning services to high risk adolescents in Minneapolis	Non-profit organization (1 grantee)		\$51,000
New Freedom grant	Implement integrated system of care for children and youth with special health care needs	Non-profit organization (2 grantees)		\$42,000
WIC Breastfeeding Peer Counsel	Promote and support breastfeeding among WIC recipients	Community health boards, non-profit organizations and tribal governments who provide WIC services (4 grantees)		\$194,000
Local public health preparedness grants	Plan, exercise and prepare local communities to respond to and recover from events that affect the public's health	Community health boards (53 grantees)		\$5,379,000
Tribal preparedness grants	Plan, exercise and prepare tribal governments and tribal communities to respond to and recover from events that affect the public's health	Tribal governments (11 grantees)		\$202,000
Cities Readiness Initiative grants	Grants to MSMA to plan and exercise protocols to provide medications to all residents within 48 hours	Local public health agencies in the MSMA (15 grantees)		\$834,000
Pandemic Influenza for local public health grants	Prepare for impact of a pandemic influenza	Community health boards (53 grantees)		\$2,699,000
Tribal Pandemic Influenza	Prepare for impact of a pandemic influenza	Tribal governments (11 grantees)		\$83,000
Dental Innovations Grants <i>Laws of MN 2003, 1SS, Chapter 21, Sec. 9, Subd. 10</i>	To promote innovative clinical training for dental professionals and programs that increase access to dental care for underserved populations	Eligible applicants are sponsoring institutions, training sites, or consortia that provide clinical education to dental professionals	\$3,463,000 (MERC funds)	
Program: Community and Family Health Promotion Budget Activity: Health Promotion and Chronic Disease				
Poison Control <i>M.S. 145.93</i>	Identify appropriate home management or referral of cases of human poisoning; provide statewide information and education services	Government, non-profit and for-profit organizations; competitive (1 grantee)	\$1,150,000 (GF)	\$240,000

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Breast and Cervical Cancer Detection Program <i>M.S. 144.671 and M.S. 145.928</i>	Breast and cervical cancer screening, diagnostic and follow-up services. Recruitment/outreach activities to increase and provide breast and cervical cancer screening	Private and community clinics, other health care providers and Community Health Boards; noncompetitive	\$527,000 (GF)	\$3,600,000
WISEWOMAN Screening	Heart health risk factor screening and lifestyle counseling for Breast and Cervical Cancer Detection Program clients	Community Health Board; noncompetitive (1 grantee)		\$253,000
Comprehensive Cancer	Support development and implementation of the comprehensive cancer plan	Cancer centers; non-profit organizations; noncompetitive		\$90,000
5-A-Day Power Plus/Preschool	Research study to develop, implement and evaluate an intervention to increase fruit and vegetable consumption in preschool children in day care centers.	Collaborating private child care centers; noncompetitive		\$76,000
Genomics	Develop educational program on genomics for public health organizations and programs	Institution of higher education; noncompetitive		\$60,000
Tobacco Use Prevention <i>M.S. 144.395-396</i>	Reduce youth tobacco use	Government, non-profit, and for-profit entities; competitive	\$3,280,000 (GF) \$548,000 (Tobacco)	
Tobacco Cessation Quitlines	Increase use of available cessation resources with Minnesota smokers who are pregnant or of childbearing age.	Local public health, WIC programs, family planning agencies, community clinics; noncompetitive		\$89,000
Reducing Arthritis	Increase the quality of life and decrease health care costs for persons with arthritis through strategies in early identification, self-management and health communications	Counties and non-government organizations; noncompetitive		\$90,000
Ovarian Cancer	Develop a program to meet the needs of ovarian cancer survivors	Cancer center; noncompetitive		\$99,000

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Sexual Assault Prevention <i>M.S. 144.697, Subd. 1</i>	Prevent sexual assault, provide services to victims of sexual assault, provide public education regarding sexual assault	Interagency agreement; 1 noncompetitive grantee with competitive sub-grants to government organizations, schools, non-profit organizations		\$75,000
Program: Policy Quality and Compliance Budget Activity: Health Policy				
Interconnected Electronic Health Record Grants <i>M.S. 144.366</i>	Support community e-health collaborative projects to improve the implementation and use of interoperable electronic health records	Private and community clinics, hospitals, local public health, long-term care facilities and others partnering in a community, e-health collaborative.	\$1,300,000 (HCAF)	
Medical Education and Research Cost (MERC) Trust Fund <i>M.S. 256B.69; M.S. 297F.10; M.S. 62J.692</i>	The MERC trust fund was established to address the increasing financial difficulties of Minnesota's medical education and medical research organizations	Eligible applicants are accredited medical education teaching institutions, consortia, and programs operating in Minnesota (21 grantees)	\$146,860,000 (multiple funding sources)	
Program: Health Protection Budget Activity: Environmental Health				
Lead Hazard Grants	For lead training to workers and property owners, and to provide lead cleaning services in housing with elevated blood lead level children	Eligible applicants include: qualified lead professionals; cities; local public health agencies; community action groups	\$100,000 (GF)	
State Lead Safe Housing Grant <i>M.S. 144.9507, Subd. 3</i>	For costs related to relocation of families needing lead safe housing	Local Public Health Agencies (typically 2 grantees)	\$25,000 (GF)	
Drinking Water Technical Assistance <i>M.S. 144.383</i>	Provides technical assistance to owners and operators of public water systems	Minnesota Rural Water Association		\$340,000
Operator Training Expense Reimbursement	Provide training to small system operators at no cost.	St. Cloud and Vermilion Community Colleges		\$200,000
Federal Environmental Protection Agency States Indoor Radon Grant (SIRG)	For public education and targeted outreach on radon testing, mitigation, and radon resistant new construction	Priority is given to Local Public Health Agencies that have received EPA radon training (14 grantees)		\$188,000
Program: Health Protection Budget Activity: Infectious Disease Epidemiology, Prevention, and Control				
Tuberculosis Program	Outreach Grants for TB case management services for foreign-born persons	Hennepin, Olmstead, and Ramsey counties; others as TB caseload need & funding allow	\$160,000 (GF)	\$18,000

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Eliminating Health Disparities—Refugee Health	Health screening and follow-up services for foreign-born persons	All Community Health Boards are eligible	\$250,000 (GF)	
AIDS Prevention Grants <i>M.S. 145.924</i>	Health education/risk reduction and HIV testing for high-risk individuals	Community-based organizations, clinics (24 grantees)	\$1,304,000 (GF)	\$783,000
EIP	Flu mist vaccination project	Three grantee counties (Stearns, Lyon, & Mower)		\$173,000
Active Surveillance for Pertussis	To plan, coordinate, and enroll healthcare facilities throughout the county in a pertussis active surveillance project	Dakota and Ramsey Counties		\$120,000
Refugee Health	Coordination of Refugee Health Assessments	Counties resettling the largest number of refugees (5 grantees)		\$121,000
Immunization Registries	To establish/maintain immunization registries	Seven community-based registries and four local public health agencies		\$588,000
IPI VFC	To reimburse public and private providers for refugee health assessments completed upon arrival to the United States	Community Health Boards (3 grantees) and any private clinic providing services to newly arrived refugees		\$257,000
Perinatal Hepatitis B	Screening services for perinatal hepatitis B	St. Paul/Ramsey, Hennepin counties (2 grantees)		\$70,000
Tri-project grants	Case management for perinatal hepatitis B, clinic site visits by local public health staff to check vaccine storage and handling, review immunization practices, and audit pediatric immunization records	Community Health Boards		\$171,000
Prevention and Treatment of Sexually Transmitted Infections <i>M.S. 144.065</i>	Test high risk individuals for STDs	Local health agencies and community-based organizations and clinics		\$394,000
Program: Minority and Multicultural Health Budget Activity: Minority and Multicultural Health				
Local Public Health Grants for Tribal Governments	Develops and maintains an integrated system of American Indian tribal health services under tribal administration and within a system of state guidelines and standards.	American Indian Tribal Governments	\$1,079,000 (GF)	\$456,000 (TANF)

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2007	Budgeted Federal Funds FY 2007
Eliminating Health Disparities Initiative Grants	Improves the health of the four minority racial/ethnic groups in MN (American Indians, Asian Americans, African Americans, Latinos/Hispanics). Grants focus on 7 health priorities.	Eligible applicants are local/county public health agencies, community based organizations, faith-based, and tribal governments.	\$3,200,000 (GF)	\$2,026,000 (TANF)

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Agency Purpose

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

Core Functions

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

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

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

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

These functions support ongoing operating goals to:

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

Access to capital improvement funds is essential to the long-term viability of institutions dedicated to educating Minnesota's workforce. Students benefit because lower borrowing costs reduce the pressure to increase tuition costs.

Operations

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

At A Glance

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

- ◆ The Authority is authorized to have a maximum total of \$800 million outstanding bond principal.
- ◆ In FY 2006, the Authority completed four financings for a total of \$93 million.
- ◆ The total bond principal outstanding at 6/30/2006, was \$644 million.
- ◆ 21 nonprofit, post-secondary institutions in Minnesota have utilized the Authority's program and realized interest savings on financing their capital improvements.

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

Budget

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

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	240	254	257	264	521
Total	240	254	257	264	521
<u>Expenditures by Category</u>					
Total Compensation	240	254	257	264	521
Total	240	254	257	264	521
<u>Expenditures by Program</u>					
Hgher Educ Fac Authr	240	254	257	264	521
Total	240	254	257	264	521
Full-Time Equivalent (FTE)	2.7	2.7	2.7	2.7	

HIGHER ED FACILITIES AUTHORITY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<i>Non Dedicated Revenue:</i>					
Total Non-Dedicated Receipts	0	0	0	0	0
<i>Dedicated Receipts:</i>					
Other Sources:					
Miscellaneous Agency	235	251	257	264	521
Total Dedicated Receipts	235	251	257	264	521
Agency Total Revenue	235	251	257	264	521

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↻ Designates that this item is a change item



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January 22, 2007

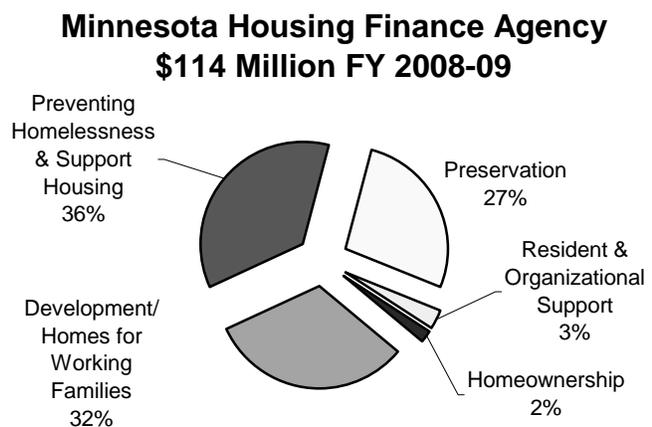
The 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit recommendations for the FY 2008-2009 budget for the Minnesota Housing Finance Agency (Minnesota Housing or Agency). This budget includes a total of \$114,376,000 in investments from the General Fund. State appropriations currently constitute 11% of the total MHFA program budget. Minnesota Housing revenue bond proceeds represent the largest source of funding for Agency activities and comprise approximately 48% of the total program budget. Federal funds and Agency resources make up the balance of the budget. The Agency does not use state appropriations for its operating budget, but self-funds operations.

The Governor's budget recognizes that safe, decent affordable homes for Minnesotans is a critical element of the state's quality of life by investing significant new resources in the following areas:

- \$15 million to enhance efforts to prevent homelessness, provide rental assistance for the mentally ill and extremely low income households, and continue successful implementation of the business plan to end long-term homelessness;
- \$15 million for the "Challenge Program" to construct, preserve, and rehabilitate homes for working families in ways that improve the state's quality of life by advancing environmental, educational, economic, transportation and other objectives;
- \$ 4.5 million to preserve the state's public housing stock and enhance efforts to rehabilitate single family homes in ways that will revitalize neighborhoods and strengthen communities;
- \$ 820 thousand to enhance the state's foreclosure prevention efforts and provide financial and related counseling services to promote successful, sustainable homeownership; and
- \$ 180 thousand to increase the capacity of the delivery partners which is critical for utilizing well the substantial public and private resources invested in housing construction, preservation, and rehabilitation.

These new resources, as well as the other state appropriated investments made through Minnesota Housing, will be leveraged with significant private, philanthropic, and non-state government resources to build upon Minnesota's nation leading efforts to affordably house its citizens.



Please feel free to contact me via telephone at (651) 296-5738 or e-mail at tim.marx@state.mn.us or Tonja Orr via telephone at (651) 296-9820 or e-mail at tonja.orr@state.mn.us if you have any questions or would like to discuss these proposals with us.

Sincerely,

A handwritten signature in black ink that reads "Tim Marx". The signature is written in a cursive, slightly slanted style.

Timothy E. Marx
Commissioner

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	35,235	35,235	35,235	35,235	70,470
Recommended	35,235	35,235	69,438	44,938	114,376
Change		0	34,203	9,703	43,906
% Biennial Change from 2006-07					62.3%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	69,438	44,938	114,376
Statutory Appropriations					
Housing Finance Agency	238,641	251,106	205,792	205,354	411,146
Total	238,641	251,106	275,230	250,292	525,522
 <u>Expenditures by Category</u>					
Total Compensation	14,077	15,855	16,467	17,046	33,513
Other Operating Expenses	7,413	7,688	7,463	6,446	13,909
Payments To Individuals	176,935	175,883	187,750	179,100	366,850
Local Assistance	2,342	2,757	3,532	2,724	6,256
Other Financial Transactions	37,874	48,923	60,018	44,976	104,994
Total	238,641	251,106	275,230	250,292	525,522
 <u>Expenditures by Program</u>					
Appropriated Programs	45,968	58,137	85,287	60,787	146,074
Non Appropriated Programs	192,673	192,969	189,943	189,505	379,448
Total	238,641	251,106	275,230	250,292	525,522
 Full-Time Equivalent (FTE)	 182.0	 198.8	 198.8	 198.8	

HOUSING FINANCE AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: GENERAL</i>				
FY 2007 Appropriations	35,235	35,235	35,235	70,470
Technical Adjustments				
Current Law Base Change		4,203	4,203	8,406
Subtotal - Forecast Base	35,235	39,438	39,438	78,876
Change Items				
Ending Long-Term Homelessness	0	10,000	5,000	15,000
Economic Development & Housing Challenge	0	15,000	0	15,000
Public Housing Preservation	0	2,500	0	2,500
Rehabilitation Loans	0	1,685	315	2,000
Housing Services Infrastructure	0	815	185	1,000
Total Governor's Recommendations	35,235	69,438	44,938	114,376
<i>Fund: HOUSING FINANCE AGENCY</i>				
Planned Statutory Spending	251,106	205,792	205,354	411,146
Total Governor's Recommendations	251,106	205,792	205,354	411,146

Agency Purpose

The Minnesota Housing Finance Agency (MHFA) is committed to meeting Minnesotans' needs for decent, safe, affordable housing, and stronger communities.

The agency's strategic plan sets forth the following policy objectives:

- ◆ end long-term homelessness;
- ◆ increase homeownership for underserved populations;
- ◆ strategically preserve the existing affordable housing stock;
- ◆ increase housing choice for low and moderate income workers to support economic vitality; and
- ◆ enhance MHFA's role as a housing partner of choice.

Core Functions

MHFA funds housing activity in five broad areas:

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

Operations

Management and control of the agency is vested in the board of directors. The board is comprised of six citizen members appointed by the governor and one ex-officio member: the state auditor. The board directs the policies of the agency and adopts an affordable housing plan, approves funding decisions, adopts finance policies, and selects the finance team.

The agency staff includes 190 full-time equivalent employees in three major areas: housing finance and operations; housing programs; and housing policy. Over half of all the employees are professional level employees.

- ⇒ The housing finance and operations staff are responsible for the management of the assets and liabilities of the agency which includes a portfolio of housing related loans and other investments totaling \$2.95 billion, \$2 billion of which are financed by mortgage revenue bonds. They manage the process of raising capital through periodic debt issuances. In this area, operations staff also prepares financial forecasts, budgets, and fiscal year-end audited financial reports for all funds and accounts. They are responsible for the accurate and timely reporting of all accounting and financial information necessary to comply with disclosure requirements and board policies. Operational staff also manage the agency's information systems and human resources functions.
- ⇒ The staff of the multifamily portion of the housing programs area manages the process of assisting in the financing of new construction, rehabilitation, and preservation of rental housing. This staff oversees the provision of tenant support services, rental assistance, and homeless prevention activities. Multifamily staff is

At A Glance

Two-Year Budget:

- ◆ \$1.3 billion - all funds
- ◆ four sources:
 - ⇒ 48% bond sales
 - ⇒ 23% federal funds
 - ⇒ 18% agency resources
 - ⇒ 11% state appropriations

Annual Assistance:

- ◆ Provided \$637 million in housing assistance in FFY 2005.
- ◆ Served 57,990 households.
- ◆ 69% of all households served had annual incomes under \$20,000;
- ◆ 41% of the households served who did not receive Section 8 assistance had incomes below \$20,000.

also responsible for the oversight of the management of the agency's portfolio of rental housing, monitoring compliance with state and federal requirements, and administering the Section 8 contracts of 32,000 units of rental housing that include the contracts on 18,000 units previously administered by Housing and Urban Development (HUD).

- ⇒ Housing programs homeownership staff manage programs to assist with the financing of home purchases and home improvements. They also manage the process of assisting in the financing of new home construction for ownership and neighborhood revitalization. These people oversee the provision of homeownership education services. This staff also administers programs that provide post-purchase support and foreclosure prevention for homeowners.
- ⇒ The housing policy area includes governmental affairs, research, and policy.

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

Budget

MHFA's largest source of financing is the sale of tax-exempt and taxable bonds that totals approximately 48% of the agency's budget. Proceeds from the sale of these bonds provide mortgage loans to first-time homebuyers and rental housing developments. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities.

Agency resources constitute 18% of the agency's budget. Agency resources are earnings over the years in excess of funds needed to cover loan loss and self-insurance. Agency resources are used for a variety of housing activities including entry cost assistance, activities related to the initiative to end long-term homelessness, first mortgage financing of rental properties, and preservation of MHFA financed rental properties.

Federal funds constitute 23% of MHFA funds. In the FY 2004-05 biennium, the two largest programs receiving federally appropriated funds were the Section 8 Housing Assistance payments program and the Home Investment Partnership Program (HOME). In the past, the agency has received federal funding for a number of smaller programs as well.

State appropriations constitute 11% of the total program funds expected to be distributed in 2006-2007. State appropriations for the 2006-2007 biennium total \$70.47 million from the General Fund.

Contact

For more information, contact: Tonja M. Orr, Assistant Commissioner
(651) 296-9820

The MHFA web site at www.mhfa.state.mn.us provides information about agency programs, application forms and procedures, and other useful information for persons seeking assistance with the financing of affordable housing.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Narrative

Program Description

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

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

The MHFA meets regularly with regional advisory groups across the state to receive input about agency goals, policies, and programs. In making funding decisions in competitive selection processes, Minnesota Housing Finance Agency (MHFA) uses jointly developed investment guidelines for projects in the Twin Cities metropolitan area, and Continuum of Care plans developed at the regional level to assure consistency with regional priorities. The agency utilizes a joint application and review process in conjunction with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Metropolitan Council for significant portions of its funding. Other state agencies and local units of government are consulted in making funding awards in order to better coordinate government resources.

Budget

	FY 2006	FY 2007	Biennial
Development and Redevelopment Programs			
Economic Development and Housing Challenge Fund	\$10,907,000	\$10,907,000	\$21,814,000
Homeless Prevention and Supportive Housing Programs			
Housing Trust Fund	\$6,305,000	\$6,305,000	\$12,610,000
Bridges	\$1,638,000	\$1,638,000	\$3,276,000
Family Homeless Prevention and Assistance	\$3,715,000	\$3,715,000	\$7,430,000
Homeownership Loan Programs			
Homeownership Assistance Fund	\$0	\$0	\$0
Preservation of Federally Assisted Housing Programs			
Affordable Rental Investment Fund (ARIF- Preservation)	\$8,996,000	\$8,996,000	\$17,992,000
Rehabilitation Loan	\$2,654,000	\$2,654,000	\$5,308,000
Resident and Organizational Support			
Homeownership Education, Counseling, and Training (HECAT)	\$770,000	\$770,000	\$1,540,000
Non-Profit Capacity Building Grants	\$250,000	\$250,000	\$500,000
Totals	\$35,235,000	\$35,235,000	\$70,470,000

Although state appropriations are only 11% of the total MHFA biennial budget, these funds make an important difference, enabling the MHFA to meet the housing needs of families and individuals of lower income than would be otherwise possible. These programs often supplement non-appropriated programs that use amortizing debt and other sources of funds. Approximately 73% of the state appropriation is used for rental housing because providing affordable rental housing requires relatively more subsidy than homeownership.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	35,235	35,235	35,235	35,235	70,470
Technical Adjustments					
Current Law Base Change			4,203	4,203	8,406
Subtotal - Forecast Base	35,235	35,235	39,438	39,438	78,876
Governor's Recommendations					
Ending Long-Term Homelessness		0	10,000	5,000	15,000
Economic Development & Housing Challenge		0	15,000	0	15,000
Public Housing Preservation		0	2,500	0	2,500
Rehabilitation Loans		0	1,685	315	2,000
Housing Services Infrastructure		0	815	185	1,000
Total	35,235	35,235	69,438	44,938	114,376
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	69,438	44,938	114,376
Statutory Appropriations					
Housing Finance Agency	45,968	58,137	15,849	15,849	31,698
Total	45,968	58,137	85,287	60,787	146,074
<u>Expenditures by Category</u>					
Other Operating Expenses	0	0	170	170	340
Payments To Individuals	12,091	15,307	28,916	20,266	49,182
Local Assistance	1,177	1,749	2,529	1,721	4,250
Other Financial Transactions	32,700	41,081	53,672	38,630	92,302
Total	45,968	58,137	85,287	60,787	146,074
<u>Expenditures by Activity</u>					
Re/Development	12,466	15,642	28,250	13,250	41,500
Supportive Housing	13,428	15,340	25,708	20,708	46,416
Homeownership Loan	3,732	6,805	5,083	5,083	10,166
Preservation	13,902	17,500	23,130	19,260	42,390
Resident & Organizational Supp	2,440	2,850	3,116	2,486	5,602
Total	45,968	58,137	85,287	60,787	146,074

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Economic Development and Housing Challenge Program

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$15,000	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$15,000	\$0	\$0	\$0

Recommendation

The Governor recommends \$15 million in FY2008 to the Economic Development and Housing Challenge program to encourage the development of affordable housing that enhances the quality of life in Minnesota by: 1) preserving natural resources, protecting air and water quality and conserving energy; 2) connecting affordable housing to transportation and transit systems; 3) promoting healthy lifestyles through walkable communities; and 4) increasing the housing choices for moderate and low-income workers in Minnesota.

Background

The Challenge program is a flexible program that provides deferred loans for affordable rental and owner-occupied housing. It can be used to acquire and rehabilitate, newly construct, or refinance affordable housing. Funding awards are made through a competitive process. Proposals that leverage private resources, particularly those from employers, local units of government and philanthropic organizations are given a priority. Demand for this funding typically is at least double the funding available. The median income of households served is under \$26,000 per year.

Minnesota's population is expected to continue to grow over the next 10 years; the average annual growth rate between 2005 and 2015 is expected to range from .05% in the southwest region of the state to 1.27% in the central lakes region. Household growth will require additions to the current supply of housing. In the Twin Cities metro area alone, 51,000 new affordable housing units that consume land are projected to be needed by 2020. Many households will not be able to afford housing without the assistance provided through this program.

Housing is becoming less affordable in Minnesota, 11.2% of Minnesota households have a severe housing cost burden – meaning they pay more than 50% of household income for housing. In 1994, the median house price in the Twin Cities was 2.5 times the median household income; in 2005 it had risen to 3.5 times the median household income.

The availability, type, and location of affordable housing has clear and measurable impacts on the environment, transportation systems, health and education outcomes, and economic vitality and security. This initiative recognizes the intersection of interests of housing and other quality of life issues and would direct development that provides affordable housing as well as assists in meeting other quality of life goals.

Relationship to Base Budget

The base for this program is: \$21.814 million. It is the largest of the state appropriated programs of the Housing Finance Agency.

Key Measures

By increasing funding for targeted affordable housing development:

- ◆ Additional affordable housing units will be created;
- ◆ Median incomes of households assisted will remain well below the area median household income;
- ◆ Impacts on the pace of land consumption and related infrastructure costs, patterns of commuting, and socio-economic disparities will be examined.

Statutory Change: Not Applicable.

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Preventing and Ending Long-Term Homelessness

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$10,000	\$5,000	\$5,000	\$5,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$10,000	\$5,000	\$5,000	\$5,000

Recommendation

The Governor recommends an additional \$10 million appropriation from the general fund in FY2008 and \$5 million in FY2009, and \$5 million each year thereafter to continue implementation of the Plan to End Long-Term Homelessness and to prevent homelessness. This funding is needed to meet the goal of 1,200 new housing opportunities this biennium.

Background

This proposal is our component of a package of investments developed in coordination with the Departments of Human Services (DHS) and Corrections (DOC). Since 2004, the Department of Human Services, the Department of Corrections and the Housing Finance Agency have cooperated in efforts to implement the state's Business Plan to End Long-Term Homelessness. Achievement of the goals of the Business Plan is dependent on: 1) strengthening activities that prevent homelessness, as well as 2) meeting the identified needs for both housing and supportive services. Each of the three agencies assists in funding with some aspects of the systems of supportive housing and prevention services; none of the agencies do it all. The state has exceeded the goals set for the creation of housing opportunities for 2004-2006. Three budget initiatives, one from each of the agencies, expand the state's efforts to continue implementation of the Business Plan to End Long-Term Homelessness.

The proposed integrated budget initiative includes funding requests for the following activities:

- ⇒ Continuation and expansion of the availability of the Supportive Services Grant program administered by the Department of Human Services;
- ⇒ Maintenance of the temporary housing programs administered by the Department of Human Services;
- ⇒ Support for the housing services infrastructure operated and partially funded by private sector organizations;
- ⇒ Expansion of the supply of housing opportunities provided by Minnesota Housing for families and persons experiencing long-term homelessness;
- ⇒ Expansion of prevention services funded through Minnesota Housing; and
- ⇒ Expansion of the Re-entry Project of the Department of Corrections.

The housing portion of this initiative will provide additional funding to three programs:

Housing Trust Fund (\$250,000 annual base increase plus \$5 million one-time in FY 2008 for a total of \$5.5 million for the first biennium and \$500,000 in the second biennium) – to sustain commitments already made for rental assistance and to provide additional housing opportunities. The housing goal for the '08-'09 biennium is aggressive. Resources from the federal government, particularly Section 8 rental assistance, have not materialized at the rate originally contemplated under the Business Plan. In order to meet the goal and provide housing opportunities, the state resources included in this initiative are necessary. Approximately 400 housing opportunities can be created with this additional funding.

Bridges (\$1 million annual base increase for a total of \$2 million over each biennium) – to increase the number of persons served with rental assistance who have mental health problems. 52% of the persons experiencing long-term homelessness suffer from a mental illness. This funding will help prevent persons with mental health problems from becoming homeless. It will also assist in moving people from institutions into the community as soon as they are ready. An estimated 290 additional households will be served with this funding.

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Preventing and Ending Long-Term Homelessness

Family Homeless Prevention and Assistance Program (\$3.75 million annual base increase for a total of \$7.5 million over each biennium) – This program provides assistance to households facing a crisis that is likely to result in homelessness and to households who are homeless to move them into permanent housing as quickly as possible. Existing programs estimate that a doubling of funding is needed to meet the requests for assistance. The program currently covers 52 out of 87 counties. This funding will help address the unmet need and a possible expansion into counties that currently do not have the program. Prevention of homelessness is a cost-effective strategy. Hennepin County estimates that it costs 10 times as much to help a homeless household as it does to provide homelessness prevention assistance. Dakota County puts the ratio at 14 to 1. 90% of the households receiving prevention assistance from the Family Homeless Prevention Assistance program were still in housing or hadn't returned to shelter six months after assistance. This funding is expected to serve more than 12,000 additional households.

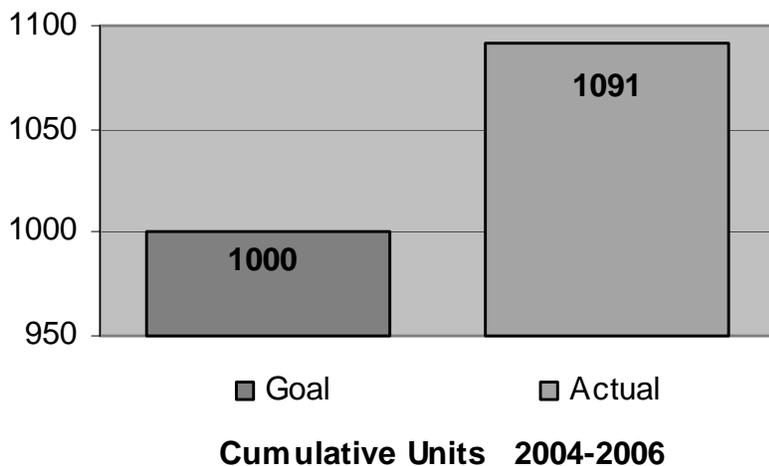
Relationship to Base Budget

The FY 2008-09 base for the Housing Trust Fund is \$16.610 million; of the \$5.5 million initiative for this program, \$500,000 is base funding. The base for the Bridges program is \$3.276 million; the budget initiative would increase the biennial base by \$2 million. The base for the Family Homeless Prevention and Assistance program is \$7.430 million; the budget initiative would increase the biennial base by \$7.5 million.

Key Measures

The number of supportive housing opportunities provided for persons and families experiencing long-term homelessness as compared to the goal.

Housing Opportunities



Alternatives Considered

The period of time in which to meet the goal of 4,000 housing opportunities could be stretched out from 2010 to several years later.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Enhancing the Existing Housing Services Infrastructure

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$815	\$185	\$185	\$185
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$815	\$185	\$185	\$185

Recommendation

The Governor recommends a \$1 million increase in FY2008-09 and \$370 thousand in FY2010-11 to programs supporting the existing housing services infrastructure. Enhancements to infrastructure are essential to implementation of the Plan to Ending Long-Term Homelessness, are a critical component of the Emerging Markets Homeownership Initiative (EMHI), and are a component of the state's response to the recent increase in mortgage foreclosures.

Background

The housing services infrastructure provides information, education and counseling to households to help them secure and maintain their housing. The infrastructure also includes the collection and analysis of data that helps the state formulate good policies and programs. State funds contribute only a small portion of the money used for the variety of housing services infrastructure. These activities are largely funded by the private sector. Examples of the housing services infrastructure include:

- ⇒ Foreclosure prevention and assistance provides consumer credit counseling and financial assistance to assist households to avoid mortgage foreclosure. Nationally, mortgage foreclosures are on the rise; locally cities are seeing adverse impacts to neighborhoods with high foreclosure rates;
- ⇒ Comprehensive homebuyer training and information to assure that homebuyers are successful at sustaining homeownership. EMHI seeks to address the gap in homeownership rates of households of color by increasing homeownership opportunities to Minnesota's emerging markets. EMHI identified expansion of culturally and language sensitive homeowner training and information as one of its 12 strategies to achieve its goals;
- ⇒ A web based site that provides an updated database of available affordable and subsidized housing throughout the metro area. This database can be expanded to provide information on a statewide basis;
- ⇒ The Wilder Research Center Statewide Survey of Persons without Permanent Shelter is a primary data source used to develop the Business Plan to End Long-Term Homelessness and to measure the impact of implementation of the Plan; and
- ⇒ Homeless Management Information System (HMIS) is a data system that assists providers in serving persons experiencing homelessness by collecting information on services provided. The data collected will be useful in analyzing the various strategies employed to assist persons experiencing homelessness.

Relationship to Base Budget

The Capacity Building Grant program has a biennial base budget of \$500,000. This program was reduced by 22% in the last biennium. The initiative would increase the base by \$180,000 to its former funding level.

The base budget for Homeownership Education Counseling and Training (HECAT) program is \$1.540 million. The initiative would increase the base by \$190,000 and provide an additional \$630,000 for the 2008-09 biennium.

Key Measures

- ◆ Affordable housing availability information would be expanded beyond the Twin Cities metro area.
- ◆ The number of households receiving foreclosure prevention assistance will increase.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Public Housing Preservation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$2,500	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,500	\$0	\$0	\$0

Recommendation

The Governor recommends an additional \$2.5 million in FY 2008 for the preservation of public housing.

Background

There are over 22,000 public housing units in Minnesota. Public housing serves extremely low-income families, senior citizens and disabled persons. In St. Paul, for example, 30% of all the public housing units are elderly or disabled units. Public housing authorities across the state are struggling with ways to deal with the under-funding by the federal government. Congress is funding public housing authorities at about 75% of what an objective analysis determined was necessary for proper operation and maintenance. Minnesota has some of the best public housing authorities in the nation; these authorities are being forced to sell off properties and use the revenues to maintain the remaining stock. Some will not be able to address all of the maintenance needs. Housing affordable at the income levels served by public housing authorities cannot be replicated by the private sector.

Between 1,000 – 1,500 units of public housing will be preserved through this budget initiative, depending on the combination of capital and operating needs. Minnesota Housing is exploring with public housing authorities opportunities to maximize the leverage of federal resources and private capital to preserve public housing.

Relationship to Base Budget

The base for the Affordable Rental Investment Fund – Preservation (PARIF) program is \$17.992 million.

Key Measures

The number of public housing units preserved will be maximized.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

PROGRAM: APPROPRIATED PROGRAMS

Change Item: Rehabilitation Loans

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,685	\$315	\$315	\$315
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,685	\$315	\$315	\$315

Recommendation

The Governor recommends that funding for the Rehabilitation Loan program be increased by \$2 million in FY2008-09 to meet the needs of more very low-income homeowners for basic rehabilitation of their homes. Of this amount, \$630,000 is an increase to the biennial base.

Background

The Rehabilitation Loan program provides deferred loans for very low income homeowners (\$18,850 or less for a household of two). This program assists communities in maintaining their existing housing stock. In most cases, rehabilitation is less costly than new construction. Minnesota Housing's average assistance to build a new affordable home is \$25,000 per unit, but only \$10,500 per unit to rehabilitate existing housing. Addressing the physical deterioration of the buildings can have a positive impact beyond the residents to the neighborhood as a whole.

The Rehabilitation Loan program is a tool to assist seniors in "aging in-place", thus avoiding or delaying a costly move to an institutional setting.

Nearly 40% of the housing stock in Minnesota was built before 1959. As construction costs increase, the program is able to serve fewer households. Construction costs increased by 7% each year between 2003-05. The proposed funding increase will assist the state in being more responsive to the housing needs of Greater Minnesota.

A targeting of these resources to specific neighborhoods identified by the community will enhance the impact of these funds. An additional 100 households would initially be assisted with this additional appropriation.

Relationship to Base Budget

Funding for this program has been reduced in recent years. This initiative restores the base to FY 2002 levels and provides additional funding above the base.

Key Measures

The number of homeowners receiving rehabilitation loans will increase over previous years.

Statutory Change: Not Applicable

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Activity Description

The Minnesota Housing Finance Agency's (MHFA) re/development program is instrumental to achieving the Agency's strategic goals of:

- ◆ increasing housing choices for low and moderate-income workers to support economic vitality; and
- ◆ preserving existing affordable housing.

This program funds the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. In some communities, new housing is needed due to significant net employment growth. New construction is financed for affordable units in mixed income developments, rental housing, and affordable units in single-family subdivisions. In other communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

Activity at a Glance

In FFY 2005:

- ◆ 241 housing units were rehabilitated;
- ◆ 491 new housing units were financed; and
- ◆ Requests have typically exceeded funds available by a five to one ratio.

Population Served

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

Services Provided

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

The Economic Development and Housing Challenge Program (M.S. 462A.33) is the primary program to fund development and redevelopment activities. It funds a wide variety of development and redevelopment activities, including new construction, acquisition, and rehabilitation of both rental housing and homes for ownership. Assistance is provided generally in the form of no-interest, deferred loans and grants to local units of government, and for-profit and nonprofit developers. The income maximum for the owner-occupied housing funded under this program is set at 115% of greater of state or area median income (\$90,275 in the Twin Cities metro area for 2006). The income maximum for the rental housing funded under this program is set at 80% of greater of state or area median income (\$62,280 in the Twin Cities metro area for 2006). The income maximums allow a range of workforce housing to be developed or rehabilitated.

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

Historical Perspective

In 2000, the Minnesota Legislature approved a major consolidation of the funding for four programs that all supported re/development activities. The programs were consolidated into the Economic Development and Housing Challenge program, and this program was made a permanent program. The two primary reasons for the consolidation were:

- ◆ to increase capital investment from non-state sources; and
- ◆ to increase private development and contain cost increases by promoting the removal of governmental barriers to affordable housing development.

In 2005, a further consideration occurred with funding for the Tribal Indian Housing and the Urban Indian Housing programs being added to the the Challenge program; an amount equal to the historical funding levels for those two programs is set-aside exclusively for use for Indian housing for the first eight months of each fiscal year.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

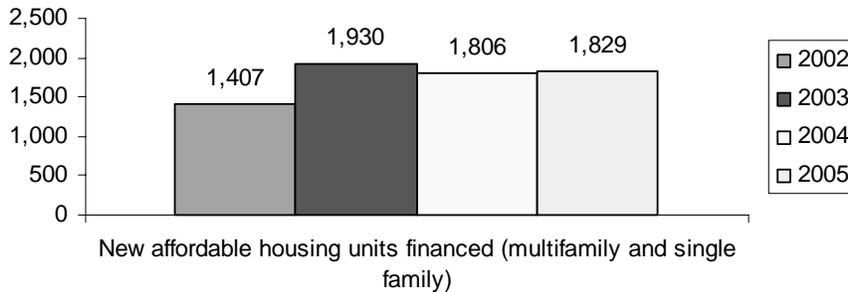
Activity: RE/DEVELOPMENT

Narrative

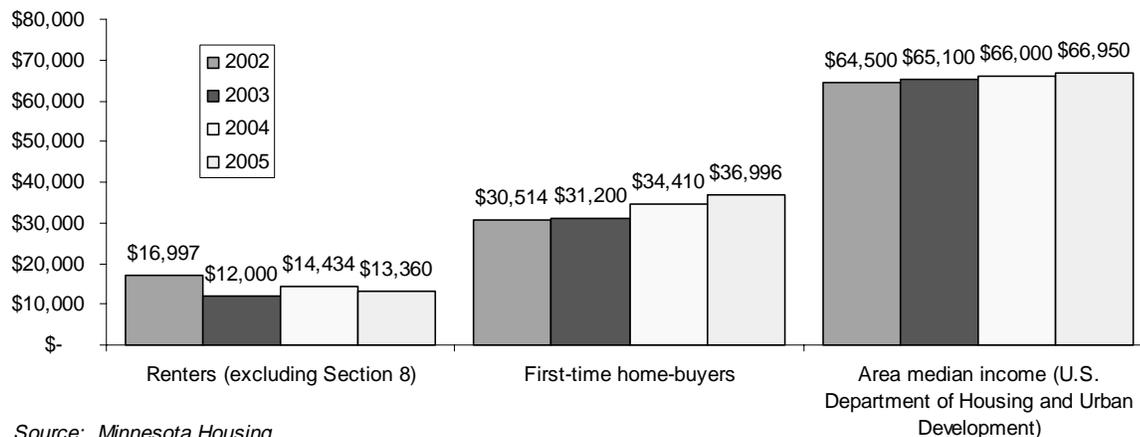
Key Measures

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

Minnesota Housing financing of affordable housing



Median income of households assisted by Minnesota Housing



Source: Minnesota Housing
Note: Not adjusted for inflation.

Budget

State appropriations for this activity were approximately \$21.8 million in the 2006-2007 biennium.

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

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	25,907	10,907	36,814
Statutory Appropriations					
Housing Finance Agency	12,466	15,642	2,343	2,343	4,686
Total	12,466	15,642	28,250	13,250	41,500
<u>Expenditures by Category</u>					
Payments To Individuals	2,587	3,000	7,243	2,593	9,836
Other Financial Transactions	9,879	12,642	21,007	10,657	31,664
Total	12,466	15,642	28,250	13,250	41,500

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMELESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

Activity Description

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

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

Activity at a Glance

For FFY 2005:

- ◆ 484 households received Bridges assistance;
- ◆ 604 households received other state funded rental assistance;
- ◆ 467 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies;
- ◆ 5,885 households received homeless prevention assistance;
- ◆ Average assistance per household under the Family Homeless Prevention and Assistance Program (FHPAP) - \$568; and
- ◆ Nearly half of the households served under FHPAP are single-parent families.

Population Served

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

Services Provided

Three Minnesota Housing Finance Agency (MHFA) appropriated programs assist in meeting the goal of ending long-term homelessness by funding elements of supportive housing activities that help prevent homelessness:

The Housing Trust Fund Program (M.S. 462A.201) is the largest of the programs in this budget activity. The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable permanent and supportive rental housing and limited equity cooperative housing for very low-income households. It also provides grants and loans for the costs of operating rental housing that are unique to the operation of low-income rental housing and for rental assistance. Housing assisted under this program must serve households with incomes that do not exceed 60% of metropolitan area median income (\$47,100 for 2006); 75% of the program funds must be used for housing for households with incomes that do not exceed 30% of the metropolitan area median income (\$23,550 for 2006). Nonprofit and for-profit organizations as well as local units of government are eligible to receive funds under this program.

The Bridges Program (M.S. 462A.2097 - statutorily known as the Rent Assistance for Persons with Mental Illness Program) provides rent assistance for households in which at least one adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% area median income. This activity links housing with social services through a partnership between a housing agency and a social service agency. The rental assistance is intended to stabilize the household in the community until a Section 8 certificate voucher becomes available.

The **Family Homeless Prevention and Assistance Program** (M.S. 462A.204), or FHPAP, provides flexible grants to counties and nonprofit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. Fifty-seven counties are now served by FHPAP.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMELESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

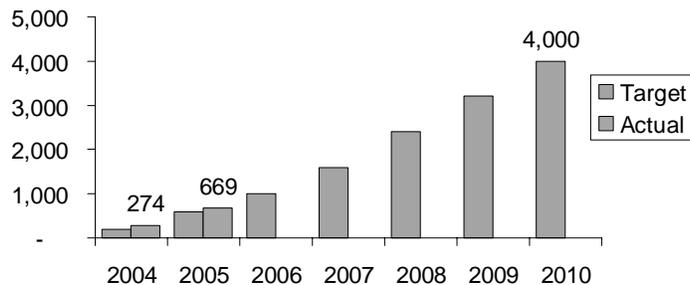
Historical Perspective

In 2000, the Minnesota Legislature approved a consolidation of funding from several programs into the Housing Trust Fund to better facilitate the development and operation of supportive housing. Prior to 2001, the Housing Trust Fund could only be used for bricks and mortar, and there was no source of funding for operating cost support. The biennial budget for the Housing Trust Fund was \$4.6 million prior to consolidation.

Key Measures

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

Supportive housing opportunities funded for persons experiencing long-term homelessness



Budget

Total state appropriations for this activity were approximately \$23.3 million in the 2006-2007 biennium.

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HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING

Budget Activity Summary

	<i>Dollars in Thousands</i>		<i>Governor's Recomm.</i>		<i>Biennium 2008-09</i>
	<i>Current FY2006</i>	<i>FY2007</i>	<i>FY2008</i>	<i>FY2009</i>	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	23,658	18,658	42,316
Statutory Appropriations					
Housing Finance Agency	13,428	15,340	2,050	2,050	4,100
Total	13,428	15,340	25,708	20,708	46,416
<u>Expenditures by Category</u>					
Payments To Individuals	8,494	11,045	20,653	16,653	37,306
Other Financial Transactions	4,934	4,295	5,055	4,055	9,110
Total	13,428	15,340	25,708	20,708	46,416

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMEOWNERSHIP LOAN

Narrative

Activity Description

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

The state appropriated homeownership loan program assists in achieving the strategic goal increasing the homeownership rate of households of color.

Activity at a Glance

In FFY 2005:

- ◆ 1,335 households received HAF assistance;
- ◆ 51% of first-time homebuyers with a MHFA mortgage received HAF assistance; and
- ◆ Average assistance under the HAF program - \$10,839.

Population Served

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

Services Provided

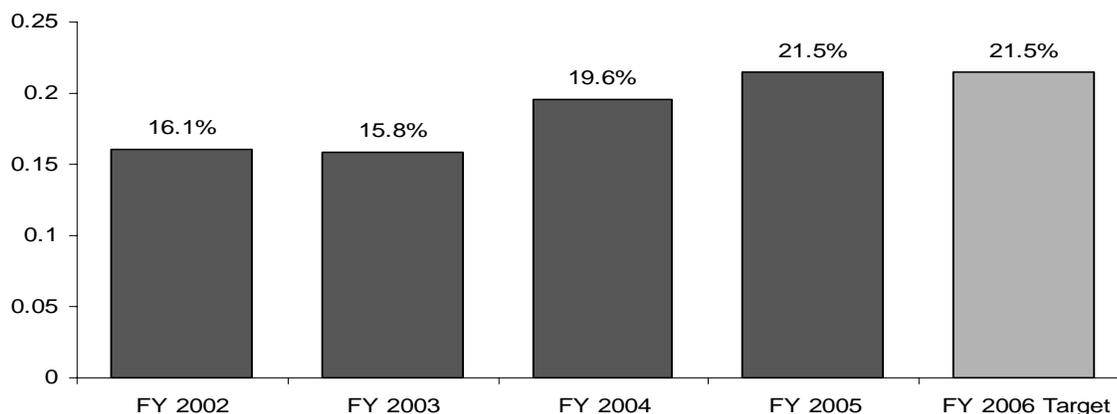
Minnesota Housing Finance Agency's (MHFA's) appropriated homeownership loan program is the **Homeownership Assistance Fund (M.S 462A.21, Subd. 8)**, or HAF. It provides entry costs and monthly assistance to more modest income homebuyers who are purchasing their first home through one of MHFA's mortgage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

Historical Perspective

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

Key Measures

Percentage of Minnesota Housing-assisted first-time home buyers from communities of color and/or Hispanic ethnicity



Source: Minnesota Housing; includes CASA, MMP, MCPP and ECHO.

Minnesota Housing estimates that the homeownership gap between white-headed households and households of color and/or Hispanic ethnicity in 2004 was 33 percentage points, placing Minnesota in the top ten states for the largest homeownership gap.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: HOMEOWNERSHIP LOAN

Narrative

There are six principal barriers to homeownership for emerging markets that can be successfully addressed by the homeownership industry and community partners: wealth and down payment; credit lending policies; cultural factors; preferences and immigration; information, marketing, outreach; discrimination; homebuyer counseling and financial education.

Budget

This program received no state appropriations for the 2004-05 or the 2006-2007 biennium. It has operated on repayments and agency resources since July 2003.

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HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	885	885	1,770
Statutory Appropriations					
Housing Finance Agency	3,732	6,805	4,198	4,198	8,396
Total	3,732	6,805	5,083	5,083	10,166
<u>Expenditures by Category</u>					
Local Assistance	0	150	150	150	300
Other Financial Transactions	3,732	6,655	4,933	4,933	9,866
Total	3,732	6,805	5,083	5,083	10,166

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

Activity Description

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

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

This housing stock is threatened for three reasons:

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

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

Population Served

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

Services Provided

The Rehabilitation Loan Program (M.S. 462A.05, Subd. 14a) provides deferred loans of up to \$15,000 to very low-income homeowners with annual incomes of \$18,000 or less for the purpose of correcting health and safety hazards within their homes and improving their homes and improving their habitability, accessibility, and energy efficiency. Loans are deferred until the home is sold, the borrower no longer lives in the home, or 30 years, whichever occurs first. Repayments are recycled into new loans. Historically, repayments under this program have averaged about \$1 million per year. Loans are distributed through local administrators who are familiar with the local area's needs.

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

Historical Perspective

The ARIF Preservation program has been funded since 1998. The focus of activities has shifted from projects at risk of conversion to market rate housing to projects that are at risk of losing federal assistance due to the

Activity at a Glance

- ◆ There are approximately 53,000 units of privately owned, federally assisted rental housing in Minnesota;
- ◆ Of those, 12,278 units have received preservation funding to date;
- ◆ Only 15 federally assisted housing units in MHFA's portfolio have been lost to date;
- ◆ Preservation funds increasingly are being used to address the physical deterioration of federally assisted housing;
- ◆ 417 households received assistance to rehab or preserve their home; and
- ◆ Average assistance under the Rehabilitation Loan Program - \$9,019.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

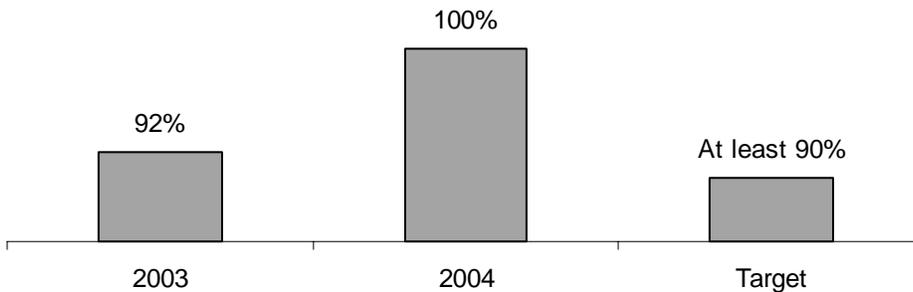
Activity: PRESERVATION

Narrative

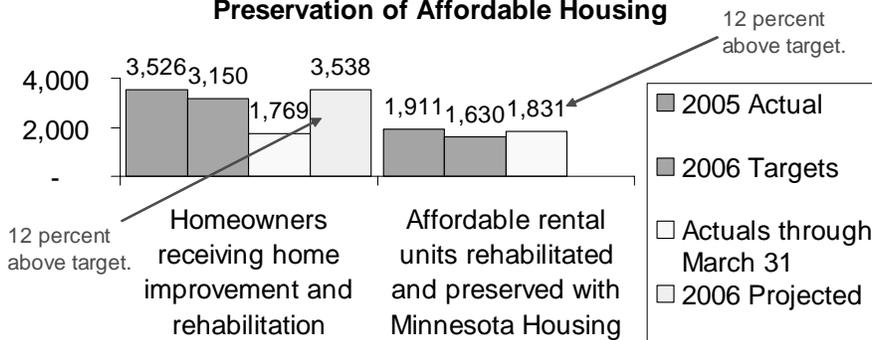
physical condition of the aging building. In 2005, the program was expanded to include the preservation of supportive housing.

Key Measures

Percent of federally assisted units determined to be at risk for termination of their federal assistance program that are preserved as affordable



Minnesota Housing Preservation of Affordable Housing



Budget

Total state appropriations for this activity were approximately \$23.3 million in the 2006-2007 biennium.

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HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: PRESERVATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	17,153	13,283	30,436
Statutory Appropriations					
Housing Finance Agency	13,902	17,500	5,977	5,977	11,954
Total	13,902	17,500	23,130	19,260	42,390
<u>Expenditures by Category</u>					
Other Operating Expenses	0	0	170	170	340
Local Assistance	425	715	883	705	1,588
Other Financial Transactions	13,477	16,785	22,077	18,385	40,462
Total	13,902	17,500	23,130	19,260	42,390

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Activity Description

This budget activity contributes to Minnesota Housing Finance Agency (MHFA) achieving its strategic goal of being a housing resource of choice.

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

These programs fund:

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

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

Population Served

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

Services Provided

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

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

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

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

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

Activity at a Glance

In FFY 2005:

- ◆ 9,278 households received foreclosure prevention assistance or homebuyer training services;
- ◆ For every \$1 of state funding, an additional \$9 was provided to Twin Cities non-profit housing and economic development organizations from private resources; and
- ◆ Continued funding of six regional advisory groups to promote coordination of planning on a regional basis.

HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

All state agency members of the Interagency Task Force on Homelessness use Continuum of Care Plans when making funding decisions.

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

Historical Perspective

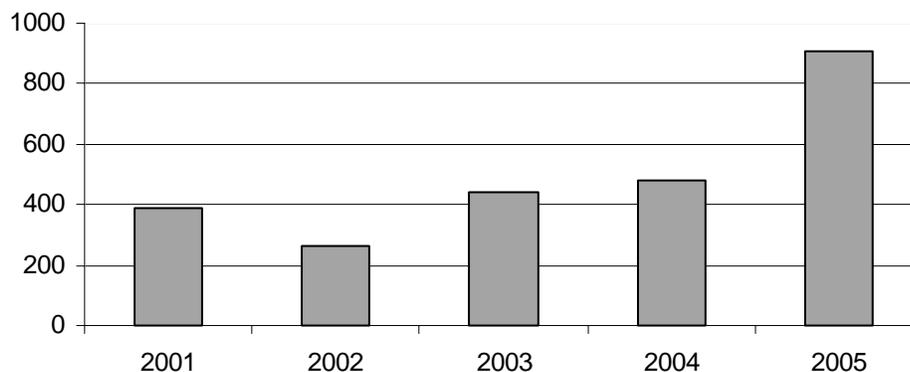
In 2000, the Minnesota Legislature combined the Full-Cycle Homeownership Services program, and the Foreclosure Prevention, and Assistance program to form a new program called the HECAT program. Since many administrators participated in both programs, the merger achieved administrative simplicity.

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

Key Measures

Strong nonprofit developers play an important role in meeting Minnesotan's affordable housing needs. Nonprofit developers more heavily emphasize community involvement and take on projects that the private sector finds less viable. One measurement of the strength of the nonprofit developer community is the number of affordable housing units developed. The number of affordable housing units produced by the 16 nonprofits participating in the Twin Cities operating support and capacity building programs increased from 2003 to 2005.

Number of Units Produced by Assisted Twin City Non-profits



HOUSING FINANCE AGENCY

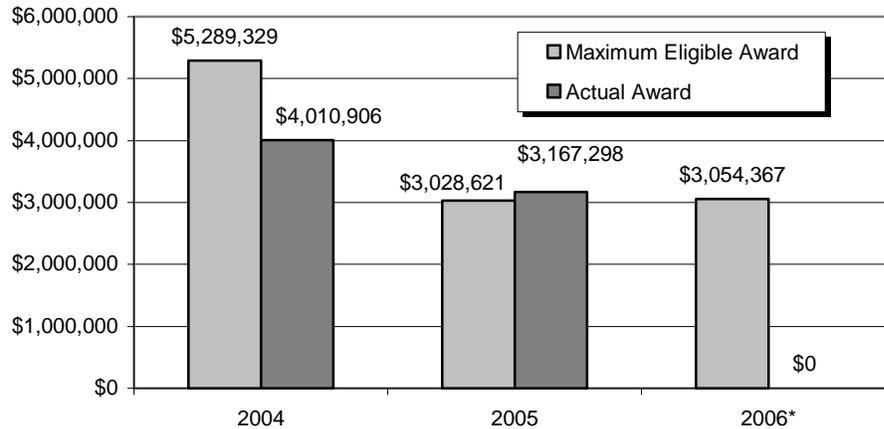
Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Regional Continuum of Care planning is an essential component of the process of applying for federal McKinney-Vento Act funds. These funds assist with the provision of housing and services for homeless households. MHFA, through its financial support of the Regional Continuum of Care planning process in greater Minnesota, increases the likelihood that federal funding opportunities are maximized. In FFY 2005, applications were so strong that bonus funding was awarded in five of the six regions.

McKinney Vento Funding for Greater Minnesota



*NOTE: 2006 Actual - decision pending

Budget

Total state appropriations for this activity were approximately \$2.0 million in the 2006-2007 biennium.

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HOUSING FINANCE AGENCY

Program: APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	1,835	1,205	3,040
Statutory Appropriations					
Housing Finance Agency	2,440	2,850	1,281	1,281	2,562
Total	2,440	2,850	3,116	2,486	5,602
<u>Expenditures by Category</u>					
Payments To Individuals	1,010	1,262	1,020	1,020	2,040
Local Assistance	752	884	1,496	866	2,362
Other Financial Transactions	678	704	600	600	1,200
Total	2,440	2,850	3,116	2,486	5,602

Program Description

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

Budget Activities

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

Budget

	FY 2006	FY 2007	Biennial
Development and Redevelopment Programs			
HOME Rental Rehabilitation Program	\$5,400,000	\$5,400,000	\$10,800,000
Minnesota Urban Rural Homesteading Program (HOME-MURL)	\$2,900,000	\$2,900,000	\$5,800,000
Homeless Prevention and Supportive Housing Programs			
Housing Opportunities for Persons with AIDS (HOPWA)	\$112,000	\$112,000	\$224,000
Economic Development Special Projects Grant		\$248,000	\$248,000
Economic Development Initiative Special Project – Homeless Youth		\$99,000	\$99,000
Neighborhood Initiative Grant – Homeless Youth		\$198,000	\$198,000
Homeownership Loan Programs			
American Dream Downpayment Assistance	\$145,000	\$145,000	\$290,000
Preservation of Federally Assisted Housing Programs			
Section 8 Housing Assistance Payments	\$76,000,000	\$76,000,000	\$152,000,000
HUD Contract Administration	\$72,000,000	\$72,000,000	\$144,000,000
Section 236 Interest Rate Reduction	\$1,600,000	\$1,600,000	\$3,200,000
Resident and Organizational Support			
Community Housing Development Corporation (CHDO)	\$485,000	\$485,000	\$970,000
Operating Grants			
HOME Administration Costs	\$970,000	\$970,000	\$1,940,000
Totals	\$159,612,00	\$160,157,000	\$319,769,000

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Program Summary

	<i>Dollars in Thousands</i>				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	192,673	192,969	189,943	189,505	379,448
Total	192,673	192,969	189,943	189,505	379,448
<u>Expenditures by Category</u>					
Total Compensation	14,077	15,855	16,467	17,046	33,513
Other Operating Expenses	7,413	7,688	7,293	6,276	13,569
Payments To Individuals	164,844	160,576	158,834	158,834	317,668
Local Assistance	1,165	1,008	1,003	1,003	2,006
Other Financial Transactions	5,174	7,842	6,346	6,346	12,692
Total	192,673	192,969	189,943	189,505	379,448
<u>Expenditures by Activity</u>					
Re/Development	9,076	9,700	9,700	9,700	19,400
Supportive Housing	5,256	3,419	1,937	1,937	3,874
Homeownership Loan	20	1,363	146	146	292
Preservation	155,457	153,544	153,000	153,000	306,000
Resident & Organizational Supp	1,408	1,420	1,420	1,420	2,840
Administration	21,456	23,523	23,740	23,302	47,042
Total	192,673	192,969	189,943	189,505	379,448
Full-Time Equivalent (FTE)	182.0	198.8	198.8	198.8	

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Activity Description

The Minnesota Housing Finance Agency's (MHFA) re/development program is instrumental to achieving the Agency's strategic goals of

- ⇒ increasing housing choices for low and moderate-income workers to support economic vitality and
- ⇒ preserving existing affordable housing.

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

MHFA's re/development program funds have been used to finance both rental and homeownership units in new, mixed income developments, new rental housing, and affordable units in new single-family subdivisions.

Population Served

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

Services Provided

The following are the MHFA's non-appropriated re/development programs:

- ⇒ The **HOME Rental Rehabilitation Program** is a federally funded program that provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower income households. Assistance ranges from \$3,000 to \$14,000 per unit. Owners are required to match program assistance on a one to three basis. A network of local administrators assists in administering this program.
- ⇒ The **Urban and Rural HOMEsteading Program (HOME-MURL)** is modeled closely after a previously state funded MURL program. It uses federal HOME block grant funds to provide grants to nonprofit housing providers or cities to acquire single-family residences that are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first-time low and moderate-income homebuyers who are defined as "at risk." This program also strengthens communities by assisting in providing homeownership opportunities. Local units of government and nonprofits deliver this assistance.

Historical Perspective

The HOME funding had previously been used for the rehabilitation of owner-occupied homes as well as the Rental Rehabilitation program and the MURL program. HOME funds were reallocated in 2001 to the MURL program to simplify that program and better meet the new administrative requirements imposed by Housing and Urban Development (HUD) on the HOME program.

In 2003, the Minnesota Legislature expanded the authority under the MURL program to new construction in those instances where the costs of demolition and new construction are less than the costs of acquisition and rehabilitation.

Activity at a Glance

In FFY 2005:

- ◆ 365 rental units in greater Minnesota were rehabbed under the HOME program;
- ◆ The median income of the tenants was \$9,867; and
- ◆ 30 extremely low-income households became homeowners under MURL.

HOUSING FINANCE AGENCY

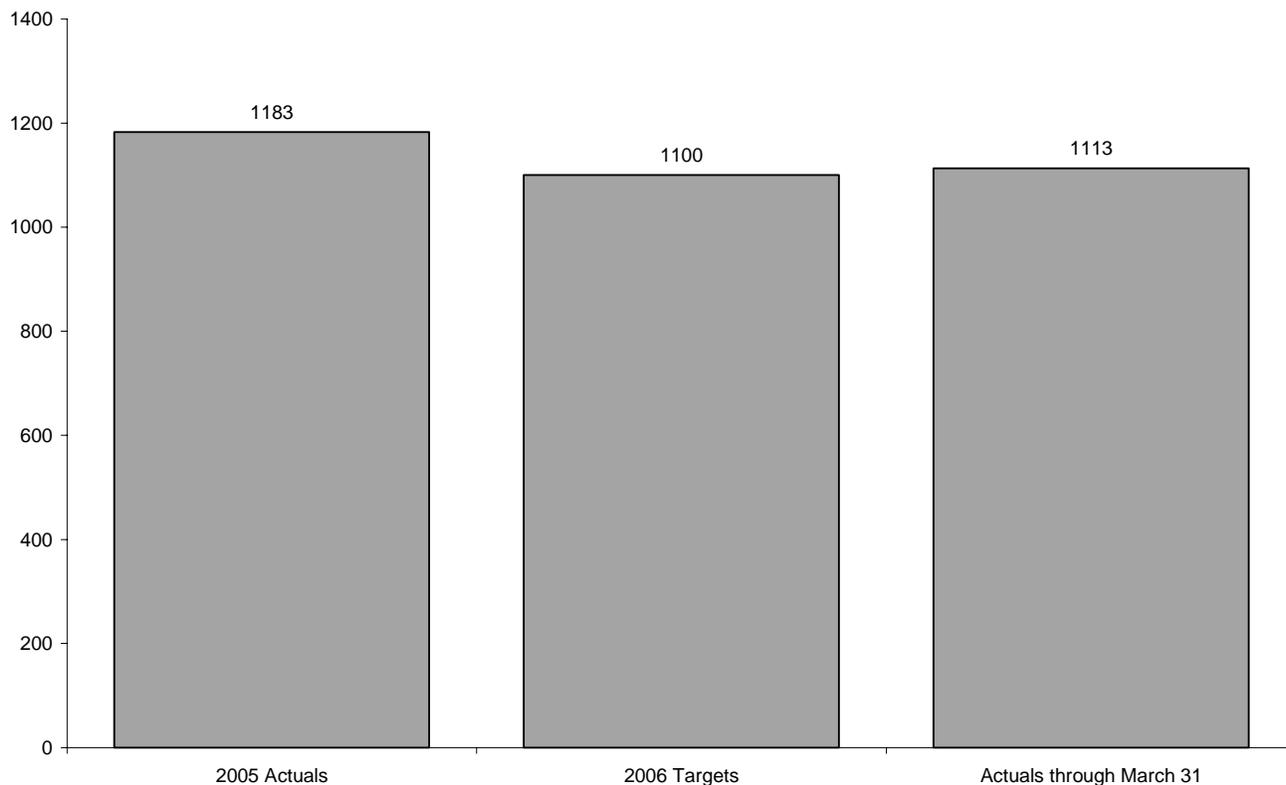
Program: NON APPROPRIATED PROGRAMS

Activity: RE/DEVELOPMENT

Narrative

Key Measures

New affordable rental units constructed or rehabbed



Budget

The non-state budget for this activity was approximately \$16.4 million in the 2006-2007 biennium.

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

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	9,076	9,700	9,700	9,700	19,400
Total	9,076	9,700	9,700	9,700	19,400
<u>Expenditures by Category</u>					
Payments To Individuals	3,919	3,300	3,300	3,300	6,600
Local Assistance	120	200	200	200	400
Other Financial Transactions	5,037	6,200	6,200	6,200	12,400
Total	9,076	9,700	9,700	9,700	19,400

HOUSING FINANCE AGENCY

Program: **NON APPROPRIATED PROGRAMS**

Activity: **HOMELESS PREVENTION AND SUPPORTIVE HOUSING**

Narrative

Activity Description

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

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

Activity at a Glance

- ◆ To date, 65 units of rental housing have been developed or rehabilitated or are in the process of re/development to house persons with HIV/AIDS; and
- ◆ 171 households in greater Minnesota received HOPWA funds in FFY 2005 for emergency assistance of rental, mortgage, and utility payments to assist in housing search and referral services.

Population Served

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

Services Provided

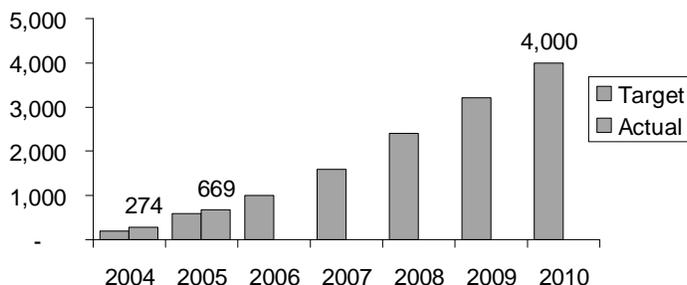
Minnesota Housing Finance Agency's (MHFA's) non-appropriated program in the area of supportive housing has four components:

- ⇒ The **Housing Opportunities for Persons with AIDS (HOPWA)** program is a federally funded program that is administered by the MHFA. It provides resources to devise long-term and comprehensive strategies for meeting the housing needs of persons with AIDS or other related diseases. MHFA's HOPWA funds are used for rental subsidies.
- ⇒ **Economic Development Special Services Grants**
- ⇒ **Economic Development Initiative Special Project – Homeless Youth**
- ⇒ **Neighborhood Initiative Grant – Homeless Youth**

Key Measures

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

Supportive housing opportunities funded for persons experiencing long-term homelessness



HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: HOMELESS PREVENTION AND SUPPORTIVE HOUSING

Narrative

Budget

The non-state budget for this activity was approximately \$860,000 in the 2006-2007 biennium.

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

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	5,256	3,419	1,937	1,937	3,874
Total	5,256	3,419	1,937	1,937	3,874
<u>Expenditures by Category</u>					
Payments To Individuals	5,230	3,166	1,934	1,934	3,868
Local Assistance	26	3	3	3	6
Other Financial Transactions	0	250	0	0	0
Total	5,256	3,419	1,937	1,937	3,874

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: HOMEOWNERSHIP LOAN

Narrative

Activity Description

The homeownership loan programs combine state appropriations with bond proceeds and Minnesota Housing Finance Agency (MHFA) resources to provide affordable loans. Homeownership loan programs also conduct marketing and outreach aimed at reaching underserved populations.

Activity at a Glance

In FFY 2003 –2005:

- ◆ A total of \$12,372.40 was appropriated for downpayment assistance program.
- ◆ FFY 2006 funding: \$145,605.

The homeownership loan program assists in achieving the strategic goal of increasing the homeownership rate of households of color.

Population Served

The homeownership loan programs serve first-time homebuyers.

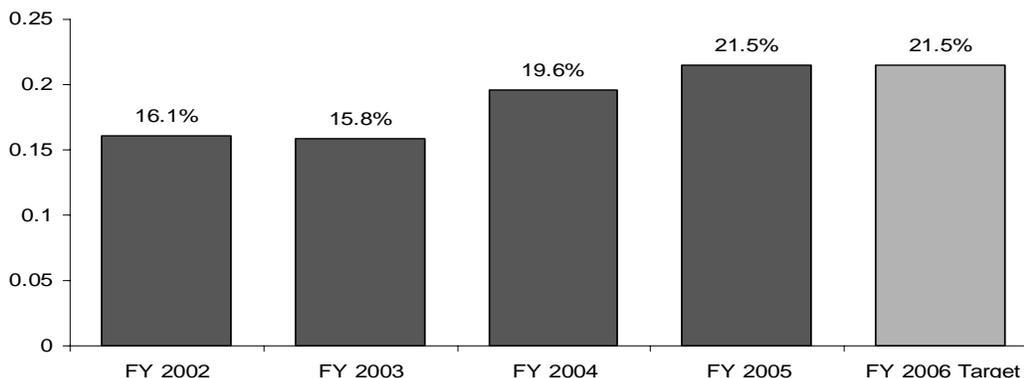
Services Provided

The non-appropriated homeownership loan program is the **American Dream Downpayment Initiative (ADDI)**. This program uses federal block grant funds to provide downpayment assistance towards the purchase of single-family housing by low-income families who are first-time homebuyers. This program has only recently been implemented; the first loans were closed in June of 2006. Federal funding for the program is significantly reduced compared to the initial years.

Key Measures

MHFA estimates that the homeownership gap between white-headed households and households of color and/or Hispanic ethnicity in 2004 was 33 percentage points, placing Minnesota in the top ten states for the largest homeownership gap.

Percentage of Minnesota Housing-assisted first-time home buyers from communities of color and/or Hispanic ethnicity



Source: Minnesota Housing; includes CASA, MMP, MCPP and ECHO.

Budget

The non-appropriated budget for this activity was approximately \$290,000 in the 2006-2007 biennium.

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

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	20	1,363	146	146	292
Total	20	1,363	146	146	292
<u>Expenditures by Category</u>					
Other Financial Transactions	20	1,363	146	146	292
Total	20	1,363	146	146	292

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

Activity Description

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

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

This housing stock is threatened for three reasons:

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

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

Population Served

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

Services Provided

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

Section 8 Housing Assistance Payments: MHFA administers the federal Section 8 Housing Assistance Payments for developments that have contracted with MHFA. The assistance is in the form of rental subsidies to low and moderate-income tenants. The tenant pays no more than 30% of his or her income for rent and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes less than 80% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-81, 100% of the units must be occupied by households with incomes below 50% of area median income; developments with contracts executed before that date must rent at least 30% of the units to households with incomes below 50% of area median income. The Housing Assistance Payments are committed for the remainder of the mortgage term (30 or 40 years).

HUD Contract Administration: MHFA is the contract administrator for HUD developments with project-based Section 8. The assistance is in the form of rental subsidies to extremely low to moderate-income tenants. The tenant pays no more than 30% of his or her income for rent, until their income exceeds the income limits and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes less than 80% of area median income. Owners must rent 40% of their units

Activity at a Glance

For FFY 2005:

- ◆ \$73,457,189 in Section 8 Housing Assistance payments was disbursed for 13,023 units of rental housing;
- ◆ \$86,049,915 in Section 8 Housing Assistance payments was disbursed for 18,145 units of housing for which MHFA is the contract administrator;
- ◆ The median income of the households living in the Section 8 units was about \$10,000; and
- ◆ Every Minnesota county has at least one federally assisted rental project.

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: PRESERVATION

Narrative

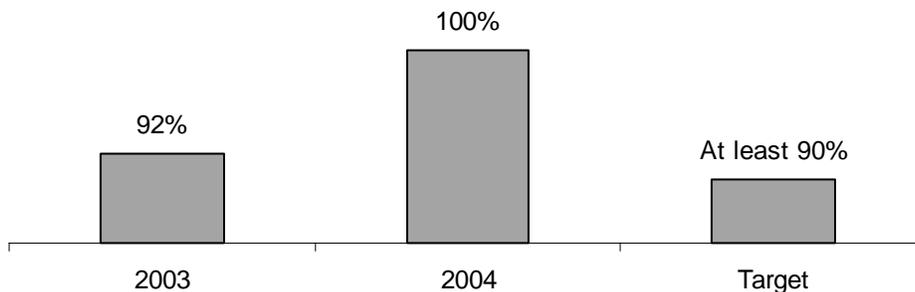
to extremely low income tenants (incomes at or below 30% of area median income). Sixty percent of the turnover units may be rented to households with incomes below 50% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-81, no more than 15% of the turn-over units may be rented to households with incomes between 50% and 80% of the area median income; developments with contracts executed before that date may not rent more than 15% of the turnover units to tenants with incomes at that level. The Housing Assistance Payments are committed for between one and five years.

Section 236 Interest Rate Reduction Program: The agency administers Section 236 interest rate reduction payments for 13 rental housing developments throughout Minnesota. The assistance is in the form of a shallow subsidy provided by HUD to lenders to cover the difference between a 1% interest rate and the market rate on a mortgage loan. Tenants must pay a basic rent, which is calculated on the basis of the reduced interest mortgage, or 30% of the tenant's income, not to exceed a market rent, whichever is greater. Tenants of the units covered by the interest-rate subsidy must have incomes at or below 80% of area median income. In general, the low-income use restrictions apply for at least 20 years.

Key Measures

MHFA has established a performance measure that at least 90% of federally assisted units determined to be at risk for termination of their federal assistance program will be preserved as affordable housing. In FFY 2003, actual performance achieved preservation of 92% of all at risk units.

Percent of federally assisted units determined to be at risk for termination of their federal assistance program that are preserved as affordable



Budget

The non-state budget for this activity was approximately \$300 million in the 2006-2007 biennium.

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HOUSING FINANCE AGENCY
Program: NON APPROPRIATED PROGRAMS
Activity: PRESERVATION

Budget Activity Summary

	<i>Dollars in Thousands</i>				Biennium 2008-09
	Current FY2006	Current FY2007	Governor's Recomm. FY2008	Governor's Recomm. FY2009	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	155,457	153,544	153,000	153,000	306,000
Total	155,457	153,544	153,000	153,000	306,000
<u>Expenditures by Category</u>					
Other Operating Expenses	34	20	20	20	40
Payments To Individuals	155,298	153,490	152,980	152,980	305,960
Local Assistance	8	5	0	0	0
Other Financial Transactions	117	29	0	0	0
Total	155,457	153,544	153,000	153,000	306,000

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Activity Description

This budget activity contributes to Minnesota Housing Finance Agency (MHFA) achieving its strategic goal of being a housing resource of choice.

The resident and organizational support programs provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state. These programs fund homebuyer education and foreclosure prevention, regional planning and coordinating activities, and nonprofit operating costs. Citizen input sessions around the state and over the years consistently identify the lack of capacity as a barrier to producing more affordable housing.

Activity at a Glance

In FFY 2005:

- ◆ 10 CHDO's received operating assistance;
- ◆ 24 HOME administrators serve 61 counties in greater Minnesota and two metro area counties; and
- ◆ All of the organizations receiving CHDO operating grants are actively engaged in the development of affordable housing.

Population Served

- ⇒ Nonprofit development organizations are assisted with the building of their capacity to develop affordable housing; and
- ⇒ Local administrators of the Urban and Rural HOMEsteading Program (HOME).

Services Provided

The MHFA non-appropriated programs resident and organizational support programs are as follows:

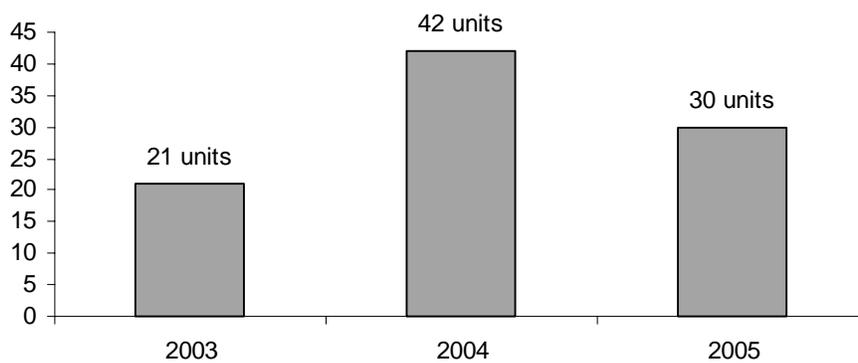
Community Housing Development Corporation (CHDO) Operating Grants: The CHDO Operating Grants program used up to 5% of the annual HOME Investment Partnerships Program appropriation to support nonprofit organizations meeting federal standards on structure and purpose that own, sponsor, or develop affordable housing for low-income families.

HOME Administrative Costs: HOME Administrative Costs up to 10% of the annual HOME Investment Partnerships Program appropriation may be used for the costs of administering the HOME program.

Key Measures

Strong nonprofit developers play an important role in meeting Minnesota's affordable housing needs. Nonprofit developers more heavily emphasize community involvement and take on projects that the private sector finds less viable. One measurement of the strength of the nonprofit developer community is the number of affordable housing units developed.

Number of Units Produced with CHDO Operating Grants



HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Narrative

Budget

Non-state funds for this activity were approximately \$2.9 million in the 2006-2007 biennium.

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HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: RESIDENT & ORGANIZATIONAL SUPP

Budget Activity Summary

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	1,408	1,420	1,420	1,420	2,840
Total	1,408	1,420	1,420	1,420	2,840
<u>Expenditures by Category</u>					
Payments To Individuals	397	620	620	620	1,240
Local Assistance	1,011	800	800	800	1,600
Total	1,408	1,420	1,420	1,420	2,840

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: ADMINISTRATION

Narrative

Activity Description

Through this budget activity, Minnesota Housing Finance Agency (MHFA) works to achieve its strategic goal of being a housing resource of choice.

In April 2003 the governor appointed Tim Marx to be the fourth commissioner of the MHFA since its inception in 1971.

During the FY 2004-2005 biennium, the MHFA developed five strategic goals and began implementing a new strategic plan. A business plan to achieve the strategic goals of ending long-term homelessness was developed and a report delivered to the Minnesota Legislature in March 2004. The 2005 goal under the plan for permanent supportive housing was surpassed. In June 2005, an initiative regarding work on the goal of increasing the homeownership rate on emerging markets was launched in June 2004 a business plan for this initiative was delivered to Governor Pawlenty.

In response, in part, to a customer survey conducted in late 2002, the Multifamily division is engaged in efforts to improve customer service that includes eight specific activities. These actions are intended to streamline processes and make doing business with the MHFA easier and faster while retaining the ability to produce quality, affordable rental housing for those households not being served by the private sector. This is a continued improvement process that includes surveying of customers as part of every request for purchase (RFP) process.

Major information technology improvement efforts continue during the FY 2006-2007 biennium. A new centralized database for Multifamily projects is under development and will result in a web-based application and increased electronic interfaces for sharing and providing data between MHFA and its customers. A single-family mortgage online system is being developed that allows lenders to submit loans for approval and purchase via a web-based system. This will decrease costs and increase efficiency. Both systems are scheduled for completion in calendar year 2007.

A Housing Resource Advisory Committee was established to review the policies and practices adopted by the MHFA in allocating resources and to explore alternative allocations of resources in Minnesota so as to best advance the Agency's mission of meeting Minnesotans' needs for decent, safe, affordable housing and stronger communities.

As of 6-30-2005, MHFA has approximately \$2.84 billion in assets.

Population Served

Low and moderate-income tenants, homebuyers, and homeowners benefit from the administration of agency programs.

Services Provided

Agency staff engages in a number of activities to ensure that both appropriated and non-appropriated funds are well invested and the investments are well managed.

For multifamily properties, one of the major activities is management monitoring with five major components that require review and oversight: 1) underwriting; 2) construction; 3) marketing/initial rent-up; 4) long-term management; and 5) additional oversight for troubled properties. In addition, monitoring for compliance with the federal Section 8, Section 236, Low-Income Housing Tax Credits, and Urban and Rural HOMEsteading Program

Activity at a Glance

For FY 2005:

- ◆ Disbursed \$349.9 million for homeownership programs;
- ◆ Disbursed \$48 million for home improvement and rehabilitation programs;
- ◆ Disbursed \$238 million for rental housing programs;
- ◆ Administered \$6.3 million in housing tax credits for 906 units of rental housing;
- ◆ Oversaw a portfolio of more than 1,205 first mortgages and deferred loans for rental housing; and
- ◆ Issued an aggregate of \$798 million in 25 series of bonds.

HOUSING FINANCE AGENCY

Program: NON APPROPRIATED PROGRAMS

Activity: ADMINISTRATION

Narrative

(HOME) programs must be performed as well as monitoring for compliance with imposed rent and income restrictions.

Activities surrounding the various homeownership assistance provided by MHFA include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

The agency's portfolio grows as additional funds are appropriated for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from a larger portfolio.

The portfolio of federal housing tax credit is growing by approximately 1,200 units per year. Federal law requires that a portion of tax credit units be monitored every year.

Key Measures

In setting an administrative budget, the agency seeks to strike an appropriate balance between maximizing Agency resources available for housing needs and investing in adequate staff and technology to ensure efficient operations, appropriate oversight, and quality housing.

(Dollars in Thousands)

Assistance Provided	Year Ended 9/30/2000	Year Ended 9/30/2001	Year Ended 9/30/2002	Year Ended 9/30/2003	Year Ended 9/30/2004	Year Ended 9/30/2005	Year Ended 9/30/2006	Year Ended 9/30/2007
Total Assistance Provided by the Agency	\$346,020	\$383,016	\$520,956	\$466,806	\$533,983	\$637,314		
Actual Operating Costs	\$15,600	\$16,321	\$18,222	\$19,089	\$20,186	\$20,124	\$19,558	\$23,523 (budgeted)
Operating Costs as a % of Assistance Provided	4.51%	4.26%	3.50%	4.09%	3.78%	3.16%		

Budget

The cost of operating the MHFA in FY 2006 was approximately \$19.6 million. The agency pays for the costs of operation from agency earnings, primarily the spread on revenue bonds. The administrative costs of operating state-appropriated programs are recovered to the extent that there are interest earnings on state appropriations. No core state appropriation is used to fund agency operations.

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HOUSING FINANCE AGENCY
Program: NON APPROPRIATED PROGRAMS
Activity: ADMINISTRATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Housing Finance Agency	21,456	23,523	23,740	23,302	47,042
Total	21,456	23,523	23,740	23,302	47,042
<u>Expenditures by Category</u>					
Total Compensation	14,077	15,855	16,467	17,046	33,513
Other Operating Expenses	7,379	7,668	7,273	6,256	13,529
Total	21,456	23,523	23,740	23,302	47,042
Full-Time Equivalents (FTE)	182.0	198.8	198.8	198.8	

HOUSING FINANCE AGENCY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
Housing Finance Agency	172,353	167,437	166,003	166,003	332,006
Other Revenues:					
Housing Finance Agency	8,665	10,430	9,955	10,055	20,010
Other Sources:					
Housing Finance Agency	26,154	21,562	22,184	23,577	45,761
Total Dedicated Receipts	207,172	199,429	198,142	199,635	397,777
Agency Total Revenue	207,172	199,429	198,142	199,635	397,777

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☞ Designates that this item is a change item



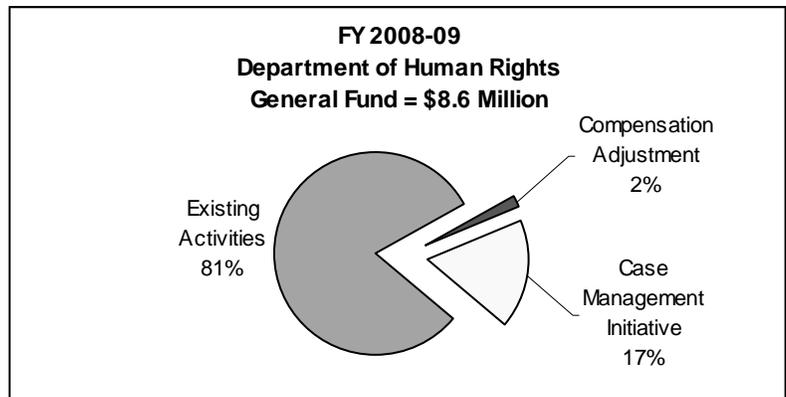
Minnesota Department of Human Rights

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Human Rights budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$8.625 million from the state's General Fund and \$366,000 from other funds, and is a 22.8% increase from FY 2006-07 spending (nearly 80% of the increase is for one-time information systems development costs).

With this budget recommendation, we will be able to increase our capability to meet our mission of stopping illegal discrimination and furthering equal opportunity for all people in Minnesota. 81% of our budget supports our current activities. Seventeen percent of our budget is for the development of a case management system and two percent is dedicated to relieving compensation pressures.



The request for a case management initiative (\$1.458 million) is to replace the current 10-year old complaint processing and contract compliance databases. This initiative will enhance the Department's ability to meet the increased expectations of the public to do business with state agencies efficiently, timely, and as appropriate, on-line on a 24-7 basis.

The Department seeks the following outcomes from this initiative: anyone residing in the state will have better access to Department services regardless of their geographical location or technological sophistication; state agencies and local government will have real-time access to data necessary for their activities; department clientele will have real-time access to their case and certification status and the ability to submit pertinent documentation electronically; data collection will be more comprehensive and enable the department to target educational activities to facilitate timely and effective reallocation of resources; and the Department will be able to recover Data in the event of a disaster.

The second initiative is a compensation adjustment of \$187,000 to cover the anticipated compensation related cost increase for the 2008-09 biennium.

We look forward to working with the legislature in the coming months.

Sincerely,

Velma Korb
Commissioner

Agency Purpose

The mission of the Department of Human Rights is to make Minnesota discrimination free. The department pursues this mission through a coordinated program of law enforcement, prevention education, and community-based conflict resolution.

There are six major objectives that drive all department activities:

- ◆ develop and oversee statewide human rights policies and programs;
- ◆ receive, investigate, and make determinations on charges alleging unfair discriminatory practices;
- ◆ monitor state contractor compliance with applicable affirmative action provisions;
- ◆ educate to eliminate unfair discriminatory practices;
- ◆ develop and disseminate technical assistance to persons subject to the provisions of the Human Rights Act; and
- ◆ assess human rights compliance through voluntary settlement agreements and corrective action plans.

Core Functions

The Department of Human Rights resolves unlawful discrimination through enforcement of the Human Rights Act. Core functions support both the resolution of discrimination complaints, and the promotion of increased fair employment opportunities statewide.

These core functions are:

- ◆ investigating and resolving discrimination complaints in education, housing, employment, and services;
- ◆ reviewing and certifying state contractor compliance with equal employment opportunity regulations; and
- ◆ providing education and technical assistance.

These functions are supported by these guiding principles:

- ◆ Service – enthusiastically performing duties for the people of the state;
- ◆ Quality – delivering results that are distinguished by superior attention to detail and unrivaled execution;
- ◆ Efficiency – productivity without waste or unnecessary expense or effort;
- ◆ Timeliness – responding to requests and scheduled work at a pace – and at intervals – that is peerless;
- ◆ Fairness – applying the Human Rights Act consistently and ethically; following the rules without favoritism, self-interest or bias; and
- ◆ Respect – exhibiting behavior that exemplifies consideration and appreciation of all who are touched by the work of the department.

General

The department serves a varied customer base. People alleging discrimination, those accused of discrimination, the legal community, and state vendors are the primary customers of the department’s business processes. This customer base includes: individuals, school districts, businesses, attorneys, local governments, state agencies, local human rights commissions, landlords, and local and federal human rights enforcement agencies.

The **Contract Compliance Unit** reviews affirmative action plans of businesses and issues Certificates of Compliance to eligible businesses. It also provides consulting services to 2,600 businesses annually and conducts 100 compliance audits per year.

At A Glance

2006 and 2007 State Budget

\$6.98 million General Fund
 \$117,600 Certificate of Compliance Fees (est.)

Revenue Generated for General Fund
 (FY 2006-07, estimated)

\$552,000 Federal Equal Employment
 Opportunity Commission Funds

Annual Business Process (FY 2006)

11,600	inquires/referrals
5,994	jurisdictional complaints evaluated
1,005	formal charges filed and resolved
\$1.38 mil	recovered aggrieved parties
2,600	state contractors
1,953	business equal employment
	opportunity action plans reviewed
3,000	technical assistance with
	businesses
99	compliance audits conducted

The **Enforcement Unit** handles 15,000 inquiries annually and provides referral, charge drafting, investigation, and resolution of 1,005 charges in FY 2006.

The **Education and Outreach Unit** provides constituents with varied educational opportunities to eliminate discrimination including public forums, local training, and the department's annual human rights conference.

Management Services and Administration provides policy leadership; manages external communications and publications; operates accounting, purchasing, and payroll services; provides administrative support, record retention, and organizational performance measurement; and manages departmental databases, web page facilities, and disaster recovery issues.

Budget

The agency's FY 2006-07 budget totals \$6.99 million. Department staff includes 44 full-time equivalent employees.

Of the total budget for the biennium, \$6.8 million comes from the general fund. An additional \$118,000 (est.) of dedicated revenue is generated from Certificate of Compliance fees and Human Rights Day training attendance fees. All Certificate of Compliance dedicated revenue is used to fund the cost of issuing certificates and investigating grievances, while the revenue from the Human Rights Day is used to support the annual training.

Note: The agency will generate an estimated \$552,440 for the biennium through a contract with the Federal Equal Employment Opportunity Commission. All receipts are transferred to the general fund.

Contact

Department of Human Rights
Sibley Square at Mears Park
190 East 5th Street, Suite 700
Saint Paul, Minnesota 55101

World Wide Web Home Page: <http://www.humanrights.state.mn.us>

Phone: (651) 296-5663

Fax: (651) 296-1736

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,490	3,490	3,490	3,490	6,980
Recommended	3,490	3,490	4,955	3,670	8,625
Change		0	1,465	180	1,645
% Biennial Change from 2006-07					23.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,355	3,675	4,905	3,720	8,625
Statutory Appropriations					
Misc Special Revenue	142	148	231	135	366
Total	3,497	3,823	5,136	3,855	8,991
<u>Expenditures by Category</u>					
Total Compensation	2,898	3,142	3,246	3,328	6,574
Other Operating Expenses	599	681	1,890	527	2,417
Total	3,497	3,823	5,136	3,855	8,991
<u>Expenditures by Program</u>					
Contract Compliance	330	408	455	389	844
Complaint Processing	1,489	1,519	1,452	1,525	2,977
Management Services And Admin	1,430	1,589	2,930	1,645	4,575
Education To Eliminate & Outreach	248	307	299	296	595
Total	3,497	3,823	5,136	3,855	8,991
Full-Time Equivalents (FTE)	43.0	42.2	42.2	42.2	

HUMAN RIGHTS DEPARTMENT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: GENERAL</i>				
FY 2007 Appropriations	3,490	3,490	3,490	6,980
Subtotal - Forecast Base	3,490	3,490	3,490	6,980
Change Items				
Case Management System	0	1,403	55	1,458
Compensation Adjustment	0	62	125	187
Total Governor's Recommendations	3,490	4,955	3,670	8,625
<i>Fund: MISC SPECIAL REVENUE</i>				
Planned Statutory Spending	148	231	135	366
Total Governor's Recommendations	148	231	135	366

Program Description

The Contract Compliance activity enforces M.S. 363A.36, which requires that state government agencies do business only with affirmative action/equal opportunity employers. This activity encourages equal employment opportunity (EEO) for qualified minorities, women, and people with disabilities.

Population Served

This activity provides service to over 2,600 Minnesota businesses annually that want to do business with the state. Indirectly, the activity serves potential employees of these firms by promoting equal access to employment opportunities.

Services Provided

The Contract Compliance activity provides enforcement and direct technical services to businesses throughout the state. Audits conducted during the current biennium continue to reveal that small businesses lack resources to implement successful EEO programs. Program evaluation shows that compliance audits have been extremely effective in enhancing business EEO programs; audit recipients outperformed their peers in EEO policy development and in recruiting and maintaining qualified women and minorities in their workforce.

This activity provides the following services:

- ◆ reviewing and assisting businesses in developing EEO action plans;
- ◆ issuing certificates of compliance in a timely manner;
- ◆ conducting compliance audits to provide technical assistance and insure compliance with EEO goals and policies; and
- ◆ evaluating compliance audit data and developing training tools and programs for Minnesota employers.

Historical Perspective

The Contract Compliance activity historically has focused its efforts on conducting “desk audits” of businesses’ affirmative action plans, and providing telephone assistance to businesses in developing and implementing plans that work. During FY 2005, an emphasis was placed on conducting more audits of contractors’ affirmative action commitments. In doing this, the Department set goals (70 audits in FY 2005 and 91 audits in FY 2006) on the number of audits that would be conducted.

In FY 2005 and FY 2006 the Contract Compliance Program was re-structured so that an increased number of audits could be conducted to meet the goals that were set. The Department exceeded its FY 2005 goal by 17 audits and its FY 2006 goal by eight audits.

During FY 2005 and FY 2006 Contract Compliance organized and chaired a committee of state, city, and county civil rights agencies and other stakeholders to update construction goals to be consistent with the new U.S. Census data that became available in 2004. The updated goals became effective February 1, 2006.

Key Measures

A primary indicator of this activity is conducting audits of companies that receive certificates to do business with the state of Minnesota. The purpose of the audits is to identify discriminatory (or potentially discriminatory) practices within the contractor’s organization to ensure that equal opportunity exists in the workplace. If the Department identifies discriminatory practices, it sends non-compliance notices to the contractor and provides technical assistance to correct the areas of non-compliance. In FY 2005, the department issued 46 compliance letters after contractors corrected the identified non-compliance items. In FY 2006, the department issued 63 compliance letters after contractors corrected the problems.

Program at a Glance

- ◆ Over 3,000 consultations with Minnesota businesses in FY 2006
- ◆ 1,953 EEO action plans reviewed in FY 2006
- ◆ 778 Certificates of Compliances were issued in FY 2006
- ◆ 99 compliance audits were conducted in FY 2006

Program Funding

This activity is 85% funded by state general funds in FY 2007, 15% of this activity is funded by revenue generated from certificate of complaints receipts.

Contact

Additional information on this program can be obtained under "information for businesses" on our web site at www.humanrights.state.mn.us

HUMAN RIGHTS DEPARTMENT

Program: CONTRACT COMPLIANCE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	260	341	312	330	642
Statutory Appropriations					
Misc Special Revenue	70	67	143	59	202
Total	330	408	455	389	844
<u>Expenditures by Category</u>					
Total Compensation	301	347	439	383	822
Other Operating Expenses	29	61	16	6	22
Total	330	408	455	389	844
<u>Expenditures by Activity</u>					
Contract Compliance	330	408	455	389	844
Total	330	408	455	389	844
Full-Time Equivalent (FTE)	4.4	4.4	4.4	4.4	

Program Description

M.S. Chapter 363A requires that the agency investigate complaints of unlawful discrimination. While the majority of cases involve claims of discrimination in employment, the agency also has jurisdiction over allegations of discrimination in housing, education, public accommodations, public services, credit, and business contracts.

Population Served

The agency’s services are provided to charging parties, respondents to discrimination charges, attorneys, employers, landlords, business owners, and the general public.

Program at a Glance

- ◆ 11,600 inquiries/referrals FY 2006
- ◆ 851 charges filed FY 2006
- ◆ 56 mediations conducted FY 2006
- ◆ 1,005 cases determined in FY 2006
- ◆ 163 case appeals processed during FY 2006
- ◆ \$1.38 million recovered for aggrieved parties in FY 2006
- ◆ \$276,220 will be generated during the federal FY 2006 for the state general fund

Historical Perspective (External)

Externally, the agency notes the following trends and issues emerging in the human rights arena.

- ◆ Employment remains the largest area for discrimination complaints, over 65% of complaints.
- ◆ In order of occurrence, disability, race, sex, and age are the largest basis for discrimination.
- ◆ We expect more cases in which complainants and/or witnesses do not speak English.
- ◆ Disability cases are increasing and will continue to do so as the population ages.
- ◆ The requirements for multilingual investigators and materials will increase as the immigrant population continues to grow.

Historical Perspective (Internal)

The number of discrimination charges filed with the agency decreased 12.5% from FY 2005 to FY 2006. The change was most observed in employment. The economic improvement is the most likely cause as individuals are more likely to leave employment for other opportunities rather than file complaints. For FY 2007, we project more than 940 charges will be filed with the agency.

During FY 2006 the department experienced the most investigator turnover since the FY 2004 layoffs. Five investigators departed during the year; four left for other governmental agencies while the one was reassigned to another Departmental function. Due to the funding stability over the biennium all positions were filled.

Key Measures

Minnesota Department of Human Rights measures program effectiveness by what is important to our clients; ease of access to the human rights complaint process; timely investigation and determination of disputes; and satisfaction with settlements arising from the process. Performance indicators were measured on June 30, 2006.

Semi-Annual as of:	Dec. 31, 2005	June 30, 2006
Receive, investigate and make determinations on charges of discrimination		
◆ Average number of days to determinations (Goal 345 days)	306 days	313 days
◆ Inventory over 365 days (Goal 0 cases)	2 cases	2 cases
Mediate, where advantageous, charges of unfair discrimination		
◆ Percent of charges referred to mediation (40%)	35%	57%
◆ Percent of cases satisfactorily settled (50%)	19%	22%

Program Funding

This activity is funded 100% by the state General Fund. This activity also generates general fund revenue based on a performance contract with the Equal Employment Opportunity Commission (EEOC). Joint jurisdictional charges filed with the department are cross-filed with the EEOC. Completed cases must meet timeliness standards.

Contact

For more information about this program, visit the agency's web site at www.humanrights.state.mn.us.

HUMAN RIGHTS DEPARTMENT
 Program: COMPLAINT PROCESSING

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,486	1,516	1,440	1,513	2,953
Statutory Appropriations					
Misc Special Revenue	3	3	12	12	24
Total	1,489	1,519	1,452	1,525	2,977
<u>Expenditures by Category</u>					
Total Compensation	1,473	1,463	1,436	1,509	2,945
Other Operating Expenses	16	56	16	16	32
Total	1,489	1,519	1,452	1,525	2,977
<u>Expenditures by Activity</u>					
Complaint Processing	1,489	1,519	1,452	1,525	2,977
Total	1,489	1,519	1,452	1,525	2,977
Full-Time Equivalent (FTE)	22.9	22.9	22.9	22.9	

Program Description

Education in support of the department's mission as found in M.S. 363A.06 (10).

Population Served

This activity serves parties involved in discrimination cases, policy decision-makers, the media, the legal community, department staff, state and federal agencies, school districts, and the general public.

Services Provided

This activity provides external information/education programs. These services include the following:

- ◆ statewide quarterly community forums designed to educate the public about their rights and obligations under the Minnesota Human Rights Act (MHRA);
- ◆ statewide bi-annual employer training showcases to avail employers of existing training and trainers;
- ◆ development and distribution of a statewide K-12 Human Rights curriculum in partnership with the University of Minnesota Human Rights Resource Center;
- ◆ annual Human Rights Day Conference hosted by the department;
- ◆ television and video streaming via the Internet public service human rights message announcements;
- ◆ cable television panel discussions related to Minnesota Human Rights Act protections;
- ◆ newsletter and other information available in department's website; and
- ◆ community involvement with protected class partners and the general public to increase awareness and education

Program at a Glance

- ◆ Annual Human Rights Day Conference (400+ attendees)
- ◆ Quarterly Community Forums (400+ attendees)
- ◆ Bi-annual Employer Showcases (20-30 attendees)
- ◆ Development and distribution of a K-12 Human Rights Curriculum
- ◆ Public Service Announcements
- ◆ Cable television programs with community panelists
- ◆ Electronic Quarterly newsletter (3,600 subscribers)
- ◆ 234,000 web site hits per year

Historical Perspective

During FY 2004 the department was successful in acquiring a grant from the Otto Bremer Foundation to fund an initiative called "Educate to Eliminate" discrimination. This initiative will allow the department to hold quarterly community forums throughout the state, bi-annual employer training showcases to educate employers, business owners and landlords, fund a public service announcement initiative, and to develop a K-12 Human Rights curriculum. The grant funding will not exist beyond FY 2006.

Key Measures

- ⇒ One community forum per quarter.
- ⇒ Two employer showcases per year.
- ⇒ One Human Rights Day Conference per year.
- ⇒ Development, marketing, and distribution of K-12 Human Rights curriculum.
- ⇒ Public service announcements produced and broadcasted.

Program Funding

This activity is 100% funded by the grant or dedicated funding.

Contact

Additional information on this activity can be obtained at www.humanrights.state.mn.us

HUMAN RIGHTS DEPARTMENT

Program: EDUCATION TO ELIMIN & OUTREACH

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	181	231	223	232	455
Statutory Appropriations					
Misc Special Revenue	67	76	76	64	140
Total	248	307	299	296	595
<u>Expenditures by Category</u>					
Total Compensation	168	200	208	217	425
Other Operating Expenses	80	107	91	79	170
Total	248	307	299	296	595
<u>Expenditures by Activity</u>					
Education To Eliminate & Outreach	248	307	299	296	595
Total	248	307	299	296	595
Full-Time Equivalent (FTE)	2.2	2.0	2.0	2.0	

Program Description

Management Services and Administration exists to support the business units of the department and to provide legal, policy, financial, human resources, management information systems (MIS), database management, data practices, facilities and administrative support for the department's mission.

Population Served

This program serves policy decision-makers, the legislature, the media, the legal community, department staff, state, and the general public.

Services Provided

This activity provides internal business support services, policy leadership, and administrative support programs. These services include the following:

- ◆ policy research and development, legislative initiatives coordination, and internal legal consulting and training;
- ◆ data practices enforcement;
- ◆ accounting, purchasing, facilities and contract management;
- ◆ human resources and payroll;
- ◆ management information systems and database management; and
- ◆ administrative support.

Historical Perspective

The department was successful updating its obsolete software and equipment, some of which had not been upgraded since 1994 and was well past its support life-cycle.

During FY 2005 and 2006 all business support and administrative positions were grouped into one division to consolidate the management of resources.

Key Measures

- ⇒ Processing 100% of all payables within 30 days.
- ⇒ Maintaining computer system reliability and availability at 99% during working hours.
- ⇒ Processing 100% of payroll transactions scheduled within the appropriate payroll period.

Program Funding

This activity is 100% funded by the general fund.

Contact

Additional information on this activity can be obtained at www.humanrights.state.mn.us

Program at a Glance

- ◆ 99% reliability in Information Technology (IT) computer systems
- ◆ Processed 100% of all payables within 30 days
- ◆ Processed 100% of payroll transactions scheduled within the appropriate payroll period

HUMAN RIGHTS DEPARTMENT

Program: MANAGEMENT SERVICES AND ADMIN

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,428	1,587	2,930	1,645	4,575
Statutory Appropriations					
Misc Special Revenue	2	2	0	0	0
Total	1,430	1,589	2,930	1,645	4,575
<u>Expenditures by Category</u>					
Total Compensation	956	1,132	1,163	1,219	2,382
Other Operating Expenses	474	457	1,767	426	2,193
Total	1,430	1,589	2,930	1,645	4,575
<u>Expenditures by Activity</u>					
Management Services And Admin	1,430	1,589	2,930	1,645	4,575
Total	1,430	1,589	2,930	1,645	4,575
Full-Time Equivalent (FTE)	13.5	12.9	12.9	12.9	

HUMAN RIGHTS DEPARTMENT

Program: MANAGEMENT SERVICES AND ADMIN

Change Item: Case Management System

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,403	\$55	\$55	\$55
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,403	\$55	\$55	\$55

Recommendation

The Governor recommends \$1.458 million for the replacement of the Department of Human Rights' case tracking and compliance databases with a management information system. The management information system will provide the agency with the ability to conduct its statutory business via a web-based management system, and improve its management of enforcement cases, and affirmative action plans.

Background

Currently the compliance and enforcement activities are supported by databases mandated by the legislature as a result of Legislative Auditor findings (1994). Case management and access to the department is manual. Current department documents are not recoverable in the event of a disaster. Existing infrastructure is unable to take advantage of current and future technologies and business processes. No redundancies exist in the current technology infrastructure.

Anyone in the state will have better access to department services regardless of their geographical location or technological sophistication. State agencies and local government will have real-time access to data necessary for their activities. Department clientele will also have real-time access to their case information and the ability to submit pertinent documentation electronically. Data collection will be more comprehensive and enable the department to target educational activities and facilitate timely reallocation of resources.

The implementation of this case management system would incorporate the following assets:

- ⇒ 24/7 real-time access to case or affirmative action plan status by charging parties, respondents, state agencies, and state contractors via phone and the web.
- ⇒ 24/7 capability for electronic charge filing and providing responses, submittal of affirmative action plans by charging parties, respondents and vendors.
- ⇒ Electronic storage of documents.
- ⇒ Electronic link to input into the EEOC case management system.

Relationship to Base Budget

Current base budget for MIS is \$137,000 with 1.0 FTE. Personnel cost amounts to \$77,000, 56% of the MIS expenditures.

Key Measures

- ⇒ Process charges within one year of the last alleged incident.
- ⇒ Receive, investigate, and make determinations on charges alleging discrimination within 365 Days.
- ⇒ Review and notification of Affirmative Action Plan approval within 15 Days.

HUMAN RIGHTS DEPARTMENT

Program: MANAGEMENT SERVICES AND ADMIN

Change Item: Case Management System

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	\$0	\$0	\$0	\$0	\$0	\$0
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	1,000	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	403	55	55	55	55	55
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	\$1,403	\$55	\$55	\$55	\$55	\$55

Statutory Change: Not Applicable

HUMAN RIGHTS DEPARTMENT

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$62	\$125	\$125	\$125
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$62	\$125	\$125	\$125

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25 percent per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

HUMAN RIGHTS DEPARTMENT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<i>Non Dedicated Revenue:</i>					
Total Non-Dedicated Receipts	0	0	0	0	0
<i>Dedicated Receipts:</i>					
Departmental Earnings:					
Misc Special Revenue	58	59	59	59	118
Grants:					
Misc Special Revenue	4	0	0	0	0
Federal	276	276	300	300	600
Other Revenues:					
Misc Special Revenue	74	79	67	67	134
Total Dedicated Receipts	412	414	426	426	852
Agency Total Revenue	412	414	426	426	852

The Department has a work-sharing agreement with the Equal Employment Opportunity Commission (EEOC) to assist it in the enforcement Title VII of the Civil Rights Act of 1964, as amended (Title VII); the Age Discrimination in Employment Act (ADEA) of 1967, as amended; and the Americans with Disabilities Act (ADA) of 1990, as amended. Cases investigated are limited to cases that fall under the jurisdiction of MS 363A.

The revenue earned through this agreement is transferred to the General Fund for cancellation as a non-dedicated receipt. In FY 2006, the General Fund realized \$275,400. In FY 2007 the proceeds are estimated at \$276,000. For the FY 2008-09 biennium, the proceeds are estimated at \$300,000 each year.

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↻ Designates that this item is a change item



Minnesota Department of **Human Services**

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Human Services' budget recommendation for the fiscal years (FY) 2008-09 biennial budget. This budget consists of \$9.3 billion from the state's General Fund and \$12.9 billion from other funds, and is a 14.4% increase from FY 2006-07 all funds spending and a 1.6% increase from the FY 2008-09 all funds forecast base.

As the graphic indicates, the majority of the Department's General Fund appropriation provides health care through the purchase of coverage or services, including both basic health care and long-term care, and the provision of direct care through state-operated services.

The 15.4% growth in the Department's General Fund budget from the FY 2006-07 biennium results from both proposed new investments and forecasted growth in existing programs under current law. Forecast estimates for FY 2008-09 include projected growth in utilization and cost of services, as well as increased enrollment of approximately 17,000 recipients. Because of these factors, spending under current law is estimated to grow by \$1.1 billion or 13.7% between FY 2006-07 and FY 2008-09. Clearly, additional investments in health and human services must be targeted carefully in the context of current law spending growth.

I am pleased to present a budget recommendation with new, strategic investments in health and human service programs. This budget would accomplish the following health care policy goals:

- Reform access to health care coverage for children
- Improve mental health service delivery and infrastructure
- Pay health care providers for performance
- Maintain long-term care infrastructure with a cost-of-living adjustment

In addition, the budget recommendation invests additional resources to achieve the Governor's goal of ending long-term homelessness; begins a voluntary system under which providers of publicly-funded child care are rewarded for higher quality care; and helps address -- in the short term -- the significant anticipated loss of federal funding supporting core county case management services for vulnerable populations.

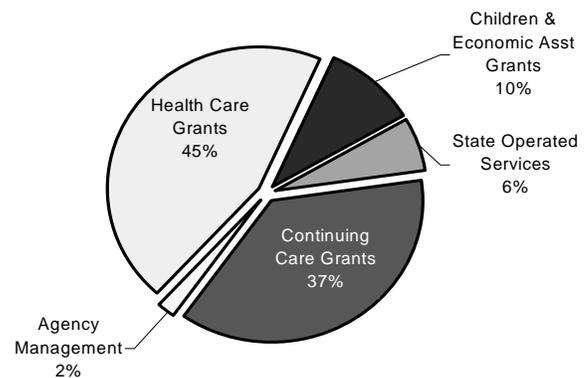
With this budget recommendation, we will be able to maintain our current commitment to helping people meet their basic needs so they can live in dignity and achieve their highest potential.

I look forward to working with you in adopting the FY 2008-09 biennial budget.

Sincerely,

Cal Ludeman
Commissioner

FY 2008-09 General Fund Spending



Agency Purpose

The Minnesota Department of Human Services (DHS) helps people meet their basic needs so they can live in dignity and achieve their highest potential.

Ensuring basic health care for low-income Minnesotans, DHS administers

- ◆ Medical Assistance (MA), Minnesota's Medicaid program for low-income seniors, children and parents, and people with disabilities.
- ◆ MinnesotaCare for residents who don't have access to affordable private health insurance and don't qualify for other programs.
- ◆ General Assistance Medical Care (GAMC), primarily for adults without dependent children.

Helping Minnesotans support their families

DHS works with counties and tribes to help low-income families with children achieve self-sufficiency through programs such as the Minnesota Family Investment Program (MFIP), the Diversionary Work Program (DWP), child support enforcement, child care assistance, food support, refugee cash assistance, and employment services.

Aiding children and families in crisis

DHS supports families to ensure that children in crisis receive the services they need quickly and close to home so they can lead safe, healthy, and productive lives. DHS guides statewide policy in child protection services, out-of-home care, and permanent homes for children.

Assisting people with disabilities

DHS promotes independent living for people with disabilities by encouraging community-based services rather than institutional care. DHS sets statewide policy and standards for care and provides funding for developmental disability services, mental health services, and chemical health services. DHS also provides services for people who are deaf or hard-of-hearing through its regional offices in Bemidji, Duluth, Mankato, Moorhead, Rochester, St. Cloud, St. Paul, St. Peter, and Virginia.

Direct care services

DHS provides an array of programs serving people with mental illness, developmental disabilities, chemical dependency, or acquired brain injury and people who pose a risk to society. These services include 16-bed psychiatric hospitals being developed in Alexandria, Annandale, Baxter, Bemidji, Cold Spring, Fergus Falls, Rochester, St. Peter, and Wadena; a mental health crisis center in Mankato; Anoka-Metro Regional Treatment Center; Minnesota State Operated Community Services, which provides day training, habitation, and residence services to people with disabilities; and Community Support Services,

At A Glance

Health care programs

- ◆ Almost 662,000 people served in FY 2005
- ◆ Medical Assistance (MA) — 483,000 people
- ◆ MinnesotaCare — 142,000 people
- ◆ General Assistance Medical Care (GAMC) — 37,000 people

Economic assistance programs

- ◆ Food Support — 250,000 people per month
- ◆ Minnesota Family Investment Program (MFIP) and Diversionary Work Program (DWP) cases — 40,000 families
- ◆ General Assistance — 14,100 people
- ◆ More than 407,000 parents assisted through Child Support Enforcement
- ◆ \$595 million in child support payments collected in FY 2005
- ◆ 16,900 families received child care assistance for 30,000 children in FY 2005

Child welfare services

- ◆ Of more than 14,700 children in out-of-home placement in 2005, more than 10,500 children received care from foster families.
- ◆ About 6,000 children were cared for by adoptive parents or relatives who receive financial assistance and support for children's special needs in calendar year 2005.
- ◆ 732 children under state guardianship were adopted in calendar year 2005.

Mental health services

- ◆ 108,040 adults received publicly-funded mental health services in 2005.
- ◆ 41,524 children received publicly-funded mental health services in 2005.

Operations and two-year state budget

- ◆ FY 2006-07 \$8.2 billion General Fund budget
- ◆ FY 2006-07 \$17.8 billion all funds budget
- ◆ 87% of DHS' general fund budget is spent on health care and long-term care programs and related services
- ◆ 43,000 health care providers
- ◆ 41 million health encounters and claims processed
- ◆ Approximately 97% of DHS' budget goes toward program expenditures
- ◆ Approximately 3% of DHS' budget is spent on central office administration

which supports people with disabilities in the community and in crisis homes. DHS also provides treatment for people civilly committed as sexual psychopathic personalities and/or sexually dangerous persons in the Minnesota Sex Offender Program at Moose Lake and St. Peter; people committed as mentally ill and dangerous at the Minnesota Security Hospital in St. Peter; and people who are developmentally disabled and present a risk to society at the Minnesota Extended Treatment Options Program in Cambridge.

Promoting independent living for seniors

DHS supports quality care and services for older Minnesotans so they can live as independently as possible. Quality assurance and fiscal accountability for the long-term care provided to low-income elderly people, including both home and community-based services and nursing home care, are key features.

Operations

DHS has a wide variety of customers and business partners, including the state's 87 counties and 43,000 health care providers. DHS provides significant operational infrastructure to Minnesota's human services programs, most of which are provided at the county level.

DHS licenses about 26,400 service providers, including group homes, treatment programs for people with chemical dependency, mental illness, or developmental disabilities, child care providers, and foster care providers. DHS also monitors their compliance with Minnesota laws and rules, investigates reports of possible maltreatment, and completes background studies on individuals who provide direct care.

DHS' operations support other providers who directly serve Minnesotans. DHS oversees significant computer systems support for: MAXIS, which determines eligibility for economic assistance programs; PRISM, the child support enforcement system; the Medicaid Management Information System (MMIS), which pays medical claims for publicly-funded health care programs; the Social Service Information System (SSIS), an automated child welfare case management system for child protection, children's mental health, and out-of-home placement; and MEC², the Minnesota Electronic Child Care system.

Budget

DHS is one of the state's largest agencies, comprising 34.4% of the state's total spending from all sources. DHS's FY 2006-07 budget from all funding sources totals \$17.8 billion. Of the total budget for the biennium, \$8.2 billion comes from general fund tax dollars. The remaining \$9.7 billion comes from federal revenue and other funds, such as the Health Care Access Fund, Enterprise Fund and agency fund. Approximately 6,350 full-time-equivalent employees work for DHS.

Contact

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Saint Paul, Minnesota 55164-0998
Phone: (651) 431-2709

World Wide Web Home Page: <http://www.dhs.state.mn.us>

General Information:

Phone: (651) 431-2000
TTY/TDD: (800) 627-3529

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us>.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,969,272	4,200,021	4,200,021	4,200,021	8,400,042
Recommended	3,969,272	4,180,243	4,509,596	4,850,114	9,359,710
Change		(19,778)	309,575	650,093	959,668
% Biennial Change from 2006-07					14.8%
State Government Spec Revenue					
Current Appropriation	534	534	534	534	1,068
Recommended	534	534	545	555	1,100
Change		0	11	21	32
% Biennial Change from 2006-07					3%
Health Care Access					
Current Appropriation	283,517	366,837	366,837	366,837	733,674
Recommended	283,517	333,630	459,823	485,715	945,538
Change		(33,207)	92,986	118,878	211,864
% Biennial Change from 2006-07					53.2%
Federal Tanf					
Current Appropriation	273,355	303,905	303,905	303,905	607,810
Recommended	273,355	283,188	277,354	271,434	548,788
Change		(20,717)	(26,551)	(32,471)	(59,022)
% Biennial Change from 2006-07					-1.4%
Lottery Cash Flow					
Current Appropriation	1,481	1,606	1,606	1,606	3,212
Recommended	1,481	1,606	1,459	1,462	2,921
Change		0	(147)	(144)	(291)
% Biennial Change from 2006-07					-5.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,768,327	4,120,293	4,509,596	4,850,114	9,359,710
State Government Spec Revenue	519	549	545	555	1,100
Health Care Access	271,775	329,496	459,823	485,715	945,538
Federal Tanf	270,760	294,176	277,354	271,434	548,788
Lottery Cash Flow	1,383	1,704	1,459	1,462	2,921
Statutory Appropriations					
General	55,664	40,323	58,488	61,101	119,589
Health Care Access	20,670	19,244	20,016	18,288	38,304
Misc Special Revenue	284,311	331,328	159,224	156,040	315,264
Federal	3,833,429	4,091,752	4,373,908	4,622,754	8,996,662
Miscellaneous Agency	621,732	832,469	829,740	829,595	1,659,335
Gift	37	40	36	36	72
Endowment	1	1	1	1	2
Revenue Based State Oper Serv	75,381	77,443	77,443	77,443	154,886
Mn Neurorehab Hospital Brainer	17,616	17,470	17,470	17,470	34,940
Dhs Chemical Dependency Servs	17,535	18,574	18,574	18,574	37,148
Total	9,239,140	10,174,862	10,803,677	11,410,582	22,214,259

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Category</u>					
Total Compensation	412,475	475,464	465,558	467,368	932,926
Other Operating Expenses	311,309	398,759	350,251	342,148	692,399
Capital Outlay & Real Property	531	77	77	77	154
Payments To Individuals	7,017,005	7,603,090	8,260,990	8,891,930	17,152,920
Local Assistance	873,963	1,044,195	1,071,030	1,050,892	2,121,922
Other Financial Transactions	623,857	653,277	652,774	652,629	1,305,403
Transfers	0	0	2,997	5,538	8,535
Total	9,239,140	10,174,862	10,803,677	11,410,582	22,214,259
<u>Expenditures by Program</u>					
Agency Management	64,736	73,522	71,847	72,116	143,963
Revenue & Pass Through Expend	1,014,233	1,312,031	1,315,006	1,307,821	2,622,827
Children & Economic Assist Gr	1,105,089	1,215,579	1,296,490	1,304,465	2,600,955
Children & Economic Asst Mgmt	88,220	105,323	102,657	100,626	203,283
Health Care Grants	3,615,552	3,903,698	4,324,106	4,705,605	9,029,711
Health Care Management	78,385	102,876	87,846	83,764	171,610
Continuing Care Grants	2,900,049	3,003,656	3,178,193	3,407,731	6,585,924
Continuing Care Management	31,377	42,790	38,696	38,616	77,312
State Operated Services	341,499	415,387	388,836	389,838	778,674
Total	9,239,140	10,174,862	10,803,677	11,410,582	22,214,259
Full-Time Equivalents (FTE)	6,559.5	7,128.0	7,002.8	6,888.8	

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	4,200,021	4,200,021	4,200,021	8,400,042
Technical Adjustments				
Approved Transfer Between Appr		0	(1)	(1)
Biennial Appropriations		500	0	500
Current Law Base Change		27,420	20,877	48,297
End-of-session Estimate		267,881	575,762	843,643
Fund Changes/consolidation		0	0	0
November Forecast Adjustment	(19,778)	(34,757)	(30,139)	(64,896)
Program/agency Sunset		(1,500)	(1,500)	(3,000)
Subtotal - Forecast Base	4,180,243	4,459,565	4,765,020	9,224,585
Change Items				
Background Studies: Comp with Fed Req	0	2,177	1,946	4,123
MFIP Federal Compliance	0	227	146	373
MFIP For Legal Non-Citizens Continuation	0	968	1,136	2,104
MFIP Time Limit and Program Violations	0	(11)	(63)	(74)
Child Care Assistance Program	0	1,528	2,181	3,709
Adoption Asst and Relative Custody Asst	0	3,546	6,725	10,271
County Case Mgmt Federal Funding Loss	0	40,000	0	40,000
Long-Term Homeless Implementation	0	2,000	2,000	4,000
Immigration Status Validation at Recert	0	22	22	44
Client Medical Access Mileage Adjustment	0	660	782	1,442
QCare: Pay for Performance	0	845	1,002	1,847
QCare: Physician Directed Care Coord	0	312	13	325
Extension of Critical Access Dental	0	4,744	5,643	10,387
Admin Funding for Citizen Documentation	0	697	447	1,144
Long-Term Care Payment Adjustment	0	22,148	69,748	91,896
Elderly Waiver Assisted Living Coverage	0	177	(81)	96
Home & Community Based Svcs Provider Std	0	1,408	3,108	4,516
Mental Health Initiatives	0	1,841	6,781	8,622
Services For Deaf & Hard of Hearing	0	647	1,015	1,662
HIV/AIDS Insurance Program Funding	0	(1,150)	(1,150)	(2,300)
Nursing Home Report Card Expansion	0	25	25	50
Minnesota Security Hospital Census Adj	0	(1,659)	(1,659)	(3,318)
TANF Refinancing	0	(40,000)	(32,700)	(72,700)
Compensation Adjustment	0	8,879	18,027	26,906
Total Governor's Recommendations	4,180,243	4,509,596	4,850,114	9,359,710
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	534	534	534	1,068
Subtotal - Forecast Base	534	534	534	1,068
Change Items				
Compensation Adjustment	0	11	21	32
Total Governor's Recommendations	534	545	555	1,100
Fund: HEALTH CARE ACCESS				
FY 2007 Appropriations	366,837	366,837	366,837	733,674
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		(774)	(3,454)	(4,228)
End-of-session Estimate		97,447	101,883	199,330
November Forecast Adjustment	(33,207)	(20,467)	(28,079)	(48,546)
Subtotal - Forecast Base	333,630	443,043	437,187	880,230
Change Items				
Immigration Status Validation at Recert	0	41	36	77

HUMAN SERVICES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Healthy Connections	0	1,694	15,061	16,755
Admin Funding for Citizen Documentation	0	41	41	82
Mental Health Initiatives	0	13,066	30,761	43,827
HIV/AIDS Insurance Program Funding	0	1,550	1,850	3,400
Compensation Adjustment	0	388	779	1,167
Total Governor's Recommendations	333,630	459,823	485,715	945,538
Fund: FEDERAL TANF				
FY 2007 Appropriations	303,905	303,905	303,905	607,810
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		(36,588)	(36,588)	(73,176)
End-of-session Estimate		(12,156)	(9,865)	(22,021)
November Forecast Adjustment	(20,717)	(18,816)	(20,842)	(39,658)
Subtotal - Forecast Base	283,188	236,345	236,610	472,955
Change Items				
MFIP Federal Compliance	0	1,259	2,124	3,383
TANF Refinancing	0	39,750	32,700	72,450
Total Governor's Recommendations	283,188	277,354	271,434	548,788
Fund: LOTTERY CASH FLOW				
FY 2007 Appropriations	1,606	1,606	1,606	3,212
Technical Adjustments				
Current Law Base Change		(150)	(150)	(300)
Subtotal - Forecast Base	1,606	1,456	1,456	2,912
Change Items				
Compensation Adjustment	0	3	6	9
Total Governor's Recommendations	1,606	1,459	1,462	2,921
Fund: GENERAL				
Planned Statutory Spending	40,323	58,488	61,101	119,589
Total Governor's Recommendations	40,323	58,488	61,101	119,589
Fund: HEALTH CARE ACCESS				
Planned Statutory Spending	19,244	20,809	21,003	41,812
Change Items				
Healthy Connections	0	(793)	(2,715)	(3,508)
Total Governor's Recommendations	19,244	20,016	18,288	38,304
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	331,328	158,574	155,390	313,964
Change Items				
Background Studies: Fee Alignment	0	650	650	1,300
Total Governor's Recommendations	331,328	159,224	156,040	315,264
Fund: FEDERAL				
Planned Statutory Spending	4,091,752	4,333,530	4,589,676	8,923,206
Change Items				
MFIP Federal Compliance	0	378	378	756
TANF Refinancing	0	40,000	32,700	72,700
Total Governor's Recommendations	4,091,752	4,373,908	4,622,754	8,996,662

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	832,469	829,740	829,595	1,659,335
Total Governor's Recommendations	832,469	829,740	829,595	1,659,335
Fund: GIFT				
Planned Statutory Spending	40	36	36	72
Total Governor's Recommendations	40	36	36	72
Fund: ENDOWMENT				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
Fund: REVENUE BASED STATE OPER SERV				
Planned Statutory Spending	77,443	77,443	77,443	154,886
Total Governor's Recommendations	77,443	77,443	77,443	154,886
Fund: MN NEUROREHAB HOSPITAL BRAINER				
Planned Statutory Spending	17,470	17,470	17,470	34,940
Total Governor's Recommendations	17,470	17,470	17,470	34,940
Fund: DHS CHEMICAL DEPENDENCY SERVS				
Planned Statutory Spending	18,574	18,574	18,574	37,148
Total Governor's Recommendations	18,574	18,574	18,574	37,148
Revenue Change Items				
Fund: GENERAL				
Change Items				
Background Studies: Comp with Fed Req	0	871	778	1,649
MFIP Federal Compliance	0	66	58	124
Child Care Assistance Program	0	122	78	200
Adoption Asst and Relative Custody Asst	0	168	149	317
Long-Term Homeless Implementation	0	40	40	80
QCare: Pay for Performance	0	54	94	148
QCare: Physician Directed Care Coord	0	61	90	151
Admin Funding for Citizen Documentation	0	279	179	458
Elderly Waiver Assisted Living Coverage	0	124	100	224
Home & Community Based Svcs Provider Std	0	554	684	1,238
Mental Health Initiatives	0	2,288	4,576	6,864
Services For Deaf & Hard of Hearing	0	85	77	162
Nursing Home Report Card Expansion	0	10	10	20
Minnesota Security Hospital Census Adj	0	(166)	(166)	(332)
Compensation Adjustment	0	1,708	3,468	5,176
Fund: HEALTH CARE ACCESS				
Change Items				
Immigration Status Validation at Recert	0	16	14	30
Healthy Connections	0	(659)	(2,197)	(2,856)
Admin Funding for Citizen Documentation	0	16	16	32
Mental Health Initiatives	0	69	675	744
Compensation Adjustment	0	155	311	466
Fund: MISC SPECIAL REVENUE				
Change Items				
Background Studies: Fee Alignment	0	650	650	1,300
Fund: FEDERAL				
Change Items				
MFIP Federal Compliance	0	378	378	756

HUMAN SERVICES DEPT

Change Summary

	<i>Dollars in Thousands</i>			
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
TANF Refinancing	0	40,000	32,700	72,700

Program Description

The purpose of the Agency Management program is to provide financial, legal, regulatory, management (e.g., personnel, telecommunications, and facility management), and information technology support to all Department of Human Services policy areas and programs.

Budget Activities

This program includes the following budget activities:

- ⇒ Financial Operations
- ⇒ Legal and Regulatory Operations
- ⇒ Management Operations
- ⇒ Technology Operations

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	46,899	46,782	46,782	46,782	93,564
Technical Adjustments					
Approved Transfer Between Appr			(1,546)	(1,538)	(3,084)
Fund Changes/consolidation			95	95	190
Subtotal - Forecast Base	46,899	46,782	45,331	45,339	90,670
Governor's Recommendations					
Background Studies: Comp with Fed Req		0	2,177	1,946	4,123
Home & Community Based Svcs Provider Std		0	282	504	786
Compensation Adjustment		0	475	959	1,434
Total	46,899	46,782	48,265	48,748	97,013
State Government Spec Revenue					
Current Appropriation	415	415	415	415	830
Subtotal - Forecast Base	415	415	415	415	830
Governor's Recommendations					
Compensation Adjustment		0	9	17	26
Total	415	415	424	432	856
Health Care Access					
Current Appropriation	5,164	5,242	5,242	5,242	10,484
Technical Adjustments					
Approved Transfer Between Appr			2,593	2,465	5,058
Current Law Base Change			37	80	117
Subtotal - Forecast Base	5,164	5,242	7,872	7,787	15,659
Governor's Recommendations					
Healthy Connections		0	94	84	178
Compensation Adjustment		0	52	104	156
Total	5,164	5,242	8,018	7,975	15,993
Federal Tanf					
Current Appropriation	222	222	222	222	444
Subtotal - Forecast Base	222	222	222	222	444
Total	222	222	222	222	444
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	44,824	49,538	48,265	48,748	97,013
State Government Spec Revenue	429	415	424	432	856
Health Care Access	5,749	8,352	8,018	7,975	15,993
Federal Tanf	163	222	222	222	444
Statutory Appropriations					
Misc Special Revenue	12,441	13,698	13,616	13,437	27,053
Federal	1,130	1,297	1,302	1,302	2,604
Total	64,736	73,522	71,847	72,116	143,963

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Category</u>					
Total Compensation	31,259	37,894	38,981	39,738	78,719
Other Operating Expenses	33,477	35,628	29,995	29,507	59,502
Transfers	0	0	2,871	2,871	5,742
Total	64,736	73,522	71,847	72,116	143,963
<u>Expenditures by Activity</u>					
Financial Operations	12,470	12,231	10,858	11,270	22,128
Legal & Regulatory Operations	11,588	13,292	18,412	18,449	36,861
Management Operations	3,790	4,824	5,079	5,135	10,214
Technology Operations	36,888	43,175	37,498	37,262	74,760
Total	64,736	73,522	71,847	72,116	143,963
Full-Time Equivalents (FTE)	434.5	496.7	514.2	517.2	

Activity Description

Financial Operations manages the financial processes and reporting to support agency programs. Financial Operations assures fiscal integrity of agency programs by maintaining standards and procedures that are consistent with state and federal law and appropriate business practices.

Population Served

Because Financial Operations provides services to all Department of Human Services (DHS) policy and operations areas, virtually all agency clients benefit directly or indirectly.

Services Provided

Financial Operations forecasts program expenditures and revenues, prepares reports and analyses of expenditures and revenues, and prepares fiscal notes projecting the effects of policy changes. Specific forecasting activities include:

- ◆ producing the November and February program expenditure and enrollment forecasts;
- ◆ reporting and analyzing county expenditures;
- ◆ reporting and analyzing federal funding and revenues;
- ◆ preparing internal management reports on administrative and grant expenditures; and
- ◆ producing fiscal notes and other projections of the fiscal impact of policy changes.

Financial Operations provides agency-wide accounting and financial support, including:

- ◆ establishing financial procedure guidelines for all agency fiscal activities;
- ◆ managing accounts receivable and ensuring collection of funds from all possible sources;
- ◆ maintaining fiscal records through the Minnesota Accounting and Procurement System (MAPS) and generating, distributing, and maintaining the accounting reports on state, federal, and other funds expended by the agency; and
- ◆ updating and maintaining computer interfaces and seeking new technology to improve agency fiscal operations and to enable more efficient financial transactions with customers and business partners.

Financial Operations is responsible for development and management of the agency's biennial, supplemental, and capital budgets.

Financial Operations activities include development and management of ongoing fiscal policies and strategies to support policy objectives, meet changing federal requirements, and ensure fiscal accountability.

Financial Operations provides technical assistance to internal and external customers, by:

- ◆ providing resources and technical assistance for agency policy staff and county staff on grants and allocations, potential revenue enhancement programs, MAPS operations and reporting, program fiscal requirements, federal claiming, reports, and payments, and statewide program costs and revenues;
- ◆ improving our understanding of county, tribal, and other local partners' perspectives through DHS-county fiscal staff exchanges, partnering with counties on the annual Association of Minnesota Social Service Accountants conference, participating in regional and topical meetings with counties, tribes, collaboratives, and other partners, attending Minnesota Association of County Social Service Administrators (MACSSA) committees, best practices, and other groups; and
- ◆ improving fiscal education and training opportunities for agency staff, counties, tribes, and other business partners through the use of current technology, on-site visits, interactive video, and the web.

Activity at a Glance

- ◆ Develops and manages \$17.8 billion biennial budget.
- ◆ Processes approximately \$4.5 billion in annual receipts.
- ◆ Develops financial reports and analyses for about 290 grant programs.
- ◆ Manages federal Single Audit Act activities for more than 280 organizations that receive federal human services funding.
- ◆ Prepares expenditure forecasts for more than 10 agency programs.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: FINANCIAL OPERATIONS

Narrative

Financial Operations includes internal auditing to provide management with an independent appraisal of the agency's fiscal management and programmatic controls. It is a managerial control that functions by measuring and evaluating the effectiveness of other department control mechanisms. Activities include:

- ◆ evaluating the agency's system of internal controls, conducting management-requested operational reviews, and auditing counties, grantees, contractors, and vendors for fiscal and compliance requirements;
- ◆ investigating suspected or alleged misuse of state resources;
- ◆ acting as the agency's liaison for external audit groups;
- ◆ managing the agency's federal single audit report requirements; and
- ◆ operating a computer forensic laboratory to assist and the agency's human resources division and other state agencies with personnel investigations.

Financial Operations includes Health Care Programs Audits and Evaluation, which provides the department with recipient eligibility verification for the MinnesotaCare and Medical Assistance programs required under state statute and federal regulations pertaining to Medicaid Eligibility Quality Control (MEQC). In accordance with a federal waiver to the MEQC regulations, subpopulations of enrollees and applicants eligible for federal financial participation are randomly audited. Activities also include:

- ◆ eligibility reviews of State Children's Health Insurance Program (SCHIP) enrollees; and
- ◆ issuing recommendations to the program areas on training for eligibility workers, clarifying policy, and enhancing DHS/county procedures.

Financial Operations includes the Payment Error Rate Measurement (PERM) unit. PERM is a federal requirement to review medical assistance (MA) and SCHIP in the areas of claims processing, medical necessity, and recipient eligibility. Although Minnesota is in the first year of providing claim information to the federal government, the federal regulations are still pending. The federal government has contracted with consultants to conduct the claims and medical reviews, but is currently requiring the states to conduct the eligibility reviews.

Historical Perspective

The past 15 years have brought significant increases in the complexity of program funding and budgeting rules. For example, the Temporary Assistance for Needy Families (TANF) block grant replaced the open entitlement Aid to Families with Dependent Children (AFDC); and the health care access fund (HCAF) was created to segregate funding for MinnesotaCare from the General Fund.

Increased use of program fees and premiums and greater complexity in program funding mechanisms and requirements have all had an impact on Financial Operations' work flow, compelling greater use of technology for efficiency. The department has developed and maintained electronic interfaces between computer systems within the department and between DHS, statewide, and county systems. Expectations have also increased for the use of electronic transfers of funds among DHS business partners.

The Internal Audits Office was established in November 1995 to provide the department with an independent evaluation of its operations and to coordinate mandatory audit requirements for federal program funds. The office has developed a computer forensic service to assist DHS' Human Resource Division and other state agencies in personnel investigations. In 2006, Health Care Programs Audits and Evaluation and PERM functions were incorporated under Internal Audits to better align agency functions. These sections were previously located in Children and Family Services and Health Care business areas.

Key Measures

⇒ *Assure prompt payment within 30 days to debtors.* Of the total payment volume in FY 2006, 98.6% were paid within 30 days.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: FINANCIAL OPERATIONS

Narrative

Type of Payment	Volume
Checks	9,000
Inter/Intra agency	23,000
Electronic	<u>52,000</u>
Total Payment Volume in SFY 2006	84,000

⇒ *Meet timely deposit requirements within 24 hours of receipt.* Of the total receipts volume in FY 2006, at least 99% are deposited within 24 hours. Infrequently, a check must be held longer than the 24 hours because follow-up identification is required with the payee.

Type of Receipt	Volume
Checks	670,000
Electronic	130,000
Federal Draws	<u>4,200</u>
Total Receipt Volume in SFY 2006	814,200

⇒ *Number and percentage of Department Results measures which show improvement and progress toward reaching targets (for those with targets).* More information on DHS measures and results is available on the web: www.departmentresults.state.mn.us.

Activity Funding

Financial Operations is funded primarily with appropriations from the General Fund and health Care Access Fund and from federal funds.

Contact

For more information about Financial Operations, contact:

- ◆ Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 431-2900
- ◆ Management and Budget Office Director Jane Wilcox Hardwick, (651) 431-2908
- ◆ Financial Operations Director Marty Cammack (651) 431-3742
- ◆ Reports and Forecasts Director George Hoffman, (651) 431-2940
- ◆ Office of Internal Audits Director David Ehrhardt, (651) 431-3619

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: FINANCIAL OPERATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,473	10,473	10,473	10,473	20,946
Technical Adjustments					
Approved Transfer Between Appr			(3,497)	(3,205)	(6,702)
Subtotal - Forecast Base	10,473	10,473	6,976	7,268	14,244
Governor's Recommendations					
Compensation Adjustment		0	126	255	381
Total	10,473	10,473	7,102	7,523	14,625
Health Care Access					
Current Appropriation	848	879	879	879	1,758
Technical Adjustments					
Approved Transfer Between Appr			(129)	(179)	(308)
Current Law Base Change			37	80	117
Subtotal - Forecast Base	848	879	787	780	1,567
Governor's Recommendations					
Healthy Connections		0	94	84	178
Compensation Adjustment		0	8	16	24
Total	848	879	889	880	1,769
Federal Tanf					
Current Appropriation	122	122	122	122	244
Subtotal - Forecast Base	122	122	122	122	244
Total	122	122	122	122	244
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,940	8,285	7,102	7,523	14,625
Health Care Access	664	1,007	889	880	1,769
Federal Tanf	64	122	122	122	244
Statutory Appropriations					
Misc Special Revenue	2,622	2,570	2,493	2,493	4,986
Federal	180	247	252	252	504
Total	12,470	12,231	10,858	11,270	22,128
<u>Expenditures by Category</u>					
Total Compensation	8,839	9,428	9,545	9,682	19,227
Other Operating Expenses	3,631	2,803	1,118	1,393	2,511
Transfers	0	0	195	195	390
Total	12,470	12,231	10,858	11,270	22,128
Full-Time Equivalent (FTE)	125.3	122.8	123.8	123.8	

Activity Description

The Office of Compliance unites the department's legal, regulatory and audit activities to assure agency compliance with all state, federal, and constitutional requirements. It includes Appeals and Regulations, Licensing, and the department's Legal Manager.

Legal and Regulatory Operations maintains legal standards by which the agency operates and by which clients gain access to services. Appeals and Regulations develops and implements statutory and regulatory standards for fair hearings, contested case hearings, and contracting; provides legal analysis and/or advice regarding data privacy and contract development/management; writes rules, which define client benefits; and publishes bulletins concerning program changes and other issues affecting agency clients and programs. The Licensing Division licenses programs that serve children and vulnerable adults, conducts background studies on individuals who have direct contact with clients, and investigates allegations of maltreatment. The department's Legal Manager provides oversight and strategic direction to the department's large and complex legal activities.

Activity at a Glance

- ◆ Regulates 27,000 licensed programs annually.
- ◆ Conducts 225,000 background studies each year.
- ◆ Annually investigates 750 maltreatment allegations.
- ◆ Reviews and approves more than 2,000 contracts per year.
- ◆ Conducts more than 6,500 administrative fair hearings per year.
- ◆ Annually responds to more than 500 data privacy inquiries.
- ◆ Manages and provides legal advice and direction on hundreds of agency legal matters per year.

Population Served

Because Legal and Regulatory Operations supports all Department of Human Services (DHS) policy areas, virtually all agency clients are served directly or indirectly.

Direct client contact includes meeting with clients through the fair hearing process and through licensing a wide range of services, including those for people with mental illness, chemical dependency, developmental disabilities and for providers of foster care, child placement and adoption services, and child care. Indirect contact includes county licensing oversight and approving grant contracts for delivery of client services.

Services Provided

The Appeals and Regulatory Division provides legal support and rule-making activities for all department programs, manages grants and contracts for department services, and resolves disputes with clients, license holders, and long-term care facilities by:

- ◆ conducting administrative fair hearings annually for applicants and recipients of service whose benefits have been denied, reduced, or terminated;
- ◆ resolving appeals by applicants denied licenses or by providers whose licenses are suspended or revoked; and
- ◆ handling appeals by Medical Assistance (MA) and General Assistance Medical Care service providers, principally MA long-term care payment rate appeals;

License review, quality assurance, and license issuance activities include:

- ◆ licensing, monitoring, and investigating human services programs at any given time, including issuing approximately 5,000 new licenses annually;
- ◆ conducting approximately 225,000 background studies on people who provide direct contact services in programs licensed by DHS and the Minnesota Department of Health (MDH);
- ◆ investigating approximately 1,250 complaints about the quality of services provided in licensed programs, including approximately 750 investigations of abuse or neglect of children and vulnerable adults;
- ◆ issuing approximately 475 licensing sanctions per year;

- ◆ processing approximately 1,500 requests for administrative reconsideration of disqualifications based on background study information, maltreatment investigation findings, and licensing actions; and
- ◆ defending licensing decisions in fair hearings, contested case hearings, district court, and the Minnesota Court of Appeals.

Historical Perspective

The appeals and regulations work initially focused on hearings for applicants and recipients of DHS health care and welfare benefits. Although the number of hearings has remained relatively constant over time, the nature of hearings has changed from relatively simple, single-issue eligibility appeals to more complicated medical and social services appeals.

The department has assumed responsibility for certain licensing and provider appeals and review of child and vulnerable adult maltreatment determinations. In 1996, the federal government passed the Health Insurance Portability Accountability Act (HIPAA), a complex federal law designed to provide protections to health care consumers and save administrative costs for health care providers. The HIPAA regulations set standards for electronic transmissions, electronic safeguards, and privacy protections for the handling of private health care information. Appeals and Regulations is responsible for ensuring DHS' implementation of and compliance with the HIPAA privacy regulations.

In 1991 the legislature enacted a background study system. In 1995 and 2001 the legislature expanded DHS' responsibility to include background studies on people providing services in programs licensed by the Minnesota Department of Health and the Minnesota Department of Corrections. In 1995 the legislature transferred responsibility for many vulnerable adult maltreatment investigations from counties to DHS, and, in 1997, transferred certain responsibility for maltreatment of minors investigations from counties to DHS. Regulatory simplification and the press for greater consistency across agencies has led to efforts like the current interagency children's residential facilities rule that sets standards for children placed in out-of-home settings, whether those children come into human services or corrections programs. More recent events affecting the work of the Licensing Division include new chemical dependency licensing rules, a newly designed adult mental health system, and the expansion of due-process requirements.

All aspects of Legal and Regulatory Operations have been affected significantly by two trends: more and faster-changing types of service models, which challenge traditional licensing and regulatory approaches; and the demands of clients, business partners, and DHS staff for more use of electronic government services for basic information dissemination and for interactive business transactions.

Key Measures

- ⇒ *Final decisions in Fair Hearings issued within statutory deadlines.* In FY 2005 and FY 2006, the department met the statutory deadline in 88% and 91% of the cases, respectively.
- ⇒ *License review backlog.* Approximately 2,000 license reviews are completed annually. The license review backlog decreased from 636 to 546 programs in FY 2006, with significant reductions in the license review backlog for child care centers (from 117 to 21 or 1.3% of the child care centers) and programs serving persons with developmental disabilities (from 346 to 191 or 11.6% of the programs serving persons with developmental disabilities).
- ⇒ *Statutory timelines in assessing reports of alleged maltreatment are met.* DHS continues to meet statutory timelines in assessing reports of alleged maltreatment within 24 hours, determining an initial disposition within five days, and providing notification of the initial disposition to reporters of alleged maltreatment within five days. In FY 2006, over 4,000 reports were received, 794 reports were assigned for field investigation, and 740 maltreatment field investigations were completed.
- ⇒ *Time to complete a background study.* The background study unit completed 224,561 background studies in FY 2006. There was an increase of 61,882 studies, or 38%, over the 162,679 background studies completed in FY 2005. Turn around time for background studies went from 13.4 days in FY 2005 to 7.6 days in FY 2006.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: LEGAL & REGULATORY OPERATIONS

Narrative

⇒ *Number and percentage of Department Results measures which show improvement and progress toward reaching targets (for those with targets).* More information on DHS measures and results is available on the web: www.departmentresults.state.mn.us

Activity Funding

Legal and Regulatory Operations is funded primarily with appropriations from the General Fund, Health Care Access Fund, state government Special Revenue Fund, federal funds, and from fees.

Contact

For more information about Legal and Regulatory Operations, contact:

- ◆ Chief Compliance Officer, Anne Barry, (651) 431-3212
- ◆ Appeals and Regulations Director, Rae Bly, (651) 431-3596
- ◆ Licensing Director, Jerry Kerber, (651) 296-4473
- ◆ DHS Legal Manager, David Rowley (651) 431-2913

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: LEGAL & REGULATORY OPERATIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,983	9,636	9,636	9,636	19,272
Technical Adjustments					
Approved Transfer Between Appr Fund Changes/consolidation			639 95	600 95	1,239 190
Subtotal - Forecast Base	9,983	9,636	10,370	10,331	20,701
Governor's Recommendations					
Background Studies: Comp with Fed Req Home & Community Based Svcs Provider Std		0	2,177 282	1,946 504	4,123 786
Compensation Adjustment		0	151	305	456
Total	9,983	9,636	12,980	13,086	26,066
State Government Spec Revenue					
Current Appropriation	415	415	415	415	830
Subtotal - Forecast Base	415	415	415	415	830
Governor's Recommendations					
Compensation Adjustment		0	9	17	26
Total	415	415	424	432	856
Health Care Access					
Current Appropriation	319	319	319	319	638
Technical Adjustments					
Approved Transfer Between Appr			555	555	1,110
Subtotal - Forecast Base	319	319	874	874	1,748
Governor's Recommendations					
Compensation Adjustment		0	17	34	51
Total	319	319	891	908	1,799
Federal Tanf					
Current Appropriation	100	100	100	100	200
Subtotal - Forecast Base	100	100	100	100	200
Total	100	100	100	100	200
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,150	8,456	12,980	13,086	26,066
State Government Spec Revenue	429	415	424	432	856
Health Care Access	751	884	891	908	1,799
Federal Tanf	99	100	100	100	200
Statutory Appropriations					
Misc Special Revenue	2,209	2,387	2,967	2,873	5,840
Federal	950	1,050	1,050	1,050	2,100
Total	11,588	13,292	18,412	18,449	36,861
<u>Expenditures by Category</u>					

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: LEGAL & REGULATORY OPERATIONS

Budget Activity Summary

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Total Compensation	9,982	11,750	13,095	13,415	26,510
Other Operating Expenses	1,606	1,542	2,981	2,698	5,679
Transfers	0	0	2,336	2,336	4,672
Total	11,588	13,292	18,412	18,449	36,861
<i>Full-Time Equivalents (FTE)</i>	137.4	178.5	195.0	198.0	

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Background Studies: Fee Alignment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Special Revenue Fund				
Expenditures	\$650	\$650	\$650	\$650
Revenues	650	650	650	650
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends applying a \$20 fee for background studies that are requested by the following entities:

- ◆ temporary employment agencies that typically provide shift staff to licensed programs;
- ◆ education programs when the student provides services in a licensed program as part of the education curriculum; and
- ◆ professional service agencies under contract with the license-holder to provide a program service for clients.

Due to significant increases in the numbers of background studies being completed for programs licensed by the Minnesota Department of Health (MDH) and the Department of Human Services (DHS), the costs of completing studies is exceeding the appropriation and, therefore, important statutory requirements are not being met. To correct the funding shortfall, the existing background study fee system would be expanded to apply to temporary personnel agencies, educational programs, and professional services agencies. The targeted user fee would generate an estimated \$650,000 per year to enable DHS to complete background studies and meet related statutory requirements.

Background

Current Program

The Human Services Background Study Act (M.S. 245C) requires DHS to complete background studies on individuals who provide services in programs licensed by the departments of Health and Human Services.

Background studies are initiated primarily by the license holders, but in some cases the studies are initiated by other agencies that provide staff to the licensed programs. These studies are currently funded as follows:

- ⇒ A General Fund appropriation is made to DHS for the studies that relate to programs licensed by DHS for which a fee is not charged.
- ⇒ Revenue from background study fees for personal care provider organizations and supplemental nursing services agencies is appropriated to DHS.
- ⇒ An interagency agreement with MDH provides funding for the studies that relate to providers licensed by MDH. Licensing fee revenue from these providers is appropriated to MDH, and a portion of the licensing fee revenue is transferred to DHS to conduct background studies in accordance with M.S. 144.057.

In addition, DHS conducts background studies under interagency agreements with the Department of Corrections (DOC) for studies that relate to children's residential facilities under DOC's jurisdiction and with the Supreme Court for studies that relate to guardians, conservators, and guardians ad litem.

The 2005 legislature enacted an increase in the background study fee to \$20 for personal care provider organizations and supplemental nursing agencies. At that time, DHS anticipated this would adequately address the cost of providing background studies. However, the number of background studies has increased dramatically: the number of background studies increased by 40%, from 160,000 studies in FY 2005 to 225,000 studies FY 2006.

Because the cost of conducting background studies is exceeding appropriations, DHS has prioritized the completion of background studies to meet the statutory requirement to provide an initial response to a background study request within three days (for those submitted electronically). As a result, DHS has fallen behind on issuing a variety of other notices to background-study subjects and license holders and on processing requests for reconsideration of disqualifications. Statutory timelines are not being met. Additional funding is required for DHS to complete the increased number of background studies consistent within statutory timelines.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Background Studies: Fee Alignment

Proposal

Effective 7-1-2007, this proposal would align background-study fees for non-licensed programs with those currently applied to supplemental nursing services agencies and personal care provider organizations (M.S. 245C.10). The fees would be appropriated to the commissioner of human services for the purpose of conducting background studies.

There are 230 temporary personnel agencies, educational programs, and professional services agencies (188 related to programs licensed by MDH and 42 related to programs licensed by DHS). This proposal would generate an estimated \$650,000 in revenue to address the increased cost of processing background studies (\$600,000 from an estimated 30,000 studies conducted in relation to programs licensed by MDH and \$50,000 from an estimated 2,500 studies conducted in relation to programs licensed by DHS).

Relationship to Base Budget

There is a direct relationship between the number of background studies and the costs of conducting those studies. As the number of studies increases, the corresponding costs increase. Shifting costs to the programs that benefit from the studies will eliminate the need for changes in the appropriation from the General Fund (to DHS) or the State Government Special Revenue Fund (to MDH). By collecting a fee for specific background studies as proposed, the base appropriations to MDH and DHS for these purposes will continue to cover the cost of the increased number of background studies initiated by the licensed programs.

Key Measures

Background studies are completed on individuals working in DHS and MDH programs to prevent individuals with certain disqualifying characteristics from having access or direct contact with vulnerable adults and children. Improvements resulting from this new funding paradigm will include DHS' compliance with statutory timelines for notices and reconsideration decisions under the background study law, while receiving no increase in appropriations from the General Fund or State Government Special Revenue Fund for these purposes.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: M.S. 245C.10.

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
200	11	Background Study - Staff - 4 FTE	\$350	\$311	\$311	\$311
200	11	Background Study Administration - BCA, fingerprints, fingerprint reimbursements, etc.	235	274	274	274
200	11	Background Study Administration - Indirect Costs	65	65	65	65
200	REV2	Background Study Fees	(650)	(650)	(650)	(650)
200		Net Fund Impact	-0-	-0-	-0-	-0-
		Net All Fund Impact	-0-	-0-	-0-	-0-
FTEs Requested						
		Background Study Operations/Support Staff	4	4	4	4

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Background Studies: Compliance with Fed Requirements

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$2,177	\$1,946	\$1,946	\$1,946
Revenues	871	778	778	778
Net Fiscal Impact	\$1,306	\$1,168	\$1,168	\$1,168

Recommendation

The Governor recommends an increased appropriation to implement new federal background study requirements on child foster care providers under the federal Adam Walsh Child Protection Act of 2006.

Background

The Adam Walsh Child Protection Act of 2006, also known as the Sex Offender and Registration Act, was enacted on 7-27-2006 (Public Law 109-248). The new law serves to protect children from sexual exploitation and violent crime. Changes under the act include expanding the national sex offender registry, increasing background check requirements, and strengthening federal penalties for crimes against children.

The Adam Walsh Act requires that Minnesota comply with the new background study requirements by 07-01-2007, in order to continue receiving federal funding under Title IV-E of the Social Security Act for services provided to children in out-of-home placements.

Proposal

This proposal would amend the Human Services Background Study Act (M.S. 245C) to comply with the new federal requirements in the following ways

- ◆ complete a Federal Bureau of Investigation (FBI) fingerprint-based record check on all individuals studied in relation to child foster care licenses--rather than the current requirement to check FBI records only if there is reasonable cause;
- ◆ review substantiated child maltreatment findings (available through the Department of Human Service's (DHS) Social Services Information System (SSIS)) for all 87 counties for all individuals studied in relation to child foster care licenses--rather than the current requirement to review only that county's child protection records;
- ◆ review another state's data systems for any individual who has lived in another state in the five years preceding the study--rather than the current requirement to check only the other specific counties of residence for the past five years; and
- ◆ complete the background study before the placement can be made--rather than the current provision that a person may reside in the home or provide services under continuous supervision as soon as a background study is initiated, until the first notice is received from the county.

This proposal would also transfer responsibility for child foster care and adoption background studies from counties to the state in order to meet these new federal requirements quickly and to minimize the number of out-of-home placements for each child (also a federal requirement) that may result from local implementation. This request assumes DHS would conduct an approximately 20,000 additional background studies per year. There are significant new costs for these activities, no matter where they are completed, but more efficient technological solutions can be employed for faster results if the studies are all completed from one state office rather than from 87 county agencies. In addition, without a centralized technological solution, approximately 50 child-placing agencies would be unable to access FBI data because they are not government agencies. This proposal would require collaboration by the departments of Human Services and Public Safety-Bureau of Criminal Apprehension, counties, and private child-placing agencies.

This proposal would fund the systems costs and 13.5 new full-time equivalent staff at DHS to conduct these new federally-required activities.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Change Item: Background Studies: Compliance with Fed Requirements

Relationship to Base Budget

This proposal will transfer certain background study requirements from the counties to DHS and will require a significant increase in the Legal and Regulatory Operations General Fund base budget (20%).

Key Measures

⇒ Percent of children who do not experience repeated neglect or abuse within 12 months of prior report.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change. M.S. 245C

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	11	Legal and Regulatory Admin - Child Foster Care Background Studies	\$2,077	\$1,946	\$1,946	\$1,946
100	11	Systems Costs – Hardware & Software Programming	100	-0-	-0-	-0-
100	REV1	Administrative FFP	(871)	(778)	(788)	(788)
100		Net Fund Impact	\$1,306	\$1,168	\$1,168	\$1,168
		Net All Fund Impact	\$1,306	\$1,168	\$1,168	\$1,168
FTEs Requested						
100	11	Background study staff	13.5	13.5	13.5	13.5

Activity Description

Management Operations promotes and supports workplace performance through its responsibility for the department's public policy direction, external relations, communication oversight, equal employment opportunity and affirmative action plan implementation and human resources activities.

Activity at a Glance

- ◆ Provides agency-wide decision making.
- ◆ Provides human resources support for more than 6,350 full-time equivalent employees.
- ◆ Provides personnel services to 70 counties.

Population Served

Because Management Operations supports all Department of Human Services (DHS) policy and operations areas, virtually all agency businesses and clients are served directly or indirectly.

Services Provided

Management Operations provides the following services:

- ◆ agency leadership, public policy direction, and legislative liaison activity;
- ◆ communication oversight for interactions with clients, business partners, the media, legislators and their staff, other state agencies, counties, tribes and the federal government;
- ◆ human resources management services for DHS Central Office, State Operated Services, and 70 counties including:
 - ⇒ personnel recruitment, selection, redeployment, compensation, classification, performance evaluation, and training;
 - ⇒ labor relations, grievance arbitration, and negotiations of supplemental agreements and memoranda of understanding; and
 - ⇒ health, safety, wellness, workers compensation and complaint investigation activities;
- ◆ development of a culturally competent workforce through equal opportunity and affirmative action plan implementation, Americans with Disabilities Act coordination, diversity training, and civil rights enforcement;
- ◆ coordination of department communications efforts by:
 - ⇒ responding to inquiries from news media;
 - ⇒ preparing information that helps the public understand the department's policies; and
 - ⇒ publishing news releases and fact sheets on the department's web site;
- ◆ coordination of ongoing consultation with tribal governments and, where appropriate, state and federal agencies, relating to the implementation of DHS services on Indian reservations and urban Indian communities;
- ◆ customer relations activities for the department to ensure that constituents receive timely and helpful responses to inquiries and requests for assistance;
- ◆ orchestration of agency-wide policy development so that it synchronizes with the direction of the department's Senior Management Team, the commissioner, and the governor; and
- ◆ legislative activities include managing the department's legislative process, working with staff on the development of human services proposals, and following the sequence of human services-related legislation from introduction through final actions.

Historical Perspective

For human resource management, a significant development has been the increase in Minnesota's minority and non English-speaking populations in the past decade. As a result, the department has increased efforts to recruit and retain staff with new language and communications skills and to develop a more diverse and culturally competent work force. Other significant changes are the continued movement of State Operated Services from the large institutions to small, community-based facilities and services, along with the increasing difficulty in recruiting health care staff and the aging of the workforce.

Key Measures

- ⇒ *Employees with a current performance review on file.* A goal within HR is for employees to have a current performance review on file. Current is now defined as received in HR within 30 days of the due date for the review. Previously, performance reviews were required to be on file in HR within 90 days of the due date. Under the 90-day guideline, 65% and 98% of employees had current performance reviews on file in FY 2005 and FY 2006, respectively.
- ⇒ *Renewal of adoption of the Minnesota Merit System Equal Employment Opportunity and Affirmative Action Guidelines for all Minnesota Merit System County Human Services agencies.*
- ⇒ *Completion of comprehensive Civil Rights Plans (policies and procedures for equal opportunity in service delivery, handling complaints, providing notice of disability rights, and contacting enforcement agencies, and contracts to provide non-discriminatory service) for all county human service agencies.* As of the 1st quarter of FY 2007, comprehensive Civil Rights Plans had been completed for 35 counties. The goal is for all 87 counties to have such plans completed by the end of the fiscal year.
- ⇒ More information on Department of Human Services measures and results is available on the web: www.departmentresults.state.mn.us.

Activity Funding

Management Operations is funded primarily from appropriations from the General Fund, Health Care Access Fund and from federal funds.

Contact

For more information about Management Operations, contact:

- ◆ Chief of Staff Lynne Singelmann, (651) 431-2918
- ◆ Communications Director Terry Gunderson, (651) 431-2912
- ◆ Human Resources Director Martha J. Watson, (651) 431-2999
- ◆ Legislative Coordinator Steve Barta, (651) 431-2916
- ◆ Tribal Relations Representative Vernon LaPlante, (651) 431-2910
- ◆ Equal Employment, Affirmative Action and Civil Rights Acting Director Kazoua Kong-Thao, (651) 431-3037

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: MANAGEMENT OPERATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,281	3,281	3,281	3,281	6,562
Technical Adjustments					
Approved Transfer Between Appr			951	935	1,886
Subtotal - Forecast Base	3,281	3,281	4,232	4,216	8,448
Governor's Recommendations					
Compensation Adjustment		0	67	135	202
Total	3,281	3,281	4,299	4,351	8,650
Health Care Access					
Current Appropriation	68	68	68	68	136
Technical Adjustments					
Approved Transfer Between Appr			161	161	322
Subtotal - Forecast Base	68	68	229	229	458
Governor's Recommendations					
Compensation Adjustment		0	5	9	14
Total	68	68	234	238	472
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,035	3,915	4,299	4,351	8,650
Health Care Access	63	229	234	238	472
Statutory Appropriations					
Misc Special Revenue	692	680	546	546	1,092
Total	3,790	4,824	5,079	5,135	10,214
<u>Expenditures by Category</u>					
Total Compensation	3,186	4,094	4,305	4,599	8,904
Other Operating Expenses	604	730	774	536	1,310
Total	3,790	4,824	5,079	5,135	10,214
Full-Time Equivalents (FTE)	47.7	55.3	55.3	55.3	

Activity Description

Technology Operations promotes and supports workplace performance through its responsibility for the department's physical facility, video and telephone communications, and the department's technical infrastructure, working closely with Department of Human Services (DHS) programs and operations to ensure a solid foundation for future technological development.

Population Served

Technology Operations provides services to all DHS policy and operations areas. Virtually all agency businesses, human services providers, and clients benefit directly or indirectly.

Services Provided

Information Technology Services (ITS) provides:

- ◆ desktop software and hardware and support (data storage and backup, virus control, help desk) for 6,400 workstations;
- ◆ department-wide e-mail system;
- ◆ telephone systems and related interactive response technology;
- ◆ an agency-wide converged (data and voice) network, Voice over Internet Protocol, servers, data storage;
- ◆ leadership for strategic information resource management planning;
- ◆ direction for information policy, standards and practices;
- ◆ leadership for IT architectural future directions and services;
- ◆ strategic planning with DHS program areas and county service directors on the use of technology to better serve clients;
- ◆ planning and development with DHS program areas to ensure cross-agency systems coordination and compatibility;
- ◆ maintenance of and assistance for users of the DHS Data Warehouse and Executive Information System (EIS), which extract data for program analysis from multiple service delivery systems;
- ◆ development and maintenance of information security and standards;
- ◆ coordination of technology projects agency-wide through the Projects Management Office;
- ◆ application development and support;
- ◆ planning with counties and other partners to keep computer systems compatible and planning for upgrades;
- ◆ maintenance of the department's public, internal and county web sites;
- ◆ consultation with program areas about improving business strategies through the use of electronic government services and web services technology; and
- ◆ representation of DHS' interests at statewide technology forums.

Management Operations provides:

- ◆ electronic document system support and services, including high volume document conversion facilities, workflow development, and technical design and support of imaging applications;
- ◆ tele-health care and tele-human services network development among the many communities of video-conferencing users in Minnesota's human service field;
- ◆ facility planning, design and management;
- ◆ physical building access controls and security;

Activity at a Glance

- ◆ Provides desktop support to more than 6,000 users.
- ◆ Maintains DHS computer network, internal and public web sites.
- ◆ Coordinates cross-agency technology issues with Office of Technology, Intertech.
- ◆ Supports the Data Warehouse and Executive Information System.
- ◆ Manages five central-office locations and 45 locations throughout Minnesota.
- ◆ Provides leadership and support for tele-health care development across Minnesota.
- ◆ Develops enterprise application - making vital documents available to business partners and the public in 11 languages and millions of electronic documents available to over 1,000 users.
- ◆ Manages enterprise-wide administrative services such as procurement, mail, physical access controls and security.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: TECHNOLOGY OPERATIONS

Narrative

- ◆ visitor management, conference facility management and information services;
- ◆ inventory and property management;
- ◆ purchasing services and commodity contracts; and
- ◆ electronic publication of more than 3,000 department documents in a searchable centralized repository (eDocs) making them available on demand for business partners and the public; and
- ◆ translation and electronic publication of more than 1,500 documents in up to 11 non-English languages for customers with limited English proficiency.

Historical Perspective

In 1995 the Chief Information Officer (CIO) position was established to lead DHS IT and related strategic planning within the department. The department continues to face a growing demand for electronic services through web technology to communicate and conduct government business, as it is the bridge that human services workers use to gather information from the many sources necessary to do their work. Clients, business partners, and other levels of government increasingly expect that DHS will use web technology for electronic government services in a variety of areas.

Information Technology Services continues to coordinate department-wide projects such as the technology aspects of the Health Insurance Portability and Accountability Act (HIPAA) implementation, technology infrastructure, including voice and data network convergence, security infrastructure, server replacement, centralized data storage, and electronic government services

In 2006 DHS has completed construction of the Elmer L. Andersen Human Services Building and remodeling of its largest leased facility, consolidating a number of its locations and providing space more appropriate to the program and technology needs of the agency's work. DHS has major investments in technology with major computer systems supporting welfare and health care benefits statewide. Technology, such as virtual presence communications and electronic document management system (EDMS), are increasingly part of the spectrum of services Management Operations provides.

Key Measures

- ⇒ *ITS activities are documented and prioritized in alignment with agency priorities.* This is a newly identified performance measure for which appropriate measurement tools are under development.
- ⇒ *All systems and applications deemed critical to core agency business will invest in appropriate levels of redundancy to ensure replication of critical data.* This is a newly identified performance measure for which appropriate measurement tools are under development.
- ⇒ *All systems and applications deemed critical to core agency business will comply with documented agency standards under the guidance of enterprise information systems architecture rules, guidelines and best practices.* This is a newly identified performance measure for which appropriate measurement tools are under development.
- ⇒ *Number and percentage of Department Results measures which show improvement and progress toward reaching targets (for those with targets).* More information on Department of Human Services measures and results is available on the Web: <http://www.departmentresults.state.mn.us/>

Activity Funding

Technology Operations is funded with appropriations from the General Fund and Health Care Access Fund and from matching funds.

HUMAN SERVICES DEPT

Program: AGENCY MANAGEMENT

Activity: TECHNOLOGY OPERATIONS

Narrative

Contact

For more information about Technology Operations, contact:

- ◆ Chief Information Officer Johanna Berg, (651) 431-2115
- ◆ ITS Operations Director Chris Zehoski, (651) 431-2149
- ◆ Chief Information Security Officer Barry Caplin, (651) 431-2143
- ◆ Office of Strategic Planning Director Mary Arvesen (651) 284-3453
- ◆ Management Operations Director Linda Nelson (651) 431-2205

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: TECHNOLOGY OPERATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	23,162	23,392	23,392	23,392	46,784
Technical Adjustments					
Approved Transfer Between Appr			361	132	493
Subtotal - Forecast Base	23,162	23,392	23,753	23,524	47,277
Governor's Recommendations					
Compensation Adjustment		0	131	264	395
Total	23,162	23,392	23,884	23,788	47,672
Health Care Access					
Current Appropriation	3,929	3,976	3,976	3,976	7,952
Technical Adjustments					
Approved Transfer Between Appr			2,006	1,928	3,934
Subtotal - Forecast Base	3,929	3,976	5,982	5,904	11,886
Governor's Recommendations					
Compensation Adjustment		0	22	45	67
Total	3,929	3,976	6,004	5,949	11,953
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	25,699	28,882	23,884	23,788	47,672
Health Care Access	4,271	6,232	6,004	5,949	11,953
Statutory Appropriations					
Misc Special Revenue	6,918	8,061	7,610	7,525	15,135
Total	36,888	43,175	37,498	37,262	74,760
<u>Expenditures by Category</u>					
Total Compensation	9,252	12,622	12,036	12,042	24,078
Other Operating Expenses	27,636	30,553	25,122	24,880	50,002
Transfers	0	0	340	340	680
Total	36,888	43,175	37,498	37,262	74,760
Full-Time Equivalent (FTE)	124.1	140.1	140.1	140.1	

Program Description

This program contains the Department of Human Services (DHS) revenue and pass through expenditures. These revenues and pass-through expenditures involve complex inter-fund accounting transactions that often result in duplicate data within the state's standard biennial budget system reports. Isolating the results of these transactions within the Revenue and Pass-Through Program simplifies the fiscal pages for DHS's other programs and activities. For example, to not skew the Child Support Enforcement Grant budget activity, DHS's \$500 million annual child support collection (revenue) and payment (pass-through expenditure) activity is reflected here.

Revenues

Department of Human Services (DHS) collects or processes revenues in excess of \$4.5 billion annually. State law determines whether this revenue is *dedicated revenue* to DHS (i.e. earmarked for specific programs) or *non-dedicated revenue* to the state.

Approximately 80% of the annual revenue is dedicated revenue. Examples include child support collections, federal grants, program premiums, recoveries and refunds, cost of care billings, fees, and federal administrative reimbursement.

Approximately 20% of the annual revenue is non-dedicated revenue. Examples include surcharges, recoveries and refunds, cost of care billings, fees, and federal administrative reimbursement.

Pass-Through

DHS's pass-through expenditures are approximately \$1 billion annually. Generally, pass-through expenditures are the result of transactions between funds. Examples include child support payments, transfers, and federal administrative reimbursement.

Federal Administrative Reimbursement

Eligible state administrative costs are reimbursed from federal grants at various percentages, known as the federal financial participation (FFP) rates. Not all state administrative costs are eligible for federal reimbursement. For example, expenditures that support state-only programs do not earn FFP.

DHS maintains a federally approved cost allocation plan that draws reimbursement for the federal share of state administrative expenditures. In this case, state administrative expenditures are defined to state costs (including the DHS central office) as well as county/local costs.

DHS's central office federal administrative reimbursement exceeds \$100 million annually. Unless otherwise specified in state law, federal administrative reimbursement earned on General Fund and Health Care Access Fund expenditures is non-dedicated revenue to the state. State law dedicates the federal administrative reimbursement earned on major system and other selected expenditures to DHS. Approximately one-third of federal administrative reimbursement revenue is non-dedicated revenue to the General Fund, while DHS retains roughly two-thirds of such revenue.

Historically, the DHS central office has drawn the following average FFP rates, based on cost allocation within the state fund in which the administrative expenditure is incurred:

General Fund/ Health Care Access Fund	40%
Major Systems – PRISM	66%
Major Systems – Social Services Information System (SSIS)	50%
Major Systems – MAXIS	45%
Major Systems – Medicaid Management Information System (MMIS)	65%

For simplicity and consistency, DHS budget initiatives and fiscal note estimates are based on these historic central office average FFP rates.

HUMAN SERVICES DEPT

Program: REVENUE & PASS THROUGH EXPEND

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
Federal Tanf					
Current Appropriation	59,321	57,047	57,047	57,047	114,094
Technical Adjustments					
Approved Transfer Between Appr			(700)	(700)	(1,400)
End-of-session Estimate			213	662	875
November Forecast Adjustment		(425)	(475)	(435)	(910)
Subtotal - Forecast Base	59,321	56,622	56,085	56,574	112,659
Governor's Recommendations					
MFIP Federal Compliance		0	378	1,218	1,596
TANF Refinancing		0	40,000	32,700	72,700
Total	59,321	56,622	96,463	90,492	186,955
<u>Expenditures by Fund</u>					
Direct Appropriations					
Federal Tanf	57,635	91,057	96,463	90,492	186,955
Statutory Appropriations					
General	0	16	16	16	32
Misc Special Revenue	5,554	4,943	5,000	4,983	9,983
Federal	347,048	402,234	399,823	398,795	798,618
Miscellaneous Agency	603,996	813,781	813,704	813,535	1,627,239
Total	1,014,233	1,312,031	1,315,006	1,307,821	2,622,827
<u>Expenditures by Category</u>					
Other Operating Expenses	123,923	134,276	132,259	131,214	263,473
Payments To Individuals	46	179,001	178,977	178,977	357,954
Local Assistance	282,523	360,380	365,473	359,502	724,975
Other Financial Transactions	607,741	638,374	638,297	638,128	1,276,425
Total	1,014,233	1,312,031	1,315,006	1,307,821	2,622,827
<u>Expenditures by Activity</u>					
Revenue & Pass Through Expend	1,014,233	1,312,031	1,315,006	1,307,821	2,622,827
Total	1,014,233	1,312,031	1,315,006	1,307,821	2,622,827

Program Description

The purpose of the Children's and Economic Assistance Grants program is to provide cash, food support, child care, housing assistance, job training, and work-related services to increase the ability of families and individuals to transition to economic stability and to keep children safe and support their development.

Budget Activities

- ⇒ Minnesota Family Investment Program/Diversionary Work Program (MFIP/DWP) Grants
- ⇒ Support Services Grants
- ⇒ MFIP Child Care Assistance Grants
- ⇒ Basic Sliding Fee (BSF) Child Care Assistance Grants
- ⇒ Child Care Development Grants
- ⇒ Child Support Enforcement Grants
- ⇒ Children's Services Grants
- ⇒ Children and Community Services Grants
- ⇒ General Assistance Grants
- ⇒ Minnesota Supplemental Aid Grants
- ⇒ Group Residential Housing Grants
- ⇒ Refugee Services Grants
- ⇒ Other Children's and Economic Assistance Grants

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	374,126	412,974	412,974	412,974	825,948
Technical Adjustments					
Approved Transfer Between Appr			(310)	(310)	(620)
Biennial Appropriations			500	0	500
Current Law Base Change			10,025	11,327	21,352
End-of-session Estimate			56,818	62,818	119,636
Fund Changes/consolidation			(25)	(25)	(50)
November Forecast Adjustment		5,445	7,585	6,115	13,700
Program/agency Sunset			(1,500)	(1,500)	(3,000)
Subtotal - Forecast Base	374,126	418,419	486,067	491,399	977,466
Governor's Recommendations					
MFIP For Legal Non-Citizens Continuation		0	968	1,136	2,104
MFIP Time Limit and Program Violations		0	(11)	(63)	(74)
Child Care Assistance Program		0	1,224	1,987	3,211
Adoption Asst and Relative Custody Asst		0	3,125	6,352	9,477
County Case Mgmt Federal Funding Loss		0	40,000	0	40,000
Long-Term Homeless Implementation		0	1,900	1,900	3,800
Long-Term Care Payment Adjustment		0	552	1,776	2,328
Mental Health Initiatives		0	2,033	4,978	7,011
TANF Refinancing		0	(40,000)	(32,700)	(72,700)
Total	374,126	418,419	495,858	476,765	972,623
Health Care Access					
Current Appropriation	0	250	250	250	500
Technical Adjustments					
Current Law Base Change			0	(250)	(250)
Subtotal - Forecast Base	0	250	250	0	250
Governor's Recommendations					
Mental Health Initiatives		0	9,325	19,650	28,975
Total	0	250	9,575	19,650	29,225
Federal Tanf					
Current Appropriation	213,346	246,140	246,140	246,140	492,280
Technical Adjustments					
Current Law Base Change			(36,588)	(36,588)	(73,176)
End-of-session Estimate			(12,369)	(10,527)	(22,896)
November Forecast Adjustment		(20,292)	(18,341)	(20,407)	(38,748)
Subtotal - Forecast Base	213,346	225,848	178,842	178,618	357,460
Governor's Recommendations					
MFIP Federal Compliance		0	881	906	1,787
TANF Refinancing		0	(250)	0	(250)
Total	213,346	225,848	179,473	179,524	358,997

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Program Summary

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	366,055	426,470	495,858	476,765	972,623
Health Care Access	0	250	9,575	19,650	29,225
Federal Tanf	211,989	201,641	179,473	179,524	358,997
Statutory Appropriations					
General	7,233	8,556	8,444	8,444	16,888
Misc Special Revenue	6,166	8,018	4,440	3,923	8,363
Federal	499,133	555,379	585,507	602,942	1,188,449
Miscellaneous Agency	14,483	15,240	13,168	13,192	26,360
Gift	30	25	25	25	50
Total	1,105,089	1,215,579	1,296,490	1,304,465	2,600,955
<u>Expenditures by Category</u>					
Other Operating Expenses	792	4,390	670	122	792
Payments To Individuals	650,539	675,721	737,282	769,263	1,506,545
Local Assistance	438,069	520,980	544,476	520,994	1,065,470
Other Financial Transactions	15,689	14,488	14,062	14,086	28,148
Total	1,105,089	1,215,579	1,296,490	1,304,465	2,600,955
<u>Expenditures by Activity</u>					
Mfip/Dwp Grants	274,624	272,083	272,667	273,123	545,790
Support Services Grants	100,662	122,425	112,081	113,031	225,112
Mfip Child Care Assistance Gr	98,353	111,856	119,901	118,371	238,272
Bsf Child Care Assistance Gr	69,588	96,148	88,332	91,334	179,666
Child Care Development Gr	10,861	10,198	10,010	10,010	20,020
Child Support Enforcement Gr	4,595	5,016	4,995	4,995	9,990
Children'S Services Grants	92,907	118,469	122,837	138,714	261,551
Children & Community Serv Gr	101,454	101,465	141,432	101,938	243,370
General Assistance Grants	33,041	38,303	39,885	40,262	80,147
Minnesota Supplemental Aid Gr	30,299	30,748	31,068	31,429	62,497
Group Residential Housing Gr	75,886	86,380	92,785	99,657	192,442
Refugee Services Grants	11,366	18,288	17,309	17,310	34,619
Other Child And Econ Asst Gr	201,453	204,200	243,188	264,291	507,479
Total	1,105,089	1,215,579	1,296,490	1,304,465	2,600,955

Activity Description

Minnesota Family Investment Program (MFIP) and the Diversionary Work Program (DWP) Grants pays for cash grants for families participating in the MFIP and the DWP and for food assistance for MFIP families. MFIP is Minnesota's program for the federal Temporary Assistance to Needy Families (TANF) block grant. DWP is a short-term, work-focused program to help families avoid longer-term assistance.

Activity at a Glance

- ◆ Provides assistance for 40,000 families (or 113,000 people) a month-- two-thirds of which are children

Population Served

To be eligible for MFIP, a family must include a minor child or a pregnant woman and meet citizenship, income, and asset requirements. MFIP is aimed at moving parents quickly into jobs and out of poverty. Most parents are required to work; through MFIP they receive help with health care, child care, and employment services.

Most parents with minor children are eligible to receive cash assistance for a total of 60 months in their lifetime. Families reaching the 60-month time limit are eligible for extensions if they meet certain categorical requirements. Most families reaching the 60-month limit are those with multiple and serious barriers to employment. Families of color are also disproportionately represented in this group.

DWP, which began 7-1-2004, now includes many of the families who would have in the past applied for MFIP. DWP is a four-month, work-focused program. Families applying for DWP must develop and sign an employment plan before they can receive any assistance. After families have an employment plan, they can receive financial assistance to meet their basic needs and other supports, such as food, child care, and health care assistance. Shelter and utilities costs are paid directly to landlords, mortgage companies, or utility companies. Participation in the program does not count against the 60-month life-time limit on cash assistance. Some families are excluded from DWP, including adults and children with disabilities, adults over 60, teen parents finishing high school, child-only cases, and families who have received TANF or MFIP in the past 12 months or for 60 months.

Services Provided

This activity funds the cash assistance grants of the MFIP and DWP programs and food assistance for MFIP. Supports outside the welfare system, such as health care, child care, child support, housing, and tax credits, are important components to Minnesota's welfare approach. Working families on MFIP receive earning supplements, leaving assistance when their income is approximately 15% above the federal poverty level.

Parents on MFIP who fail to work or follow through with activities to support their families will have their assistance cut by 10% or more depending upon how long they have been out of compliance. Parents on DWP who do not cooperate with their employment plan will have their cases closed and are not eligible for cash assistance until their four months of DWP ends.

Historical Perspective

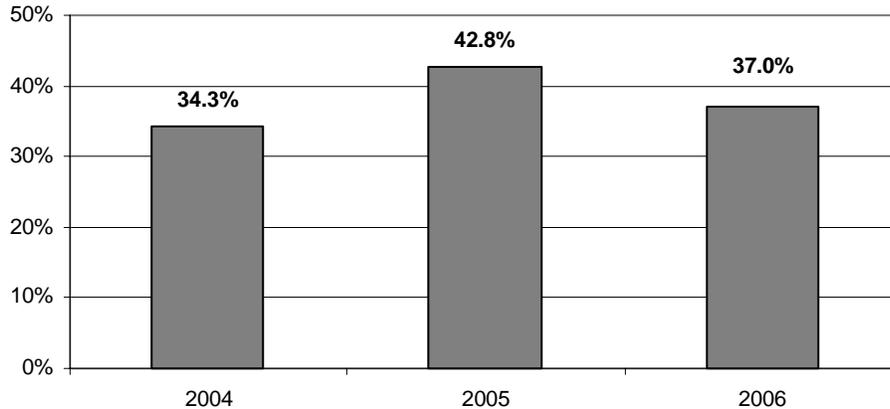
MFIP was initially piloted in seven counties as a state welfare reform effort. After passage of the federal welfare reform law, MFIP was implemented statewide in 1998 as the state's TANF program. MFIP includes employment and training and food support. In February 2006, Congress reauthorized the TANF program through 2010 with the passage of the Deficit Reduction Act of 2005 (Public Law 109-171). The new provisions make it more difficult for states to meet work participation rates and required the U. S. Department of Health and Human Services to issue regulations that define work activities and procedures for verifying and monitoring work activities.

Minnesota has experienced national success with MFIP. In September 2005, more than 70% of MFIP families followed over a three-year period had either left assistance or were on MFIP and were working 30 or more hours per week. DWP was enacted by the 2003 legislature and implemented in July 2004. Each month more than 1,000 cases is diverted to this new program, with a monthly average caseload of 3,700 families. Some of these families are expected to transition to MFIP after completing four months of DWP.

Key Measures

⇒ *MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)*

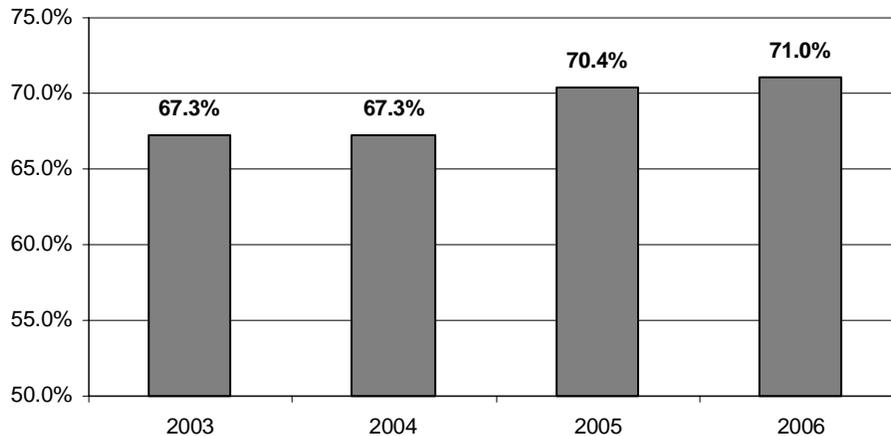
MFIP Work Participation Rate
(based on state fiscal years)



The MFIP Work Participation Rate is the Percentage of MFIP cases in which the parent is fully engaged in employment or employment-related activities (according to federal Temporary Assistance for Needy Families (TANF) program rules, usually 130 hours per month.) The decline for FY 2006 occurred because Minnesota instituted a universal participation policy requiring cases that had previously been exempted to participate in work activities and be included in the measure.

⇒ *MFIP Work Participation Rate (percent of adults participating in work activities for specified hours per week)*

MFIP Three-year Self-support Index
(based on state fiscal years)



The MFIP Three-year Self-supporting Index is a performance measure that tracks whether adults in the Minnesota Family Investment Program are either (1) working an average of 30 or more hours per week or (2) no longer receiving MFIP cash payments three years after a baseline measurement quarter. Participants who leave MFIP due to the 60-month time limit are not counted as meeting the criteria for success on this measure unless they are working 30 or more hours per week before they reach the time limit.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Activity: MFIP/DWP GRANTS

Narrative

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MFIP/DWP Grants is funded primarily with appropriations from the General Fund and from the federal TANF block grant, which replaced AFDC in 1996.

Contact

For more information on the Minnesota Family Investment Program/Diversionary Work Program Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Transition to Economic Stability Division Director Ann Sessoms, (651) 431-4006

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP/DWP GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	34,204	38,993	38,993	38,993	77,986
Technical Adjustments					
End-of-session Estimate			11,520	9,722	21,242
November Forecast Adjustment		12,284	10,099	11,753	21,852
Subtotal - Forecast Base	34,204	51,277	60,612	60,468	121,080
Governor's Recommendations					
MFIP For Legal Non-Citizens Continuation		0	579	578	1,157
MFIP Time Limit and Program Violations		0	(11)	(63)	(74)
Total	34,204	51,277	61,180	60,983	122,163
Federal Tanf					
Current Appropriation	109,355	106,920	106,920	106,920	213,840
Technical Adjustments					
End-of-session Estimate			(12,369)	(10,527)	(22,896)
November Forecast Adjustment		(20,292)	(18,341)	(20,407)	(38,748)
Subtotal - Forecast Base	109,355	86,628	76,210	75,986	152,196
Governor's Recommendations					
MFIP Federal Compliance		0	(69)	(744)	(813)
Total	109,355	86,628	76,141	75,242	151,383
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	33,869	51,277	61,180	60,983	122,163
Federal Tanf	105,310	86,628	76,141	75,242	151,383
Statutory Appropriations					
General	3,869	4,555	4,444	4,444	8,888
Federal	117,093	116,140	117,734	119,262	236,996
Miscellaneous Agency	14,483	13,483	13,168	13,192	26,360
Total	274,624	272,083	272,667	273,123	545,790
<u>Expenditures by Category</u>					
Other Operating Expenses	(49)	0	0	0	0
Payments To Individuals	254,506	253,493	254,540	254,983	509,523
Local Assistance	4,967	4,852	4,815	4,804	9,619
Other Financial Transactions	15,200	13,738	13,312	13,336	26,648
Total	274,624	272,083	272,667	273,123	545,790

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Federal Compliance

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$227	\$146	\$146	\$146
Revenues	66	58	58	58
TANF Fund				
Expenditures	1,259	2,124	2,657	2,670
Revenues	0	0	0	0
Net Fiscal Impact	\$1,420	\$2,212	\$2,745	\$2,758

Recommendation

The Governor recommends changes in the Minnesota Family Investment Program (MFIP) to serve families with minimal employment history more effectively and to align the state program more closely with new federal policies. Both strategies would reduce the state's risk of financial penalties under the Deficit Reduction Act of 2005. The changes include:

- ◆ providing counties and tribes with grants to develop specialized employment programs;
- ◆ shortening the period that a participant is sanctioned before closing the case;
- ◆ requiring an employment plan prior to issuing MFIP benefits; and
- ◆ funding benefits for participants who are least likely to meet federal work participation requirements with non-maintenance-of-effort (MOE) state funds.

Background

Current Program

MFIP is Minnesota's program for the federal Temporary Assistance for Needy Families (TANF) block grant. To be eligible for MFIP, a family must include a minor child or a pregnant woman and meet citizenship, income, and asset requirements. MFIP is aimed at moving parents quickly into jobs and out of poverty. Most parents are required to work. Through MFIP they receive help with health care, child care, and employment services.

Federal law requires that a minimum percentage of participants engage in federally defined work activities for a specific number of hours each week. The "work participation rate" measures the proportion of MFIP recipients who take part in these defined activities for sufficient hours each week. Federal law requires states to meet a 50% work participation rate. States that do not meet work participation rates face financial penalties in their TANF funding.

In February 2006, Congress reauthorized the TANF program through 2010 with the passage of the Deficit Reduction Act of 2005 (Public Law 109-171). The U.S. Department of Health and Human Services subsequently issued regulations redefining work activities and procedures for verifying and monitoring work activities. The new law and regulations:

- ◆ rebase the "caseload reduction credit," which effectively increases the proportion of families required to meet work participation standards;
- ◆ change which state-funded cases are included in the work participation rate;
- ◆ redefine work activities in a more restrictive way; and
- ◆ impose a new financial penalty for states failing to comply with verification requirements.

Under these new provisions, it is unlikely Minnesota will meet the 50% work participation rate requirement. This could result in a penalty of as much as \$13 million in TANF funding each year and that amount may increase over time if the state cannot eventually meet the work participation rate.

Federal law also requires that states maintain a certain level of non-federal spending on TANF-eligible families – known as TANF maintenance-of-effort (MOE) spending. MFIP is currently funded with both federal TANF and general fund appropriations. Most of the general fund expenditures for MFIP are designated as MOE, with the exceptions of two-parent and non-citizen families. States can avoid having certain families counted as part of the

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Federal Compliance

work participation rate by paying for them with state dollars and not counting those expenditures toward MOE requirements.

Proposal

This proposal would make program and funding changes to Minnesota's TANF program, MFIP, to reduce the risk of financial penalties and improve supports for hard to employ participants:

⇒ **This proposal supports the development of specialized employment for hard-to-place MFIP participants.**

Beginning in FY 2008, this proposal would provide grants to counties and tribes to develop paid and unpaid work experience positions for approximately 2,400 MFIP participants with no recent work history. These positions would be short term in either the public or private sector. The program would serve as a stepping stone to permanent employment by providing hard-to-place participants an opportunity to gain skills and to develop a work history. Under this program, counties would have the option of starting a participant in unpaid work experience for three months and, if necessary, placing them in a paid work experience for another three months. This program would help increase the number of participants who meet the federal work participation rate.

To support unpaid work experiences, this proposal would also amend the state statute on the Injury Protection Program (IPP), M.S. 256J.68, to clarify financial responsibility in the event a participant is injured while participating in unpaid work experience activities. An estimated \$50,000 per year would be needed to cover a potential increase in claims.

This proposal would also modify M.S. 256J.67 (related to the Community Work Experience Program [CWEP]) to align state law with federal regulations to allow counties to place clients in community service programs in a timely fashion. State law currently requires that all other employment opportunities be exhausted before counties may use CWEP.

⇒ **This proposal changes program policies to better reflect federal policy.**

◆ **Shorten sanction period and align pre and post 60 month sanction policies.** MFIP participants who are not in compliance with employment services or child support requirements are sanctioned by reducing their benefits. Current policy applies the sanction for a total of six months prior to closing the case. Effective 7-1-2008, this proposal would apply the sanctions for a total of three months prior to closing the case. Federal regulations allow states to disregard sanctioned families from the work participation rate for up to three months in a twelve-month period. This proposal would align state policy more closely with federal policy and would impact about 300 cases a month.

In addition, for participants who meet legal criteria to receive benefits beyond the 60-month lifetime limit, current sanction policy allows a participant who is sanctioned off the program, comes back into compliance, and then is non-compliant again to be sanctioned at 10% and closed the following month. This proposal would change the 10% level to 30% to align the extended case policy with the policy for participants who have not yet reached their 60th month on assistance and would impact about 12 cases a month.

◆ **Require an employment plan prior to MFIP eligibility.** All MFIP participants are required to have an employment plan. Currently, MFIP benefits may be issued to a participant prior to the development of this plan. Effective 7-1-08, this proposal would delay MFIP benefits until an employment plan was approved for each eligible adult, impacting about 1,000 cases a month. It would align MFIP policy with the Diversionary Work Program (DWP) provisions that require an employment plan prior to eligibility. Exemptions would include child-only cases, cases that transfer from DWP to MFIP as unlikely to benefit from DWP, and cases that transition to MFIP after four months of DWP. This proposal would help accelerate involvement in work activities and improve the work participation rate.

⇒ **This proposal would remove participants least likely to meet the work requirements from the work participation rate by funding with non-MOE state dollars (budget neutral).**

Prior to the Deficit Reduction Act of 2005 (DRA), state funds used for participants in the TANF program could be counted as part of the state's MOE requirement and were not included in the calculation of the work participation rate. With passage of the DRA, states must now include participants funded with state MOE funds in the work participation rate.

◆ **Effective 3-1-2008, move cases with the most serious barriers to employment to non-MOE state funding.** Counties are currently required to recertify eligibility for MFIP in an annual face-to-face interview. This proposal would require that counties expand the review for participants who have been on the program for 24 months and do not meet federal work requirements to identify whether the participant or a household member has a serious disability that interferes with employment or whether the participant qualifies for a family violence waiver. These cases would be funded with non-MOE state funds. Cases would be moved back to TANF or MOE funding when the participant or a household member no longer meets the disability or family violence waiver criteria or at recertification if the criteria continue to be met, but the participant meets the federal work requirements. The goal is to move families who have significant barriers out of the work participation rate and to use a modified employment plan to address issues that interfere with employment. Approximately 800 cases would be funded with state non-MOE funds of \$266,000 in 2008, \$3.084 million in 2009, \$3.798 million in 2010, and \$3.796 million in 2011.

◆ **Effective 10-1-2007, move newly arrived refugees (less than 12 months in the country) to non-MOE state funding.** After arriving in the country, it usually takes several months for newly arrived refugees to get adjusted and get their lives in order before they can fully engage in employment. Most are involved in social services activities including medical appointments, finding housing, enrolling children in school, and other activities associated with immigration. These activities do not count toward the work participation rate. Currently, newly arrived refugees are included in the work participation rate as soon as they are eligible for MFIP. This proposal would provide up to six months of non-MOE state funding for families transitioning from DWP to MFIP and families who go directly on MFIP. Once refugee cases have been in the program for six months, they would be moved to TANF or MOE funding. After the family has been in the country 12 months, regardless of the number of months that they have been in this program, they will be transferred to TANF or MOE funding and subject to the TANF work requirements. Approximately 180 cases would be funded with state non-MOE funds of \$804,000 in 2008, \$1,070,000 in 2009, \$1,061,000 in 2010, and \$1,061,000 in 2011.

◆ **Effective 10-1-2007, move extended non-working cases in the ill/incapacitated and hard-to-employ categories to non-MOE state funding.** Currently, some cases continue to receive MFIP assistance beyond the 60-month lifetime limit. These include cases with participants who are only able to work a limited number of hours, have mental retardation or mental illness, have an IQ below 80, are learning disabled, have a family violence waiver, are ill/incapacitated, are needed in the home to care for another member, or have an adult or child in the household who meets certain disability or medical criteria. This proposal would move these cases to non-MOE state funding and remove them from the federal work participation rate. Approximately 2,200 cases would be funded with state non-MOE funds of \$ 8.419 million in 2008, \$11.2 million in 2009, \$11.113 million in 2010, and \$11.107 million in 2011.

This proposal would also designate additional existing Working Family Credit expenditures as MOE spending in order to meet federal MOE requirements. Although this proposal would involve changing this designation for \$9.489 million in 2008, \$15.354 million in 2009, \$15.972 million in FY 2010 and \$15.964 million in FY 2011, it would remain budget neutral.

⇒ **This proposal removes the hourly restrictions in the MFIP and DWP employment services (ES) plan for English as a Second Language (ESL), Adult Basic Education (ABE), and functional work literacy programs.**

Currently ESL and ABE are limited to no more than 1/2 of the work activity hours and functional work literacy programs are limited to no more than 2/3 of the work activity hours required in the employment plan. Effective 7-1-2007, this proposal would lift the hourly restriction for these activities to improve outcomes and help to

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Federal Compliance

reduce disparities for non-English speaking participants and those with limited educational preparation, impacting about 100 cases a month.

⇒ **The proposal includes resources for Quality Assurance for TANF.**

The DRA regulations require states to have internal controls to ensure consistent measurement of work participation rates. The Department of Human Services (DHS) is required to conduct a minimum of 400 case reviews statewide that focus on verification of work activities for MFIP clients. In order to design and conduct case reviews that cover a meaningful scope of MFIP policies and practices (local compliance with sanction rules, relationship of employment plans to counted work activities, timeliness of client engagement with a client service provider, documentation of disability), DHS would require two additional FTEs.

⇒ **The proposal changes the Work Participation Rate used for MFIP Consolidated Fund Performance Based Funds to Align with the Federal Work Participation Rate.**

Counties and tribes receive base funds from the MFIP Consolidated Fund to develop programs and services to improve participant outcomes related to employment and wages. In addition, counties and tribes are eligible to receive funds based on performance in meeting the MFIP work participation rate. This rate differs from how the federal work participation rate is calculated. This proposal would use the federal work participation rate to determine county performance.

Relationship to Base Budget

In 2005, about 40,000 families per month participated in MFIP or DWP. The grants for specialized employment programs would develop work experience positions for approximately 2,400 MFIP participants. The proposal to shorten the sanction period affects about 300 families per month. The proposal to require an employment plan prior to MFIP eligibility affects about 1,000 families per month. The proposal to fund benefits for participants least likely to meet federal work participation requirements with non-MOE state funds affects approximately 3,200 families per month.

Key Measures

⇒ MFIP Self-Support Index

The MFIP Three-year Self-supporting Index is a performance measure that tracks whether adults in the Minnesota Family Investment Program are either 1) working an average of 30 or more hours per week or 2) no longer receiving MFIP cash payments three years after a baseline measurement quarter. Participants who leave MFIP due to the 60-month time limit are not counted as meeting the criteria for success on this measure unless they are working 30 or more hours per week before they reach the time limit.

⇒ Percent of adults, by race and ethnicity, working at least 30 hours per week or off the Minnesota Family Investment Program (MFIP) cash three years after a baseline reporting period of October through December 1999

Current results for these measures and more information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: M.S. 256J, Rider

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Federal Compliance

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
315	21	Support Services Grants – Employment Grants	\$950	\$1,650	\$1,650	\$1,650
315	20	MFIP/DWP Grants – Employment Grants	(103)	(249)	(249)	(249)
315	15	MFIP Child Care Assistance Grants- Employment Grants – Transfer to CCDF	378	1,218	1,226	1,240
300	REV	Child Care Development Fund – TR From TANF	(378)	(1,218)	(1,226)	(1,240)
300	22	Child Care Development Fund	378	1,218	1,226	1,240
315	20	MFIP/DWP Grants – Shorten Sanction Period	-0-	(34)	(90)	(90)
315	20	MFIP/DWP Grants – Require Employment Plan	-0-	(578)	-0-	-0-
315	20	MFIP/DWP Grants – Lift ESL Hourly Restrictions	34	117	120	119
100	35	Children & Econ Assistance Admin-TANF Quality Assurance	166	146	146	146
100	REV1	FFP	(66)	(58)	(58)	(58)
100	35	Children & Econ Assistance Operations- Shorten Sanction Period	25	-0-	-0-	-0-
100	35	Children & Econ Assistance Operations- Require Employment Plan	19	-0-	-0-	-0-
100	35	Children & Econ Assistance Operations- Move cases to State non-MOE funding	17	-0-	-0-	-0-
315		Net Fund Impact	\$1,259	\$2,124	\$2,657	\$2,670
100		Net Fund Impact	\$161	\$88	\$88	\$88
		Net All Fund Impact	\$1,420	\$2,212	2,745	2,758
FTEs Requested						
100	35	Children & Economic Assistance Admin- TANF Quality Assurance	2	2	2	2

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP for Legal Non-Citizens Continuation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$968	\$1,136	\$1,161	\$1,166
Net Fiscal Impact	\$968	\$1,136	\$1,161	\$1,166

Recommendation

The Governor recommends repealing the 6-30-2007 sunset of Minnesota Family Investment Program (MFIP) and Diversionary Work Program (DWP) cash and food assistance to legal non-citizen families so that families may continue to receive these income supports. Approximately 220 families would continue to be served.

Background

The MFIP and DWP grants provide cash grants for families participating in MFIP and DWP and for food assistance for MFIP families.

State funding for legal non-citizens under the MFIP program was first authorized in 1997 following the enactment of federal welfare reform, which eliminated federal funding for some legal non-citizens. It was funded with a sunset date because there was uncertainty about whether the restriction would continue when the Temporary Assistance for Needy Families (TANF) program was reauthorized. Over the years the sunset date has been extended in anticipation of a possible change in federal law.

In February 2006, the Congress reauthorized the TANF program through 2010. Under the reauthorized program, the same group of legal non-citizens remains ineligible for federal food and cash benefits. If state MFIP funding ends for the legal immigrants who are not eligible for federal TANF, those families who currently receive MFIP cash and a food portion will no longer have a source of income or food. These families are required to participate in MFIP work activities and are eligible for MFIP child care assistance.

Proposal

This proposal would continue to provide MFIP state cash and food benefits to legal non-citizen families effective 7-1-2007. If MFIP state funding for legal non-citizen families does not continue, there would be an increased demand for the Minnesota Food Assistance Program (MFAP) since some former MFIP participants could be eligible for MFAP.

Relationship to Base Budget

This proposal would increase funding for the MFIP and Child Care Grants by about \$1 million a year to allow 220 families to continue to receive benefits under the MFIP program. The MFIP program served approximately 40,000 families in FY 2005.

Key Measures

⇒ Percent of adults, by race and ethnicity, working at least 30 hours per week or off the MFIP cash three years after a baseline reporting period of October through December 1999.

Statutory Change: M.S. 256J.29

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	20	MFIP/DWP Grants	\$579	\$578	\$574	\$573
100	22	MFIP Child Care Assistance Grants	389	558	587	593
100		Net Fund Impact	\$968	\$1,136	\$1,161	\$1,166

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Time Limit and Program Violations

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$(11)	\$(63)	\$(77)	\$(77)
Net Fiscal Impact	\$(11)	\$(63)	\$(77)	\$(77)

Recommendation

The Governor recommends that caregivers, who are disqualified for the Minnesota Family Investment Program (MFIP) due to an intentional program violation (IPV) and who continue to receive an MFIP grant for other household members, continue to have those months count toward their 60-month lifetime limit. This proposal would address an inequity in how a person's months on MFIP count toward the lifetime limit and would impact an estimated 21 cases a month.

Background

Current Program

MFIP is Minnesota's program for the federal Temporary Assistance for Needy Families (TANF) block grant. Most parents with minor children are eligible to receive cash assistance for a total of 60 months in their lifetime.

If an MFIP caregiver commits an IPV, such as intentionally failing to report income or a change in household composition, he/she is disqualified from MFIP for a given period of time: 12 months for the first offense, 24 months for the second offense, and permanently for the third offense. During the disqualification period, the caregiver is technically no longer eligible for MFIP but the rest of the family may remain eligible for the level of benefits for which the household would qualify without including the disqualified member. The disqualified member's income is deemed to the household. Currently, if during the caregiver's period of fraud disqualification the remainder of his/her household continues to receive MFIP, those months do not count towards the caregiver's 60-month time limit. The result is that a family of a caregiver disqualified for fraud for 12 months could receive up to 72 months of MFIP while the family of a caregiver who complied with all the program requirements could only get 60 months. Families where the caregiver has been permanently disqualified could conceivably receive MFIP until the last child turns 18.

Proposal

Effective 7-1-07, this proposal would require that when an MFIP caregiver is disqualified due to an intentional program violation but the remainder of the household continues to receive an MFIP grant, those months count toward the caregiver's 60-month lifetime limit.

Making this change would ensure that months are counted the same way for all MFIP participants and that caregivers disqualified due to an IPV do not gain additional MFIP months. Once fully phased in, an additional 21 cases a month would be over the 60-month limit because of countable IPV months.

Relationship to Base Budget

This proposal is estimated to produce a small savings in the MFIP/DWP program.

Statutory Change: M.S. 256J.42

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	20	MFIP/DWP Grants	\$(11)	\$(63)	\$(77)	\$(77)
100		Net Fund Impact	\$(11)	\$(63)	\$(77)	\$(77)
		Net All Fund Impact	\$(11)	\$(63)	\$(77)	\$(77)

Activity Description

Support Services Grants provides employment, education, training, and other support services to help low-income families and people avoid or end public assistance dependency. These grants also fund a portion of county administration for the Minnesota Family Investment Program (MFIP) and the Diversionary Work Program (DWP).

Activity at a Glance

- ◆ Provides MFIP employment services to 12,600 people per month
- ◆ Provides Food Stamp employment services to 1,600 people per month

Population Served

This activity serves two core groups

- ◆ participants in MFIP and DWP; and
- ◆ recipients of food stamps, or food support, through the Food Support Employment and Training (FSET) program.

Services Provided

Support Services Grants includes the MFIP consolidated funds, which are allocated to counties and tribes, and FSET funding. This includes work programs that are co-managed by the Department of Human Services (DHS) and the Minnesota Department of Employment and Economic Development (DEED). DEED oversees state workforce centers that work with county agencies to evaluate the needs of each recipient and develop an individualized employment plan.

County and local employment service providers refer participants to services including

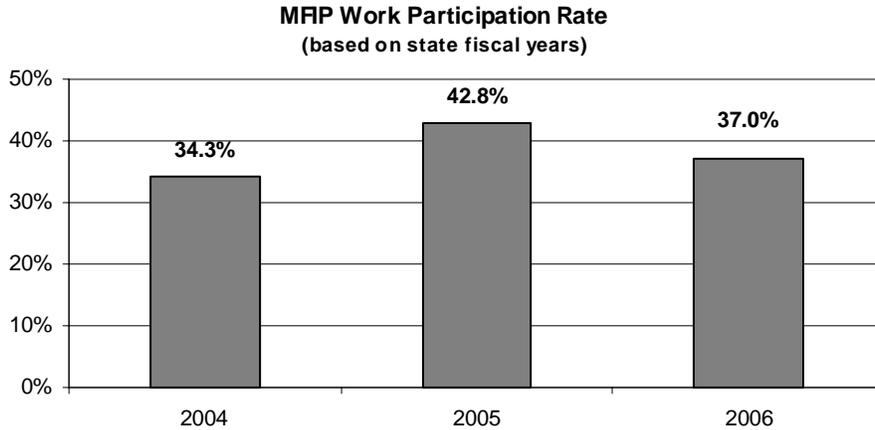
- ◆ job search, job counseling, job interview skills, skill development, and training services;
- ◆ adult basic education, intensive work literacy, high school completion classes, general equivalency diploma (GED)/high school equivalency coaching, and training currently limited to 24 months;
- ◆ English proficiency training;
- ◆ county emergency need programs that help low-income families with housing crises;
- ◆ assistance and referral to other services, such as child care, medical benefits programs, and chemical dependency and mental health services; and
- ◆ small business development (for a small group of recipients who may be good candidates to become self-employed).

Historical Perspective

The 2003 legislature created the MFIP consolidated fund, combining funding for a number of family support programs for MFIP participants. The MFIP consolidated fund allows counties, tribes, and nonprofits to continue successful approaches to moving MFIP families to work. A number of separate programs, including Emergency Assistance for families, were repealed. Service agreements for each county set outcomes, which include county performance measures.

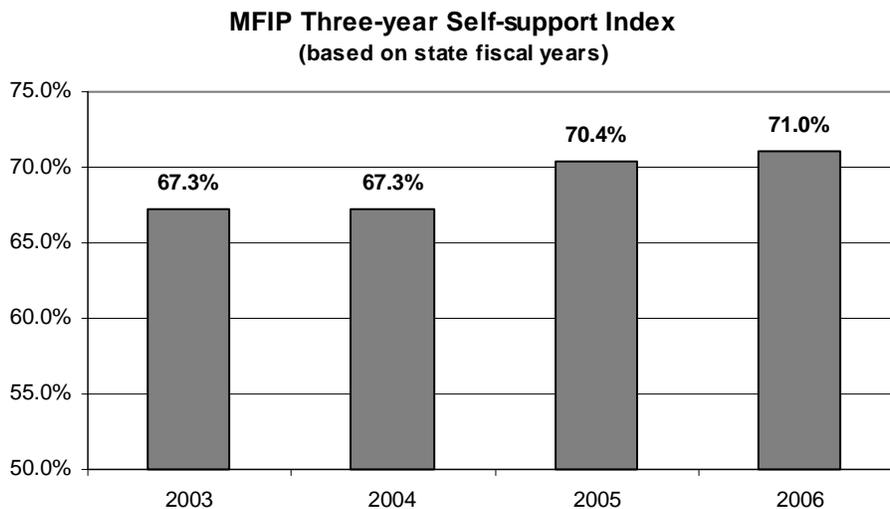
Key Measures

⇒ *MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)*



The MFIP Work Participation Rate is the Percentage of MFIP cases in which the parent is fully engaged in employment or employment-related activities (according to federal Temporary Assistance for Needy Families (TANF) program rules, usually 130 hours per month.) The decline for FY 2006 occurred because Minnesota instituted a universal participation policy requiring cases that had previously been exempted to participate in work activities and be included in the measure.

⇒ *MFIP Work Participation Rate (percent of adults participating in work activities for specified hours per week)*



The MFIP Three-year Self-supporting Index is a performance measure that tracks whether adults in the Minnesota Family Investment Program are either (1) working an average of 30 or more hours per week or (2) no longer receiving MFIP cash payments three years after a baseline measurement quarter. Participants who leave MFIP due to the 60-month time limit are not counted as meeting the criteria for success on this measure unless they are working 30 or more hours per week before they reach the time limit.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Activity: SUPPORT SERVICES GRANTS

Narrative

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Support Services Grants is funded with appropriations from the General Fund and federal funds.

Contact

For more information on Support Services Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Transition to Economic Stability Division Director Ann Sessoms, (651) 431-4006

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: SUPPORT SERVICES GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	8,697	8,715	8,715	8,715	17,430
Subtotal - Forecast Base	8,697	8,715	8,715	8,715	17,430
Total	8,697	8,715	8,715	8,715	17,430
Federal Tanf					
Current Appropriation	102,594	102,632	102,632	102,632	205,264
Subtotal - Forecast Base	102,594	102,632	102,632	102,632	205,264
Governor's Recommendations					
MFIP Federal Compliance		0	950	1,650	2,600
TANF Refinancing		0	(250)	0	(250)
Total	102,594	102,632	103,332	104,282	207,614
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,682	8,715	8,715	8,715	17,430
Federal Tanf	91,953	113,676	103,332	104,282	207,614
Statutory Appropriations					
Federal	27	34	34	34	68
Total	100,662	122,425	112,081	113,031	225,112
<u>Expenditures by Category</u>					
Other Operating Expenses	(600)	250	0	0	0
Payments To Individuals	22,065	27,179	27,179	27,179	54,358
Local Assistance	79,197	94,996	84,902	85,852	170,754
Total	100,662	122,425	112,081	113,031	225,112

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP CHILD CARE ASSISTANCE GR

Narrative

Activity Description

The Minnesota Family Investment Program (MFIP) Child Care Assistance Grants provides financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. This program is supervised by the Department of Human Services and administered by county social services agencies.

Activity at a Glance

- ◆ Purchases child care for nearly 15,000 children in 8,200 families each month

Population Served

Families who participate in welfare reform activities are served through the (MFIP) child care program which includes MFIP and Transition Year (TY) subprograms.

Services Provided

The following families are eligible to receive MFIP or TY child care assistance: 1) MFIP and Diversionary Work Program (DWP) families who are employed or pursuing employment or are participating in employment, training, or social services activities authorized in an approved employment services plan; and 2) employed families who are in their first year off MFIP or DWP (transition year). As family income increases, so does the amount of child care expenses paid by the family in the form of co-payments.

Care must be provided by a legal child care provider over the age of 18; providers include registered (non-licensed) providers, licensed family child care, and licensed child care centers.

As directed by law, the commissioner establishes maximum payment rates for Child Care Assistance Grants by county, type of provider, age of child, and unit of time covered.

Historical Perspective

MFIP child care was called AFDC (Aid to Families with Dependent Children) child care and funded by federal Title IV(A) funds prior to the 1996 federal welfare reform act. Demand for child care assistance has increased as parents participating in welfare reform are required to work or look for work. The 2003 legislature made reforms to the Child Care Assistance Program (CCAP) to focus on these lowest income working families and control future growth in the program, while helping balance the state budget.

Key Measures

Percent of providers covered by maximum rates in SFYs 2005, 2006 and 2007

% of providers covered by maximum rates					
SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
68.4%	56.8%	59.8%	52.1%	65.3%	54.5%

% of RURAL providers covered by maximum rates					
SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
71.5%	59.7%	61.2%	53.9%	67.7%	57.5%

% URBAN of providers covered by maximum rates					
SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
64.4%	55.6%	57.6%	51.3%	61.4%	53.1%

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP CHILD CARE ASSISTANCE GR

Narrative

NOTE: Percent of providers covered is calculated by dividing the number of providers with actual rates at or below the maximum CCAP payment rate by the total number of all providers in that geographic area. Provider actual rates are measured by the most currently completed market survey.

^a CCAP maximum rates were frozen by the legislature from SFY 2003 through SFY 2005.

^bThe legislature mandated that the maximum rates paid by CCAP be changed on 7-1-2005 and 1-1-2006. The percent of providers covered for SFY 2006 are calculated based on the CCAP maximum rates for the period of 1-1-2006 through 6-1-2006.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MFIP Child Care Assistance Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on MFIP Child Care Assistance Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Transition to Economic Stability Division Director Ann Sessoms, (651) 431-4006
- ◆ Child Care Assistance Manager Cherie Kotilinek, (651) 431-4005

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MFIP CHILD CARE ASSISTANCE GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	49,944	36,368	36,368	36,368	72,736
Technical Adjustments					
End-of-session Estimate			36,311	35,785	72,096
November Forecast Adjustment		(2,994)	2,309	501	2,810
Subtotal - Forecast Base	49,944	33,374	74,988	72,654	147,642
Governor's Recommendations					
MFIP For Legal Non-Citizens Continuation		0	389	558	947
Child Care Assistance Program		0	855	1,490	2,345
TANF Refinancing		0	(40,000)	(32,700)	(72,700)
Total	49,944	33,374	36,232	42,002	78,234
Federal Tanf					
Current Appropriation	0	35,191	35,191	35,191	70,382
Technical Adjustments					
Current Law Base Change			(35,191)	(35,191)	(70,382)
Subtotal - Forecast Base	0	35,191	0	0	0
Total	0	35,191	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	49,944	33,374	36,232	42,002	78,234
Statutory Appropriations					
Federal	48,409	78,482	83,669	76,369	160,038
Total	98,353	111,856	119,901	118,371	238,272
<u>Expenditures by Category</u>					
Payments To Individuals	14,476	13,500	15,809	14,001	29,810
Local Assistance	83,877	98,356	104,092	104,370	208,462
Total	98,353	111,856	119,901	118,371	238,272

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Child Care Assistance Program

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,528	\$2,181	\$2,648	\$2,691
Revenues	122	78	78	78
Net Fiscal Impact	\$1,406	\$2,103	\$2,570	\$2,613

Recommendation

The Governor recommends creating financial incentives for child care assistance program providers to improve school readiness of young children. These incentives would benefit approximately 600 children. The Governor also recommends other changes to the child care assistance program that would improve administration and address inequities.

Background

Child Care Assistance Grants provide financial subsidies which are administered by counties to help low-income families pay for child care so that parents may pursue employment or education leading to employment. Families who currently participate, or recently participated, in Minnesota Family Investment Program (MFIP) activities are served through the MFIP and Transition Year child care programs. Basic Sliding Fee (BSF) child care helps families who are not connected to the MFIP program pay child care costs. Subsidies are available to families on a sliding fee basis.

Incentives for Child Care Assistance Program (CCAP) Providers Proposal

Effective 7-1-2007, this proposal would create incentives through service agreements for providers caring for high concentrations of CCAP children to provide services that can measurably support school readiness and incentives for families on the CCAP to choose these providers to care for their children. Incentives would benefit about 600 children in all CCAP subprograms (MFIP, TY, and BSF). The Department of Human Services (DHS) would request that interested providers submit proposals. This proposal is a first step to supporting targeted services for children at risk of not being ready for school. It allows the state to encourage high quality care to populations of children who are in families with characteristics that are less likely to result in school readiness for children and to monitor the effectiveness of this strategy. The limited number of providers approved for a service agreement would be paid a higher rate only when a family chooses to use that provider. Geographic diversity would be considered in the approval of the service agreements.

Providers would agree to focus on school readiness and use a child assessment tool to inform teaching and to report results of the assessment to DHS. Focusing on school readiness would require providers to have program plans in place that identify specific efforts they are making in the following areas to support improved school readiness for children: health and safety, adult-to-child ratios, nurturing environment, staff turnover, communication with families, and others to be determined.

Payments under these service agreements would be on a weekly basis. Payment would continue on a weekly basis even if parent activity changes, if the child continues to attend the same child care provider's home or facility. The weekly maximum that could be paid under a service agreement would be 25% higher than what can be paid currently. For example, the weekly toddler rate in a child care center in Stearns County is currently \$146; it would increase to \$182. In Hennepin County the similar rate would increase from \$219 to \$274. Families will benefit by receiving high-quality, stable, and continuous care for their children, as well as enhanced services such as social services and parent education.

One full-time equivalent position would be needed to coordinate issuance of a request for proposal (RFP) for an outside vendor to evaluate the project, to establish and monitor service agreements with providers, and to oversee collection of data and the evaluation plan.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Child Care Assistance Program

Other Child Care Assistance Program Improvements

Under current law, child care assistance eligibility for MFIP participants is the date of employment or participation in employment and training services or the date of MFIP eligibility, whichever is later. Eligibility for transition year child care is retroactive to the date of the beginning of the transition year time period. Beyond these timeframes, there is no limit on the time period in which retroactive payments can be made. This is burdensome for the counties and is problematic from a program integrity perspective. Effective 7-1-2008, this proposal would limit eligibility to six months back from the date of application for child care assistance, impacting about eight families per month.

Currently, if an MFIP recipient leaves MFIP prior to applying for child care assistance, they are ineligible for child care assistance if their income exceeds the entry level for child care assistance, which is 175% of the federal poverty guideline (FPG). In addition, families bumped from the Basic Sliding Fee Child Care Program due to prior funding reductions are ineligible for assistance when funds become available if their income exceeds 175% FPG. Both of these situations cause hardship for the families involved and result in similarly situated families being treated differently.

Proposal

Effective 7-1-2008, this proposal would allow these families to receive child care assistance as long as their incomes are below the exit level of 250% FPG, impacting about eight families a month.

Relationship to Base Budget

In 2005, about 8,200 families per month received MFIP/TY child care assistance and about 8,700 families per month received BSF child care assistance. The incentives for child care assistance program providers would benefit about 600 children. The proposal to limit retroactive eligibility for MFIP/TY child care and the proposal to adjust the entry level for certain families each affect approximately eight families per month.

Key Measures

- ◆ Percent of children entering kindergarten who are served by providers receiving payment under school readiness service agreements and who are rated "proficient" or "in progress" on school readiness measures.

Statutory Change: M.S. 119B

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	22	MFIP Child Care Assistance Grants – Limit Retro Eligibility to 6 Mos.	-0-	\$(80)	\$(83)	\$(87)
100	22	MFIP Child Care Assistance Grants – Adjust Entry Level to 250% of FPG	-0-	423	850	858
100	22	MFIP Child Care Assistance Grants – Incentives for Service Providers	855	1,147	1,169	1,195
100	23	BSF Child Care Assistance Grants – Incentives for Service Providers	369	497	518	531
100	35	Children & Economic Assistance Admin – Incentives for Service Providers	304	194	194	194
100	REV	Administrative FFP	(122)	(78)	(78)	(78)
100		Net Fund Impact	\$1,406	\$2,103	\$2,570	\$2,613
		Net All Fund Impact	\$1,406	\$2,103	\$2,570	\$2,613
FTEs Requested						
100	35	Children & Economic Assistance Admin – Incentives for Service Providers	1	1	1	1

HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: BSF CHILD CARE ASSISTANCE GR

Narrative

Activity Description

Basic Sliding Fee (BSF) Child Care Assistance Grants provides financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. This program is supervised by the Department of Human Services and administered by county social services agencies.

Activity at a Glance

- ◆ Purchases child care for 15,000 children in 8,700 families each month

Population Served

Low-income families who are not connected to the Minnesota Family Investment Program (MFIP) or the Diversionary Work Program (DWP) are served through the BSF child care program.

Services Provided

BSF Child Care Assistance Grants help families pay child care costs on a sliding fee basis. As family income increases, so does the amount of child care expenses paid by the family. When family income reaches 250% of the federal poverty guidelines, family co-payments generally meet or exceed the cost of care.

- ⇒ BSF child care helps pay the child care costs of low-income families not currently participating in MFIP or DWP or in their first year after leaving MFIP or DWP. Families who have household incomes at or under 175% of the federal poverty guidelines when they enter the program and less than 250% of the federal poverty guidelines when they leave the program, and who participate in authorized activities, such as employment, job search, and job training, are eligible for BSF child care.
- ⇒ At Home Infant Care (AHIC) allows BSF eligible families with children under one year of age to receive a subsidy for a period of up to 12 months, while staying at home with their infant (and any other children). The family receives 90% of the amount that would be paid to a licensed family child care provider for infant care in the county of the family's residence. Three percent of state funds are set aside within the BSF Child Care Assistance Grants for AHIC.

Care must be provided by a legal child care provider over the age of 18; providers include registered (non-licensed) providers, licensed family child care and licensed child care centers. As directed by the legislature, the commissioner establishes maximum payment rates for Child Care Assistance Grants by county, type of provider, age of child and unit of time covered.

Historical Perspective

The BSF program was developed in the 1970s as a pilot program serving 24 counties in recognition that child care was essential to the employment of low-income families. The demand for child care assistance has steadily increased over time as the number of eligible families has increased. The 2003 legislature made reforms to the Child Care Assistance Program to focus on the lowest income working families and control future growth.

Key Measures

Percent of providers covered by maximum rates in SFYs 2005, 2006 and 2007

% of providers covered by maximum rates

SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
68.4%	56.8%	59.8%	52.1%	65.3%	54.5%

% of RURAL providers covered by maximum rates

SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
71.5%	59.7%	61.2%	53.9%	67.7%	57.5%

HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: BSF CHILD CARE ASSISTANCE GR

Narrative

% URBAN of providers covered by maximum rates

SFY 2005 ^a		SFY 2006 ^b		SFY 2007	
Family Child Care	Child Care Centers	Family Child Care	Child Care Centers	Family Child Care	Child Care Centers
64.4%	55.6%	57.6%	51.3%	61.4%	53.1%

NOTE: Percent of providers covered is calculated by dividing the number of providers with actual rates at or below the maximum CCAP payment rate by the total number of all providers in that geographic area. Provider actual rates are measured by the most currently completed market survey.

^a CCAP maximum rates were frozen by the legislature from SFY 2003 through SFY 2005.

^bThe legislature mandated that the maximum rates paid by CCAP be changed on 7-1-2005 and 1-1-2006. The percent of providers covered for SFY 2006 are calculated based on the CCAP maximum rates for the period of 1-1-2006 through 6-30-2006.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

BSF Child Care Assistance Grants is funded by appropriations from the General Fund and from the federal Child Care and Development Fund (CCDF), which includes Temporary Assistance to Needy Families (TANF) transfer funds and county contributions.

Contact

For more information on BSF Child Care Assistance Programs, contact:

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Transitions to Economic Stability Division Director Ann Sessoms, (651) 431-4006
- ◆ Child Care Assistance Manager Cherie Kotilinek, (651) 431-4005

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: BSF CHILD CARE ASSISTANCE GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,503	36,467	36,467	36,467	72,934
Technical Adjustments					
Current Law Base Change			4,829	6,131	10,960
Subtotal - Forecast Base	7,503	36,467	41,296	42,598	83,894
Governor's Recommendations					
Child Care Assistance Program		0	369	497	866
Total	7,503	36,467	41,665	43,095	84,760
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,548	36,467	41,665	43,095	84,760
Statutory Appropriations					
Federal	62,040	59,681	46,667	48,239	94,906
Total	69,588	96,148	88,332	91,334	179,666
<u>Expenditures by Category</u>					
Payments To Individuals	15,888	5,500	5,500	5,500	11,000
Local Assistance	53,700	90,648	82,832	85,834	168,666
Total	69,588	96,148	88,332	91,334	179,666

Activity Description

Child Care Development Grants promote school readiness and improve the quality and availability of child care in Minnesota by providing consumer education to parents and the public and providing activities that increase parental choice.

Population Served

- ⇒ Three out of four Minnesota families use child care for their children under age 13 and these children spend an average of 24 hours a week in care.
- ⇒ Approximately 200,000 Minnesota children under age 13 spend time in licensed child care arrangements.
- ⇒ There are over 14,000 child care businesses and an estimated 150,000 family, friend, and neighbor caregivers in Minnesota.

Activity at a Glance

- ◆ Provides 20,000 child care referrals annually
- ◆ Awards 2,300 grants per year to providers to improve the quality and availability of child care
- ◆ Makes 42 loans annually to improve child care facilities
- ◆ Supports training for 35,000 participants attending classes and 450 scholarships for provider education and training each year

Services Provided

The department works with public and private agencies and individuals to promote school readiness through education and training and by providing a state infrastructure to support quality and availability of child care. These efforts include

- ◆ Professional development for child care teachers and caregivers
 - ⇒ Training is delivered by child care resource and referral (CCR&R) programs and other partners.
 - ⇒ Training topics include child growth and development, learning environment and curriculum, interactions with children and youth, health and safety, caring for children with special needs, business practices, and providing culturally responsive child care.
- ◆ Child care referrals
 - ⇒ Referrals include personalized information and guidance for parents on selecting quality child care.
 - ⇒ Referrals are delivered through local child care resource and referral programs at no cost to parents.
- ◆ Grants and financial supports
 - ⇒ Grants and loans enable child care programs to improve facilities, start up or expand services, access training, and purchase equipment and materials.
 - ⇒ Scholarships for higher education and bonus compensation help retain individuals working in child care and Head Start programs.
- ◆ Consultation, mentoring, coaching, and technical assistance
 - ⇒ These resources provide support to individual child care practitioners and caregivers to build their knowledge and skills to meet the needs of individual children, meet licensing standards, and improve program quality.

Other key elements include

- ◆ ongoing mechanisms for community-level input on programs and policies through advisory committees for major program components;
- ◆ research and evaluation to guide policy and program development to target resources effectively; and
- ◆ local control of grant priorities for grants administered by CCR&R sites.

Historical Perspective

The 1988 Minnesota Legislature established the Child Care Development program to respond to increased demand for quality child care and the need for a statewide infrastructure for parents and communities to respond to these needs. Since that time, Child Care Development Grants program has awarded statewide and local-level grants to

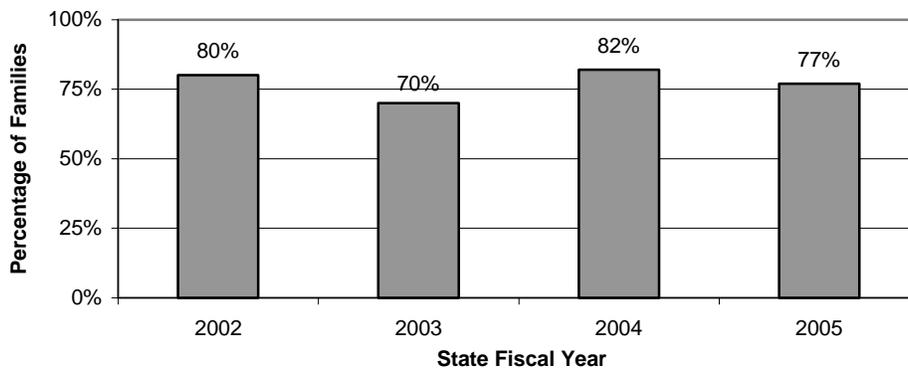
- ◆ support child care providers in improving quality;

- ◆ develop the child care infrastructure to provide referral services to parents and professional development, technical assistance, and facilities improvements to child care providers; and
- ◆ conduct research and evaluation to identify child care needs and improve program effectiveness.

Key Measures

⇒ *The percentage of families using child care referral services who report increased ability to seek and select quality child care.*

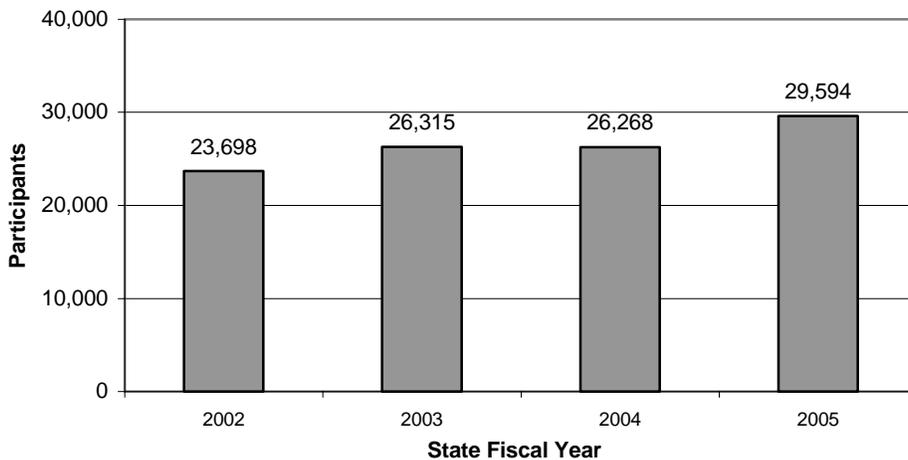
Percentage Families Receiving Referrals Reporting Increased Ability to Seek & Select Quality Child Care



Results of a follow-up survey of parents who had used child care referral services. The survey is performed annually by Wilder Research.

⇒ *The number of participants attending child care resource and referral training.*

Participants Trained by Fiscal Year



HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: CHILD CARE DEVELOPMENT GR

Narrative

More information on Department of Human Services measures and results is available on the web:
<http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Child Care Development Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Child Care Development Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Partnerships Director James Huber, (651) 431-3854
- ◆ Child Development Services Director Deborah Swenson-Klatt, (651) 431-3862

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILD CARE DEVELOPMENT GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,540	1,540	1,540	1,540	3,080
Technical Adjustments					
Fund Changes/consolidation			(25)	(25)	(50)
Subtotal - Forecast Base	1,540	1,540	1,515	1,515	3,030
Total	1,540	1,540	1,515	1,515	3,030
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,504	1,515	1,515	1,515	3,030
Statutory Appropriations					
Misc Special Revenue	62	138	0	0	0
Federal	9,295	8,545	8,495	8,495	16,990
Total	10,861	10,198	10,010	10,010	20,020
 <u>Expenditures by Category</u>					
Other Operating Expenses	48	0	0	0	0
Payments To Individuals	2	0	0	0	0
Local Assistance	10,811	10,198	10,010	10,010	20,020
Total	10,861	10,198	10,010	10,010	20,020

HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: CHILD SUPPORT ENFORCEMENT GR

Narrative

Activity Description

Child Support Enforcement Grants help families receive child support, an important component in helping many families become self-sufficient and stay off welfare.

Population Served

Child Support Enforcement serves both families who receive public assistance and those who are non-public assistance clients.

Activity at a Glance

- ◆ Collects \$595 million in child support
- ◆ Serves 407,000 custodial and non-custodial parents
- ◆ Administers 249,300 child support cases

Services Provided

Services provided by the state and counties to help families in Minnesota receive child support include

- ◆ establishing paternity;
- ◆ establishing and modifying orders for child support, medical support, and child care support;
- ◆ collecting and disbursing support;
- ◆ enforcing support orders, including:
 - ⇒ intercepting income tax refunds and lottery winnings when child support is not paid and investigating income sources of non-paying parents, and
 - ⇒ locating non-paying parents;
- ◆ using various tools to collect support, including suspension of driver's licenses and various state occupational licenses for non-payment, new hire reporting by employers, and working with financial institutions to move money directly from bank accounts.

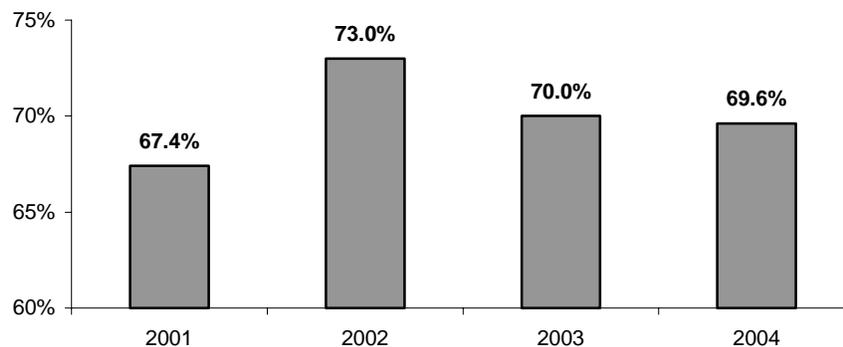
Historical Perspective

Although most child support cases do not currently receive public assistance, about 65% of the non-public assistance cases received public assistance at one time. Most child support is collected from wage withholding by employers.

Key Measures

⇒ *Child support collection rate*

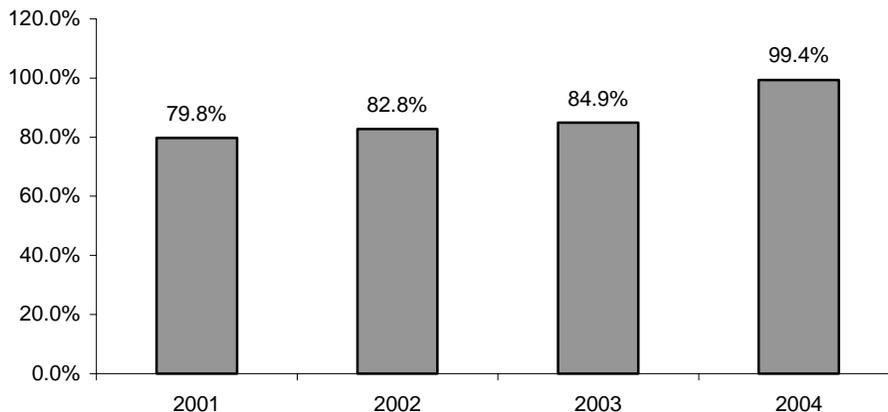
Current Child Support Collections Rate
(based on federal fiscal years)



This measure is the percent of dollars ordered for child support, divided by the total dollars paid by the non-custodial parent. This measure is one of five federal performance measures used to determine incentive payments to states, and subsequently to counties, by the federal government.

⇒ Paternity establishment rate

Paternity Establishment Rate (based on federal fiscal years)



The measure is the percentage of paternities established for children in the Title IV-D caseload not born in marriage. This measure is one of five federal performance measures used to determine incentive payments to states, and subsequently to counties, by the federal government.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>

Activity Funding

Child Support Enforcement Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Child Support Enforcement Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Child Support Enforcement Division Director Wayland Campbell, (651) 431-4403

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILD SUPPORT ENFORCEMENT GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,255	3,705	3,705	3,705	7,410
Subtotal - Forecast Base	3,255	3,705	3,705	3,705	7,410
Total	3,255	3,705	3,705	3,705	7,410
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,205	3,655	3,705	3,705	7,410
Statutory Appropriations					
Misc Special Revenue	1,245	1,216	1,166	1,166	2,332
Federal	145	145	124	124	248
Total	4,595	5,016	4,995	4,995	9,990
<u>Expenditures by Category</u>					
Other Operating Expenses	(371)	0	0	0	0
Payments To Individuals	371	90	90	90	180
Local Assistance	4,595	4,926	4,905	4,905	9,810
Total	4,595	5,016	4,995	4,995	9,990

Activity Description

Children's Services Grants fund statewide child welfare and community-based children's mental health services.

Population Served

Children's Services Grants fund services for children who are at risk of abuse or neglect, have been abused or neglected, are in out-of-home placements, are in need of adoption, are under state guardianship, or have an emotional disturbance and need mental health services. Children's Services Grants affect the lives of:

- ◆ children who are abused or neglected and need child protection services;
- ◆ children who are in out-of-home placements because they cannot live safely with their parents or need care which cannot be provided within their homes;
- ◆ children who need mental health services;
- ◆ children who are waiting for immediate adoption; and
- ◆ families through the Children's Trust Fund.

Services Provided

Children's Services Grants funds adoption, child protection, homeless youth services, and children's mental health services through counties, tribes, local service collaboratives, schools, nonprofits, and foundations.

Children's Services Grants funds the following:

- ◆ Family Assessment Response and other services to families referred to child protection;
- ◆ services to prevent child abuse and neglect;
- ◆ services for women to prevent fetal alcohol syndrome;
- ◆ services to prevent homelessness for older youth leaving long-term foster care;
- ◆ recruitment of foster and adoptive families and specialized services to support the adoption of children under state guardianship;
- ◆ Adoption Assistance for children with special needs who were under state guardianship and have been adopted;
- ◆ Relative Custody Assistance for children with special needs whose custody is transferred to relatives;
- ◆ Indian child welfare services; and
- ◆ children's community-based mental health services.

Historical Perspective

The focus of child welfare has evolved over the years. Most recently, Children's Services Grants have been used to:

- ◆ reform the child welfare system through innovative efforts such as the American Indian Child Welfare Initiative, the Minnesota Child Welfare Training System, and the Children's Justice Initiative;
- ◆ find and support permanent families for children who cannot be reunited with their families through the Public/Private Adoption Initiative, Concurrent Permanency Planning, and Minnesota Adoption Support and Preservation Network;
- ◆ meet the needs of children with severe emotional disturbance and their families through supporting flexible, child- and family-centered services provided by children's mental health collaboratives; introducing children's mental health screenings into pediatric clinics during well-child visits; piloting a database of 1,600 published studies on children's mental health that provide clinicians with evidence-based treatment guidance by matching diagnosis with demographic characteristics; and training hundreds of mental health professionals, primary care physicians, and Head Start staff in early childhood mental health development and primary care physicians in the identification of mental health problems and subsequent treatment; reducing inappropriate custody relinquishment for children in residential treatment for mental health care; and

Activity at a Glance

In 2005:

- ◆ 8,000 children were determined to be abused or neglected
- ◆ 14,700 children were in out-of-home placements
- ◆ 23,000 children received county-administered mental health services
- ◆ More than 730 children under state guardianship were adopted

HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: CHILDREN'S SERVICES GRANTS

Narrative

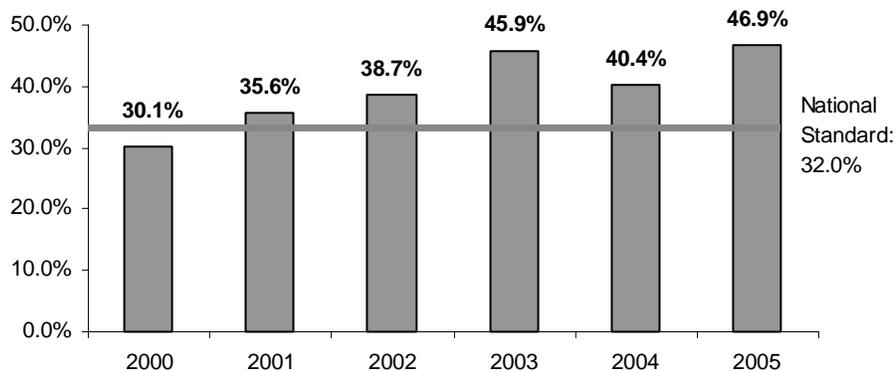
- ◆ implement statewide mental health screening for children in the child welfare and juvenile justice systems and expand the Children's Therapeutic Services and Supports (CTSS) in schools and elsewhere.

Key Measures

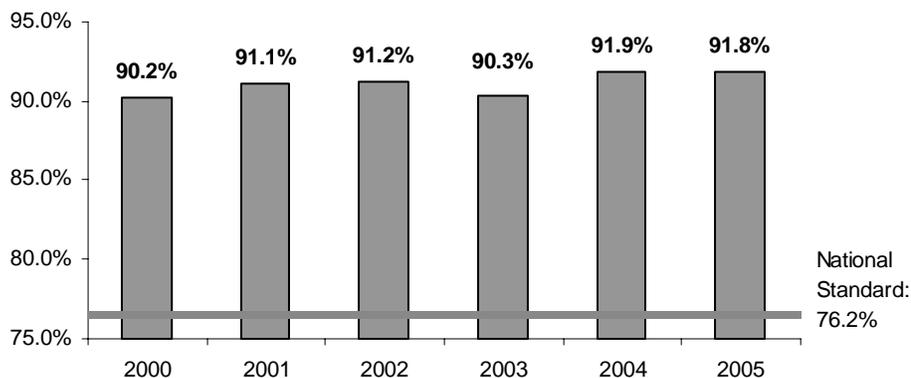
The underlying factor common to the four measures listed below is that more children will live in safe and permanent homes.

- ⇒ *Percent of Children who were adopted in fewer than 24 months from the time of the latest removal from their home.*
- ⇒ *Percent of children reunified in less than 12 months from the time of the latest removal from their home.*
- ⇒ *Percent of children who do not experience repeated abuse or neglect within 12 months of a prior report.*
- ⇒ *Percent of children who entered foster care who did not have a prior out-of-home placement in the previous 12 months.*

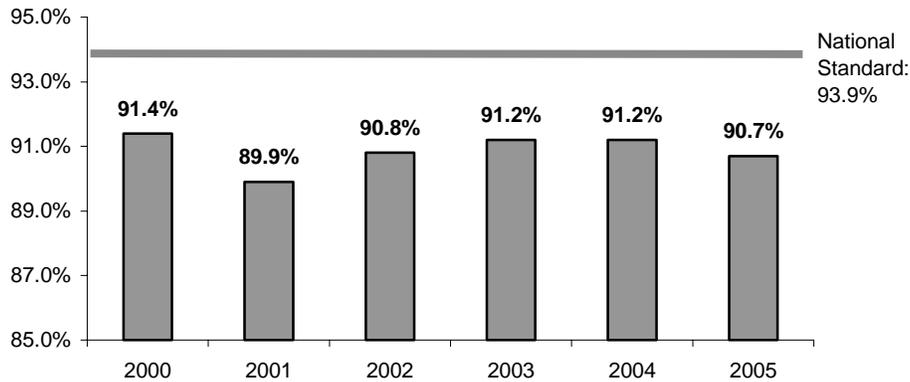
Adoption: Percentage of children who were adopted in fewer than 24 months from the time of latest removal from their home.



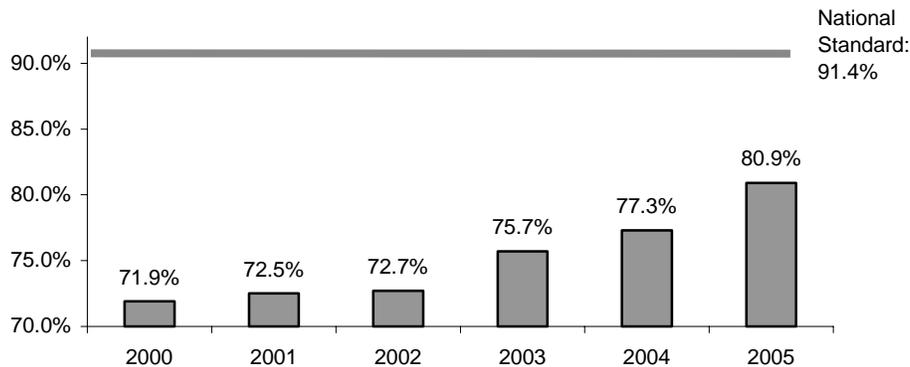
Reunification: Percent of children reunified in less than 12 months from the time of the latest removal from their home.



Recurrence: Percent of children who do not experience repeated abuse or neglect within 12 months of a prior report.



Reentry: Percent of children who entered foster care who did not have a prior out-of-home placement in the previous 12 months.



More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children’s Services Grants is funded primarily with appropriations from the General Fund and from federal funds.

Contact

For more information about Children’s Services Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Children’s Mental Health Director Glenace Edwall, (651) 431-2326
- ◆ Child Safety and Permanency Director Erin Sullivan-Sutton, (651) 431-4664

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN'S SERVICES GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	40,527	47,308	47,308	47,308	94,616
Technical Adjustments					
Current Law Base Change			3,954	3,954	7,908
Subtotal - Forecast Base	40,527	47,308	51,262	51,262	102,524
Governor's Recommendations					
Adoption Asst and Relative Custody Asst		0	3,125	6,352	9,477
Long-Term Care Payment Adjustment		0	53	169	222
Mental Health Initiatives		0	2,033	4,978	7,011
Total	40,527	47,308	56,473	62,761	119,234
Health Care Access					
Current Appropriation	0	250	250	250	500
Technical Adjustments					
Current Law Base Change			0	(250)	(250)
Subtotal - Forecast Base	0	250	250	0	250
Governor's Recommendations					
Mental Health Initiatives		0	9,325	19,650	28,975
Total	0	250	9,575	19,650	29,225
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	40,728	55,745	56,473	62,761	119,234
Health Care Access	0	250	9,575	19,650	29,225
Statutory Appropriations					
Misc Special Revenue	4,576	6,270	2,971	2,454	5,425
Federal	47,573	56,179	53,793	53,824	107,617
Gift	30	25	25	25	50
Total	92,907	118,469	122,837	138,714	261,551
<u>Expenditures by Category</u>					
Other Operating Expenses	411	125	(941)	(1,489)	(2,430)
Payments To Individuals	38,963	43,475	48,212	52,344	100,556
Local Assistance	53,533	74,869	75,566	87,859	163,425
Total	92,907	118,469	122,837	138,714	261,551

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Adoption Assistance and Relative Custody Assistance

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$3,546	\$6,725	\$6,725	\$6,725
Revenues	168	149	149	149
Net Fiscal Impact	\$3,378	\$6,576	\$6,576	\$6,576

Recommendation

The Governor recommends a 5% payment increase, effective 7-1-2007, for payments to 6,000 families receiving Adoption Assistance and 1,900 families receiving Relative Custody Assistance. The Governor also recommends an increase in base funding for non-recurring adoption assistance payments and five staff to process and maintain adoption assistance payments and records to continue to meet the goal of finding permanent homes for children under state guardianship. The Governor's recommendation would also adjust funding for Adoption Assistance and Relative Custody Assistance to meet current estimates.

Background

Current Program

There are approximately 1,600 children under state guardianship. More than 730 children under state guardianship were adopted in 2005, and 500 children per year experience a transfer of permanent legal and physical custody to a relative or person significant to the child. Since FY 2000, the number of children receiving adoption assistance payments has nearly doubled from 3,000 to 6,000 and is expected to continue to increase as the Department of Human Services (DHS) continues to improve in finding permanent homes for children.

Adoptive parents and legal custodians assume parenting responsibility for children who have experienced neglect, physical abuse, or sexual abuse. Many of these children have additional medical issues and often require psychological, medical, educational, and social services. Parents adopting these children have difficulty meeting their special needs without financial and other supports. If parents were not willing to make these children part of their family, many of the children would continue to be wards of the state, and counties would continue to pay for foster care. Three programs support adoption assistance and relative custody assistance:

- ⇒ Adoption Assistance (AA). The AA program provides financial assistance to adoptive parents to provide care that may include the purchase of ongoing and specialized services, for special needs children. The AA caseload is changing primarily as a function of the number of children with special needs who have been committed to state guardianship and the state and county success in finding and supporting adoptive families. For about 80% of these children, federal Title IV-E funding covers half of the assistance payment.
- ⇒ Relative Custody Assistance (RCA). Similar to AA, RCA provides monthly financial assistance to a relative or person significant to the child who accepts permanent legal and physical custody, except that the monthly payment is adjusted based on the relative custodian's gross family income. The juvenile court must first determine that it is in the child's best interests to transfer permanent legal and physical custody rather than terminate parental rights. There is little or no difference in the needs of children experiencing a transfer of permanent legal and physical custody in comparison to those experiencing a termination of parental rights. RCA is funded entirely with state dollars and no federal match is available.
- ⇒ Non-Recurring Adoption Assistance Expenses. Up to \$2,000 per family is allowable to cover expenses that support and facilitate the adoption process, such as agency adoption fees, attorney fees, and court filing fees. Non-recurring expenses are funded with state dollars and receive a 50% Title IV-E match. It is a federal requirement that states provide these reimbursements to all families adopting a special needs child. Approximately 330 families received these benefits in 2006.

There is a high degree of interactivity among foster care, adoption assistance, and relative custody assistance. Children reside in foster care and other residential treatment facilities during family reunification efforts. The primary permanency options for children who cannot return home are adoption or transfer of permanent legal and physical custody.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Adoption Assistance and Relative Custody Assistance

Proposal

This proposal would adjust payments for the AA and RCA programs with a one-time, 5% payment increase effective 7-1-07 (after adjustments for current estimates), increase program funding by \$22,000 annually for non-recurring adoption assistance payments, and increase administrative funding for five full-time equivalent (FTE) positions to support increases in the AA program.

The Office of the Legislative Auditor completed a financial audit report for FY 2005 that noted that DHS has not reevaluated the AA subsidy amounts since 1990. Minnesota Rule provides for annual increases in monthly adoption subsidies; however, it is not clear whether the increases are mandatory. This proposal would provide a one-time, 5% increase in assistance benefits as allowed under Minnesota Rule to acknowledge the increased costs of providing care for children receiving benefits under the AA and RCA programs.

Since enactment of the federal Adoption and Safe Families Act of 1996, the number of adoptions of children under state guardianship has increased considerably, with a caseload that has almost doubled since FY 2000. DHS is responsible for processing and maintaining adoption records, administering AA for children with special needs, and reviewing and approving the movement of children across state lines for adoption-related purposes.

M.S. 259.67, subd. 2, requires the commissioner of human services to approve or deny an AA agreement by no later than 15 days after it is submitted. Currently, the agency meets the 15-day requirement by pulling staff from other areas to work on adoption agreements. As a result, other adoption-related policy activities are not being done, such as revision of the administrative rule and written procedures used to administer the AA program. Without these updates, current policies are not available to consumers and auditors, resulting in confusion about the program.

To ensure that DHS meets state and federal timelines to complete the adoption process and maintain payments to families, three FTEs are needed. In addition, two FTEs are needed to meet federal requirements regarding the timeliness of placements of children that cross state lines. Administrative funding has not kept pace with current caseload growth or changes resulting from 2006 federal legislation.

Finally, this proposal would increase the AA appropriation and decrease the RCA appropriation to match current estimates for these programs.

Relationship to Base Budget

This proposal would increase spending for Adoption Assistance and Relative Custody Assistance Grants in the FY 2008-09 biennium by approximately 9%. This proposal would also increase the Children and Economic Assistance Management General Fund base by \$400,000 per year, or 0.91% for the FY 2008-09 biennium.

Key Measures

⇒ Percent of children who were adopted in fewer than 24 months from the time of the latest removal from their home.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: Rider

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Adoption Assistance and Relative Custody Assistance

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-Ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	26	Children's Services Grants –Payment Adjust	\$1,407	\$1,532	\$1,532	\$1,532
100	26	Children's Services Grants – Payment Adjust	416	444	444	444
100	26	Children's Services Grants – Non-Recurring Adoption Expenses	22	22	22	22
100	35	Children & Economic Assistance Admin	421	373	373	373
100	REV1	Administrative FFP	(168)	(149)	(149)	(149)
100	26	Subsidized Adoption Grants – Estimates	2,702	5,209	5,209	5,209
100	26	Relative Custody Assistance Grants - Estimates	(1,422)	(855)	(855)	(855)
100		Net Fund Impact	\$3,378	\$6,576	\$6,576	\$6,576
		Net All Fund Impact	\$3,378	\$6,576	\$6,576	\$6,576
FTEs Requested						
100	35	Children & Economic Assistance Admin	5	5	5	5

Activity Description

Children and Community Services Grants provides funding to counties to purchase or provide social services for children and families.

Population Served

These funds provide services to clients who experience dependency, abuse, neglect, poverty, disability, chronic health conditions, mental health conditions, or other factors that may result in poor outcomes or disparities, as well as services for family members to support those individuals. Services are provided to people of all ages who are faced with a wide variety of service needs. Historically, these grants have supported the following populations:

- ◆ children in need of protection;
- ◆ pregnant adolescents and adolescent parents and their children;
- ◆ abused and neglected children under state guardianship;
- ◆ adults who are vulnerable and in need of protection;
- ◆ people over age 60 who need help living independently;
- ◆ children and adolescents with emotional disturbances and adults with mental illness;
- ◆ people with developmental disabilities;
- ◆ people with substance abuse issues;
- ◆ parents with incomes below 70% of state median income who need child care services for their children; and
- ◆ children and adolescents at risk of involvement with criminal activity.

Activity at a Glance

- ◆ Funds services in 87 counties
- ◆ Serves 350,000 people annually
- ◆ Provides services for clients who experience abuse, neglect, poverty, disability, chronic health conditions, or other factors that may result in poor outcomes or disparities

Services Provided

County boards are responsible for coordinating formal and informal systems to best support and nurture children and adults within the county who meet the requirements in the Children and Community Services Act. This includes assisting individuals to function at the highest level of ability while maintaining family and community relationships.

Children and Community Services Grants services focus on the following activities and outcomes:

- ◆ preventing or remedying neglect, abuse or exploitation of children and adults unable to protect their own interests;
- ◆ preserving, rehabilitating, or reuniting families;
- ◆ achieving or maintaining self-sufficiency, including reduction or prevention of dependency;
- ◆ identifying mental health disorders early and providing treatment based on the latest scientific evidence;
- ◆ preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and
- ◆ referring or admitting for institutional care people for whom other forms of care are not appropriate.

Children and Community Services Grants support the following services:

- ◆ adoption services;
- ◆ case management services;
- ◆ counseling services;
- ◆ foster care services for adults and children;
- ◆ protective services for adults and children;
- ◆ residential treatment services;
- ◆ special services for people with developmental, emotional, or physical disabilities;
- ◆ substance abuse services;
- ◆ transportation services; and
- ◆ public guardianship.

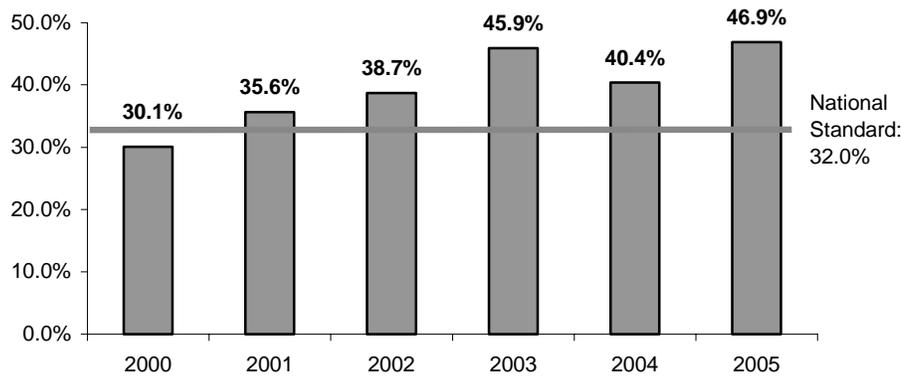
Historical Perspective

The Children and Community Services Act (CCSA), which was enacted by the 2003 legislature, consolidated 15 separate state and federal children and community services grants, including Title XX, into a single grant program. The CCSA gives counties more flexibility to ensure better outcomes for children, adolescents, and adults in need of services. The act also simplifies the planning and administrative requirements of the previous Community Social Services Act. It includes criteria for counties to limit services if CSSA funds are insufficient.

Key Measures

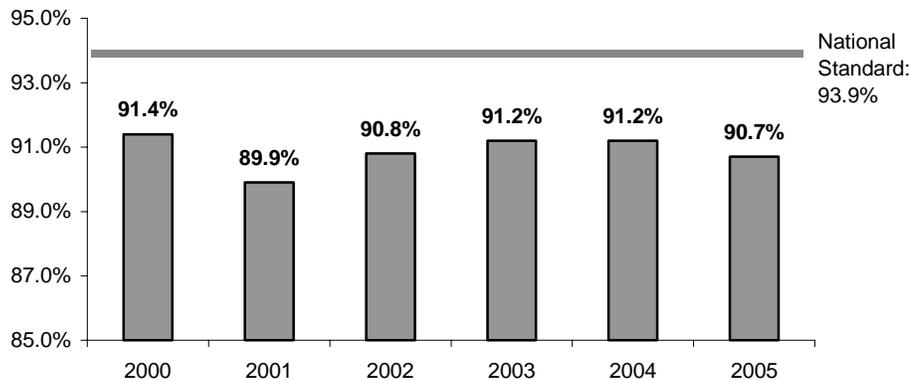
⇒ *Percent of children who were adopted in fewer than 24 months from the time of latest removal from their home.*

Adoption: Percentage of children who were adopted in fewer than 24 months from the time of latest removal from their home.



⇒ *Percent of children who do not experience repeated abuse or neglect within 12 months of a prior report.*

Recurrence: Percent of children who do not experience repeated abuse or neglect within 12 months of a prior report.



HUMAN SERVICES DEPT

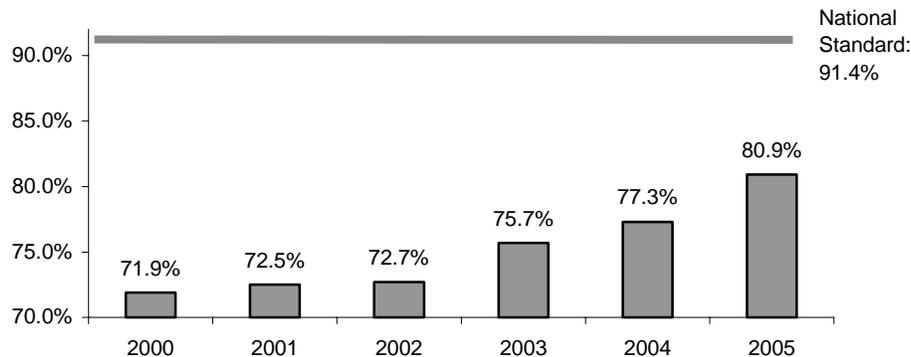
Program: CHILDREN & ECON ASSIST GRANTS

Activity: CHILDREN & COMMUNITY SERV GR

Narrative

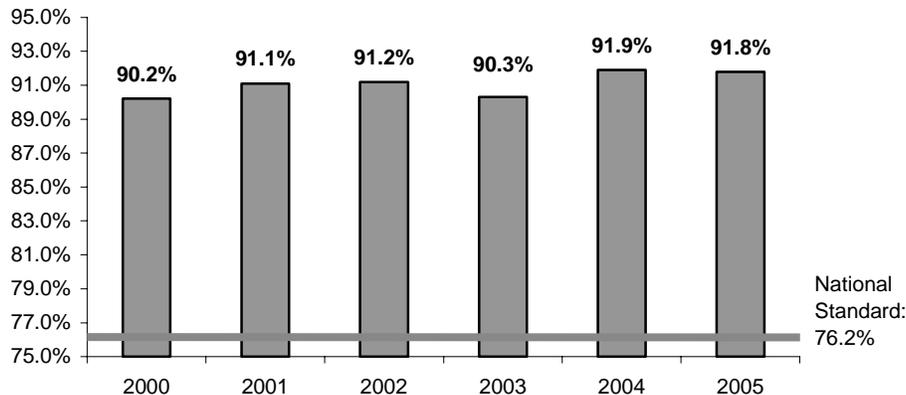
⇒ Percent of children who entered foster care who did not have a prior out-of-home placement in the previous 12 months.

Reentry: Percent of children who entered foster care who did not have a prior out-of-home placement in the previous 12 months.



⇒ Percent of children reunified in less than 12 months from the time of the latest removal from their home.

Reunification: Percent of children reunified in less than 12 months from the time of the latest removal from their home.



More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children and Community Services Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Children and Community Services Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Capacity and Planning Director Ralph McQuarter, (651) 431-3858

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN & COMMUNITY SERV GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	68,492	68,498	68,498	68,498	136,996
Technical Adjustments					
Current Law Base Change			3	3	6
Subtotal - Forecast Base	68,492	68,498	68,501	68,501	137,002
Governor's Recommendations					
County Case Mgmt Federal Funding Loss		0	40,000	0	40,000
Long-Term Care Payment Adjustment		0	201	707	908
Total	68,492	68,498	108,702	69,208	177,910
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	68,492	68,498	108,702	69,208	177,910
Statutory Appropriations					
Federal	32,962	32,967	32,730	32,730	65,460
Total	101,454	101,465	141,432	101,938	243,370
 <u>Expenditures by Category</u>					
Local Assistance	101,454	101,465	141,432	101,938	243,370
Total	101,454	101,465	141,432	101,938	243,370

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: County Case Management Federal Funding Loss

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$40,000	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$40,000	0	0	0

Recommendation

The Governor recommends a one-time appropriation of \$40 million to assist counties and tribes in addressing anticipated reductions in federal Targeted Case Management (TCM) funding. This is a temporary measure intended to encourage and assist counties in preserving core child welfare, mental health, and vulnerable adult protection services by committing state funds to be used for these purposes after the extent and impact of federal funding reductions is more fully known.

Background

Minnesota is estimated to spend a total of \$174 million on TCM services in FY 2007, half of which is currently funded by the federal government. Counties provide virtually all the non-federal share of expenditures for these services. Case management services help eligible people obtain access to necessary medical, social, and educational services. Minnesota counties currently provide TCM services to the following Medicaid beneficiaries at an estimated FY 2007 total cost noted next to each population below

- ◆ children in the child welfare system (\$92.9 million);
- ◆ adults with severe and persistent mental illness and children with severe emotional disturbance (\$69.2 million); and
- ◆ vulnerable and developmentally disabled adults (\$11.7 million).

The pending issuance of new regulations implementing a recently enacted provision in the Deficit Reduction Act (DRA) threatens Minnesota's ability to receive roughly \$87 million in annual federal funding for TCM services. Counties have been forced to plan in an environment of great uncertainty and need to know some level of funding would be available to them when the extent of federal funding reductions is better understood.

The \$40 million in one-time funding would be provided after federal regulations related to the DRA are released and it is apparent the anticipated reductions in federal revenue will be realized. Funding would be distributed to counties and tribes based on their proportionate share of total federal TCM earnings in calendar year 2005.

Since the timetable for federal action remains uncertain, the Department of Human Services requests authority to retain and spend the appropriation within either year of the biennium.

Relationship to Base Budget

In calendar year 2005, federal targeted case management revenue represented over nine percent of county program funding for children in the child welfare system, children and adults with mental health problems, and vulnerable and developmentally disabled adults.

Statutory Change: Rider

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	27	Children and Community Services Act Grant - One-time appropriation	\$40,000	-0-	-0-	-0-
100		Net Fund Impact	\$40,000	-0-	-0-	-0-
		Net All Fund Impact	\$40,000	-0-	-0-	-0-

Activity Description

General Assistance (GA) Grants provide monthly cash supplements for individuals and childless couples, who cannot fully support themselves, usually due to illness or disability, to help meet some of their monthly maintenance and emergency needs. GA is a state-funded program and an important safety net for low-income Minnesotans.

Activity at a Glance

- ◆ Provides monthly cash assistance grants for 14,100 people
- ◆ Average cash assistance grant is \$167.88

Population Served

Program participants must fit into one of 15 categories of eligibility specified in state statutes, which are primarily defined in terms of inability to work and disability, and meet income and resource limits. Applicants or recipients are generally required to apply for benefits from federally funded disability programs for which they may qualify.

Services Provided

GA Grants currently provide cash assistance of \$203 for single people and \$260 for married couples. Special funding is available when a person or family lacks basic need items for emergency situations, which threaten health or safety.

GA recipients are usually eligible for payment of medical costs through the General Assistance Medical Care program or the Medical Assistance program.

Historical Perspective

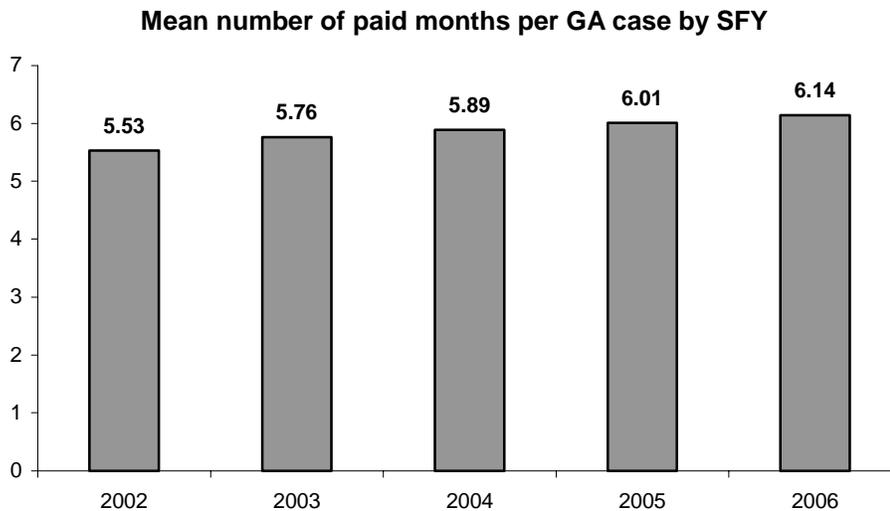
The Minnesota Legislature established the General Assistance Program in 1973. The original program provided assistance to low-income people who did not qualify for federal assistance. In the early 1980s, the legislature changed the program by increasing the GA grant to the current \$203 for single people and \$260 for married couples, and by targeting assistance to people who meet certain standards of un-employability as determined and certified by a licensed physician, licensed consulting psychologist, licensed psychologist, or vocational specialist.

In 1998, families with children were moved from GA to the Minnesota Family Investment Program, immediately reducing the number of people served on GA each month from 15,000 to 11,000. Since that time, the average number of people served on GA has ranged from a low of roughly 7,800 a month in FY 2000 to the current average of 14,106 a month with an average payment of \$167.88 per person for FY 2006.

In FY 2001, payments for women staying in battered women's shelters were transferred out of the GA program, into the Department of Corrections' Crime Victims Services.

Key Measures

⇒ **Mean number of paid months per GA case by state fiscal year.** GA is temporary for some recipients while they overcome an emergency situation, a temporary problem, or are waiting for approval for other forms of assistance. For others with more intractable barriers to self-support, assistance is needed for a longer term.



More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

General Assistance Grants are funded with appropriations from the state General Fund.

Contact

For more information on General Assistance Grants, contact:

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Living Supports Director Janel Bush, (651) 431-3838

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GENERAL ASSISTANCE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	33,363	35,104	35,104	35,104	70,208
Technical Adjustments					
End-of-session Estimate			1,120	1,368	2,488
November Forecast Adjustment		1,199	1,661	1,790	3,451
Subtotal - Forecast Base	33,363	36,303	37,885	38,262	76,147
Total	33,363	36,303	37,885	38,262	76,147
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	31,292	36,303	37,885	38,262	76,147
Statutory Appropriations					
General	1,749	2,000	2,000	2,000	4,000
Total	33,041	38,303	39,885	40,262	80,147
<u>Expenditures by Category</u>					
Other Operating Expenses	719	0	0	0	0
Payments To Individuals	32,322	37,803	39,385	39,762	79,147
Local Assistance	0	500	500	500	1,000
Total	33,041	38,303	39,885	40,262	80,147

Activity Description

Minnesota Supplemental Aid (MSA) Grants provides a state-funded monthly cash supplement to people who are eligible for federal Supplemental Security Income (SSI) benefits and are disabled, aged, or blind.

Activity at a Glance

- ◆ Provides 28,500 people with disabilities or over age 65 with a cash supplement each month.

Population Served

To receive MSA benefits, a person must be

- ◆ age 65 or older;
- ◆ blind or have severely impaired vision; or
- ◆ disabled and age 18 or older.

MSA is available to individuals with assets up to \$2,000 and couples with assets up to \$3,000 and limited income.

Services Provided

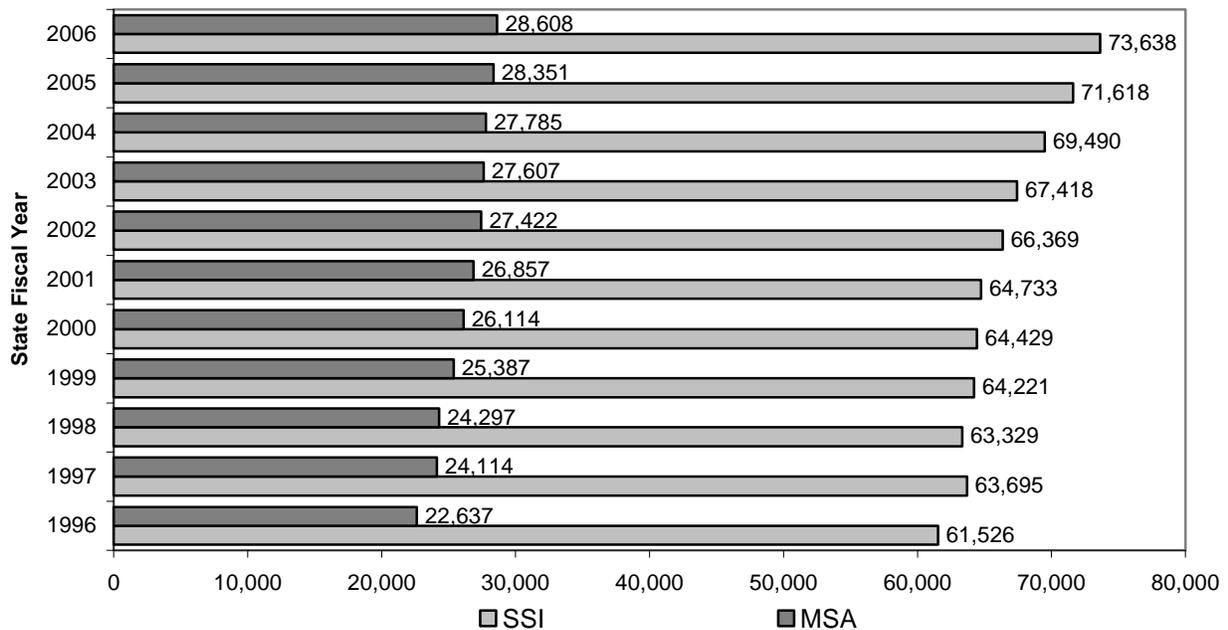
MSA standards are adjusted annually by the amount of the cost of living adjustment (COLA) in SSI. The monthly MSA grant is based on the difference between the recipient's monthly income and the appropriate MSA standard. As of 1-1-2006, MSA standards are \$664 each month to individuals living alone and \$995 each month to couples. Federal SSI funds pay most of the MSA standards, although payment amounts vary depending upon a number of factors. MSA monthly grants average approximately \$86.

Historical Perspective

The legislature established the MSA program in 1974. The program serves as the federally mandated supplement to Minnesota recipients of the SSI program.

Key Measures

⇒ *The number of adults receiving SSI who are also receiving MSA.*



* MSA totals include some SSI eligible persons who only receive MSA due to SSI income limitations.

HUMAN SERVICES DEPT

Program: CHILDREN & ECON ASSIST GRANTS

Activity: MINNESOTA SUPPLEMENTAL AID GR

Narrative

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Minnesota Supplemental Aid Grants is funded with appropriations from the General Fund.

Contact

For more information on MSA Grants, contact:

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Living Supports Director Janel Bush, (651) 431-3838

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: MINNESOTA SUPPLEMENTAL AID GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	30,030	31,352	31,352	31,352	62,704
Technical Adjustments					
End-of-session Estimate			847	1,693	2,540
November Forecast Adjustment		(1,204)	(1,731)	(2,216)	(3,947)
Subtotal - Forecast Base	30,030	30,148	30,468	30,829	61,297
Total	30,030	30,148	30,468	30,829	61,297
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	29,948	30,148	30,468	30,829	61,297
Statutory Appropriations					
General	351	600	600	600	1,200
Total	30,299	30,748	31,068	31,429	62,497
<u>Expenditures by Category</u>					
Other Operating Expenses	14	0	0	0	0
Payments To Individuals	30,285	30,748	31,068	31,429	62,497
Total	30,299	30,748	31,068	31,429	62,497

Activity Description

Group Residential Housing (GRH) Grants provides income supplements for room, board, and other related housing services for people whose illnesses or disabilities prevent them from living independently. In order for its residents to be eligible for GRH payments, a setting must be licensed by the Department of Human Services (DHS) as an adult foster home or by the Department of Health as a board and lodging establishment, a supervised living facility, a boarding care home, or, in some cases, registered as a housing-with-services establishment.

Activity at a Glance

- ◆ GRH provides room and board in 4,300 settings for an average of 15,000 recipients a month.
- ◆ The basic GRH room and board rate is \$737 per month.

Population Served

- ⇒ There are more than 4,300 GRH settings serving a monthly average of 15,000 recipients who are unable to live independently in the community due to illness or incapacity.
- ⇒ GRH settings serve a variety of people, including persons with mental retardation, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.
- ⇒ People receiving GRH often also receive services through Medical Assistance (MA) Home Care, a home and community-based waiver under Title XIX of the Social Security Act, or mental health grants. In these cases, the GRH rate is restricted to the room and board rate only. The combination of GRH room and board supports and Medical Assistance services enables people to live in their communities rather than in institutions.

Services Provided

- ⇒ GRH separately identifies housing costs from services and provides a standard payment rate for housing for aged, blind, and disabled persons in certain congregate settings.
- ⇒ GRH is a supplement to a client's income to pay for the costs of room and board in specified licensed or registered settings.
- ⇒ Currently, the basic GRH room and board rate is \$737 per month, which is based on a statutory formula. The maximum GRH payment rate for settings that provide services in addition to room and board is \$467.05 per month. In limited cases, and upon county and state approval, GRH will also fund up to \$467.05 per month (based on documented costs) for people whose needs require specialized housing arrangements.
- ⇒ Although GRH is 100% state-funded, these rates are offset by the recipient's own income contribution (usually Supplemental Security Income or Social Security Retirement or Disability Insurance contributions of at least \$603).
- ⇒ GRH also pays for basic support services, such as oversight and supervision, medication reminders, and appointment arrangements, for people who are ineligible for other service funding mechanisms such as home and community-based waivers or home care.

Historical Perspective

GRH was once part of the Minnesota Supplemental Aid (MSA) Program but was made a separate program in the mid-1990s. There is currently a moratorium on the addition of GRH beds with a rate that exceeds the base rate of \$737 per month.

HUMAN SERVICES DEPT

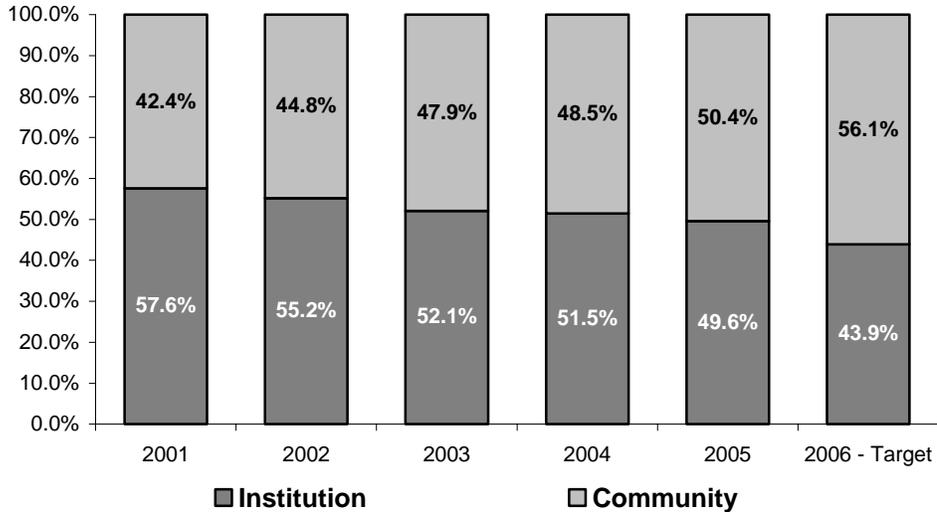
Program: CHILDREN & ECON ASSIST GRANTS

Activity: GROUP RESIDENTIAL HOUSING GR

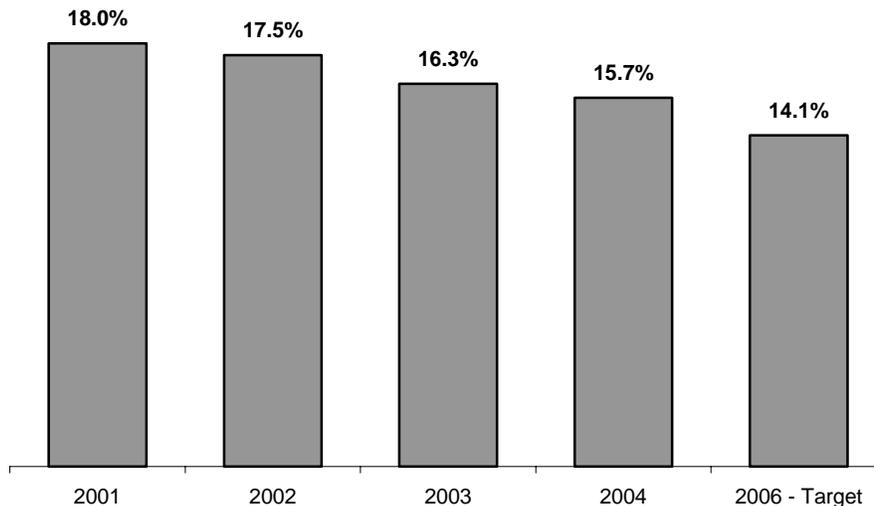
Narrative

Key Measures

⇒ Proportion of elders receiving publicly funded services in institutional vs. community settings



⇒ Percent of people with serious and persistent mental illness served in institutional settings



More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Group Residential Housing Grants is funded with appropriations from the General Fund.

Contact

For more information on Group Residential Housing, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Living Supports Director Janel Bush, (651) 431-3838

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GROUP RESIDENTIAL HOUSING GR

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	80,307	89,130	89,130	89,130	178,260
Technical Adjustments					
Approved Transfer Between Appr			(310)	(310)	(620)
End-of-session Estimate			7,020	14,250	21,270
November Forecast Adjustment		(3,840)	(4,753)	(5,713)	(10,466)
Subtotal - Forecast Base	80,307	85,290	91,087	97,357	188,444
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	298	900	1,198
Total	80,307	85,290	91,385	98,257	189,642
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	74,622	84,980	91,385	98,257	189,642
Statutory Appropriations					
General	1,264	1,400	1,400	1,400	2,800
Total	75,886	86,380	92,785	99,657	192,442
<u>Expenditures by Category</u>					
Other Operating Expenses	228	0	0	0	0
Payments To Individuals	75,658	86,380	92,785	99,657	192,442
Total	75,886	86,380	92,785	99,657	192,442

Activity Description

Refugee Services Grants provides federally funded services to help refugees resettle in Minnesota and become self-sufficient.

Population Served

Refugees are people lawfully admitted to the United States who are unable to return to their own home country because of a well-founded fear of persecution.

Activity at a Glance

Monthly average of refugees receiving resettlement services

◆ Refugee Cash Assistance	960
◆ Refugee Medical Assistance	560
◆ Social Services	534

Services Provided

Refugee Cash Assistance/Refugee Medical Assistance (RCA/RMA) is federal funding for cash and medical assistance for needy refugees who do not qualify for the Minnesota Family Investment Program (MFIP) or Medical Assistance (MA).

Social services provide refugees with culturally appropriate and bilingual employment services through contracts with nonprofit and ethnic-based community organizations. Services are generally limited to refugees during their first five years in this country, with priority given to those in their first year.

A wide range of other services is provided to help refugees adjust to life in the United States. Examples of these services are referral and information, translation and interpreter services, family literacy and English language instruction, and preparation for citizenship.

Historical Perspective

Over the last five years (2001-2005), Minnesota resettled approximately 18,000 refugees from 47 ethnic nationalities or political nations. Most of the refugees came from Somalia, Laos, Ethiopia, and the former Soviet Union. In 2005, Minnesota ranked second in the United States for refugee arrivals.

Key Measures

⇒ *Refugee families are economically self-supporting*

- ◆ Wage rate at job placement
- ◆ 90-day job retention rate

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Refugee Services Grants is funded with appropriations from federal funds

Contact

For more information on Refugee Services Grants, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Community Living Supports Director Janel Bush, (651) 431-3838

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: REFUGEE SERVICES GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Federal	11,366	18,288	17,309	17,310	34,619
Total	11,366	18,288	17,309	17,310	34,619
<u>Expenditures by Category</u>					
Other Operating Expenses	323	2,249	1,606	1,606	3,212
Payments To Individuals	5,503	6,020	6,019	6,020	12,039
Local Assistance	5,540	10,019	9,684	9,684	19,368
Total	11,366	18,288	17,309	17,310	34,619

Activity Description

Other Children's and Economic Assistance Grants provides funding for food, housing, and other services to low-income families and individuals in transition to economic stability.

Population Served

Eligible recipients include

- ◆ low-income families and individuals needing assistance to meet basic nutritional needs;
- ◆ individuals and families who are at risk of homeless and need housing and supportive services until they are able to move into stable, permanent housing; and
- ◆ low-income households that need services and support to achieve long-term economic stability.

Activity at a Glance

- ◆ Provides food support to more than 250,000 people each month
- ◆ Provides transitional housing to 5,100 people annually
- ◆ Provides assistance to 250,000 households through Community Action Agencies annually

Services Provided

- ⇒ Supportive Housing Services Grants address the needs of long-term homeless individuals and families.
- ⇒ The Supportive Housing/Managed Care Pilot Project in Ramsey and Blue Earth counties provides integrated employment services, supportive services, housing, and health care for people who are homeless. The state appropriation for the pilot project sunsets 6-30-2007
- ⇒ The Transitional Housing Program (THP) provides grants for programs that provide transitional housing and supportive services to homeless people for up to 24 months so that they can find stable, permanent housing.
- ⇒ Minnesota Community Action Grants provide low-income citizens with the information and skills necessary to become more self-reliant through a statewide network of Community Action Agencies. Services are designed locally, based on community assessments, and aimed at ending poverty through high-impact strategies.
- ⇒ Emergency Services Program funds shelters and other organizations to provide emergency shelter and essential services to homeless persons.
- ⇒ Food shelves provide food to low-income individuals and families who have exhausted other resources to meet their basic nutrition needs. Food banks, food shelves, on-site meal programs, and shelters provide food through the Minnesota Food Shelf Program, The Emergency Food Assistance Program, and Community Food and Nutrition Program.
- ⇒ Family Assets for Independence in Minnesota (FAIM) helps low-wage earners acquire financial assets and move out of poverty through matched savings accounts and financial education.
- ⇒ Food support is provided through Electronic Benefit Transfer, Food Support Expedited Benefits, and Food Support Cashout Supplemental Security Income.
- ⇒ The Minnesota Food Assistance Program provides state-funded grants to legal non-citizens who are no longer eligible for federal food support.
- ⇒ Fraud-prevention grants are awarded to counties to fund early fraud detection and collection efforts for public assistance programs.

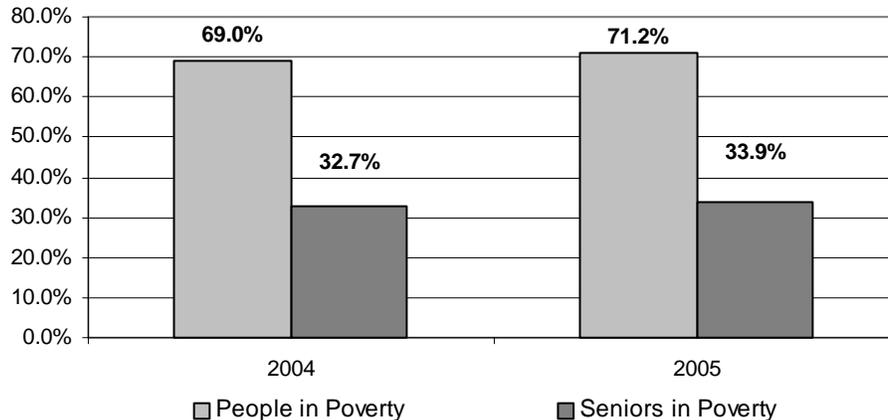
Historical Perspective

Homeless programs were developed in the 1980s in response to the increasing numbers of children and families experiencing homelessness. The 2005 legislature appropriated \$5 million/year for Supportive Housing Services grants to serve families and individuals experiencing long-term homelessness. Certain legal non-citizens lost eligibility for federal food support in the 1990s and the state responded by creating the Minnesota Food Assistance Program. Family Assets for Independence in Minnesota is part of a national asset building initiative that also began in the 1990s. It came from the recognition that low income families are often excluded from financial opportunities for asset development that is available to middle and upper income families.

Key Measures

- ⇒ Food Support Participation Rate for People in Poverty
- ⇒ Food Support Participation Rate for Seniors in Poverty

Food Support Participation Rate
(based on federal fiscal years)



These measures are the percent of people (adults and children) in poverty and seniors (adults age 65 and older) statewide that are the beneficiaries of Food Support (the federal Food Stamp program.) These participation rates are a performance measure for the federal Food Stamp Program. It is based on eligibility data from each federal fiscal year and population data from the 2000 U.S. Census.

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Other Children's and Economic Assistance Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Other Children's and Economic Assistance Grants, contact

- ◆ Assistant Commissioner, Chuck Johnson, (651) 431-3835
- ◆ Transition to Economic Stability Division Director Ann Sessoms, (651) 431-4006
- ◆ Community Partnerships Division Director James Huber, (651) 431-3854
- ◆ Program Assessment and Integrity Division Director Ramona Scarpace, (651) 431-3839

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: OTHER CHILD AND ECON ASST GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	16,264	15,794	15,794	15,794	31,588
Technical Adjustments					
Biennial Appropriations			500	0	500
Current Law Base Change			1,239	1,239	2,478
Program/agency Sunset			(1,500)	(1,500)	(3,000)
Subtotal - Forecast Base	16,264	15,794	16,033	15,533	31,566
Governor's Recommendations					
Long-Term Homeless Implementation		0	1,900	1,900	3,800
Total	16,264	15,794	17,933	17,433	35,366
Federal Tanf					
Current Appropriation	1,397	1,397	1,397	1,397	2,794
Technical Adjustments					
Current Law Base Change			(1,397)	(1,397)	(2,794)
Subtotal - Forecast Base	1,397	1,397	0	0	0
Total	1,397	1,397	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	16,221	15,793	17,933	17,433	35,366
Federal Tanf	14,726	1,337	0	0	0
Statutory Appropriations					
General	0	1	0	0	0
Misc Special Revenue	283	394	303	303	606
Federal	170,223	184,918	224,952	246,555	471,507
Miscellaneous Agency	0	1,757	0	0	0
Total	201,453	204,200	243,188	264,291	507,479
<u>Expenditures by Category</u>					
Other Operating Expenses	69	1,766	5	5	10
Payments To Individuals	160,500	171,533	216,695	238,298	454,993
Local Assistance	40,395	30,151	25,738	25,238	50,976
Other Financial Transactions	489	750	750	750	1,500
Total	201,453	204,200	243,188	264,291	507,479

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Long-Term Homeless Implementation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	40	40	40	40
Net Fiscal Impact	\$1,960	\$1,960	\$1,960	\$1,960

Recommendation

The Governor recommends implementing the next step in the state's Business Plan to End Long-term Homelessness (ELTH). This proposal would provide additional funds for supportive services, transitional housing, and program infrastructure. Capacity for supportive services in existing projects would be expanded to serve an additional 75 to 100 households throughout the state. Transitional housing funding would be used for a mix of new bed capacity and expanded services to the long-term homeless (LTH) in existing settings.

Background

This proposal is one component of a package of investments developed in coordination with the Minnesota Housing Finance Agency (MFHA) and the Department of Corrections (DOC). Since 2004, the Department of Human Services (DHS), MFHA, and DOC have cooperated in efforts to implement the state's Business Plan to ELTH. Each of the three agencies assists in funding some aspects of the systems of supportive housing and prevention services. Budget initiatives are proposed by each of the agencies which, when combined, constitute the Governor's budget initiative to continue implementation of the Business Plan to ELTH. The proposed integrated budget initiative includes funding requests for:

- ◆ continuation and expansion of the availability of the Supportive Services Grant program administered by DHS;
- ◆ maintenance of the temporary housing programs administered by DHS;
- ◆ support for the housing services infrastructure operated and partially funded by private sector organizations and through DHS and MHFA;
- ◆ expansion of the supply of housing opportunities provided by MHFA for families and persons experiencing long-term homelessness;
- ◆ expansion of prevention services funded through MHFA; and
- ◆ expansion of the Re-entry Project of DOC.

Current programs. There are four current programs.

- ⇒ Supportive Housing Services Grants address the needs of long-term homeless individuals and families. Flexible funding was appropriated in 2005 to provide grants to county/provider partnerships for services necessary to maintain long-term stability in housing.
- ⇒ The Supportive Housing/Managed Care Pilot Project in Ramsey and Blue Earth counties provides integrated employment services, supportive services, housing, and health care for people who are homeless. The state appropriation of \$1.5 million/year for the pilot project has a sunset date of 6-30-2007.
- ⇒ The Emergency Services Program funds shelters and other organizations that provide emergency shelter and services to homeless persons.
- ⇒ The Transitional Housing Program provides grants for programs that provide transitional housing and supportive services to homeless people for up to 24 months so that they can find stable, permanent housing. Of this funding, 10% is available for permanent housing options.

See <http://www.budget.state.mn.us/budget/operating/200809/background/316571.pdf> for more information about these programs.

Proposal. Effective 7-1-2007, this proposal would provide additional funds for supportive services, transitional housing, and program infrastructure.

- ⇒ This proposal includes \$1.65 million/year for supportive services. Of this amount, \$1.475 million would be used to expand the availability of supportive housing services grants to areas of the state that were not able to participate in the initial round of funding and to expand existing projects including the counties currently being served by the Supportive Housing and Managed Care Pilot. The remaining \$175,000 would be used by

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: Long-Term Homeless Implementation

staff in emergency shelters to focus on transitioning people experiencing long-term homelessness into permanent housing.

- ⇒ The proposal includes \$250,000/year for the Transitional Housing Program to provide additional beds where need still exists and enhance services that help people, who are experiencing long-term homelessness, move into permanent housing in the community.
- ⇒ The proposal includes \$100,000/year for program infrastructure. Of this amount, \$38,000 would be used to expand implementation of the Homeless Management Information System (HMIS) to supportive housing services grantees and community action agencies. HMIS is a federally-required data system designed to provide an unduplicated count of homeless people served by U.S. Department of Housing and Urban Development programs. Its use is also required by the transitional housing, state shelter, and supportive service grantees under contract with the DHS. HMIS has data that will be used in the management and evaluation of programs serving the long-term homeless. The other \$62,000 would be used to expand the availability of Web-based information about supportive housing options to regions in greater Minnesota that are receiving supportive housing services grants.

Relationship to Base Budget

This proposal would increase General Fund base funding for Supportive Housing grants by 30% (current base of \$5 million per year), Emergency Service Grants by 50% (current base of \$350,000 per year), and Transitional Housing Program by 8% (current base of \$2.988 million per year). This proposal would also increase the Children and Economic Assistance Management General Fund base by \$100,000 per year or 0.23% for the FY 2008-09 biennium.

Key Measures

- ⇒ Number of LTH households served, and percentage of LTH households that retain housing for one year or more.
- ⇒ Number of units supported with service funding.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	32	Other Children and Economic Assistance Grants	\$1,900	\$1,900	\$1,900	\$1,900
100	35	Children and Economic Assistance Admin	100	100	100	100
100	REV1	Administrative FFP	(40)	(40)	(40)	(40)
100		Net Fund Impact	\$1,960	\$1,960	\$1,960	\$1,960
		Net All Fund Impact	\$1,960	\$1,960	\$1,960	\$1,960
FTEs Requested						

Program Description

Children and Economic Assistance Management is the administrative support component for Children and Economic Assistance Grants. It is responsible for policy development, program implementation, grants management, training and technical assistance to counties, tribes, and grantees, quality assurance, and for managing and operating computer systems support.

Budget Activities

- ⇒ Children and Economic Assistance Administration
- ⇒ Children and Economic Assistance Operations

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	42,559	42,641	42,641	42,641	85,282
Technical Adjustments					
Approved Transfer Between Appr			1,294	1,276	2,570
Current Law Base Change			(88)	(88)	(176)
Fund Changes/consolidation			25	25	50
Subtotal - Forecast Base	42,559	42,641	43,872	43,854	87,726
Governor's Recommendations					
MFIP Federal Compliance		0	227	146	373
Child Care Assistance Program		0	304	194	498
Adoption Asst and Relative Custody Asst		0	421	373	794
Long-Term Homeless Implementation		0	100	100	200
Immigration Status Validation at Recert		0	22	22	44
Compensation Adjustment		0	392	793	1,185
Total	42,559	42,641	45,338	45,482	90,820
Health Care Access					
Current Appropriation	261	261	261	261	522
Technical Adjustments					
Approved Transfer Between Appr			91	91	182
Current Law Base Change			(12)	(12)	(24)
Subtotal - Forecast Base	261	261	340	340	680
Governor's Recommendations					
Compensation Adjustment		0	7	14	21
Total	261	261	347	354	701
Federal Tanf					
Current Appropriation	466	496	496	496	992
Technical Adjustments					
Approved Transfer Between Appr			700	700	1,400
Current Law Base Change			0	0	0
Subtotal - Forecast Base	466	496	1,196	1,196	2,392
Total	466	496	1,196	1,196	2,392

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,368	12,109	45,338	45,482	90,820
Health Care Access	106	340	347	354	701
Federal Tanf	973	1,256	1,196	1,196	2,392
Statutory Appropriations					
Misc Special Revenue	69,116	81,267	46,239	45,058	91,297
Federal	7,657	10,351	9,537	8,536	18,073
Total	88,220	105,323	102,657	100,626	203,283
<u>Expenditures by Category</u>					
Total Compensation	45,607	50,680	51,852	51,559	103,411
Other Operating Expenses	42,559	54,291	50,583	49,067	99,650
Local Assistance	54	352	222	0	222
Total	88,220	105,323	102,657	100,626	203,283
<u>Expenditures by Activity</u>					
Children & Families Admin	18,883	23,412	22,885	21,004	43,889
Children & Families Operations	69,337	81,911	79,772	79,622	159,394
Total	88,220	105,323	102,657	100,626	203,283
Full-Time Equivalents (FTE)	639.6	662.5	670.5	670.5	

Activity Description

Children's and Economic Assistance Administration provides policy development, program implementation, grants management, training, and technical assistance to counties, tribes and grantees. This activity provides other administrative support for programs funded through Children's and Economic Assistance Grants.

Population Served

Services are provided to

- ◆ families and individuals who receive economic assistance;
- ◆ children who receive child support enforcement services;
- ◆ families who receive child care assistance services;
- ◆ children who are at risk of abuse or neglect, in out-of-home placements, in need of adoption, under state guardianship, or have an emotional disturbance and need mental health services; and direct service workers in 87 counties who receive policy assistance, technical support, and training.

Activity at a Glance

- ◆ Develops policy for children and economic assistance programs
- ◆ Provides administrative support to child welfare and children's mental health grantees
- ◆ Works with counties, tribes, and other providers to implement best practices
- ◆ Provides training and technical assistance to direct service providers
- ◆ Implements federal changes

Services Provided

Children's and Economic Assistance Administration

- ◆ provides technical support and policy interpretation for 87 county human services agencies through training, instructional manuals, policy assistance, and system support help desks;
- ◆ assists with case management;
- ◆ implements and monitors grant projects;
- ◆ conducts pilot programs to improve service delivery and outcomes;
- ◆ implements policy changes and develops and analyzes legislation;
- ◆ administers Limited English Proficiency (LEP) services;
- ◆ administers social services, cash assistance, and employment services to refugees;
- ◆ assures and documents compliance with state and federal laws;
- ◆ conducts quality assurance reviews of county practices; and
- ◆ manages intergovernmental relations.

Key Measures

See Key Measures for Children and Economic Assistance Grants..

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children's and Economic Assistance Administration is funded primarily with appropriations from the General Fund and from federal funds.

Contact

For more information on Children's and Economic Assistance Administration, contact:

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES ADMIN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,838	7,832	7,832	7,832	15,664
Technical Adjustments					
Approved Transfer Between Appr			871	853	1,724
Subtotal - Forecast Base	7,838	7,832	8,703	8,685	17,388
Governor's Recommendations					
MFIP Federal Compliance		0	166	146	312
Child Care Assistance Program		0	304	194	498
Adoption Asst and Relative Custody Asst		0	421	373	794
Long-Term Homeless Implementation		0	100	100	200
Compensation Adjustment		0	110	222	332
Total	7,838	7,832	9,804	9,720	19,524
Federal Tanf					
Current Appropriation	452	496	496	496	992
Technical Adjustments					
Approved Transfer Between Appr			700	700	1,400
Current Law Base Change			0	0	0
Subtotal - Forecast Base	452	496	1,196	1,196	2,392
Total	452	496	1,196	1,196	2,392
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,762	8,315	9,804	9,720	19,524
Federal Tanf	973	1,256	1,196	1,196	2,392
Statutory Appropriations					
Misc Special Revenue	3,491	4,280	3,076	2,280	5,356
Federal	7,657	9,561	8,809	7,808	16,617
Total	18,883	23,412	22,885	21,004	43,889
<u>Expenditures by Category</u>					
Total Compensation	13,582	15,319	15,334	15,322	30,656
Other Operating Expenses	5,247	7,741	7,329	5,682	13,011
Local Assistance	54	352	222	0	222
Total	18,883	23,412	22,885	21,004	43,889
Full-Time Equivalents (FTE)	203.4	199.4	207.4	207.4	

Activity Description

Children's and Economic Assistance Operations provides the computer systems and quality assurance infrastructure necessary to deliver services through Children's and Economic Assistance Grants.

Population Served

Children's and Economic Assistance Operations serves

- ◆ Minnesotans who receive economic assistance benefits through MAXIS;
- ◆ families who receive child care assistance services through Minnesota Electronic Childcare System (MEC²), which is part of MAXIS;
- ◆ children who receive child support enforcement services through PRISM;
- ◆ families and children who receive social services through Social Service Information System (SSIS); and
- ◆ state and county workers, who use MAXIS, PRISM, and MEC², and county social service workers who use SSIS.

Activity at a Glance

- ◆ Provides benefits to more than 500,000 people through MAXIS annually
- ◆ Provides child support services to 407,000 custodial and non-custodial parents annually
- ◆ Provides child care assistance to 16,900 families annually
- ◆ Provides data support for services to 8,000 children who are determined to be victims of abuse or neglect and 14,700 children in out-of-home placements annually
- ◆ SSIS tracks services to 182,000 clients in 90,000 child welfare-related cases annually

Services Provided

Children's and Economic Assistance Operations supports economic assistance programs by

- ◆ operating and maintaining the eligibility and delivery systems for Food Support, General Assistance, Minnesota Supplemental Aid, Minnesota Family Investment Program (MFIP), Diversionary Work Program, Child Care Assistance Program, Medical Assistance (MA), General Assistance Medical Care, Group Residential Housing, Minnesota Food Assistance Program, and Emergency General Assistance;
- ◆ collecting and distributing child support payments, locating absent parents, establishing paternity, and enforcing of court orders;
- ◆ conducting federally mandated quality control reviews, payment accuracy assessments and administrative evaluations for MFIP, Food Support, MA, and child support;
- ◆ administering the Electronic Benefit Transfer (EBT) system;
- ◆ providing centralized mailing of benefits, forms, and legal notices to clients;
- ◆ managing program integrity (fraud prevention) and control functions;
- ◆ collecting and analyzing data trends and activities that determine program effectiveness, establish program error levels to prevent recipient fraud, and support long-range planning; and
- ◆ managing claims and recoveries of overpayments for the cash public assistance program, including the Treasury Offset Program;
- ◆ supporting county social service workers by automating routine tasks, helping determine client needs, and providing timely information on children who have been maltreated, are in out-of-home placement, or who are awaiting adoption; and
- ◆ managing and overseeing counties' work in child protection, out-of-home placement, adoption, and foster care services.

Key Measures

See Key Measures for Children and Economic Assistance Grants.

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Children's and Economic Assistance Operations is funded with appropriations from the General Fund, and the Health Care Access Fund, and from federal funds.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES OPERATIONS

Narrative

Contact

For more information on Children's and Economic Assistance Operations, contact

- ◆ Assistant Commissioner Chuck Johnson, (651) 431-3835
- ◆ Child Support Enforcement Division Director Wayland Campbell, (651) 431-4403
- ◆ Transition Support Systems Division Director Kate Wulf, (651) 431-4069
- ◆ SSIS Division Director Gwen Wildermuth (651) 431-4748
- ◆ Program Assessment & Integrity Division Director Ramona Scarpace, (651) 431-3839

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Activity: CHILDREN & FAMILIES OPERATIONS

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	34,721	34,809	34,809	34,809	69,618
Technical Adjustments					
Approved Transfer Between Appr			423	423	846
Current Law Base Change			(88)	(88)	(176)
Fund Changes/consolidation			25	25	50
Subtotal - Forecast Base	34,721	34,809	35,169	35,169	70,338
Governor's Recommendations					
MFIP Federal Compliance		0	61	0	61
Immigration Status Validation at Recert		0	22	22	44
Compensation Adjustment		0	282	571	853
Total	34,721	34,809	35,534	35,762	71,296
Health Care Access					
Current Appropriation	261	261	261	261	522
Technical Adjustments					
Approved Transfer Between Appr			91	91	182
Current Law Base Change			(12)	(12)	(24)
Subtotal - Forecast Base	261	261	340	340	680
Governor's Recommendations					
Compensation Adjustment		0	7	14	21
Total	261	261	347	354	701
Federal Tanf					
Current Appropriation	14	0	0	0	0
Subtotal - Forecast Base	14	0	0	0	0
Total	14	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,606	3,794	35,534	35,762	71,296
Health Care Access	106	340	347	354	701
Statutory Appropriations					
Misc Special Revenue	65,625	76,987	43,163	42,778	85,941
Federal	0	790	728	728	1,456
Total	69,337	81,911	79,772	79,622	159,394
<u>Expenditures by Category</u>					
Total Compensation	32,025	35,361	36,518	36,237	72,755
Other Operating Expenses	37,312	46,550	43,254	43,385	86,639
Total	69,337	81,911	79,772	79,622	159,394
Full-Time Equivalents (FTE)	436.2	463.1	463.1	463.1	

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Change Item: Immigration Status Validation at Recertification

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$22	\$22	\$22	\$22
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	41	36	36	36
Revenues	16	14	14	14
Net Fiscal Impact	\$47	\$44	\$44	\$44

Recommendation

The Governor recommends validating the immigration status of non-citizen recipients of certain public assistance programs at each annual eligibility recertification. Counties already use the Systematic Alien Verification Entitlement System (SAVE) to validate immigration status of non-citizen applicants for public assistance programs listed in M.S. 256.01, subd.18. This proposal would require counties to verify status through this SAVE at each recertification.

Background

SAVE is an information-sharing initiative to assist in verifying the immigration status of non-citizens. It allows authorized staff to validate a non-citizen's immigration status information by accessing U. S. Citizenship and Immigration Services data through the Automated Status Verification System database, which contains information on more than 60 million non-citizens.

M.S. 256.01, subd. 18 requires the use of SAVE to validate the immigration status of non-citizen applicants for the following programs

- ◆ Minnesota Family Investment Program (MFIP) and Diversionary Work Program (DWP);
- ◆ Food Support;
- ◆ Refugee Cash Assistance;
- ◆ Minnesota Food Assistance;
- ◆ Medical Assistance (MA) except for Emergency MA or undocumented or non-immigrant persons receiving services from the Center for Victims of Torture or undocumented or non-immigrant pregnant women;
- ◆ MinnesotaCare for adults without children;
- ◆ General Assistance Medical Care; and
- ◆ Refugee Medical Assistance.

The Department of Human Services (DHS) implemented SAVE statewide in February 2002. Counties were instructed to use SAVE prior to approving applications of non-citizens for the programs listed above or when non-citizen recipients of those same programs reported a change in immigration status.

In March 2006, the Office of the Legislative Auditor (OLA) published a report on public health care eligibility determination for non-citizens. Among other findings, the report noted eligibility workers did not validate non-citizen applicants' eligibility as required. Based on interviews with workers in six counties, OLA staff determined that workers had differing ideas of when a SAVE inquiry was required, from conducting one annually to not doing it at all. OLA's recommendation to address this issue is to allow county workers to run SAVE inquiries annually as part of the recertification process.

Proposal

This proposal would expand the requirement to use SAVE to validate the immigration status of recipients of public assistance programs listed in 256.01, subdivision 18 at recertification in addition to application, effective 7-1-2007. DHS is charged for each request made to verify citizenship. DHS uses SAVE to verify citizenship for around 9,000 applicants each year. There are over 60,000 enrolled non-citizens for whom an inquiry will need to be submitted at recertification in addition to their initial application. MinnesotaCare Operations would require an

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASST MGMT

Change Item: Immigration Status Validation at Recertification

additional 0.5 full-time equivalent to use SAVE to verify citizenship status each year for about 5,000 non-citizen recipients.

Relationship to Base Budget

DHS currently pays approximately \$7,000 annually to use SAVE to validate immigration status of non-citizen applicants. This proposal would increase that payment by about \$26,000. This proposal would also provide for a small (\$36,000) increase the Health Care Management Health Care Access Fund base.

Statutory Change: M.S. 256.01, subd.18

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	36	Children & Economic Assistance Operations	\$22	\$22	\$22	\$22
190	50	Health Care Admin (.5 FTE)	41	36	36	36
190	REV1	Administrative FFP	(16)	(14)	(14)	(14)
100		Net Fund Impact	\$22	\$26	\$26	\$26
190		Net Fund Impact	\$25	\$22	\$22	\$22
		Net All Fund Impact	\$47	\$44	\$44	\$44
FTEs Requested						
190	50	Health Care Admin	0.5	0.5	0.5	0.5

Program Description

Health Care Grants purchases preventive and primary health care services, such as physician services, medications, and dental care, for low-income families with children, pregnant women, elderly people, and people with disabilities. More than 662,000 Minnesotans receive health care assistance through this grant area each year.

Within Health Care Grants, Medical Assistance and MinnesotaCare receive both state and federal funds. Medical Assistance (MA) is financed and operated jointly by the state and the federal government. The federal share of MA costs for the state, known as the federal medical assistance percentage (FMAP), is based on the state's per capita income and is recalculated annually.

MinnesotaCare also receives both state and federal funding, with state funds coming from the health care access fund. Federal funding for MinnesotaCare is received under the Prepaid Medical Assistance Project Plus waiver and a State Children's Health Insurance Program (SCHIP) waiver

Budget Activities

- ⇒ MinnesotaCare Grants
- ⇒ MA Basic Health Care Grants – Families and Children
- ⇒ MA Basic Health Care Grants – Elderly and Disabled
- ⇒ General Assistance Medical Care Grants
- ⇒ Other Health Care Grants

HUMAN SERVICES DEPT
Program: HEALTH CARE GRANTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,687,564	1,809,925	1,809,925	1,809,925	3,619,850
Technical Adjustments					
End-of-session Estimate			137,760	351,693	489,453
Fund Changes/consolidation			150	150	300
November Forecast Adjustment		28,142	3,006	2,330	5,336
Subtotal - Forecast Base	1,687,564	1,838,067	1,950,841	2,164,098	4,114,939
Governor's Recommendations					
Client Medical Access Mileage Adjustment		0	660	782	1,442
QCare: Pay for Performance		0	652	706	1,358
QCare: Physician Directed Care Coord		0	125	(212)	(87)
Extension of Critical Access Dental		0	4,744	5,643	10,387
Long-Term Care Payment Adjustment		0	1,660	5,316	6,976
Mental Health Initiatives		0	(2,966)	(3,564)	(6,530)
Services For Deaf & Hard of Hearing		0	46	46	92
HIV/AIDS Insurance Program Funding		0	0	0	0
Total	1,687,564	1,838,067	1,955,762	2,172,815	4,128,577
Health Care Access					
Current Appropriation	255,212	336,505	336,505	336,505	673,010
Technical Adjustments					
End-of-session Estimate			97,447	101,883	199,330
November Forecast Adjustment		(33,207)	(20,467)	(28,079)	(48,546)
Subtotal - Forecast Base	255,212	303,298	413,485	410,309	823,794
Governor's Recommendations					
Healthy Connections		0	1,194	13,503	14,697
Mental Health Initiatives		0	1,069	3,824	4,893
Total	255,212	303,298	415,748	427,636	843,384

HUMAN SERVICES DEPT
 Program: HEALTH CARE GRANTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,669,959	1,830,912	1,955,762	2,172,815	4,128,577
Health Care Access	251,614	299,766	415,748	427,636	843,384
Statutory Appropriations					
General	45,516	28,442	46,646	49,186	95,832
Health Care Access	20,670	19,244	20,016	18,288	38,304
Misc Special Revenue	18,461	27,075	75	75	150
Federal	1,609,332	1,698,259	1,885,859	2,037,605	3,923,464
Total	3,615,552	3,903,698	4,324,106	4,705,605	9,029,711
<u>Expenditures by Category</u>					
Other Operating Expenses	311	475	475	475	950
Payments To Individuals	3,595,092	3,883,648	4,300,911	4,680,939	8,981,850
Local Assistance	20,149	19,575	23,650	25,121	48,771
Transfers	0	0	(930)	(930)	(1,860)
Total	3,615,552	3,903,698	4,324,106	4,705,605	9,029,711
<u>Expenditures by Activity</u>					
Minnesotacare Grants	451,152	488,907	610,143	594,559	1,204,702
Ma Basic Health Care Grant-F&C	1,331,964	1,460,143	1,628,919	1,821,437	3,450,356
Ma Basic Health Care Grant-E&D	1,513,525	1,647,576	1,860,691	2,050,286	3,910,977
Gamc Grants	288,785	278,223	223,594	238,564	462,158
Other Health Care Grants	26,746	27,909	759	759	1,518
Prescription Drug Program	3,380	940	0	0	0
Total	3,615,552	3,903,698	4,324,106	4,705,605	9,029,711

Activity Description

MinnesotaCare Grants pay for health care services for Minnesotans who do not have access to affordable health insurance. There are no health condition barriers, but applicants must meet income and other program guidelines to qualify. Enrollees pay a premium based on income.

Population Served

Enrollees typically are working families and people who do not have access to affordable health insurance:

- ⇒ Children, parents with children under 21, and pregnant women must have household incomes at or below 275% of the federal poverty guidelines (FPG). In FY 2005, an average of 109,000 people were enrolled under these categories.
- ⇒ Adults (age 21 and over) without children must have household incomes at or below 175% FPG; however, those with income greater than 75% FPG but no greater than 175% FPG are entitled to a limited benefit set. In FY 2005, an average of 32,000 people were enrolled under this category (14,000 people in the MinnesotaCare Limited Benefit set and 18,000 people with incomes under 75% FPG).
- ⇒ Except for certain low-income children, applicants are not eligible if they have other health insurance (including Medicare), have access to coverage through their employer and the employer's share of the premium is 50% or more, have had access to such coverage in the past 18 months, or have had other insurance within the past four months.

Activity at a Glance

- ◆ Purchases health care for approximately 142,000 enrollees
- ◆ Assists low-income, working families and adults who cannot afford health insurance
- ◆ Invests in preventive health care that makes Minnesota one of the healthiest states in the country
- ◆ Supports families transitioning from welfare to work

Income as a percent of federal poverty guidelines (FPG)	Approximate percent of MinnesotaCare households May 2005
≤ 100	39.6%
101% - 150%	32.4%
151% - 175%	11.9%
176% - 200%	7.3%
201% - 275%	8.5%
>275%	0.4%

The average enrollee premium for FY 2005 was \$23 per person per month. The premium for some low-income children is as little as \$4 per month.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to \$10,000 in assets; a household size of two or more can own up to \$20,000. Some assets, like homestead property and burial funds, are not counted.

Services Provided

MinnesotaCare pays for many basic health care services. The Department of Human Services (DHS) contracts with managed care health plans to provide services. Covered services include

- ◆ medical transportation (emergency use only for non-pregnant adults);
- ◆ chemical dependency treatment;
- ◆ chiropractic care;
- ◆ doctor and health clinic visits;
- ◆ dental services;
- ◆ emergency room services;
- ◆ eye checkups and prescription eyeglasses (some restrictions apply) - \$25 co-pay on eyeglasses for non-pregnant adults;

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MINNESOTACARE GRANTS

Narrative

- ◆ home care, such as a nurse visit or home health aide;
- ◆ hospice care;
- ◆ immunizations;
- ◆ laboratory and X-ray services;
- ◆ medical equipment and supplies;
- ◆ mental health services;
- ◆ most prescription drugs - \$3 co-pay for non-pregnant adults;
- ◆ rehabilitative therapy; and
- ◆ hospitalization
 - ⇒ no dollar limit for children under 21 and pregnant women;
 - ⇒ no dollar limit for adults who have a child under 21 in their home and whose income is equal to or less than 175% FPG; and
 - ⇒ all other adults have a \$10,000 limit per year – 10% co-pay (up to \$1,000 co-pay).

Children under 21 and pregnant women also have coverage for the following services

- ◆ personal care attendant services;
- ◆ nursing home or intermediate care facilities;
- ◆ private duty nursing;
- ◆ non-emergency medical transportation; and
- ◆ case management services.

Adults without children between 75% and 175% of FPG have coverage with a benefit set limited to

- ◆ up to \$10,000 per year in patient services - 10% co-pay (up to \$1,000 co-pay);
- ◆ up to \$10,000 per year for chemical dependency residential treatment;
- ◆ physician - \$5 co-pay on non-preventive services;
- ◆ chiropractic;
- ◆ laboratory and X-ray services;
- ◆ outpatient hospital - \$50 emergency room co-pay;
- ◆ ambulatory surgical center; and
- ◆ prescription drugs - \$3 co-pay, \$20/month maximum.

Historical Perspective

MinnesotaCare was enacted in 1992 to provide health care coverage to low-income people who do not have access to affordable health care coverage.

The program was implemented in October 1992 as an expansion of the Children's Health Plan. (The Children's Health Plan began in July 1988 and provided comprehensive outpatient health care coverage for children ages one through 17 years.) MinnesotaCare initially covered families with children whose income was at or below 185% of FPG. In January 1993, the program was expanded to cover families with children whose income was at or below 275% of FPG. In October 1994, MinnesotaCare became available to adults without children whose income was at or below 125% of FPG. The income guideline for adults without children was raised to 135% of FPG in July 1996 and was raised again to 175% of FPG one year later.

In 1995, the federal government approved an amendment to the Prepaid Medical Assistance Program §1115 Waiver (known as PMAP+ or Phase One of the MinnesotaCare Health Care Reform Waiver) allowing for the provision of federal Medicaid matching funds for children and pregnant women in MinnesotaCare with incomes at or below 275% of FPG. This was followed by an amendment approved in 1999 that allows federal Medicaid matching funds for MinnesotaCare parents and caretakers with incomes up to 275% of FPG. PMAP+ waiver

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MINNESOTACARE GRANTS

Narrative

provisions also allow for different cost sharing and benefits for parents and caretakers in MinnesotaCare than in MA.

In December 2004, a request for a three-year extension for the PMAP+ waiver was submitted to the federal government. In May 2005, Minnesota received approval from the federal Centers for Medicare and Medicaid Services for the three-year extension.

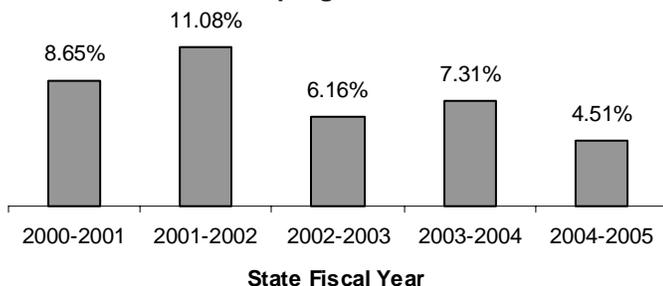
Minnesota also uses funds from the State Children's Health Insurance Program (S-CHIP) which was created by Congress in 1997 to help states cover more low-income children and families. The PMAP+ Waiver, in combination with the S-CHIP §1115 Waiver, has been an essential component of Minnesota's effort to develop innovative ways to achieve its long standing goal of continuously reducing the number of Minnesotans who do not have health insurance.

In 2003, benefits for MinnesotaCare adults without children with income over 75% of FPG but no greater than 175% of FPG were limited to certain core services and capped at \$5,000 per year. The \$5,000 cap was lifted in 2005, and coverage for diabetic supplies and equipment and mental health services was added to the MinnesotaCare benefit set for adults without children.

Key Measures

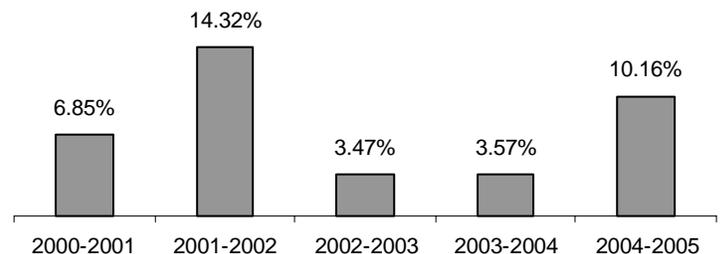
⇒ *Cost increases in Minnesota health care programs.* DHS is taking steps to improve program integrity and efficiency. This means making sure that eligible Minnesotans — and only those eligible — are able to enroll in Minnesota Health Care Programs (MHCP). It also involves automating the current enrollment process to ensure that consistent guidelines are followed when adding or retaining individuals in MHCP.

**Minnesota Health Care Programs -
Fee-for-service program cost increase**



Note: Figures represent growth in cost per person from one state fiscal year to the next (July to June).

**Minnesota Health Care Programs -
Managed care cost increases**



Note: Figures represent growth in cost per person from one calendar year to the next.

HUMAN SERVICES DEPT

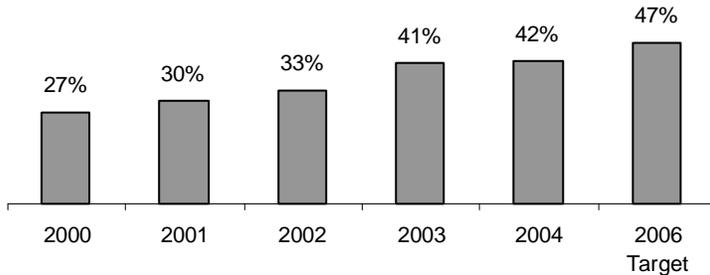
Program: HEALTH CARE GRANTS

Activity: MINNESOTACARE GRANTS

Narrative

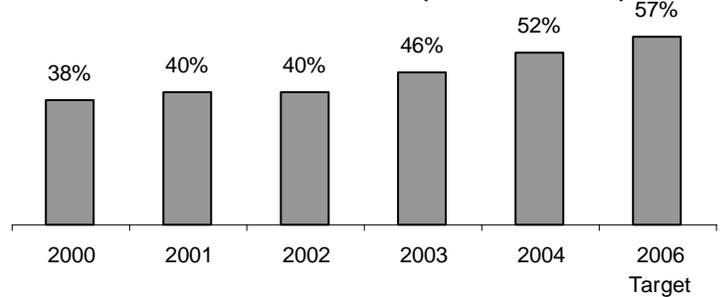
⇒ For children enrolled in Minnesota health care programs, percent who receive the expected number of well-child visits. The 2004 data indicates that for children enrolled in the managed care Prepaid Medical Assistance Programs (PMAP), 42% of those in the first 15 months of life received the recommended number of well-child visits for their age group. The comparable number for children enrolled in the MinnesotaCare managed care program is 52%. In general, publicly funded managed care programs lag behind commercial managed care program performance on this measure.

Well-child visits for PMAP clients (Prepaid Medical Assistance Program) in the first 15 months of life (6 or more visits)



All data in this chart is for enrollees in public funded managed care programs.

Well-child visits for MinnesotaCare clients in the first 15 months of life (6 or more visits)



All data in this chart is for enrollees in public funded managed care programs.

More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MinnesotaCare Grants is funded with appropriations from the Health Care Access Fund, from federal funds, and from enrollee premiums.

Contact

For more information on MinnesotaCare Grants, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Health Care Eligibility and Access Director Kathleen Henry, (651) 431-2301
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
 Program: HEALTH CARE GRANTS
 Activity: MINNESOTACARE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Health Care Access					
Current Appropriation	255,212	332,973	332,973	332,973	665,946
Technical Adjustments					
End-of-session Estimate			99,307	105,415	204,722
November Forecast Adjustment		(33,207)	(20,467)	(28,079)	(48,546)
Subtotal - Forecast Base	255,212	299,766	411,813	410,309	822,122
Governor's Recommendations					
Healthy Connections		0	1,194	13,503	14,697
Mental Health Initiatives		0	1,069	3,824	4,893
Total	255,212	299,766	414,076	427,636	841,712
<u>Expenditures by Fund</u>					
Direct Appropriations					
Health Care Access	251,614	299,766	414,076	427,636	841,712
Statutory Appropriations					
Health Care Access	20,670	19,244	20,016	18,288	38,304
Federal	178,868	169,897	176,051	148,635	324,686
Total	451,152	488,907	610,143	594,559	1,204,702
<u>Expenditures by Category</u>					
Payments To Individuals	451,152	488,907	610,143	594,559	1,204,702
Total	451,152	488,907	610,143	594,559	1,204,702

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Healthy Connections

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
<i>Dept. of Human Services</i>				
General Fund				
Expenditures	\$0	\$0	\$165	\$354
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	\$1,694	\$15,061	\$34,673	\$42,593
Revenues	134	518	1,165	1,201
<i>Dept. of Health</i>				
Health Care Access Fund				
Expenditures	\$8,950	\$3,150	\$0	\$0
Revenues	0	0	0	0
<i>Tax Policy Changes</i>				
General Fund				
Revenues	\$0	\$(2,300)	\$(6,300)	\$(8,100)
Transfer In	0	2,300	6,300	8,100
Health Care Access Fund				
Transfer Out	\$0	\$2,300	\$6,300	\$8,100
Net Fiscal Impact	\$10,510	\$19,993	\$39,973	\$49,846

Recommendation

The Governor recommends increasing appropriations to expand and modernize MinnesotaCare, establish a Minnesota Health Insurance Exchange, and expand the use of section 125 plans to enable individuals to purchase health coverage with pre-tax dollars.

Background

Although Minnesota has been ranked the healthiest state in the nation, and the state has the lowest un-insurance rates in the country, our current health care system needs reform. Health care cost trends are unsustainable, and the current system lacks incentives for providers to focus on providing the best care at the lowest cost. In addition, many Minnesotans lack access to affordable health insurance.

The costs of both public and private health insurance continue to grow at a rapid rate. Between 2000 and 2006, Medical Assistance average costs per person increased by 35 percent and MinnesotaCare average cost per person grew by 98 percent, while private insurance premiums grew by 81 percent between 2000 and 2005. Wage and income growth in the state has not kept pace with the rising costs of health insurance.

While costs continue to climb, the current system lacks incentives for providers to focus on providing the best care at the lowest cost. For example, providing care that avoids costly complications of chronic disease doesn't pay nearly as well as providing care needed to treat avoidable complications. In addition, more care does not mean better quality – research shows that areas with higher use of services have higher costs but do not have better health outcomes.

Although Minnesota has a low uninsurance rate, Minnesotans who work for small employers are much less likely to have access to employer-based health insurance. Approximately 20 percent of uninsured Minnesotans work for companies with 11 to 50 employees, and about one third of companies in this size category do not offer health insurance coverage.

Proposal. This proposal has three major components:

1. Establish the Minnesota Health Insurance Exchange (MnHIE) as a way to:

- ◆ Enable working people whose employer does not offer health insurance to pay for health insurance with pre-tax dollars, the same way that people who receive coverage through their employers do. This will substantially improve affordability of coverage in the individual market at relatively low cost to the state, since most of the tax benefit is federal.
- ◆ Serve as a single place where Minnesotans who want to purchase their own health insurance coverage will go to learn about their coverage options, including MCHA, and serve as the entity through which the individual insurance market in Minnesota operates.
- ◆ Reduce the administrative burden associated with offering health insurance benefits. Employers could designate the MnHIE as their health insurance plan, allowing their employees a wider range of health plan options than they typically have now and enhancing portability of coverage.
- ◆ Provide subsidized private insurance options to MinnesotaCare children with incomes between 200 percent and 300 percent of federal poverty guidelines (FPG). In this way, it would provide access to a MinnesotaCare benefit set (MinnesotaCare II) that is more like products that are currently sold in the private insurance market.

The MnHIE would be the single place where Minnesotans would enroll in health insurance coverage through the individual market, MCHA, or MinnesotaCare. The MnHIE would assist employers in setting up Section 125 plans, facilitate health plan enrollment, receive subsidy payments for MinnesotaCare enrollees, collect pre-tax premium payments from employers, and pay premiums to the health plans.

The MnHIE would require startup funding from the state, but would become self-sustaining over time through an add-on paid by those offering coverage through the exchange (estimated at 0.5% of premium). Significant startup costs would include the establishment of computer systems to handle enrollment, billing, payment, customer service, and bonus accounts for MinnesotaCare II enrollees who meet standards for appropriate preventive care; in addition, MnHIE would incur ongoing costs for marketing and advertising, actuarial and legal costs, staff costs, and costs for space, equipment and supplies.

2. Expand the use of “section 125” plans to enable individuals without employer-based coverage to buy health insurance with pre-tax dollars.

Employers with 11 or more employees would be required to establish “section 125 plans”, which are named for Section 125 of the Internal Revenue Code and enable employers to withhold money on a pre-tax basis for employee contributions to health insurance. This component of the proposal would substantially improve the affordability of health insurance for people who don’t have employer coverage. MinnesotaCare enrollees could also pay their premiums using pre-tax dollars. This requirement would be effective January 1, 2009.

Employers who do not offer a group health insurance plan would be required to establish a Section 125 premium only plan and designate the Minnesota Insurance Exchange (MnHIE) as their health plan.

Benefits of expanding the use of Section 125 plans include the following:

- ⇒ It would establish a low cost mechanism for employers who do not offer health insurance coverage to provide a significant reduction in health insurance premiums for their employees. The initial cost of establishing a Section 125 plan for an employer is estimated to be \$300, with lower costs in ongoing years. Employers would save money through Section 125 plans by not paying payroll taxes (7.65%) on the amounts that employees elect to deduct from their income to pay for health insurance premiums. Employers could contribute towards the cost of health insurance for their employees, but they would not be required to do so.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Healthy Connections

- ⇒ It would allow employees without access to employer-based coverage to use pre-tax dollars and get a roughly 30% effective reduction in health insurance premiums at a relatively low cost to the state. Roughly 80% of the tax benefit for employees would be at federal cost.
- ⇒ It would provide a way for employers to offer a greater choice of health plans to their employees and reduce the administrative burden associated with offering employer-based coverage.
- ⇒ It would promote portability of health insurance coverage and allow employees to combine premium contributions from multiple employers to purchase health insurance coverage through the MnHIE.
- ⇒ It would allow MinnesotaCare and MCHA enrollees to pay their premiums pretax through their employer to the MnHIE resulting in an effective 30% premium reduction.

The state cost of the Section 125 employer mandate is estimated to be \$2.3 million in 2009, \$6.3 million in 2010, and \$8.1 million in 2011 due to lost income tax revenue.

3. Expand access to and affordability of MinnesotaCare for children and expand enrollee choice. The proposed changes would provide public health care program coverage to approximately 13,000 new children and require federal approval of either a change to the MinnesotaCare waiver or a Medicaid state plan amendment. The budget estimates do not assume federal matching payments.

Current program. MinnesotaCare currently covers children under age 21 in households with income at or below 275 percent of FPG. Parents, caretakers, legal guardians and foster parents must have income at or below 275 percent or \$50,000, whichever is less, to be eligible for MinnesotaCare. Sliding-fee premiums apply to MinnesotaCare children in households with income above 150 percent of the federal poverty guidelines (FPG), and all adults over age 21. Children in households with income at or below 150 percent of the FPG pay a fixed \$4 monthly premium. Enrollees who fail to pay their monthly MinnesotaCare premiums are cancelled for nonpayment and are barred from future MinnesotaCare coverage for four months following nonpayment of premiums.

The MinnesotaCare sliding fee scale determines the percentage of monthly gross individual or family income that households at different income levels must pay to obtain coverage. The sliding fee scale contains separate tables based on the enrollment of one, two, or three or more persons in households with one to five family members. The sliding fee scale for a family of five is used for families of more than five. Currently, the same premium is charged per person regardless of age.

Proposal.

Increase MinnesotaCare eligibility for children under age 21 to 300 percent of the federal poverty guideline (FPG), and increase Medical Assistance eligibility for infants under age two to 305 percent of FPG.

Both eligibility expansions would be effective January 1, 2009. The proposed eligibility expansions are linked; the MA infant income limit must remain higher than the MinnesotaCare income limit in order to maintain access to State Children's Health Insurance Program (SCHIP) federal funding, which is approximately \$50 million in FY 2007.

Decrease MinnesotaCare premiums for children under age 21 by creating a separate MinnesotaCare children's sliding-fee premium scale.

Effective January 1, 2009, the new children's sliding-fee scale would reduce MinnesotaCare premiums for children under age 21 in families with income between 150 and 300 percent of FPG to approximately one third of current sliding-fee scale premium amounts. The children's sliding-fee scale would operate in conjunction with the existing scale, which would remain in place for adult premiums. Families would be charged a total premium made up of individual sliding-fee scale premiums for up to three children, and a separate premium for each adult. Many families with children would see a significant reduction in their MinnesotaCare premium under this proposal.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Healthy Connections

MinnesotaCare adults 21 and over would continue to pay MinnesotaCare premiums in accordance with the current sliding-fee scale. Children under age 21 in families with income at or below 150 percent of FPG would continue to pay a fixed \$4 monthly premium.

Repeal the 8% MinnesotaCare sliding-fee scale premium increase currently pending federal approval.

In 2005, state statute changed to increase MinnesotaCare sliding-fee scale premiums by 8%, effective September 1, 2005, or upon federal approval, whichever is later. The Department of Human Services has not implemented this change because federal approval has not yet been granted by the Centers for Medicare and Medicaid Services (CMS). This provision would change state law effective July 1, 2007.

MinnesotaCare currently charges premiums for families up to 9.8% of income. Cancellation for nonpayment of premiums is the leading cause of disenrollment in MinnesotaCare. Increasing premiums for MinnesotaCare parents is counter productive to creating a new reduced sliding-fee scale for their children.

Amend MinnesotaCare to eliminate adjustments to premiums due to increases and decreases in income between eligibility renewals. Premium changes due to changes in family size and the number of family members covered would continue to be acted upon immediately.

This change, which would be effective January 1, 2009, would minimize adjustments to MinnesotaCare premiums for families, so the Department could communicate MinnesotaCare premium and subsidy amounts to the Minnesota Health Insurance Exchange effectively. Assurance of a consistent premium or subsidy amount would be key to MNHIE in assisting MinnesotaCare enrollees with choosing the best source of health care coverage for their families. A stable premium amount throughout the eligibility period would allow families to compare their costs with regard to private health insurance options, and to plan for their health care costs as they do with other fixed household expenses.

Require the commissioner to refer all MinnesotaCare eligible applicants and enrollees to the Minnesota Health Insurance Exchange for assistance with choosing a health plan or private market product.

Effective January 1, 2009, the MNHIE would assist MinnesotaCare enrollees who are eligible for MinnesotaCare II in choosing among their coverage options.. Eligible applicants would have the ability to simply pay the MinnesotaCare premium to the MNHIE and gain coverage under MinnesotaCare as they do currently.

Create an alternative (MinnesotaCare II) MinnesotaCare private market insurance subsidy option for children under age 21 in households with income above 200 and at or below 300 percent of FPG.

Under the MinnesotaCare II option, eligible children would choose from several benchmark private market insurance products. These products will include benefit design elements that focus on prevention, outcomes, and healthy behaviors. Enrollees could choose to purchase one of the benchmark plans or enhanced coverage at higher premiums. The Department would provide a subsidy for enrollees to use toward the purchase of the private market insurance products. As an incentive to choose the private market option, premiums for children eligible for MinnesotaCare II would be about 50% lower than premiums for MinnesotaCare Classic. Enrollment in MinnesotaCare II would be optional – enrollees could choose to enroll in MinnesotaCare Classic instead, but at a higher premium.

Once enrolled in the MinnesotaCare II option, enrollees would be limited to changing plans and moving back to MinnesotaCare Classic at an annual enrollment period with exceptions for enrollees in families that experience certain qualifying events, such as marriage, divorce, and moving their residence. The option of MinnesotaCare II would be for each individual child who qualifies in a family.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Healthy Connections

Effective 1/1/09, create two enrollee incentive programs for MinnesotaCare children under age 21 to promote QCare guidelines and encourage positive health behaviors. QCare (Quality Care and Rewarding Excellence) is an initiative that was established by the Governor in July 2006 to promote improvement in health care quality. QCare sets a number of specific targets for the quality of care, such as preventive care and care for chronic conditions such as heart disease and diabetes.

MinnesotaCare Premium Discount Incentive: Families with children under age 21 enrolled in MinnesotaCare Classic would receive a \$3 monthly premium deduction per child (maximum \$12 monthly deduction per family) if they meet QCare guidelines for well-child visits and immunizations. The premium discount incentive would be administered by the Minnesota Health Insurance Exchange. The Exchange would communicate premium deduction amounts to the Department annually.

MinnesotaCare II QCare Bonus Accounts: Families with children under age 21 enrolled in the MinnesotaCare II option who meet QCare guidelines for well-child visits and immunizations would receive \$50 per child in a QCare bonus account (maximum of \$150/year per family) that can be used for out-of-pocket health care expenditures. Enrollees would submit eligible claims for reimbursement to the Minnesota Health Insurance Exchange. Bonus health care dollars would be permitted to accumulate in the bonus account over time, and any child in a family could use bonus account money while enrolled in Minnesota Health Care Programs or any other Exchange-related product. Bonus account funds would be forfeited when no children under age 21 remain in a family or when no child in a family has been enrolled in Minnesota Health Care programs or a MNHIE product for six months.

Relationship to Base Budget

In 2006 approximately 129,000 enrollees per month received coverage under MinnesotaCare. This proposal will expand coverage by approximately 14,400 kids and 1,200 parents. The November forecast base for MinnesotaCare is about \$822 million in FY 2008-09 and \$856 million in FY 10-11. This proposal increases the state share of MinnesotaCare spending by \$12.311 million in FY 2008-09 and \$56.192 in FY 2010-11.

Key Measures

Quantifiable performance measures for this activity include:

- ◆ The MnHIE assists employers in establishing Section 125 plans to enable their employees to pay for health insurance with pretax dollars, and conducts outreach and educational events around the state to assist employers in establishing these plans.
- ◆ The majority of employers not offering health insurance coverage establish Section 125 premium only plans.
- ◆ Employees take advantage of the ability to pay health insurance premiums pretax and enroll in health insurance coverage through Section 125 plans offered by their employer.
- ◆ Number of uninsured children.
- ◆ Percentage of enrollees meeting QCare standards related well-child visits, immunizations, cardiac disease and diabetes.
- ◆ The exchange creates and disseminates a toolkit for employers to establish section 125 plans to enable their employees to pay for health insurance with pretax dollars, and conducts outreach and educational events around the state to assist employers in establishing these plans.
- ◆ The exchange establishes secure information systems that are capable of efficiently handling large volumes of medical claims and payments, and effectively coordinates with employers, individuals, the Minnesota Department of Human Services, and health plans.
- ◆ The exchange is ready to begin enrolling private health insurance customers on or before January 1, 2009, and is ready to begin enrolling MinnesotaCare II beneficiaries on January 1, 2009.
- ◆ The exchange provides accurate and timely customer service to Minnesotans purchasing health insurance coverage in the non-group market and MinnesotaCare II enrollees.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Healthy Connections

One new section will be added. Preliminary coding is 256L.075

Fiscal Detail Budget Tracking (DHS portions only)

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
190	40	MnCare – eligibility, MnCare II subsidy	\$0	\$10,602	\$28,208	\$35,713
190	40	QCare Incentives	0	0	135	340
190	40	MnCare – Repeal 8% premium	1,194	2,901	3,410	3,538
100	41	MA Families Basic Care – Infant Eligibility to 305%	0	0	165	354
190	10	Financial Operations – Fiscal Reporting	94	84	84	84
190	50	Health Care Admin – Managed Care and Eligibility	240	1210	2828	2918
190	51	Health Care Operations – HealthMatch	166	166	166	0
190	51	Health Care Operations – MMIS	0	98	0	0
190	REV1	Administrative FFP	(134)	(518)	(1,165)	(1,201)
100		Net Fund Impact	0	0	165	354
190		Net Fund Impact	1,560	14,543	33,508	41,392
		All Fund Impact	\$1,560	\$14,543	\$33,673	\$41,746
FTEs Requested						
190		Managed Care	1	5	5	5
190		HM	4	4	4	0
190		Eligibility	1	8.5	28.5	30
190		Fiscal Reporting	1	1	1	1

Activity Description

Medical Assistance (MA) Basic Health Care Grants—Families and Children purchases health care services for the poorest Minnesotans. It is different than MinnesotaCare as its income guidelines are lower, it does not have premiums, and it pays retroactively for medical bills incurred. MA Basic Health Care Grants includes funding for the Minnesota Family Planning Program (MFPP).

Activity at a Glance

- ◆ Purchases preventive and primary health care for 336,000 people (FY 2005 average)
- ◆ Acts as a safety net health care program for the lowest income Minnesotans
- ◆ Is the state's largest publicly-funded health care program

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. MA Basic Health Care Grants—Families and Children serves

- ◆ pregnant women with incomes at or below 275% of the federal poverty guidelines (FPG);
- ◆ infants under age two with incomes at or below 280% of the FPG;
- ◆ children ages two through 18 at or below 150% of the FPG; and
- ◆ parents, relative caretakers, and children ages 19 and 20 at or below 100% of the FPG.

Families and children with income over the MA limits may qualify through a spend-down provision if incurred medical bills exceed the difference between their income and 100% of the FPG.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to \$10,000 in assets; a household size of two or more can own up to \$20,000. Some assets, like homestead property and burial funds, are not counted.

Enrollees who become ineligible for MA because of increased earned income or child/spousal maintenance may be eligible for transitional MA for four to twelve months.

MA provides retroactive coverage for medical bills incurred up to three months before the date of application.

The Department of Human Services (DHS) determines eligibility for the MFPP. Certified providers may determine temporary eligibility. The MFPP serves men and women between ages 15 and 50 with incomes at or below 200% of the FPG.

Services Provided

DHS purchases most services for this population through capitated rate contracts with health plans. In most areas of the state, MA parents and children have multiple health plans from which to choose.

MA basic health care services include

- ◆ physician services - \$3 co-pay on non-preventive services;
- ◆ ambulance and emergency room services - \$6 co-pay on non-emergency, emergency room visits;
- ◆ laboratory and X-ray services;
- ◆ rural health clinics;
- ◆ chiropractic services - \$3 co-pay;
- ◆ early periodic screening, diagnosis, and treatment;
- ◆ mental health, alcohol, and drug treatment;
- ◆ inpatient and outpatient hospital care;
- ◆ eyeglasses and eye care - \$3 co-pay on eyeglasses;
- ◆ immunizations;
- ◆ medical transportation, supplies, and equipment;
- ◆ prescription medications - \$3 co-pay on brand names, \$1 co-pay on generic - \$20 per month maximum;

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Narrative

- ◆ dental care;
- ◆ home care
- ◆ hospice;
- ◆ nursing home; and
- ◆ rehabilitative therapies.

The following people do not have to pay co-pays: pregnant women, children under age 21, people residing in or expecting to reside for more than 30 days in a nursing home or other long-term care facility, people receiving hospice care, MFPP enrollees, and people in the Refugee Medical Assistance Program.

Historical Perspective

In 1966—less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act—Minnesota began receiving federal matching funds for the state’s MA program. In 1998, federal matching funds were appropriated by Congress for the State-Children’s Health Insurance Program (SCHIP) under Title XXI of the Social Security Act. In 1999, Minnesota began receiving SCHIP funds for coverage provided to some low-income children enrolled in MA and later for other health care expenditures as well.

By accepting federal matching funds, states are subject to federal regulations, but have some flexibility concerning coverage of groups, covered services, and provider reimbursement rates.

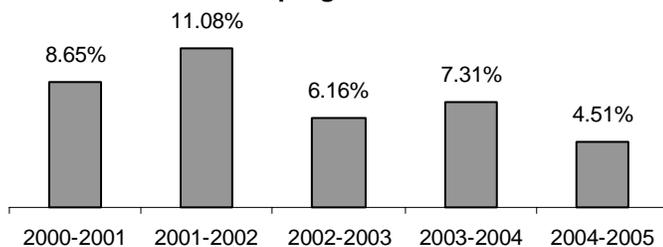
Minnesota’s MA program has expanded since the mid-1980s. The expansions have focused primarily on low-income, uninsured, or under-insured children, as well as eligibility changes to better support seniors and people with disabilities in their own homes or in small, community-based settings. In 2002, the income limit for children was increased for children ages two through 18 to 175% of the FPG. This standard was reduced in 2003 to 150% of FPG.

Since the 1970s, Minnesota’s approach to purchasing basic health care benefits under MA has evolved from strictly fee-for-service to increased use of more contracts with health plans to deliver care for a fixed, or capitated, amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Measures

⇒ *Cost increases in Minnesota health care programs.* DHS is taking steps to improve program integrity and efficiency. This means making sure that eligible Minnesotans — and only those eligible — are able to enroll in Minnesota Health Care Programs (MHCP). It also involves automating the current enrollment process to ensure that consistent guidelines are followed when adding or retaining individuals in MHCP.

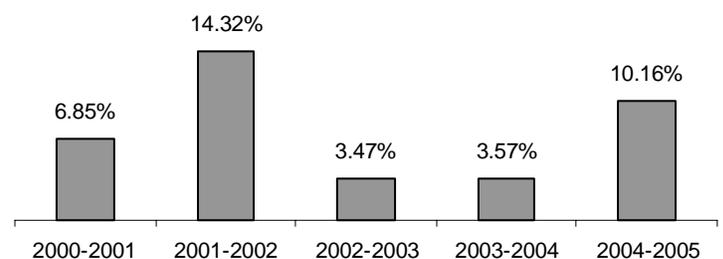
Minnesota Health Care Programs - Fee-for-service program cost increase



State Fiscal Year

Note: Figures represent growth in cost per person from one state fiscal year to the next (July to June).

Minnesota Health Care Programs - Managed care cost increases



Note: Figures represent growth in cost per person from one calendar year to the next.

HUMAN SERVICES DEPT

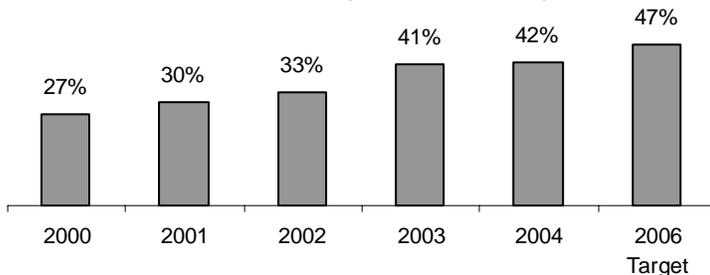
Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Narrative

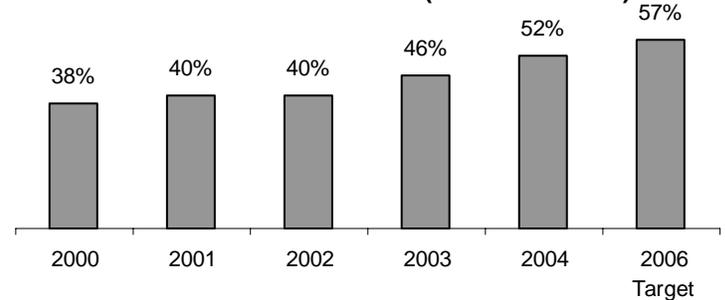
⇒ For children enrolled in Minnesota health care programs, percent who receive the expected number of well-child visits. The 2004 data indicates that for children enrolled in the managed care Prepaid Medical Assistance Programs (PMAP), 42% of those in the first 15 months of life received the recommended number of well-child visits for their age group. The comparable number for children enrolled in the MinnesotaCare managed care program is 52%. In general, publicly funded managed care programs lag behind commercial managed care program performance on this measure.

Well-child visits for PMAP clients (Prepaid Medical Assistance Program) in the first 15 months of life (6 or more visits)



All data in this chart is for enrollees in public funded managed care programs.

Well-child visits for MinnesotaCare clients in the first 15 months of life (6 or more visits)



All data in this chart is for enrollees in public funded managed care programs.

More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>

Activity Funding

MA Basic Health Care Grants—Families and Children is funded with appropriations from the General Fund and from federal Medicaid funds.

Contact

For more information about MA Basic Health Care Grants—Families and Children, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Health Care Eligibility and Access Director Kathleen Henry, (651) 431-2301
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511
- ◆ State Medicaid Director Christine Bronson, (651) 431-2914

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Budget Activity Summary

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	579,056	643,106	643,106	643,106	1,286,212
Technical Adjustments					
End-of-session Estimate			91,996	193,187	285,183
November Forecast Adjustment		11,029	(18,666)	(26,012)	(44,678)
Subtotal - Forecast Base	579,056	654,135	716,436	810,281	1,526,717
Governor's Recommendations					
Client Medical Access Mileage Adjustment		0	628	744	1,372
QCare: Pay for Performance		0	73	82	155
Long-Term Care Payment Adjustment		0	5	17	22
Mental Health Initiatives		0	34	2,668	2,702
Total	579,056	654,135	717,176	813,792	1,530,968
Health Care Access					
Current Appropriation	0	3,532	3,532	3,532	7,064
Technical Adjustments					
End-of-session Estimate			(1,860)	(3,532)	(5,392)
Subtotal - Forecast Base	0	3,532	1,672	0	1,672
Total	0	3,532	1,672	0	1,672
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	586,471	657,667	717,176	813,792	1,530,968
Health Care Access	0	0	1,672	0	1,672
Statutory Appropriations					
General	45,516	28,442	46,646	49,186	95,832
Federal	699,977	774,034	863,425	958,459	1,821,884
Total	1,331,964	1,460,143	1,628,919	1,821,437	3,450,356
<u>Expenditures by Category</u>					
Payments To Individuals	1,315,238	1,441,006	1,608,501	1,799,909	3,408,410
Local Assistance	16,726	19,137	21,348	22,458	43,806
Transfers	0	0	(930)	(930)	(1,860)
Total	1,331,964	1,460,143	1,628,919	1,821,437	3,450,356

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Client Medical Access Mileage Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$660	\$782	\$904	\$1,026
Revenues	0	0	0	0
Net Fiscal Impact	\$660	\$782	\$904	\$1,026

Recommendation

The Governor recommends linking medical mileage reimbursement for Minnesota Health Care Program (MHCP) clients, their neighbors, friends, and relatives to \$0.15 below the Internal Revenue Service (IRS) business rate, rather than the fixed \$0.20 per mile currently in statute. A reimbursement rate more appropriately tied to an index takes factors, such as rising gasoline and vehicle operating costs, into account. The IRS business rate for 2007 is \$0.485 per mile; the client mileage rate under this proposal would be \$0.335 per mile.

Background

The current rate of \$0.20/mile was codified in M.S. 256B.0625, subd.18a, in the 1995 session. Over the years, while the IRS reimbursement rate has trended upward significantly (due primarily to the price of gasoline), the client mileage rate has been fixed in statute. With rising gas prices, some clients find the \$0.20 per mile unaffordable and look for other options. Those options include volunteer drivers who receive mileage at the IRS rate, cab fare, or special transportation. MHCP pays more per trip for transportation costs if high gas prices discourage clients from using their own vehicles.

Client mileage and eligible medically-related transportation provided by friends, neighbors, or relatives of clients are an important option for MHCP enrollees to keep their medical appointments. Raising the rates and linking them to the IRS rate would assure that the reimbursement stays current with changing gas prices and operating costs.

Relationship to Base Budget

This proposal would increase the mileage rate for clients and other individuals who transport clients to their medical appointment from \$0.20 per mile to \$0.15 less than the IRS-allowed business rate or about \$0.335 per mile in FY 2008. Overall this proposal represents a small increase in spending for Minnesota Health Care Program's budget.

Statutory Change: M.S. 256B.0625, sub. 18a

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	41	MA Basic F&C - Client mileage reimbursement	\$628	\$744	\$860	\$976
100	43	GAMC - Client mileage reimbursement	32	38	44	50
100		Net Fund Impact	\$660	\$782	\$904	\$1,026
		Net All Fund Impact	\$660	\$782	\$904	\$1,026

Activity Description

Medical Assistance (MA) Basic Health Care Grants—Elderly and Disabled purchases preventive and primary health care services for Minnesota’s low-income elderly (65 years or older), blind people, and people with disabilities. These funds also help many low-income Minnesotans pay Medicare premiums and co-payments.

Activity at a Glance

- ◆ Purchases health care for approximately 53,000 elderly Minnesotans and 94,000 people with disabilities (FY 2005 average)
- ◆ Helps 5,200 elderly and 1,400 people with disabilities pay Medicare premiums and co-payments (FY 2005 average)

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. Minnesotans eligible for full MA coverage include

- ◆ Elderly people and people with disabilities who have incomes at or below 100% of the federal poverty guidelines (FPG) (by family size) and
- ◆ people with incomes over the MA limit who may qualify if their incurred medical bills exceed the difference between their income and the spend-down standard of 75% of the FPG (by family size).

The asset limit is \$3,000 for a single person and \$6,000 for a couple. Some assets, like homestead property and burial funds, are not counted.

MA provides coverage for medical bills incurred up to three months before the date of application.

Additionally, several thousand Minnesotans receive help paying Medicare costs only, rather than comprehensive MA coverage. MA covers all Medicare Part A and B cost-sharing including premiums for Medicare enrollees with incomes at or below 100% of the FPG. MA covers the Medicare Part B premium for Medicare enrollees with incomes between 100% and 120% of the FPG. Medicare enrollees with incomes between 120% and 135% of the FPG, receive coverage of the Part B premium only through 9-30-2007. Higher asset limits apply to these enrollees: \$10,000 for a single person and \$18,000 for a couple.

Over 6,600 MA enrollees with disabilities receive full MA coverage under the Medical Assistance for Employed Persons with Disabilities (MA-EPD) program. To be eligible for MA-EPD, an individual must

- ◆ be certified disabled by either the Social Security Administration or the State Medical Review Team;
- ◆ have gross monthly wages or countable self-employment earnings greater than \$65 per month and have Medicare, Social Security, and applicable state and federal income taxes withheld by the employer or paid by the self-employed enrollee;
- ◆ be at least 16 but under 65 years of age;
- ◆ meet the \$20,000 asset limit;
- ◆ pay a premium based on the enrollee’s earned and unearned monthly income and family size; and
- ◆ pay an unearned income obligation equal to one-half percent of gross unearned income.

Since January 2004, all MA-EPD eligible enrollees pay premiums. In CY 2005, monthly premiums averaged between \$45 and \$55. As of December 2005, a majority of enrollees had a monthly gross earned income of less than \$800 per month.

Services Provided

The Department of Human Services (DHS) purchases services for people with disabilities and some elderly people. MA basic health care services include

- ◆ physician services - \$3 co-pay on non-preventive services;
- ◆ ambulance and emergency room services - \$6 co-pay on non-emergency, emergency room visits;
- ◆ rural health clinics;
- ◆ chiropractic services - \$3 co-pay;
- ◆ early periodic screening, diagnosis, and treatment;
- ◆ mental health, alcohol, and drug treatment;

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-E&D

Narrative

- ◆ inpatient and outpatient hospital care;
- ◆ eyeglasses and eye care - \$3 co-pay on eyeglasses;
- ◆ immunizations;
- ◆ medical supplies and equipment;
- ◆ prescription medications - \$3 brand name co-pay, \$1 generic co-pay - \$20 per month maximum;
- ◆ dental care;
- ◆ medical transportation;
- ◆ rehabilitation therapies; and
- ◆ hospice.

The following people do not have to pay co-pays: people residing in or expecting to reside for more than 30 days in a nursing home or other long-term care facility, people receiving hospice care, and people in the Refugee Medical Assistance Program.

Activity Funding

MA coverage of long-term care services, such as nursing home and waiver services, are funded through the Continuing Care portion of the DHS budget.

Historical Perspective

Medical Assistance has long served as a health care safety net for people with disabilities and elderly residents who have low income or have medical expenses that can be used to reduce income to the income limit. For many, MA acts as a supplement to Medicare, helping low-income Medicare enrollees pay premiums and co-payments.

In 1966, less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act, Minnesota began receiving federal matching funds for the state's Medical Assistance program. By accepting federal matching funds, states are subject to federal regulations concerning program administration, but have certain options concerning coverage of groups and services and provider reimbursement rates.

Prior to 2001, the income limits for most MA elderly and disabled people were about 69% of the FPG.

In July 1999, Minnesota added the MA-EPD program that allows people with disabilities to earn income and still qualify for or buy into MA. As of December 2005, 90% of enrollees have Medicare as their primary health care coverage, while MA-EPD covers additional services such as prescription drugs and personal care services.

Since the 1970s, Minnesota's approach to purchasing basic health care benefits for seniors enrolled in MA has evolved from strictly fee-for-service to increased use of more contracts with health plans to deliver care for a fixed, or capitated amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Measures

⇒ *Cost increases in Minnesota health care programs.* DHS is taking steps to improve program integrity and efficiency. This means making sure that eligible Minnesotans — and only those eligible — are able to enroll in Minnesota Health Care Programs (MHCP). It also involves automating the current enrollment process to ensure that consistent guidelines are followed when adding or retaining individuals in MHCP.

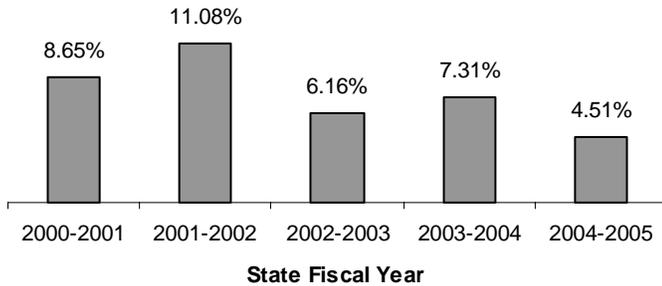
HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-E&D

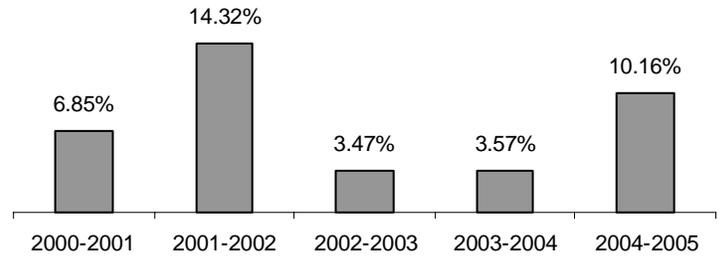
Narrative

Minnesota Health Care Programs - Fee-for-service program cost increase



Note: Figures represent growth in cost per person from one state fiscal year to the next (July to June).

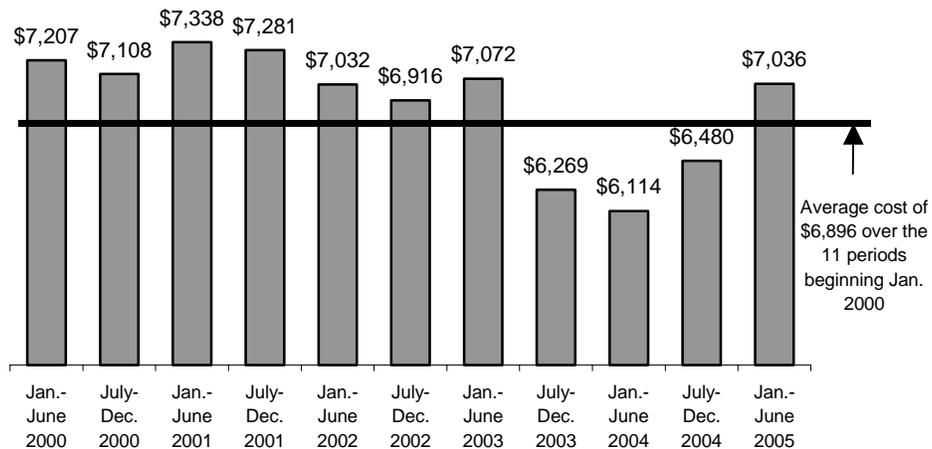
Minnesota Health Care Programs - Managed care cost increases



Note: Figures represent growth in cost per person from one calendar year to the next.

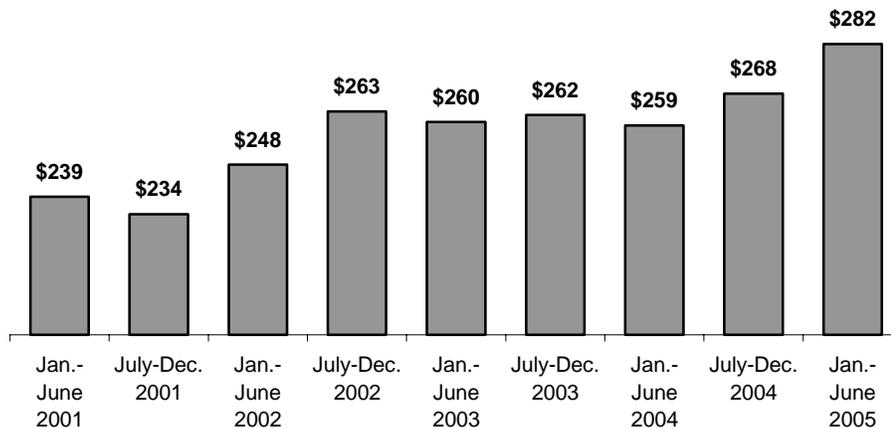
⇒ *Inpatient hospital average monthly cost per enrollee.* The most recently measured average monthly cost for inpatient hospital services was \$7,036 for the first half of 2005.

Inpatient hospital average monthly cost per recipient



⇒ *Pharmacy average monthly cost per enrollee.* The most recently measured average monthly cost per enrollee for prescriptions was \$282 per month for the first half of 2005.

Pharmacy average monthly cost per recipient



More information on Department of Human Services' measures and results is available on the web: www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

More information on Department of Human Services' measures and results is available on the web: www.departmentresults.state.mn.us/hs/index.html.

Contact

For more information about MA Basic Health Care Grants–Elderly and Disabled, contact:

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Health Care Eligibility and Access Director Kathleen Henry, (651) 431-2301
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511
- ◆ State Medicaid Director Christine Bronson, (651) 431-2914

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-E&D

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	805,697	895,996	895,996	895,996	1,791,992
Technical Adjustments					
End-of-session Estimate			102,278	205,219	307,497
November Forecast Adjustment		9,654	13,306	17,686	30,992
Subtotal - Forecast Base	805,697	905,650	1,011,580	1,118,901	2,130,481
Governor's Recommendations					
QCare: Pay for Performance		0	542	581	1,123
QCare: Physician Directed Care Coord		0	125	(212)	(87)
Extension of Critical Access Dental		0	4,744	5,643	10,387
Long-Term Care Payment Adjustment		0	1,652	5,289	6,941
Mental Health Initiatives		0	(3,900)	(9,992)	(13,892)
Services For Deaf & Hard of Hearing		0	40	40	80
Total	805,697	905,650	1,014,783	1,120,250	2,135,033
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	783,365	893,723	1,014,783	1,120,250	2,135,033
Statutory Appropriations					
Federal	730,160	753,853	845,908	930,036	1,775,944
Total	1,513,525	1,647,576	1,860,691	2,050,286	3,910,977
<u>Expenditures by Category</u>					
Payments To Individuals	1,513,525	1,647,347	1,858,598	2,047,832	3,906,430
Local Assistance	0	229	2,093	2,454	4,547
Total	1,513,525	1,647,576	1,860,691	2,050,286	3,910,977

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: QCare: Pay for Performance

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$845	\$1,002	\$1,038	\$1,055
Revenues	54	94	94	94
Net Fiscal Impact	\$791	\$908	\$944	\$961

Recommendation

The Governor recommends continuing the Pay-for-Performance initiative for diabetes and expanding the initiative to include rewarding optimal care for Minnesota Health Care Program (MHCP) enrollees with specific cardiac diseases effective 7-1-2007. This initiative is consistent with the recommendations of the Governor's QCare Council, which identified measures of optimal care for diabetes and cardiac disease.

Background

Cardiac diseases and diabetes are the second and sixth leading causes of death in Minnesota respectively and represent a substantial cost to MHCP. Rewarding optimal care for these two chronic diseases can prevent complications and unnecessary care. This effort would also help address the Department of Human Services (DHS) goal of reducing disparities in health outcomes across the population as optimal care for chronic conditions is provided to more MHCP enrollees.

DHS plans to participate in the Bridges to Excellence optimal care reward program for some managed care enrollees. Bridges to Excellence is a multi-state coalition of employers/purchasers with a mission to reward quality across the health care system. The provider bonuses under the Bridges to Excellence design are geared to meeting target goals for the overall patient caseload in clinics and medical groups in providing optimal care for those with diabetes and cardiac diseases. Provider groups meeting optimal care targets for their overall patient caseload receive bonus payments of \$150/patient for cardiac care and \$100/patient for diabetes care.

Proposal

Effective 7-1-2007, DHS would reward optimal care provided under the fee-for-service program to MHCP enrollees with cardiac diseases and extends and expands the scope of bonuses for optimal diabetes care. Approximately 5,600 MHCP enrollees with cardiac disease diagnoses and 15,200 with diabetes could be impacted by this initiative. The reward for fee-for-service enrollees would be a direct payment to providers meeting optimal care standards for each eligible enrollee meeting those standards. The bonus payments would be \$250 up to twice a year per patient receiving optimal cardiac or diabetes care.

This proposal also includes a request to fund administrative costs associated with this effort, including continuation of one full-time-equivalent position and a contract to conduct medical chart reviews. Review of medical charts is needed to determine whether optimal care has been provided.

The proposal also expands current authority under M.S. 256.01 to maximize federal administrative reimbursement consistent with more recent federal managed care regulations and continue to dedicate this limited pool of enhanced federal reimbursement to consumer satisfaction surveys.

Relationship to Base Budget

This proposal will increase spending in Minnesota Health Care Programs by about \$1 million a year. This proposal also increase the Health Care Management General Fund base by less than \$200,000 in FY 2008 and \$300,000 per year beginning in FY 2009, or 0.87% for the FY 2008-09 biennium.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: QCare: Pay for Performance

Key Measures

This proposal aligns with Qcare goals to reward optimal care for enrollees with chronic disease in managed care and fee-for service systems.

The Pay-for-Performance measures are

- ◆ proportion of a provider's diabetic caseload provided optimal care and
- ◆ proportion of a provider's cardiac caseload provided optimal care.

Statutory Change: M.S. 256.01

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	41	MA F & C grants	\$73	\$82	\$89	\$95
100	42	MA E & D grants	542	581	605	612
100	43	GAMC grants	37	43	48	52
100	51	Administrative costs—1 FTE, contract	136	235	235	235
100	REV	Administrative FFP	(54)	(94)	(94)	(94)
100	51	Medical Chart Reviews (25% state share)	22	61	61	61
100	50	MMIS system costs	35	-0-	-0-	-0-
100		Net Fund Impact	\$791	\$908	\$944	\$961
		Net All Fund Impact	\$791	\$908	\$944	\$961
FTEs Requested						
HCAF	50	Continuation of FTE		1	1	1

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: QCare: Physician-Directed Care Coordination

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$312	\$13	\$(35)	\$(85)
Revenues	61	90	90	90
Net Fiscal Impact	\$251	\$(77)	\$(125)	\$(175)

Recommendation

The Governor recommends that publicly-funded health care programs – Medical Assistance (MA) and General Assistance Medical Care (GAMC) – manage the health issues of patients with complex chronic illnesses in a more comprehensive manner by implementing physician-directed care coordination.

Background

The prevalence of chronic illnesses, such as diabetes, heart disease, and less common significant conditions, is high among Minnesota Health Care Programs (MHCP) enrollees. A complex and expensive subpopulation of clients participate in the FFS program and are predominantly individuals with disabilities. Because these patients are a high-utilizing, high-spending group with complex health care needs, they would be well served by working with a physician-directed care coordinator, who can help them develop a care plan that will reduce their dependence on the use of emergency rooms and inpatient treatment. This initiative would serve roughly 900 clients in FY 2008-09 and about 2,500 clients in FY 2010-11 in the fee-for-service (FFS) program. This proposal would improve participants' health status and reduce longer-term health care costs.

Physician-directed care coordination programs, a component of the *medical home*, show clear benefits. Medical homes provide first-point-of-contact care for most illnesses, care over time, and integration of complex care in a patient-focused setting. In a medical home,

- ◆ care is coordinated between primary care doctors and specialists;
- ◆ medical care is integrated with community resources; and
- ◆ patients and families are partners in planning care.

Physician-directed care coordination improves health status and avoids costly, ineffective health care spending. When patients are able to work with physician-directed care coordinators, they do not use expensive services, such as emergency care and inpatient services, as frequently. Currently, there is no reimbursement for clinics that provide comprehensive care coordination and no disease management in FFS. The current Intensive Care Coordination (ICC) funding is for a smaller number of FFS clients (about 300 per year) and is managed by an independent entity.

With physician-directed care coordination, care for patients with complex and multiple illnesses would be coordinated by primary care physicians and care coordinators (nurses) based at these physician practices. This proposal takes a different approach by focusing on client needs rather than a specific diagnosis and would be clinic-based serving a higher number of people. Criteria for clinic participation would include such aspects as dedicated time for care coordination activities, patient and family involvement in care decisions, and the development of comprehensive written care plans. A care plan is a document that patients bring with them when they visit all their medical specialists or other parts of the health care system. The care plan is used to track the patient's care, communicate with specialists, and evaluate individual health outcomes. Patients would be eligible for this service if they have multiple, complex illnesses.

Proposal

Under this proposal, those health care clinics that provide an identified set of physician-directed care coordination activities to this population would be reimbursed a monthly rate of \$50 per person for providing a clearly defined service of care coordination to a clearly defined population of patients with complex needs. This payment would be separate from and in addition to payments for regularly scheduled primary care clinic visits and qualifies for federal financial participation. Under this proposal, 2.5 new full-time equivalent positions would be needed on an on-going basis to coordinate the program, provide training to the clinics, and evaluate outcomes. Utilization and

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: QCare: Physician-Directed Care Coordination

health outcomes for this population of patients would be tracked and compared to patients of similar complexity not receiving this service. This proposal would be effective 1-1-2008.

Relationship to Base Budget

This proposal produces a small savings to the Minnesota Health Care Program base beginning in FY 2009. This proposal also increases the Health Care Management General Fund budget by \$152,000 in FY 2008 and the base by \$225,000 beginning in FY 2009, or 0.73% for the 2008-09 biennium.

Key Measures

- ◆ Number of emergency visits
- ◆ QCare scores related to prevention of patient health status deterioration

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: M.S. 256B.0625

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	42	MA Basic HC Grants E&D	\$125	\$(212)	\$(260)	\$(310)
100	51	Health Care Operations - MMIS	35	0	0	0
100	50	Health Care Administration – 2.5 FTE's	152	225	225	225
100	REV	Administrative FFP	(61)	(90)	(90)	(90)
100		Net Fund Impact	\$251	\$(77)	\$(125)	\$(175)
		Net All Fund Impact	\$251	\$(77)	\$(125)	\$(175)
FTEs Requested						
		1 FTE – Program coordinator, eff 7-1-07	1.5	2.5	2.5	2.5
		1 FTE – Trainer, eff. 1-1-08				
		.5 FTE – Evaluator, eff. 7-1-08				

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Change Item: Extension of Critical Access Dental

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$4,744	\$5,643	\$6,677	\$7,866
Revenues	4,744	5,643	6,677	7,866
Health Care Access Fund				
Transfers	4,744	5,643	6,677	7,866
Net Fiscal Impact	\$4,744	\$5,643	\$6,677	\$7,866

Recommendation

The Governor recommends a continuation of critical access dental (CAD) payments for Medical Assistance (MA) after 6-30-2007 and an adjustment to CAD rates that were established in the 2006 session. The Governor further recommends offsetting the general fund costs with a transfer from the health care access fund.

Background

Current program

Low reimbursement rates have negatively affected access to dental care over time. For example, in calendar year 2005, less than 45% of Minnesota health care program enrollees had a dental visit.

Changes were made in the 2001 legislative session to help address this problem by creating a special rate add-on for dentists and dental clinics in service areas with high Minnesota Health Care Program (MHCP) utilization or under-served populations; these providers are called "critical access dentists". This designation was created to provide critical access dentists with substantially higher payments as a reward for increasing or maintaining access for MHCP enrollees. The critical access program applies to both fee-for-service providers and providers under managed care.

Minnesota Statutes 256B.76, (c), provides for a CAD add-on payment of up to 50% above the MA rate; however, the statute also limits the program to a \$1.25 million state appropriation which results in a payment of only 6-7% percent above the MA rate. The 2006 legislature provided for an increased CAD add-on payment in FY 2006 at 38% above the regular MA rate. This add-on, however, applies only for services provided between 10-1-2006 and 6-30-2007.

The 2006 legislature also added a 50% CAD add-on for MinnesotaCare services effective 1-1-2007. Under current law, this rate will continue as long as funding remains available.

Proposal

Effective 7-1-07, this proposal would continue the CAD add-on payment at 33% above the MA rate. In addition, this proposal decreases the MinnesotaCare add-on from 50% to 33%, effective 7-1-07, to provide consistent rates across programs. Maintaining a 33% CAD add-on across all programs would reward dentists who provide a significant amount of service to our clients.

Relationship to Base Budget

This proposal continues the critical access dental payment rate add-on at 33%. The majority of current critical access dental rate add-ons of 38% sunset on 6-30-2007.

Key Measures

- ◆ Percent of Minnesota Health Care Program enrollees with a preventive dental visit.

Statutory Change: M.S. 256B.76, (c) and 256L.11, subd. 7. 16A.724

HUMAN SERVICES DEPT**Program: HEALTH CARE GRANTS****Change Item: Extension of Critical Access Dental****Fiscal Detail Budget Tracking**

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	42	MA Basic HC Grants E & D – CAD	\$4,744	\$5,643	\$6,677	\$7,866
100	REV	Transfer from HCAF	(4,744)	(5,643)	(6,677)	(7,866)
190	REV	Transfer to GF	\$4,744	\$5,643	\$6,677	\$7,866
190		Net Fund Impact	\$4,744	\$5,643	\$6,677	\$7,866
100		Net Fund Impact	\$0	\$0	\$0	\$0
		All Fund Impact	\$4,744	\$5,643	\$6,677	\$7,866

Activity Description

General Assistance Medical Care (GAMC) Grants pays for health care services for low-income Minnesotans who are ineligible for Medical Assistance (MA) or other state or federal health care programs—primarily low-income adults between the ages of 21 and 64 who do not have dependent children.

Population Served

Local county agencies determine eligibility for GAMC within state guidelines. GAMC serves

- ◆ primarily single adults between ages 21 and 64 who do not have dependent children; and
- ◆ people receiving General Assistance (GA) cash grants.

Eligibility criteria include

- ◆ household income may not exceed 75% of the federal poverty guidelines (FPG), except that people with incomes between 75% and 175% of the FPG may qualify for inpatient hospitalization costs and physicians' services incurred during the hospitalization; and
- ◆ assets may not exceed \$1,000 per household for full coverage, although some assets like homestead property and burial funds are not counted. For hospital-only coverage, assets may not exceed \$10,000 for a household of one person and \$20,000 for a household of two or more persons.

Coverage is available for medical bills incurred no earlier than the date of application.

Services Provided

Department of Human Services (DHS) purchases services for over half of this population through capitated rate contracts with health plans.

Services provided under GAMC include

- ◆ inpatient and outpatient hospital care;
- ◆ drugs and medical supplies - \$3 brand name co-pay, \$1 generic co-pay;
- ◆ physician services - \$3 co-pay for non-preventive services;
- ◆ immunizations;
- ◆ hearing aids;
- ◆ alcohol and drug treatment;
- ◆ medical equipment and supplies;
- ◆ prosthetics;
- ◆ emergency-room services - \$25 co-pay on non-emergency, emergency room visits;
- ◆ dental care;
- ◆ chiropractic services - \$3 co-pay;
- ◆ medical transportation - emergency only;
- ◆ eye exams and eyeglasses - \$25 co-pay on eyeglasses; and
- ◆ public health nursing services.

The hospital-only (GHO) program covers

- ◆ inpatient hospital services;
- ◆ physicians' services received during the inpatient hospitalization; and
- ◆ services of a certified registered nurse anesthetist (CRNA) for hospitals that have elected not to include these charges in the inpatient daily rate.

Historical Perspective

The legislature established the state-funded GAMC program in 1976.

Activity at a Glance

- ◆ Pays for preventive and primary health care for approximately 37,000 Minnesotans not eligible for either MinnesotaCare or Medical Assistance (FY 2005 average)
- ◆ Serves primarily low-income adults without children

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: GAMC GRANTS

Narrative

GAMC paid for the same broad range of medical services as MA until 1981, when coverage was restricted to seven major services: inpatient hospital care, outpatient hospital care, prescription drugs, physician services, medical transportation, dental care, and community mental health center day treatment. Since then, many services have been added back into coverage.

In 1989, provisions were added that make a person who gives away certain property ineligible for GAMC for a designated penalty period. In 1995, the time during which such transfers are examined was increased from 30 to 60 months prior to application.

Through 1990, the state paid 90% of the costs and counties paid 10%. Beginning in 1991, the state began reimbursing the 10% county share.

In 2003, the following eligibility provisions were eliminated

- ◆ coverage for people with incomes over 75% of the FPG who incurred medical bills exceeding the difference between their income and this limit; this provision, known as spenddown, was replaced with the hospital-only option up to the 175% of the FPG income cap;
- ◆ coverage for bills incurred before the date of application; coverage was previously available for bills incurred in the month before the application; and
- ◆ coverage for undocumented and non-immigrant people.

Beginning in September 2006, certain GAMC applicants and enrollees are required to transition to MinnesotaCare. These applicants and enrollees will move from GAMC coverage to MinnesotaCare coverage with a six-month transition period. County agencies will pay MinnesotaCare premiums for these enrollees during the transition period. At the end of the six-month period, enrollees will be re-determined for MinnesotaCare and the county agency's obligation to pay the MinnesotaCare premium ends.

GAMC applicants and enrollees are exempt from the requirement to transition to MinnesotaCare and will remain on GAMC if they are otherwise eligible and they are

- ◆ recipients of General Assistance or Group Residential Housing payments;
- ◆ individuals who have applied for and are awaiting a determination of eligibility for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) by the Social Security Administration;
- ◆ individuals who have applied for and are awaiting a determination of blindness or disability from the State Medical Review Team;
- ◆ individuals who are homeless or who fail to meet permanent resident requirements of MinnesotaCare;
- ◆ individuals who have Medicare due to a diagnosis of end-stage renal disease;
- ◆ individuals who have private health insurance;
- ◆ individuals who are incarcerated and meet the criteria for continued GAMC as an incarcerated person; and
- ◆ individuals who receive treatment through the Consolidated Chemical Dependency Treatment Fund.

Key Measures

⇒ *Cost increases in Minnesota health care programs.* DHS is taking steps to improve program integrity and efficiency. This means making sure that eligible Minnesotans — and only those eligible — are able to enroll in Minnesota Health Care Programs (MHCP). It also involves automating the current enrollment process to ensure that consistent guidelines are followed when adding or retaining individuals in MHCP.

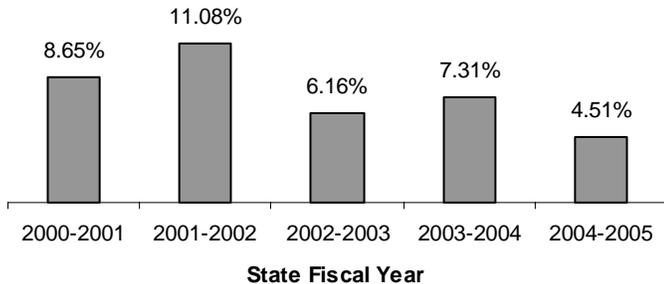
HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: GAMC GRANTS

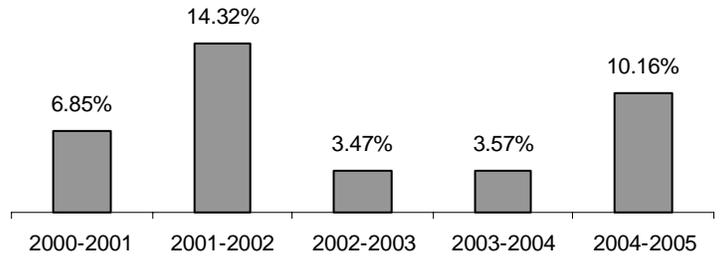
Narrative

**Minnesota Health Care Programs -
Fee-for-service program cost increase**



Note: Figures represent growth in cost per person from one state fiscal year to the next (July to June).

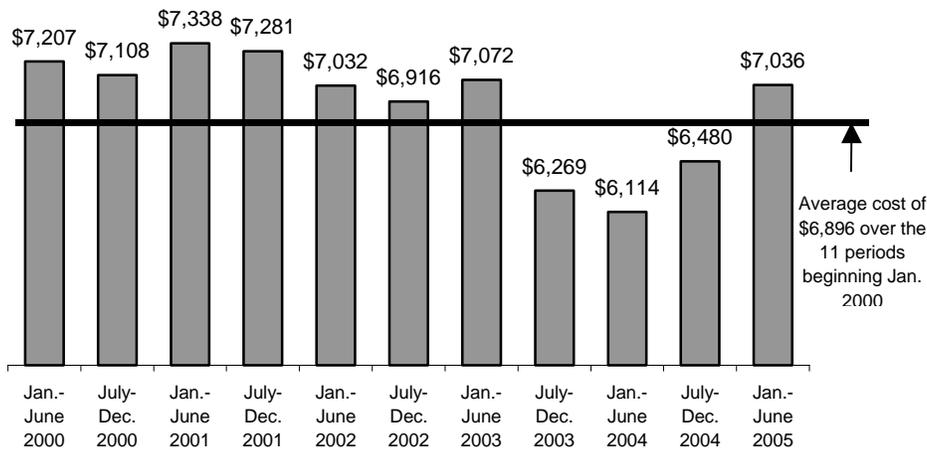
**Minnesota Health Care Programs -
Managed care cost increases**



Note: Figures represent growth in cost per person from one calendar year to the next.

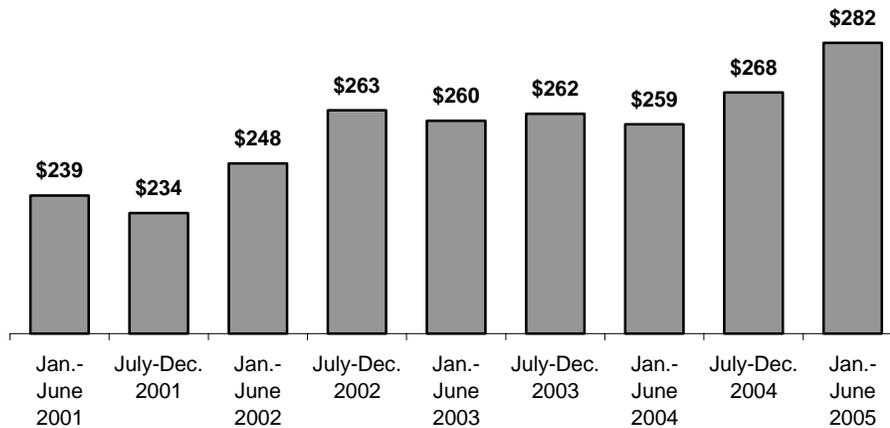
⇒ *Inpatient hospital average monthly cost per enrollee.* The most recently measured average monthly cost for inpatient hospital services was \$7,036 for the first half of 2005.

Inpatient hospital average monthly cost per recipient



⇒ *Pharmacy average monthly cost per enrollee.* The most recently measured average monthly cost per enrollee for prescriptions was \$282 per month for the first half of 2005.

Pharmacy average monthly cost per recipient



More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

General Assistance Medical Care Grants is funded with appropriations from the General Fund.

Contact

For more information on General Assistance Medical Care Grants, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Health Care Eligibility and Access Director Kathleen Henry, (651) 431-2301
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>

HUMAN SERVICES DEPT
 Program: HEALTH CARE GRANTS
 Activity: GAMC GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	290,961	270,764	270,764	270,764	541,528
Technical Adjustments					
End-of-session Estimate			(56,514)	(46,713)	(103,227)
November Forecast Adjustment		7,459	8,366	10,656	19,022
Subtotal - Forecast Base	290,961	278,223	222,616	234,707	457,323
Governor's Recommendations					
Client Medical Access Mileage Adjustment		0	32	38	70
QCare: Pay for Performance		0	37	43	80
Long-Term Care Payment Adjustment		0	3	10	13
Mental Health Initiatives		0	900	3,760	4,660
Services For Deaf & Hard of Hearing		0	6	6	12
Total	290,961	278,223	223,594	238,564	462,158
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	288,785	278,223	223,594	238,564	462,158
Total	288,785	278,223	223,594	238,564	462,158
<u>Expenditures by Category</u>					
Payments To Individuals	288,785	278,223	223,594	238,564	462,158
Total	288,785	278,223	223,594	238,564	462,158

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: OTHER HEALTH CARE GRANTS

Narrative

Activity Description

Other Health Care Grants contains four elements

- ◆ U Special Kids grant;
- ◆ Oral Health Pilot grant, one-time funding for the start-up costs of an oral health program
- ◆ The Winona Community Foundation Dental Grant; and
- ◆ Monitor MA Prepaid Health Plan grants.

Activity at a Glance

- ◆ Provides funding for focused health care grants.

Population Served

This activity provides services to Medical Assistance (MA) and General Assistance Medical Care (GAMC) enrollees.

Services Provided

U Special Kids grant creates and funds a pilot intensive care coordination program for children who are unable to participate in University/Fairview's U Special Kids intensive care coordination program because of the program's metro-area location.

The Oral Health Pilot grant will assist a contractor to organize the care system to an oral health program designed to improve access to care and improve patient outcomes in a more cost-effective manner than the existing purchasing models for dental services.

The Winona Community Foundation grant is an income grant to the Department of Human Services (DHS). The foundation advances funds to DHS in amounts sufficient to keep a balance of about \$75,000, until all grant fund (\$600,000) are depleted. DHS matches these funds with federal funds in the same manner it matches legislatively appropriated funds with federal funds. DHS makes add-on payments to any dentist in Winona County who sees MA patients. The amount of the add-on payment is 20% more than would otherwise be paid by DHS or the health plan for the service. This program is administered in tandem with the legislatively-appropriated Critical Access Dental Payment Program.

The Monitor MA Prepaid Health Plans grants include expenditures incurred through interagency agreements with the Minnesota Department of Health (MDH). The state matching funds are provided by MDH while DHS claims 50% federal financial participation.

Historical Perspective

Prior to the 2005 legislative session, Minnesota Health Care Program Outreach grants and County Prepaid Medical Assistance Program (PMAP) grants operated out of this budget activity. The Health Care Program Outreach grants were eliminated in the 2005 legislative session. County PMAP grants were phased out in the 2003 legislative session with grants to counties ending in FY 2004.

Funds for the U Special Kids and the Oral Health Pilot grants were appropriated in the 2005 legislative session. One-time funding to the Board of Dentistry was transferred to DHS to fund the Oral Health Pilot grant. Ongoing funding was provided for the U Special Kids grants.

Activity Funding

Other Health Care Grants is funded from appropriations from the General Fund, from private grants, and from federal funds.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: OTHER HEALTH CARE GRANTS

Narrative

Contact

For more information on Other Health Care Grants, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: OTHER HEALTH CARE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,537	59	59	59	118
Technical Adjustments					
Fund Changes/consolidation			150	150	300
Subtotal - Forecast Base	7,537	59	209	209	418
Total	7,537	59	209	209	418
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,958	359	209	209	418
Statutory Appropriations					
Misc Special Revenue	18,461	27,075	75	75	150
Federal	327	475	475	475	950
Total	26,746	27,909	759	759	1,518
<u>Expenditures by Category</u>					
Other Operating Expenses	311	475	475	475	950
Payments To Individuals	23,012	27,225	75	75	150
Local Assistance	3,423	209	209	209	418
Total	26,746	27,909	759	759	1,518

Program Description

Health Care Management is the administrative support component of Basic Health Care Grants. It is responsible for policy development and implementation, enrollment, purchasing, payment, and quality assurance for health care services. Health Care Management coordinates with Continuing Care Management on the Medicaid-funded activities within Continuing Care Grants.

Budget Activities

- ⇒ Health Care Policy Administration
- ⇒ Health Care Operations

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	27,148	26,659	26,659	26,659	53,318
Technical Adjustments					
Approved Transfer Between Appr			(997)	(880)	(1,877)
Current Law Base Change			3,465	1,820	5,285
Fund Changes/consolidation			(150)	(150)	(300)
Subtotal - Forecast Base	27,148	26,659	28,977	27,449	56,426
Governor's Recommendations					
QCare: Pay for Performance		0	193	296	489
QCare: Physician Directed Care Coord		0	187	225	412
Admin Funding for Citizen Documentation		0	697	447	1,144
Compensation Adjustment		0	583	1,177	1,760
Total	27,148	26,659	30,637	29,594	60,231
Health Care Access					
Current Appropriation	22,880	23,381	23,381	23,381	46,762
Technical Adjustments					
Approved Transfer Between Appr			(2,650)	(2,556)	(5,206)
Current Law Base Change			(675)	(2,824)	(3,499)
Subtotal - Forecast Base	22,880	23,381	20,056	18,001	38,057
Governor's Recommendations					
Immigration Status Validation at Recert		0	41	36	77
Healthy Connections		0	406	1,474	1,880
Admin Funding for Citizen Documentation		0	41	41	82
Mental Health Initiatives		0	50	868	918
Compensation Adjustment		0	327	661	988
Total	22,880	23,381	20,921	21,081	42,002
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,970	13,680	30,637	29,594	60,231
Health Care Access	14,306	19,847	20,921	21,081	42,002
Statutory Appropriations					
Misc Special Revenue	53,926	69,133	36,072	32,873	68,945
Federal	183	216	216	216	432
Total	78,385	102,876	87,846	83,764	171,610
<u>Expenditures by Category</u>					
Total Compensation	45,680	52,195	49,376	49,331	98,707
Other Operating Expenses	32,705	50,681	38,470	34,433	72,903
Total	78,385	102,876	87,846	83,764	171,610
<u>Expenditures by Activity</u>					
Health Care Admin	4,558	5,423	10,575	11,045	21,620
Health Care Operations	73,827	97,453	77,271	72,719	149,990
Total	78,385	102,876	87,846	83,764	171,610
Full-Time Equivalentents (FTE)	759.9	824.2	832.2	848.2	

Activity Description

Health Care Administration is responsible for developing and implementing health care policy related to Basic Health Care Grants.

Population Served

In an average month in FY 2005, approximately 662,000 Minnesotans were enrolled in Minnesota's publicly-funded health care programs.

Health Care Administration works with many entities to serve enrollees including

- ◆ 44,000 health care providers, including nine managed health care plans;
- ◆ approximately 24 state health care professional organizations;
- ◆ the federal Centers for Medicare and Medicaid Services; and
- ◆ Minnesota's counties and tribes.

Services Provided

Health Care Administration is responsible for

- ◆ developing health care program policy and leading implementation of policy initiatives;
- ◆ developing payment policies, including fee-for-service and managed care rates, that promote cost-effective delivery of quality services to Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare;
- ◆ monitoring health plans to ensure contract compliance, value, and access;
- ◆ conducting surveys and research to monitor quality of care provided and health status of program enrollees;
- ◆ working with the federal government to ensure compliance with Medicaid laws and rules;
- ◆ negotiating waivers to federal laws and rules to allow expanded access and coverage, payment initiatives, enhanced federal matching funds, and demonstration projects to improve care and services for various enrollee groups;
- ◆ working with various partners to plan and implement changes needed to comply with the federal Health Insurance Portability and Accountability Act (HIPAA);
- ◆ providing oversight of county and tribal administration of state policies and rules; and
- ◆ planning and development of improved eligibility and enrollment systems, including a planned web-based HealthMatch system to make programs more accessible and administration more efficient.

Historical Perspective

Minnesota is consistently a national leader in promoting and implementing policy and payment initiatives that improve access, quality, and cost-effectiveness of services provided through publicly-funded health care programs.

Federally mandated and state-initiated expansions to health care program eligibility over the past 15 years have improved access to health care for low-income, special need, and uninsured Minnesotans. At the same time, program eligibility requirements have become more complex requiring intense resources.

Changes in approaches to purchasing services for enrollees have evolved over the past two decades from strictly fee-for-service to more managed care contracting. This has changed the nature of management in this area to include sophisticated, capitated rate setting and risk adjustment, contract management, performance measurement, and more complex federal authority mechanisms, while continuing to improve fee-for-service rate setting and service coverage definition.

Activity at a Glance

- ◆ Develops health care policy for services to approximately 662,000 people served by Minnesota Health Care Programs
- ◆ Negotiates with service providers on contracts to serve enrollees
- ◆ Determines rates for services and works with the health care marketplace to get best coverage at the most affordable prices
- ◆ Consults with the federal government to stay in compliance with federal law and negotiates waivers to current program rules
- ◆ Monitors health care outcomes for enrollees

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Activity: HEALTH CARE ADMIN

Narrative

In the past decade, Department of Human Services (DHS) implemented two managed care demonstration programs for seniors and adults with physical disabilities to provide cost-effective, coordinated Medicare and Medicaid services. Both programs, the Minnesota Senior Health Options and Minnesota Disability Health Options, incorporate home- and community-based services to reduce the need for nursing home care.

Finally, as DHS increasingly contracts for day-to-day administration of primary health care services, more attention can be given to initiatives that better manage rapidly increasing health care costs. For example, the Health Care Administration has recently implemented unique volume-based purchasing agreements within fee-for-service.

Key Measures

See key measures for Health Care Grants.

More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Health Care Administration is funded with appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

For more information on Health Care Administration, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 461-2189
- ◆ State Medicaid Director Christine Bronson, (651) 431-2914
- ◆ Health Care Eligibility and Access Director Kathleen Henry, (651) 431-2301
- ◆ Performance Measurement and Quality Improvement Director Vicki Kunerth, (651) 431-2618
- ◆ Health Plan Development and Purchasing Director Karen Peed, (651) 431-2511

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE ADMIN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,405	10,436	10,436	10,436	20,872
Technical Adjustments					
Approved Transfer Between Appr			(5,050)	(4,487)	(9,537)
Current Law Base Change			3,469	1,754	5,223
Fund Changes/consolidation			(150)	(150)	(300)
Subtotal - Forecast Base	10,405	10,436	8,705	7,553	16,258
Governor's Recommendations					
QCare: Physician Directed Care Coord		0	152	225	377
Admin Funding for Citizen Documentation		0	697	447	1,144
Compensation Adjustment		0	42	85	127
Total	10,405	10,436	9,596	8,310	17,906
Health Care Access					
Current Appropriation	7,564	7,221	7,221	7,221	14,442
Technical Adjustments					
Approved Transfer Between Appr			(5,066)	(4,473)	(9,539)
Current Law Base Change			(1,521)	(2,114)	(3,635)
Subtotal - Forecast Base	7,564	7,221	634	634	1,268
Governor's Recommendations					
Immigration Status Validation at Recert		0	41	36	77
Healthy Connections		0	240	1,210	1,450
Mental Health Initiatives		0	50	832	882
Compensation Adjustment		0	9	18	27
Total	7,564	7,221	974	2,730	3,704
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,158	4,853	9,596	8,310	17,906
Health Care Access	398	567	974	2,730	3,704
Statutory Appropriations					
Misc Special Revenue	0	3	5	5	10
Federal	2	0	0	0	0
Total	4,558	5,423	10,575	11,045	21,620
<u>Expenditures by Category</u>					
Total Compensation	2,287	2,549	3,150	4,512	7,662
Other Operating Expenses	2,271	2,874	7,425	6,533	13,958
Total	4,558	5,423	10,575	11,045	21,620
Full-Time Equivalentents (FTE)	36.2	31.4	35.4	50.4	

HUMAN SERVICES DEPT**Program: HEALTH CARE MANAGEMENT****Change Item: Administrative Funding for Citizenship Documentation**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$697	\$447	\$447	\$447
Revenues	279	179	179	179
Health Care Access Fund				
Expenditures	41	41	41	41
Revenues	16	16	16	16
Net Fiscal Impact	\$443	\$293	\$293	\$293

Recommendation

The Governor recommends an appropriation to administer recently imposed federal requirements related to citizenship and identity documentation of Medical Assistance (MA) and MinnesotaCare family and children applicants and enrollees. Specifically, this initiative would provide funding to help applicants who cannot meet the requirements to obtain the necessary documents. It also would pay for a data matching system to verify birth records of applicants and enrollees born in Minnesota.

Background

Current program. Among many other provisions, the enacted federal Deficit Reduction Act (DRA) of 2005 (Public Law # 109-171) requires MA applicants and enrollees who declare to be U. S. citizens to provide documentation of their citizenship and identity. In 2006, state law was amended to require federally-funded Medical Assistance (MA), Minnesota Family Planning Program (MFPP), and MinnesotaCare for families and children applicants and enrollees to follow the DRA requirements. This is a significant change for applicants, enrollees, counties, and the Department of Human Services (DHS). Prior to the enactment of the DRA, applicants attested to their citizenship and signed the health care application under penalty of perjury.

The Centers for Medicare & Medicaid Services (CMS) has prescribed a rigid hierarchy of acceptable citizenship and identification documentation. CMS has also stated that workers must assist applicants and enrollees with obtaining documentation if they are unable to comply with the requirements. Fifty percent federal match is available for providing such assistance.

Either a copy of the birth record or a birth record data match would satisfy the federal citizenship documentation requirement. Applicants/enrollees would still need to document their identity. A paper copy of a verification of birth is \$9 for a person born in Minnesota. The cost of birth records for a person born in another state can be \$9 or more. Approximately 50% of new MA and MFPP applicants, or 50,000 people, and 50% of new MinnesotaCare applicants, or 6,000 people, are projected to need help in obtaining citizenship documentation annually.

Proposal. Effective 7-1-2007, this proposal would provide funding to assist MA, MFPP, and MinnesotaCare for families and children applicants in paying for required citizenship and identity documentation. This proposal would also fund development of a data matching system. DHS staff are working with the Minnesota Department of Health (MDH) to establish an electronic data match system to verify birth records of applicants and enrollees born in Minnesota.

Relationship to Base Budget

The proposal will increase the Health Care Management General Fund base by about \$686,000 for the FY 2008-09 biennium or 1.66%.

Statutory Change: None

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Change Item: Administrative Funding for Citizenship Documentation

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	50	DHS Data Matching	\$697	\$447	\$447	\$477
100	REV1	Administrative FFP	(279)	(179)	(179)	(179)
190	51	DHS Record Assistance	41	41	41	41
190	REV1	Administrative FFP	(16)	(16)	(16)	(16)
100		Net General Fund Impact	\$418	\$268	\$268	\$268
190		Net HCAF Impact	\$25	\$25	\$25	\$25
		Net All Fund Impact	\$443	\$293	\$293	\$293
FTEs Requested						

Activity Description

Health Care Operations provides the infrastructure necessary for effective and efficient health care purchasing and delivery for Basic Health Care Grants. This includes administering the Medicaid Management Information System (MMIS), a centralized medical payment system. It also supports other department functions, including administering managed care contracts, conducting eligibility determinations, and conducting quality improvement and data analysis program management.

Activity at a Glance

- ◆ Processes over 23.4 million fee-for-service medical claims (2005 data)
- ◆ Collects or avoids costs amounting to \$82.2 million from third-party insurers liable for some payment of services provided to program enrollees
- ◆ Operates MMIS

Population Served

Health Care Operations makes payments to providers, health plans, and, in certain cases, counties for the more than 662,000 Minnesotans enrolled in Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare. Health Care Operations works directly with

- ◆ approximately 44,000 health care service providers, including inpatient and outpatient hospitals, nursing homes, dentists, physicians, mental health professionals, home care providers, and pharmacists;
- ◆ approximately 24 health care provider professional organizations;
- ◆ financial and social services staff in Minnesota's 87 counties;
- ◆ health plans and other insurers; and
- ◆ the federal Centers for Medicare and Medicaid Services.

Services Provided

Health Care Operations is responsible for

- ◆ operating centralized payment systems MMIS for MA, MinnesotaCare, and GAMC;
- ◆ maintaining health care provider enrollment agreements;
- ◆ supporting enrollee communication and outreach efforts;
- ◆ maintaining online system availability for claims operation, customer services, and eligibility verification for 44,000 providers;
- ◆ supporting enhanced electronic claim activity to increase processing efficiency and decrease administrative costs, including maintaining a viable point-of-sale system for pharmacy;
- ◆ developing HealthMatch, the Department of Human Services' (DHS's) web-based application and eligibility system for publicly funded health care programs;
- ◆ operating a web-based electronic commerce environment for health care claim submission and other government-to-business electronic transactions;
- ◆ supporting the collection of premiums for MinnesotaCare and MA for Employed Persons with Disabilities (MA-EPD), spenddowns for Minnesota Senior Health Options and Minnesota Disability Health Options, and development of financial control programs capable of supporting additional premium-based health care purchasing concepts;
- ◆ identifying all liable third parties required to pay for medical expenses before expenditure of state funds and recovering costs from other insurers, which includes maximizing Medicare participation in the cost of all services for dually-eligible enrollees, with emphasis on long-term care and home health services; and
- ◆ administering the medical care surcharge to ensure maximum receipt of surcharge funds from nursing care facilities and inpatient hospitals in compliance with federal laws and regulations.

Historical Perspective

The current MMIS was implemented in 1994, replacing a system that had been operational since 1974. Since that time the number of fee-for-service claims has grown to 23.4 million in FY 2005, and the number of encounter claims (record of a service provided) from prepaid managed care plans has grown to 18 million. Complexity in health care delivery strategies and in eligibility criteria to ensure focused eligibility for very specific populations has required that MMIS be flexible and scalable. In addition, the accelerated rate of change in computing

HUMAN SERVICES DEPT

Program: HEALTH CARE MANAGEMENT

Activity: HEALTH CARE OPERATIONS

Narrative

technology and the movement toward electronic government services for citizens has required ongoing strategic investments in health care systems.

Key Measures

See key measures for Health Care Grants.

More information on DHS measures and results is available on the web:
<http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Health Care Operations is funded primarily with appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

For more information on Health Care Operations, contact

- ◆ Assistant Commissioner for Health Care Brian Osberg, (651) 431-2189
- ◆ Assistant Commissioner for Finance and Management Operations Dennis W. Erickson, (651) 431-2900
- ◆ Health Care Operations Director Larry Woods, (651) 431-3082

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE OPERATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	16,743	16,223	16,223	16,223	32,446
Technical Adjustments					
Approved Transfer Between Appr			4,053	3,607	7,660
Current Law Base Change			(4)	66	62
Subtotal - Forecast Base	16,743	16,223	20,272	19,896	40,168
Governor's Recommendations					
QCare: Pay for Performance		0	193	296	489
QCare: Physician Directed Care Coord		0	35	0	35
Compensation Adjustment		0	541	1,092	1,633
Total	16,743	16,223	21,041	21,284	42,325
Health Care Access					
Current Appropriation	15,316	16,160	16,160	16,160	32,320
Technical Adjustments					
Approved Transfer Between Appr			2,416	1,917	4,333
Current Law Base Change			846	(710)	136
Subtotal - Forecast Base	15,316	16,160	19,422	17,367	36,789
Governor's Recommendations					
Healthy Connections		0	166	264	430
Admin Funding for Citizen Documentation		0	41	41	82
Mental Health Initiatives		0	0	36	36
Compensation Adjustment		0	318	643	961
Total	15,316	16,160	19,947	18,351	38,298
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,812	8,827	21,041	21,284	42,325
Health Care Access	13,908	19,280	19,947	18,351	38,298
Statutory Appropriations					
Misc Special Revenue	53,926	69,130	36,067	32,868	68,935
Federal	181	216	216	216	432
Total	73,827	97,453	77,271	72,719	149,990
<u>Expenditures by Category</u>					
Total Compensation	43,393	49,646	46,226	44,819	91,045
Other Operating Expenses	30,434	47,807	31,045	27,900	58,945
Total	73,827	97,453	77,271	72,719	149,990
Full-Time Equivalents (FTE)	723.7	792.8	796.8	797.8	

Program Description

Continuing Care Grants serve over 350,000 people. Some receive ongoing personal care services, including the 36,400 people per month who are at risk of institutional placement who instead receive waiver services in the community and the 23,800 people who receive mental health case management. Other people need only occasional assistance, such as the 90,000 people who call the Senior Linkage Line[®] each year or the 83,000 people who receive congregate or home-delivered meals.

Continuing Care Grants provide an important health care safety net for some of Minnesota's most vulnerable people. Continuing Care Grants pay for chronic health care services, long-term care in residential settings, at-home care, mental health services, chemical dependency treatment, and social services for older Minnesotans and people with disabilities. These grants also provide information and resources to older Minnesotans and those with disabilities so they can be independent, retain or improve their quality of life, and contribute to their communities. The state partners with counties, health plans, community-based public agencies, private nonprofit agencies, private for-profit agencies, and others to deliver services.

Medicaid-funded Continuing Care Grants – Medical Assistance (MA) Long-Term Care Facilities and MA Long-Term Care Waivers -- are coordinated with the department's Health Care Grants and are supported by approximately \$4.2 billion in state and federal funds. MA, Minnesota's Medicaid program, is financed and operated jointly by the state and the federal government. The federal share of MA costs for the state, known as the federal medical assistance percentage (FMAP), is based on the state's per capita income and is recalculated annually. The current MA FMAP rate is 50%.

Budget Activities

- ⇒ Aging and Adult Services Grants
- ⇒ Alternative Care Grants
- ⇒ MA Long Term Care Facilities Grants
- ⇒ MA Long Term Care Waivers and Home Care Grants
- ⇒ Adult Mental Health Grants
- ⇒ Deaf and Hard of Hearing Grants
- ⇒ Chemical Dependency Entitlement Grants
- ⇒ Chemical Dependency Non-Entitlement Grants
- ⇒ Other Continuing Care Grants

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,515,097	1,590,640	1,590,640	1,590,640	3,181,280
Technical Adjustments					
Approved Transfer Between Appr			310	310	620
Current Law Base Change			2,476	2,591	5,067
End-of-session Estimate			73,303	161,251	234,554
Fund Changes/consolidation			5,062	5,062	10,124
November Forecast Adjustment		(53,365)	(45,348)	(38,584)	(83,932)
Subtotal - Forecast Base	1,515,097	1,537,275	1,626,443	1,721,270	3,347,713
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	19,936	62,656	82,592
Elderly Waiver Assisted Living Coverage		0	(132)	(330)	(462)
Home & Community Based Svcs Provider Std		0	1,126	2,604	3,730
Mental Health Initiatives		0	2,774	5,367	8,141
Services For Deaf & Hard of Hearing		0	389	777	1,166
HIV/AIDS Insurance Program Funding		0	(1,150)	(1,150)	(2,300)
Total	1,515,097	1,537,275	1,649,386	1,791,194	3,440,580
Health Care Access					
Current Appropriation	0	750	750	750	1,500
Subtotal - Forecast Base	0	750	750	750	1,500
Governor's Recommendations					
Mental Health Initiatives		0	2,500	6,000	8,500
HIV/AIDS Insurance Program Funding		0	1,550	1,850	3,400
Total	0	750	4,800	8,600	13,400
Lottery Cash Flow					
Current Appropriation	1,333	1,458	1,458	1,458	2,916
Technical Adjustments					
Current Law Base Change			(150)	(150)	(300)
Subtotal - Forecast Base	1,333	1,458	1,308	1,308	2,616
Total	1,333	1,458	1,308	1,308	2,616

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,431,624	1,476,169	1,649,386	1,791,194	3,440,580
Health Care Access	0	750	4,800	8,600	13,400
Lottery Cash Flow	1,235	1,556	1,308	1,308	2,616
Statutory Appropriations					
General	2,915	3,309	3,382	3,455	6,837
Misc Special Revenue	109,172	116,799	44,345	46,296	90,641
Federal	1,355,103	1,405,073	1,474,972	1,556,878	3,031,850
Total	2,900,049	3,003,656	3,178,193	3,407,731	6,585,924
<u>Expenditures by Category</u>					
Other Operating Expenses	671	1,034	773	773	1,546
Payments To Individuals	2,766,238	2,859,714	3,039,155	3,258,086	6,297,241
Local Assistance	133,140	142,908	137,209	145,275	282,484
Transfers	0	0	1,056	3,597	4,653
Total	2,900,049	3,003,656	3,178,193	3,407,731	6,585,924
<u>Expenditures by Activity</u>					
Aging And Adult Services Gr	35,562	35,039	34,750	35,108	69,858
Alternative Care Grants	43,516	34,248	39,209	45,446	84,655
Ma Ltc Facilities Grants	1,034,873	1,010,854	1,008,726	1,004,585	2,013,311
Ma Ltc Waivers & Home Care Gr	1,578,914	1,698,986	1,870,004	2,077,074	3,947,078
Adult Mental Health Grants	60,441	66,048	68,052	74,699	142,751
Deaf & Hard Of Hearing Grants	1,706	1,715	2,124	2,552	4,676
Cd Entitlement Grants	105,153	108,203	118,823	130,961	249,784
Cd Non-Entitlement Grants	12,452	13,479	13,465	13,265	26,730
Other Continuing Care Grants	27,432	35,084	23,040	24,041	47,081
Total	2,900,049	3,003,656	3,178,193	3,407,731	6,585,924

Activity Description

Aging and Adult Services Grants pays for non-medical social services and provides funding for communities to develop informal services to keep older people engaged in their communities.

Population Served

To be eligible for most of the services paid through these grants, people must be age 60 or older. Although not means-tested, services are targeted to people with the greatest social and economic needs. This conforms to eligibility criteria under the Older Americans Act (OAA), which also provides federal funding for a number of these services.

Services Provided

Aging and Adult Services grants provide:

- ◆ nutritional services including meals, grocery delivery, and nutrition education counseling;
- ◆ transportation, chore services, and other social support services;
- ◆ diabetes, blood pressure screening, and other health promotion services;
- ◆ mentoring of families and children through older adult volunteer community services projects;
- ◆ care and one-on-one attention for special needs children (through the Foster Grandparents Program);
- ◆ assistance with daily activities for frail older adults;
- ◆ information and assistance through Senior LinkAge Line,[®] the online database Minnesotahelp.info, and long-term care planning tools;
- ◆ counseling about Medicare, supplemental insurance, and long-term care insurance options;
- ◆ comprehensive prescription drug expense assistance, including Medicare Part D, to Minnesotans of all ages;
- ◆ respite and other supportive assistance to family caregivers, including options for consumer-directed supports; and
- ◆ expansion and development of more home and community service and housing options.

Activity at a Glance

- ◆ Provides congregate dining to 65,000 people and home-delivered meals to 18,000 people annually
- ◆ Provides social service support services to 219,000 people and health care promotion to 9,000 people annually
- ◆ Supports nearly 16,000 participants per year who provide services through the Retired and Senior Volunteer Program (RSVP), Foster Grandparents, and Senior Companions
- ◆ Provides more than 90,000 callers per year with one-to-one information and counseling through the Senior LinkAge Line[®]
- ◆ Funds 202 new projects to expand home and community-based service options for more than 61,000 older people and increase informal capacity by 15,000 volunteers since September 2002 through the Community Service/Service Development grant program

Historical Perspective

The OAA was passed by Congress in 1965 at the same time the Medicaid program was established and began to fund nursing home care. The OAA's purpose was to assist elderly people to live as independently as possible and avoid premature institutionalization. The state's federal OAA funds are administered through the Minnesota Board on Aging to provide less formal, community-based services, including volunteer services.

Federal OAA funding is distributed by the proportion of older adults in a state relative to the total older adults in the country. Although Minnesota has seen an increase of more than 50,000 older adults over the last decade, other states have seen a proportionately greater increase. Federal funding for these programs and services has remained static since 2002. State funding has been appropriated to supplement federal OAA funds; in 2003 state funding for these grants was reduced by 15%.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

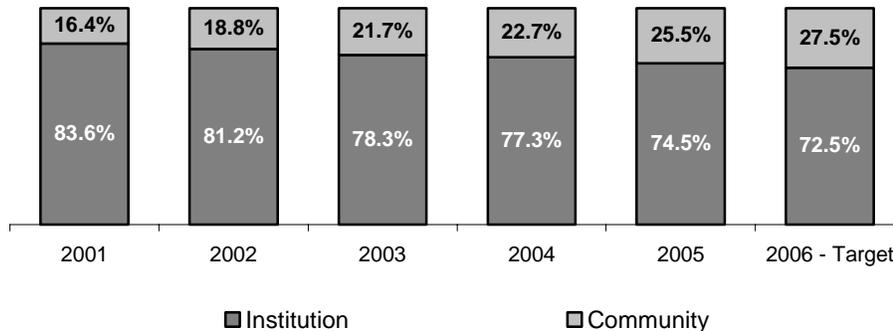
Activity: AGING AND ADULT SERVICES GR

Narrative

Key Measures

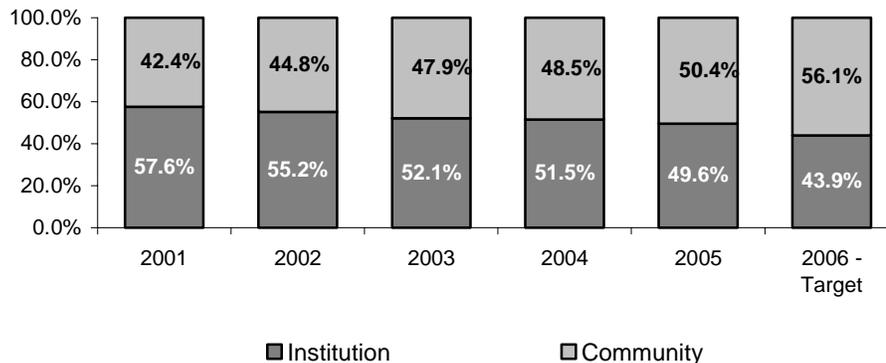
⇒ Proportion of public-funded long-term care funds expended in institutional care versus community care settings

Proportion of Publicly Funded Long-term Care Services Expended in Institutions versus Community Settings.



⇒ Proportion of elders served in institutional vs. community settings

Proportion of Elders Receiving Publicly Funded Services in Institution vs. Community Settings.



More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>

Activity Funding

Aging and Adult Services Grants is funded with appropriations from the General Fund and with federal funds.

Contact

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Manager Sue Banken, (651) 431-2559

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: AGING AND ADULT SERVICES GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	13,954	13,960	13,960	13,960	27,920
Subtotal - Forecast Base	13,954	13,960	13,960	13,960	27,920
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	147	517	664
Total	13,954	13,960	14,107	14,477	28,584
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	15,181	13,960	14,107	14,477	28,584
Statutory Appropriations					
Misc Special Revenue	387	409	352	352	704
Federal	19,994	20,670	20,291	20,279	40,570
Total	35,562	35,039	34,750	35,108	69,858
<u>Expenditures by Category</u>					
Local Assistance	35,562	35,039	34,750	35,108	69,858
Total	35,562	35,039	34,750	35,108	69,858

Activity Description

Alternative Care (AC) is a state-funded program that pays for at-home care and community-based services for older adults who are at risk of becoming eligible for Medical Assistance (MA) nursing facility care within four-and-one-half months. It provides eligible older adults with in-home and community-based services and supports similar to federally-funded home and community-based programs.

Population Served

To be eligible for AC, a person must be age 65 or older, assessed as needing nursing facility level of care, and have income and assets inadequate to fund nursing facility care for more than 135 days. The person must also be capable of paying a monthly program participation fee and have needs that can be met within available resources.

Activity at a Glance

- ◆ Pays for in-home community-based services for low-income elderly Minnesotans
- ◆ Helps adults 65 years and older stay in their own homes longer by providing an alternative to nursing home care
- ◆ Serves an average of 4,984 persons per month
- ◆ Costs an average of \$1,011 per person per month, compared to \$3,293 per person in a nursing facility

In FY 2005, the AC program provided services for 4,984 elderly persons per month at an average monthly cost of \$1,011 per person. This compared to a \$3,293 average monthly cost of nursing facility care during the same time period.

Services Provided

Alternative Care provides funding for:

- ◆ respite care, both in-home and at approved facilities, to provide a break for caregivers;
- ◆ case management to ensure that program access and services planned, authorized, and provided are appropriate;
- ◆ adult day care;
- ◆ personal care services to assist with activities of daily living;
- ◆ homemaker services;
- ◆ companion service;
- ◆ caregiver training and education to provide caregivers with the knowledge and support necessary to care for an elderly person;
- ◆ chore services to provide assistance with heavy household tasks such as snow shoveling;
- ◆ home health nursing and aide services;
- ◆ transportation to AC-related services and community activities;
- ◆ nutrition services;
- ◆ AC service-related supplies and equipment;
- ◆ telehomecare services; and
- ◆ other authorized consumer-directed services and discretionary services that are part of the person's plan of care.

Historical Perspective

The AC program was implemented in 1981. Its purpose is to provide older adults at risk of nursing facility placement with in-home and community-based services to assist them to remain at home. Funding is allocated to local lead agencies to provide for service delivery under individual service plans. The agencies are responsible for managing their allocations to serve eligible persons. There were three major legislative changes made to the program effective September 2005 that resulted in nearly a 30% caseload reduction during FY 2006. The changes eliminated some covered services, repealed liens, and reduced financial program eligibility criteria.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

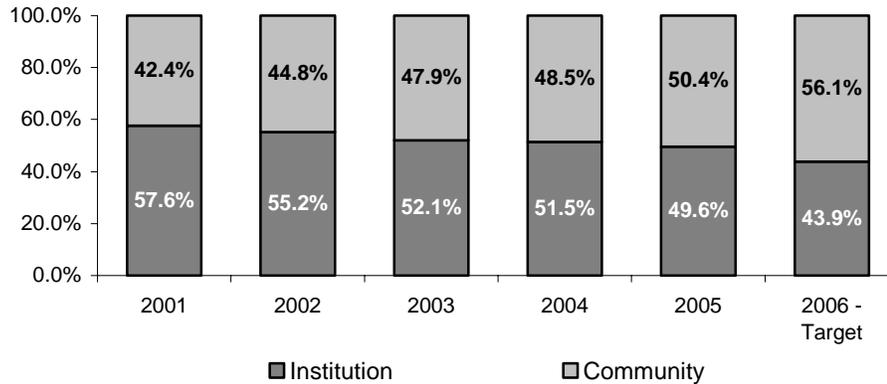
Activity: ALTERNATIVE CARE GRANTS

Narrative

Key Measures

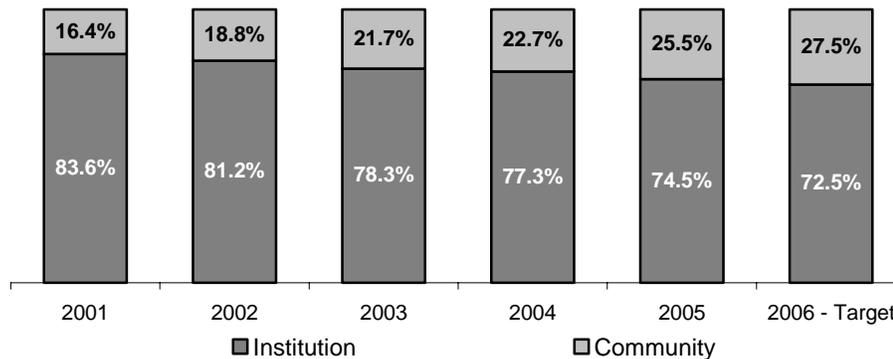
⇒ Proportion of elders served in institutional vs. community settings

Proportion of Elders Receiving Publicly Funded Services in Institution vs. Community Settings.



⇒ Proportion of public-funded long-term care funds expended in institutional vs. community settings

Proportion of Publicly Funded Long-term Care Services Expended in Institutions versus Community Settings.



More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Alternative Care Grants is funded with appropriations from the General Fund and with enrollee premiums.

Contact

For more information on Alternative Care Program, contact

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Manager Sue Banken, (651) 431-2559

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: ALTLERNATIVE CARE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	58,278	47,613	47,613	47,613	95,226
Technical Adjustments					
Current Law Base Change			1,835	2,657	4,492
Subtotal - Forecast Base	58,278	47,613	49,448	50,270	99,718
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	435	1,558	1,993
Total	58,278	47,613	49,883	51,828	101,711
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	40,601	30,939	35,827	41,991	77,818
Statutory Appropriations					
General	2,915	3,309	3,382	3,455	6,837
Total	43,516	34,248	39,209	45,446	84,655
<u>Expenditures by Category</u>					
Payments To Individuals	43,516	34,248	39,209	45,446	84,655
Total	43,516	34,248	39,209	45,446	84,655

Activity Description

Medical Assistance (MA) Long-Term Care (LTC) Facilities Grants pays for nursing facility (NF) care, intermediate care facilities for people with mental retardation or related conditions (ICF/MR), and day training and habilitation (DT&H) for people who are ICF/MR residents.

Population Served

MA enrollees who require nursing facility or ICF/MR services must apply and be deemed eligible for LTC services. There are nearly 624 long-term care (LTC) facilities that serve about 36,000 people per month in this budget activity. The following data are from reporting year 2005 for nursing facilities and from FY 2005 for ICFs/MR:

- ⇒ There are 400 MA-certified NF and boarding care homes with 37,200 beds serving an average of 34,000 people per month at an average daily rate of \$146. Of these residents, 62% receive MA and 38% privately pay for their care, receive Medicare, or have other payment means.
- ⇒ There were 224 MA-certified ICFs/MR. Of these facilities, 150 are six beds or fewer and 74 have more than six beds. ICFs/MR served an average of 1,962 recipients per month receiving an average payment of \$5,825 per resident. In FY 2005, 12 ICFs/MR were closed and 158 additional beds were decertified due to downsizing.

Funding for DT&H services is contained in three different budget activities: MA Long-Term Care Facilities Grants for those people residing in ICFs/MR, MA Long-Term Care Waivers and Home Care Grants for mental retardation or related condition waiver recipients, and Children and Community Services Grants available to all eligible people. There are 275 DHS-licensed DT&H service sites in Minnesota serving approximately 13,000 people with developmental disabilities. These sites served an average of 1,679 ICF/MR recipients per month receiving an average MA payment of \$1,617 per person.

People who reside in an ICF/MR now have the flexibility and choice to receive an alternative option to DT&H, called "service during the day." This means that ICF/MR recipients have a choice of day services, as do people who receive a home and community-based waiver.

Services Provided

Nursing facilities provide 24-hour care and supervision in a residential-based setting. Housing and all other services are provided as a comprehensive package, including, but not limited to nursing and nursing assistant services, help with activities of daily living and other care needs, housing, meals, medication administration, activities and social services, supplies and equipment, housekeeping, linen, and personal laundry, and therapy services (at an extra cost).

ICFs/MR, located in 62 counties, provide 24-hour care, active treatment, training, and supervision to persons with mental retardation or related condition. They range in size from four beds to 64 beds. Some ICFs/MR are less medically oriented than nursing facilities and provide outcome-based services for personal needs. Many facilities now provide services for persons with aging conditions such as Alzheimer's and also contract for in-home hospice care. All ICFs/MR must provide functional skill development, opportunities for development of decision making skills, opportunities to participate in the community, and reduced dependency on care providers. Like nursing facilities, an ICF/MR provides a package of services, which include housing and food.

DT&H services are licensed supports providing persons with mental retardation or a related condition help to develop and maintain life skills, participate in the community, and engage in productive and satisfying activities. DT&H services include supervision, training and assistance in self-care, communication, socialization and behavior management; supported employment and work-related activities; community-integrated activities, including the use of leisure and recreation time; and training in community survival skills, money management, and therapeutic activities that increase adaptive living skills of a person.

Activity at a Glance

- ◆ Provides nursing facility and boarding care home services to 34,000 people per month
- ◆ Provides ICF/MR services to 2,000 residents per month
- ◆ Provides DT&H services to 13,000 people per year

Historical Perspective

Use of NFs grew rapidly with the establishment of the federal Medicaid program in the 1960s. Federal matching funds for the state's publicly-funded health care programs provided an incentive for investment in the development of nursing homes. Medicaid expenditures grew as people who qualified for NF services accessed this entitlement. In the 1980s, a moratorium was placed on development of new NFs and efforts were made to develop less expensive home and community-based alternatives. Today, older adults are choosing to receive services in their own homes. NF utilization has been declining and NFs are more often used for short-term care and rehabilitation following hospitalization. Recent efforts to "rightsize" the industry and to provide financial stability include provisions for bed layaway, higher rates for short lengths of stay, planned bed closure, and creation of single-bed rooms.

Efforts to improve the quality of nursing home services have now expanded beyond the historic regulatory approach and include measuring quality, publicly disclosing rankings based on those measures, and using the quality measures as a factor in determining payment rates. The quality measure used include:

- ◆ resident face-to-face surveys on quality of life and satisfaction;
- ◆ level of direct care staffing;
- ◆ retention of direct care staff;
- ◆ use of staff from temporary agencies;
- ◆ Minnesota quality indicators based on assessments of residents;
- ◆ deficiency findings from Minnesota Department of Health inspections;
- ◆ turnover of direct care staff; and
- ◆ proportion of beds in single-bed rooms.

ICFs/MR are another Medicaid-funded entitlement service. Before the 1970s, virtually all public services for people with developmental disabilities were paid for with state funds and delivered in large state institutions. In 1971, Congress authorized Medicaid funding for ICF/MR services. To qualify for Medicaid reimbursement, ICFs/MR had to be MA-certified and comply with federal standards. Smaller ICFs/MR developed in the 1970s and early 1980s to aid in deinstitutionalizing people with disabilities from large state-run institutions. After a moratorium was placed on the development of new ICFs/MR in the mid-1980s, people began receiving services in their own homes. Since that time, the number of people served in ICFs/MR has been steadily declining.

DT&H services have been operating for over 35 years and currently provide an average of 230 days of service per year.

HUMAN SERVICES DEPT

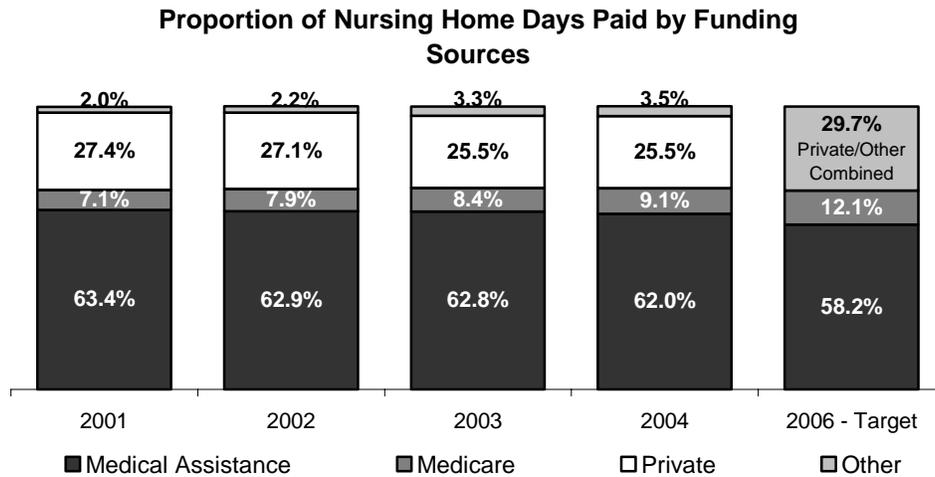
Program: CONTINUING CARE GRANTS

Activity: MA LTC FACILITIES GRANTS

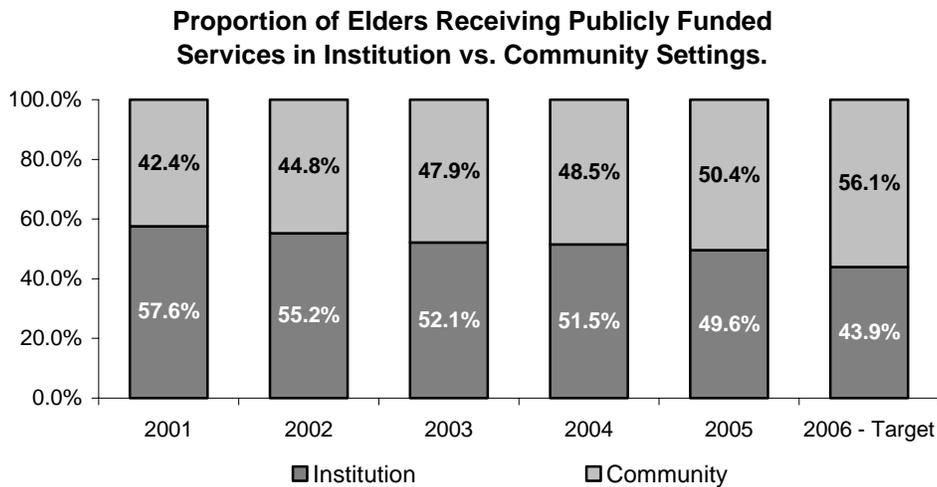
Narrative

Key Measures

⇒ Proportion of nursing home days paid by funding source.

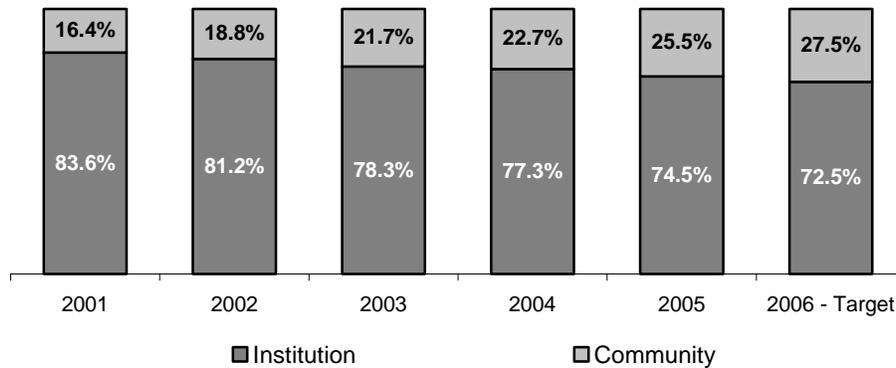


⇒ Proportion of elders served in institutional vs. community settings.



⇒ Proportion of public-funded long-term care funds expended in institutional vs. community settings.

**Proportion of Publicly Funded Long-term Care Services
Expended in Institutions versus Community Settings.**



More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MA Long Term Care Facilities Grants is funded with appropriations from the General Fund and from federal Medicaid funds.

Contact

For more information on MALTC Facility Grants, contact:

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Manager Sue Banken, (651) 431-2559

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: MA LTC FACILITIES GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	501,185	501,021	501,021	501,021	1,002,042
Technical Adjustments					
End-of-session Estimate			(13,733)	(27,187)	(40,920)
November Forecast Adjustment		(19,486)	(7,413)	3,054	(4,359)
Subtotal - Forecast Base	501,185	481,535	479,875	476,888	956,763
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	6,630	16,892	23,522
Elderly Waiver Assisted Living Coverage		0	0	200	200
Total	501,185	481,535	486,505	493,980	980,485
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	509,346	498,209	500,561	503,817	1,004,378
Statutory Appropriations					
Federal	525,527	512,645	508,165	500,768	1,008,933
Total	1,034,873	1,010,854	1,008,726	1,004,585	2,013,311
<u>Expenditures by Category</u>					
Payments To Individuals	1,034,873	1,010,854	1,008,726	1,004,585	2,013,311
Total	1,034,873	1,010,854	1,008,726	1,004,585	2,013,311

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Long-Term Care Payment Adjustment**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$22,148	\$69,748	\$82,305	\$86,694
Revenues	0	0	0	0
Net Fiscal Impact	\$22,148	\$69,748	\$82,305	\$86,694

Recommendation

The Governor recommends that Medical Assistance payment rates for continuing care providers be increased by 2% effective 10-1-2007 and 7-1-2008. The Governor also recommends continuing the current law policy of attributing a portion of nursing facilities' payments to performance measures.

Background:

There is no automatic inflation adjustment built into reimbursement rates to help continuing care providers absorb inflationary cost pressures in the coming biennium. In the FY 2004-05 biennium, most continuing care providers either had reimbursement rates reduced by 1.00% or their rates remained flat. In the FY 2006-07 biennium, most providers experienced a 2.26% rate increase in each fiscal year.

Proposal

This proposal would increase payment rates for continuing care providers and certain grants for people who are elderly or have disabilities by 2% effective 10-1-2007 and by another 2% effective 7-1-2008. Nursing facility rates would increase by 1.5% effective 10-1-2007 and by 1.5% effective 10-1-2008. Nursing facility rates would also be increased by an average of 0.5% per year based on a facility's performance.

Relationship to Base Budget

This proposal increases payment rates by 2% in FY 2008 and 2% in FY 2009 for long-term care providers and certain continuing care grants.

Key Measures

This provision supports the DHS priority of reforming long-term care options for older Minnesotans. Measures include

- ◆ proportion of elders served in institutional versus community settings and
- ◆ proportion of public funded long-term care funds expended in institutional versus community settings.

Please see <http://www.departmentresults.state.mn.us/> for a current report on the status of this measure.

Statutory Change: Not Applicable

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Long-Term Care Payment Adjustment

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	73	MA LTC Waivers and Home Care	\$10,782	\$37,196	\$43,928	\$47,451
100	72	MA LTC Facilities	\$6,630	\$16,892	\$19,607	\$19,452
100	42	MA Basic Health Care E & D	\$1,652	\$5,289	\$7,067	\$7,784
100	41	MA Basic Health Care F & C	\$5	\$17	\$19	\$21
100	43	GAMC Basic Health Care	\$3	\$10	\$11	\$11
100	71	Alternative Care Grants	\$435	\$1,558	\$1,893	\$1,933
100	30	Group Residential Housing	\$298	\$900	\$939	\$939
100	74	Adult Mental Health Grants	\$604	\$1,916	\$2,092	\$2,092
100	26	Children's Mental Health Grants	\$53	\$169	\$185	\$185
100	78	Other Continuing Care Grants	\$267	\$925	\$1,045	\$1,083
100	27	Community Social Service Grants	\$201	\$707	\$773	\$773
100	75	Deaf and Hard of Hearing Grants	\$15	\$55	\$59	\$59
100	70	Aging and Adult Service Grants	\$147	\$517	\$564	\$564
100	76	CD Entitlement	\$1,056	\$3,597	\$4,123	\$4,347
100		Net Fund Impact	\$22,148	\$69,748	\$82,305	\$86,694
		Net All Fund Impact	\$22,148	\$69,748	\$82,305	\$86,694
FTEs Requested						
		N/A				

Activity Description

Medical Assistance (MA) Long-Term Care (LTC) Waivers and Home Care Grants pays for a collection of medical and health care-related support services that enable low-income Minnesotans, who are elderly or who have disabilities, to live as independently as possible in their communities. LTC waivers refer to home and community-based services available under a federal Medicaid waiver as an alternative to institutional care. Home Care grants fund home health aides, skilled nursing, and physical, occupational, speech, and respiratory therapy.

Activity at a Glance

- ◆ Supports 36,400 people per month, who are at risk of placement in an institution, in the community through long-term care waivers
- ◆ Provides MA personal care and private duty nursing to 9,600 people per month
- ◆ Provides home health care services to 6,100 people per month

Population Served

Home care and LTC waivers serve MA-enrolled people of all ages, including infants and older adults. To receive LTC waivers, a person must be eligible for Medicaid, in need of a 24-hour plan of care, and would otherwise receive care in an institution. These programs serve an average of 52,100 people per month.

Below are the five MA LTC Waivers administered by the department:

- ⇒ *Mental Retardation/Related Conditions (MR/RC)*: Also known as the Developmental Disability (DD) Waiver, this waiver is for individuals with mental retardation or a related condition who need the level of care provided at an ICF/MR. In FY 2005 the waiver served 14,430 average monthly recipients at a cost of \$4,871 per month.
- ⇒ *Elderly Waiver (EW)*: This waiver is for individuals who are over 65 years old and need the level of care provided at a nursing facility. In FY 2005 the waiver served 9,073 average monthly recipients at a cost of \$1,073 per month.
- ⇒ *Community Alternative for Disabled Individuals (CADI)*: Serves individuals who are disabled and require the level of care provided in a nursing home. In FY 2005 the waiver served 7,831 average monthly recipients at a cost of \$1,324 per month.
- ⇒ *Traumatic Brain Injury (TBI)*: This waiver is for individuals with a traumatic or acquired brain injury who need the level of care provided in a nursing home or neurobehavioral hospital. In FY 2005 the waiver served 1,109 average monthly recipients at a cost of \$4,623 per month.
- ⇒ *Community Alternative Care (CAC)*: CAC serves individuals who are chronically ill and need the level of care provided at a hospital. In FY 2005 the waiver served 182 average monthly recipients at a cost of \$3,584 per month.

Services Provided

Home care includes a range of medical care and support services provided in a person's home and community. MA home care services are authorized based on medical necessity along with a physician's statement of need. MA home care services include: assessments by public health nurses; home health aide visits; nurse visits; private duty nursing services; personal care services; occupational, physical, speech and respiratory therapies; and medical supplies and equipment.

LTC waivers, which are also known as home and community-based waiver programs, provide a variety of services that assist people to live in the community instead of going into or staying in an institutional setting. In addition to case management and caregiver supports, waivers can offer: in-home, residential, medical, and behavioral supports; customized day services, including employment supports; transitional services when leaving an institution; transportation; home modifications; and other goods and services based upon the assessed needs of the person.

Consumer-Directed Community Supports (CDCS) is a waiver service that provides Minnesotans increased flexibility in determining and designing supports that best meet their needs. In March 2004, the Centers for Medicare and Medicaid Services approved the CDCS service across all LTC waivers. Implementation in all Minnesota counties started April 2005.

Historical Perspective

Home and community-based waivers were established under section 1915(c) of the federal Social Security Act of 1981. These waivers are intended to correct the institutional bias in Medicaid by allowing states to offer a broad range of home and community-based services to people who may otherwise be institutionalized.

In 1999 the United States Supreme Court in *Olmstead v. L.C.* clarified that Title II of the American with Disabilities Act (ADA) includes supporting people in the most integrated settings possible. The decision applies to people of any age who have a disability, including mental illness. During 2006, CADI and TBI waivers have helped more than 14,000 individuals either to relocate from an institution to the community or to remain in their homes or communities with support services. This number includes 5,174 individuals with a mental health diagnosis who might otherwise receive supports in an institution.

Also in 1999, the legislature required the state to increase the MR/RC waiver caseload until all forecasted funds appropriated to the waiver were expended. In accordance with this legislation, the state allowed "open enrollment" for a three-month period in FY 2001. Over 5,000 recipients were added to the program during the open enrollment period.

In 2003 the legislature required a phase-in of Elderly Waiver (EW) services and 180 days of nursing facility care to the basic Medicaid managed care package. The new product for seniors is Minnesota Senior Care Plus and is currently available in 20 counties.

In 2004 the federal Centers for Medicare and Medicaid Services (CMS) approved statewide expansion of Minnesota Senior Health Options (MSHO). MSHO, which has been operating in Minnesota since 1997, is a voluntary alternative for "dual eligible seniors" ages 65 and older. MSHO plans assume full risk for both Medicare and Medicaid services: primary, acute, and long-term care (including 180 days of nursing home); the full menu of EW services in the community; and, more recently, the Medicare Part D drug benefit.

Currently, 63% of EW clients are receiving services through MSHO or Minnesota Senior Care Plus, which are managed by health plans. Fee-for-service EW services, which are managed by the counties, comprise 37% of EW clients.

The 2006 legislature provided additional CADI and TBI slots for eligible individuals who were receiving personal care assistance (PCA) services from a provider who was billing for a service delivery model other than individual or shared care on 3-1-2006. DHS estimates that up to 400 individuals currently receiving state plan PCA services may choose home and community-based waivers as an alternative.

Key Measures

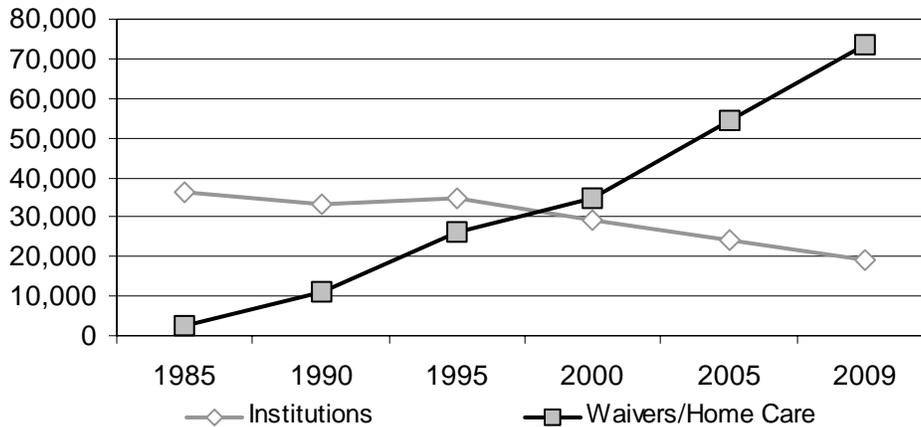
⇒ *Number of AC and waiver recipients receiving consumer-directed community services (CDCS).*

Program/ Waiver	AC	CAC	CADI	EW	MR/RC	TBI
Number of Recipients*	11	31	144	18	1,313	11

**As of June 30, 2006*

⇒ *Number of elderly and disabled individuals receiving services in home and community-based settings versus institutions.* In 2005, 70% were receiving services in home and community-based settings. By 2009 it is anticipated that 80% of those receiving long-term care services will be in home and community-based settings.

Average Caseloads for Continuing Care Services-Elderly and Disabled



* Institutions includes nursing facilities, ICF/MR facilities and State Regional Treatment Centers. State operated community services and non-federally funded RTC Care are not included.

** Waiver/home care caseloads include MA home and community-based waivers, EW-EC, Home Health Agency Services, Personal Care, Private Duty Nursing Services and Alternative Care.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

MA Long-Term Care Waivers and Home Care Grants is funded with appropriations from the General Fund and from federal Medicaid funds.

Contact

For more information on MA long-term care waivers and home care grants, contact:

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Manager Sue Banken, (651) 431-2559

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: MA LTC WAIVERS & HOME CARE GR

Budget Activity Summary

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	809,879	882,796	882,796	882,796	1,765,592
Technical Adjustments					
End-of-session Estimate			83,693	180,993	264,686
November Forecast Adjustment		(24,264)	(32,390)	(39,437)	(71,827)
Subtotal - Forecast Base	809,879	858,532	934,099	1,024,352	1,958,451
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	10,782	37,196	47,978
Elderly Waiver Assisted Living Coverage		0	(132)	(530)	(662)
Home & Community Based Svcs Provider		0	1,126	2,604	3,730
Std					
Total	809,879	858,532	945,875	1,063,622	2,009,497
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	789,457	849,493	945,875	1,063,622	2,009,497
Statutory Appropriations					
Federal	789,457	849,493	924,129	1,013,452	1,937,581
Total	1,578,914	1,698,986	1,870,004	2,077,074	3,947,078
<u>Expenditures by Category</u>					
Payments To Individuals	1,578,914	1,698,986	1,870,004	2,077,074	3,947,078
Total	1,578,914	1,698,986	1,870,004	2,077,074	3,947,078

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Elderly Waiver Assisted Living Coverage

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$177	\$(81)	\$(81)	\$(81)
Revenues	124	100	100	100
Net Fiscal Impact	\$53	\$(181)	\$(181)	\$(181)

Recommendation

Effective 7-1-2007, the Governor recommends requiring individual care plans to support the use of Elderly Waiver funds for assisted living and providing consumers who are considering moving to assisted living settings with information about in-home service options.

Background

Current Program

The Elderly Waiver (EW) provides Medical Assistance (MA) funding to pay for home and community-based services for low-income seniors. Housing with services settings, commonly referred to as "assisted living," provide a cost-effective and preferred community alternative for seniors receiving MA compared to nursing homes, which may cost three times as much. However, for persons who need some level of supervision, EW pays for a 24-hour supervision option, called "assisted living plus," which is expensive and may not be needed in some cases. In addition, significant numbers of people in assisted living settings paying privately at higher market rate levels may spend assets quickly and become impoverished and eligible for EW prematurely.

Use of assisted living is growing. Of seniors new to the EW program in FY 2005, 32% received at least one month of assisted living or assisted living plus service during the same fiscal year. Payments for assisted living and assisted living plus for all EW participants constituted over 45% of the total EW spending in FY 2005. Given the levels of spending and participation, a fiscal management strategy for assisted living is necessary.

Proposal

This proposal would do the following:

- ⇒ Require individual care plans to indicate the level of supervisions needed in assisted living for persons on EW. Changes would be made that specify appropriate EW payment levels for supervision. These changes would ensure that EW services are authorized and paid based on individualized service plans. It would tighten EW payment levels and provide program and fiscal accountability.
- ⇒ Divert private pay and EW consumers from assisted living by offering other at-home services. Long-term care consultation counseling would be provided to people before they go into assisted living. This counseling will include offering information on lower cost services in a person's home. This provision would be offered to both EW clients and those who privately pay for services and would divert some consumers from entering assisted living prematurely. The information provided may result in fewer privately paying people spending their assets to impoverished levels or may delay the point at which impoverishment occurs.
- ⇒ Provide for a study to examine private pay consumer use of assisted living that may cause premature impoverishment. The study would provide a comprehensive look at the role assisted living may play in impoverishing older people.
- ⇒ Create an assisted living website as a part of MinnesotaHelp.Info. This would complement the uniform consumer information currently being developed by the Minnesota Department of Health. The website would include
 - ◆ alternative in-home service options;
 - ◆ linkage to a consumer decision-making tool;
 - ◆ a spend-down calculator so consumers could calculate how long their assets might last; and
 - ◆ information about rights and responsibilities for both the housing (landlord-tenant) contract and services contract.
- ⇒ Provide funding for one FTE staff member who will design and manage the study and, based on study results, develop and pursue strategies for managing use of assisted living services.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Elderly Waiver Assisted Living Coverage

Relationship to Base Budget

This proposal produces a small savings in the Medical Assistance – Long-Term Care Waivers and Home Care General Fund base, partially offset by a small increase to the MA Long-Term Care Facilities General Fund base. The proposal will also increase the Continuing Care Management General Fund base by \$309,000 in FY 2008 and \$249,000 in subsequent fiscal years, or 1.96% for the FY 2008-09 biennium.

Key Measures

This proposal supports the DHS priority of reforming long-term care options for older Minnesotans. Measures include:

- ◆ the proportion of elders served in institutional versus community settings; and
- ◆ the proportion of public long-term care funds expended in institutional versus community settings

Current results for these measures and more information on Department of Human Services measures and results are available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: M.S. 256B.0911, 256B.0915 and 256.975. Rider

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	73	MA LTC Waivers and Home Care Savings	\$(132)	\$(530)	\$(530)	\$(530)
100	85	Continuing Care Admin – Study, Website development and maintenance, FTE	309	249	249	249
100	72	LTC Consultation, MA LTC Facilities	-0-	200	200	200
	REV	Administrative FFP	(124)	(100)	(100)	(100)
100		Net Fund Impact	\$53	(\$181)	(\$181)	(\$181)
		Net All Fund Impact	\$53	(\$181)	(\$181)	(\$181)
100	85	1 FTE	1	1	1	1

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Home and Community-Based Services Provider Standards

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,408	\$3,108	\$3,516	\$3,988
Revenues	554	684	684	684
Net Fiscal Impact	\$854	\$2,424	\$2,832	\$3,304

Recommendation

Effective 1-1-2008, the Governor recommends applying the waiver provider standards required under the Mental Retardation and Related Conditions (MR/RC) waiver to similar services in the Community Alternative Care (CAC), Community Alternatives for Disabled Individuals (CADI), and Traumatic Brain Injury (TBI) waivers. This proposal would help ensure the health and safety of all waiver clients and create a common compliance standard for providers.

Background

Historically, oversight of health and safety issues for those receiving long-term care services has occurred in facility-based settings, such as nursing homes. Although the system for providing long-term care services has changed significantly so that more services are delivered in home and community-based settings, the state's mechanisms for ensuring adequate client health and safety protections have not kept pace. The state does not have a system that provides for equal assurance of critical health and safety issues across all home and community-based service waivers. Clients in each waiver program should have similar expectations about such basic protections and the state needs to develop stronger standards for all providers of waived services, particularly as more services are delivered in community-based settings.

The Centers for Medicare and Medicaid Services (CMS) has expressed growing interest in how states demonstrate oversight of waived services. CMS has scrutinized Minnesota's oversight procedures more carefully as part of its waiver renewal process.

Under this proposal, provider standards used by the MR/RC waiver would be applied to similar services under the CAC, CADI, and TBI waivers. The recommended standards are in M.S. 245B and establish participant rights, health and safety standards, and accountability for service outcomes. The services under CAC, CADI, and TBI that would require providers to have a 245B license are:

- ◆ crisis respite;
- ◆ independent living skills;
- ◆ TBI Structured Day Program;
- ◆ adult day care (as an alternative to an Adult Day Care license);
- ◆ prevocational service;
- ◆ supported employment; and
- ◆ foster care.

Service providers would be required to establish standards and procedures that provide for consistent health and safety protections for waiver participants. For example, the provider's service support staff would be trained to use positive behavioral interventions, follow processes to minimize the use of psychotropic medications, and be knowledgeable about responsibilities for health and safety in areas where the participant is vulnerable.

Approximately 65% of the providers affected by this change already have a 245B license and provide services to people on the MR/RC waiver. This proposal would require those providers to apply the same MR/RC waiver standards to the people they serve on the other disability waivers (CAC, CADI, and TBI). The change would result in an increase to their current annual licensing fee. The increase is proportionate to the number of participants they serve under the CAC, CADI, or TBI waivers.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Home and Community-Based Services Provider Standards

Providers who do not currently hold a 245B license would be required to do so in order to provide services. The same MR/RC waiver standards would apply and the providers would be assessed an annual fee for their license plus an amount based on the number of people they serve.

This proposal would pay for six new Licensing Division full-time employees (FTEs), an increased number of background studies, and an increase in provider rates to assist with covering the costs of implementing the new standards and procedures. The current provider rate is insufficient to manage implementing the new standards. Providing sufficient resources to implement them would bring providers into compliance with federal requirements and ensure continued participant access to program services and choice of provider.

Relationship to Base Budget

This proposal would increase the base for Medical Assistance—Long-Term Care Waivers and Home Care by over \$1million in FY 2008 and \$2.6 million in FY 2009 or 0.18% for the FY 2008-09 biennium. This proposal would also increase the General Fund base budget for Legal and Regulatory Operations by \$280,000 in FY 2008 and \$504,000 per year beginning in FY 2009 or 3.8% for the FY 2008-09 biennium.

Statutory Change: M.S. 254B.

Fiscal Detail Budget Tracking

(Dollars in thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	11	Legal and Regulatory Admin - Licensing FTEs	257	454	454	454
100	11	Legal and Regulatory Admin - Background checks	25	50	50	50
	REV	Administrative FFP	(113)	(202)	(202)	(202)
100	73	MA LTC Facilities - Service Rate Increase	1,126	2,604	3,012	3,484
	REV2	Non-dedicated revenues (licensing fees)	(441)	(482)	(482)	(482)
100		Net Fund Impact	\$854	\$2,424	\$2,832	\$3,304
		Net All Fund Impact	\$854	\$2,424	\$2,832	\$3,304
FTEs Requested						
100	11	FTE's	3	6	6	6

Activity Description

Adult Mental Health Grants serves Minnesotans with mental illness, spurs development of non-institutional treatment options, and pays for mental health services for people when they cannot afford to pay. This activity supports the overall objective of promoting assistance for people to live independently, when possible, and, when not, to live in treatment settings that are clean, safe, caring, and effective. These grants are used in conjunction with other funding, particularly Medical Assistance (MA) and Group Residential Housing.

Population Served

Approximately 98,000 Minnesota adults have serious and persistent mental illness (SPMI). Of this group, 73,000 adults with SPMI are estimated to need publicly-subsidized mental health services. This compares to about 34,600 people who actually received these services in 2005 (based on county reports to the Community Mental Health Reporting System).

These grants serve primarily adults with serious mental illness. (This definition does not include people with developmental disabilities or chemical dependency unless these conditions co-exist with mental illness.) This grant area includes a few grants that serve both adults and children. (Grants that serve solely children are in the Children’s Services Grants budget activity.)

Services Provided

Mental Health Grants support a variety of services:

- ⇒ *Adult Mental Health Initiative/Integrated Fund* supports the expansion and ongoing implementation of community-based services and development of alternative service delivery models to reduce reliance on facility-based care. As part of this initiative, regional treatment center staff are integrating into the community mental health delivery system. In most of the state, this also includes integration of the separate grants listed below. Integration of grants at the county level allows administration to be more effective and efficient.
- ⇒ *Grants for Community Support Services for Adults with Serious and Persistent Mental Illness (Adult Rule 78)* are awarded to counties for client outreach, medication monitoring, independent living skills development, employability skills development, psychosocial rehabilitation, day treatment, and case management if MA is inadequate or not available. These funds are allocated by formula, primarily based on a county’s population. In addition, these grants include a separate allocation which is based on the amount each county formerly received as the state share of MA case management, adjusted by the number of people now being served by each county.
- ⇒ *Adult Residential Grants (Rule 12)* pay the non-MA share of the program component of intensive residential treatment facilities for people with mental illness. These grants are now fully integrated into the Adult Mental Health Initiative/Integrated Fund.
- ⇒ *Crisis Housing* provides financial help when people are hospitalized and need help to maintain their current housing. Eligible people need to be in inpatient care for up to 90 days and have no other source of income to pay housing costs.
- ⇒ *Moose Lake Regional Treatment Center (RTC) Alternatives* pays for non-MA contract beds in community hospitals up to 45 days per admission for people who are committed or who would be committed if these community services were not available. This is part of a package of expanded community mental health services for the area formerly served by the Moose Lake RTC, which closed in 1995.
- ⇒ *Federal Mental Health Block Grant* funds are used to demonstrate innovative approaches based on best practices that, based on evaluation results, could be implemented statewide. Of the federal block grant, Minnesota has allocated about half for children’s mental health. At least 25% is used for Indian mental health

Activity at a Glance

- ◆ Provides mental health case management to 23,800 adults annually
- ◆ Provides community support services to 19,250 people annually
- ◆ Provides residential treatment to 2,200 people annually
- ◆ Provides crisis housing to 420 people annually
- ◆ Provides services to 9,200 homeless people annually
- ◆ Provides compulsive gambling treatment to 800 people annually

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: ADULT MENTAL HEALTH GRANTS

Narrative

services, not more than 15% for planning and evaluation, and not more than 5% for statewide administration. Grants provided for Indian mental health services fund nine projects on reservations and two in the metro.

- ⇒ *Projects for the Homeless (PATH)* funds, from the federal McKinney Act, are provided to counties to address mental illness among the homeless. Grants to counties are made in combination with Rule 78 Community Support Program funds.
- ⇒ *Compulsive Gambling Treatment and Education* funds inpatient and outpatient treatment programs on an individual client, fee-for-service basis. The program also pays for research, public education and awareness efforts, in-service training for treatment providers, and a statewide toll-free, 24-hour helpline. In state FY 2006, the helpline received 2,258 calls for assistance with compulsive gambling problems.

Historical Perspective

Federal restrictions that prohibit the use of MA for adults in Institutions for Mental Diseases (IMDs) have required the state to rely on state general fund grant programs to a much larger degree than programs serving other populations, such as the elderly or developmentally disabled. During the past four years, Minnesota has made progress in expanding the range of non-residential community mental health services and maximizing federal reimbursement for these services. Intensive Residential Treatment, Crisis Response Services, Adult Rehabilitative Mental Health Services, and Assertive Community Treatment have been added as benefits under the MA program. These services are intended to assist with reducing reliance on more costly institutional care.

Over 80% of the funds in this activity are used by counties to pay for staff providing direct services to adults with serious mental illness.

Key Measures

- ⇒ *Percent of adults with serious mental illness (SMI) served by the public sector who retain community tenure for six months following discharge from an acute or intensive residential care setting.* This measure gives an indication of the robustness of the community-based system to provide the range of services that allow individuals to be as independent as possible in the community. 64% of persons discharged from acute care or intensive residential care settings during FY 2005 were still living in the community six months later.
- ⇒ *Average length of stay for SMI adults in an acute care or intensive residential treatment setting.* This measure also provides an indication of the community-based service system's ability to support adults with SMI in independent community living. In CY 2005, the average length of stay in acute care or intensive residential settings was 20.5 days.
- ⇒ *Percent of SMI population who are receiving public mental health services.* This indicator, often referred to as the "penetration rate," measures access to needed services. In CY 2005, 22% of the state's estimated population of adults were receiving publicly funded mental health services.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Mental Health Grants is funded with appropriations from the General Fund, Lottery Fund, and Special Revenue Fund, as well as from federal funds.

Contact

For further information about Mental Health Grants, please contact:

- ◆ Assistant Commissioner for Chemical and Mental Health Services Wes Kooistra, (651) 431-2323
- ◆ Mental Health Director Sharon Autio, (651) 431-2228
- ◆ Legislation and Fiscal Operations Manager Don Allen, (651) 431-2325

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: ADULT MENTAL HEALTH GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	46,731	47,516	47,516	47,516	95,032
Technical Adjustments					
Approved Transfer Between Appr			310	310	620
Current Law Base Change			428	(322)	106
Fund Changes/consolidation			5,062	5,062	10,124
Subtotal - Forecast Base	46,731	47,516	53,316	52,566	105,882
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	604	1,916	2,520
Mental Health Initiatives		0	2,774	5,367	8,141
Total	46,731	47,516	56,694	59,849	116,543
Health Care Access					
Current Appropriation	0	750	750	750	1,500
Subtotal - Forecast Base	0	750	750	750	1,500
Governor's Recommendations					
Mental Health Initiatives		0	2,500	6,000	8,500
Total	0	750	3,250	6,750	10,000
Lottery Cash Flow					
Current Appropriation	1,333	1,458	1,458	1,458	2,916
Technical Adjustments					
Current Law Base Change			(150)	(150)	(300)
Subtotal - Forecast Base	1,333	1,458	1,308	1,308	2,616
Total	1,333	1,458	1,308	1,308	2,616
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	53,542	56,821	56,694	59,849	116,543
Health Care Access	0	750	3,250	6,750	10,000
Lottery Cash Flow	1,235	1,556	1,308	1,308	2,616
Statutory Appropriations					
Misc Special Revenue	380	466	340	340	680
Federal	5,284	6,455	6,460	6,452	12,912
Total	60,441	66,048	68,052	74,699	142,751
<u>Expenditures by Category</u>					
Other Operating Expenses	193	381	219	219	438
Local Assistance	60,248	65,667	67,833	74,480	142,313
Total	60,441	66,048	68,052	74,699	142,751

HUMAN SERVICES DEPT**Program: CONTINUING CARE GRANTS****Change Item: Mental Health Initiatives**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,841	\$6,781	\$7,268	\$2,989
Revenues	2,288	6,334	7,268	2,989
Health Care Access Fund				
Expenditures	13,066	30,761	35,861	35,939
Revenues	69	(1,083)	(2,017)	(1,639)
Net Fiscal Impact	\$12,550	\$32,291	\$37,878	\$37,578

Recommendation

The Governor recommends adoption of a number of measures totaling \$44.841 million over the coming biennium to improve the accessibility, quality, and accountability of publicly funded mental health services. The Governor recommends using health care access fund resources to fund this proposal.

Background

Mental illness, especially untreated or inadequately treated mental illness, has an enormous impact on our society. Data developed by the massive Global Burden of Disease study conducted by the World Health Organization, the World Bank, and Harvard University were used to evaluate the societal impact of disease through factors such as premature mortality, lost productivity, and treatment costs. The study reveals that mental illness, including suicide, accounts for over 15% of the burden of disease in established market economies, such as the United States. This is more than the disease burden caused by all cancers and second only to heart disease. Mental illness also has an enormous impact on our public programs, playing a significant role in the public cost of providing physical health care, substance abuse, special education, corrections, child welfare, vocational, and income maintenance services.

The Minnesota Mental Health Action Group (MMHAG) began in 2003 as a public-private partnership to take concrete action to improve the state's mental health system. In its report, "Road Map for Mental Health System Reform in Minnesota," MMHAG identified the following desired outcomes:

- ◆ public/private partnerships to assure that all aspects of the mental health system are working to serve consumers and families;
- ◆ a new fiscal framework for public and private mental health funding that creates rational incentives for the right care to be delivered in the right setting at the right time;
- ◆ quality of care for consumers and families, as measured by standardized assessment of performance and outcomes;
- ◆ innovative workforce solutions to assure an adequate supply of appropriately trained, qualified mental health professionals;
- ◆ earlier identification and intervention for mental health issues so that consumers and families are willing to seek and able to access help when needed; and
- ◆ coordination of care and services so the mental health system is easy for consumers and families to navigate and they receive the right combination of services to achieve the desired health and social outcomes.

In 2005, the Department of Human Services (DHS) was charged with building on the work of MMHAG to develop a proposal for reforming the financing of the public mental health system. To that end, this proposal was designed to honor MMHAG principles and objectives and was introduced to the 2006 legislature as the Governor's Mental Health Initiative. While the 2006 legislature adopted some of the proposed measures, much was deferred to discussion of the FY 2008-09 operating budget. This proposal reintroduces the Governor's Mental Health Initiative.

The proposed improvements in the public mental health system build on DHS's existing health care programs, the Prepaid Medical Assistance Program (PMAP), General Assistance Medical Care (GAMC), and MinnesotaCare. The funding reforms reflect the need to integrate mental health treatment within the mainstream health care delivery system, ensure coordination with social services, and improve the underlying financial incentives for

timely, effective care. Implementation of the funding system reforms would be phased in over the next few years. Some changes would be implemented statewide, while others would be phased in on a regional basis before statewide implementation. Finally, the proposal recognizes the struggling mental health service infrastructure serves all Minnesotans, not just those in public health care programs, and proposes investments in this infrastructure to benefit all those who use it.

Proposed investments and system reforms include:

⇒ ***Adopt a consistent mental health benefit set across all DHS health care programs.***

While the mental health coverage under the current Medical Assistance (MA) fee-for-service program approximates the model benefit set developed and endorsed by MMHAG, the coverage for adults in two of the state's health care programs, GAMC and MinnesotaCare, does not yet include all the necessary benefits. Further, some mental health benefits are included under the state's contracts with pre-paid health plans while others are only available on a fee-for-service basis.

This means that enrollees in these programs get some of their mental health care paid for and managed by their health plan and some paid for with property tax levy funds or state and federal categorical grants, mostly managed by counties. This split in funding and benefits provides opportunities for cost shifting, avoidance of accountability, breaks in communication, and fragmented service delivery. Worse, enrollees can find themselves in situations where they must actually get sicker in order to access services they need. With a uniform benefit set across all publicly funded health care programs, consumers would face less disruption in care and encounter improved coordination across providers. The move should also shift incentives toward earlier identification and intervention and away from more expensive care and the cost shifting it encourages. The mental health benefit changes would be phased in over CY 2008-09. In CY 2008, GAMC/MinnesotaCare benefits would be expanded to include all outpatient mental health services covered in MA except for mental health targeted case management (MH-TCM). In CY 2009, MH-TCM would be added as a covered benefit and all non-inpatient mental health benefits would be available in both the pre-paid and fee-for-service sides of the state's health care programs.

For most of these services, the adoption of the model benefit set represents the state's assumption of services that were completely a county responsibility or, in the case of MH-TCM and children's residential mental health treatment, the state's assumption of the local share of treatment costs. Accordingly, the state proposes to repeal the existing MH-TCM grants and to use these funds to cover the cost of current county-funded services and clients transferred to state-funded programs. Any grant funds not used for this purpose will remain with counties to provide services to the uninsured or under-insured. The proposed legislation includes a provision ensuring that the difference becomes a part of each county's on-going base funding for Adult and Children's Mental Health Grants.

The total net costs of proposed benefit changes are estimated at \$1.028 million in FY 2008, \$5.193 million in FY 2009, \$5.733 million in FY 2010, and \$5.284 million in FY 2011.

⇒ ***Implement an intensive mental health outpatient treatment benefit within the Minnesota Health Care Programs.***

The current benefit structure for outpatient mental health services is poorly suited for reimbursement of certain disorders requiring time-intensive approaches. The result is that individuals with these disorders are served inadequately and sometimes inappropriately through existing coverage. The proposed response is to develop a new code and reimbursement rate effective 7-1-2008 that fits the intensity of the service provided. DHS will establish a certification process to identify qualified providers who may be reimbursed for this intensive outpatient service. One time-limited staff position is requested to oversee implementation of the benefit, establish the certification process, and supply provider training.

Appropriations totaling \$507,000 in FY 2009 and \$1.036 million in FY 2010 and FY 2011 are requested to implement the intensive mental health outpatient treatment benefit.

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- ⇒ ***Increase the portion of public health care clients whose mental health services are provided through integrated health care networks and demonstrate methods to improve the coordination between mental health care, physical health care, and social services.***

An increasing body of research shows significant interaction between a person's physical and mental well being. Health care networks have done much to promote the prevention, early identification, and effective treatment of many physical diseases.

A significant number of persons eligible for Medical Assistance (MA), however, are not in pre-paid health care networks, but instead use fee-for-service MA for all their health care. Generally, the MA enrollees using fee-for-service fall in two distinct groups: persons eligible for MA because they meet disability criteria and persons who opt out of PMAP because, while not considered disabled, they meet serious emotional disturbance/serious and persistent mental illness (SED/SPMI) criteria. Persons with disabling mental health conditions often need supportive social services in addition to physical and mental health care. These social services are provided by counties and various non-profit agencies. Ensuring effective coordination of all three service areas presents some special challenges. A variety of strategies might be applied to meet these challenges and the best strategies may vary based on the strengths and weaknesses of the organizations partnering to coordinate those services.

New law passed in 2006 (M.S. 256B.69, Subd 28) provides authority for persons with disabilities to access basic health care through a new managed care option designed specifically for people with disabilities. The mental health initiative builds on that new option and proposes the following features to fully integrate mental and physical health care while maintaining coordination with social services:

- ◆ Use a request for proposals (RFP) process to create regional projects to demonstrate and phase-in methods of integrating mental health care, health care, and social services at the local level. Created through the RFP process, one of the enrollment options within the project region would feature an enhanced, coordinated delivery system or "preferred integrated care network" based on partnerships between the counties and a health care network within the region. Additional local partners may include schools, children's collaboratives, and non-profit mental health service agencies. An important feature of the projects would be to take advantage of a new federal Medicare option called a "Special Needs Plan," which allows integrated management of Medicare funds, including funds from the Part D pharmacy benefit, for individuals dually eligible for Medicaid and Medicare. This would greatly increase opportunities for making effective, coordinated use of the otherwise unwieldy Medicare payment system.

In CY 2007, DHS would work with consumer advocates and other stakeholders to develop a RFP outlining the performance criteria for the regional projects. In CY 2008, regional projects would be selected from the applicants based on the soundness of their preparation and plans for achieving those criteria. Implementation of the regional projects will then begin with CY 2009. The first phase of regional projects would be limited to creating preferred integrated care networks available to no more than 20% of the state's eligible population.

- ◆ Within each project's geographic area, the opt-out provision for persons with SED or SPMI would end and persons with a mental health disability would be preferentially enrolled in a pre-paid plan of their choice. The enrollment of persons previously on fee-for-service would be phased in as the "preferred integrated care networks" develop the capacity to meet their needs. In cases where transition to a managed care option in the region would sever an established therapeutic relationship with a provider, the client would be allowed to continue their coverage on a fee-for-service basis. Persons who are able to demonstrate that the preferred integrated care network was unable to meet their treatment needs would also be permitted to return to fee-for-service care.

Because of funding arrangements established last year in M.S. 256B.69, Subd. 28, the net state cost of the proposed integration and enrollment changes outlined above is estimated to be budget neutral until FY 2011, when a net state cost of \$149,000 is realized. Implementation of this section requires

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administrative support to manage the new enrollment procedures, perform actuarial work, increase state managed care ombudsman staffing, and conduct an external quality review of the project. The net agency administrative costs are estimated at \$103,000 in FY 2008 and \$424,000 in FY 2009, and \$406,000 in both FY 2010 and FY 2011.

- ◆ Address workforce shortages and infrastructure stability problems by increasing Minnesota Health Care Program rates for certain mental health services and providers.

The 2006 legislature provided a 23.7% rate increase for psychiatric services and for certain services provided by providers classified as mental health centers or essential community providers. However, there are a number of key providers and services that were not covered by the 2006 rate increase. These include smaller Children's Therapeutic Services and Supports (CTSS) and Adult Mental Health Rehabilitation Services (ARMHS) providers when they provide the services which were included in the 2006 rate increase. Also the rate increase is would be extended to children's mental health behavioral aid and AMHRS medication education services. This proposal would match the 2006 rate increase for these additional providers and services effective 1-1-08.

Appropriations totaling \$382,000 in FY 2008, \$1.98 million in FY 2009, and \$3.016 million in FY 2010 and FY 2011 are requested to extend the 23.7% rate increase to these specific providers and services that were not addressed in the 2006 session.

⇒ ***Develop accountability and system management investments.***

The MMHAG process identified some information gaps that have hampered the ability for the state, counties, and other payers to manage the mental health system and make it accountable.

- ◆ ***Develop a system for collecting and evaluating mental health treatment outcomes.***

The proposed evaluation system would provide client outcomes data to complement current client demographic and service utilization data. It would allow the state to assess the quality, clinical appropriateness, and effectiveness of services. Expanding data collection capacity would give the state powerful performance monitoring tools for use in managing its contracts with managed care organizations under the proposed mental health financing reforms. It would also inform technical assistance on best practices to counties and providers and supply consumers with information necessary to make informed choices among treatment options.

Since the proposed system would collect personal health care data, protections would be included to comply with the requirements of the Minnesota Data Practices Act and federal Health Insurance Portability and Accountability Act (HIPAA).

The 2006 legislature approved the use of Health Care Access Funds to design the information system, develop systems analysis, and pilot initial phases of a web-based statewide outcomes evaluation system for mental health services. The current proposal is to fund the ongoing operational costs beginning in FY 2009.

Administrative funding with a net cost of \$61,000 per year beginning in FY 2009 is requested to maintain operation of the outcomes reporting system.

- ◆ ***Monitor and track the availability of mental health services.***

In order to make efficient use of mental health services, DHS proposed to develop and maintain a statewide web-based system to monitor and track availability of public and private mental health services within the state. The system will start tracking the availability of inpatient and community residential services and then expand to track availability of other services, such as assertive community treatment teams. The tracking system will help crisis service providers and emergency room staff in quickly locating appropriate service options for those in need of immediate intervention and treatment.

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The 2006 legislature appropriated administrative funding totaling \$150,000 in FY 2007 and \$52,000 in FY 2008 to establish the tracking system. This proposal seeks \$52,000 each year beginning in FY 2009 to maintain the tracking system once it is operational.

◆ ***Improve county financial incentives for ensuring community-based service access for the uninsured.***

Counties have a significant local investment in funding mental health services. As the state assumes responsibility for the comprehensive benefit set across its health care programs, it is important to preserve this investment and to provide incentives for its appropriate use to serve those without public or private health care coverage. Historically, the state has heavily subsidized care in the state's regional treatment centers. This subsidy does not provide incentives to keep the focus on providing appropriate community-based care and preventing costly hospitalizations. DHS proposes that the county share for uninsured stays at Anoka Metro Regional Treatment Center would be reduced from the current 20% to zero for the first 30 days, continue at the current 20% for the 31st thru the 60th day, and increase to 50% for any days over 60. The investments in the mental health service infrastructure elsewhere in this proposal provide counties with the tools to avoid necessary admissions to regional treatment centers and facilitate timely discharges. These changes would be effective 1-1-08.

Increasing the county share of state operated treatment center costs generates an estimated \$2.288 million in General Fund revenue in FY 2008 and \$4.576 million per year from FY 2009 through FY 2011.

⇒ ***Ensure statewide access to services by targeting grant funds to support the service delivery infrastructure.***

The changes outlined earlier in this proposal implement vast improvements in mental health service delivery for persons who are eligible for the Minnesota Health Care Programs (MHCP). However, services provided through these programs can't address issues relating to persons not eligible for MHCP or beyond the control of individual payers. State-level public investment is necessary to ensure statewide availability of many mental health services. Support of the service infrastructure benefits all Minnesotans, both the uninsured and those with public or private health coverage. This proposal would provide state grant funding to address the following mental health service access issues:

◆ ***A statewide mental health crisis intervention and stabilization infrastructure.***

Infrastructure investment grants would be employed to develop and support crisis response services as a first line safety net for both adults and children. Current levels of uncompensated care for these services (over 30%) make it impossible to maintain a viable system of crisis services for either public or private sector clients on just the revenue generated through public and private insurers. Crisis service providers cannot refuse services to individuals who have no coverage.

Crisis intervention and stabilization services, where implemented, have been shown effective in stabilizing persons in a psychiatric crisis and reducing costs associated with emergency room and inpatient hospital care. Much of the current crowding and backlog in emergency rooms is due to the lack of more appropriate mental health crisis services.

Crisis services are currently covered by MA for both adults and children and would become covered under GAMC and MinnesotaCare with proposed benefit changes. DHS will work with providers to maximize revenues from both public and private coverage. Funding would be used to develop the infrastructure for all populations and cover on-going costs for the remaining uninsured and underinsured individuals.

The 2006 legislature appropriated \$1 million in FY 2007 and FY 2008 to help ensure the availability of mental health crisis services. This proposal seeks to increase that amount by \$3 million in FY 2008 and to establish base funding amounts of \$7 million in FY 2009 and \$9 million in FY 2010 and FY 2011.

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◆ *Shore up children's school- and community-based mental health services infrastructure.*

Infrastructure investment grants would help address urgent problems facing children's mental health service capacity in our state. A primary funding source for children's mental health collaboratives (known as the Local Collaborative Time Study or LCTS) has experienced a marked decline in revenue due to changes in federal regulations. This funding previously supported much of the state's school-based mental health service infrastructure. These co-located mental health services are critical to the educational success of many children with severe emotional problems. The funding also supports a variety of outreach activities, service coordination, and early childhood programs designed to prevent or address developing mental health problems that could jeopardize a child's success at school. The grants would primarily pay for services to uninsured and under-insured children or services for which there is no available coverage.

Appropriations of \$6.825 million for FY 2008 and \$13.65 million per year beginning in FY 2009 are requested to support the school-based mental health treatment and early childhood development infrastructure through 44 children's mental health collaboratives.

◆ *Develop and support evidence-based practices and best practices.*

The infrastructure investment grants would support development and utilization of evidence-based and best practices in the mental health system. Funds would be earmarked for local service start-up costs and ongoing costs for uninsured and underinsured individuals. Examples include

- ⇒ co-located service models in primary care, pediatrics, schools, and public health settings;
- ⇒ Medical Home models for physician-directed care coordination between physical and mental health services;
- ⇒ Integrated Dual Diagnosis (mental illness/chemical dependency) Treatment across the service delivery system;
- ⇒ Assertive Community Treatment (ACT) teams in the seven-county metro area;
- ⇒ application of treatment research in daily clinical decision making for children and adolescents and
- ⇒ use of technology to aid in effective treatment planning

Appropriations of \$1.5 million for FY 2008 and \$3 million for FY 2009, and \$4 million for FY 2010 and SFY 2011 are requested to fund grants to develop and support local implementation of evidence-based and best practices beginning in CY 2008.

◆ *Develop and support treatment resources for groups with specialized treatment needs.*

Finally, grants would develop and support specialty programs, such as those for culturally specific populations, or challenging "niche" treatment populations, such as those persons with eating disorders or treatment resistant psychoses. Funds would be earmarked for local service start-up costs and ongoing costs for uninsured and underinsured individuals.

Appropriations of \$500,000 for FY 2008 and \$2 million in FY 2009 and \$2.5 million in FY 2010 and SFY 2011 are requested to fund grants to develop and support local implementation specialty treatment resources.

◆ *Expand access to a range of housing options.*

This proposal is intended to complement a proposal from the Housing Finance Agency to increase the state's "Bridges" transitional housing program which currently provides about \$1.6 million annually in rent subsidies to persons with mental illness who are waiting for their applications for Section 8 housing to be processed and accepted. There are a number of adults with serious mental illness whose housing needs are more complex than a rent subsidy. These needs may include additional supervision and support to assure safety and stability. This proposal includes funding for startup and ongoing costs associated with the specialized housing options that are sometimes needed by adults with serious mental illness.

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Appropriations of \$1.5 million for FY 2008 and \$3 million per year in FY 2009-11 are requested to fund grants to expand the availability of a range of housing options for persons with mental illness.

Relationship to Base Budget

This proposal significantly increases state funded mental health services.

Key Measures

Improved patient functioning and reduced symptoms of mental illness or emotional disturbance.

Statutory Change: M.S. 245; 256B; 256D; 256L

Fiscal Detail Budget Tracking

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
See detail attached below						
FTEs Requested						
190	50	Health Care Admin – Integrated care for MH disabled		3	3	3
190	85	Cont Care Admin – Integrated care to MH disabled		1	1	1
190	85	Cont Care Admin – Implement intensive outpt benefit		1	1	1
190	85	Cont Care Admin – Maintain Outcomes System		1	1	1

Governor's Mental Health Initiative - 2007 Budget Request

(Dollars in Thousands)

Proposal Component

Adopt a consistent mental health benefit set across all DHS health care programs by making GAMC and MnCare benefit set consistent with MA effective 1-1-08. Also integration of TCM and Rule 5 coverage in PMAP and MnCare. Finance General Fund part of the new coverage and the county share of TCM and Rule 5 via repeal of MH-TCM Transfer Grants.

Fund	BACT	Description	FY 2008	FY 2009	FY 2010	FY 2011
Gen	26	Balance of CMH-TCM transfer grants	\$2,033	\$5,365	\$3,284	\$3,284
Gen	41	MH-TCM and Rule 5 to PMAP	0	2,266	4,730	4,889
Gen	42	MA Basic HC E&D - repeal TCM Grants	(4,240)	(13,356)	(14,024)	(14,725)
Gen	42	Add MH-TCM to Program IM	0	294	564	451
Gen	43	Add MH-TCM & Adult MH Rehab	896	3,713	5,830	5,958
Gen	74	Balance of AMH-TCM Transfer Grants	<u>\$1,274</u>	<u>\$3,136</u>	<u>\$(16)</u>	<u>\$(16)</u>
		Subtotal General Fund	\$(37)	\$1,418	\$368	\$(159)
HCAF	40	Add MH-TCM and Rule 5 for children	\$0	\$181	\$377	\$390
HCAF	40	Add MH-TCM for adults	0	1,006	2,439	2,502
HCAF	40	Add MH rehab services for adults	985	2,404	2,367	2,370
HCAF	40	Add Neuropsych, Day Tx and Part Hosp	<u>\$80</u>	<u>\$184</u>	<u>\$182</u>	<u>\$181</u>
		Subtotal HCAF	\$1,065	\$3,775	\$5,365	\$5,443
		Total All Funds	\$1,028	\$5,193	\$5,733	\$5,284

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

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Intensive Outpatient Benefit

Gen	41	MA Basic Health Care F&C	\$0	\$34	\$77	\$77
Gen	42	MA Basic Health Care E&D	0	336	765	765
Gen	43	General Assistance Medical Care Grants	<u>\$0</u>	<u>\$29</u>	<u>\$64</u>	<u>\$64</u>
		Subtotal General Fund	\$0	\$399	\$906	\$906
HCAF	40	Minnesota Care Grants	\$0	\$33	\$73	\$73
HCAF	51	MMIS systems costs	0	18	0	0
HCAF	85	Project staff & admin costs (1 uncl. FTE)	0	95	95	95
HCAF	REV1	Administrative FFP	<u>\$0</u>	<u>\$(38)</u>	<u>\$(38)</u>	<u>\$(38)</u>
		Subtotal Health Care Access Fund	\$0	\$108	\$130	\$130
		Total All Funds	\$0	\$507	\$1,036	\$1,036

Increase the portion of public health care clients whose mental health services are funded through capitated, managed care purchasing strategies and explore ways to improve the coordination between mental health care, physical health care and social services. Moving people from FFS to Managed Care.

			<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Gen	26	Transfer Children's MH Grants	\$0	\$(387)	\$(1,443)	\$(1,443)
Gen	41	MA Basic Health Care F&C	0	190	707	727
Gen	42	MA Basic Health Care E&D	0	966	3,638	3,768
Gen	74	Transfer Adult MH Grants	<u>\$0</u>	<u>\$(769)</u>	<u>\$(2,902)</u>	<u>\$(2,903)</u>
		Subtotal transition of clients to MCOs	\$0	\$0	\$0	\$149
HCAF	50	Health Care purchasing staff/actuarial	\$50	\$332	\$332	\$332
HCAF	50	External Quality Review		500	500	500
HCAF	51	MMIS systems costs	0	18	0	0
HCAF	85	Project oversight staff & admin costs	122	136	136	136
HCAF	REV1	Administrative FFP	<u>\$(69)</u>	<u>\$(562)</u>	<u>\$(562)</u>	<u>\$(562)</u>
		Subtotal HCAF Admin Costs	\$103	\$424	\$406	\$406
		Total All Funds	\$103	\$424	\$406	\$555

Address workforce shortages / increase rates for specific providers who didn't get increases in previous two sessions by adding CTSS/behavioral aid and ARMHS/medical education services to the providers and services included in the rate increase passed in 2006.

Gen	41	MA Basic Health Care F&C	\$34	\$178	\$271	\$271
Gen	42	MA Basic Health Care E&D	340	1,768	2,696	2,696
Gen	43	General Assistance Medical Care Grants	4	18	27	27
HCAF	40	Minnesota Care Grants	<u>\$4</u>	<u>\$16</u>	<u>\$22</u>	<u>\$22</u>
		Total All Funds	\$382	\$1,980	\$3,016	\$3,016

Create a system for measuring mental health service outcomes

HCAF	85	Continuing Care Administration	\$0	\$102	\$102	\$102
HCAF	REV1	Administrative FFP	<u>\$0</u>	<u>\$(41)</u>	<u>\$(41)</u>	<u>\$(41)</u>
		Total All Funds	\$0	\$61	\$61	\$61

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Program: CONTINUING CARE GRANTS

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Create a system for tracking acute care / mental health service availability

HCAF	85	Continuing Care Administration	\$0	\$86	\$86	\$86
HCAF	REV1	Administrative FFP	<u>\$0</u>	<u>\$(34)</u>	<u>\$(34)</u>	<u>\$(34)</u>
		Total All Funds	\$0	\$52	\$52	\$52

Improve incentives for ensuring community-based service access for the uninsured. County share for uninsured commitments to state operated regional treatment centers.

Gen	REV2	SOS Collections	\$(2,288)	\$(4,576)	\$(4,576)	\$(4,576)
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Ensure statewide access and support the service delivery infrastructure by targeting grant funds.

<i>- Mobile Mental health crisis services infrastructure</i>			<u>FY 2008</u>	<u>FY 2009</u>	<u>FY2010</u>	<u>FY2011</u>
HCAF	26	Children's Services Grants	\$1,500	\$3,500	\$4,500	\$4,500
HCAF	74	Adult Mental Health Grants	<u>\$1,500</u>	<u>\$3,500</u>	<u>\$4,500</u>	<u>\$4,500</u>
		Total All Funds	\$3,000	\$7,000	\$9,000	\$9,000

- Support children's mental health services and early childhood mental health development

HCAF	26	Children's Services Grants	\$4,350	\$8,700	\$8,700	\$8,700
HCAF	26	Children's Services Grants	<u>\$2,475</u>	<u>\$4,950</u>	<u>\$4,950</u>	<u>\$4,950</u>
		Total All Funds	\$6,825	\$13,650	\$13,650	\$13,650

- Support evidence-based and best practices

HCAF	26	Children's Services Grants	\$750	\$1,500	\$2,000	\$2,000
HCAF	74	Adult Mental Health Grants	<u>\$750</u>	<u>\$1,500</u>	<u>\$2,000</u>	<u>\$2,000</u>
		Total All Funds	\$1,500	\$3,000	\$4,000	\$4,000

- Culturally Specific and specialty treatment

HCAF	26	Children's Services Grants	\$250	\$1,000	\$1,250	\$1,250
HCAF	74	Adult Mental Health Grants	<u>\$250</u>	<u>\$1,000</u>	<u>\$1,250</u>	<u>\$1,250</u>
		Total All Funds	\$500	\$2,000	\$2,500	\$2,500

- Expanded Housing Options Grants

Gen	74	Adult Mental Health Grants	<u>\$1,500</u>	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>
		Total All Funds	\$1,500	\$3,000	\$3,000	\$3,000

Increase Transfer from Health Care Access Fund to the General Fund.

Gen	REV2	Transfer from HCAF	\$0	\$(1,758)	\$(2,692)	\$(2,314)
HCAF	REV	Transfer to GF	\$0	\$1,758	\$2,692	\$2,314

SUMMARY

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

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Gen	26	Children's Services Grants	\$2,033	\$4,978	\$1,841	\$1,841
Gen	41	MA Basic Health Care F&C	34	2,668	5,785	5,964
Gen	42	MA Basic Health Care E&D	(3,900)	(9,992)	(6,361)	(7,045)
Gen	43	General Assistance Medical Care Grants	900	3,760	5,921	6,049
Gen	74	Adult Mental Health Grants	2,774	5,367	82	81
Gen	REV2	SOS Collections	(2,288)	(4,576)	(4,576)	(4,576)
Gen	REV2	Transfer from HCAF	<u>\$0</u>	<u>\$(1,758)</u>	<u>\$(2,692)</u>	<u>\$(2,314)</u>
		Subtotal General Fund	\$(447)	\$447	-0-	-0-
HCAF	26	Children Services Grants	\$9,325	\$19,650	\$21,400	\$21,400
HCAF	74	Adult Mental Health Grants	2,500	6,000	7,750	7,750
HCAF	40	Minnesota Care Grants	1,069	3,824	5,460	5,538
HCAF	50	Health Care Administration	50	832	832	832
HCAF	51	Health Care Operations	\$0	36	0	0
HCAF	85	Continuing Care Administration	122	419	419	419
HCAF	REV1	Administrative FFP	(69)	(675)	(675)	(675)
HCAF	REV2	Transfer to General Fund	<u>\$0</u>	<u>\$1,758</u>	<u>\$2,692</u>	<u>\$2,314</u>
		Subtotal Health Care Access Fund	\$12,997	\$31,844	\$37,878	\$37,578
		Total All Funds	\$12,550	\$32,291	\$37,878	\$37,578

Activity Description

Deaf and Hard of Hearing Grants provides core services that enable Minnesotans who are deaf, deafblind, or hard of hearing to gain and maintain the ability to live independently and participate in their communities.

There are approximately 67,000 Minnesotans who are deaf and 497,000 with some hearing loss. These grants serve:

- ◆ people in need of sign language interpreting services;
- ◆ children and adults who have a sensory loss of hearing and vision (deafblind);
- ◆ people who have a dual hearing loss and a mental illness;
- ◆ children with a hearing loss ages 0-21 in need of specialized psycho-social assessments; and
- ◆ people in need of live local news captioning services.

Services Provided

Sign language interpreter referral services allow deaf, hard of hearing, and deafblind Minnesotans to access core services such as courts, educational programs, mental health services, law enforcement, and medical care. Interpreter referral services are provided by community-based vendors. Services include:

- ◆ coordinating and placing qualified sign language and oral and cued-speech interpreters;
- ◆ coordinating emergency on-call interpreters and advocacy services;
- ◆ providing technical assistance to agencies and consumers on how to work effectively with interpreters; and
- ◆ building capacity to increase the number of qualified and certified interpreters throughout Minnesota.

Deafblind grants support adults who are both deaf and blind so they can live independently and stay in their own homes. Grants also provide deafblind children and their families with services that result in enhanced community integration and teach siblings and parents the skills needed to support the deafblind child within their families. Services are provided by community-based, specialized service providers and through a consumer-directed service program. Services include:

- ◆ client needs assessments;
- ◆ one-to-one support service providers for deafblind adults;
- ◆ interveners and communication support for deafblind children and their families; and
- ◆ assistive technology and equipment.

Specialized mental health services are provided through statewide grants. They are awarded to community-based, specialized service providers to assist deaf, hard of hearing, and deafblind Minnesotans with behavior disorders or mental illness to live in their communities. Services include:

- ◆ community support services consisting of residential support/outreach services and a drop-in center;
- ◆ inpatient and outpatient therapy, family counseling services, and service providers who are skilled in communicating with deaf, hard of hearing, and deafblind people;
- ◆ specialized children's psychological assessments that serve as the foundation for determining needed service and intervention strategies;
- ◆ community educational opportunities for families, schools, and mental health providers; and
- ◆ specialized support groups for deafblind persons.

Real-time television captioning grants allow deaf, deafblind and hard of hearing consumers in greater Minnesota to access live local news programming from some public and commercial television stations.

Activity at a Glance

- ◆ Serves 19,000 people a year
- ◆ Provides sign language interpreter and other services that allow people to access essential services, including emergency and crisis services and live local news programming
- ◆ Pays for specialized services that allow some of the most vulnerable Minnesotans, including those who are deafblind and those who are seriously and persistently mentally ill, to live in their communities

Historical Perspective

In the early 1980s, the Hearing-Impaired Services Act (now called the Deaf and Hard of Hearing Services Act) was created to ensure that deaf, deafblind, and hard of hearing people have access to appropriate human services statewide. This act established regional offices throughout Minnesota to provide direct services to individuals, families, and agencies regarding issues related to hearing loss. In addition to the regional offices, the legislature appropriated grant funds to address highly specialized service needs for certain deaf, hard of hearing, and deafblind populations. The Deaf and Hard of Hearing regional offices also house the Telephone Equipment Distribution (TED) program. TED provides adaptive equipment to people with a hearing or speech loss or mobility impairment who need such equipment to access the telephone system. The TED program is funded by special revenues through an interagency agreement with the Department of Commerce.

In 1985 the Minnesota Legislature created the Minnesota Commission Serving Deaf and Hard of Hearing (MCDHH). The primary focus of this commission is to work as the principal agency that advocates for equal opportunity for Minnesotans who are deaf, hard of hearing, and deafblind as opposed to providing direct services as is done through the Deaf and Hard of Hearing Services regional offices and grant programs. The MCDHH's purpose through its board is to convene stakeholders; identify barriers that prevent success in education, employment, and access to services; propose policy and program solutions; and make recommendations to the governor, legislature, and state departments.

Key Measures

⇒ *Percent of certified interpreters throughout Minnesota and percent of interpreting service requests filled.*

Measure	Target number	FY 2006 Outcome	
Interpreters who pass national certification within one year of training	50%	60%	
Percent of interpreter service requests filled	95%	97% <i>Requests with more than 24 hours advance notice</i>	91% <i>All requests, including last minute</i>

⇒ *Percent of families receiving services through grant-funded programs that see improvement in their child's emotional/behavioral/social skills within the home, school, and community*.*

Population	Target percentage of families that will see improvement	Outcome: families reporting improvement
Children with hearing loss and mental health issues		
--Psychosocial assessments and training	95%	95%
--Itinerant mental health services	85%	90%
Children with dual sensory hearing and vision loss	100%	100%

**Information obtained from family satisfaction surveys and other outcome information collected and provided by grantees.*

⇒ *Percent of families receiving services through grant-funded programs that see improvement in their child's emotional/behavioral/social skills within the home, school, and community*.*

Population	Target percentage	Outcome: Maintained independence	Outcome: Decreased level of independence	
			Temporary; returns to previous level independence	Permanent
Adults who are deafblind	100%	92%	0%	8%
Senior citizens who are deafblind	100%	93%	3%	4%
Adults with mental illness	75%	93%	7%	0%

**Information obtained from family satisfaction surveys and other outcome information collected and provided by grantees.*

More information on Department of Human Services (DHS) measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: DEAF & HARD OF HEARING GRANTS

Narrative

Activity Funding

Deaf and Hard of Hearing Grants is funded with appropriations from the General Fund.

Contact

For more information on Deaf and Hard of Hearing Grants, contact

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Manager Sue Banken, (651) 431-2559

Information also is available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: DEAF & HARD OF HEARING GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,454	1,475	1,475	1,475	2,950
Technical Adjustments					
Current Law Base Change			5	5	10
Subtotal - Forecast Base	1,454	1,475	1,480	1,480	2,960
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	15	55	70
Services For Deaf & Hard of Hearing		0	389	777	1,166
Total	1,454	1,475	1,884	2,312	4,196
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,440	1,475	1,884	2,312	4,196
Statutory Appropriations					
Misc Special Revenue	68	240	240	240	480
Federal	198	0	0	0	0
Total	1,706	1,715	2,124	2,552	4,676
<u>Expenditures by Category</u>					
Other Operating Expenses	1	0	0	0	0
Local Assistance	1,705	1,715	2,124	2,552	4,676
Total	1,706	1,715	2,124	2,552	4,676

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Services for Deaf and Hard-of-Hearing People

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$647	\$1,015	\$1,015	\$1,015
Revenues	85	77	77	77
Net Fiscal Impact	\$562	\$938	\$938	\$938

Recommendation

Effective 7-1-2007, the Governor recommends expanding the existing deafblind support program to provide services to an additional 80 unserved children and adults with a dual sensory loss. This proposal would also invest in training to aid counties in maximizing the use of existing programs for deafblind people and training for the senior community-based service infrastructure. The Governor also recommends ensuring access to interpreter services for deaf people by covering sign language interpreter services as a separate service under Medical Assistance (MA) and General Assistance Medical Care (GAMC).

Background

Expanding the Deafblind Support Program: Deafblindness affects a person's two most critical senses - hearing and vision. These two senses are responsible for 80-95% of our learning. For a deafblind person communication and the acquisition of information must occur *intentionally* throughout their lifetime. Ninety percent of what the general population knows is learned incidentally rather than intentionally. Deafblind people are unable to participate easily in incidental learning, such as overhearing a conversation or observing an interaction between two people. These individuals must develop adaptive techniques in order to learn information and communicate. Access to intervener services or assistive technology can teach or assist a person to interact and communicate with others.

When persons with a dual sensory loss are unable to navigate within their communities and communicate with others, they experience extreme isolation. Their restricted mobility may also put them at risk of institutionalization. The grants, services, and training provided by the deafblind support program help deafblind people to maintain or become more independent.

The type of support and services a person needs varies greatly within the deafblind community. A child born with a dual sensory loss needs intensive one-to-one intervener services in the home to develop conceptual knowledge, to learn how to apply their emerging communication and language skills, and to engage in incidental learning within a family environment. Alternatively, adults have a different need for assistance. They need support to conduct day-to-day activities, such as grocery shopping, reading mail, interacting with others, and participating in their families and community. Some adults also need transportation assistance.

Minnesota has provided state grant funding for services to individuals who are deafblind since 1985. The last infusion of new dollars was in 1998, bringing the total biennial funding level to \$1 million. The current funding provides supports to 145 people each year. Approximately 550 additional individuals have dual sensory loss and are in need of some level of support in order to be independent. Of these individuals, 80 need the type of one-to-one supports that are currently offered; 470 are senior citizens who could likely get the support they need from the existing infrastructure of senior services once the service providers and volunteers within the senior network learn about accommodating the needs of seniors with a dual hearing and vision loss.

The increase in the number of people needing services is attributed to several factors, including the greater survival rate of children who have deafblindness with complex medical conditions and the general growth in the senior population in which hearing and vision loss occurs as part of the aging process.

This initiative proposes to spend an additional \$1.5 million over the biennium to expand the state's deafblind program in the following ways:

⇒ **Grants.** The investment would provide 80 unserved deafblind individuals with services and supports. Some individuals would use the program's consumer-directed option and manage their services themselves, while others would use a community-based program to coordinate and provide their services.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Services for Deaf and Hard-of-Hearing People

- ⇒ **Training.** Training would be provided to all 87 counties and to existing providers of services and supports available to senior citizens. The training would accomplish two objectives:
 - ◆ increase county knowledge of the needs deafblind people have and how to use the existing programs to provide needed services that will capture federal financial participation and
 - ◆ enhance provider knowledge and capacity to meet the needs of seniors with a dual sensory loss.
- ⇒ **Administrative.** The investment proposes two staff positions to implement the expansion of the program. Their activities would entail the following
 - ◆ supporting deafblind clients;
 - ◆ selecting the consumer-directed grant option in creating a budget and identifying service outcomes;
 - ◆ conducting outreach to the deafblind community;
 - ◆ providing technical assistance and training to counties about effective assessment and service planning for deafblind individuals; and
 - ◆ coordinating training for the senior services network.

Coverage of Interpreter Services as a discrete service: The current rates of fee-for-service providers in the GAMC and MA programs are insufficient to adequately serve deaf and deafblind Minnesotans with interpreter services. These clients experience difficulty in accessing a full range of service providers and, at times, a compromised quality of service from their provider because of their inability to communicate effectively with them. The state is obligated to ensure the services that are provided to deaf or deafblind people are as effective as those provided to others.

Sign language coverage: This proposal would cover sign language services as a separate service under GAMC and MA. This coverage will ensure these clients have an effective exchange with their providers and a choice in the provider of their services.

Relationship to Base Budget

This proposal will increase the 2008-09 budget for Deaf and Hard of Hearing Grants by \$1.17 million or 40% over its current base of \$2.96 million and more than double the amount dedicated to deafblind services. This proposal will also increase the Continuing Care Management General Fund base by about \$200,000 a year or 1.2% for the 2008-09 biennium. This proposal also has a small impact to the MA and GAMC budgets.

Key Measures

- ⇒ Percentage of deafblind adults who continue to live in their current home or move to a more independent setting, conduct day-to-day activities such as grocery shopping, banking, reading/responding to mail, and engaging in meaningful participation in their family and community.
- ⇒ Percentage of deafblind children who increase vocabulary, language, and communication skills; increase conceptual development and environmental knowledge; engage in meaningful participation in their family and community.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Statutory Change: 2002 Laws of Minnesota, chapter 375, article 2, section 54, M.S. 256B.0625, subd. 18a, (d) and M.S. 256D.03, subd. 4.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Services for Deaf and Hard-of-Hearing People

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	42	MA Basic Health Care Grants E & D	\$40	\$40	\$40	\$40
100	43	GAMC	6	6	6	6
100	75	Deaf and HH Grants-Expand Services	260	576	576	576
100	75	Deaf and HH Grants – County Training and Outreach	129	201	201	201
100	85	Continuing Care Admin	212	192	192	192
100	REV1	Administrative FFP	(85)	(77)	(77)	(77)
100		Net Fund Impact	\$562	\$938	\$938	\$938
		Net All Fund Impact	\$562	\$938	\$938	\$938
FTEs Requested						
100	85	2 FTE's	2	2	2	2

Activity Description

The purpose of the Chemical Dependency Entitlement Grants activity is to provide treatment to eligible people who have been assessed as in need of treatment for chemical abuse or dependency. This activity is administered through the Consolidated Chemical Dependency Treatment Fund (CCDTF).

Population Served

Chemical dependency (CD) treatment services are provided to anyone who is found by an assessment to be in need of care and is financially eligible, unless the needed services are to be provided by a managed care organization in which the person is enrolled.

The CCDTF has three tiers of eligibility, although this budget activity covers only Tier I:

- ⇒ Tier I is the entitlement portion. Eligible individuals are people who are enrolled in Medical Assistance (MA) or General Assistance Medical Care (GAMC), receive Minnesota Supplemental Assistance (MSA), or meet the MA, GAMC, or MSA income limits (100% of federal poverty guidelines).
- ⇒ Tier II includes people who are not eligible for MA, but whose income does not exceed 215% of federal poverty guidelines. (This tier was last funded in 2003.)
- ⇒ Tier III includes people with incomes between 215% and 412% of federal poverty guidelines. (This tier was last funded in 1990.)

Services Provided

The CCDTF pays for four types of chemical dependency treatment:

- ◆ inpatient chemical dependency treatment;
- ◆ outpatient chemical dependency treatment;
- ◆ halfway house services; and
- ◆ extended care treatment.

Approximately 50% of all state treatment admissions for Minnesota residents are paid for through the CCDTF. The local county social service agency or American Indian tribal entity assesses a person's need for chemical dependency treatment. A treatment authorization is made based on uniform statewide assessment and placement criteria outlined in the Department of Human Services (DHS) Rule 25. Most treatment providers in the state accept CCDTF clients.

Under the Prepaid Medical Assistance Program (PMAP), primary inpatient and outpatient chemical dependency treatment are covered services. For PMAP recipients, CCDTF payments are limited to halfway house placements and extended care treatment, which are not included in managed care contracts.

Under a new assessment standard being implemented in January 2008, individuals will be placed according to their specific needs rather than simply into one of the four types of treatment.

Historical Perspective

The CCDTF was created in 1988 to consolidate a variety of funding sources for chemical dependency treatment services for low-income, chemically-dependent Minnesota residents. The CCDTF combines previously separated funding sources – MA, GAMC, General Assistance, state appropriations, and federal block grants - into a single fund with a common set of eligibility criteria. Counties pay at least 15% of CD treatment costs to maintain a local maintenance of effort.

Activity at a Glance

- ◆ Provides coverage of CD treatment for 25,000 people annually
- ◆ Average cost per admission is \$3,922
- ◆ 299 treatment programs participate in the CCDTF
- ◆ Approximately 50% of all treatment admissions in the state are paid for by the CCDTF
- ◆ The number of treatment admissions has increased by an average of 7% per year over the last three years (CY04-CY06)

Key Measures

⇒ *The percentage of clients completing chemical dependency treatment.* Treatment completion has been found to be a strong indicator of continued sobriety after treatment. The DHS Drug and Alcohol Abuse Normative Evaluation System (DAANES) collects a number of data elements from all chemical dependency programs regardless of the admission's funding source. Below are completion results of all statewide treatment admissions in previous years:

2003 – 64.9%
 2004 – 65.7 %
 2005 – 63.7%

Treatment completion is also affected by the client's primary drug addiction. Below is the percent of treatment completion by primary drug for publicly funded clients in CY 2004:

Methamphetamine	58.5%	Crack	58.4%
Alcohol	64.3%	Marijuana	56.7%
Cocaine	56.9%	Other	54.6%

⇒ *The percentage of youth using alcohol, marijuana and tobacco in the past 30 days.* The Minnesota Student Survey is conducted every three years and was last administered in the spring of 2004 to public school students in Grades 6, 9, and 12. Of the 342 public operating districts, 301 (88%) agreed to participate. Student participation was voluntary and administered anonymously. Across the state, approximately 77% of public school sixth graders, 73% of public school ninth graders, and 49% of public school twelfth graders participated in the 2004 Minnesota Student Survey. Overall participation across the three grades was approximately 66%. Below are the results of the survey:

Age Groups	Used Alcohol in the Past 30 Days	Smoked Cigarettes in the Past 30 Days	Used Marijuana in the Past 30 Days
6 th Graders	5%	3%	2%
9 th Grade Males	26%	14%	12%
9 th Grade Females	29%	16%	11%
12 th Grade Males	50%	29%	22%
12 th Grade Females	46%	28%	16%

More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Chemical Dependency Entitlement Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Chemical Dependency Entitlement Grants, contact

- ◆ Chemical Health Director Donald Eubanks, (651) 431-52457
- ◆ Legislative and Fiscal Operations Manager Don Allen, (651) 431-2325

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: CD ENTITLEMENT GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	67,960	80,026	80,026	80,026	160,052
Technical Adjustments					
End-of-session Estimate			3,343	7,445	10,788
November Forecast Adjustment		(9,615)	(5,545)	(2,201)	(7,746)
Subtotal - Forecast Base	67,960	70,411	77,824	85,270	163,094
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	1,056	3,597	4,653
Total	67,960	70,411	78,880	88,867	167,747
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	78,880	88,867	167,747
Statutory Appropriations					
Misc Special Revenue	105,153	108,203	39,943	42,094	82,037
Total	105,153	108,203	118,823	130,961	249,784
<u>Expenditures by Category</u>					
Payments To Individuals	102,740	105,740	115,143	124,579	239,722
Local Assistance	2,413	2,463	2,624	2,785	5,409
Transfers	0	0	1,056	3,597	4,653
Total	105,153	108,203	118,823	130,961	249,784

Activity Description

Chemical Dependency (CD) Non-entitlement Grants pays for statewide prevention, intervention, treatment support, recovery maintenance, and case management services, including culturally appropriate services and support. A combination of state and federal dollars supports this activity.

Population Served

CD Non-Entitlement Grants serve:

- ◆ people who receive prevention services with a focus on youth and families;
- ◆ individuals who receive intervention and case management services, including pregnant women, women with dependent children, and other special populations who receive intervention and case management services; and
- ◆ chemical dependency treatment professionals and prevention specialists who receive training on best practices.

Activity at a Glance

- ◆ Provides prevention services to more than 28,500 youth each year
- ◆ Provides intervention and case management services to 1,700 pregnant women and women with children annually
- ◆ Provides intervention and case management services, including treatment supports and recovery maintenance, to an additional 7,000 individuals in special populations each year
- ◆ Provides training for 2,700 chemical dependency professionals annually

Services Provided

State-funded non-entitlement grants support:

- ◆ community drug and alcohol abuse prevention for American Indians; and
- ◆ treatment support and recovery maintenance services for American Indians.

Federally-funded non-entitlement grants support:

- ◆ community drug and alcohol abuse prevention for communities of color;
- ◆ women's treatment supports including subsidized housing, transportation, child care, parenting education, and case management;
- ◆ intervention and case management services, including treatment supports and recovery maintenance services for the following special populations: elderly, disabled, individuals with dual diagnoses of mental illness and chemical dependency, individuals experiencing chronic homelessness, and people involved in the criminal justice system;
- ◆ a statewide prevention resource center that provides alcohol and other drug abuse education, information, and training to Minnesota counties, tribes, local communities, and organizations; and
- ◆ annual inspection of tobacco retailers and law enforcement agency survey to measure the degree of compliance with state laws prohibiting the sale of tobacco products to youth.

Beginning in 2006, statewide prevention activities are delivered through a seven-region prevention system. Regional Prevention Coordinators in each region will be responsible for assessing community needs and readiness for prevention activities. They will also be assisting the state in planning and implementing evidence-based prevention programs to reduce substance abuse and related problems through training, technical assistance, and coalition building.

Non-entitlement funds also support the dissemination of approximately 550,000 pieces of prevention material, over 260,000 web hits on alcohol, tobacco, and other drug abuse prevention, 30,300 requests for information handled by prevention resource centers, over 1,200 pieces of alcohol, tobacco, and other drug prevention material translated into Spanish, Hmong, Lao, and Somali, and over 200 public service announcements developed and disseminated to over 2,000 outlets.

Historical Perspective

The Consolidated Chemical Dependency Treatment Fund (CCDTF) has three tiers of eligibility. Tier I is funded through the CD Entitlement Grants budget activity. Tier II includes people who are not eligible for Medical Assistance (MA) or General Assistance Medical Care (GAMC), do not receive Minnesota Supplemental Assistance (MSA), but whose income does not exceed 215% of federal poverty guidelines.

CD Non-entitlement Grants historically funded Tier II and Tier III of the Consolidated Chemical Dependency Treatment Fund (CCDTF), which provided treatment services for low-income individuals not eligible for entitlement-based treatment. Tier II was last funded in 2003. Tier III includes individuals with incomes between 215% and 412% of federal poverty guidelines. Tier III was last funded in 1990. As a result, current CD Non-Entitlement Grants are outside of the CCDTF.

Over the last decade, as research studies indicated that the prevalence of substance abuse was higher for certain populations or that some groups did not succeed in chemical dependency treatment at the same rate as the general population, specific improvement efforts were established. These efforts were designed to build prevention strategies and treatment support services that focus on the unique strengths and needs of these various populations. The need for these specialized models of prevention and treatment has grown as counties and tribes recognize the role substance abuse plays in difficult Temporary Assistance to Needy Families and Child Welfare cases.

Key Measures

⇒ *The percentage of clients completing chemical dependency treatment.* Treatment completion has been found to be a strong indicator of continued sobriety after treatment. The Minnesota Department of Human Services Drug and Alcohol Abuse Normative Evaluation System (DAANES) collects a number of data elements from all chemical dependency programs regardless of the admission's funding source. Below are completion results of all statewide treatment admissions in previous years:

2003 – 64.9%
 2004 – 65.7 %
 2005 – 63.7%

Treatment completion is also affected by the client's primary drug addiction. Below is the percent of treatment completion by primary drug for publicly funded clients in CY 2004:

Methamphetamine	58.5%	Crack	58.4%
Alcohol	64.3%	Marijuana	56.7%
Cocaine	56.9%	Other	54.6%

⇒ *The percentage of youth using alcohol, marijuana and tobacco in the past 30 days.* The Minnesota Student Survey is conducted every three years and was last administered in the spring of 2004 to public school students in Grades 6, 9, and 12. Of the 342 public operating districts, 301 (88%) agreed to participate (88%). Student participation was voluntary and administered anonymously. Across the state, approximately 77% of public school sixth graders, 73% of public school ninth graders, and 49% of public school twelfth graders participated in the 2004 Minnesota Student Survey. Overall participation across the three grades was approximately 66%. Below are the results of the survey:

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: CD NON-ENTITLEMENT GRANTS

Narrative

Age Groups	Used Alcohol in the Past 30 Days	Smoked Cigarettes in the Past 30 Days	Used Marijuana in the Past 30 Days
6 th Graders	5%	3%	2%
9 th Grade Males	26%	14%	12%
9 th Grade Females	29%	16%	11%
12 th Grade Males	50%	29%	22%
12 th Grade Females	46%	28%	16%

More information on DHS measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

Chemical Dependency Non-Entitlement Grants are funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Chemical Dependency Non-Entitlement Grants, contact

- ◆ Chemical Health Director Donald Eubanks, (651) 431-2457
- ◆ Legislative and Fiscal Operations Manager Don Allen, (651) 431-2325

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: CD NON-ENTITLEMENT GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,055	1,055	1,055	1,055	2,110
Subtotal - Forecast Base	1,055	1,055	1,055	1,055	2,110
Total	1,055	1,055	1,055	1,055	2,110
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,055	1,055	1,055	1,055	2,110
Statutory Appropriations					
Misc Special Revenue	676	825	875	675	1,550
Federal	10,721	11,599	11,535	11,535	23,070
Total	12,452	13,479	13,465	13,265	26,730
<u>Expenditures by Category</u>					
Other Operating Expenses	142	130	130	130	260
Payments To Individuals	666	675	675	675	1,350
Local Assistance	11,644	12,674	12,660	12,460	25,120
Total	12,452	13,479	13,465	13,265	26,730

Activity Description

Other Continuing Care Grants includes a variety of programs:

- ⇒ Family Support Grants (FSG) provides cash assistance to families to purchase supports for a child with a disability.
- ⇒ Consumer Support Grants (CSG) helps people with functional limitations and their families purchase supports needed to live as independently as possible.
- ⇒ Semi-Independent Living Skills (SILS), which are administered through each county, assist adults with mental retardation or a related condition live successfully in their community.
- ⇒ HIV/AIDS grants cover services specifically for HIV-infected people to help maintain insurance coverage and provide early intervention and cost-effective care. As payer of last resort, the stop-gap services are provided to individuals who are not eligible for similar

benefits through Minnesota Health Care Programs, such as Medical Assistance (MA) or General Assistance Medical Care (GAMC).

Activity at a Glance

- ◆ The FSG program serves 1,650 children at an annual average cost of \$2,483 per child
- ◆ The CSG program serves 850 individuals at an annual average cost of \$9,870 per recipient
- ◆ SILS serve 1,600 adults with disabilities at an annual average cost of \$4,920 per recipient
- ◆ HIV/AIDS programs help 1,400 people living with HIV/AIDS pay for HIV-related prescription drugs, insurance costs, dental, nutritional, mental health, and case management services. The program serves over 20% of the people with known HIV infection in Minnesota

Population Served

- ⇒ FSG serves families whose annual adjusted gross income is less than \$82,657 and who have a child with a certified disability.
- ⇒ CSG is available for people who are eligible for MA and for some people eligible for FSG.
- ⇒ SILS serves people who are at least 18 years old, have mental retardation or a related condition, require a level of support that is not at a level that would put them at risk of institutionalization, and require systematic instruction or assistance to manage activities of daily living.
- ⇒ HIV/AIDS programs serve people living with HIV who have incomes under 300% of the federal poverty guideline (FPG) and cash assets under \$25,000.

Services Provided

- ⇒ FSG provides cash to families to offset the higher-than-average cost of raising a child with a certified disability. Families with more than one child with a disability may apply for a grant for each eligible child. The maximum grant per family is \$3,000 per year per eligible child. Allowable expenses include computers, day care, educational services, medical services, respite care, specialized clothing, special dietary needs, special equipment and transportation.
- ⇒ CSG helps families purchase home care, adaptive aids, home modifications, respite care, and other assistance with the tasks of daily living. Recipients receive a grant amount less than or equal to the state share of the amount of certain long-term care services they would receive under MA or FSG.
- ⇒ SILS is used by adults with mental retardation or a related condition to purchase instruction or assistance with nutrition education, meal planning and preparation, shopping, first aid, money management, personal care and hygiene, self-administration of medications, use of emergency resources, social skill development, home maintenance and upkeep, and transportation skills.
- ⇒ HIV/AIDS programs assist enrollees with premiums to maintain private insurance, co-payments for HIV-related medications, counseling, dental services, the cost of enteral nutrition, and case management.

Historical Perspective

Beginning in 1983 with SILS and FSG, Minnesota established programs that emphasize self reliance, personal responsibility, and consumer direction for people with disabilities. In 1995, Minnesota took another step by offering the CSG program, which lets people choose to access state MA funds through a cash and counseling

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: OTHER CONTINUING CARE GRANTS

Narrative

model. These programs have laid the ground work for the consumer-directed options now available across all Minnesota long-term care waivers.

The HIV/AIDS program began in 1987. At the core of its creation was the desire to keep private insurance policies in place for HIV+ people and at the same time provide access to a limited scope of additionally needed services and products. Demand for the program continues to climb as the number of people living with HIV in Minnesota increases.

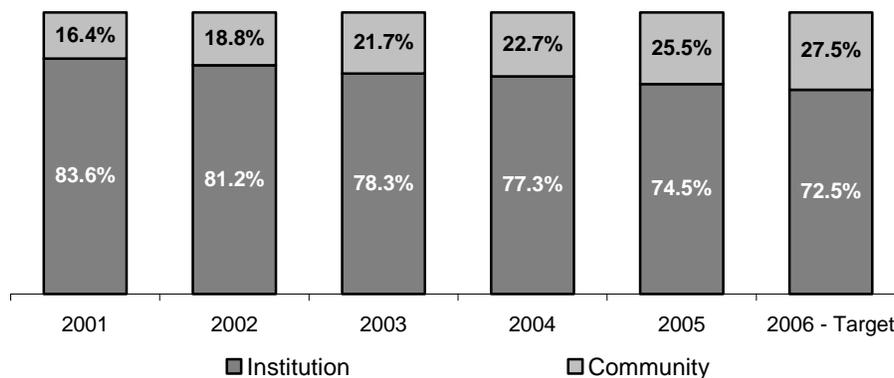
New infections, longer life spans for infected individuals, increases in infections among people younger than 25, and growing uninsured rates all contribute to rising program enrollment. Epidemiological studies show that people contracting HIV are increasingly likely to be poor, women, people of color, and people with more complex needs and fewer resources. Continually evolving treatments and research make HIV an ever-changing and complex disease to manage. It is also a disease with escalating treatment costs.

To make access to services more streamlined at the state level, responsibility for case management of services to people with HIV was consolidated at the Department of Human Services (DHS) in 2001. In 2004, in response to increasing budget pressures, the HIV/AIDS program implemented a cost-sharing requirement for individuals enrolled in the program. As of May 2006, more than 450 individuals have been assessed a cost share, with only eight people being deemed programmatically ineligible due to failure to pay. A tightening of policies, staff commitment, and client follow-through have supported the cost-sharing strategies in bringing fiscal balance to the program through FY 2008. In Minnesota, both state and federal funding has remained static.

Key Measures

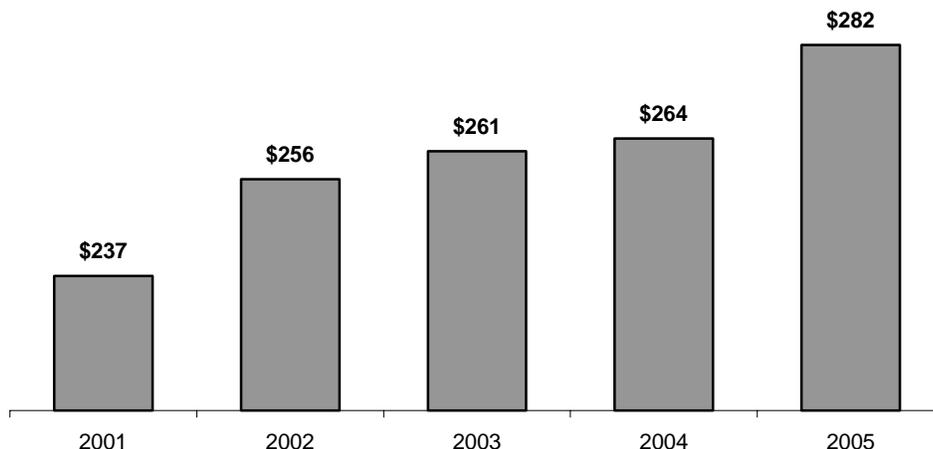
⇒ *Proportion of public-funded long-term care funds expended in institutional vs. community settings.*

Proportion of Publicly Funded Long-term Care Services Expended in Institutions versus Community Settings.



⇒ Pharmacy average monthly cost per recipient.

Pharmacy Average Annual Cost Per Recipient



More information on DHS measures and results is available on the Web:
<http://www.departmentresults.state.mn.us/hs/index.html>

Activity Funding

Other Continuing Care Grants is funded with appropriations from the General Fund and from federal funds.

Contact

For more information on Health Care Grants-Other Assistance, contact

- ◆ Assistant Commissioner for Continuing Care Loren Colman, (651) 431-2560
- ◆ Legislative and Fiscal Operations Director Sue Banken (651) 431-2559

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: OTHER CONTINUING CARE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	14,601	15,178	15,178	15,178	30,356
Technical Adjustments					
Current Law Base Change			208	251	459
Subtotal - Forecast Base	14,601	15,178	15,386	15,429	30,815
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	267	925	1,192
HIV/AIDS Insurance Program Funding		0	(1,150)	(1,150)	(2,300)
Total	14,601	15,178	14,503	15,204	29,707
Health Care Access					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
HIV/AIDS Insurance Program Funding		0	1,550	1,850	3,400
Total	0	0	1,550	1,850	3,400
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	21,002	24,217	14,503	15,204	29,707
Health Care Access	0	0	1,550	1,850	3,400
Statutory Appropriations					
Misc Special Revenue	2,508	6,656	2,595	2,595	5,190
Federal	3,922	4,211	4,392	4,392	8,784
Total	27,432	35,084	23,040	24,041	47,081
<u>Expenditures by Category</u>					
Other Operating Expenses	335	523	424	424	848
Payments To Individuals	5,529	9,211	5,398	5,727	11,125
Local Assistance	21,568	25,350	17,218	17,890	35,108
Total	27,432	35,084	23,040	24,041	47,081

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: HIV/AIDS Insurance Program Funding

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$(1,150)	\$(1,150)	\$(1,150)	\$(1,150)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	1,550	1,850	1,850	1,850
Revenues	0	0	0	0
Net Fiscal Impact	\$400	\$700	\$700	\$700

Recommendation

Effective 7-1-2007, the Governor recommends increasing the base budget for the Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) insurance program and refinancing the existing program funding from the General Fund to the Health Care Access Fund (HCAF).

Background

Current Program

In 1990, the legislature allocated \$1.15 million annually to establish a state funding mechanism to ensure that people living with HIV/AIDS could maintain access to health insurance. In addition to this state funding, the state annually receives federal Ryan White CARE Act funds in the amount of \$3.3 million to operate a drug reimbursement program and provide additional funding for the state's insurance continuation program. The HIV insurance program has not received a state or federal budget increase in 16 years. In 2000, the insurance program on average served 470 people and today serves approximately 565 people.

The state insurance program has run a continuous deficit for the last three years, requiring the program to compensate for the shortfall with the drug rebates it receives. This is not a sustainable financing strategy because the program relies on the drug rebate funds to cover increasing drug costs for recipients. New drugs to combat HIV, which do not replace the current drug regimen, are coming on to the market to augment it. Additionally, the HIV drugs that are used continue to escalate in cost; a single drug can cost \$20,000 per year.

The primary reasons for the shortfall are increasing insurance premium rates and the anticipation of more recipients needing insurance continuation services for a longer period of time. Recently, the HIV insurance program has begun to serve a greater number of young impoverished people in need of coverage, which creates dual financial pressures on program funding. The HIV program is based on a sliding fee scale; therefore, the program experiences greater financial pressure when participants are lower-income persons because they cannot pay as much toward the cost of their services. In addition, unlike the earliest years of the program, people are living for years with HIV - some as long as 25 years or more.

In 2003, the Department of Human Services (DHS) employed aggressive strategies to address the program deficit, including client cost sharing and co-pays. These strategies were helpful in partially closing the funding gap, but have proven to be inadequate measures to address program deficits fully.

Proposal

This proposal would increase base funding for the HIV/AIDS insurance program and refinance the entire program with the Health Care Access Fund. The amount requested represents the estimated short-fall between insurance revenues and expenses for HIV-positive recipients under current law. Without additional funding, Minnesota will need to address the shortfall through measures such as reducing program eligibility, creating waiting lists, or reducing the drug formulary including eliminating drugs that counteract the debilitating side effects of anti-HIV medications.

Providing health care and treatment continuity for the people on this program is essential to Minnesota's public health and the program participants' quality of life outcomes. Experience has shown that earlier access to services and adherence to care and treatment greatly reduces the risk of serious illness and HIV transmission. Minnesota has been a leader across the nation for providing insurance coverage early to people with HIV. The

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: HIV/AIDS Insurance Program Funding

result is that people are not advancing to the life threatening and costly stages of AIDS, as has been the experience in other states.

Relationship to Base Budget

This proposal would increase the HIV program base by 60% by FY 2009 to meet the current program needs.

Key Measures

The proposal will allow an additional 40 individuals in FY 2008 and 60 individuals in FY 2009 to participate in the HIV/AIDS insurance program.

Statutory Change: Not Applicable

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
190	78	Other CC Grants - HIV insurance increase	\$400	\$700	\$700	\$700
100	78	Refinance existing HIV grant base	(1,150)	(1,150)	(1,150)	(1,150)
190	78	Finance existing GF base from HCAF	1,150	1,150	1,150	1,150
100		Net Fund Impact	(1,150)	(1,150)	(1,150)	(1,150)
190		Net Fund Impact	1,550	1,850	1,850	1,850
		Net All Fund Impact	\$400	\$700	\$700	\$700

Program Description

Continuing Care Management is the administrative component for the service areas funded by Continuing Care Grants. It also coordinates with Health Care Management on the Medicaid-funded Continuing Care Grant activities.

Population Served

This program serves elderly Minnesotans and citizens with disabilities who need long-term care, including persons with physical and cognitive disabilities, deafness or hearing loss, emotional disturbances, mental illness, HIV/AIDS, and chemical dependency.

Services Provided

Department of Human Services (DHS) Continuing Care Grants staff administers programs and services that are used by over 350,000 Minnesotans. This work is accomplished by working with citizens, counties, legislators, grantees, other state agencies, and providers.

Program at a Glance

- ◆ Performs statewide human services planning and develops and implements policy
- ◆ Obtains, allocates, and manages resources, contracts, and grants
- ◆ Sets standards for services development and delivery and monitors for compliance and evaluation
- ◆ Provides technical assistance and training to county agencies and supports local innovation and quality improvement efforts
- ◆ Assures a statewide safety net capacity

In addition to the normal management functions, which apply to all people served, Continuing Care Management performs unique specialized activities. Direct constituent services include:

- ◆ statewide regional service centers which help deaf, deafblind, and hard-of-hearing people access community resources and the human services system;
- ◆ the Telephone Equipment Distribution Program, which helps people with hearing loss or communication disabilities access the telephone system with specialized equipment;
- ◆ HIV/AIDS programs which help people obtain and maintain needed health care coverage;
- ◆ ombudsman services for older Minnesotans which assist consumers in resolving complaints and preserving access to services; and

Staff assistance and administrative support are provided to a number of councils and boards including:

- ◆ The Minnesota Commission Serving Deaf and Hard of Hearing People;
- ◆ The Minnesota Board on Aging;
- ◆ The State Advisory Council on Mental Health;
- ◆ Alcohol and Other Drug Abuse Advisory Council;
- ◆ American Indian Advisory Council on Alcohol and Other Drug Abuse;
- ◆ American Indian Advisory Council on Mental Health; and
- ◆ Traumatic Brain Injury Service Integration Advisory Committee.

Historical Perspective

Historically, most people needing long-term care services received them in institutions. Over the years, priorities, values, and expectations changed. Today, people have more individualized and better quality options.

Staff in Continuing Care Management administer a broad array of services for this diverse population. In addition to administering ongoing operations of programs and services, some recent achievements include:

- ◆ redesigning highly specialized mental health services for individuals who have both a hearing loss and mental illness by shifting resources from institutional care under State Operated Services to a statewide technical assistance/consultation mobile response team (starting in Fall 2006);
- ◆ describing the demographic realities of the state's aging population and working with many constituencies to prepare responses to these profound changes;
- ◆ implementing strategies of the long-term care task force that reform Minnesota's long-term care system for the elderly, which includes administering the voluntary, planned closure of nursing facility beds and expanding use of home and community-based services through grants and other mechanisms to develop community capacity;

- ◆ implementing a range of new and expanded community-based mental health services in partnership with counties, consumers, family members, providers, and other key stakeholders to provide services closer to the person's home community;
- ◆ working with community partners in the public and private sectors through the Minnesota Mental Health Action Group to transform the mental health system to one that is accessible and responsive to consumers and guided by clear goals and outcomes;
- ◆ taking actions necessary to increase flexibility, reduce access barriers, and promote consumer choice and control with the home care and waived services covered by Medical Assistance;
- ◆ managing cost growth in home and community based waiver programs while reducing reliance on hospital and institutional care;
- ◆ working with consumers, family members, county agencies, provider organizations, and advocates to develop community options for younger persons with disabilities currently residing in institutional settings;
- ◆ developing the Minnesota Senior Health Options (MSHO) and Minnesota Disability Health Options (MDHO) projects that integrate health and long-term care for elderly and younger persons with disabilities who are eligible for both Medicaid and Medicare;
- ◆ working with American Indian stakeholders to clarify desired outcomes of culturally appropriate substance abuse and mental health services;
- ◆ working with members of the Ethiopian, Oromo, Somali, and Southeast Asian communities in Minnesota to obtain federal grant funds to improve resettled refugees' access to mainstream continuing care services;
- ◆ publishing the Minnesota Nursing Home Report Card online, in collaboration with the Minnesota Department of Health; and
- ◆ working with the Senior LinkAge Line and Disability Linkage Line staff to assist the Centers for Medicare and Medicaid with enrollment in Medicare Part D plans and solving problems for individuals who are dually eligible.

Key Measures

See key measures for budget activities within the Continuing Care Grants program.

More information on Department of Human Services measures and results is available on the Web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Program Funding

Continuing Care Management is funded with appropriations from the General Fund, state government Special Revenue Fund, Lottery Fund and from federal funds.

Contact

For more information on Continuing Care Management, contact:

- ◆ Fiscal and Legislative Operations Manager Sue Banken, (651) 431-2559
- ◆ Legislative and Budget Manager Don Allen, (651) 431-2325

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: CONTINUING CARE MANAGEMENT

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	15,043	15,032	15,032	15,032	30,064
Technical Adjustments					
Approved Transfer Between Appr			1,249	1,141	2,390
Current Law Base Change			(331)	(320)	(651)
Fund Changes/consolidation			945	945	1,890
Subtotal - Forecast Base	15,043	15,032	16,895	16,798	33,693
Governor's Recommendations					
Elderly Waiver Assisted Living Coverage		0	309	249	558
Services For Deaf & Hard of Hearing		0	212	192	404
Nursing Home Report Card Expansion		0	25	25	50
Compensation Adjustment		0	264	534	798
Total	15,043	15,032	17,705	17,798	35,503
State Government Spec Revenue					
Current Appropriation	119	119	119	119	238
Subtotal - Forecast Base	119	119	119	119	238
Governor's Recommendations					
Compensation Adjustment		0	2	4	6
Total	119	119	121	123	244
Health Care Access					
Current Appropriation	0	448	448	448	896
Technical Adjustments					
Approved Transfer Between Appr			(34)	0	(34)
Current Law Base Change			(124)	(448)	(572)
Subtotal - Forecast Base	0	448	290	0	290
Governor's Recommendations					
Mental Health Initiatives		0	122	419	541
Compensation Adjustment		0	2	0	2
Total	0	448	414	419	833
Lottery Cash Flow					
Current Appropriation	148	148	148	148	296
Subtotal - Forecast Base	148	148	148	148	296
Governor's Recommendations					
Compensation Adjustment		0	3	6	9
Total	148	148	151	154	305

HUMAN SERVICES DEPT

Program: CONTINUING CARE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,370	19,207	17,705	17,798	35,503
State Government Spec Revenue	90	134	121	123	244
Health Care Access	0	191	414	419	833
Lottery Cash Flow	148	148	151	154	305
Statutory Appropriations					
Misc Special Revenue	2,940	3,733	3,453	3,438	6,891
Federal	13,780	18,843	16,592	16,424	33,016
Miscellaneous Agency	43	520	250	250	500
Gift	6	14	10	10	20
Total	31,377	42,790	38,696	38,616	77,312
<u>Expenditures by Category</u>					
Total Compensation	18,618	22,837	21,460	21,778	43,238
Other Operating Expenses	12,759	19,953	17,236	16,838	34,074
Total	31,377	42,790	38,696	38,616	77,312
<u>Expenditures by Activity</u>					
Continuing Care Management	31,377	42,790	38,696	38,616	77,312
Total	31,377	42,790	38,696	38,616	77,312
Full-Time Equivalent (FTE)	268.9	302.2	305.2	308.2	

HUMAN SERVICES DEPT

Program: CONTINUING CARE MANAGEMENT

Change Item: Nursing Home Report Card Expansion

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$25	\$25	\$25	\$25
Revenues	10	10	10	10
Net Fiscal Impact	\$15	\$15	\$15	\$15

Recommendation

Effective 7-1-2007, the Governor recommends expanding the scope of the Nursing Home Report Card assessment to include an additional 11 nursing homes. The inclusion of these 11 facilities would mean that all nursing homes in Minnesota would participate in the Nursing Home Report Card.

Background

In 2001, legislation was passed that required the Department of Human Services (DHS), in cooperation with the Minnesota Department of Health (MDH), to develop and implement a quality profile system for nursing facilities. In July 2002, DHS established a contract with the University of Minnesota to assist in the measurement of the quality profile. In early 2006, DHS in conjunction with MDH, published a nursing home report card based on these profiles.

Currently, all Medical Assistance (MA)-certified nursing homes participate in the nursing home report card assessment and their results are posted on the MDH public web site. The report card is interactive so that users can review scores on seven quality measures on selected nursing homes. The scores are based upon a five-star rating. However, there are 11 non-MA-certified nursing homes that are not required to participate. These nursing homes are four state veterans' nursing homes and seven private nursing homes that are not MA-certified. MDH has received numerous queries from users of the report card seeking information on these nursing homes. It is important that these nursing homes also be included so that consumers and families can make informed decisions when selecting a nursing home.

Legislative authority is needed to require these nursing homes to submit the necessary information for reporting their performance on the consumer satisfaction measures. The data used to produce other quality measures is obtained from independent sources or would be provided voluntarily. Based on the experience of providers already participating in the Nursing Home Report Card, the additional data required from these nursing homes would not create a significant reporting burden for the providers.

The additional proposed funding would pay for the cost of adding these nursing facilities to the consumer satisfaction survey process and to provide additional funding for the current shortfall in maintaining the consumer satisfaction survey for the current nursing homes. The consumer satisfaction survey process is used for developing report card results for each nursing home.

Relationship to Base Budget

This proposal would provide for a small increase (\$25,000 per year) to the Continuing Care Management base.

Statutory Change: M.S. 256B.439

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	85	Continuing Care – Admin	\$25	\$25	\$25	\$25
	REV	Administrative FFP	(10)	(10)	(10)	(10)
100		Net Fund Impact	15	15	15	15
		Net All Fund Impact	\$15	\$15	\$15	\$15

Program Description

State Operated Services (SOS) provides treatment and support services to persons with mental illness, acquired brain injury, chemical addiction, and developmental disabilities. Services for these individuals are provided by the department at community and campus-based programs, and residences, located throughout Minnesota.

SOS also provides treatment to those committed by the courts as mentally ill and dangerous, sexual psychopathic personality, or a sexually dangerous person and persons committed as mentally retarded and who a court has determined pose a risk to public safety. These services are referred to as state operated forensic services and are located in Moose Lake, St. Peter, and Cambridge.

Budget Activities

- ⇒ Mental Health Services
- ⇒ Minnesota Sex Offender Program
- ⇒ Minnesota Security Hospital and the Minnesota Extended Treatment Options Program
- ⇒ Enterprise Services

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	259,976	255,368	255,368	255,368	510,736
Technical Adjustments					
Current Law Base Change			11,873	5,547	17,420
Fund Changes/consolidation			(6,102)	(6,102)	(12,204)
Subtotal - Forecast Base	259,976	255,368	261,139	254,813	515,952
Governor's Recommendations					
Minnesota Security Hospital Census Adj		0	(1,659)	(1,659)	(3,318)
Compensation Adjustment		0	7,165	14,564	21,729
Total	259,976	255,368	266,645	267,718	534,363
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	221,157	292,208	266,645	267,718	534,363
Statutory Appropriations					
Misc Special Revenue	6,535	6,662	5,984	5,957	11,941
Federal	63	100	100	56	156
Miscellaneous Agency	3,210	2,928	2,618	2,618	5,236
Gift	1	1	1	1	2
Endowment	1	1	1	1	2
Revenue Based State Oper Serv	75,381	77,443	77,443	77,443	154,886
Mn Neurorehab Hospital Brainer	17,616	17,470	17,470	17,470	34,940
Dhs Chemical Dependency Servs	17,535	18,574	18,574	18,574	37,148
Total	341,499	415,387	388,836	389,838	778,674
<u>Expenditures by Category</u>					
Total Compensation	271,311	311,858	303,889	304,962	608,851
Other Operating Expenses	64,112	98,031	79,790	79,719	159,509
Capital Outlay & Real Property	531	77	77	77	154
Payments To Individuals	5,090	5,006	4,665	4,665	9,330
Local Assistance	28	0	0	0	0
Other Financial Transactions	427	415	415	415	830
Total	341,499	415,387	388,836	389,838	778,674
<u>Expenditures by Activity</u>					
Mental Health Services	131,244	147,737	121,637	125,391	247,028
Minnesota Sex Offender Program	40,092	62,410	68,534	63,602	132,136
Msh & Meto	59,630	91,662	85,177	87,357	172,534
Enterprise Services	110,533	113,578	113,488	113,488	226,976
Total	341,499	415,387	388,836	389,838	778,674
Full-Time Equivalent (FTE)	4,456.6	4,842.4	4,680.7	4,544.7	

Activity Description

State Operated Services' (SOS) Mental Health Services provide specialized treatment and related supports for persons with mental illness (MI). These services are provided in community behavioral health hospitals and intensive residential treatment centers, through direct outreach services to people, and at the Anoka-Metro Regional Treatment Center (RTC).

Activity at a Glance

- ◆ Mental health services provided inpatient and residential services to approximately 3,200 people, with an average daily population of 384 in FY 2006.

Population Served

Mental Health Services provides treatment to adults with serious mental illness.

Services Provided

Mental Health Services includes inpatient psychiatric services at community-based behavioral health hospitals. By serving patients as close as possible to their home communities, their natural support structures can aid and support treatment. Each patient receives an assessment of their mental, social, and physical health by a variety of medical professionals; an individual treatment plan, including medication management and 24-hour nursing care; and individualized discharge planning for transitioning back to an appropriate setting in the community. These hospitals are currently located in Bemidji, Wadena, Baxter, Alexandria, Fergus Falls, St. Peter, Rochester, Annandale, Cold Spring, Willmar, and the Anoka-Metro RTC. While the department continues to provide adult mental health programs on RTC campuses; located at Brained, Fergus Falls, and Willmar; these programs are expected to be closed during FY 2007. By the beginning of FY 2008, individuals with serious and persistent mental illness and other coexisting disorders will be served in community settings.

Additional services are also provided, in partnership with county social service agencies and mental health providers. These include:

- ⇒ Adult Rehabilitative Mental Health Services (ARMHS): These services instruct, assist, and support individuals in such areas as relapse prevention, transportation, illness management and life skills.
- ⇒ Assertive Community Treatment (ACT) Teams: These teams, which serve as "hospitals without walls," providing intensive, around-the-clock supports to people with serious mental illness in their homes, at work, and elsewhere in the community by multidisciplinary treatment teams to stabilize individuals to avoid entering a facility.
- ⇒ Crisis Response: This service provides mobile crisis teams to short-term crisis stabilization beds, to assist those individuals experiencing a crisis and requiring specialized treatment.

Historical Perspective

Minnesota's policy for services for people with disabilities has emphasized a broad array of community based treatment and support options enabling people to access the most appropriate care as close to their home community and natural support system as possible. This policy direction has resulted in the reduction in the reliance of care provided in large institutions of the past.

Key Measures

- ⇒ *Average length of stay for adults with serious mental illness (SMI) in an acute care or intensive residential treatment setting.* This measure also provides an indication of the community-based service system's ability to support adults with SMI in independent community living. In CY 2005, the average length of stay in acute care or intensive residential settings was 20.5 days.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MENTAL HEALTH SERVICES

Narrative

Activity Funding

This activity is funded by appropriations from the General Fund.

Contact

For more information on SOS Services, contact

- ◆ State Operated Services Chief Executive Officer Mike Tessneer, (651) 431-2369
- ◆ State Operated Services Chief Operating Officer Fran Bly, (651) 431-3688

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: STATE OPERATED SERVICES
Activity: MENTAL HEALTH SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	145,393	118,668	118,668	118,668	237,336
Technical Adjustments					
Fund Changes/consolidation			(6,102)	(6,102)	(12,204)
Subtotal - Forecast Base	145,393	118,668	112,566	112,566	225,132
Governor's Recommendations					
Compensation Adjustment		0	3,704	7,529	11,233
Total	145,393	118,668	116,270	120,095	236,365
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	124,625	141,472	116,270	120,095	236,365
Statutory Appropriations					
Misc Special Revenue	5,747	5,605	5,017	4,990	10,007
Federal	63	100	100	56	156
Miscellaneous Agency	808	560	250	250	500
Endowment	1	0	0	0	0
Total	131,244	147,737	121,637	125,391	247,028
<u>Expenditures by Category</u>					
Total Compensation	107,945	117,785	94,482	98,307	192,789
Other Operating Expenses	22,444	29,336	26,880	26,809	53,689
Capital Outlay & Real Property	1	0	0	0	0
Payments To Individuals	811	616	275	275	550
Local Assistance	28	0	0	0	0
Other Financial Transactions	15	0	0	0	0
Total	131,244	147,737	121,637	125,391	247,028
Full-Time Equivalent (FTE)	1,567.5	1,563.1	1,333.4	1,333.4	

Activity Description

The Minnesota Sex Offender Program (MSOP) provides specialized treatment for individuals committed by the courts as either a sexual psychopathic personality (SPP), or a sexually dangerous person (SDP), in a secure treatment setting.

Activity at a Glance

- ◆ The Minnesota Sex Offender Program provided services to 315 individuals in FY 2006.

Population Served

The MSOP serves people who have been committed as SPP or SDP. The majority of persons committed to this program have been referred by the Department of Corrections (DOC), upon completion of their criminal sentences, to individual counties for consideration of civil commitment.

Services Provided

Once an individual is civilly committed, they receive intensive, inpatient treatment. The philosophy of treatment is based on cognitive-behavioral techniques, and include strategies to prevent individual sex offenders from relapsing. Group therapy is the main form of treatment. Within the MSOP, populations are subdivided by level of functioning, willingness to participate in treatment, and avoidance of criminal-type activity. This is to encourage individuals to participate in treatment, and segregate others who are hindering progress.

MSOP services are in the process of being transitioned gradually from the St. Peter campus to the MSOP-Annex on the grounds of the Minnesota Correctional Facility-Moose Lake. This population will be transitioned from the MSOP-Annex site to the new modified "K" building on the MSOP-Moose Lake campus once construction is completed. The transition is expected to be completed in FY 2009, and when finished, the MSOP will be located entirely in Moose Lake.

Historical Perspective

Over the past several years, the MSOP has experienced significant population growth. Efforts are underway to enhance treatment methods and security and to create operational efficiencies to assure that cost effective services are provided.

Key Measures

- ⇒ *Percent of MSOP population in work service.* Sex offender treatment involves work services, education, recreation, and treatment. Work service is a critical part of the sex offender treatment program and is one of four components in the MSOP program (work, education, recreation, and treatment). Currently 75% of the MSOP residents participate in work services.
- ⇒ *Percent of MSOP population participating in sex offender treatment.* The current participation rate is 70%. The MSOP program is currently developing specialized treatment models for patients who have refused treatment or have failed in existing models.

More information on Department of Human Services measures and results is available on the web: <http://www.departmentresults.state.mn.us/hs/index.html>.

Activity Funding

The MSOP is funded by appropriations from the General Fund.

Contact

For more information on SOS Services, contact:

- ◆ State Operated Services Chief Executive Officer Mike Tessneer, (651) 431-2369
- ◆ State Operated Services Chief Operating Officer Fran Bly, (651) 431-3688

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MINNESOTA SEX OFFENDER PROGRAM

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	45,515	57,131	57,131	57,131	114,262
Technical Adjustments					
Current Law Base Change			9,215	2,864	12,079
Subtotal - Forecast Base	45,515	57,131	66,346	59,995	126,341
Governor's Recommendations					
Compensation Adjustment		0	1,373	2,792	4,165
Total	45,515	57,131	67,719	62,787	130,506
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	39,226	61,595	67,719	62,787	130,506
Statutory Appropriations					
Misc Special Revenue	159	150	150	150	300
Miscellaneous Agency	707	665	665	665	1,330
Total	40,092	62,410	68,534	63,602	132,136
<u>Expenditures by Category</u>					
Total Compensation	29,179	42,261	52,849	47,917	100,766
Other Operating Expenses	10,114	19,255	14,791	14,791	29,582
Payments To Individuals	799	894	894	894	1,788
Total	40,092	62,410	68,534	63,602	132,136
Full-Time Equivalents (FTE)	519.1	718.9	786.9	650.9	

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MINNESOTA SECURITY HOSPITAL & THE MINNESOTA
EXTENDED TREATMENT OPTIONS PROGRAM

Narrative

Activity Description

The Minnesota Security Hospital (MSH) and the Minnesota Extended Treatment Options (METO) program is operated by State Operated Services (SOS) and provides specialized treatment and related supports for persons committed by the courts as mentally ill and dangerous (MI&D), or with mental retardation (MR) who have been deemed a public safety risk by the courts.

Population Served

This budget activity serves:

- ◆ Persons who are committed as MI&D;
- ◆ people who have been committed as MI&D, SPP, SDP – or those on medical release from the Minnesota Department of Corrections (DOC) – who are in need of nursing home level of care;
- ◆ persons who are committed as MR who pose a public safety risk; and
- ◆ persons who have received a court-ordered evaluation of their competency, or court-ordered treatment to restore competency prior to standing trial for an offense.

Activity at a Glance

- ◆ All Minnesota Security Hospital programs provide services to 314 individuals in FY 2006.
- ◆ The Minnesota Extended Treatment Options program provides services to 45 individuals in FY 2006.

Services Provided

Services for those committed by the courts as MI&D are provided at the MSH in St. Peter. The MSH is a secure treatment facility that provides multi-disciplinary treatment serving adults and adolescents from throughout the state, who are admitted pursuant to judicial or other lawful orders, for assessment and/or treatment of acute and chronic major mental disorders. MSH also provides comprehensive, court-ordered forensic evaluations; including competency to stand trial and pre-sentence mental health evaluations. The MSH also operates a transition program that provides a supervised residential setting offering social rehabilitation treatment to increase self-sufficiency and build the skills necessary for a safe return to the community. In addition, the MSH operates a forensic nursing facility which provides services to those individuals who are in need of nursing home level of care and are committed as MI&D, SPP, SDP, or those on medical release from the DOC.

Services for individuals committed as MR who pose a public safety risk are provided at the METO program in Cambridge. METO provides specialized services for adults from across the state with the focus of treatment on changing client behavior and identifying necessary supports that will permit them to safely return to the community. In addition, staff provide technical assistance, provider training and education, and crisis intervention services for these clients.

Historical Perspective

Over the past several years, the services provided by the MSH and METO have seen significant population growth. Efforts are underway to enhance treatment methods and security and to create operational efficiencies, and to ensure that cost effective services are provided.

Key Measures

- ⇒ *Percent of patients who are qualified for community-based treatment and supervision and are receiving community-based treatment and supervision.* SOS is developing community-based treatment options for patients who no longer need the level of security and supervision in the of the MSH and METO programs. It is estimated that these programs will be available during fiscal year 2008.

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Activity: MINNESOTA SECURITY HOSPITAL & THE MINNESOTA
EXTENDED TREATMENT OPTIONS PROGRAM

Narrative

Activity Funding

The MSH and the METO program are funded by appropriations from the General Fund.

Contact

For more information on SOS Services, contact

- ◆ State Operated Services Chief Executive Officer Mike Tessneer, (651) 431-2369
- ◆ State Operated Services Chief Operating Officer Fran Bly, (651) 431-3688

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>

HUMAN SERVICES DEPT
Program: STATE OPERATED SERVICES
Activity: MSH & METO

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	69,068	79,569	79,569	79,569	159,138
Technical Adjustments					
Current Law Base Change			2,658	2,683	5,341
Subtotal - Forecast Base	69,068	79,569	82,227	82,252	164,479
Governor's Recommendations					
Minnesota Security Hospital Census Adj		0	(1,659)	(1,659)	(3,318)
Compensation Adjustment		0	2,088	4,243	6,331
Total	69,068	79,569	82,656	84,836	167,492
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	57,306	89,141	82,656	84,836	167,492
Statutory Appropriations					
Misc Special Revenue	629	817	817	817	1,634
Miscellaneous Agency	1,695	1,703	1,703	1,703	3,406
Endowment	0	1	1	1	2
Total	59,630	91,662	85,177	87,357	172,534
<u>Expenditures by Category</u>					
Total Compensation	49,416	64,339	69,085	71,265	140,350
Other Operating Expenses	7,656	24,716	13,485	13,485	26,970
Capital Outlay & Real Property	5	0	0	0	0
Payments To Individuals	2,561	2,607	2,607	2,607	5,214
Other Financial Transactions	(8)	0	0	0	0
Total	59,630	91,662	85,177	87,357	172,534
Full-Time Equivalentents (FTE)	805.9	998.7	998.7	998.7	

HUMAN SERVICES DEPT

Program: STATE OPERATED SERVICES

Change Item: Minnesota Security Hospital Census Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$(1,659)	\$(1,659)	-0-	-0-
Revenues	(166)	(166)	-0-	-0-
Net Fiscal Impact	\$(1,493)	\$(1,493)	-0-	-0-

Recommendation

The Governor recommends a one-time reduction in the appropriation for the Minnesota Security Hospital (MSH) due to updated patient projections, which indicate a need for fewer resources in the FY 2008-09 biennium.

Background

During the 2006 legislative session, the Department of Human Services (DHS) reported the MSH program was expected to grow by approximately 25 patients per year on a net basis. The legislature approved corresponding budgets assuming this rate of projected growth. Recent projections indicate the growth level has moderated and is now projected to be 19 patients per year. This reduced rate of estimated growth results in the ability to delay opening of an additional secure treatment unit scheduled to open in FY 2008 for another two years.

Proposal

This proposal delays the opening of one treatment unit in the Minnesota Security Hospital scheduled to open in FY 2008 until FY 2010, resulting in a one-time savings of \$2.98 million for the FY 2008-09 biennium.

Relationship to Base Budget

This proposal reduces the MSH base by about 2% each year for the FY 2008-09 biennium. This is a one-time reduction.

Statutory Change: Not Applicable

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	95	SOS Appropriation - Reduced Growth	\$(1,659)	\$(1,659)	\$0	0
	REV	SOS Collections	166	166	0	0
100		Net Fund Impact	(1,493)	(1,493)	0	0
		Net All Fund Impact	\$(1,493)	\$(1,493)	\$0	\$0
FTEs Requested						
			(25.9)	(25.9)	0	0

Activity Description

State Operated Services' (SOS) Enterprise Services operate in the marketplace with other providers, funded solely through revenues collected from third-party payment sources. These services focus on providing treatment and residential care for adults and children who may pose a public safety risk with chemical dependency, acquired brain injury, behavioral health issues, and developmental disabilities.

Population Served

Enterprise Services programs serve

- ◆ people with chemical abuse or dependency problems;
- ◆ people with acquired brain injuries;
- ◆ children and adolescents with severe emotional disturbances; and
- ◆ people who are developmentally disabled (DD).

Activity at a Glance

- ◆ Provides treatment for chemical abuse or dependency to approximately 4,733 people annually.
- ◆ Provides services to approximately 160 clients with acquired brain injuries per year.
- ◆ Provides treatment for emotional disturbances to approximately 500 children and adolescents per year.
- ◆ Provides services to approximately 470 people in community residential sites across Minnesota.
- ◆ Provides day treatment and habilitation to approximately 750 people with developmental disabilities.

Services Provided

Enterprise Services includes a variety of programs:

- ⇒ Chemical Addiction Recovery Enterprise (CARE) programs provide inpatient and outpatient treatment to persons with chemical dependency and substance abuse problems. Programs are operated in Anoka, Brainerd, Carlton, Fergus Falls, St. Peter, and Willmar.
- ⇒ The Minnesota Neurorehabilitation Services (MNS), located at Brainerd, provides outreach and intensive rehabilitation services to people with acquired brain injury who have challenging behaviors. The MNS program serves the entire state of Minnesota.
- ⇒ Child and Adolescent Behavioral Health Services (CABHS) provides an array of services ranging from in-home crisis intervention to hospital level of care. CABHS does this with its own staff and by partnering with other caregivers and contracting with private providers. This is a statewide program providing hospital-level care in Brainerd and Willmar.
- ⇒ SOS community-based residential services for people with disabilities typically are provided in four-bed group homes. Individual service agreements are negotiated with the counties for each client based on his/her needs. Clients take advantage of and are integrated into the daily flow of their community.
- ⇒ Day Training and Habilitation (DT&H) programs provide vocational support services to people with disabilities and include evaluation, training, and supported employment. Individual service agreements are negotiated for each client.

Historical Perspective

Changes in the funding structure for chemical dependency treatment moved SOS chemical dependency programs into enterprise services in 1988. In 1999, the legislature adopted statutory language that allowed SOS to establish other enterprise services. These services are defined as the range of services, which are delivered by state employees, needed by people with disabilities, and are fully funded by public or private third-party health insurance or other revenue sources. SOS specializes in providing these services to vulnerable people for whom no other providers are available or for whom SOS may be the provider selected by the payer. As such, these services fill a need in the continuum of services for vulnerable people with disabilities by providing services not otherwise available.

Key Measures

⇒ *Percent of people civilly committed to chemical dependency treatment who receive services in the appropriate secure setting.* Currently, when a person is civilly committed for chemical dependency treatment, options include providing a secure setting with an improper level of access to appropriate treatment, or providing appropriate treatment with an improper level of security. The SOS CARE program will be developing added security capacity during FY 2008 to ensure proper treatment at the proper site.

Activity Funding

Enterprise Services is supported solely through collections from third party payment sources including:

- ◆ Commercial and private insurance;
- ◆ individual or self-pay; and
- ◆ publicly funded payers (such as counties, Medical Assistance, Medicare, or the Consolidated Chemical Dependency Treatment Fund.).

Contact

For more information on Enterprise Services, contact:

- ◆ State Operated Services Chief Executive Officer Mike Tessneer, (651) 431-2369
- ◆ State Operated Services Chief Operating Officer Fran Bly, (651) 431-3688

Information is also available on the DHS web site: <http://www.dhs.state.mn.us>.

HUMAN SERVICES DEPT
Program: STATE OPERATED SERVICES
Activity: ENTERPRISE SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Misc Special Revenue	0	90	0	0	0
Gift	1	1	1	1	2
Revenue Based State Oper Serv	75,381	77,443	77,443	77,443	154,886
Mn Neurorehab Hospital Brainer	17,616	17,470	17,470	17,470	34,940
Dhs Chemical Dependency Servs	17,535	18,574	18,574	18,574	37,148
Total	110,533	113,578	113,488	113,488	226,976
<u>Expenditures by Category</u>					
Total Compensation	84,771	87,473	87,473	87,473	174,946
Other Operating Expenses	23,898	24,724	24,634	24,634	49,268
Capital Outlay & Real Property	525	77	77	77	154
Payments To Individuals	919	889	889	889	1,778
Other Financial Transactions	420	415	415	415	830
Total	110,533	113,578	113,488	113,488	226,976
Full-Time Equivalentents (FTE)	1,564.1	1,561.7	1,561.7	1,561.7	

HUMAN SERVICES DEPT

Change Item: TANF Refinancing

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$(40,000)	\$(32,700)	\$(10,500)	\$(10,500)
Revenues	-0-	-0-	-0-	-0-
TANF Fund				
Expenditures	39,750	32,700	\$10,500	\$10,500
Revenues	-0-	-0-	-0-	-0-
Net Fiscal Impact	\$(250)	-0-	-0-	-0-

Recommendation

The Governor recommends the refinancing of General Fund spending with federal Temporary Assistance for Needy Families (TANF) funds to achieve General Fund savings in FY 2008-09 to support the Governor's budget initiatives.

Background

Federal TANF law allows states to use up to 30% of TANF block grants to carry out a state program pursuant to the Child Care Development Block Grant Act and Title XX of the Social Security Act (Social Services Block Grant).

Federal TANF law requires that states maintain a certain level of non-federal spending on related activities, referred to as TANF maintenance of effort (MOE).

This proposal would decrease the General Fund appropriation for Minnesota Family Investment Program (MFIP)/Transition Year (TY) child care assistance by \$40 million in FY 2008 and \$32.7 million in FY 2009 to achieve General Fund savings.

The proposal would increase the TANF appropriation for MFIP/TY child care assistance pursuant to the Child Care Development Block Grant Act.

Child care General Fund expenditures are claimed as a source of TANF MOE spending; therefore, a reduction in state child care spending would need to be replaced by other eligible MOE spending. To meet TANF MOE requirements in FY 2008-09, state law would be amended to increase the allowed use of the Working Family Credit as a source of MOE spending by \$40 million in FY 2008 and \$32.7 million in FY 2009. These are existing state expenditures.

This refinancing proposal would not alter the forecasted nature of or eligibility criteria for MFIP/TY child care assistance. Program recipients would not be affected by this change in financing.

Relationship to Base Budget

This proposal would create General Fund savings relative to the base budget and TANF commitments for FY 2008-09.

Statutory Change: Riders

Fiscal Detail Budget Tracking

(Dollars in Thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	22	MFIP Child Care Assistance Grants	\$(40,000)	\$(32,700)	\$(10,500)	\$(10,500)
315	15	Refinance TANF/GF	40,000	32,700	10,500	10,500
Ded	REV	Transfer from TANF to MFIP Child Care Assistance Grants	(40,000)	(32,700)	(10,500)	(10,500)
Ded	22	MFIP Child Care Assistance Grants	40,000	32,700	10,500	10,500
315	21	Support Services Grants	\$(250)	\$0	\$0	\$0

HUMAN SERVICES DEPT

Change Item: TANF Refinancing

100		Net Fund Impact	\$(40,000)	\$(32,700)	\$(10,500)	\$(10,500)
315		Net Fund Impact	\$39,750	32,700	\$10,500	\$10,500
Ded		Net Fund Impact	-0-	-0-	-0-	-0-
		Net All Fund Impact	\$(250)	-0-	-0-	-0-
FTEs Requested						

HUMAN SERVICES DEPT

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$8,879	\$18,027	\$18,027	\$18,027
Revenues	1,708	3,468	3,468	3,468
Health Care Access Fund				
Expenditures	388	779	806	806
Revenues	155	311	311	311
Other Fund				
Expenditures	14	27	27	27
Net Fiscal Impact	\$7,418	\$15,054	\$15,054	\$15,054

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs, 2% for costs in other funds, and 3.25% for costs related to direct care.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

HUMAN SERVICES DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	56,783	54,077	69,479	73,572	143,051
Grants:					
General	3,019	17,652	17,815	18,304	36,119
Other Revenues:					
General	107,056	144,276	109,912	103,427	213,339
Health Care Access	4,196	5,129	4,609	5,626	10,235
Taxes:					
General	205,282	206,081	209,706	214,606	424,312
Total Non-Dedicated Receipts	376,336	427,215	411,521	415,535	827,056
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Misc Special Revenue	108	125	100	100	200
Departmental Earnings:					
General	5,200	5,594	5,667	5,740	11,407
Health Care Access	20,644	19,244	20,016	18,288	38,304
Misc Special Revenue	8,002	8,513	7,821	7,665	15,486
Federal	18,027	13,770	14,055	13,667	27,722
Miscellaneous Agency	1	0	0	0	0
Revenue Based State Oper Serv	72,953	78,003	78,003	78,003	156,006
Mn Neurorehab Hospital Brainer	17,331	17,533	17,533	17,533	35,066
Dhs Chemical Dependency Servs	15,337	18,825	18,825	18,825	37,650
Grants:					
General	52,788	31,836	50,904	53,444	104,348
Misc Special Revenue	56,970	64,362	37,808	38,691	76,499
Federal	3,794,048	4,123,219	4,355,872	4,614,884	8,970,756
Other Revenues:					
General	5,387	8,571	8,460	8,460	16,920
Health Care Access	26	0	0	0	0
Misc Special Revenue	103,044	113,923	106,935	105,278	212,213
Federal	24,452	960	960	960	1,920
Miscellaneous Agency	620,510	658,609	658,163	658,018	1,316,181
Gift	21	16	14	14	28
Endowment	2	1	1	1	2
Revenue Based State Oper Serv	793	1,073	1,073	1,073	2,146
Mn Neurorehab Hospital Brainer	117	101	101	101	202
Dhs Chemical Dependency Servs	215	200	200	200	400
Other Sources:					
Miscellaneous Agency	3,044	181,782	181,482	181,482	362,964
Total Dedicated Receipts	4,819,020	5,346,260	5,563,993	5,822,427	11,386,420
Agency Total Revenue	5,195,356	5,773,475	5,975,514	6,237,962	12,213,476

Non-Entitlement Grant Summary

Support Services Grants BACT #21							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				8,682	8,715	8,715	8,715
MFIP Consolidated Support Services Grants	S35	F162	Consolidated funding allocated to counties and tribes to administer self-sufficiency programs that include a continuum of services to meet the needs of families in their transition to work and to improve program performance. (approx. served FY05– a monthly average of 12,600 persons were served by employment services)	8,661	8,679	8,679	8,679
Food Stamp Employment and Training (FSET) Service Grants	S35	F500	Grants to counties for the provision of employment services to help Food Stamp participants prepare for and accept employment. (approx. served FY05 – a monthly average of 1,600 persons)	20	26	26	26
CFS Injury Protection Program	S35	F550	Payments to medical providers for the treatment of injuries suffered by persons injured while participating in a county or tribal community work experience program.	1	10	10	10
Federal TANF 315				91,953	113,676	102,632	102,632
HC Worker Tuition	T01	F606	Funds appropriated to the commissioner to contract with the board of trustees of the Minnesota state colleges and universities to provide tuition waivers to employees of health care and human services providers located in the state that are members of qualifying consortia operating under M.S. sections 116L.10 to 116L.15.	0	250	0	0
HC Worker training (DEED)	T01	F607	Funds appropriated to the commissioner to be transferred to the jobs skills partnership board for the health care and human services worker training and retention program under M.S. section 116L.10.	83	0	0	0

Non-Entitlement Grant Summary

Support Services Grants BACT #21							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
TANF Pathways (DEED)	T01	F608	Funds appropriated to the commissioner to be transferred to DEED for the pathways program under M.S. section 116L.04 to develop programs which assist the transition of persons from welfare to work.	70	0	0	0
MFIP Consolidated Support Services Grants	T01	F640	See General Fund Explanation	91,800	113,426	102,632	102,632
<u>STATUTORY APPROPRIATIONS</u>							
Federal Fund				27	34	34	34
FSET - Services Grants	F54	F576	See General Fund	27	34	34	34

Non-Entitlement Grant Summary

BSF Child Care Assistance Grants BACT #23							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				7,548	36,467	41,296	42,598
Basic Sliding Fee (BSF) Child Care Assistance Grants	S79	B402	BSF child care assistance grants provide financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. Funds purchase child care for 15,000 children in 8,700 families (2005).	7,548	36,467	41,296	42,598
Federal Fund				62,040	59,681	46,667	48,239
Basic Sliding Fee (BSF) Child Care Assistance Grants	E22	B421	See General Fund.	62,040	59,681	46,667	48,239

Child Care Development Grants BACT #24							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				1,504	1,515	1,515	1,515
Child Care Service Development Grants	S77	B422	Grants to child care resource and referral agencies to build and improve the capacity of the child care system for centers and family child care providers. Over 2,300 family and center providers each year. See also federal fund.	284	295	295	295
Child Care Resource and Referral Grants	S77	B423	Grants to child care resource and referral agencies to support the child care infrastructure through information for parents, supports and training resources for providers, coordination of local services and data collection to inform community planning. Annually, approximately 22,000 referrals and 200,000 consultation, mentoring, coaching and technical assistance contacts delivered to providers; 35,000 practitioners participated in classes and related activities.	704	704	704	704
Migrant Child Care Grants	S77	B425	Provides grant funds to community based program for comprehensive child care services for migrant children throughout the state. Approximately 150 migrant children under 14 years of age served annually	200	200	200	200
Child Care Facility Grants	S77	B436	Grants and forgivable loans to child care providers and centers in communities with a concentration of families living in poverty, to start, expand or improve programs. (Development Corporation for Children)	166	166	166	166
Child Care Integrity Grants	S77	B471	Grants to counties to support fraud prevention activities.	150	150	150	150

Non-Entitlement Grant Summary

Child Care Development Grants BACT #24							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				62	138	0	0
Bush Foundation Infant & Toddler	R72	C503	Private funds to develop and implement strategies to comprehensively integrate training that supports the needs of infants and toddlers into the child care professional development system while supporting and enhancing the delivery of the Infant Toddler Training Intensive Program. 580 child care providers trained. Grant ends October 31, 2006.	62	138	0	0
Federal Fund				9,295	8,545	8,495	8,495
CCDF - Resource and Referral Grants	E22	B411	Combines with state child care resource and referral funds to make grants to regional agencies to support the child care infrastructure through information for parents, supports and training resources for providers, coordination of local services and data collection to inform community planning. Also see General Fund.	3,798	3,676	4,100	4,100
CCDF - School Age Start-up Grant	E22	B412	Grants to community based programs to support professional development and child care program improvement grants for school age child care settings.	744	689	600	600
CCDF - Special Needs Grants	E22	B413	Grants to community based programs to support and train child care providers in caring for children with special needs.	250	250	250	250

Non-Entitlement Grant Summary

Child Care Development Grants BACT #24							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
CCDF - County Grants	E22	B414	Grants to MN counties to support the local child care system (Ended in FY06)	298	0	0	0
CCDF- Infant & Toddler Grants	E22	B416	Grants to community based programs to build and sustain the child care capacity and improve quality of care for infants and toddlers. A portion is administered with general fund Child Care Service Development Grants.	1,301	1,305	1,300	1,300
CCDF - Cultural Competency Grants	E22	B417	Grants to community based programs to enhance the cultural competency of early childhood programs and to improve access to cultural information, training, and technical assistance.	370	370	370	370
CCDF - Professional Development Grants	E22	B419	Professional development and child care program improvement grants.	75	75	75	75
CCDF – CDA Support Grants	E22	B431	Professional development and child care program improvement grants.	98	80	50	50

Non-Entitlement Grant Summary

Child Care Development Grants BACT #24							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
CCDF - Business Development Grants	E22	B438	Funding to Development Corporation for Children for technical assistance to child care centers to become viable and sustainable programs serving low-income families.	100	100	100	100
CCDF - Services Development Grants	E22	B446	Grants to child care resource and referral agencies to build and improve the capacity of the child care system. Over 2,300 family and center providers each year. Administered with general fund Child Care Service Development Grants	900	900	900	900
CCDF - Community Partner Grants	E22	B447	Grants to community based programs to build and sustain the child care capacity and improve quality of care. <i>(Grant ends in FY 2006.) The grant will not be budgeted in MAPS.</i>	53	50	50	50
CCDF - Mentorship & Training Grants	E22	B449	Grants to community based programs to support professional development and improve quality of care.	1,308	1,050	700	700

Non-Entitlement Grant Summary

Child Support Enforcement Grants BACT #25							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				3,205	3,655	3,705	3,705
Transfer to CSE Payment Center Recoupment Account	S37	D015	See Special Revenue Fund.	0	0	50	50
Child Support Enforcement (CSE) County Grants	S37	F202	These funds pay performance based incentives that counties use for child support administrative costs.	2,911	2,905	2,905	2,905
CSE County Guidelines Grants	S37	F204	These funds help counties fund a portion of new guideline administrative costs.	0	450	450	450
CSE Medical Provider Bonus	S37	F209	Grants to hospitals for notarized paternity acknowledgement submitted to MDH.	294	300	300	300
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				1,245	1,216	1,166	1,166
CSE Payment Center Recoupment Account	R50	F259	Grants to individuals that temporarily fund NSF checks and other child support payment adjustments, which allow child support funds to be distributed within the 48 hour federal requirement.	0	90	40	40
CSE County grants	R51	F218	See General Fund. <i>(This funding is from the non-federal share of the child support 1% processing fee.)</i>	1,110	1,126	1,126	1,126
CSE Paternity Grants	R88	F234	The funding source is federal reimbursement on the state's medical provider bonus and supports paternity education activities to improve the state's paternity establishment rate. This activity continues as an administrative activity in 2007 and beyond.	135	0	0	0

Non-Entitlement Grant Summary

Child Support Enforcement Grants BACT #25							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				145	145	124	124
Ramsey County Pat Education	F11	F247	Grants to improve paternity establishment in Ramsey County	22	21	0	0
CSE Access & Visitation Grants	F41	F254	Grants to improve non-custodial parents access to their children.	123	124	124	124

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				40,728	55,745	51,262	51,262
American Indian Child Welfare Program	S21	C272	Grants to tribes to provide the full continuum of child welfare services to American Indian children living on participating tribe's reservations.	0	2,419	4,838	4,838
Non-recurring Adoption Assistance Grants	S21	C273	One time grants of up to \$2000 to adoptive families for expenses related to the adoption of a child with special needs. (Number served FY06-493 children)	202	193	193	193
Foster Care and Adoption Recruitment Grants	S21	C344	Grants to providers for recruitment of foster and adoptive families; fund child placement agencies' efforts to place children committed to the guardianship of the commissioner in adoptive homes.	165	239	239	239
Privatized Adoption Grants	S21	C345	Grants to providers for recruitment of foster and adoptive families; fund child placement agencies' efforts to place children committed to the guardianship of the commissioner in adoptive homes.	2,223	3,966	2,650	2,650

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Child Welfare Reform - Prevention / Early Intervention Grants	S21	C347	Grants to counties for child welfare reform. Provides services designed to support families in keeping children safe and nurtured. Services include training and counseling support for parents and children, stable housing and safe living conditions and activities that enhance parent/child interactions and increase self-sufficiency and reduce child maltreatment risk factors. These services are also funded by federal Title IV-B2 funds and county match.	800	800	800	800
FC Trans Plan Demo Project	S21	C350	Grants to providers for transitional planning and housing assistance services to youth leaving long-term foster care.	297	1,085	1,085	1,085
Fetal Alcohol Syndrome - Intervention and Advocacy Grants	S21	C363	Grants to counties, tribes and health organizations to provide early intervention services to women with a history of maternal substance abuse; improve family functioning and address the effects of prenatal exposure by providing services to families with children who have had prenatal drug or alcohol exposure.	327	400	400	400
Indian Child Welfare Act (ICWA)	S21	D266	Grants to tribes and urban Indian social service agencies to provide a continuum of services to strengthen Indian families and reunify children placed out-of-home with their families. In FY 2006-07, the General Fund appropriation is transferred to the Special Revenue Fund.	0	0	1,509	1,509

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Children's Mental Health Screening Grants	S21	M145	Grants to counties for screening, assessments, and resulting mental health services for children in the child welfare and juvenile corrections systems. (Approx. number served in SFY 2005; 8,970)	2,967	4,330	4,374	4,374
Children's Mental Health Targeted Case Management Grants	S21	M169	Grants to counties to offset their cost of assuming the state share of MA reimbursed mental health case management services for children. Grants vary based on number of clients served and are updated as part of the MA forecast. (Approx. number of clients served in SFY05 – average of 3,683 clients each month) Funds for FY 08-09 are in the MA forecast	5,274	5,709	0	0
Adoption Assistance Grants	S42	C248	Direct payments to adoptive families to offset cost of assuming custody of and caring for special needs children. Critical to securing permanency for special needs wards of the state and consistent with the federal requirements and the Performance Improvement Plan (PIP) for the state's child welfare system. (FY06 caseload - 6,000)	23,125	25,432	25,438	25,438
Relative Custody Assistance Grants	S42	C349	Direct payments to relatives to offset cost of assuming custody of and caring for special needs children. Critical to securing permanency for special needs wards of the state and consistent with the federal requirements and the Performance Improvement Plan (PIP) for the state's child welfare system. (FY06 caseload 1,900)	5,348	11,172	9,736	9,736
Health Care Access Fund 190				0	250	250	0
Children's Mental Health Crisis Grants	M21	C500	Children's mental health crisis grants to metro counties and one out-state county to build capacity for mobile crisis teams-particularly to cover costs for uninsured children. (New grant: no data available on number of clients served)	0	250	250	0

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				4,576	6,270	2,971	2,454
Privatized Adoption Grants	R20	C276	The source of the funding for this item is federal reimbursement associated with General Fund appropriations for Privatized Adoption Grants and Foster Care Recruitment Grants. Prior to FY 2005, these expenditures were accounted for in the Federal Fund.	0	650	650	650
Foster Care Recruitment	R20	C277	Grant to the University of Minnesota to provide Title IV-E Eligibility Determination training. Beginning in FY 2007, this funding was consolidated with Child Welfare Training Grants	68	0	0	0
Adoption IV-B Grants	R20	C278	The source of the funding for this item is federal reimbursement associated with General Fund appropriations for Privatized Adoption Grants and Foster Care Recruitment Grants.	660	800	0	0
Indian Child Welfare Grants	R21	C231	Grants to tribes and urban Indian social service agencies to provide a continuum of services to strengthen Indian families and reunify children placed out-of-home with their families. <i>(General Fund grant appropriation is accounted for in the General Fund in FY 08-09)</i>	1,512	2,011	0	0
Child Welfare Training Grants	R22	C234	Grant to the University of Minnesota to provide regionalized training to county child welfare staff consistent with the requirements of MS § 626.559, Subd. 5.	1,191	1,494	1,452	1,452
McKnight Parent Supt. Grt.	R55	C261	Grants to counties to provide support services to families struggling with parenting issues. Ends in FY 2008.	790	800	517	0

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
McKnight Alt. Response. Ass. Gantt.	R57	C251	Grants to counties to provide services to families under the Family Assessment Response program (formerly known as Alternative response). Ends in FY 2007	0	163	0	0
Children's Trust Fund Grants	R90	B704	Grants to community based agencies to prevent child maltreatment and improve family functioning. Also provides funding for a statewide organization to improve public awareness and efforts to prevent child maltreatment and for a department initiative to increase families' knowledge of and access to available services in their community. In CY 2005, 4,382 individuals participated in programs funded by the Children's Trust Fund.	355	352	352	352
Federal Fund				47,573	56,179	53,793	53,824
Challenge Grant – Children's Trust Fund	E23	B702	Grants to community based agencies (such as non-profits, school districts, and human service agencies) to provide supports and services to families that reduce the risk of child maltreatment and enhance family capacities. (Approx. CY2005: 4,382 participated in programs funded by the Children's Trust Fund)	1,242	3,643	856	856
Title IV-B2 Family Support Grants	F00	C206	Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family.	1,117	1,142	1,142	571
Title IV-B2 Family Preservation Grants	F00	C237	Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family	1,304	737	1,550	1,550
Title IV-B2 Adoption Grants	F00	C238	Grants to providers of an array of post adoption services to foster and adoptive families	78	0	900	900
Title IV-B2 Reunification Grants	F00	C239	Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family	907	2,151	2,000	2,000

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Title IV-B2 - Children's Justice Initiative Grants	F00	C244	Grants to counties to fund efforts to shorten the timeframe for establishing a permanent home or family reunification. Targets children younger than 8 years of age in out-of- home care. <i>(MAPS will be updated for 08' and 09' \$125,000 per year.)</i>	73	125	0	0
Title IV-B Projected Deficit	F00	D991	Projected deficit in the Title IV-B account.	0	0	(932)	(1,448)
Title IV-E Foster Care Maintenance	F02	C294	Federal financial participation for costs of Title IV-E eligible children in foster care programs.	17,746	19,425	19,425	19,425
Title IV-E Foster Care Rule 4 / Intake & Planning	F02	C300	Federal financial participation for expenditures by counties, tribes and providers providing assistance to Title IV-E children in foster care programs.	2,201	3,150	3,150	3,150
Title IV-E Foster Care University of Minnesota	F02	C303	Federal financial participation for costs associated with support and training for child welfare system.	2,970	3,465	3,465	3,465
Title IV-E Adoption Assistance - Maintenance	F04	C279	Federal financial participation for payments to individuals adopting to Title IV-E children in adoption assistance programs.	15,286	17,500	18,100	19,600
Title IV-E Adoption Assistance - Non-Recurring Grants	F04	C365	Federal financial participation for payments to individuals adopting to Title IV-E children in adoption assistance programs.	345	370	370	370

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Title IV-B1 Family Preservation Grants	F08	C281	Grants to counties and tribes to support a continuum of services to strengthen families and to reunite children safely with their family.	1,369	1,250	850	850
Title IV-B1- Minnesota Adoption Res Net Grants	F08	C318	Grants to providers of an array of post adoption services to foster and adoptive families.	14	220	220	220
Adoption Incentive Payment Grant	F09	C271	Federal adoption incentive payment used for grants to providers of adoption-related services.	74	0	0	0
Adoption Incentive Pymt. Award	F09	D878	Adoption Incentive Payment. Award	0	154	0	0
Independent Living Grants	F15	C293	Grants to counties, providers, and individuals providing assistance to Independent Living Programs. (FY05 number served 3,559 children)	1,783	1,539	1,539	1,539
Education & Training Voucher Grants	F35	C286	Post-secondary education voucher grants.	579	600	600	600

Non-Entitlement Grant Summary

Children's Services Grants BACT# 26							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Independent Living Projected Deficit	F35	D992	Projected deficit in the Independent Living Account.	0	0	(9)	(41)
CMH Real Choice EBP Project Grant	F42	M170	Funds professional/technical contracts to transfer an evidence based practices clinical decision-making database developed at the University of Hawaii for use by Minnesota providers to provide more effective interventions for children with mental and emotional disorders.	34	45	0	0
Child Abuse (CAPTA) Grants	F55	C227	Grants to counties and providers for child protection services to impact the cycle of child abuse and neglect.	16	70	65	65
Children's Justice Act	F56	C236	Training to law enforcement, county attorney, and child protection professionals, including equipment and training on the use of videotape and closed circuit testimony of child abuse victims. (approx. served FY06 – 282 Trainees)	134	152	152	152
Homecoming Project Grants	F73	C225	Grants to recruit adoptive families for teenagers. Ends in FY 2008	301	441	350	0
Gift Fund 690				30	25	25	25
Forgotten Children's Fund	G06	C307	Private donations received from the American Legion and other private donors. Administered by DHS to fund special services or activities to children placed out side their homes (CY05 – served 169 children)	30	25	25	25

Non-Entitlement Grant Summary

Children & Community Services Grants BACT # 27							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATION</u>							
General Fund				68,492	68,498	68,501	68,501
Red Lake Band Grants	S25	A314	Grants to Clearwater and Beltrami Counties for costs of social services provided to members of the Red Lake Band residing on the Red Lake Reservation	496	496	496	496
Children & Community Services Grants	S25	M148	Grants to all Minnesota counties to support county-administered social service programs for children, adolescents and other individuals who experience dependency, abuse, neglect, poverty, disability, chronic health conditions, or other factors that result in poor outcomes. (Consolidated grant that replaced Community Social Services Act and several other grants.)	67,996	68,002	68,005	68,005

Non-Entitlement Grant Summary

Children & Community Services Grants BACT # 27							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
STATUTORY APPROPRIATIONS							
Federal Fund				32,962	32,967	32,730	32,730
Title XX - ICW Law Center	F82	C280	Grant for legal advocacy services, training and technical assistance.	140	140	140	140
Title XX - Migrant Day Care Grants	F82	C283	Grant provides child care in a number of counties for children whose parents, guardian or current caretakers have changed residence recently to obtain employment in a temporary or seasonal agricultural activity.	486	409	294	294
Title XX - Children & Community Services Grants	F82	S505	See General Fund	32,304	32,296	32,296	32,296
Title XX - Emergency Disaster Relief	F82	S506	One-time grant to counties that reported serving hurricane evacuees.	32	122	0	0

Non-Entitlement Grant Summary

Refugee Services Grants BACT #31							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>STATUTORY APPROPRIATIONS</u>							
Federal Funds				11,366	18,288	17,309	17,310
Refugee Recoveries	F20	F519	Recovery of fiscal errors in assistance payments	19	20	19	20
Refugee Cash Assistance	F20	F549	Cash grants to needy refugees who do not have children in the home. (approx. served – 960 per month)	2,496	2,500	2,500	2,500
Refugee CMA Admin Grants	F20	F571	Grants to voluntary resettlement agencies to operated Refugee Cash Assistance and to the Department of Health for the implementation of health screening for refugees.	1,158	1,738	1,738	1,738
Refugee Medical Assistance	F20	F572	Grants to medical providers for medical care received by needy refugees without minor children in the home. (approx. served – 560 per month)	3,051	3,500	3,500	3,500
Refugee Discretionary Project	F25	F533	Grants to non profit agencies available for certain geographic areas with refugee populations.	236	309	296	296
Refugee Services Grants BACT #31							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Refugee School Impact Grant	F68	C510	Grants to assist the refugee service capacity of school districts in Anoka, Hennepin, Olmsted and Ramsey counties.	11	1,674	1,031	1,031
Services to Older Refugees	F69	C508	Grants for assistance to older refugees	13	74	50	50
Refugee Social Services	F70	F552	Grants to non profit agencies to help refugees who encounter difficulties adjusting to life in the United States. Approx.served 534 per month	3,039	5,990	6,190	6,190
Refugee Temporary Assistance Grants 10%	F90	F539	Grants for refugee emergency assistance.	64	0	0	0
Refugee Temporary Assistance Grants	F92	F536	Grants for refugee emergency assistance.	1,279	2,483	1,985	1,985

Non-Entitlement Grant Summary

Other Children & Economic Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				16,221	15,793	16,033	15,533
MN Community Action Grants	S36	B311	Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivations to become more self-reliant. (Serves 250,000 households annually)	4,000	4,000	4,000	4,000
Food Shelf Grants	S36	B325	Dedicated funding to Hunger Solutions Minnesota (HSM) for purchase and distribution of food to food shelves throughout the state, including some administrative costs.	1,278	1,278	1,278	1,278
Transitional Housing Grants	S36	B326	Provides supportive housing and supportive services to homeless individuals and families so that they can secure permanent, stable housing. (Serves 5,100 individuals annually)	1,841	1,841	2,988	2,988
Emergency Services Grant	S36	B347	Funds the operating costs of shelters and essential services to homeless families and individuals. (Serves 3,000 individuals annually)	350	350	350	350
Family Assistance for Independence Grant	S36	B352	FAIM is part of a national initiative to promote individual development accounts (IDAs). IDAs target the working poor, provide subsidies through matches rather than through tax breaks, and require participants to attend financial education. This funding reflects a biennial appropriation.	500	0	500	0

Non-Entitlement Grant Summary

Other Children & Economic Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Long Term Homeless Svc. Grants	S36	C502	Grants to county/provider partnerships to provide supportive housing services to long-term homeless individuals and families.	5,000	5,000	5,000	5,000
Fraud Prevention Grants	S36	F405	Grants to counties for the Fraud Prevention Investigation Program, enabling early fraud detection and collection efforts.	1,371	1,414	1,414	1,414
LEP Grant	S36	F504	Grants to non-profit agencies for the provision of language services and the translation of vital documents for non-english speaking recipients of human services.	88	88	88	88
Supportive Housing Pilot	S36	S146	Grants to pilot counties for the purpose of testing the effectiveness of integrating supportive services, housing and managed care for single adults and families. Ends in FY 2007	1,500	1,500	0	0
Minnesota Food Assistance Program	S48	F123	State funded food benefits for legal non-citizens who do not qualify for federal food stamps.	293	322	415	415

Other Children & Economic Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
STATUTORY APPROPRIATIONS							
General Fund				0	1	0	0
Net MN FS Recoveries	S48	F122	Recoveries statutorily dedicated to the Minnesota Food Assistance program.	0	1	0	0
Special Revenue Fund				283	394	303	303
FEMA Emergency Food & Shelter	R05	C512	Funds State Set-Aside Committee that is responsible for establishing a formula for distributing funds to local organizations.	8	3	3	3
FSP Enhanced Funding – County	R48	F427	Allotment to counties from Minnesota’s federal Food Stamp bonus.	2	0	0	0
FSP Enhanced Funding MFAP	R48	F556	See General Fund	1	0	0	0
Healthy Marriage Grant	R69	F219	This appropriation includes federal and state matching funds. Federal funds are earned under the "Healthy Marriage" waiver, which promotes marriage and relationship skill mentor training and research. The state match is funded by the state marriage license fee.	206	300	300	300
McKnight Financial Literacy Grant #2	R71	B367	Grants to build the capacity of nonprofit agencies across the state to help low-income people move out of poverty through financial education and asset building opportunities.	66	91	0	0

Non-Entitlement Grant Summary

Other Children & Econ. Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				170,223	184,918	224,952	246,555
Employment Retention Grants	E04	F121	A federal grant for examining the effectiveness of intensive case management services for hard-to-employ welfare recipients in Hennepin County. <i>(Ends in FY 2006)</i>	70	0	0	0
CCDF - Multilingual Grant	E22	B408	Grants to non-profit agencies for the provision of language services and the translation of vital documents for non-english speaking recipients of human services.	120	120	120	120
CCDF - Teacher Education & Retention Grants	E22	B472	Grants funds to support an educational scholarship fund and a teacher retention grant program for family and center child care workers. Approx. 185 scholarships and 190 retention awards annually.	400	400	400	400
TEFAP Grants	E26	B312	Distributes U.S. Department of Agriculture (USDA) donated food commodities to individuals and families who use on-site meal programs, food shelves and shelters. This program design ensures an equitable distribution of commodities to all 87 counties. The emergency food assistance program (TEFAP) funds are used to cover costs associated with the distribution of USDA food commodities, including warehousing, transportation, product tracking, and allocation.	372	778	577	577
HUD ESGP Grants	E27	B315	The Emergency Shelter Grant Program (ESGP) provides funding to shelters and transitional housing programs for operating costs, essential services, and homelessness prevention.	1,161	1,164	1,125	1,125

Non-Entitlement Grant Summary

Other Children & Economic Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Community Services Block Grant	E28	B319	Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivation to become more self-reliant.	6,958	10,117	5,400	5,400
Community Services Block Grant	E28	B320	Grants to Community Action Agencies are used to focus local, state, private and federal resources on supporting low-income families and individuals to attain the skills, knowledge and motivation to become more self-reliant.	392	351	300	300
Community Food & Nutrition Grants	E29	B321	Funds public and private organizations to coordinate existing food assistance resources and identify innovative approaches to meet the basic nutritional needs of low-income Minnesotans.	35	13	0	0
Financial Literacy Training	E34	B329	Funds financial literacy skill development so nonprofit staff can help low-income people participate more fully in mainstream financial services and develop and protect financial assets.	20	15	0	0

Non-Entitlement Grant Summary

Other Children & Economic Assistance Grants BACT #32							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Net Federal FS Recoveries	F14	F164	Recoveries statutorily dedicated to the Food Stamp Program.	489	750	750	750
Food Stamps (non-MFIP)	F14	F170	Grants to low income households to improve nutrition and achieve food security.	153,011	164,010	209,080	230,683
FSP Cashout Benefits – SSI	F47	F107	Cashed out food benefits to SSI/elderly.	7,195	7,200	7,200	7,200
Federal TANF Fund				14,726	1,337	0	0
TANF LIHEAP	T01	F165	TANF Low Income Home Energy Assistance Program (LIHEAP)	13,399	0	0	0
TANF Transitional Housing	T01	F612	TANF transitional housing grants	1,327	1,337	0	0

Non-Entitlement Grant Summary

Other Health Care Grants BACT #45							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATION</u>							
General Fund				7,958	359	209	209
Med. Part D-Dual Eligible Pharm	S81	H792	Short term allocation to cover dual eligible recipients during Part D Implementation. Ended April 2006.	4,489	0	0	0
U Special Kids Intensive Care Management	S98	H310	U Special Kids grants creates and funds a pilot intensive care coordination program for children who are unable to participate in University / Fairview's U Special Kids intensive care coordination program because of the program's metro-area location.	0	209	209	209
MA Lien Recoveries	S98	H315	Recovery of MA benefits through MA property liens when clients are permanently institutionalized and not expected to return home.	2,469	0	0	0
MN Care Eligibility Training	S98	H316	Grants to counties to defray their training costs incurred due to the implementation of Transitional MinnesotaCare (GAMC to MinnesotaCare)	1,000	0	0	0
Oral Health Pilot	S98	H740	Start-up funds for a pilot project to test a new oral health care delivery system.	0	150	0	0

Non-Entitlement Grant Summary

Other Health Care Grants BACT #45							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				18,461	27,075	75	75
Elderly Waiver (EW) Contract Process	R09	H123	Elderly Waiver grant claims are processed by MMIS for a fee under a contract with private health plans.	18,452	27,000	0	0
Winona County Foundation Grant	R66	H207	A grant from a private foundation to DHS to fund the State share of a pilot project to pay increased dental payment rates to Winona county dentists to improve access to care for local MHCP recipients.	9	75	75	75
Federal Funds				327	475	475	475
Monitor Prepaid Health Plan	F07	H321	Grants for interagency agreements dealing with Child & Teen checkups, Managed Care organizations, surveys on access to care, and Health Care Disparities.	327	475	475	475

Non-Entitlement Grant Summary

Aging & Adult Services BACT #70							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATION</u>							
General Fund				15,181	13,960	13,960	13,960
Caregiver Support Grants	S26	H711	Grants to counties and nonprofit organizations to provide caregiver and respite services, support groups and training in care giving.	458	458	458	458
Seniors Agenda for Independent Living (SAIL) Grants	S26	H802	Seniors Agenda for Independent Living (SAIL) Eldercare Development Partnership (EDP) \$761,000. Grants to certain counties and Area Agencies on Aging (AAAs) to integrate, coordinate and enhance informal, quasi-formal and formal services for seniors. (Impacts 55 counties that serve 450,000 older individuals) Block Nurse: \$620,000. Grants to community groups to provide in-home support and assistance to seniors living in their homes through volunteer nurses and neighbors. (Approx. FY 05 - 4,100 served)	1,356	1,381	1,381	1,381
Epilepsy Demo Project	S26	S104	Grant to a non profit organization for independent living skills training to adults with intractable epilepsy. (Approx. FY 05 16-20 served)	254	260	260	260
Aging Prescription Drug Assistance Grant	S26	S112	Grants to AAAs and service providers to provide statewide outreach and education assistance to low income seniors regarding Medicare and supplemental insurance, including Medicare Part D.	2,147	887	887	887
Senior Nutrition Program Grants	S26	S140	Grants to AAAs and service providers to supplement federal funding to provide meals, socialization and other related services in a congregate meal setting or to homebound seniors. FY05 approx. 65,000 congregate and 18,000 home delivered unduplicated persons served. (Also includes federal 3C1-Nutrition Grant, NSIP and federal 3C2-Nutrition Grants)	2,321	2,329	2,329	2,329
Aging & Adult Services BACT #70							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Community Service Development Grants	S26	S141	Grants for capital improvements, remodeling, and programs to for-profit and nonprofit organizations, and units of government to rebalance the long-term care service system. Has supported 202 new projects expanding service options for approximately 61,000 older people. Also includes state Community Service Grants and state Caregiver Support Grants.	3,000	3,000	3,000	3,000
Community Service Grants	S26	S142	Grants for remodeling and program expansion to nonprofit entities and units of government to rebalance the long-term care service system.	3,000	3,000	3,000	3,000
Information and Assistance	S26	S145	Grants to non-profit and community organizations and area agencies on aging provide information and assistance regarding home-based and community- based services. (Approx. FY 05 90,000 served) Also includes Aging Prescription Drug Assistance Grant, Aging Family Info & Assistance Grant, State Prescription Assistance Program, and MN Medical Care Demo Project)	866	866	866	866
Foster Grandparents Program Grants	S26	S183	Grants to counties and non profit organizations that supplement federal funding to provide volunteer opportunities in the Foster Grandparent, Senior Companion, and the Retired and Senior Volunteer Programs. More than sixteen thousand volunteers provide a total of over two million hours of volunteer service. (Approx. FY 05 7,500 served)	1,779	1,779	1,779	1,779

Non-Entitlement Grant Summary

Aging & Adult Services BACT #70							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				387	409	352	352
RWJ Cash & Counseling Grant	R15	S119	Foundation grants to provide assistance to older and physically disabled adults on MA and their family caregivers, to manage their own personal care services.	0	22	0	0
Nursing Home Advisory Council	R27	S105	Grants to nursing home resident councils for on going education, training and information dissemination. (Approx. FY 05 650 served)	187	187	187	187
Aging Family Info & Assist Grant	R90	S610	Grants to develop an online resource database that includes user friendly searching and screening tools for access to public and private resources. (MAPS is updated for 08' and 09' for \$200,000 per year)	200	200	165	165

Non-Entitlement Grant Summary

Aging & Adult Services BACT #70							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				19,994	20,670	20,291	20,279
Disability MN information & Assistance	E03	S455	Grants to service providers and vendors to provide information and assistance to disabled clients. <i>(New federal approval for \$90,000 per year 2007-2009 will be added to MAPS.)</i>	45	0	0	0
Evidence Based Health Promotion Init.	E05	D876	Evidence based health promotion initiative	0	300	300	300
Healthy Prom Planning Grants	E05	S194	Older Americans Act (OAA) grant to an area agency on aging to coordinate consumer & professional education related to falls prevention strategies & interventions to lower the incidence of falls-related injuries and deaths of older persons in Minnesota.	0	46	46	34
Disability LINKAGE Line	E08	S453	Grants to service providers and vendors to provide information and assistance to people with disabilities (ended FY 06)	236	0	0	0
Disability MN Help Line	E09	S454	Grants to service providers and vendors to provide information and assistance to people with disabilities (ended FY 06)	85	0	0	0
MN Medical Care Demo Project	F26	S604	Grants to AAAs and service providers to help seniors obtain health insurance benefits and report fraud, waste and abuse within the health care system.	78	89	89	89
Aging & Adult Services BACT #70							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
State Prescription Assistance Program	F29	S115	Centers for Medicare and Medicaid Services (CMS) grants to AAAs and service providers to provide outreach, education and counseling to State Prescription Drug Program enrollees understand the new Medicare Part D benefit.	390	135	0	0
Title III C1 - Aging Federal Admin Grant	F31	S111	Older Americans Act (OAA) grants to area agencies on aging (AAAs) and service providers to provide a variety of statewide education and training activities.	79	100	100	100
Title III C1 – Nutrition Grant	F31	S157	OAA grants to AAAs and service providers to provide congregate meal services targeted to seniors in the greatest economic and social need. (See S140)	4,456	4,733	4,733	4,733
Title III B - Direct Services Grants	F33	S155	OAA grants to AAAs and local providers to provide a variety of community-based social services. (FY 05 approx. 219,000 served)	4,412	4,515	4,515	4,515
Title III A - Administrative Grants	F33	S173	OAA grants to AAAs for administrative purposes.	1,730	1,699	1,699	1,699
Title III B - Program Development Grants	F33	S192	OAA grants to AAAs and program development and coordination activities.	748	685	685	685

Non-Entitlement Grant Summary

Aging & Adult Services BACT #70							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
HCFA Basic Grants	F37	S191	Grants to AAAs and service providers to provide health insurance counseling, education and assistance services to seniors to help obtain health insurance benefits. (See S145)	347	383	233	233
NSIP Reimbursement – USDA	F38	S181	OAA grants to AAAs and local nutrition providers as a separate allocation based on the number of meals served in the previous project year. (See S140)	2,009	2,482	2,482	2,482
Alzheimer's Outreach Grants	F79	S169	OAA grants to AAAs and service providers to provide early identification of Alzheimer's disease and support to families with seniors suffering with Alzheimer's disease. (Approx. FY 05 3,800 served)	284	276	276	276
Administration on Aging (AOA) Resource Center Grant	F93	S176	OAA grants to establish aging and disability resource centers that will create linkages with various systems including institutional care, pre-admission screening, hospital discharge planning and community agencies and organizations that serve targeted populations. <i>MAPS will be updated with \$100,000 in FY 07, \$90,000 in FY 08', and \$15,000 in FY09'.</i>	9	0	0	0
CMS Resource Center	F94	S178	CMS funding ended on 9/30/06 but was extended until 12/31/06. (However, the funding was transferred to AOA instead of CMS for FY 07 through FY 09). See above- S176	112	94	0	0
Aging & Adult Services BACT #70							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Title III D Health Program Grants	F95	S150	OAA grants to AAAs and service providers to provide preventive health information and services to seniors (Approx. FY 05 9,000 served)	362	350	350	350
Elder Abuse Prevention Grants	F96	S167	OAA grants to service providers to provide activities related to elder abuse prevention.	0	83	83	83
Title III E Caregiver Grants	F98	S147	OAA grants to AAAs and service providers to provide information, respite, education, training and support groups to family caregivers. (FY 05 approx. 26,800 served. Also includes 3E grandparents Raising Grandchildren Grants and 3E Statewide Activities Grants)	1,936	1,850	1,850	1,850
Title III E Grandparents Raising Grandchildren Grants	F98	S148	OAA grant to a service provider to provide caregiver support services to grandparents raising their grandchildren.	186	225	225	225
Title III E Statewide Activities Grants	F98	S149	OAA grants to AAAs and service providers to provide statewide training, education and caregiver support activities.	39	125	125	125
Title III C2 Nutrition Grants	F99	S156	OAA grants to AAAs and service providers to provide home delivered meal services targeted to seniors in the greatest economic and social need. (See S140)	2,451	2,500	2,500	2,500

Non-Entitlement Grant Summary

Mental Health Grants BACT #74							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				53,542	56,821	53,316	52,566
Adult Residential	S28	M108	Grants to counties for residential facilities staff who provide care and treatment for people with mental illness. FY05 is less than FY04 due to transfer to fund MA coverage for Intensive Residential Treatment (IRT). During CY03, 3,000 adults received residential treatment which was funded either through this grant or through the Adult MH Integrated Fund (see above.)	344	0	0	0
Adult Mental Health Integrated Fund	S28	M109	Grants to counties for Adult MH Initiatives. For most counties, this includes integrated administration of Adult MH Community Support Grants and Residential Treatment Grants. FY05 is less than FY04 due to transfer to fund MA coverage for Intensive Residential Treatment (IRT) and Assertive Community Treatment (ACT). During FY04, 31,000 adults with serious and persistent mental illness received publicly subsidized mental health services.	44,338	47,991	44,486	43,736
Community Support	S28	M113	Grants to counties for community support services to adults with serious and persistent mental illness. FY05 is less than FY04 due primarily to transfers into the Adult MH Integrated Fund (above). Additional base reductions are due to projected increases in transfers to fund MA coverage for Assertive Community Treatment (ACT). During CY03, 12,000 adults received community support services which were funded either through this grant or through the Adult MH Integrated Fund (see above.)	7,024	6,291	6,291	6,291
Mental Health Grants BACT #74							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Crisis Housing	S28	M139	Grant to nonprofit agency (sole source contract) for the provision of financial assistance to hospitalized clients needing help to pay for their housing. These funds are used only when other funds, such as SSI, are not available. This program served 425 people during CY2004.	475	504	504	504
RTC Alternatives	S28	M142	Grants to community hospitals to provide alternatives to RTC mental health programs. These grants are awarded based on a competitive RFP that is re-issued every 5 years. These funds pay for extended inpatient treatment other funding, such as MA, is not available. This program served 141 people during CY2004.	1,361	2,035	2,035	2,035
Health Care Access Fund 190				0	750	750	750
Adult Mental Health Crisis Grants	M28	M101	Adult mental health crisis grants to metro counties to build capacity for mobile crisis teams—particularly to cover costs for uninsured. (New program—no data available on number of clients served)	0	750	750	750
Lottery Cash Flow (Fund 805)				1,235	1,556	1,308	1,308
Compulsive Gambling	P01	M159	Funds transferred from the Minnesota State Lottery to DHS for compulsive gambling prevention and treatment. FY04-05 includes \$100,000 per year for SE Asian Problem Gambling which is not in the 06-07 base. (FY06 – 2,258 hotline contacts; 800 treated)	1,235	1,381	1,308	1,308
Mental Health Grants BACT #74							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base

Non-Entitlement Grant Summary

Ch 225-2006 Match funds not required	P01	M162	One-time appropriation specified for the state affiliate (the Northstar Problem Gambling Alliance) of the National Council on Problem Gambling for education, training, and research related to problem gambling. This part of the appropriation is not contingent on a match.	0	100	0	0
Ch 225-2006 Match funds required	P04	M163	Same as above, but this portion of the appropriation is contingent on non-state matching funds.	0	75	0	0
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				380	466	340	340
Comp. Gamble Indian Game	R74	M164	Funds for the compulsive gambling program – see description for allotment M159 above.	380	466	340	340

Non-Entitlement Grant Summary

Mental Health Grants BACT #74							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				5,284	6,455	6,460	6,452
MH McKinney Grant	F16	M133	Grants to counties and non-profit agencies for outreach and mental health services to homeless people. About \$500,000 per year of Adult MH Integrated state funds (see above) are used as match for these federal funds. This program served 9,200 people during CY2005.	680	672	672	672
TBI Services	F44	S420	Funds interagency agreements with the Department of Corrections to support efforts to improve their services for persons with a traumatic brain injury (TBI).	0	100	100	92
COSIG MI CD Grants	F58	D875	Co-occurring state incentive grants (COSIG) Mental Illness (MI) Chemical Dependency (CD) grants	0	454	605	605
Federal MH Block Grant – Demonstration Projects	F85	M132	Grants to counties and non-profit agencies for innovative projects based on best practices. Projects include children’s mental health collaboratives, crisis services for children and adults, adult mental health initiatives and self-help projects for consumers and their families.	3,108	3,700	3,700	3,700
Federal MH Block Grant – Indian Mental Health Services	F85	M167	As required by state law, 25% of the Federal MH Block Grant is used for grants to American Indian Tribes and non-profit agencies to provide mental health services, particularly community-support services, to American Indians.	1,492	1,529	1,383	1,383
FEMA Crisis Counseling Grant	F89	M114	Grants to counties and non-profit agencies to provide mental health services for people in presidentially-declared disaster areas.	4	0	0	0

Non-Entitlement Grant Summary

BACT # 75 Deaf & Hard of Hearing Grants							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATION</u>							
General Fund				1,440	1,475	1,480	1,480
DHHS Grants	S27	S311	Grants for multiple services and equipment to help Minnesotans who are deaf, deafblind, and hard of hearing or have multiple disabilities, including deafness, to remain independent and part of their communities. In FY 06 these grants served 22,000 people statewide.	1,440	1,475	1,480	1,480
Special Revenue Fund				68	240	240	240
Rural Real Time grant	R26	S355	Grants to television stations to provide real-time captioning of news programming in areas of Minnesota where real-time captioning does not exist. In FY06, daily real-time captioning of news programming became available to households in the northeastern part of the state; weekly news programming began statewide. In FY07, daily services are expected to begin in the northwest and southeast parts of the state.	68	240	240	240
Federal Fund				198	0	0	0
Real Choice Sys. Chg. Local Grt.	E08	S445	For developing a web-based resource tracking tool for the Linkage line). Grant ended in FY 06.	198	0	0	0

Non-Entitlement Grant Summary

BACT # 77 CD Non-Entitlement Grants							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATIONS</u>							
General Fund				1,055	1,055	1,055	1,055
CD Native American Program	S34	S205	Provides funds to American Indian tribes, organizations, and communities to provide culturally appropriate alcohol and drug abuse primary prevention and treatment support services. Federal funds also partially support this activity. (Approx. FY05 14,000 clients served)	1,055	1,055	1,055	1,055
<u>STATUTORY APPROPRIATIONS</u>							
Special Revenue Fund				676	825	875	675
SEOW Epidemiology Grants	R24	R600	Grants to support the State Epidemiology Outcomes Workgroup which is a time limited project to synthesize available data to better inform local and statewide planning for alcohol, tobacco and other drug prevention efforts.	10	150	200	0
CCDTF Other Services	R42	S218	Reimburses providers through the Consolidated Fund for the provision of chemical dependency treatment services to persons whose income is over 100% of Federal Poverty. (Approx. FY04 served 100)	666	675	675	675
BACT # 77 CD Non-Entitlement Grants							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				10,721	11,599	11,535	11,535
CDBG Treatment Support SAPT Block Grant	F83	S224	Grants to agencies that provide treatment support for culturally-specific populations, chronically chemically dependent persons, services to the elderly, transitional services for persons in the criminal justice system, and peer review efforts (Approx. FY05 clients served 6,928)	1,943	2,080	2,016	2,016
CDBG Coordination & Evaluation SAPT Block Grant	F83	S225	Funds for planning, technical assistance, and evaluation activities related to the effective state utilization of the SAPT Block Grant including state Synar related activities	44	120	120	120
CDBG Specialized Women Services SAPT Block grant	F83	S232	Grants to community based providers to improve the delivery of chemical dependency treatment services to pregnant women and women with children by providing ancillary services such as safe housing, day care, parenting training, education, social support, financial assistance, work training, etc. (Approx. FY05 clients served 1,701)	3,700	3,987	3,987	3,987
CDBG Primary Prevention SAPT Block Grant	F83	S235	Grants to agencies that expose Minnesotans to appropriate chemical health messages from multiple sources utilizing prevention strategies which include info dissemination, education, problem identification & referral, and community mobilization projects. (Approx. FY05 clients served 31,141)	5,034	5,412	5,412	5,412
BACT # 78 Other Continuing Care Grants							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
<u>DIRECT APPROPRIATION</u>							

Non-Entitlement Grant Summary

General Fund				21,002	24,217	15,386	15,429
State Case Management Grants	S29	H112	Funding to clinics and community based organizations for the provision of case management services to persons living with HIV as well as payments to purchase insurance coverage for eligible individuals. (Approx. client served 900)	1,200	1,200	1,200	1,200
State Insurance Premium Grants	S29	H115	Funding to supplement federal allocations (H119) and special revenue funds (H125) to maintain private insurance coverage for people living with HIV. These three funding streams serve approximately 1,100 persons per year.	1,150	1,150	1,150	1,150
PASRR for Person with MI and DD	S29	H713	Funding to reimburse counties for costs associated with completing federally required pre-admission screening and resident reviews (PASRR) of nursing home applicants or residents with a probable mental illness or a developmental disability.	15	20	20	20
Consumer Support Grants	S29	S199	The Consumer Support Grant (CSG) program is a state-funded alternative to Medicaid home care services of home health aide, personal care assistance and/or private duty nursing. Counties administer the CSG grants and work with consumers who are seeking greater flexibility and freedom of choice in their home care service delivery. (Approx. number people served – 850)	7,627	9,397	493	536
BACT # 78 Other Continuing Care Grants							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base

Non-Entitlement Grant Summary

DD SILS Program	S29	S406	Grants to counties to assist adults with mental retardation or a related condition maintain or increase independence in activities of daily living. SILS provides needed training and assistance in managing money, preparing meals, shopping, personal appearance, hygiene and other activities needed to live as independently as possible in the community. (Approx. number of people served – 1,600)	7,301	7,901	7,974	7,974
Family Support Grants	S29	S407	Grants to families to offset the higher than average cost of raising a child with a disability. Allows children to stay in their family home. (Approx. number of people served - 1,650)	3,410	4,099	4,099	4,099
Quality Assurance	S29	S418	A study of regional and local quality assurance models for statewide implementation within a statewide quality assurance architecture.	299	450	450	450

Non-Entitlement Grant Summary

BACT # 78 Other Continuing Care Grants							
Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Special Revenue Fund				2,508	6,656	2,595	2,595
ADAP Drug Rebates-Title II Grants	R08	H125	Dedicated funding resulting from ADAP drug rebates that supplements state (H115) and federal (H119) allocations to maintain private insurance coverage and/or purchase HIV related drugs. These 3 funding streams serve approximately 1,500 persons living with HIV each year. <i>New grant information will be added to MAPS to reflect additional grant dollars or corrected totals.</i>	1,565	5,600	1,535	1,535
Hennepin County Case Mgmt	R60	H129	Funding to clinics and community based organizations for the provision of case management services to persons living with HIV. Funding comes from Hennepin County as part of the Ryan White CARE Act Title I grant. Funds are used in conjunction with state allocation in H112. (Approx. served 435) <i>New grant information will be add to MAPS to reflect additional grant dollars or corrected totals.</i>	844	791	795	795
HIV / AIDS Grants and Services	R95	H144	<u>Cost share contributions from recipients enrolled in the federally funded HIV drug reimbursement or insurance continuation programs. Recipients with gross annual incomes between 100 percent and 300 percent of Federal Poverty Guidelines pay a monthly premium that is used to help meet program expenses. <i>New grant information will be added to MAPS to reflect additional grant dollars or corrected totals.</i></u>	99	265	265	265
BACT # 78 Other Continuing Care Grants							

Non-Entitlement Grant Summary

Grant / Activity	Appr	Acct	Purpose / People Served	FY 2006 Actual	FY 2007 Budget	FY 2008 Base	FY 2009 Base
Federal Fund				3,922	4,211	4,392	4,392
Ticket to Work Grants	E03	S431	Grants to state agencies and stakeholder organizations to build infrastructure that facilitates the employment of people with disabilities. Grant's focus is on improving the infrastructure of the support and employment systems in Minnesota to enable people with disabilities to enter and remain in the workplace. (Approx. number of people served 221,357)	102	465	862	862
Title II - Base Grant	F59	H118	Dedicated federal funding that helps individuals with HIV / AIDS obtain access to necessary medical care, nutritional supplements, dental services, and/or to provide outreach to high risk, underserved populations. The funds are allocated in a coordinated manner with Title I Ryan White Care Act (RWCA) – Title I funds administered by Hennepin County (Approx. people served 2,300)	915	994	1,009	1,009
Title II – ADAP Grants	F59	H119	Federal funding dedicated to maintain private insurance coverage for people living with HIV and/or purchase HIV related drugs. Funds used in conjunction with state (H115) and special revenue (H125) funds (Approx. people served 1,100 people)	2,905	2,752	2,521	2,521

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Non-Entitlement Grant Summary

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↻ Designates that this item is a change item

Agency Purpose

The Indian Affairs Council (IAC) was established in 1963 (M.S. 3.922). Its primary function is to serve as the official liaison between the state of Minnesota and the 11 tribal governments within the state. The IAC advises state government on issues of concern to Indian tribes and communities, and administers programs designed to enhance economic opportunities and protect cultural resources for the state's American Indian constituents. The IAC plays a central role in the development of state legislation and monitors programs that affect the state's American Indian population and tribal governments. Minnesota was the first state in the nation to establish an Indian Affairs agency and works to continually provide a model for other states to follow.

At A Glance

American Indian Population: 50,930

Cultural Resources Program:

- ◆ 2,500 human remains acquired in 1989
- ◆ 500 additional remains acquired 1998 – 2006
- ◆ 400 remain for reburial.

The agency serves the 11 Minnesota tribes and their enrolled membership residing both on and off of the reservations, and all American Indians residing in the state of Minnesota.

The vision of the IAC is to strive for social, economic, and political justice for all American Indian people living in the state of Minnesota, while embracing traditional cultural and spiritual values.

Core Functions

The IAC coordinates with the various state agencies, appointed liaisons, American Indians residing outside reservation boundaries, and tribal governments. The IAC monitors Indian programs to ensure that services are delivered by reviewing and analyzing data and trends, and providing the findings to the respective agencies, tribes, and other American Indian programs. Core functions include:

- ◆ providing information and technical assistance to Indian reservations in Minnesota through the administration of the Indian Economic Opportunity Program by inter-agency agreement with the Department of Human Services;
- ◆ monitoring and enforcing state laws as well as the monitoring of federal laws to protect American Indian human remains and associated burial items through the Cultural Resources Program; and
- ◆ providing a vehicle, through the Urban Advisory Council, for the urban Indian population to determine issues affecting the represented Indian populations.

Operations

The Indian Economic Opportunity Program coordinates with the Department of Human Services and the 11 reservations to provide management and technical assistance to the reservations for community service grants including the Community Services Block Grant, the Minnesota Economic Opportunity Grant, the Emergency Shelter Grant Program, and the Rural Housing and Stability Program. The Economic Opportunity Program also advises area service providers on the impacts of government programs on low-income people and their progression toward self-sufficiency.

The Cultural Resources program provides protection of American Indian human remains and associated burial items under the Minnesota Cemetery Act, M.S. 307.08, and the Native American Graves Protection and Repatriation Act, Public Law 101.601, by serving as a repository for human remains and associated burial items from state agencies, public museums, private individuals, and institutions, and processing them for proper repatriation.

Key Measures

The primary objective of the IAC is to monitor policy issues to protect the laws and rights of American Indian people. The IAC has also come to be recognized and utilized as a clearinghouse for information and projects. The IAC is called upon to participate and/or initiate a variety of activities and programs as they relate to Indians in Minnesota, and acts as an incubator for these special projects by providing administration and financial services for the overall benefit of Indians in Minnesota.

Budget

The agency's FY 2007 budget includes a General Fund appropriation of \$474,000, and a federal grant of \$60,000 for administration of the Economic Opportunity program.

Contact

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Minnesota Indian Affairs Council
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www.indians.state.mn.us

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	475	475	475	475	950
Recommended	475	475	481	487	968
Change		0	6	12	18
% Biennial Change from 2006-07					1.9%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	433	583	481	487	968
Statutory Appropriations					
Misc Special Revenue	1	79	0	0	0
Federal	55	81	65	65	130
Gift	0	2	2	2	4
Total	489	745	548	554	1,102
 <u>Expenditures by Category</u>					
Total Compensation	335	344	363	376	739
Other Operating Expenses	154	401	185	178	363
Total	489	745	548	554	1,102
 <u>Expenditures by Program</u>					
Indian Affairs Council	489	745	548	554	1,102
Total	489	745	548	554	1,102
 Full-Time Equivalents (FTE)	 4.7	 5.3	 5.5	 5.5	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: GENERAL</i>				
FY 2007 Appropriations	475	475	475	950
Subtotal - Forecast Base	475	475	475	950
Change Items				
Compensation Adjustment	0	6	12	18
Total Governor's Recommendations	475	481	487	968
<i>Fund: MISC SPECIAL REVENUE</i>				
Planned Statutory Spending	79	0	0	0
Total Governor's Recommendations	79	0	0	0
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	81	65	65	130
Total Governor's Recommendations	81	65	65	130
<i>Fund: GIFT</i>				
Planned Statutory Spending	2	2	2	4
Total Governor's Recommendations	2	2	2	4

INDIAN AFFAIRS COUNCIL

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$6	\$12	\$12	\$12
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$6	\$12	\$12	\$12

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund supported personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
Federal	78	55	65	65	130
Other Revenues:					
Misc Special Revenue	80	0	0	0	0
Gift	0	2	2	2	4
Total Dedicated Receipts	158	57	67	67	134
Agency Total Revenue	158	57	67	67	134

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Agency Purpose

The State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds, and cash accounts. The statutory mission of the SBI is "to establish standards which will insure that state and pension assets will be responsibly invested to maximize the total rate of return without incurring undue risk" (M.S. 1A.01).

Core Functions

All activities of the board are governed by M.S. Chapter 11A and Chapter 356A. To meet the goals established therein, the SBI must:

- ⇒ Establish and periodically update the investment objectives, asset allocation, and investment management structure for each of the funds.
- ⇒ Seek and retain superior money managers to manage the assets of each fund.
- ⇒ Monitor and evaluate investment performance to insure investment objectives are met.
- ⇒ Assess developments in the broad financial markets and evaluate their potential impact on SBI operations and policies.
- ⇒ Communicate its investment policies to clients and constituents.

At A Glance

- ◆ The SBI is composed of the state's four constitutional officers.
- ◆ SBI provides investment management for the Basic Retirement Funds, Post Retirement Fund, Permanent School Fund, Environmental Trust Fund, Assigned Risk Plan, Supplemental Investment Fund, Closed Landfill Investment Fund, Invested Treasurer's Cash, and approximately 50 other state cash accounts.
- ◆ On 1-30-2006, assets managed by the board totaled \$52.5 billion.
- ◆ The majority of the board's activity relates to investment of retirement funds (84%). Clients are the current and retired members of the three statewide retirement systems (PERA, TRA, MSRS).
- ◆ For cash accounts, the board's largest clients are the State Treasurer and the Department of Finance.

The board retains an executive director, an internal investment management staff, and external investment managers to execute its policies. In performing its duties, the board is assisted by the Investment Advisory Council (IAC) which is composed of 17 persons with investment and retirement fund expertise. SBI staff

- ◆ recommends (with assistance from the IAC) strategic planning alternatives to the board and council and executes board decisions;
- ◆ provides internal management for the Permanent School Fund, Environmental Trust Fund, and state cash accounts;
- ◆ closely monitors the performance of all external managers retained by the board; and
- ◆ reviews prospective investment vehicles for legislative consideration.

Operations

Investment activity is divided into two major areas; externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

Externally managed funds. Assets of the Basic Retirement, Post Retirement, Supplemental Investment Funds, and Assigned Risk Plan are externally managed.

The Basic Retirement Funds invest the contributions of public employees and employers during the employees' years of public service. Approximately 256,000 employees in eight statewide retirement funds are in the Basic Funds. The goal is to act as a fiduciary, investing contributions to provide sufficient funds to finance promised benefits at retirement.

The Post Retirement Fund contains the assets of over 82,000 retired employees covered by the eight statewide retirement plans. Upon retirement, assets sufficient to finance fixed monthly annuities for the life of the retiree are transferred from the Basic Funds to the Post Fund. The SBI invests these assets to generate returns to maintain promised benefits and to generate additional returns that will provide benefit increases to retired public employees.

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local employees. It serves a wide range of participants and investment goals, and is, therefore, structured much like a family of mutual funds.

The Assigned Risk Plan is administered by the Department of Commerce to provide workers compensation insurance to companies unable to obtain private insurance. The goal is to match the projected liability stream while also maintaining adequate liquidity.

Internally managed funds. The SBI directly invests about 14% of the assets with which it is entrusted. This includes the assets of the Permanent School Fund, Environmental Trust Fund, and all money in state cash accounts.

The Permanent School Fund is created by the Minnesota State Constitution and designated as a source of revenue for public schools. Income from the fund's assets is used to offset state school aid payments. The Permanent School Fund is invested in a balanced portfolio of common stocks and bonds

The Environmental Trust Fund is created by the Minnesota State Constitution and designed as a source of revenue for funding environmental projects. Currently the fund is invested in a portfolio with 70% common stocks and 30% fixed income.

The Closed Landfill Investment Fund was created to provide the Pollution Control Agency with funds to pay the long-term costs of maintaining the integrity of landfills in Minnesota once they have been closed. The assets of the fund are unavailable for expenditure until after FY 2020. The Closed Landfill Investment Fund is invested entirely in common stock

State Cash Accounts represent the cash balances in more than 400 individual accounts that flow through the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million, and are invested by SBI staff through two commingled short-term investment pools. The objectives of these pooled funds are to preserve capital, to provide a high level of current income, and to meet the cash needs of state government without the forced sale of securities at a loss.

Budget

Most of SBI's appropriated budget is funded by fees assessed against the assets of the funds that SBI invests. Approximately 3% of the budget is received as a General Fund appropriation associated with the investment of the General Fund's portion of Invested Treasurer's Cash.

Performance Indicators

Statutes establish investment goals for the Basic and Post Retirement funds. In addition, the board has set more exacting standards for investment returns. Performance has generally exceeded both statutory requirements and the board's investment performance targets at the total fund level. Returns are presented net of management fees and investment expenses.

Summary Of Investment Results

Period Ending 6/30/06	<u>Millions</u>	<u>1Year (%)</u>	<u>Annualized 3Years (%)</u>	<u>Annualized 5Years (%)</u>
Basic Funds:	\$22,033	12.6	13.4	6.4
Market composite		12.6	13.2	6.4
Post Fund:	\$21,912	12.0	12.9	6.4
Market composite		11.8	12.5	6.4
Benefit increase		2.5	2.4	4.1
Supplemental Fund:	\$1,224			
Income Share	\$455	6.4	8.9	4.2
Market composite		5.6	8.4	4.3
Growth Share	\$144	8.3	12.3	3.0
Market composite		9.6	12.6	3.5
Stock index	\$240	9.9	12.7	3.5
Market composite		9.6	12.6	3.5
International	\$111	28.4	24.9	11.3
Market composite		27.9	25.3	11.2
Bond market	\$136	-0.2	2.8	5.4
Market composite		-0.8	2.1	5.0
Fixed Interest	\$73	4.5	4.3	4.9
Market composite		5.0	3.9	3.6
Money Market	\$65	4.0	2.5	2.4
3 month t bills		4.1	2.4	2.2
Assigned Risk Plan	\$9	2.0	3.6	4.0
Market composite		1.9	3.6	4.1
State Cash Accounts				
Treasurer's Pool	\$5,479	4.2	2.5	2.5
Trust Pool	\$60	4.2	2.5	2.3
90 day T-bill		4.1	2.4	2.2
Permanent School	\$635	-6.2	6.3	10.2
Market composite		-5.2	5.7	9.5
Closed Landfill	\$47	8.7	11.3	2.6
Market composite		8.6	11.2	2.5
Environmental				
Trust Fund	\$416	-10.9	4.2	13.7
Market composite		-10.5	3.6	13.3

Contact

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 Saint Paul, Minnesota 55103-3555

<http://www.minnsbi.state.mn.us>
 Howard Bicker, Executive Director
 Phone (651) 296-3328 Fax (651) 296-9572

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,167	151	151	151	302
Recommended	2,167	151	151	151	302
Change		0	0	0	0
% Biennial Change from 2006-07					-87%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,161	413	151	151	302
Open Appropriations					
Supplmntl Invest Invest Index	10	25	25	25	50
Supplemental Invest Suppl Bond	5	15	15	15	30
Supplemental Invest Invest Gic	61	150	150	150	300
Supplmntl Invest Moneymarket	5	10	10	10	20
Supplemental Investment Income	16	50	50	50	100
Supplemental Investment Growth	6	50	50	50	100
Post Retirement Investment	892	1,100	1,100	1,100	2,200
Invest Ext Money Managers #2	611	1,000	1,000	1,000	2,000
Supplemental Intl Equity	3	10	10	10	20
Statutory Appropriations					
Misc Special Revenue	0	2,385	2,385	2,385	4,770
Total	3,770	5,208	4,946	4,946	9,892
 <u>Expenditures by Category</u>					
Total Compensation	1,767	2,015	2,015	2,015	4,030
Other Operating Expenses	2,003	3,193	2,931	2,931	5,862
Total	3,770	5,208	4,946	4,946	9,892
 <u>Expenditures by Program</u>					
Investment Of Funds	2,161	2,798	2,536	2,536	5,072
Refunds/Retire Funds	1,609	2,410	2,410	2,410	4,820
Total	3,770	5,208	4,946	4,946	9,892
 Full-Time Equivalent (FTE)	 18.8	 25.0	 25.0	 25.0	

INVESTMENT BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	2,214	0	0	0	0
Closed Landfill Investment	(2)	0	0	0	0
Supplmntl Invest Invest Index	2,672	25	25	25	50
Supplemental Invest Suppl Bond	3,509	15	15	15	30
Supplemental Invest Invest Gic	3,432	150	150	150	300
Supplmntl Invest Moneymarket	3,233	10	10	10	20
Supplemental Investment Income	9,635	50	50	50	100
Supplemental Investment Growth	3,565	50	50	50	100
Post Retirement Investment	2,509,158	1,100	1,100	1,100	2,200
Invest Ext Money Managers #2	611	1,000	1,000	1,000	2,000
Supplemental Intl Equity	134	10	10	10	20
Permanent School	27,037	0	0	0	0
Total Non-Dedicated Receipts	2,565,198	2,410	2,410	2,410	4,820
<u>Dedicated Receipts:</u>					
Other Revenues:					
Misc Special Revenue	0	2,385	2,385	2,385	4,770
Total Dedicated Receipts	0	2,385	2,385	2,385	4,770
Agency Total Revenue	2,565,198	4,795	4,795	4,795	9,590

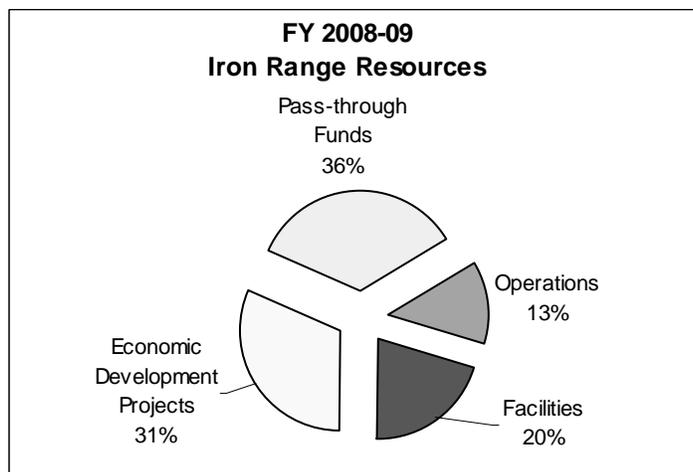
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January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit Iron Range Resources' budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$0 from the state's General Fund. Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies on each ton of taconite produced. These taxes are paid in lieu of property taxes. The agency also receives funding from non-mining sources such as facilities revenue, interest earnings and interest generated from loan programs. Unlike other state agencies, the agency receives no direct operational funding from the state's General Fund.

Based on current forecast of revenues, the agency's budget totals \$86.731 million for the biennium. This amount includes an operating, program and project budget of \$56.283 million and \$30.448 million in pass-through funding. The agency credits the pass-through funding to special accounts, including: the Mining Rebate Program, M.S. 298.227, a rebate of production taxes to mining companies for capital improvement projects; Grant & Loan Program, M.S. 298.2961, subd. 4, grants for economic development projects in the agency's service area; and Region III Projects, M.S. 298.17, grants to Koochiching and Carlton counties for economic and environmental development projects.



The core mission of Iron Range Resources is to diversify the economy of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles. As part of its mission of economic development, the agency reclaims mining impacted lands and owns two facilities, Giants Ridge Golf & Ski Resort and Ironworld Discovery Center. As the graphic indicates, our primary activities fall into four major areas: operations, facilities, economic development projects and pass-through funds.

In the 2005-2006 biennium, the groundwork was laid for private-sector investment that could represent a significant reversal of fortunes for northeastern Minnesota. The agency is particularly proud of the catalytic role it has played in supporting a number of large, innovative projects at the early-development stage. Mesabi Nugget, PolyMet, Minnesota Steel Industries, Franconia Minerals, Excelsior Energy and Laurentian Energy, representing close to \$5 billion in investment, hold great promise for the region.

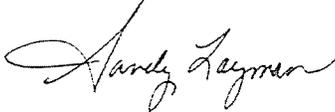
While the iron mining industry continues to fuel the region's economic engine – annually contributing \$1.5 billion in direct benefit to the state's economy – diversification of the economy in the TAA remains a top priority for the agency. Approximately \$37.5 million in agency business lending and capital investments leveraged \$197 million in private lending for area projects, resulting in almost 4,000 jobs created, retained or enhanced. In addition, there are several other opportunities unfolding at the agency:

- Transition of Ironworld from a state run facility to a nonprofit organization allowing Ironworld Development Corporation to build a more sustainable future and enabling the agency to better focus on its core economic development mission;

- Continued private sector investment and development at our Giants Ridge Golf & Ski Resort with the numerous development entities at Giants Ridge working together to create a cohesive northwoods resort community;
- Deployment of exciting new, business focused marketing and communications strategies that will help the agency reach and better serve its clients and track our progress;
- Launching of the newly created Regional Workforce Development Coordinator position in partnership with the Northeast Higher Education District enabling the agency to play a leadership role in developing the workforce our region will need to be successful today and tomorrow.

The agency's \$86.731 million budget is a continuing investment in our mission of advancing regional growth and one that seeks to turn the many exciting possibilities before us into measurable results.

Sincerely,

A handwritten signature in cursive script that reads "Sandy Layman".

Sandy Layman
Commissioner

Agency Purpose

Iron Range Resources is a state economic development agency that was created by the legislature in 1941 to diversify the economy of the iron mining areas of northeastern Minnesota. Specifically, the agency serves the interests of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles that stretches from Crosby, Minnesota, across the state's Cuyuna, Mesabi, and Vermilion iron ranges to the North Shore of Lake Superior. As part of its core mission of economic development, Iron Range Resources owns and operates two facilities, Giants Ridge Golf and Ski Resort, and Ironworld Discovery Center.

At A Glance

Mission: To advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area.

Day to day operation of the agency is managed by a full-time commissioner appointed by the governor who serves as a member of the governor's cabinet. The agency's annual budget and most economic development proposals are subject to review and approval by a 13-person Iron Range Resources Board.

Besides encouraging growth in the region's core industries of timber, taconite, tourism and technology, the agency focuses its economic development efforts on four key industries:

- ◆ value added secondary wood products manufacturing
- ◆ industrial machinery manufacturing
- ◆ high end customer service centers
- ◆ electronics manufacturing

Iron Range Resources provides a variety of tailored development packages and financial incentives to businesses wishing to relocate or expand in its service area. At the same time, the agency is actively involved in retaining and growing existing businesses within the region.

Core Functions

The agency focuses its efforts on promoting the region's resources, including:

- ◆ **agency resources** that are structured to advance the growth of our region;
- ◆ **business resources** involving grants, loans and equity investments as well as human resources and a variety of programs designed to support business development;
- ◆ **regional resources** including a variety of business locations that offer exemptions from state and local taxes;
- ◆ **natural resources** from timber to taconite and value-added opportunities in between; and
- ◆ **tourism resources** that highlight the rugged beauty of the region and the beckoning facilities that add to an excellent quality of life.

Operations

Iron Range Resources serves the interests of the TAA through the following divisions:

- ⇒ **Administrative Services** combines human resources and payroll services with financial, procurement, information systems, and maintenance activities. It supports other agency programs and facilities, providing administrative services and resources to ensure smooth agency operation.
- ⇒ **Marketing and Communications** directs, develops and coordinates marketing, promotional and communication materials and messages on behalf of Iron Range Resources, its Giants Ridge and Ironworld facilities, and its stakeholders as well as serving as the primary contact for external affairs.
- ⇒ **Development Strategies** deploy the agency's human and financial resources. Programs are designed to encourage economic growth across the TAA and use a variety of tools including bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments and the Job Opportunity Building Zones (JOBZ) program.

⇒ **Giants Ridge Golf and Ski Resort and Ironworld Discovery Center** promote the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition. Ironworld is a museum and heritage attraction that preserves the story of Minnesota's Iron Ranges: the life, the work, the place, and the people.

Budget

The agency and its programs receive no money from the state General Fund. The agency's funding comes from a percentage of the production taxes, assessed in lieu of property taxes, on area iron mining companies. The production tax provides approximately 50% of the agency's budget. The other half of the budget is derived from non-mining sources, such as revenue from its facilities, interest earned on its fund accounts and interest generated from its loan programs.

Contact

Iron Range Resources
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4261 Highway 53 South
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For further information check out the agency web site at www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	29,420	60,127	32,639	30,824	63,463
Giants Ridge Golf & Ski Resort	6,921	7,060	7,314	7,322	14,636
Ne Mn Economic Protection	12,459	6,904	5,066	3,566	8,632
Total	48,800	74,091	45,019	41,712	86,731
<u>Expenditures by Category</u>					
Total Compensation	6,077	5,510	5,056	5,056	10,112
Other Operating Expenses	6,969	7,852	6,762	6,762	13,524
Capital Outlay & Real Property	42	842	95	95	190
Local Assistance	19,193	47,873	23,095	21,280	44,375
Other Financial Transactions	16,519	12,014	10,011	8,519	18,530
Total	48,800	74,091	45,019	41,712	86,731
<u>Expenditures by Program</u>					
Administrative Services	9,148	17,878	2,517	2,517	5,034
Facilities	8,657	8,996	8,890	8,583	17,473
Development Strategies	1,488	1,755	1,917	1,917	3,834
Agency Roll Over	312	11,831	0	0	0
Mining Rebate Program	15,813	15,208	15,208	14,108	29,316
Marketing & Communications	788	870	934	934	1,868
Agency Programs & Projects	12,235	17,170	15,170	13,270	28,440
Attorney General	359	383	383	383	766
Total	48,800	74,091	45,019	41,712	86,731
Full-Time Equivalent (FTE)	93.3	86.7	72.9	72.9	

Program Description

Administrative Services provides support services and resources to its customers – other agency programs and facilities. This division is comprised of: Finance and Human Resources, Information Systems, and Maintenance and Shop. This division also includes the office of the commissioner.

- ⇒ **Finance and Human Resources** provides support to all divisions within the agency. Finance provides professional/technical contracting, procurement, accounting, and financial reporting services. Human Resource performs payroll, employee recruitment, employee development, and labor relations services.
- ⇒ **Information Systems** supports and maintains supports and maintains the computer hardware, data, and telecommunication infrastructure for the agency. Technical support, information access, project management, internet and phone connections are a few of the services provided to agency personnel.
- ⇒ **Maintenance and Shop** assists the agency’s programs and facilities through equipment maintenance, repair, and fleet management. The program also provides building and grounds maintenance support of the Eveleth headquarters complex.

<u>Program at a Glance</u>
◆ Agency accounting, procurement, and financial reporting services
◆ Professional/technical contracting
◆ Human resources
◆ Information systems
◆ Maintenance services

Human Resource performs payroll, employee recruitment, employee development, and labor relations services.

Population Served

Iron Range Resources programs, facilities, business clients, and general public.

Services Provided

- ⇒ Professional/technical contracting, procurement, accounting, and financial reporting.
- ⇒ Payroll, employee recruitment, interviewing and hiring, employee benefits, training, and labor relations.
- ⇒ Information technology services.
- ⇒ Mobile equipment maintenance, repair, and fleet management.

Key Measures

- ⇒ Budget and accounts are aligned to support operational targets.
- ⇒ Accurate and timely financial information is available.
- ⇒ High level of service quality and customer satisfaction.

Program Funding

Finance and Human Resources	\$1.7 million (per year)
Information Systems	\$352,000 (per year)
Maintenance and Shop	\$459,000 (per year)

Contact

Jean Dolensek
 Administrative Services Director
 Iron Range Resources
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 Eveleth, Minnesota 55734-0441
 (218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB
 Program: ADMINISTRATIVE SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	2,566	17,878	2,517	2,517	5,034
Ne Mn Economic Protection	6,582	0	0	0	0
Total	9,148	17,878	2,517	2,517	5,034
<u>Expenditures by Category</u>					
Total Compensation	2,065	1,691	1,691	1,691	3,382
Other Operating Expenses	595	885	826	826	1,652
Local Assistance	0	15,302	0	0	0
Other Financial Transactions	6,488	0	0	0	0
Total	9,148	17,878	2,517	2,517	5,034
<u>Expenditures by Activity</u>					
Administrative Services	9,148	17,878	2,517	2,517	5,034
Total	9,148	17,878	2,517	2,517	5,034
Full-Time Equivalent (FTE)	19.0	18.0	18.0	18.0	

Program Description

The activities of the agency's tourism facilities - Giants Ridge Golf and Ski Resort in the city of Biwabik, and Ironworld Discovery Center located in Chisholm - are directed toward the development and promotion of tourism and recreation opportunities that will enhance the economic diversification of the Taconite Assistance Area.

⇒ **Giants Ridge Golf and Ski Resort** promotes the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition. Giants Ridge offers 34 alpine ski runs, more than 60 kilometers of cross-country ski trails and easy access to lakes, mountain bike trails, and snowmobile trails. Lodging facilities include a suite at The Lodge or a condominium at The Villas. There is dining, conference facilities, and outdoor equipment rentals. The resort generates over \$1.5 million in payroll for over 300 part- and full-time employees. The annual economic impact is approximately \$10 million from The Legends golf course; \$13 million from the ski area; and a projected additional \$7 million from The Quarry golf course.

⇒ **Ironworld Discovery Center** promotes the region's historical and tourism resources. Ironworld is a museum that preserves the story of Minnesota's Iron Ranges: the life, the work, the place, and the people. Ironworld collects artifacts, and archival resources, preserves objects and documents, makes information and resources accessible, and provides educational opportunities for visitors and regional residents. Ironworld's museum is open May-September, the Research Center is open year around. The Research Center is a library focusing on the regional, local, and personal history of Minnesota's iron ranges and the people who settled here. An integral part of the Ironworld Discovery Center, is a repository and resource for historical documentation and interpretative information. Primary interest areas are geology, mining, settlement, industrial development, immigration, ethnicity, logging, natural resources, social, political and economic history, and genealogy. The Research Center offers a broad array of services including on-site public services, genealogical research services, historical materials collection/preservation and education.

Program at a Glance

Giants Ridge Golf and Ski Resort:

- ◆ 36 holes of the Midwest's best golf
- ◆ 34 challenging downhill ski runs
- ◆ 60 kilometers of cross country ski trails
- ◆ Easy access to lakes, mountain bike trails, and snowmobile trails
- ◆ Great accommodations: The Lodge or at Giants Ridge
- ◆ Great dining, shopping, and conference facilities
- ◆ Top-flight rental equipment - from snowboards and skis to canoes and kayaks

Ironworld Discovery Center:

- ◆ Explore the museum and outdoor exhibits
- ◆ Ride a vintage trolley
- ◆ Participate in living history
- ◆ Play mini-golf
- ◆ Marvel at spectacular mine views
- ◆ Visit the renowned library research and archives

Early in her tenure with Iron Range Resources, Commissioner Sandy Layman sought input from two independent citizen task forces on strategies for improving the long-term sustainability of Ironworld Discovery Center and Giants Ridge Golf and Ski Resort. With the work of the task forces complete, each facility is engaged in processes to implement their recommendations.

Commissioner Layman is currently negotiating a management agreement between the agency and a newly formed nonprofit corporation which will assume responsibility for the operations of Ironworld. The nonprofit corporation, Ironworld Development Corporation (IDC), grew out of recommendations from a citizen's task force appointed by the commissioner in 2003 to develop a strategy for ensuring Ironworld's sustainability while eliminating or reducing to the extent possible the agency's subsidy of the facility. Besides operating Ironworld, the IDC board of directors will seek additional funding sources to support the facility's operations.

Following the recommendations of the Giants Ridge Task Force, a Master Plan and Market Analysis were conducted for Giants Ridge Golf and Ski Resort. Commissioner Layman then requested the formation of a Resort Stakeholders Group, with the mission of working towards common resort operational and development goals. The group has been working together since September 2005, and with the commissioner's cooperation to develop a new charter and bylaws for the resort's Master Association of which all resort stakeholders will be members.

This Master Association membership will work towards the following goals:

- ◆ clearly defined governance, membership, and financing of the newly structured Master Association;
- ◆ development of a detailed resort concept plan; and
- ◆ definitive criteria necessary for carrying forward resort development and establishing a customer-friendly, sustainable resort community.

The new role of the Master Association will be critical to the structural and financial success of all resort stakeholders, both private and public.

Population Served

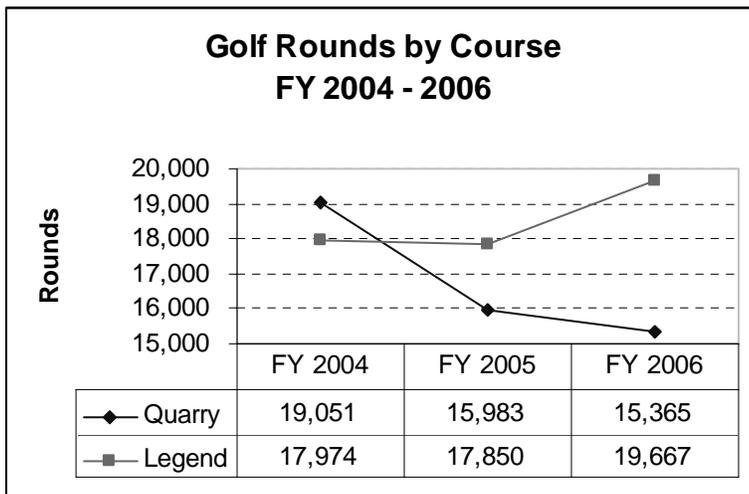
Minnesota residents, national and international tourists.

Services Provided

- ⇒ Giants Ridge Golf and Ski Resort provides tourism and recreation opportunities including two 18-hole championship golf courses, a variety of winter sports activities, dining, lodging, shopping, and conference facilities.
- ⇒ Ironworld Discover Center preserves and interprets historical information and provides tourism and recreation opportunities including a museum, outdoor exhibits, mini-golf, and a research library and archival facility.

Key Measures

- ⇒ Giants Ridge Golf and Ski Resort - Increase Giants Ridge golf revenues through tee time management.



- ⇒ Ironworld Discover Center - Successful negotiation of a management agreement allowing IDC to assume responsibility for Ironworld operations.

Program Funding

Giants Ridge Golf and Ski Resort Operations	\$7.1 million (per year)
Ironworld Discovery Center Operations	\$2.23 million (per year)

Contacts

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IRON RANGE RESOURCES & REHAB

Program: FACILITIES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	1,736	1,936	1,576	1,261	2,837
Giants Ridge Golf & Ski Resort	6,921	7,060	7,314	7,322	14,636
Total	8,657	8,996	8,890	8,583	17,473
<u>Expenditures by Category</u>					
Total Compensation	2,128	2,165	1,485	1,485	2,970
Other Operating Expenses	4,943	5,172	4,173	4,173	8,346
Capital Outlay & Real Property	38	95	95	95	190
Local Assistance	0	0	1,576	1,261	2,837
Other Financial Transactions	1,548	1,564	1,561	1,569	3,130
Total	8,657	8,996	8,890	8,583	17,473
<u>Expenditures by Activity</u>					
Facilities	8,657	8,996	8,890	8,583	17,473
Total	8,657	8,996	8,890	8,583	17,473
Full-Time Equivalents (FTE)	45.3	45.4	28.6	28.6	

Program Description

Development Strategies consists of: Business Development, Business Recruitment and Technology, and Mining, Minerals and Reclamation. The division sustains business relationships with public and private sector partners to encourage growth and enhance agency deal flow, retain and create jobs, and improve the physical landscape within the Taconite Assistance Area (TAA).

Division staff members encourage and support economic growth throughout the service area by generating quality leads, helping new and existing businesses create or retain jobs, insuring the long-term utilization of Minnesota's mineral resources, undertaking long-term reclamation planning efforts, and promoting investment in technology infrastructure.

- ⇒ **Business Development** has the primary responsibility for helping new and existing businesses create or retain jobs, while effectively leveraging private investment. The program uses a variety of tools that include bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments and the Job Opportunity Building Zones (JOBZ) program. Staff perform due diligence, financial structuring, and documentation and monitoring of projects.
- ⇒ **Business Recruitment and Technology** promotes the TAA to prospective businesses from outside the region in the hopes of attracting new jobs to northeastern Minnesota. The primary focus of the program is to generate leads from bona fide business prospects through a combination of activities that include: targeted mailings and telephone-based prospecting aimed at select groups of businesses located in the Midwest and nationwide, attending trade shows that attract interest from a variety of targeted businesses and advertising the advantages of our region in regional, national, and international publications. The program also coordinates the agency's technology initiatives. *do I.T!* explores opportunities to promote information technology in the region. Projects focus on the deployment of information technology, technology-based economic development and raising community awareness of technology.
- ⇒ **Mining, Minerals and Reclamation** coordinates all of the agency's mining and mineral activities, including its Mineland Reclamation program. Mining and Minerals works to insure the long-term utilization of Minnesota's mineral resources. Activities focus on supporting projects that produce higher value products from Minnesota iron ore and administering the Taconite Economic Development Fund (TEDF) production tax rebate. Efforts are also underway to diversify Minnesota's mining industry by promoting the development of non-ferrous minerals (copper, nickel, and precious metals). The Mineland Reclamation program supports projects between units of government and private industry that promote safety and enhance community resources and amenities. The program's mission is outlined in M.S. 298.223 as follows: "A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota...adversely affected by...mining taconite and iron ore...for the purpose of promoting the economic development of northeast Minnesota...The fund will be used for reclamation, restoration, or reforestation of minelands not otherwise provided for by state law."

Program at a Glance

- ◆ Business Development assisted in the creation of 381 new jobs and the retention of 397 existing jobs in FY 2006.
- ◆ Business Development efforts resulted in the expansion/relocation of 17 businesses to JOBZ in the TAA, creating 152 jobs and retaining 112 jobs.
- ◆ Mining and Minerals administered \$11.2 million TEDF production tax rebates for projects that totaled \$17.5 million in new investments.
- ◆ Mineland Reclamation stocked 12,510 rainbow trout in six mine pits and grew 150,000 tree seedlings.
- ◆ *do I.T!* efforts resulted in completion of a fiber to the premises feasibility study involving 14 communities.

Population Served

Communities located within the TAA and eligible businesses currently located within or locating to the TAA

Services Provided

- ⇒ Financial assistance programs - bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments, and JOBZ.

IRON RANGE RESOURCES & REHAB

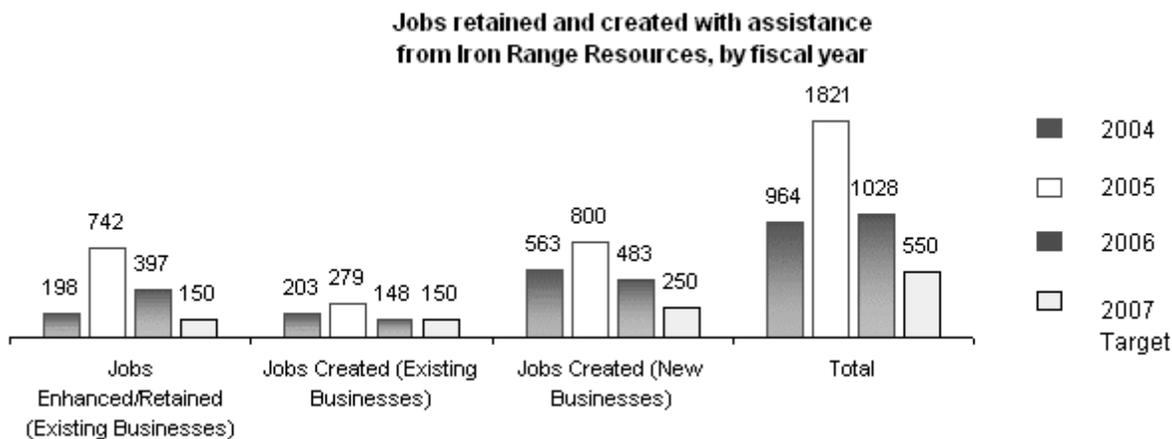
Program: DEVELOPMENT STRATEGIES

Narrative

- ⇒ Targeted recruitment strategy - telephone-based prospecting, site visits, trade show involvement, and business recruitment promotional activities including advertisements and informational mailings.
- ⇒ Technology awareness programs - high-speed broadband connectivity utilizing fiber optic cable, DSL and wireless technologies.
- ⇒ Mining and Minerals program - initiatives to enhance the existing taconite industry, promote the development of value-added iron and steel products, non-ferrous minerals, and energy-related developments.
- ⇒ Mineland Reclamation program - reclaims, restores, and enhances those areas of northeastern Minnesota adversely affected by past mining activities.

Key Measures

- ⇒ At least 550 jobs are retained and created in FY 2007.



Program Funding

Development Strategies \$1.7 million (per year)

Contact

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 (218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB
 Program: DEVELOPMENT STRATEGIES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	595	490	490	490	980
Ne Mn Economic Protection	893	1,265	1,427	1,427	2,854
Total	1,488	1,755	1,917	1,917	3,834
<u>Expenditures by Category</u>					
Total Compensation	1,253	1,254	1,416	1,416	2,832
Other Operating Expenses	235	501	501	501	1,002
Total	1,488	1,755	1,917	1,917	3,834
<u>Expenditures by Activity</u>					
Development Strategies	1,488	1,755	1,917	1,917	3,834
Total	1,488	1,755	1,917	1,917	3,834
Full-Time Equivalents (FTE)	19.2	17.5	19.5	19.5	

Program Description

The agency's rollover consists of all budget activity that has been certified and reset into FY 2007. This account represents projects that had not been completed in FY 2006.

Program at a Glance

◆ FY 2007 Roll Over: \$1.4 million

Population Served

Iron Range Resources divisions, programs, and facilities.

Contact

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IRON RANGE RESOURCES & REHAB

Program: AGENCY ROLL OVER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	312	11,831	0	0	0
Total	312	11,831	0	0	0
<u>Expenditures by Category</u>					
Other Operating Expenses	182	32	0	0	0
Capital Outlay & Real Property	4	747	0	0	0
Local Assistance	126	11,052	0	0	0
Total	312	11,831	0	0	0
<u>Expenditures by Activity</u>					
Agency Roll Over	312	11,831	0	0	0
Total	312	11,831	0	0	0

Program Description

In 1992, the Minnesota Legislature established the Taconite Economic Development Fund (TEDF) to encourage capital investments in northeastern Minnesota taconite plants. Through the TEDF, 30.1-cents of the \$2.137 tax paid for each ton of taconite pellets produced is rebated back into northeastern Minnesota taconite plants for new equipment, facility improvements, and research and development in new mining technologies.

The taconite industry is a major contributor to Minnesota's economy and in particular to the economy of northeastern Minnesota. In 2005, 39.5 million tons of taconite pellets were produced, and over \$86 million in taconite production taxes were paid. The industry currently has 4,000 direct employees and other spin-off industries that do business with the taconite companies provide more than 14,000 jobs.

Under current law, 30.1-cents of the \$2.137 tax paid for each ton of taconite pellets produced is set aside in a special account administered by Iron Range Resources. The TEDF funds are then rebated back to each company for capital improvement projects.

Program at a Glance

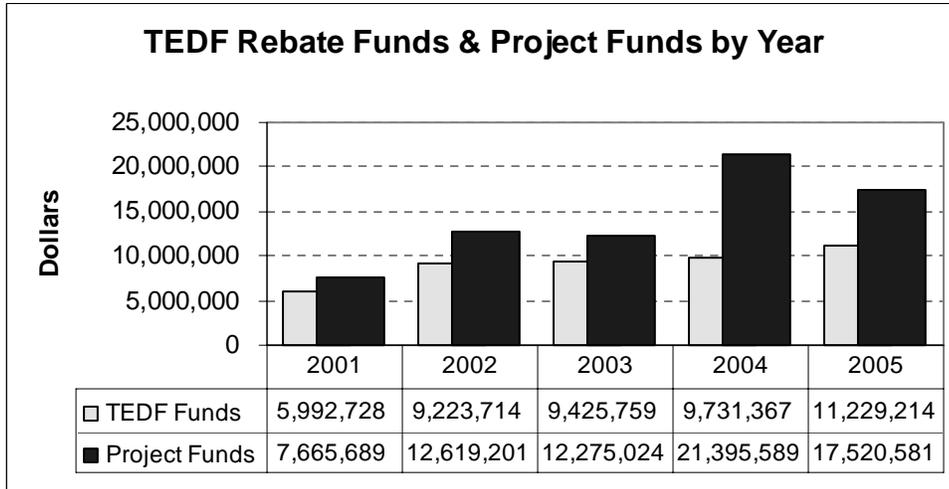
- ◆ Recapitalization of Minnesota's taconite industry.
- ◆ Between 1993-2006, \$113.4 million in Taconite Economic Development Fund production tax rebates has leveraged \$60 million from taconite companies for projects totaling \$173.4 million.

Population Served

TEDF grants are provided to the six taconite plants located in northeastern Minnesota.

Key Measures

⇒ State money leverages additional funding from taconite companies.



Program Funding

Taconite Economic Development Fund - \$11.5 million (Payable in 2006 based on the 2005 production year).

Contact

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IRON RANGE RESOURCES & REHAB
 Program: MINING REBATE PROGRAM

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	15,813	15,208	15,208	14,108	29,316
Total	15,813	15,208	15,208	14,108	29,316
<u>Expenditures by Category</u>					
Local Assistance	15,813	15,208	15,208	14,108	29,316
Total	15,813	15,208	15,208	14,108	29,316
<u>Expenditures by Activity</u>					
Mining Rebate Program	15,813	15,208	15,208	14,108	29,316
Total	15,813	15,208	15,208	14,108	29,316

Program Description

Marketing and Communications directs, develops, coordinates and disseminates marketing, promotional and communications materials on behalf of Iron Range Resources and its stakeholders.

Working as a team, staff members create and distribute internal and external agency communications in print and electronic form, update the agency web site, provide written and graphic creative services to all divisions as needed, and provide staff support for various special events and strategic initiatives.

Program at a Glance

- ◆ Agency marketing
- ◆ Economic development marketing
- ◆ Tourism and facility marketing
- ◆ Multi-media communication services
- ◆ Special project services

⇒ **Marketing** is responsible for directing the development and implementation of all marketing-related communications strategies, messages, and materials generated by and for the agency, its partners and its facilities.

⇒ **Communications** establishes and delivers key messages for the agency, using a fully integrated multi-media approach. Staff members provide written and graphical support for all operating areas and develop and manage a variety of special projects. Staff create and distribute internal and external agency communications, update the agency web site and provide staff support for various events and initiatives.

Population Served

Iron Range Resources programs, facilities, business clients, service areas, and the general population of Minnesota through its function of public information about the work and projects of the agency.

Services Provided

- ⇒ Marketing-related communications and materials.
- ⇒ Internal and external agency communications.
- ⇒ Staff support for special events and strategic initiatives.

Key Measures

- ⇒ Position the agency to be a leading communicator for the region.
- ⇒ Develop and distribute informative materials to targeted regional, statewide, and national audiences.

Program Funding

Marketing and Communications \$869,000 (per year)

Contact

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IRON RANGE RESOURCES & REHAB

Program: MARKETING & COMMUNICATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	788	870	934	934	1,868
Total	788	870	934	934	1,868
<u>Expenditures by Category</u>					
Total Compensation	579	353	417	417	834
Other Operating Expenses	209	517	517	517	1,034
Total	788	870	934	934	1,868
<u>Expenditures by Activity</u>					
Marketing Comm & Ext Affairs	788	870	934	934	1,868
Total	788	870	934	934	1,868
Full-Time Equivalent (FTE)	9.0	5.0	6.0	6.0	

Program Description

Agency Programs and Development Projects comprise the major portion of the agency's economic development activities throughout the Taconite Assistance Area (TAA).

Agency Programs support the economic development activities of the agency, including existing initiatives in marketing and communications, tourism, technology and mining, minerals and reclamation, plus new development initiatives.

- ⇒ **Commissioner Program** - grants to pursue development opportunities in order to advance regional growth.
- ⇒ **Application Fund Program** - grants to communities and organizations to help pay for a portion of the cost of applying for funds from other sources.
- ⇒ **Marketing and Communications Program** - funds activities directed towards promoting messages from the agency regarding its economic development mission to audiences both within and outside the region.
- ⇒ **Tourism Program** - funds activities directed towards promoting and developing tourism in the region.
- ⇒ **Technology Program** - funds activities that promote information technology through the deployment of high-speed broadband connectivity in conjunction with regional public and private partners.
- ⇒ **Mining, Minerals and Reclamation Program** - funds projects/studies in the mining and minerals sectors, including initiatives to enhance the existing taconite industry, promote the development of value-added iron and steel products and non-ferrous minerals. The program also provides grants for the reclamation and restoration of lands in northeastern Minnesota adversely affected by past mining activities.
- ⇒ **Region III** - M.S. 298.17 authorizes grants from occupation taxes for economic and environmental development projects in Koochiching and Carlton counties (Region III).

Development Projects fund the agency's economic development packages and financial incentives to businesses wishing to relocate or expand in the TAA. The funding sources for these projects are:

- ⇒ **Board Account, Taconite Environmental Protection Fund and Douglas J. Johnson Economic Protection Trust Fund** - these monies are allocated for economic development projects within the TAA.

Population Served

Communities located within the TAA and eligible businesses currently located within or expanding into the TAA.

Services Provided

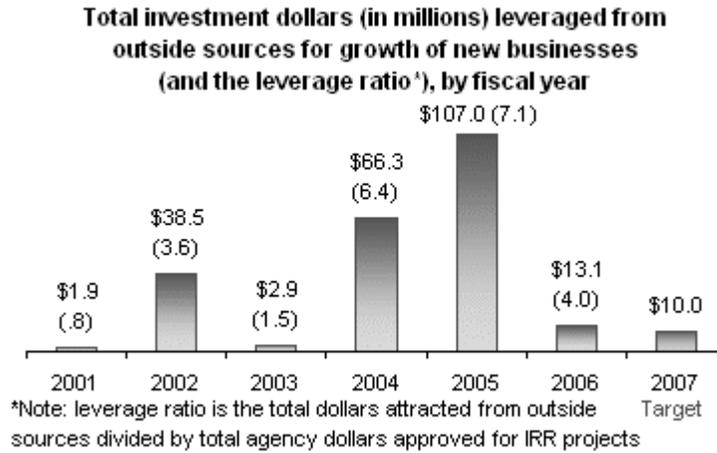
- ⇒ Economic development packages and financial incentives, including bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, and equity investments.

Program at a Glance

- ◆ Agency Programs and Development Projects support the agency's economic development activities throughout the Taconite Assistance Area.
- ◆ The agency's loan portfolio consists of 200 projects totaling over \$30 million.
- ◆ In FY 2006, 17 economic development projects were approved for a total of \$12 million in assistance.
- ◆ Economic development projects leveraged investments of \$12.5 million and created 381 new jobs in FY 2006.
- ◆ In FY 2006, a total of 778 jobs were created or retained in the TAA.
- ◆ Since FY 2004, 44 projects have been approved for a total of \$42.1 million in assistance. These projects leveraged a total investment of \$306.9 million and resulted in the creation of a projected 2,199 new jobs.

Key Measures

⇒ The agency’s financial resources for new business investments are leveraged at a minimum of 4:1.



Program Funding

Agency Programs \$3.2 million (per year)
 Development Projects \$7 million (per year)

Contact

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www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: AGENCY PROGRAMS & PROJECTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	7,367	11,670	11,670	11,270	22,940
Ne Mn Economic Protection	4,868	5,500	3,500	2,000	5,500
Total	12,235	17,170	15,170	13,270	28,440
<u>Expenditures by Category</u>					
Other Operating Expenses	498	409	409	409	818
Local Assistance	3,254	6,311	6,311	5,911	12,222
Other Financial Transactions	8,483	10,450	8,450	6,950	15,400
Total	12,235	17,170	15,170	13,270	28,440
<u>Expenditures by Activity</u>					
Agency Projects	12,235	17,170	15,170	13,270	28,440
Total	12,235	17,170	15,170	13,270	28,440

Program Description

The Attorney General's Office provides legal services to the agency and the Iron Range Resources Board (Board) in support of all agency activities.

Program at a Glance

- ◆ Agency legal counsel

Two assistant attorneys general and one legal assistant provide the commissioner, agency staff and the Board with counsel on legal matters, including statutory interpretation, drafting or interpretation of legal documents, drafting of legislative language and defense of the agency or Board in litigation.

Population Served

Iron Range Resources programs, facilities, business clients, and board.

Services Provided

- ⇒ Provide legal advice to the agency and the Board.
- ⇒ Advise and counsel the commissioner, agency staff and the Board.
- ⇒ Draft contracts, loans, and other agreements for the agency.
- ⇒ Represent the agency and the Board in litigation

Key Measures

- ⇒ High level of service quality and legal advice.
- ⇒ Quality and timeliness of legal documents.
- ⇒ Outcome of litigation.

Program Funding

Legal Services \$382,000 (per year)

Contact

Jean Dolensek
Administrative Services Director
Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 744-7400 or (800) 765-5043
www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Program: ATTORNEY GENERAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	243	244	244	244	488
Ne Mn Economic Protection	116	139	139	139	278
Total	359	383	383	383	766
<u>Expenditures by Category</u>					
Total Compensation	52	47	47	47	94
Other Operating Expenses	307	336	336	336	672
Total	359	383	383	383	766
<u>Expenditures by Activity</u>					
Attorney General	359	383	383	383	766
Total	359	383	383	383	766
Full-Time Equivalents (FTE)	0.8	0.8	0.8	0.8	

IRON RANGE RESOURCES & REHAB

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Taxes:					
General	253	0	0	0	0
Total Non-Dedicated Receipts	253	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Iron Range Resources & Rehab	302	285	50	50	100
Giants Ridge Golf & Ski Resort	4,514	4,758	4,758	4,758	9,516
Ne Mn Economic Protection	122	122	122	122	244
Other Revenues:					
Iron Range Resources & Rehab	2,105	1,675	1,373	1,373	2,746
Giants Ridge Golf & Ski Resort	112	303	303	303	606
Ne Mn Economic Protection	2,832	2,165	2,165	2,165	4,330
Other Sources:					
Iron Range Resources & Rehab	137	15,087	28	28	56
Ne Mn Economic Protection	3,451	1,383	1,383	1,383	2,766
Taxes:					
Iron Range Resources & Rehab	18,708	20,431	20,220	19,120	39,340
Ne Mn Economic Protection	3,299	2,864	2,864	2,864	5,728
Total Dedicated Receipts	35,582	49,073	33,266	32,166	65,432
Agency Total Revenue	35,835	49,073	33,266	32,166	65,432

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↻ Designates that this item is a change item

Agency Purpose

Pursuant to M.S. 490.15, the purpose of the Board on Judicial Standards is:

- ◆ to ensure appropriate judicial conduct, and increase public confidence in the integrity and impartiality of the Minnesota judiciary;
- ◆ to ensure that all judicial officers employed by the judicial branch adhere to established standards of ethical conduct; and
- ◆ to provide a procedure to review and investigate allegations of judicial disability or misconduct, and to provide a forum to discuss questions concerning appropriate judicial behavior.

Core Functions

The board has two basic responsibilities: 1) to educate and advise the public and judicial officers as to appropriate judicial conduct; and 2) to review and investigate the complaints received on judicial disability or alleged misconduct including behavior that interferes with the performance of judicial duties or conduct prejudicial to the administration of justice. In support of these functions, the board engages in the following activities:

- ◆ receives, reviews, and investigates complaints filed against judges and judicial officers for violations of the Code of Judicial Conduct and statutes;
- ◆ issues discipline to judges and judicial officers when appropriate, including private warnings and public reprimands;
- ◆ initiates, when necessary, public proceedings against judges and judicial officers and recommends a disciplinary disposition to the Minnesota Supreme Court, including retirement, censure, or removal from office;
- ◆ reviews judges' compliance with M.S. 546.27 and takes appropriate disciplinary action, if necessary;
- ◆ responds to all inquiries concerning judicial ethics from the public, judges, attorneys, legislature, and board members; and
- ◆ educates the public, judges, and judicial officers on judicial ethics.

Operations

The agency serves a large statewide customer base. In the last four calendar years, agency contacts have steadily increased by 45%. The board's primary activity is to serve the interests of the general public by determining and/or answering questions of proper judicial ethical behavior. Any person or entity may file a complaint against a judge or judicial officer.

Additionally, the staff educates and assists judges and judicial officers with questions concerning appropriate judicial conduct. The staff frequently conducts or otherwise participates in a variety of public and judicial seminars and workshops. Newly appointed judges and judicial candidates are provided information about the standards of appropriate judicial behavior.

Key Measures

- ⇒ The agency strives to respond promptly to all inquires and to process complaints in a conscientious, thorough, and timely manner.
- ⇒ The agency has improved the efficiency of its service to the public, judges and judicial officers, attorneys and the legislature, despite the increased number of individuals under the board's jurisdiction – new judgeships, child support magistrates, additional referees, etc.

At A Glance

Two Fiscal Year Budget: \$504,000

Jurisdiction: 427
Judges and Referees
Retired Judges
Child Support Magistrates

Calendar Year 2005
1,439 Total Agency Contacts
122 Full Board Determinations

Discipline issued:
1 Public Reprimand
12 Warnings
12 Imposed Conditions and Adjustments

296 Responses to Judge Inquiries
1,193 Responses to Public Inquires

- ⇒ In calendar year 2005, 1,439 inquires by the public and judges were responded to by the staff within the same or next day, and then an agency pamphlet was sent to each individual.
- ⇒ The board meets monthly, and resolves matters within a 40-day average (where no additional inquiry or action is necessary).
- ⇒ Agency estimates that 130 complaints will be received and processed in the next fiscal year and will respond to over 1,600 inquiries from the public, judges, attorneys, and legislators.

Budget

The agency received an appropriation \$504,000 from the General Fund for FY 2006-07 budget. The budget consists primarily of salaries and basic operating expenses such as rent, supplies, and telecommunication costs. Despite significant increases in the number of judicial officers, public contacts and advisory and educational activities, the full-time employees have remained constant at two since 1974. Biennial expenditures for investigative costs, court reporters, and attorney services significantly increase when the board receives a complaint alleging serious misconduct. There are no ongoing base resources for these expenditures, so this typically requires a special request for additional funds for the agency to proceed with its statutory obligation. Two requests for insufficient funds were made in FY 2006 totaling \$222,000 for four proceedings.

Contact

Board on Judicial Standards
2025 Centre Pointe Boulevard
Suite 180
Mendota Heights, Minnesota 55120

World Wide Web Home Page: <http://www.bjs.state.mn.us>
David Paull, Executive Secretary
Phone: (651) 296-3999
Fax: (651) 866-1865
E-mail: judicial.standards@state.mn.us

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	449	277	252	252	504
Recommended	449	367	448	455	903
Change		90	196	203	399
% Biennial Change from 2006-07					10.7%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	469	347	448	455	903
Total	469	347	448	455	903
 <u>Expenditures by Category</u>					
Total Compensation	203	207	236	243	479
Other Operating Expenses	266	140	212	212	424
Total	469	347	448	455	903
 <u>Expenditures by Program</u>					
Judicial Standards Board	469	347	448	455	903
Total	469	347	448	455	903
 Full-Time Equivalent (FTE)	 2.0	 2.0	 2.0	 2.0	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	277	252	252	504
Subtotal - Forecast Base	277	252	252	504
Change Items				
Deficiency Request for FY 2007	90	0	0	0
Restore Base; Investigations/Hearings	0	192	195	387
Compensation Adjustment	0	4	8	12
Total Governor's Recommendations	367	448	455	903

JUDICIAL STANDARDS BOARD

Change Item: Deficiency Request for FY 2007

Fiscal Impact (\$000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	\$90	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	\$90	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends \$90,000 for a FY 2007 deficiency request to complete two judicial disciplinary proceedings already in progress.

Background

In two separate judicial disciplinary matters, judges demanded a public hearing according to Rule 6(d)(1)(ii). The board received deficiency funding for these proceedings in FY 2006 for the attorney fees, court reporters and investigators. Formal investigations were conducted and public hearings were held. As required, the board made formal findings and recommendations to the Supreme Court. According to the rules, both cases will be presented to the Supreme Court for review and final disposition of discipline. The court requires oral arguments and briefs. These oral arguments and briefs before the Minnesota Supreme Court are pending. The request is for outstanding attorney invoices and attorney fees to complete the process required by the rules. The agency currently has outstanding invoices of \$14,000 and projects that \$76,000 will be needed to complete the two matters. The estimate is based on a previous history of disciplinary proceedings.

Relationship to Base Budget

This request does not affect the base budget. The disciplinary proceedings expenses are separate from the operating base budget of the agency. The request is considered a one-time appropriation for the biennium. In the past, the legislature has made separate appropriations for this type of a deficiency. The funds are used only for this purpose.

Statutory Change: Not Applicable

JUDICIAL STANDARDS BOARD

Change Item: Restore Base Budget; Create Investigative & Hearing Account

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$192	\$195	\$195	\$195
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$192	\$195	\$195	\$195

Recommendation

The Governor recommends \$67,000 in FY 2008 and \$70,000 in FY 2009 to increase base operating funding for the agency and \$125,000 each year for a separate account to cover special investigative and hearing costs not otherwise covered in the agency's operating budget. The base funding increase would help cover normal operating costs such as rent and telecommunications, and salary adjustments forgone the last four years. The special investigative and hearing cost account would be expected to cover most of the costs that have been paid for by deficiency appropriations or Legislative Advisory Commission (LAC) allocations in recent years.

Background

Base funding for this small agency with two employees has not changed since FY 2003. Since then, there have been significant health insurance costs increases, along with more typical increases for rent, communications and technology expenditures. Because the agency has had to reallocate funds to pay for costs in those areas, other items have remained unfunded in the base budget, such as:

- ⇒ The executive director position has not been funded at the level required under M.S. 490.15, Subd. 3. Personnel have not received performance increases for four years.
- ⇒ Most board members have not taken per diem as allowed under law.

The agency has also had to seek special appropriations to pay for the hiring of professional service providers to investigate and assist in major misconduct complaints received, judicial disciplinary proceedings to be initiated and conducted, and public hearings if demanded by the judges according to the Board's rules. Costs funded have included fees for lawyers, court reporters, specialized investigations or evaluations, courtroom rental, copying charges, service costs, and witness fees. At the same time the agency has experienced a 240% increase with contacts in dealing with the public and judges.

The recommendation will allow the agency to fully fund its ongoing operating costs and provide adequate compensation for its staff and costs for its board. It will allow the agency to hire professional service providers to investigate and assist with misconduct complaints it receives. For the board's more significant investigations and hearings, the recommendation creates a special account to pay for those costs, which occur on a more sporadic basis than other normal operating expenses. Unspent funds in that account would be allowed to balance forward across biennia, recognizing that expenditures for these activities vary significantly each year and are not known until disciplinary investigations and actions are taken. This should reduce and minimize the need to seek additional funding through deficiency requests or LAC allocations to pay those costs.

This agency is the only body that monitors the conduct of the entire state judiciary. The present base budget does not permit the board and the staff to fully discharge its statutory obligations. If this agency is unable to execute its responsibilities, the public's confidence in an independent and impartial judiciary may be adversely affected.

Relationship to Base Budget

The portion of the request increasing operating funds for the agency would increase its biennial base budget by 27%. The recommendation for a special account to fund investigative and hearing costs is a new item.

Statutory Change: Not Applicable

JUDICIAL STANDARDS BOARD

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$4	\$8	\$8	\$8
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$4	\$8	\$8	\$8

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

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↻ Designates that this item is a change item



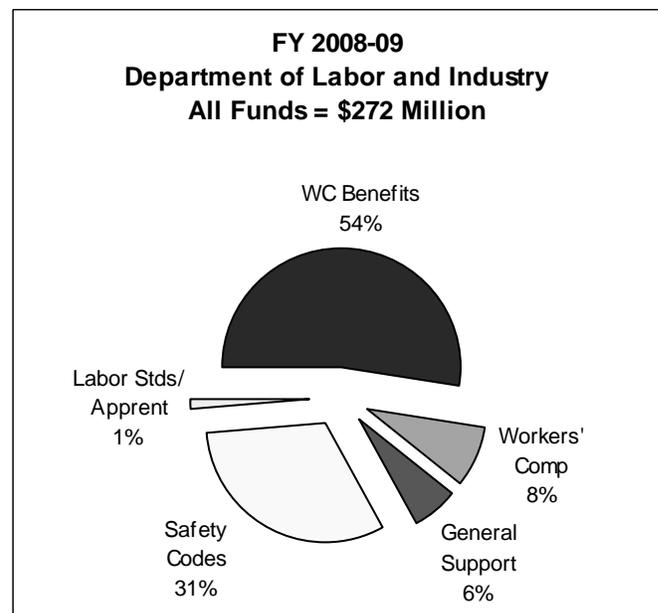
January 22, 2007

The 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Labor and Industry's budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$1,818,000 from the state's General fund, \$193,437,000 from the Workers' Compensation fund, and \$76,679,000 from other funds. It represents a 6% increase from the FY 2008-09 forecast base.

As the graphic indicates, more than half of the budget is for payments of workers' compensation benefits. The remaining budget is administered through four program areas: workers' compensation, safety codes and services, labor standards and apprenticeship, and general support.

With this budget recommendation, DLI will be able to maintain its commitment to ensure Minnesota's work and living environments are equitable, healthy, and safe. This budget recommendation and supporting legislation completes the consolidation of construction-related services. The over-reaching goal is to assure the safety of Minnesota's citizens through exemplary service to customers and stakeholders. In addition, this recommendation improves workplace safety by providing additional resources for grants, inspections, and other compliance assistance activities and supports improved stakeholder reporting of required workers' compensation and prevailing-wage information.



I look forward to working with you in the coming months.

Sincerely,

M. Scott Brener
Commissioner

Agency Purpose

The mission of the Department of Labor and Industry (DLI) is to ensure Minnesota's work and living environments are equitable, healthy, and safe. Its vision is to be a trusted resource and an impartial regulator for employers, employees, and property owners.

Agency activities are designed to assure

- ◆ workplaces are free from injury and illness;
- ◆ buildings are safe and healthy for those who occupy them;
- ◆ workers injured on the job are provided treatment and benefits required by law;
- ◆ workers from all communities have the opportunity to receive critical skills through apprenticeship training;
- ◆ workers who construct and inspect buildings are qualified to perform the work;
- ◆ workers, potential workers, and employers have a clear understanding of their rights and responsibilities in the workplace; and
- ◆ customers have ready access to reliable resources that assist them in complying with the laws and regulations the agency is responsible for administering and enforcing.

At A Glance

- ◆ Administer laws affecting Minnesota's 2.6 million employees and 159,000 employers
- ◆ Oversee workers' compensation claims and benefit payments for 141,000 injuries and 53 workplace fatalities annually
- ◆ Conduct more than 200,000 inspections per year
- ◆ Issue more than 95,000 licenses and certifications per year
- ◆ Monitor more than 8,000 registered apprentices

Core Functions

DLI administers laws related to employment, apprenticeship, workplace safety, workers' compensation, and construction of buildings through its core functions:

- ◆ provide training, outreach, and other resources to agency customers;
- ◆ promulgate construction codes;
- ◆ conduct plan-reviews, inspections, audits, and investigations;
- ◆ review workers' compensation claims and oversee the provision of benefits;
- ◆ provide informal dispute-resolution services;
- ◆ provide vocational rehabilitation services;
- ◆ issue penalties for violations of the law;
- ◆ issue professional licenses and certifications; and
- ◆ register apprenticeship programs.

Operations

DLI's primary customers are Minnesota workers, employers, and building owners. Other stakeholders include builders, contractors, building officials, manufacturers of building products, insurers, attorneys, rehabilitation and health care providers, employment agencies, building owners, and boat owners. Services are provided through four DLI divisions.

The **Workers' Compensation Division** oversees and administers the workers' compensation system in Minnesota through the following four activities.

- ⇒ **Claims Services and Investigations** verifies and enforces employers workers' compensation insurance coverage, administers claims for injured workers of uninsured and bankrupt self-insured employers, and administers asbestosis claims. It also reimburses second-injury and supplementary benefits to insurers and self-insured employers.
- ⇒ **Benefit Management and Resolution** provides assistance and information about workers' compensation laws and processes to injured workers, employers, and other stakeholders. The unit ensures employers and insurers provide timely and accurate benefits through compliance, penalties, and education. It also certifies managed care organizations and qualified rehabilitation consultants, and monitors their professional conduct. Services extend to alternative dispute-resolution services, including mediations, conferences, telephone information, walk-in assistance, and dispute certification. In addition, the unit provides both formal and informal training sessions to workers' compensation stakeholders.

- ⇒ **Vocational Rehabilitation** provides vocational services to injured workers whose claims have been denied or whose claims are in dispute and are awaiting resolution in court.
- ⇒ **Information Processing Center** creates, maintains, and manages the availability of workers' compensation claim files. The unit audits workers' compensation claim files for adherence to the law. It also provides required workplace posters to employers upon request.

The **Safety Codes and Services Division** assures safety standards, construction codes, and construction-related licensing complies with legal requirements through the following three activities.

- ⇒ **Construction Codes and Licensing** promulgates construction codes for buildings, plumbing, electrical, accessibility, elevator, energy, manufactured structures, boilers, and high-pressure-piping systems, and licenses those who install and inspect them. It provides technical assistance and education to building owners, contractors, and code officials, and reviews and inspects certain construction projects for compliance with construction codes.
- ⇒ **MNOSHA Compliance** conducts safety and health inspections of workplaces and issues citations for noncompliance with standards. It provides technical assistance, outreach, and education about safety and health issues. It also develops partnerships with organizations and investigates allegations of adverse employment actions against employees who make safety and health complaints.
- ⇒ **Workplace Safety Consultation** provides safety and health inspections, alliances, training and outreach sessions, and technical assistance to public and private-sector employers, primarily targeting small high-hazard industries. It also administers safety programs such as safety grants, labor-management safety committees, workplace violence prevention, ergonomics, and logger education.

The **Labor Standards and Apprenticeship Division** enforces employment laws governing child labor, minimum wage, overtime, prevailing wage, and parental leave. It regulates, supervises, and promotes apprenticeship programs that meet state standards. It also provides outreach and education to employers and employees, and issues licenses to fee employment agencies.

The **General Support Division** supports agency operations through communications, legislative relations, financial management, human resources, information technology, research and statistics, legal advice, rulemaking, and litigation.

Budget

DLI's budget comes from two primary sources: the workers' compensation fund, which is financed primarily by an assessment collected from workers' compensation insurers and self-insured employers; and the special revenue fund, which is financed by the stakeholders of the construction industry through permit, licensing, and inspection fees. The remainder of DLI's budget is financed by the general, workforce development, and federal funds. More than 55% of agency expenditures are for workers' compensation benefit payments to injured workers. The DLI staff includes 459 full-time-equivalent employees working in locations throughout the state.

Contact

For more information, contact DLI Communications at (651) 284-5313.

More than 1,000 visitors stop by the DLI Web site (www.doli.state.mn.us) each day to learn more about Minnesota's employment laws, safety and health standards, work-related injuries, and worker training programs.

For information about department goals and results, visit the Minnesota Department Results Web site at www.departmentresults.state.mn.us/doli.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,872	2,872	2,872	2,872	5,744
Recommended	2,872	2,872	904	914	1,818
Change		0	(1,968)	(1,958)	(3,926)
% Biennial Change from 2006-07					-68.3%
State Government Spec Revenue					
Current Appropriation	0	0	0	0	0
Recommended	0	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2006-07					n.m.
Workforce Development					
Current Appropriation	750	750	750	750	1,500
Recommended	750	750	765	781	1,546
Change		0	15	31	46
% Biennial Change from 2006-07					3.1%
Workers Compensation					
Current Appropriation	19,297	19,297	19,297	19,297	38,594
Recommended	19,297	19,297	20,566	20,903	41,469
Change		0	1,269	1,606	2,875
% Biennial Change from 2006-07					7.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,258	4,079	904	914	1,818
State Government Spec Revenue	1,533	2,129	0	0	0
Workforce Development	687	813	765	781	1,546
Workers Compensation	18,037	20,337	20,566	20,903	41,469
Open Appropriations					
Workers Compensation	71,455	75,164	73,422	71,688	145,110
Statutory Appropriations					
State Government Spec Revenue	16,721	18,323	26,514	26,562	53,076
Misc Special Revenue	3,718	3,951	5,138	5,138	10,276
Federal	5,036	5,213	5,803	5,958	11,761
Workers Compensation	2,902	3,478	3,429	3,429	6,858
Miscellaneous Agency	8	10	10	10	20
Total	123,355	133,497	136,551	135,383	271,934
<u>Expenditures by Category</u>					
Total Compensation	30,776	33,329	36,178	37,717	73,895
Other Operating Expenses	19,483	22,727	24,705	23,732	48,437
Payments To Individuals	71,247	74,947	73,205	71,471	144,676
Local Assistance	1,849	2,494	2,463	2,463	4,926
Total	123,355	133,497	136,551	135,383	271,934
<u>Expenditures by Program</u>					
Workers Compensation Division	80,955	85,840	83,807	82,351	166,158
Safety Codes & Services	33,379	37,672	42,398	42,697	85,095
Labor Standards/Apprenticeship	1,430	1,558	1,720	1,746	3,466
General Support Division	7,591	8,427	8,626	8,589	17,215
Total	123,355	133,497	136,551	135,383	271,934
Full-Time Equivalent (FTE)	436.1	459.2	477.7	477.7	

LABOR AND INDUSTRY DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	2,872	2,872	2,872	5,744
Technical Adjustments				
Transfers Between Agencies		562	562	1,124
Subtotal - Forecast Base	2,872	3,434	3,434	6,868
Change Items				
Construction Code Consolidation	0	(2,780)	(2,821)	(5,601)
Enhance Labor Law Regulation	0	200	200	400
Compensation Adjustment	0	50	101	151
Total Governor's Recommendations	2,872	904	914	1,818
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	0	0	0	0
Technical Adjustments				
Transfers Between Agencies		1,831	1,831	3,662
Subtotal - Forecast Base	0	1,831	1,831	3,662
Change Items				
Construction Code Consolidation	0	(1,877)	(1,925)	(3,802)
Compensation Adjustment	0	46	94	140
Total Governor's Recommendations	0	0	0	0
Fund: WORKFORCE DEVELOPMENT				
FY 2007 Appropriations	750	750	750	1,500
Subtotal - Forecast Base	750	750	750	1,500
Change Items				
Compensation Adjustment	0	15	31	46
Total Governor's Recommendations	750	765	781	1,546
Fund: WORKERS COMPENSATION				
FY 2007 Appropriations	19,297	19,297	19,297	38,594
Subtotal - Forecast Base	19,297	19,297	19,297	38,594
Change Items				
Meet Federal OSHA Benchmark Staffing	0	460	460	920
Workers' Compensation System Interface	0	290	90	380
Compensation Adjustment	0	519	1,056	1,575
Total Governor's Recommendations	19,297	20,566	20,903	41,469
Fund: WORKERS COMPENSATION				
Planned Open Spending	75,164	73,422	71,688	145,110
Total Governor's Recommendations	75,164	73,422	71,688	145,110

LABOR AND INDUSTRY DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	18,323	18,304	18,170	36,474
Change Items				
Construction Code Consolidation	0	5,228	5,410	10,638
CCLD Fee Changes	0	2,982	2,982	5,964
Total Governor's Recommendations	18,323	26,514	26,562	53,076
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	3,951	4,108	4,108	8,216
Change Items				
CCLD Fee Changes	0	1,030	1,030	2,060
Total Governor's Recommendations	3,951	5,138	5,138	10,276
Fund: FEDERAL				
Planned Statutory Spending	5,213	5,343	5,498	10,841
Change Items				
Meet Federal OSHA Benchmark Staffing	0	460	460	920
Total Governor's Recommendations	5,213	5,803	5,958	11,761
Fund: WORKERS COMPENSATION				
Planned Statutory Spending	3,478	3,160	3,160	6,320
Change Items				
Construction Code Consolidation	0	269	269	538
Total Governor's Recommendations	3,478	3,429	3,429	6,858
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	10	10	10	20
Total Governor's Recommendations	10	10	10	20
Revenue Change Items				
Fund: GENERAL				
Change Items				
Construction Code Consolidation	0	(3,882)	(3,832)	(7,714)
CCLD Fee Changes	0	(775)	(775)	(1,550)
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Construction Code Consolidation	0	3,613	3,563	7,176
CCLD Fee Changes	0	2,982	2,982	5,964
Fund: MISC SPECIAL REVENUE				
Change Items				
CCLD Fee Changes	0	1,030	1,030	2,060
Fund: FEDERAL				
Change Items				
Meet Federal OSHA Benchmark Staffing	0	460	460	920
Fund: WORKERS COMPENSATION				
Change Items				
Construction Code Consolidation	0	269	269	538

Program Description

The purpose of the Workers' Compensation Division is to minimize the impact of work-related injuries or illnesses on workers and employers.

Budget Activities

This program includes the following budget activities:

- ⇒ Claims Services and Investigations
- ⇒ Benefit Management and Resolution
- ⇒ Information Processing Center
- ⇒ Vocational Rehabilitation
- ⇒ Workers' Compensation Administration

LABOR AND INDUSTRY DEPT

Program: WORKERS COMPENSATION DIVISION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	10,371	10,371	10,371	10,371	20,742
Technical Adjustments					
Approved Transfer Between Appr			(309)	(309)	(618)
Subtotal - Forecast Base	10,371	10,371	10,062	10,062	20,124
Governor's Recommendations					
Compensation Adjustment		0	269	547	816
Total	10,371	10,371	10,331	10,609	20,940
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	9,439	10,619	10,331	10,609	20,940
Open Appropriations					
Workers Compensation	71,212	74,908	73,166	71,432	144,598
Statutory Appropriations					
Misc Special Revenue	39	40	40	40	80
Workers Compensation	265	273	270	270	540
Total	80,955	85,840	83,807	82,351	166,158
<u>Expenditures by Category</u>					
Total Compensation	8,165	8,479	9,104	9,498	18,602
Other Operating Expenses	1,413	2,264	1,348	1,232	2,580
Payments To Individuals	71,247	74,947	73,205	71,471	144,676
Local Assistance	130	150	150	150	300
Total	80,955	85,840	83,807	82,351	166,158
<u>Expenditures by Activity</u>					
Wc Claims Serv & Investigation	73,250	77,495	75,433	73,757	149,190
Wc Benefit Mgmt & Resolution	2,780	2,908	3,080	3,167	6,247
Wc Information Processing Ctr	2,784	2,794	2,923	2,997	5,920
Wc Vocational Rehabilitation	1,887	1,984	2,091	2,143	4,234
Wc Administration	254	659	280	287	567
Total	80,955	85,840	83,807	82,351	166,158
Full-Time Equivalentents (FTE)	125.4	127.5	127.5	127.5	

Activity Description

The Claims Services and Investigations unit (CSI) provides workers' compensation protection to Minnesota employees by enforcing the state's workers' compensation mandatory coverage requirements, providing certain benefits and reimbursements on behalf of eligible employees and insurers, and by collecting the assessments that fund Minnesota workers' compensation programs.

Population Served

CSI activities serve injured workers, employers, and workers' compensation insurers.

Services Provided

- ⇒ Mandatory coverage — CSI enforces the state's workers' compensation mandatory insurance coverage law through the investigation and assessment of appropriate penalties against employers that fail to comply with the law requiring workers' compensation insurance coverage for eligible employees.
- ⇒ Uninsured claims — CSI acts as a "safety net," providing appropriate workers' compensation benefits to injured workers whose employers have failed to obtain proper workers' compensation insurance. The staff administers these claims in the same manner as an insurance company or adjusting company. CSI pursues recovery against the uninsured employer for benefits paid to the employee and ensures future compliance with the mandatory coverage law on the part of the employer. The CSI unit also administers asbestosis medical claims and pays benefits to injured employees of certain bankrupt self-insured employers.
- ⇒ Second-injury and supplementary benefit claims — CSI reimburses insurers and employers for payments made to employees under the second-injury and supplementary benefits programs. Although these programs were discontinued for injuries occurring after 1992 and 1995, respectively, it is estimated payments under those programs will continue to be made on a declining basis until approximately 2050.
- ⇒ Assessment collection — CSI collects assessments from insurers and self-insured employers to fund workers' compensation and safety activities of the Department of Labor and Industry, the workers' compensation section of the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, and a portion of the Department of Commerce, as well as the benefits paid under the uninsured, second-injury and supplementary benefits programs.

Activity at a Glance

- ◆ Collected assessments of more than \$92 million annually to pay injured workers benefits and workers' compensation program expenses.
- ◆ Provided supplementary and second-injury benefit reimbursement to insurers on 3,720 claims in FY 2006.
- ◆ Provided workers' compensation benefits to 530 injured workers of uninsured and bankrupt self-insured employers in FY 2006.
- ◆ Investigated 218 incidents of uninsured employers resulting in 175 penalty assessments in FY 2006.
- ◆ Investigated 149 new claims for uninsured claims benefits in FY 2006.

LABOR AND INDUSTRY DEPT

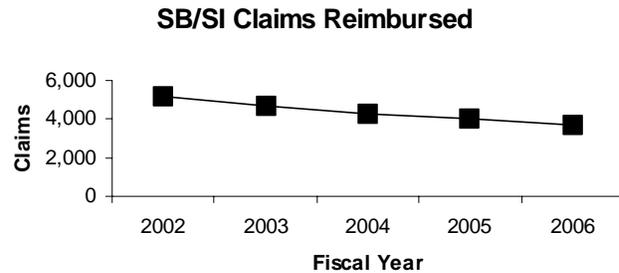
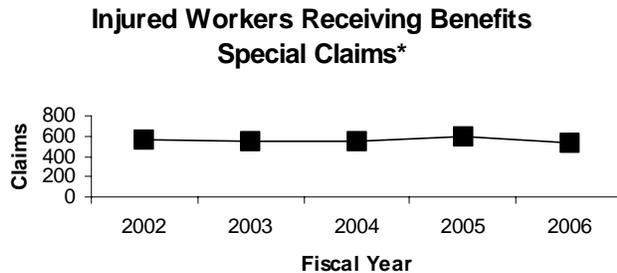
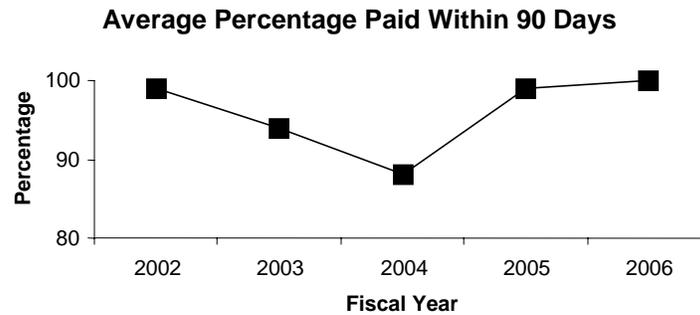
Program: WORKERS' COMPENSATION DIVISION

Activity: WC CLAIMS SERVICES AND INVESTIGATIONS

Narrative

Key Measures

Ninety-five percent of second-injury (SI) and supplementary benefits (SB) claims are processed within 90 days of receipt.



*Includes uninsured, bankrupt self-insured, and asbestosis claims.

Activity Funding

The CSI unit is financed by an appropriation from the workers' compensation fund. The unit collects an assessment from insurers and self-insured employers, as well as reimbursements from employers for benefits paid. Penalties assessed by this unit are deposited to the assigned risk safety account, which is dedicated for workplace safety programs.

Contact

For more information, contact Claims Services and Investigations by phone at (651) 284-5045 or 1 (800)-DIAL-DLI (1-(800)-342-5354), by e-mail at DLISpecialcomp@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: WORKERS COMPENSATION DIVISION

Activity: WC CLAIMS SERV & INVESTIGATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	2,038	2,587	2,267	2,325	4,592
Open Appropriations					
Workers Compensation	71,212	74,908	73,166	71,432	144,598
Total	73,250	77,495	75,433	73,757	149,190
<u>Expenditures by Category</u>					
Total Compensation	1,659	1,746	1,901	2,044	3,945
Other Operating Expenses	379	841	366	281	647
Payments To Individuals	71,212	74,908	73,166	71,432	144,598
Total	73,250	77,495	75,433	73,757	149,190
Full-Time Equivalents (FTE)	24.9	25.6	25.6	25.6	

LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

Activity: WC BENEFIT MANAGEMENT AND RESOLUTION

Narrative

Activity Description

The Benefit Management and Resolution (BMR) unit exists to prevent and resolve workers' compensation disputes at a reasonable cost to employers (M.S. 176.001 and 176.261). This unit uses a customer-focused approach to dispute resolution. It also issues penalties, certifies managed care organizations, monitors rehabilitation and medical provider conduct, and provides outreach by providing information and formalized training.

Population Served

The BMR unit serves injured workers, attorneys, employers, insurers, rehabilitation and health care providers, certified managed care organizations and other state agencies.

Services Provided

BMR's Alternative Dispute Resolution Team provides assistance by responding to hotline calls, e-mails, correspondence, and walk-ins; processing dispute certification requests; conducting rehabilitation and medical conferences; and conducting mediations. In all instances, the services provided are direct services and the specialists in the unit treat every contact with the department as an opportunity for resolution, paying careful attention to the need to remain neutral. In addition, the BMR Compliance Team assesses a variety of penalties against parties in the workers' compensation system, certifies managed care organizations, and investigates complaints against rehabilitation and medical providers. BMR also provides proactive, formalized training for insurance adjusters, employers, and rehabilitation and medical providers.

Key Measures

The following are the performance measures for the BMR unit:

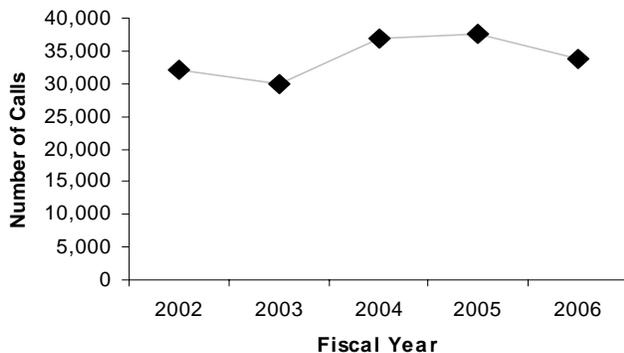
- ◆ number of assistance contacts provided;
- ◆ number of administrative conference and mediation session resolutions;
- ◆ number of dispute certification issues resolved;
- ◆ number of penalty requests; and
- ◆ percentage of penalties assessed from requests.

Activity at a Glance

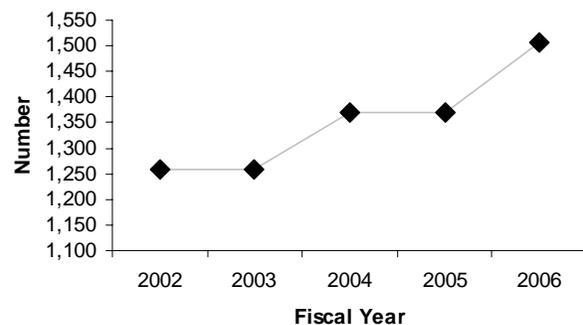
FY 2006

- ◆ Provided more than 33,000 assistance contacts.
- ◆ Processed 3,532 requests for certification of dispute, resolving approximately 25%.
- ◆ Conducted more than 1,900 administrative conferences, providing resolution 69% of the time.
- ◆ Conducted more than 190 mediation sessions, achieving agreements more than 95% of the time.
- ◆ Reviewed 638 penalty requests, resulting in penalties 75% of the time.

Assistance Contacts by Year



Conference Decisions and Mediation Resolutions



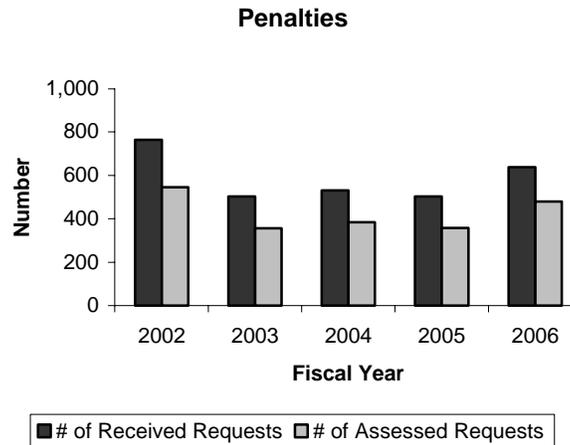
LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

Activity: WC BENEFIT MANAGEMENT AND RESOLUTION

Narrative

Each year, BMR reviews approximately 500 to 800 requests for possible penalties. These requests come from customers outside the department and staff members within the department, and do not include reviews done based on automatically generated lists.



Activity Funding

The BMR unit is financed by an appropriation from the workers' compensation fund. Penalties assessed by this unit are deposited to the assigned risk safety account, which is dedicated for workplace safety programs. The unit recovers its costs for training sessions through participant fees. It also collects registration fees from managed care organizations.

Contact

For more information, contact BMR by phone at (651) 284-5030 or 1 (800) DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.workcomp@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: WORKERS COMPENSATION DIVISION

Activity: WC BENEFIT MGMT & RESOLUTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	2,741	2,868	3,040	3,127	6,167
Statutory Appropriations					
Misc Special Revenue	39	40	40	40	80
Total	2,780	2,908	3,080	3,167	6,247
<u>Expenditures by Category</u>					
Total Compensation	2,454	2,596	2,765	2,866	5,631
Other Operating Expenses	326	312	315	301	616
Total	2,780	2,908	3,080	3,167	6,247
Full-Time Equivalents (FTE)	33.6	34.5	34.5	34.5	

Activity Description

The Information Processing Center (IPC) ensures employers and insurers provide timely and accurate benefits by auditing workers' compensation files, registering vocational rehabilitation providers (qualified rehabilitation consultants, vendors, and firms), and providing critical administrative support services to the Workers' Compensation Division and its customers.

Population Served

IPC services benefit injured workers, employers, insurers, claims administrators, attorneys, health care and rehabilitation service providers, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, the state Supreme Court, and the employees of DLI.

Activity at a Glance

FY 2006

- ◆ Recovered 3.6 million in additional benefits to injured workers through file audits.
- ◆ Maintained more than 1.6 million workers' compensation claim files.
- ◆ Imaged more than 2.3 million pages of mail.
- ◆ Data-entered more than 200,000 forms.
- ◆ Processed 13,107 requests for copies of files.

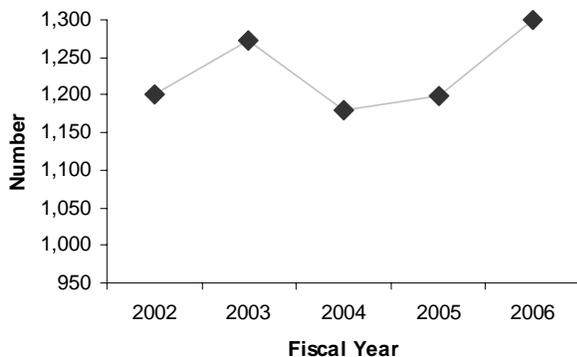
Services Provided

IPC audits all workers' compensation claims filed with the agency, seeks correction of improper payments, monitors the performance of all insurers of workers' compensation claims, registers rehabilitation providers and responds to requests for insurance verification information. In addition, it provides support services to the rest of the Workers' Compensation Division by imaging all workers' compensation claim file documents; coding and processing all First Report of Injury forms, including fatality claims; verifying and entering workers' compensation data into the database; maintaining workers' compensation files; processing all correspondence to make sure it gets to the intended recipient; processing requests for mandatory state employment posters; mailing employee rights brochures to injured workers; processing requests for copies of workers' compensation files to authorized clientele; and managing a quality assurance program that measures the accuracy and timeliness of all the information provided to customers.

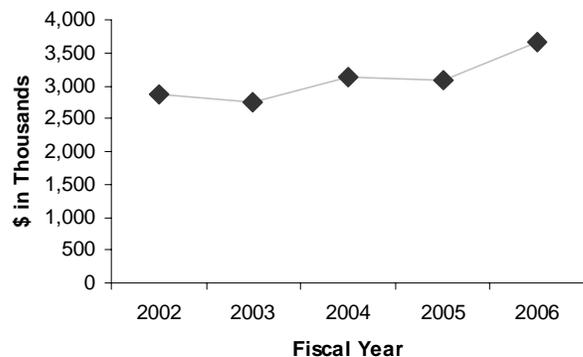
Key Measures

⇒ Each year, IPC reviews approximately 56,000 files looking for indemnity benefit payment mistakes made by insurers. When errors are found, IPC contacts the insurers to explain the correction needed. An average of an additional \$3.1 million is paid to injured workers each year due to these audits. The majority of errors involve the incorrect payment of permanent partial disability benefits.

Underpayments



Underpayment in Dollars



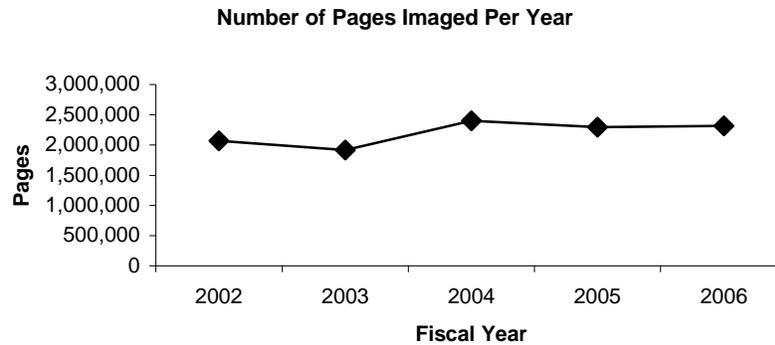
LABOR AND INDUSTRY DEPT

Program: WORKERS' COMPENSATION DIVISION

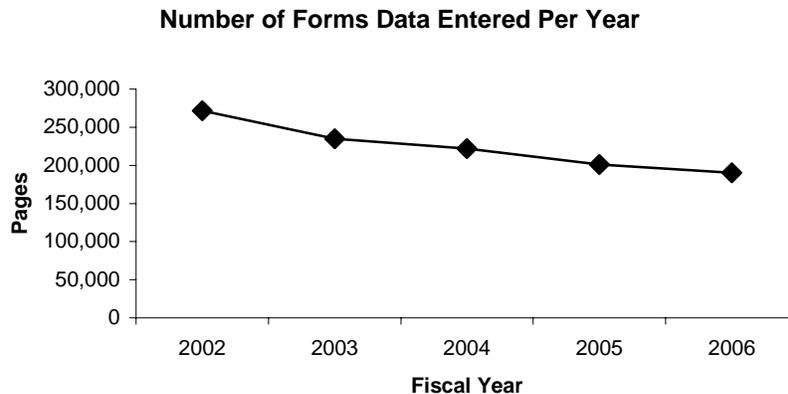
Activity: WC INFORMATION PROCESSING CENTER

Narrative

⇒ IPC ensures the timely and accurate imaging of workers' compensation documents.



⇒ IPC ensures the timely and accurate data-entry of workers' compensation data.



Activity Funding

The IPC unit is financed by an appropriation from the workers' compensation fund. The activity recovers the cost of providing photocopies of claim files to requesting parties in workers' compensation cases. It also collects registration fees from rehabilitation providers.

Contact

For more information, contact the Information Processing Center by phone at (651) 284-5467 or 1 (800)-DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.workcomp@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: WORKERS COMPENSATION DIVISION

Activity: WC INFORMATION PROCESSING CTR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	2,519	2,521	2,653	2,727	5,380
Statutory Appropriations					
Workers Compensation	265	273	270	270	540
Total	2,784	2,794	2,923	2,997	5,920
<u>Expenditures by Category</u>					
Total Compensation	2,402	2,373	2,524	2,615	5,139
Other Operating Expenses	382	421	399	382	781
Total	2,784	2,794	2,923	2,997	5,920
Full-Time Equivalents (FTE)	41.0	40.5	40.5	40.5	

Activity Description

The Vocational Rehabilitation unit (VRU) was established in 1983, by M.S. 176.104, to provide rehabilitation services when a dispute exists regarding medical causation or primary liability. Vocational rehabilitation services help to restore employment and resolve claim issues, thereby reducing the workers' compensation and socio-economic costs of a work injury.

There are 1,800 to 2,000 claim petitions filed annually in response to a primary denial of liability. Ninety percent of injured workers receiving VRU services have disputed claims. During the approximate 12-month litigation process, the injured worker does not receive benefits. Rehabilitation services assist with the restoration of an income for the injured worker during this period and reduced wage-loss-compensation owed by the insurer if liability is later determined.

Population Served

Injured workers, employers, and insurers directly benefit from the services of VRU. The state benefits from the injured worker's reduced dependence on public financial support programs and by the income tax collected on wages when the employee returns to work. An early return to work helps to reduce the cost of workers' compensation in Minnesota.

Services Provided

VRU is a direct provider of rehabilitation services as outlined in M.S. 176.102 and Minn. Rules 5220.0100-1900. Services provided by VRU include

- ⇒ Rehabilitation consultation — meeting with the employee and contacting the treating physician and employer to determine eligibility for rehabilitation services as defined by the statute.
- ⇒ Medical management — coordination of the employee's medical treatment with the return-to-work plan.
- ⇒ Job analysis — assessment of the physical and cognitive demands of the job duties at the worksite and opening the capacity of the injured worker to be successful given the medical restrictions.
- ⇒ Vocational testing and counseling — assessment of the injured worker's interests, aptitudes, and abilities using standardized tests and subsequent meetings with the individual to integrate this information with the medical information, labor market information, and the requirements of occupations to arrive at appropriate job goals.
- ⇒ Job development and placement — identification of employers and job openings consistent with job goals. VRU employees help prepare the injured worker to seek work, assist with a resume, and provide job-seeking skills training, including application and interview assistance. They also contact employers for jobs, support and encourage the injured worker during the job search, and assist the injured worker with weekly job leads and the completion of job logs.
- ⇒ On-the-job training and retraining evaluation — coordination and monitoring of the training of an employee at a workplace. If an employee is unable to acquire suitable employment, a retraining plan is proposed in a formal educational setting to acquire knowledge and skills that will result in suitable employment.

Activity at a Glance

FY 2006

- ◆ 368 open files (monthly average)
- ◆ 354 plans completed
- ◆ 79% of date of injury wages were restored
- ◆ 88% positive outcomes

LABOR AND INDUSTRY DEPT

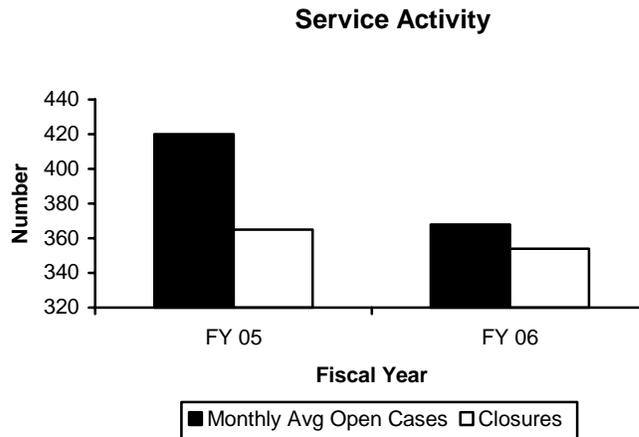
Program: **WORKERS' COMPENSATION DIVISION**

Activity: **WC VOCATIONAL REHABILITATION**

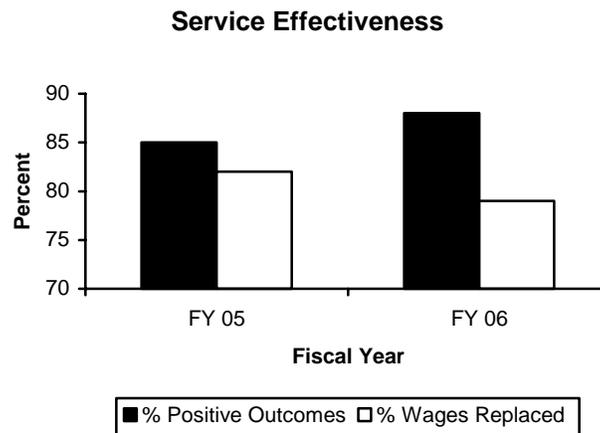
Narrative

Key Measures

⇒ VRU measures of service activity include the average number of open files per month and the number of cases closed for the fiscal year. During FY 2006, fewer new cases were opened due to multiple vacancies within the unit.



⇒ VRU measures of service effectiveness include the percentage of completed cases that result in positive outcomes and the percentage of the pre-injury wages that are replaced at a new job. A positive outcome is defined as the full resolution of the workers' compensation rehabilitation benefits claim through return to work, settlement, or court order.



Activity Funding

VRU is financed by an appropriation from the workers' compensation fund. It collects reimbursements from employers and insurers for vocational services provided.

Contact

For more information, contact the Vocational Rehabilitation unit by phone at (651) 284-5038 or 1 (800)-DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.Vocrehab@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: WORKERS COMPENSATION DIVISION

Activity: WC VOCATIONAL REHABILITATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	1,887	1,984	2,091	2,143	4,234
Total	1,887	1,984	2,091	2,143	4,234
<u>Expenditures by Category</u>					
Total Compensation	1,461	1,552	1,683	1,727	3,410
Other Operating Expenses	261	243	219	227	446
Payments To Individuals	35	39	39	39	78
Local Assistance	130	150	150	150	300
Total	1,887	1,984	2,091	2,143	4,234
Full-Time Equivalentents (FTE)	23.7	24.4	24.4	24.4	

Activity Description

The Workers' Compensation Administration (WCA) activity provides leadership, support, and a framework for operations of the Workers' Compensation Division. The goal is to assure, in an equitable and impartial manner, the quick and efficient delivery of benefits to injured workers at a reasonable cost to employers.

Activity at a Glance

- ◆ Directs the activities of 129 division employees through four operating units.
- ◆ Administers division budget of \$84 million (FY 2007).

Population Served

This activity manages the four units of the Workers' Compensation Division, so stakeholders in the workers' compensation system — including employees, employers, insurers, attorneys, health care providers, and service vendors — receive prompt and efficient service.

Services Provided

The Workers' Compensation Division's administrative and regulatory activities help to keep Minnesota workers' compensation costs low by

- ◆ providing information and education to employees, employers, insurance companies, and service providers;
- ◆ providing informal and formal forums for prompt resolution of disputes;
- ◆ monitoring insurance companies to ensure prompt payment of benefits;
- ◆ investigating cases of failure to properly insure for coverage by employers; and
- ◆ providing funding for a variety of workplace safety programs to help employers reduce injuries.

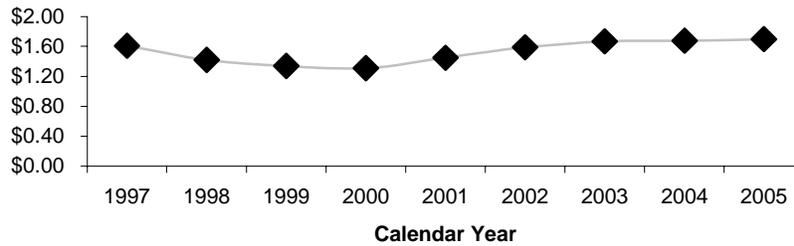
In addition to providing leadership to the Workers' Compensation Division, the WCA activity supports the Workers' Compensation Advisory Council, the Medical Services Review Board, the Rehabilitation Review Panel, and the Workers' Compensation Insurers' Task Force.

- ⇒ The Workers' Compensation Advisory Council (WCAC) advises the agency about matters of workers' compensation and submits its recommendations for proposed changes to the workers' compensation statutes to the legislature. The WCAC's recommendations must be supported by a majority of business and labor members.
- ⇒ The Medical Services Review Board (MSRB) advises the agency about workers' compensation medical issues; is the liaison between the agency and the medical-provider community; and supports and engages in the education of the provider community about workers' compensation. The MSRB also has the authority to sanction a provider if there has been a violation of statutes or rules.
- ⇒ The Rehabilitation Review Panel (RRP) reviews and makes determinations with respect to appeals from orders of the commissioner regarding certification approval of rehabilitation consultants and vendors; advises the department about vocational rehabilitation issues; and assists in the education of the provider community about workers' compensation. The RRP also has the authority to sanction a rehabilitation provider after a hearing at the Office of Administrative Hearings if there has been a violation of the statutes or rules.
- ⇒ The Workers' Compensation Insurers' Task Force (WCITF) is an organized body of representatives of insurance companies that write workers' compensation insurance within the state of Minnesota and those employers that self-insure for workers' compensation coverage. There is not statutory authority vested in this body; any recommendations that are forwarded to the commissioner are nonbinding. However, the department values the input from the task force.

Key Measures

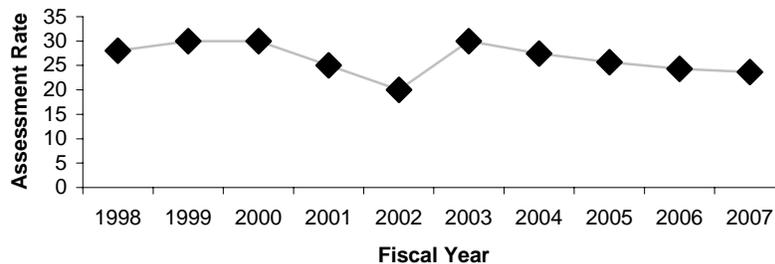
⇒ Workers' compensation costs are affected not only by the law, how the department administers the law, and how the various participants in the system, such as insurers and employers, behave (safety practices, claims administration, etc.), but also by nationwide fluctuations in the insurance industry. As part of a nationwide cycle, insurance rates have risen recently in all property/casualty lines, including compensation. The trends in costs relative to payroll are the net result of a falling claim rate (dropping 30% relative to the number of workers) and increasing benefits per claim (indemnity benefits fell 7% while medical benefits rose 9%.)

Workers' Compensation Cost to Employers Per \$100 Payroll



⇒ An assessment is collected from insurers and self-insured employers to fund workers' compensation and safety activities of the Department of Labor and Industry, the workers' compensation section of the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, and a portion of the Department of Commerce, as well as the benefits paid under the uninsured, second-injury and supplementary benefits programs. Since 1985, the assessment rate has fluctuated between 20% and 31%. The assessment rate for FY 2007 is 23.69%, down from 30% in FY 2003.

Workers' Compensation Fund Assessment



Activity Funding

The WCA unit is financed by an appropriation from the workers' compensation fund.

Contact

For more information, contact the Workers' Compensation Division by phone at (651) 284-5017 or 1 (800) –DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.communications@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
 Program: WORKERS COMPENSATION DIVISION
 Activity: WC ADMINISTRATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	254	659	280	287	567
Total	254	659	280	287	567
<u>Expenditures by Category</u>					
Total Compensation	189	212	231	246	477
Other Operating Expenses	65	447	49	41	90
Total	254	659	280	287	567
Full-Time Equivalents (FTE)	2.2	2.5	2.5	2.5	

Program Description

The purpose of the Safety Codes and Services Division is to support Minnesota workplaces to be healthy by preventing injuries and illnesses and assuring construction of safe buildings and the qualifications of those who build them.

Budget Activities

This program includes the following budget activities:

- ⇒ MNOSHA Compliance
- ⇒ Workplace Safety Consultation
- ⇒ Construction Codes and Licensing
- ⇒ Safety Codes and Services Administration

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES & SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,178	2,178	2,178	2,178	4,356
Technical Adjustments					
Transfers Between Agencies			562	562	1,124
Subtotal - Forecast Base	2,178	2,178	2,740	2,740	5,480
Governor's Recommendations					
Construction Code Consolidation		0	(2,780)	(2,821)	(5,601)
Compensation Adjustment		0	40	81	121
Total	2,178	2,178	0	0	0
State Government Spec Revenue					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
Transfers Between Agencies			1,831	1,831	3,662
Subtotal - Forecast Base	0	0	1,831	1,831	3,662
Governor's Recommendations					
Construction Code Consolidation		0	(1,877)	(1,925)	(3,802)
Compensation Adjustment		0	46	94	140
Total	0	0	0	0	0
Workers Compensation					
Current Appropriation	3,639	3,639	3,639	3,639	7,278
Subtotal - Forecast Base	3,639	3,639	3,639	3,639	7,278
Governor's Recommendations					
Meet Federal OSHA Benchmark Staffing		0	460	460	920
Compensation Adjustment		0	93	189	282
Total	3,639	3,639	4,192	4,288	8,480
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,563	3,385	0	0	0
State Government Spec Revenue	1,533	2,129	0	0	0
Workers Compensation	3,363	3,915	4,192	4,288	8,480
Statutory Appropriations					
State Government Spec Revenue	16,721	18,323	26,514	26,562	53,076
Misc Special Revenue	1,698	1,680	2,907	2,907	5,814
Federal	4,864	5,035	5,626	5,781	11,407
Workers Compensation	2,637	3,205	3,159	3,159	6,318
Total	33,379	37,672	42,398	42,697	85,095

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES & SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Category</u>					
Total Compensation	15,771	17,381	19,166	19,981	39,147
Other Operating Expenses	15,989	18,047	21,019	20,503	41,522
Local Assistance	1,619	2,244	2,213	2,213	4,426
Total	33,379	37,672	42,398	42,697	85,095
<u>Expenditures by Activity</u>					
Osha Compliance	7,207	7,758	8,674	8,892	17,566
Workplace Safety Consultation	3,560	4,179	4,151	4,180	8,331
Construction Codes & Licensing	22,447	25,365	29,260	29,308	58,568
Safety Codes & Services Admin	165	370	313	317	630
Total	33,379	37,672	42,398	42,697	85,095
Full-Time Equivalent (FTE)	221.8	237.0	252.0	252.0	

LABOR AND INDUSTRY DEPT**Program: SAFETY CODES & SERVICES****Change Item: CCLD Fee Changes**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	(\$775)	(\$775)	(\$775)	(\$775)
Special Revenue Fund				
Expenditures	1,030	1,030	1,030	1,030
Revenues	1,030	1,030	1,030	1,030
Construction Code Fund				
Expenditures	2,982	2,982	2,982	2,982
Revenues	2,982	2,982	2,982	2,982
Net Fiscal Impact	\$775	\$775	\$775	\$775

Recommendation

The Governor recommends fee adjustments in the Construction Code Licensing Division (CCLD) for licensing of residential building contractors, boiler operators, and high-pressure-piping contractors and installers, as well as for electrical inspection fees. The fee increases will provide for increasing Contractor Recovery fund payout levels and expanded electrical inspection and educational services. The fee decreases to boiler and high-pressure-piping licenses will reduce amounts collected to more closely reflect the amounts needed to recover costs of these activities.

Background*Residential Building Contractor Licenses*

The current license fee for residential building contractors is \$100 a year, which is deposited to the General Fund. These licensees must pay an additional fee of \$100, \$150, or \$200 (based on the licensee's gross annual receipts) to the Contractor Recovery fund. This fund is used to compensate owners of residential property who were aggrieved by actions of the licensee. When the fund was established in 1994, M.S. 376.975 limited claim payouts to \$50,000 per claimant and licensee. The limit on claim payouts per licensee was increased to \$75,000 in 2001. These limits are often insufficient to fully compensate homeowners for their loss of property. This change request would increase the claim limits to \$75,000 per claimant and \$150,000 per licensee. To fund this additional cost, the license fee deposited to the General Fund would be decreased by \$30 each and the Contractor Recovery fund fee would be increased by \$60 each. The net result would be a \$30 increase to annual fees paid by residential building contractors.

Residential roofers and manufactured-homes installers pay \$100 a year for their license fees; their fee would also be reduced to \$70 a year. These groups do not pay into or receive benefits from the Contractor Recovery fund.

Boiler and High-pressure-piping Licenses

This proposal includes a reduction in the boiler and high-pressure-piping related license fees to more closely reflect the costs of these activities. This reduction includes reducing boiler and boat master licenses by \$5 each, individual pipefitter licenses by \$20 each, and high-pressure-piping business licenses by \$100 each. This change reverses increases that were authorized in 2005 to assist with General Fund budget challenges and is recommended in accordance with M.S. 16A.1285.

Electrical Inspections and Licenses

This proposal includes a restructuring of and increases to the electrical inspection fees to provide for an expansion of electrical inspection and educational services. The restructuring of the fee schedule is needed to address changes in housing construction practices, especially in the townhome and multifamily (condominium) areas. Currently, larger, more complex, structures are being built and multifamily units are completed on a per-unit basis. This requires more inspections to serve the customer demand for electrical inspections.

The increase in inspection fees is needed to enable the department to attract and maintain quality inspection service providers and provide the level of service demanded by contractors and owners in the less populated areas of the state. The increase in inspection fees will allow the department to contract with additional inspection

service providers resulting in the completion of inspections in a shorter time period, thereby reducing the number of "open" requests for electrical inspection (permits). The increase in revenue will also enable the department to provide additional training to those in the electrical industry to help them have a better understanding of the increasingly complex electrical code. This knowledge helps to limit mistakes that require corrections, thereby reducing costs to the contractor and, ultimately, the consumer.

This proposal also includes increasing the fee charged for providing a duplicate license from \$3 to \$15 and converting from a quarterly fee proration schedule to an annual proration schedule for all two-year licenses. These changes are requested to correlate these fees with similar provisions for other license types administered by the department.

Relationship to Base Budget

The net increase to residential contractor license fees amounts to \$509,000 and represents a 17% increase in revenue. The boiler and high-pressure-piping license reductions amount to \$254,000 and represent a 23% decrease in revenue. The changes to the electrical fees amount to \$2,982,000 and represent a 29% increase in revenue.

Key Measures

Approval of this proposal will support the following department goals.

- ⇒ Increasing the Contractor Recovery fund limits will allow aggrieved consumers to recover a greater percentage of their financial losses. This will be measured by the number of claimants who are able to recover more of their losses than the current limits provide.
- ⇒ DLI currently provides same-day inspection service in approximately 50% of jobs ready for inspection. This occurs in those areas of the state with the highest population density and proximity to the inspection service provider. This change will enable the department to increase the percentage of same-day inspection service to its goal of 75% and also increase inspection service in the remaining areas of the state.
- ⇒ The current percentage of open requests for electrical inspection (permits) to total filed a year is 51%. DLI's goal is to reduce this percentage to 40%.
- ⇒ DLI currently provides or participates in only a few training sessions a year. This change will enable the department to expand educational offerings to all areas of the state and achieve a 98% approval rating from participants.

Statutory Change: M.S. 183.411, 183.545, 326.2441, 326.50, 326.86, and 326.975.

LABOR AND INDUSTRY DEPT**Program: SAFETY CODES & SERVICES****Change Item: Construction Code Consolidation**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	(\$2,780)	(\$2,821)	(\$2,821)	(\$2,821)
Revenues	(3,882)	(3,832)	(3,832)	(3,832)
Construction Code Fund				
Expenditures	3,351	3,485	3,485	3,485
Revenues	3,613	3,563	3,563	3,563
Workers' Comp Fund				
Expenditures	269	269	269	269
Revenues	269	269	269	269
Net Fiscal Impact	\$840	\$933	\$933	\$933

Recommendation

The Governor recommends that funding for the Construction Codes and Licensing Division (CCLD) be consolidated into the Construction Code fund to better serve Department of Labor and Industry (DLI) stakeholders. Additionally, penalties assessed by CCLD will be dedicated to the Assigned Risk Safety Account for use in the Safety Hazard Abatement Grant Program.

Background

As part of the Drive to Excellence, the Governor consolidated construction-related activities from five state agencies into the Construction Codes and Licensing Division of DLI. Three of these activities are currently funded from the Special Revenue fund. The Building Codes and Standards and Electrical activities are funded from dedicated receipts; the Plumbing activities are funded from a direct appropriation against non-dedicated receipts. The remaining two activities, Residential Contractors and Boilers and High-pressure-piping, are funded through the General Fund. This request would consolidate the funding of these five activities into one dedicated Special Revenue fund, the Construction Codes fund.

The consolidation of funding sources would help to support the structural reorganization necessary to create efficiencies and provide more streamlined services to agency customers and stakeholders. It also eliminates an accounting complexity involved with maintaining separate funding mechanisms based on the current "silo" approach. The current approach limits CCLD's ability to allow cross-function collaboration and sharing of resources to accomplish organizational objectives. Once adopted, this new fund will provide the financial framework to better support the consolidated business functions. Experience operating under this new framework will provide DLI with information needed to provide future recommendations about fee adjustments to more directly tie the fees collected to the actual cost of delivering the service.

Current appropriations for the Plumbing, Residential Contractors, and Boilers and High-pressure-piping activities are insufficient to meet the demand for services; however the fees collected from stakeholders in each of these areas are adequate to meet the current needs. Dedication of these fees would provide the agency the ability to adjust service levels to meet changing economic conditions and provide assurance to stakeholders that their fees are used for the purposes intended. For the FY 2008-09 biennium, these additional funds will be used to compensate for inflationary pressures without eliminating plan review, inspection, and investigative staff. These resources will also be used to provide additional staff in these areas, as well as expand the educational programs currently offered by the division to incorporate these trade groups.

DLI is also requesting that penalties assessed by CCLD be dedicated to the Assigned Risk Safety Account in the Workers' Compensation Fund, similar to workers' compensation penalties. This account provides funding for programs directed at improving workplace safety. The CCLD penalty revenue would be dedicated toward providing grants up to \$10,000, that are matched 100% by grant recipients. These grants assist in covering the costs of equipment needed to improve safety.

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES & SERVICES

Change Item: Construction Code Consolidation

Relationship to Base Budget

This change represents a 3% increase in CCLD operating expenditures and a 39% increase in funds available for safety grants.

Key Measures

The percentage of registered, active boilers and pressure vessels more than 90 days past due for inspection is currently 15%. The efficiencies and additional resources gained from the consolidation will allow CCLD to reduce this backlog of inspections.

DLI currently provides or participates in only a few training sessions a year related to boiler operation, high-pressure piping, and residential contractors. This change will enable the department to improve delivery of educational programs and expand educational offerings within these areas, with a goal of achieving a 98% approval rating from participants.

Statutory Change: M.S. 16B.61, 16B.65, 16B.70, 16B.747, 183.375, 183.545, 326.241, 326.44, 326.52, 326.64, 326.992, 327.33, 327B.04, and 471.471.

LABOR AND INDUSTRY DEPT**Program: SAFETY CODES & SERVICES****Change Item: Meet Federal OSHA Benchmark Staffing**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Workers' Comp Fund				
Expenditures	\$460	\$460	\$460	\$460
Revenues	0	0	0	0
Federal Fund				
Expenditures	460	460	460	460
Revenues	460	460	460	460
Net Fiscal Impact	\$460	\$460	\$460	\$460

Recommendation

The Governor recommends an increase in the appropriation of \$920,000 from the Workers' Compensation fund for the FY 2008-09 biennium for the Minnesota Occupational Safety and Health Administration (MNOSHA) program. This increase, along with equal matching federal dollars, would allow MNOSHA to increase its staffing levels to meet federal benchmarks and move toward the vision of eliminating workplace injuries and illnesses and making Minnesota the safest state in the country.

Background

Occupational safety and health compliance programs require minimum staffing levels to be effective. These programs are administered either by federal OSHA or individual states that have received approval to pursue their own programs. Minimum staffing levels for compliance organizations, or benchmarks, for safety and health inspectors were established in a 1978 court of appeals decision. This resulted in a district court order that placed specific benchmarks for staffing upon OSHA programs.

The formula used by federal OSHA to establish benchmark levels includes the number of establishments under the jurisdiction of MNOSHA; the number of establishments with a high incidence of work-related injuries or illnesses; the mix of industries within the state; and other calculation factors. The intent of these benchmarks is to permit MNOSHA to focus inspection activities on high-hazard industries and establishments in addition to its programmed (or routine) inspections. For the current FFY 2007, the MNOSHA compliance unit is 12 positions below established benchmarks.

MNOSHA's federal grant is based on state benchmarks and the ability to match funds. The additional funds appropriated will allow Minnesota to obtain a higher portion of available federal OSHA dollars and will be directed toward increased compliance inspections and participation in cooperative programs.

MNOSHA conducts approximately 2,200 inspections a year. There are approximately 345 Minnesota workers injured each day and MNOSHA investigates an average of 25 workplace fatalities and 35 serious injuries each year. More than half of all fatalities MNOSHA investigates are related to the construction industry. Two federally approved cooperative programs essential to stakeholder safety are partnership and voluntary protection programs. MNOSHA's partnership program moves away from traditional enforcement methods and embraces collaborative agreements with Minnesota stakeholders. MNOSHA and its partners agree to work cooperatively to address critical safety and health issues. This approach is proving to be an effective tool for reducing fatalities, injuries, and illnesses in the workplace. MNOSHA has recently signed partnership agreements with two large associations that represent the majority of Minnesota construction contractors.

MNOSHA's Voluntary Protection Program (VPP) promotes effective worksite-based safety and health behavior. In this program, management, labor, and MNOSHA establish cooperative relationships at workplaces that have implemented a comprehensive safety and health management system. Approval into a VPP is MNOSHA's official recognition of the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health. Minnesota is in the process of implementing a VPP for the construction industry. With stadium projects underway and significant expansion planned at the Mall of America, Minnesota's construction VPP is expected to play a major role in preventing injuries during each of these large projects.

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES & SERVICES

Change Item: Meet Federal OSHA Benchmark Staffing

Relationship to Base Budget

This change represents a 12% increase to the MNOSHA operating budget.

Key Measures

Approval of this change would increase inspection activity by approximately 400 inspections a year and result in improved worker safety, as well as reductions in workplace fatalities, injuries, and illnesses.

Statutory Change: Not Applicable

Activity Description

The Minnesota Occupational Safety and Health Act (MNOSHA) program's mission is to ensure every worker in Minnesota has a safe and healthy workplace, by establishing and enforcing safety and health standards in Minnesota workplaces. Because Minnesota has received approval from federal OSHA to administer its own occupational safety and health program, MNOSHA addresses the unique safety issues of Minnesota's industries and businesses. The program achieves its mission by conducting safety and health inspections, and providing other services that are evaluated regularly by the federal OSHA program.

Activity at a Glance

- ◆ 2.6 million Minnesota workers covered
- ◆ 159,000 private and public-sector employers
- ◆ \$4 million in penalties assessed in FFY 2005
- ◆ 9,077 customer telephone calls received in FFY 2005

Population Served

All public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Therefore, nearly all Minnesota workers are served by MNOSHA. Based on the current budget and staffing level, it would take more than 75 years for MNOSHA to inspect all employers within the state. Because of that, MNOSHA efforts are concentrated on inspections in high-hazard industries, inspections following employee complaints, and inspections at companies with high workers' compensation injury rates.

Services Provided

The MNOSHA compliance program serves its stakeholders by promoting safe and healthful working conditions for all Minnesota workers by

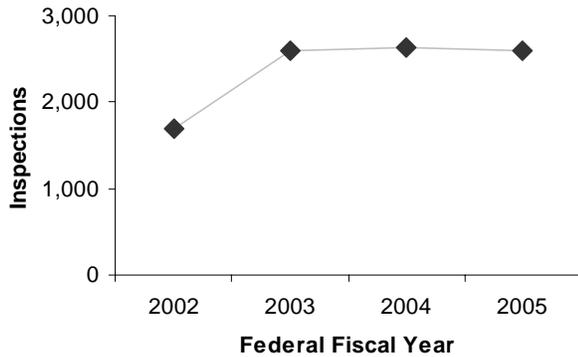
- ◆ establishing standards that are at least as effective as federal OSHA standards;
- ◆ conducting inspections that identify hazardous conditions;
- ◆ setting abatement dates for inspection violations to eliminate or control hazards;
- ◆ issuing citations and penalties to promote compliance;
- ◆ investigating workplace fatalities and serious accidents to prevent future recurrence;
- ◆ investigating complaints that employers have discriminated against employees for raising safety or health concerns;
- ◆ providing assistance with Homeland Security issues;
- ◆ providing customer education and outreach through information, seminars, and technical assistance; and
- ◆ responding to employee complaints as required by federal OSHA.

Historical Perspective

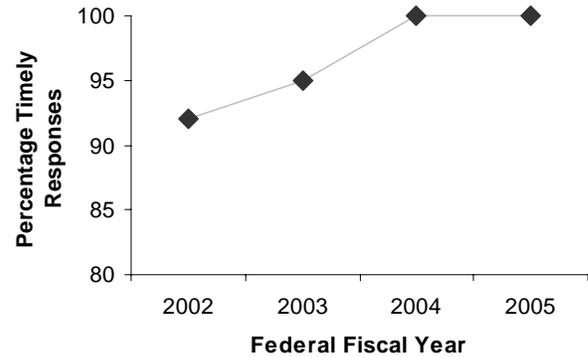
The MNOSHA program was established by the Minnesota legislature with the passage of the Minnesota Occupational Safety and Health Act of 1973, created by M.S. 182. The program became effective 8-1-73. Final approval of Minnesota's state-plan was obtained from federal OSHA 7-30-85. The U.S. Department of Labor, Occupational Health and Safety Administration, monitors the program's activities, progress, and expenditures monthly.

Key Measures

OSHA Inspections Conducted



OSHA Imminent Danger Complaints



Activity Funding

MNOSHA is financed by a federal grant that is matched with an appropriation from the workers' compensation fund. The activity generates nondedicated revenue for the workers' compensation fund through penalties assessed on employers that are not in compliance with MNOSHA standards.

Contact

For more information, contact MNOSHA by phone at (651) 284-5050 or 1 (800) DIAL-DLI (1 (800) 342-5354), by e-mail at OSHA.Compliance@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
 Program: SAFETY CODES & SERVICES
 Activity: OSHA COMPLIANCE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	3,462	3,462	3,462	3,462	6,924
Subtotal - Forecast Base	3,462	3,462	3,462	3,462	6,924
Governor's Recommendations					
Meet Federal OSHA Benchmark Staffing		0	460	460	920
Compensation Adjustment		0	90	182	272
Total	3,462	3,462	4,012	4,104	8,116
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	3,255	3,669	4,012	4,104	8,116
Statutory Appropriations					
Misc Special Revenue	3	6	6	6	12
Federal	3,949	4,083	4,656	4,782	9,438
Total	7,207	7,758	8,674	8,892	17,566
<u>Expenditures by Category</u>					
Total Compensation	5,250	5,705	6,743	7,091	13,834
Other Operating Expenses	1,957	2,053	1,931	1,801	3,732
Total	7,207	7,758	8,674	8,892	17,566
Full-Time Equivalent (FTE)	80.7	87.0	99.0	99.0	

Activity Description

The Workplace Safety Consultation (WSC) unit provides a broad network of occupational safety and health services at no cost to small and medium-sized high-hazard industries that request assistance to voluntarily comply with the Minnesota Occupational Safety and Health Act (MNOSHA). This activity assists employers and employees to implement effective safety and health programs to prevent injuries and illnesses that may result from exposure to hazardous workplace conditions and work practices.

Activity at a Glance

FFY 2005

- ◆ \$4.4 million penalty savings for employers
- ◆ 642 outreach sessions and 20,065 participants
- ◆ 996 on-site consultation inspections
- ◆ 72,704 workers impacted by on-site consultation inspections

Population Served

Although efforts are targeted toward small and medium-sized employers, all public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Therefore, nearly all Minnesota workers are served by WSC.

Services Provided

The WSC unit provides many services by

- ◆ assisting employers and employees to recognize hazards in the workplace;
- ◆ suggesting approaches or options for solving a safety or health problem;
- ◆ providing a timely written report of findings to the employer, including the posting of hazards;
- ◆ training and educating employers and employees through seminars and workshops at the employer's worksite and at other off-site locations throughout the state; and
- ◆ recommending employers and employees for partnership and recognition programs, such as Minnesota Star (MNSTAR) and Minnesota Safety and Health Achievement Recognition Program (MNSHARP).

Other WSC programs

- ⇒ **Loggers' Safety Education Program** – WSC administers M.S. 176.130 to ensure Minnesota loggers have the opportunity to obtain safety training. Funds are redistributed to logger employers, through an assessment collected from the wood mills, upon completion of safety training by their employees.
- ⇒ **Labor-Management Safety Committee Program** – This program emphasizes the labor-management safety committee structure through a joint effort with the Bureau of Mediation Services. This program reinforces the importance of labor-management cooperation in workplace safety issues and helps prevent workplace injuries.
- ⇒ **Safety Hazard Abatement Grant Program** – The assigned risk safety account was established to allow businesses to receive grants to assist in covering the cost of 1) obtaining safety equipment, 2) operating and maintaining equipment, or 3) purchasing or renting real property to meet criteria established by on-site safety inspections.
- ⇒ **Workplace Violence Prevention Program** – This program helps employers and employees deal with the increasing incidence of violence in the workplace. The program develops common-sense preventive measures and informs employers and employees about how to prevent violence and what to do when confronted with a violent situation.
- ⇒ **MNSHARP** – This program provides incentives and support to smaller, high-hazard employers to work with their employees to develop, implement, and continuously improve the effectiveness of their workplace safety and health programs. The goal of the program is to reduce injury and illness rates below the national average for their industry.
- ⇒ **Ergonomics Outreach Program** – This program offers assistance and resources to employers and employees focusing on the identification and elimination of workplace risk factors associated with work-related musculoskeletal disorders. Consultants work with employers and industry groups, conducting on-site ergonomics assessments and providing training to improve safety management techniques, workplace safety practices, and working conditions.

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES AND SERVICES DIVISION

Activity: WORKPLACE SAFETY CONSULTATION

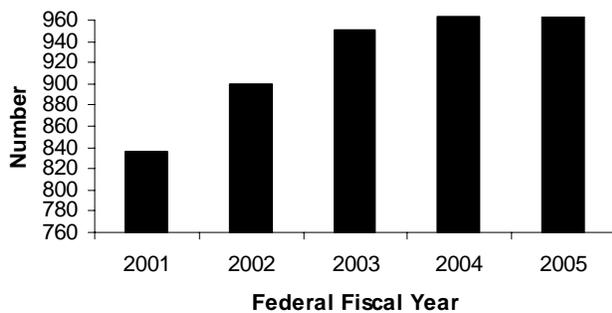
Narrative

⇒ **Safety and Health Educational Outreach Program** – This program offers workshops to help educate employers and employees about workplace safety and health hazards, and the OSHA standards addressing them. Its aim is to assist employers in implementing and maintaining effective safety and health programs, with the goals of lowering injury and illness rates and reducing workplace injury costs.

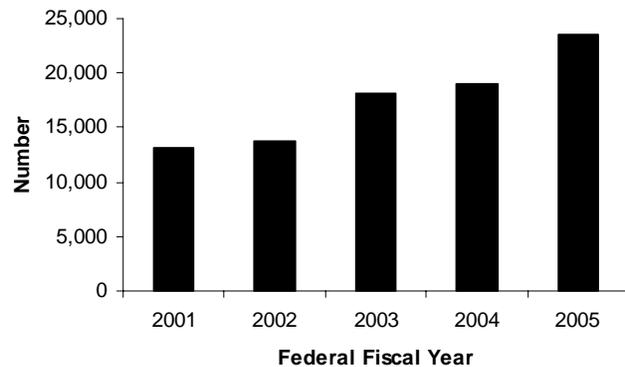
Key Measures

WSC efforts have 1) resulted in greater voluntary safety and health efforts and improved worker protection through non-adversarial means; 2) led to better allocations of OSHA resources by minimizing duplications of work between enforcement and consultation staff; and 3) enabled MNOSHA consultants to concentrate on workplaces and to assist employers in controlling or eliminating hazards, establishing effective safety and health programs, and reducing workers' compensation costs.

On-site Consultation Inspections



Number of Participants at Outreach Sessions



Activity Funding

WSC is financed by a federal grant that is matched with funding from the assigned risk safety account in the workers' compensation fund. The Loggers' Safety Education Program is funded by an assessment paid by wood mills.

Contact

For more information, contact Workplace Safety Consultation by phone at (651) 284-5060 or 1 (800) DIAL-DLI (1 (800) 342-5354), by e-mail at OSHA.Consultation@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: SAFETY CODES & SERVICES
Activity: WORKPLACE SAFETY CONSULTATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Misc Special Revenue	8	22	22	22	44
Federal	915	952	970	999	1,969
Workers Compensation	2,637	3,205	3,159	3,159	6,318
Total	3,560	4,179	4,151	4,180	8,331
<u>Expenditures by Category</u>					
Total Compensation	1,472	1,628	1,634	1,667	3,301
Other Operating Expenses	618	555	552	548	1,100
Local Assistance	1,470	1,996	1,965	1,965	3,930
Total	3,560	4,179	4,151	4,180	8,331
Full-Time Equivalent (FTE)	19.4	19.0	19.0	19.0	

Activity Description

The Construction Codes and Licensing Division (CCLD) promulgates and administers the accessibility, boiler, building, building conservation, electrical, elevator, energy, high-pressure piping, manufactured structures, plumbing and residential codes for new, remodeled and existing structures where designated in statute. The division also licenses and regulates boats-for-hire, boiler operators, electricians, elevator constructors, high-pressure-piping installers, manufactured-home installers, manufactured-home dealers, manufactured-home manufacturers, plumbers, residential building contractors, remodelers, and roofers, and certifies building officials. The division also reviews and approves construction plans and inspects buildings, equipment, and piping for compliance to adopted safety standards.

Activity at a Glance

- ◆ Issues 95,000 construction-related business and individual licenses, bonds, and certifications a year.
- ◆ Provides education and training programs for 8,000 construction-related individuals a year.
- ◆ Provides for more than 200,000 inspections a year.

Population Served

CCLD provides interpretations of the adopted codes, provides information regarding building materials, and consults with municipal officials, design professionals, building contractors, and the general public about all types of projects throughout the state. The division also licenses or certifies construction industry businesses, individuals and boats-for-hire.

Services Provided

- ⇒ **Education, Code Development and Rules** — This unit assists division clientele in interpreting and applying the state construction codes. It provides training and educational seminars for code officials, the design professions, and the construction industry. It also updates the state construction codes through the Administrative Procedure Act and amends specific sections to address legislative and geographic needs. During the past year, the unit maintained nine advisory committees, made up of members of the construction industry, to assist in updating the codes with the most recent model codes and assisted in providing state and local input about the national model code change process.
- ⇒ **Enforcement** — This unit investigates complaints and other allegations of statutory, code, and rule violations relating to contractors who are licensed by the agency or subject to the agency's authority. The unit works to resolve complaints and takes disciplinary action against licensees and unlicensed contractors when violations are proven. Investigators in this unit also respond to inquiries from the industry and consumers regarding a wide variety of subjects relating to construction matters.
- ⇒ **Licensing** — This unit administers 46 construction licenses of eight occupational disciplines by annually reviewing 15,000 personal and business license applications, administering 10,000 license examinations, monitoring fulfillment of continuing education requirements of some licensees, and renewing approximately 89,000 licenses. Additionally, the unit registers 8,000 surety bonds for those licensed contractors and businesses regulated by the division.
- ⇒ **Inspection** — This unit provides for inspections of boilers and pressure vessels, hobby boilers, boats-for-hire, high-pressure piping, electrical, and elevators. Inspections are performed through a permit process to assure safe operation and installation of equipment and piping. The unit's staff is located regionally to better serve the construction industry and other clientele.
- ⇒ **Plan Review and Inspections** — This unit reviews construction documents and performs on-site inspections to ensure conformance with requirements of the state building and plumbing codes. Regional staff members represent the division, assist municipalities, perform inspections, and monitor contract inspectors from locations throughout the state. This unit also regulates manufactured housing (mobile homes) and prefabricated buildings. It answers consumer inquiries and complaints regarding manufactured homes and prefabricated structures, and performs plant and dealer lot inspections.

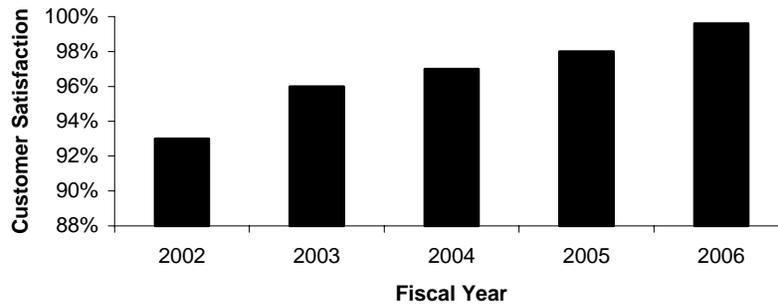
Historical Perspective

All of the various construction code and licensing functions have developed from the need to protect the building owners and public who work, play or own buildings in Minnesota. On 5/17/05, Governor Pawlenty signed Reorganization Order #193, consolidating construction-related codes and licensing units from four state agencies and the Board of Electricity into the Construction Codes and Licensing Division of the Department of Labor and Industry to provide a one-stop shop for the construction industry in Minnesota.

Key Measures

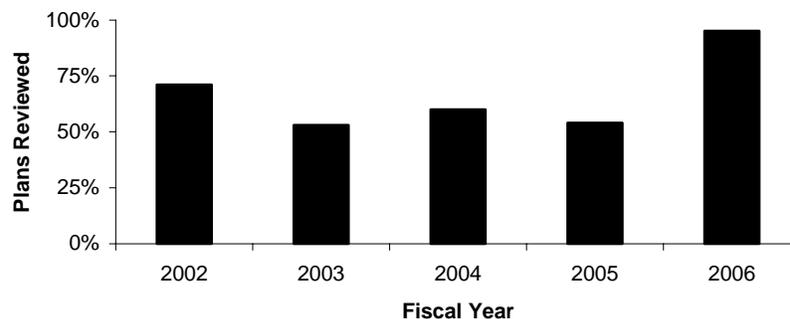
⇒ CCLD provides training and educational seminars to municipal officials, design professionals, state agencies and contractors. The education program conducted 115 seminars in the past year. Consistency and uniformity of construction and inspections is improved with expanded educational seminars, thus, requiring fewer corrections in the field. Seminar satisfaction ratings have remained consistently above the target performance goal of 98% with actual averages of 99% for the past year.

Educational Seminars



⇒ CCLD is required by statute to review submitted construction plans within 30 days. The division's goal is to have these plans reviewed within 21 days.

Percentage of Plans Reviewed Within 21 Days



LABOR AND INDUSTRY DEPT

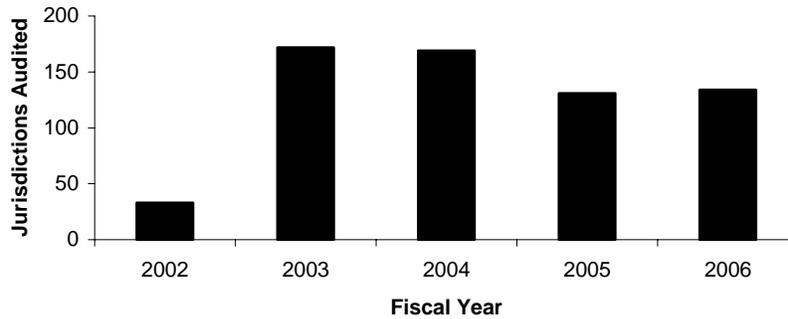
Program: SAFETY CODES AND SERVICES DIVISION

Activity: CONSTRUCTION CODES AND LICENSING

Narrative

⇒ There are approximately 485 jurisdictions enforcing the Minnesota State Building Code at the local level in the state. To maintain consistency and uniformity of enforcement, CCLD audits these local building departments. The CCLD goal is to audit 120 building departments annually. During FY 2006, 134 were audited.

Administrative Services



Activity Funding

CCLD is funded by two revenue sources. The electrical, building codes, and plumbing activities are financed through the special revenue fund. The boiler, high-pressure-piping, and residential contractor activities are financed by appropriations from the General Fund. The division's costs are recovered through the collection of license, inspection, permit, and seminar registration fees.

Contact

For more information, contact Construction Codes and Licensing Division by phone at (651) 284-5012 or 1 (800) DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.communications@state.mn.us or online at www.doli.state.mn.us/cclld.

LABOR AND INDUSTRY DEPT
Program: SAFETY CODES & SERVICES
Activity: CONSTRUCTION CODES & LICENSING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,178	2,178	2,178	2,178	4,356
Technical Adjustments					
Transfers Between Agencies			562	562	1,124
Subtotal - Forecast Base	2,178	2,178	2,740	2,740	5,480
Governor's Recommendations					
Construction Code Consolidation		0	(2,780)	(2,821)	(5,601)
Compensation Adjustment		0	40	81	121
Total	2,178	2,178	0	0	0
State Government Spec Revenue					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
Transfers Between Agencies			1,831	1,831	3,662
Subtotal - Forecast Base	0	0	1,831	1,831	3,662
Governor's Recommendations					
Construction Code Consolidation		0	(1,877)	(1,925)	(3,802)
Compensation Adjustment		0	46	94	140
Total	0	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,563	3,385	0	0	0
State Government Spec Revenue	1,533	2,129	0	0	0
Statutory Appropriations					
State Government Spec Revenue	16,664	18,199	26,381	26,429	52,810
Misc Special Revenue	1,687	1,652	2,879	2,879	5,758
Total	22,447	25,365	29,260	29,308	58,568
<u>Expenditures by Category</u>					
Total Compensation	8,902	9,821	10,545	10,972	21,517
Other Operating Expenses	13,396	15,296	18,467	18,088	36,555
Local Assistance	149	248	248	248	496
Total	22,447	25,365	29,260	29,308	58,568
Full-Time Equivalents (FTE)	119.5	128.5	131.5	131.5	

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES AND SERVICES DIVISION

Activity: SAFETY CODES AND SERVICES ADMINISTRATION

Narrative

Activity Description

Safety Codes and Services Administration provides leadership and support to the division's activities as it works to prevent workplace injuries and illnesses and assure construction of safe buildings and the qualifications of those who build them.

Activity at a Glance

- ◆ Directs the activities of 237 division employees through three operating units.
- ◆ Administers division budget of \$37 million (FY 2007).

Population Served

This activity manages the three units of the Safety Codes and Services Division so that stakeholders — including employees, employers, and owners of buildings and those who build them — receive prompt and efficient service.

Services Provided

The Safety Codes and Services Division's regulatory activities help to keep Minnesota citizens safe by

- ◆ issuing professional licenses and certifications;
- ◆ providing workplace and construction information and education to contractors, construction professionals, local building officials, employees, employers, and community-based and trade organizations; and
- ◆ conducting inspections to assure adherence to safety and health regulations and building codes and standards.

Activity Funding

The activity is financed by appropriations from the general, special revenue, and workers' compensation funds.

Contact

For more information, contact the Safety Codes and Services Division by phone at (651) 284-5018 or 1-800-DIAL-DLI (1-800-342-5354), by e-mail at DLI.Communications@state.mn.us or online at www.doli.state.mn.us

LABOR AND INDUSTRY DEPT

Program: SAFETY CODES & SERVICES

Activity: SAFETY CODES & SERVICES ADMIN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	177	177	177	177	354
Subtotal - Forecast Base	177	177	177	177	354
Governor's Recommendations					
Compensation Adjustment		0	3	7	10
Total	177	177	180	184	364
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	108	246	180	184	364
Statutory Appropriations					
State Government Spec Revenue	57	124	133	133	266
Total	165	370	313	317	630
<u>Expenditures by Category</u>					
Total Compensation	147	227	244	251	495
Other Operating Expenses	18	143	69	66	135
Total	165	370	313	317	630
Full-Time Equivalents (FTE)	2.2	2.5	2.5	2.5	

Program Description

The purpose of the Labor Standards and Apprenticeship program is to administer and enforce Minnesota employment laws affecting employee wages, child labor, prevailing wages, and fee employment agencies. The program also exists to promote, develop, approve, and monitor registered apprenticeship training programs in Minnesota workplaces. This program provides education and outreach activities to the population served. The program has been established to ensure employers pay all employees in this state for all hours worked, to ensure accurate and timely prevailing-wage rates are set for state-funded construction projects, and to ensure fee employment agencies are knowledgeable of the laws governing them. It also conducts yearly technical assistance visits to training sites to ensure the quality of the apprenticeship program is meeting agreed upon training standards while producing a highly skilled workforce. The authority for these activities comes from M.S. 177 (Minnesota Fair Labor Standards Act), M.S. 181, M.S. 181A (Child Labor Standards Act), M.S. 184 (Employment Agency), and M.S. 178 (Apprentice Training).

Program at a Glance

FY 2006

- ◆ Investigated 236 cases of labor law compliance and processed 142 wage claims.
- ◆ Responded to 24,725 calls and e-mail messages.
- ◆ Maintained 325 sponsors of apprenticeship training.
- ◆ Managed 8,349 apprentices in training, including 1,075 women and people of color.
- ◆ Worked with 95 approved veterans receiving GI benefits.

Population Served

This program serves Minnesota employees and employers, labor organizations, schools, and other state agencies and local units of government that are preparing clients for entry in employment. The program also services community-based organizations receiving Labor Education Advancement Program (LEAP) grants to promote apprenticeship opportunities to women and people of color.

Services Provided

The primary activities of the program are enforcement, education, licensing, and surveying. Enforcement methods include investigation, mediation, on-site inspection, and issuance of penalties and fines. Education methods include providing statute and rule information; providing brochures and posters to employers and employees; and participating in speaking engagements and outreach activities to employee and employer organizations, schools, and other state agencies. Telephone calls, correspondence, and e-mail to the program can result in either an enforcement action or an educational opportunity. Employment agencies complete a process for licensing. Surveys are conducted to set the prevailing-wage rates. The program also provides consultative services to all employers interested in developing and maintaining apprenticeship-training standards in Minnesota. The program provides technical assistance to registered apprentices, assists apprentices in maintaining the agreed upon condition of their employment throughout the training program, and promotes the concept of apprentice training to all employers wishing to use the apprenticeship model to train current and future employees.

Key Measures

The three key performance measures in the Labor Standards and Apprenticeship program are 1) the number of complaints investigated (minimum wage, overtime, child labor) and the number of wage claims processed; 2) the number of customer contacts; and 3) the number of apprentices in training and apprenticeship completions.

⇒ To ensure the timely and accurate payment of wages for all hours worked by employees in Minnesota, the program investigates complaints and processes wage claims (final paycheck disputes) in accordance with the Minnesota Fair Labor Standards Act (M.S. 177) and M.S. 181. To ensure the safety and well being of employed minors, the program investigates complaints and issues penalty violations in accordance with the Minnesota Child Labor Standards Act (M.S. 181A).

Key Measure (1)	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Cases opened	285	334	270	236
Cases closed	282	353	273	215

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS & APPRENTICESHIP

Narrative

Wage claims opened	152	95	108	142
Wage claims closed	131	95	102	132

⇒ To ensure employers and employees know and understand their responsibilities and the rights of employees in the workplace, the program responds to telephone calls, e-mail messages, and correspondence, and conducts education and outreach activities.

Key Measure (2)	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Telephone calls and e-mail messages	28,915	25,119	29,843	24,725
Education and outreach activities (presentations, etc.)	114	22	30	121
Distribution of all (including translated) informational materials	41,540	29,692	23,571	53,000

⇒ To ensure the participants in registered apprenticeship programs are provided the technical support in maintaining the apprenticeship agreement to maximize the opportunity for completion of the apprenticeship-training program.

Key Measure (3)	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Total apprentices in training	9,794	7,896	7,744	8,349
Total apprenticeship completions	1,512	2,102	1,609	1,343

Program Funding

The Labor Standards activity is financed by an appropriation from the general fund. The activity collects revenue from

- ◆ licensing of fee employment agencies; and
- ◆ fines assessed for violations of the Child Labor Act and Minnesota Fair Labor Standard Act.

The activity also collects back-wages owed to employees by employers. These funds are remitted to the employees.

The Apprenticeship activity is funded from two sources: an appropriation from the workforce development fund and a federal grant from the Department of Veterans Affairs for approving eligible veteran apprenticeship and on-the-job programs.

Contact

For more information, contact Labor Standards and Apprenticeship by phone at (651) 284-5005 or 1-800-DIAL-DLI (1-800-342-5354), by e-mail at DLI.LaborStandards@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: LABOR STANDARDS/APPRENTICESHIP

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	694	694	694	694	1,388
Subtotal - Forecast Base	694	694	694	694	1,388
Governor's Recommendations					
Enhance Labor Law Regulation		0	200	200	400
Compensation Adjustment		0	10	20	30
Total	694	694	904	914	1,818
Workforce Development					
Current Appropriation	750	750	750	750	1,500
Subtotal - Forecast Base	750	750	750	750	1,500
Governor's Recommendations					
Compensation Adjustment		0	15	31	46
Total	750	750	765	781	1,546
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	695	694	904	914	1,818
Workforce Development	687	813	765	781	1,546
Statutory Appropriations					
Federal	40	41	41	41	82
Miscellaneous Agency	8	10	10	10	20
Total	1,430	1,558	1,720	1,746	3,466
<u>Expenditures by Category</u>					
Total Compensation	952	996	1,171	1,214	2,385
Other Operating Expenses	378	462	449	432	881
Local Assistance	100	100	100	100	200
Total	1,430	1,558	1,720	1,746	3,466
<u>Expenditures by Activity</u>					
Labor Standards/Apprenticeship	1,430	1,558	1,720	1,746	3,466
Total	1,430	1,558	1,720	1,746	3,466
Full-Time Equivalent (FTE)	14.0	14.0	16.5	16.5	

LABOR AND INDUSTRY DEPT**Program: LABOR STANDARDS/APPRENTICESHIP****Change Item: Enhance Labor Law Regulation**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$200	\$200	\$200	\$200
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$200	\$200	\$200	\$200

Recommendation

The Governor recommends an increase of \$400,000 in the General Fund appropriation for the FY 2008-09 biennium for the Labor Standards unit, to support continued enforcement of workplace regulations and to improve the administration of the prevailing-wage program. These funds will be directed toward responding to employee complaints, maintaining customer service, and reviewing, analyzing, and improving the prevailing-wage survey process.

Background

The Labor Standards unit provides service to Minnesota employers and employees concerning rights and responsibilities in the workplace. The unit investigates complaints of violations of minimum wage, overtime, child labor and other workplace regulations. The ability to provide these services has steadily eroded in recent years due to General Fund budget challenges that resulted in staff reductions. Adoption of this initiative will restore 2.5 full-time equivalent positions to ensure customer concerns and complaints are addressed promptly. These resources will also be used to improve the prevailing-wage program by enabling the unit to analyze and improve the prevailing-wage survey process and to provide education and outreach to the construction industry that works on publicly funded construction projects.

Relationship to Base Budget

This change represents a 29% increase to the Labor Standards unit's operating budget.

Key Measures

The initiative will allow the Labor Standards unit to continue to provide mandated services to Minnesota employers and employees. It will support the customer service function provided by the unit and allow the unit to investigate an additional 40 complaints and respond to an additional 4,000 telephone inquiries. This initiative will allow the unit to improve the prevailing-wage survey process and the survey instruments used to gather wage data. It is intended to increase the prevailing-wage survey response by 20%.

Statutory Change: Not Applicable

Program Description

The General Support Division supports internal customers in six management areas 1) research and statistics; 2) information technology; 3) legal advice and litigation; 4) financial management; 5) communications; and 6) human resources.

Population Served

This division serves agency programs that focus on the needs of workers, builders, building owners, and employers in Minnesota.

Services Provided

The *Research and Statistics* unit collects, analyzes, and reports workplace safety, workers' compensation, and workplace standards data. To assist in creating safer workplaces, it surveys employers to estimate work-related injury and illness rates. The unit produces three major statistical reports and conducts performance measurement, customer satisfaction surveys, and policy research.

The *Information Technology Services* unit provides technology and telecommunications support to agency operations. Work includes hardware and software support for each of the agency's major applications and the equipment used by all employees. The unit works cooperatively with the Office of Enterprise Technology and other state agencies to accomplish technological efficiencies.

The *Legal Services* unit provides legal services primarily to agency staff members to ensure that decision-making is legally informed; information the agency disseminates is legally accurate; proposed rules and legislation are clearly drafted and reasonable; effective investigation and resolution is carried out, by settlement or litigation, of the agency's enforcement actions; and the workers' compensation fund's liabilities for second-injury, supplementary benefits, and uninsured claims is appropriately defended. The unit also provides legal assistance to other state agencies, political subdivisions, the legislature, the governor's office, and the public.

The *Financial Services* unit provides financial management services, including budgeting, accounts payable, accounts receivable, cashier, payroll, purchasing, and financial reporting. The unit also collects the annual assessment and pays all benefits for the workers' compensation fund.

The *Communications* unit manages the agency's communications program, including all internal and external publications, media relations, and Internet/intranet pages.

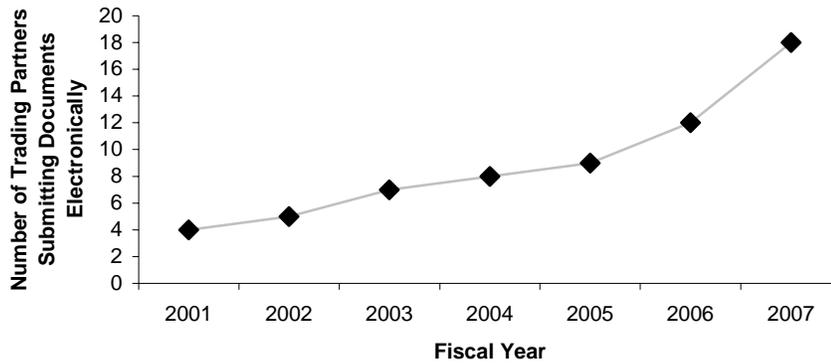
The *Human Resources* unit manages the following functions to ensure a productive and inclusive workforce and work environment exists: workforce and strategic planning, organizational development consultation, performance management, labor relations, contract administration and negotiation, employee development, recruitment and staffing, job evaluation and classification, compensation, benefits administration, employee safety and health, workers' compensation, and equal employment and affirmative action.

Program at a Glance

- ◆ Provides support to 462 agency employees located statewide
- ◆ Administers \$130 million budget (FY 2007)
- ◆ Facilitates 1,412,232 web site visits (FY 2006)
- ◆ Maintains workplace injury survey response rate of 100%
- ◆ Responds to 120 requests for statistical data annually
- ◆ Represents DLI programs in more than 480 cases annually

Key Measures

Expanding and Enhancing Use of Electronic Data Interchange and Submission



Program Funding

The General Support Division is financed by an appropriation from the workers' compensation fund and indirect cost revenue recovered from the agency's other programs. The program also administers two federal research grants from the Bureau of Labor Statistics.

Contact

For more information, contact DLI Communications by phone at (651) 284-5313 or 1 (800) DIAL-DLI (1 (800) 342-5354), by e-mail at DLI.communications@state.mn.us or online at www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT

Program: GENERAL SUPPORT DIVISION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	5,287	5,287	5,287	5,287	10,574
Technical Adjustments					
Approved Transfer Between Appr			309	309	618
Subtotal - Forecast Base	5,287	5,287	5,596	5,596	11,192
Governor's Recommendations					
Workers' Compensation System Interface		0	290	90	380
Compensation Adjustment		0	157	320	477
Total	5,287	5,287	6,043	6,006	12,049
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	5,235	5,803	6,043	6,006	12,049
Open Appropriations					
Workers Compensation	243	256	256	256	512
Statutory Appropriations					
Misc Special Revenue	1,981	2,231	2,191	2,191	4,382
Federal	132	137	136	136	272
Total	7,591	8,427	8,626	8,589	17,215
<u>Expenditures by Category</u>					
Total Compensation	5,888	6,473	6,737	7,024	13,761
Other Operating Expenses	1,703	1,954	1,889	1,565	3,454
Total	7,591	8,427	8,626	8,589	17,215
<u>Expenditures by Activity</u>					
General Support Division	7,591	8,427	8,626	8,589	17,215
Total	7,591	8,427	8,626	8,589	17,215
Full-Time Equivalents (FTE)	74.9	80.7	81.7	81.7	

LABOR AND INDUSTRY DEPT

Program: GENERAL SUPPORT DIVISION

Change Item: Workers' Compensation System Interface

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Workers' Compensation Fund				
Expenditures	\$290	\$90	\$90	\$90
Revenues	0	0	0	0
Net Fiscal Impact	\$290	\$90	\$90	\$90

Recommendation

The Governor recommends an appropriation of \$380,000 from the Workers' Compensation fund for the FY 2008-09 biennium to enhance the Department of Labor and Industry's (DLI) ability to capture data from and present data to injured workers, employers, insurers, third-party administrators, and other program participants.

Background

DLI regulates workers' compensation activities of Minnesota insurers, third-party administrators, and self-insured employers by monitoring the submissions of information from these entities on a series of mandated forms. DLI is currently assessing the impact of moving from a workers' compensation system driven by these forms to one driven by data. Benefits of this approach include improved data capture and management and a more streamlined, accessible process for each participant and for the department. Optimally, business partners would only need to submit data additions or changes after an initial case file is created, eliminating the capture and storage of redundant data. This change item will provide funding for an important step toward this goal. It will provide an enhanced and secure method to receive data and present it back to system stakeholders online.

Relationship to Base Budget

This change item includes a one-time appropriation of \$200,000 for hardware, software, and professional services related to system development and establishment of web authentication services. Ongoing costs include \$90,000 a year for hardware and software maintenance, ongoing web authentication services, and one technical staff person to support the application. The ongoing costs represent a 1% increase to the General Support Division's base budget.

Key Measures

This proposal would facilitate an expansion in the number of workers' compensation transactions that can be conducted electronically and the number of individual stakeholders that participate in electronic transactions. Currently, only one transaction (the First Report of Injury form) is electronically enabled and only 23 stakeholders (3%) are participating in the electronic exchange of claims data. Significant expansion in this area is needed to reduce processing costs for DLI and its stakeholders.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	\$75	\$75	\$75	\$75	\$75	\$75
Hardware	\$27	\$2	\$2	\$2	\$2	\$2
Software	\$11	\$1	\$1	\$1	\$1	\$1
Web Authentication	\$27	\$12	\$12	\$12	\$12	\$12
Services	\$150	0	0	0	0	0
TOTAL	\$290	\$90	\$90	\$90	\$90	\$90

Statutory Change: Not Applicable

LABOR AND INDUSTRY DEPT

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$50	\$101	\$101	\$101
Revenues	0	0	0	0
Construction Code Fund				
Expenditures	46	94	94	94
Revenues	0	0	0	0
Workforce Development Fund				
Expenditures	15	31	31	31
Revenues	0	0	0	0
Workers' Compensation Fund				
Expenditures	519	1,056	1,056	1,056
Revenues	0	0	0	0
Net Fiscal Impact	\$630	\$1,282	\$1,282	\$1,282

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for personnel costs in other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

LABOR AND INDUSTRY DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	4,687	4,659	2	2	4
State Government Spec Revenue	2,381	2,381	0	0	0
Workers Compensation	607	606	606	606	1,212
Other Revenues:					
General	27	27	27	27	54
Workers Compensation	106,793	97,680	97,680	97,680	195,360
Other Sources:					
General	1	0	0	0	0
Taxes:					
General	16	0	0	0	0
Total Non-Dedicated Receipts	114,512	105,353	98,315	98,315	196,630
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	17,348	17,348	26,324	26,274	52,598
Misc Special Revenue	1,632	1,632	2,662	2,662	5,324
Workers Compensation	3,133	3,073	3,342	3,342	6,684
Grants:					
Federal	5,046	5,193	5,803	5,958	11,761
Other Revenues:					
State Government Spec Revenue	148	72	72	72	144
Misc Special Revenue	2,359	2,476	2,476	2,476	4,952
Workers Compensation	122	87	87	87	174
Miscellaneous Agency	0	10	10	10	20
Total Dedicated Receipts	29,788	29,891	40,776	40,881	81,657
Agency Total Revenue	144,300	135,244	139,091	139,196	278,287

Federal Program (\$ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
OSHA Compliance	\$3,908	SO	\$3,955	\$4,074	\$4,196	\$4,322
OSHA Consultation	870	SO	919	942	970	999
Bureau of Labor Statistics	100	SO	99	103	103	103
OSHA Survey	0	SO	33	33	33	33
Veteran's Administration - Apprenticeship	0	SO	40	41	41	41
Agency Total	\$4,878		\$5,046	\$5,193	\$5,343	\$5,498

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

The OSHA Compliance and OSHA Consultation grants are essential to continue the downward trend in occupational fatalities, injuries, and illnesses, and thereby reduce the suffering of workers and families and contain workers' compensation costs. The Bureau of Labor Statistics and OSHA Survey grants provide the funding necessary to conduct surveys to collect, analyze, and report data on workplace injuries. The Veteran's Administration – Apprenticeship grant provides funding necessary to review and approve eligible veteran apprenticeship and on-the-job training programs.

Federal funding contributes to 4% of the agencies expenditures. Federal funds received through the OSHA Compliance and Bureau of Labor Statistics programs require matching state funds of 50%. The OSHA Consultation program requires matching state funds of 10%. The required state match is provided by the Workers' Compensation fund. The OSHA Survey and Veteran's Administration – Apprenticeship programs are 100% federally funded.

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2007	Most Recent Federal Award (cite year)
Safety Hazard Abatement State M.S. 79.253	To make grants or loans to employers for the cost of implementing safety recommendations.	Employers	\$989,000	N/A
Labor Education and Advancement Program State M.S. 178.11	To facilitate the participation of women and minorities in apprenticeship trades and occupations.	Community-based organizations	\$100,000	N/A
Vinland Center State Laws of 2005, 1 st Special Session, Chapter 1, Article 3, Section 7, Subd 2	To provide specialized rehabilitation services for injured and disabled workers.	Vinland Center	\$150,000	N/A
Construction Codes Grants State M.S. 16B.70	To award grants for code research, development, and education.	Research institutes Educational institutes	\$248,000	N/A

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↻ Designates that this item is a change item

Agency Purpose

The purpose of the Legislative-Citizen Commission on Minnesota Resources (LCCMR) is to make funding recommendations to the legislature for special natural resource projects primarily funded from the Environment and Natural Resources Trust Fund and to develop a long-term strategy for continuing trust fund appropriations.

M.S. 116P and an adopted strategic plan guide LCCMR expenditure recommendations made to the Minnesota legislature for natural resource projects.

Core Functions

- ⇒ **Review Process:** The Commission will solicit project proposals and evaluate them based on funding priorities set forth in its strategic plan. Funding priorities are currently being developed. Technical advisory committees appointed by the LCCMR will provide advice on project feasibility, costs, and impacts. The Commission will also hold public hearings to solicit additional information. All proposed research projects selected for funding would also undergo scientific peer review. Once projects are funded, the Commission oversees and evaluates project progress and completion through work program review.
- ⇒ **Recommendations:** Proposals are reviewed and ranked according to priorities and technical feasibility. Recommendations to the legislature for Trust Fund expenditures will be made annually.

History

The Legislative Commission on Minnesota Resources (LCMR) was created in 1963 to make funding recommendations to the legislature for special environment and natural resource projects every two years. Over its history, the LCMR has recommended over \$525 million in funding for 1,214 projects.

The 2006 legislature restructured the LCMR to more fully involve citizens in determining funding priorities and application processes. Appointed citizens have been added to the new LCCMR and the process for developing a statewide, long-range plan to guide investments has begun.

Operations

The LCCMR is comprised of 17 members consisting of seven citizen members (five appointed by the governor and one member each appointed by the house and senate), and five senators and five representatives including the chairs of the house and senate committees on environment and natural resources finance. The members elect their officers, rotating the chair between legislative and citizen members of the Commission.

The LCCMR employs a full-time professional and support staff of four full-time employees. In 2006-07 there also was an allocation of \$150,000 to the Department of Natural Resources (DNR) to administer the contracts of all pass through non-state agency appropriations.

Budget

The Environment and Natural Resources Trust Fund provides the major source of funding for this program. The state constitution specifies that the amount appropriated from the Trust fund each year of a biennium may be up to 5.5% of its market value on June 30 one year before the start of the biennium. A small amount of funding is also received from federal Land and Water Conservation (LAWCON) receipts, Oil Overcharge money and Great Lakes Protection funds. Estimated total funding available for funding the program in FY 2008 will be approximately \$23.366 million: \$22.866 million from the Environmental Trust Fund and \$500,000 in LAWCON receipts.

Contact

Projects approved since 1991 are available on the LCMR web site:
<http://www.lccmr.leg.mn>

Contact: John Velin, Director
Legislative Commission on Minnesota Resources
Room 65 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2406

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	19,074	17,105	17,105	17,105	34,210
Recommended	19,074	17,105	22,866	22,866	45,732
Change		0	5,761	5,761	11,522
% Biennial Change from 2006-07					26.4%
Federal					
Current Appropriation	0	0	250	250	500
Recommended	0	0	500	0	500
Change		0	250	(250)	0
% Biennial Change from 2006-07					n.m.
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	18,997	17,107	22,866	22,866	45,732
Federal	0	0	500	0	500
Total	18,997	17,107	23,366	22,866	46,232
<u>Expenditures by Category</u>					
Total Compensation	320	441	934	0	934
Other Operating Expenses	72	111	593	0	593
Local Assistance	18,605	16,555	21,839	22,866	44,705
Total	18,997	17,107	23,366	22,866	46,232
<u>Expenditures by Program</u>					
Minn Resources Leg-Citizen Com	18,997	17,107	23,366	22,866	46,232
Total	18,997	17,107	23,366	22,866	46,232
Full-Time Equivalents (FTE)	3.4	3.9	5.0	5.0	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2007 Appropriations	17,105	17,105	17,105	34,210
Technical Adjustments				
One-time Appropriations		(17,105)	(17,105)	(34,210)
Subtotal - Forecast Base	17,105	0	0	0
Change Items				
LCCMR Trust Fund Recommendations	0	22,866	22,866	45,732
Total Governor's Recommendations	17,105	22,866	22,866	45,732
<i>Fund: FEDERAL</i>				
FY 2007 Appropriations	0	250	250	500
Technical Adjustments				
One-time Appropriations		(250)	(250)	(500)
Subtotal - Forecast Base	0	0	0	0
Change Items				
LCCMR Trust Fund Recommendations	0	500	0	500
Total Governor's Recommendations	0	500	0	500
 <u>Revenue Change Items</u>				
<i>Fund: FEDERAL</i>				
Change Items				
LCCMR Trust Fund Recommendations	0	500	0	500

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Environmental Trust Fund				
Expenditures	22,866	22,866	0	0
Revenues	0	0	0	0
LAWCON Federal Receipts				
Expenditures	500	0	0	0
Revenues	500	0	0	0
Net Fiscal Impact	\$22,866	\$22,866	\$0	\$0

Recommendation

The Governor recommends appropriations from the Environmental Trust Fund for projects and programs that protect and enhance the state’s environment and natural resources. This request is for appropriations recommended by the Legislative-Citizen Commission on Minnesota Resources (LCCMR). The Governor also recommends, contingent upon receipt of federal reimbursements, appropriations from federal Land and Water Conservation receipts (LAWCON) for funding projects as recommended by the LCCMR.

Background

The Governor respects the desires of the LCCMR to independently present their budget requests directly to the legislature without a specific recommendation from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for the LCCMR and its recommended projects as part of preparing a complete balanced budget.

The Minnesota Constitution, Article XI, Sec. 14 specifies that up to 5.5% of the fair market value of the Environmental Trust Fund, as of June 30 one year before the start of the next biennium, is available each year for expenditures that protect and enhance the state’s environment and natural resources. Recommended funding for program administration is governed by M.S. 116P.09. The LCCMR has elected to recommend its biennial administrative budget of \$1.278 million be shown in FY 2008 only; however, the appropriation, if enacted, would remain available for the entire biennium.

Funding priorities established by the LCCMR for its recommendations to the 2007 legislature focus on land protection and water resource conservation and protection. It is the intent of the LCCMR to recommend to the 2007 legislature a large portion of the funding for land protection.

Relationship to Base Budget

LCCMR recommendations adopted by the legislature are one-time appropriations.

Statutory Change: Not applicable.

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**State of Minnesota
Department of Finance**

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

January 22, 2007

To the 2007 Legislature:

I respectfully submit for your consideration the Governor's FY 2008-09 budget proposal for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor recommends a general funding increase of 4% per fiscal year for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests for the FY 2008-09 biennium.

The Governor also recommends \$200,000 in FY 2007 as a deficiency request for the Board of Public Defense to deal with increased transcript costs.

Sincerely,

A handwritten signature in cursive script that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

Agency Purpose

The Minnesota Supreme Court exercising its inherent constitutional authority regulates the practice of law in Minnesota.

The Supreme Court exercises its regulatory authority so that within the state the public is well served by admitting to practice competent attorneys who continuously revitalize their knowledge of the law by attending continuing education programs, by appropriately disciplining after careful investigation those who have been found to have violated the Minnesota Rules of Professional Conduct, and by reimbursing clients under specified circumstances who have lost funds because of attorney misfeasance. The court has implemented a statewide lawyer assistance program to direct lawyers to appropriate and necessary counseling.

Core Functions

The Supreme Court has established regulatory boards to assist in key areas of the regulation of the practices of law.

- ⇒ The Continuing Legal Education Board certifies 6,000 programs annually in a wide variety of legal subjects to promote professional growth for the state's 23,000 attorneys and monitors each attorney's compliance with continuing education regulations.
- ⇒ The Office of Lawyers Professional Responsibility, working in conjunction with district ethics committees throughout the state, investigates complaints of unprofessional conduct against lawyers, and recommends discipline where appropriate.
- ⇒ The Legal Certification Board certifies agencies, which certify lawyers having specified experience and training as specialists.
- ⇒ The Client Security Board reviews claims from clients who have experienced monetary loss because of attorney dishonesty and, where the claim meets criteria established by the board, reimburses the client for the loss up to \$150,000.
- ⇒ The Board of Law Examiners reviews the credentials of applicants for admission to the practice of law in Minnesota and administers the bar examination.
- ⇒ The Lawyer Assistance Program directs lawyers who are suffering from chemical and substance abuse or emotional distress to appropriate treatment.

Operations

The boards, consisting of lawyers and lay members, are appointed by the Supreme Court to carry out the functions identified above within the rules for each board promulgated by the Supreme Court. Each board is authorized to hire staff. The Client Security Board contracts with the Office of Lawyers Professional Responsibility for legal services to examine claims and pursue subrogation claims. The Board of Law Examiners, Continuing Legal Education, and Legal Certification have a single director and share staff.

Budget

Dedicated revenue fully funds the activities of the boards. No General Fund monies support the operations of these boards. The Supreme Court assesses each lawyer admitted to practice law in Minnesota an annual registration fee which funds these activities. The registration fee revenue is divided among the boards as determined by the Court after public hearing. The Board of Law Examiners assesses a bar examination fee to each applicant for the bar examination. The boards of Continuing Legal Education and Legal Certification assess various administrative fees. The fees for those boards are included in the Department Earnings Report.

The boards have 37.50 full-time equivalent employees.

At A Glance

Business Functions:

- ◆ The Board of Law Examiners tests approximately 900 applicants to the bar annually, and recommends for admission to the bar those persons who establish legal competence and good character.
- ◆ The Board of Continuing Legal Education accredits 6,000 legal education courses annually and monitors 23,000 Minnesota-Licensed attorneys' completion of continuing legal education.
- ◆ The Board of Legal Certification has accredited five legal organizations which certify attorneys as specialist in nine defined specialty fields of law.

Contact

Minnesota Supreme Court
Minnesota Judicial Center
25 Rev. Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Sue Dosal
State Court Administrator
Phone: (651) 296-2474
Fax: (651) 297-5636
Home page: <http://www.courts.state.mn.us>

LEGAL PROFESSIONS BOARDS

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Misc Special Revenue	4,943	5,173	4,685	4,759	9,444
Total	4,943	5,173	4,685	4,759	9,444
<u>Expenditures by Category</u>					
Total Compensation	2,491	2,902	2,963	3,030	5,993
Other Operating Expenses	2,252	2,027	1,522	1,529	3,051
Local Assistance	200	244	200	200	400
Total	4,943	5,173	4,685	4,759	9,444
<u>Expenditures by Program</u>					
Lawyers Board	4,943	5,173	4,685	4,759	9,444
Total	4,943	5,173	4,685	4,759	9,444
Full-Time Equivalent (FTE)	34.8	39.4	39.4	39.4	

LEGAL PROFESSIONS BOARDS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Misc Special Revenue	4,672	4,403	4,422	4,436	8,858
Other Revenues:					
Misc Special Revenue	151	132	132	132	264
Other Sources:					
Misc Special Revenue	17	19	19	19	38
Total Dedicated Receipts	4,840	4,554	4,573	4,587	9,160
Agency Total Revenue	4,840	4,554	4,573	4,587	9,160

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↻ Designates that this item is a change item



**State of Minnesota
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Sincerely,

A handwritten signature in cursive script that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

Agency Purpose

The legislature is one of the three principal branches of state government (the others are the executive and judicial branches), created by the constitution of the state of Minnesota. The legislative branch is responsible for the enactment and revision of state laws, establishing a state budget and tax policy, electing regents of the University of Minnesota, overseeing the work of state government, as well as proposing amendments to the state constitution. The Minnesota Legislature consists of two bodies: the House of Representatives and the Senate. In addition, the House and the Senate have jointly created Joint Offices that serve specific purposes described more fully below.

Operations

The House and Senate employ separate staff to serve the separate bodies and maintain the structural checks and balances of the bicameral system.

House of Representatives

House of Representatives staff works in one of six non-partisan departments or in one of the caucus departments.

The **GOP Caucus** and the **DFL Caucus** departments each provide legislative services to their respective members. Services provided include legislative management, member administrative support, committee administration and support services, constituent and communication/media services, and caucus research services. (Staffing: 143 permanent, 15 session-only.)

The **Chief Clerk's Office** provides assistance and advice to the speaker and members of the House of Representatives in meeting the legal and parliamentary requirements of the lawmaking process and to record the history of that process in a clear, unbiased, and accurate manner. The chief clerk, first and second assistant clerks, index clerk, and chaplain are elected officers of the house. (Staffing: 26 permanent, three session-only.)

The **House Research Department** provides research and legal services to the house and its members and committees. The work of House Research focuses on legislative decision-making: helping house members and committees develop and evaluate government policies and laws. The department is an agency of the House of Representatives as a whole, rather than a committee or caucus. House Research is non-partisan. Its services are available to all members of the house without regard to partisan affiliation or legislative position. The department strives to be politically neutral and impartial on the issues. Its staff does not advocate, endorse, promote, or oppose legislation or legislative decision. (Staffing: 35.4 permanent, three session-only.)

The **Fiscal Analysis Department** provides professional, nonpartisan, and confidential services for all members of the House of Representatives, as well as providing assistance to the house finance and tax committees on state budgetary and fiscal legislation. Department staff analyze spending requests, aid committees in developing and analyzing budgetary options, draft legislation to implement budget decisions, track legislative decisions, and provide analysis for legislative oversight of enacted budgets. Fiscal analysts respond to requests from individual members needing analyses or information on state budgetary issues or government finances. The Fiscal Analysis Department researches, prepares, and distributes publications providing information on state budget issues and government finances. (Staffing: 11 permanent)

The **House Public Information Department** is a contact point to help the public connect to the legislature. The mission of this department is to inform the general public of legislative actions, to educate the public about the legislative process, and to encourage public participation in the Minnesota Legislature. It produces numerous publications and provides televised access to the legislative process. In conjunction with Senate Media Services, it produces live and taped coverage of house floor sessions and some committee hearings, and provides that

At A Glance

- ◆ 67 senators and 134 representatives compose the Minnesota Legislature.
- ◆ Senators serve four-year terms, and representatives serve two-year terms.
- ◆ The constitution provides that the legislature may meet for up to 120 days during a two-year period. (A legislative day is counted when a quorum of either the house or senate is present to conduct business as a body.)
- ◆ For the 2005-06 biennial legislative session and 2005 special session, 4,364 bills were introduced in the house, and 3,929 bills were introduced in the senate. Of those, 291 bills were presented to the governor for signing.

programming to the public. Some services offered are television broadcasts and computer delivery of live and taped proceedings of house floor session and committee meetings, pool feeds of legislative meetings to media outlets, and VHS dubs of house floor sessions and committee hearings. Legislative broadcasts of house and senate proceedings can be seen weekdays from 8:00 a.m. to 5:00 p.m. in the Minneapolis/St. Paul metro area on KTCI, Channel 17, beginning with the start of each legislative session. Programming is delivered via satellite to cable systems throughout greater Minnesota.

The office produces and distributes "Session Weekly," committee schedules, committee rosters, lists of members and staff, full legislative directories, "New Laws" and various publications that explain the state's symbols, governmental structure, and lawmaking process. (Staffing: 10.5 permanent, seven session-only.)

The **House Administrative Services Department** performs the financial, human resources, computer technology and facility management functions for the house. Financial functions include: accounting, budgeting, staff and member payroll, accounts payable, and expense reimbursements. Human resources function includes compensation and benefit administration, personnel policy development and communication and house staffing management. Computer technology functions include planning and purchasing desktop and notebook computer systems, planning and managing a secure local area network, purchasing and managing application programs. Facility management responsibilities include supply and equipment purchases and maintenance and telephone system management. (Staffing: 15 permanent.)

The **Sergeant-At-Arms Office** provides temporary support staff (pages), parking, transportation, security, post office, duplication and printing, and educational program services for members, staff, and the public. The speaker appoints the chief sergeant. The assistant sergeants, postmaster, and assistant postmaster are elected by house members to serve with the chief sergeant as officers of the house. Pages serve as support staff for all house and conference committee hearings and aid all departments in accomplishing their duties. (Staffing: seven permanent, 26 session-only.)

Senate

In addition to the functions listed under agency purpose, the senate also has the responsibility to advise and consent to governor's appointments.

JOINT LEGISLATIVE OFFICES

As provided by M.S. Chapter 3 the legislature has established a number of joint legislative offices and commissions.

Legislative Coordinating Commission (LCC)

Established in 1973, the LCC coordinates certain activities of the Senate and House of Representatives and serves as an umbrella organization for joint legislative agencies and commissions. It determines the employee benefits for all legislative staff and health benefits for legislators. The LCC reviews budget requests and establishes staffing levels for all legislative commissions and joint agencies under its jurisdiction. The LCC also sets the compensation for all employees under its jurisdiction.

The President of the Senate and the Speaker of the House alternately serve as chair on an annual basis. The LCC provides staff support for the Compensation Council, the University of Minnesota Regent Candidate Advisory Council, the Minnesota State Colleges and Universities (MNSCU) Board of Trustees Candidate Advisory Council, and the Joint House-Senate Subcommittee on Claims. The LCC coordinates the provision of sign language interpreters at legislative hearings and meetings and serves as the first point of contact in scheduling meetings and arranging itineraries for visiting international and state delegations seeking to discuss policy issues and learn more about Minnesota's legislative process.

Within the LCC, the Geographic Information Services Office develops and maintains spatial databases and produces legislative district maps, reports, and web applications. Also within the LCC, the Office on the Economic Status of Women (OESW) studies and reports on all matters relating to the economic status of women in Minnesota and supports legislators' efforts to enact legislation that furthers the extent to which women can contribute to the state's economy. In total, the LCC maintains nine full-time equivalent positions.

The **Legislative Reference Library (LRL)**, established in 1969, collects, indexes, publishes, and makes available public policy information. The LRL works closely with its main clientele, legislators and legislative staff, to provide information services that support the legislative process. Executive agencies and the public are also served. State law requires that copies of the publications of Minnesota state government agencies, boards, and commissions, and a copy of all state-funded consultants' reports must be deposited with the library. Rules of the House and Senate assign the director a custodial role of the recordings of floor and committee hearings and the accompanying minutes and logs; public access to these materials is required. LRL staff is nonpartisan and all information requests are confidential. The LRL employs 15 FTE.

The **Revisor of Statutes** is a nonpartisan, professional joint legislative office providing drafting, editing, publication, and computer services to the legislature, executive departments, and to the governor and other constitutional officers. Drafting services are provided on a confidential basis and consist primarily of bills and administrative rules. Publications produced by the office include: Laws of Minnesota, Minnesota Statutes, Minnesota Rules, and other miscellaneous publications of legislative and public interest. The computer system supports the drafting, editing, and publishing work of the legislature. The office has been under the jurisdiction of the LCC since 1973, and has 52 permanent and nine seasonal employees.

The mission of the Office of the **Legislative Auditor** and **Legislative Audit Commission** is to strengthen accountability in state government. The office completes 50 to 60 financial audit reports and six to eight program evaluation reports each year with a staff of 62. The office is nonpartisan, and its chief goal is to produce audit and evaluation reports that are accurate and objective. The legislative auditor, who is appointed for a six-year term by the Legislative Audit Commission, directs the office. The bipartisan commission consists of 12 legislators (six representatives and six senators).

The **Mississippi River Parkway Commission** of Minnesota (MN-MRPC) was established in 1963. It is part of the 10-state National Mississippi River Parkway Commission which works collectively to: preserve, promote, and enhance the scenic, historic, and recreational resources of the Mississippi River; foster economic growth in the river corridor; and develop the national, scenic, and historic parkway known as the Great River Road. In Minnesota, the Great River Road runs 575 miles through the heart of the state, adjacent to the Mississippi River on both sides, beginning at the river's headwaters at Lake Itasca through Minnesota's north woods, lake country, Twin Cities, and into bluff country along the Minnesota-Wisconsin border before entering Iowa. For its historic, cultural, recreational and scenic qualities, the Federal Highway Administration selected the Minnesota Great River Road to be designated as a National Scenic Byway in 2000 – a distinguished honor bestowed upon the most treasured routes in America. The MN-MRPC consists of 15 members: two from the House; two from the Senate; five regional citizen members; one each from the state departments of Agriculture, Natural Resources, Tourism, Transportation and the Historical Society; and one member voted in by the other 14. The MN-MRPC has one staff member that manages its administration and marketing.

The **Legislative Commission on Planning and Fiscal Policy** was established in 1987 to study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs. In 1988, the duties were expanded requiring study and review of particular items and requiring recommendations to the legislature. In addition to projected state revenue, expenditures, and tax expenditures, other subjects include economic and fiscal policy, mix of revenue sources for programs, investigation of state building needs, and other related matters. Staff is provided by the House, Senate, and the LCC.

The **Legislative Commission on Pensions and Retirement** was established in 1955 to study and investigate on an ongoing basis the various public retirement systems applicable to nonfederal government employees in the state and to make recommendations to establish and maintain sound public employee pension legislation. The commission currently employs 3.5 FTE.

The **Great Lakes Commission** promotes the orderly, integrated, and comprehensive development, use, and conservation of the water resources of the Great Lakes Basin, which consists of eight Great Lakes states, Canada, and all water interconnections between them. There is currently no staff funded for the commission.

The **LCC Subcommittee on Employee Relations** was originally established in 1979 and now exists as a subcommittee of the LCC. It assists the legislature by reviewing and providing interim approval of negotiated agreements and arbitrated awards between the state and its employees. The commission also reviews and approves the Commissioner’s and Managerial Compensation Plans, Minnesota State Colleges and Universities (MnSCU) Personnel Plan for Administrators, and the Office of Higher Education Unclassified Compensation Plan. In addition, the Subcommittee reviews and provides interim approval of the governor’s salary proposal for agency heads. Other duties include the monitoring of the state civil service system, conducting research as directed, and performing other functions as delegated by the legislature.

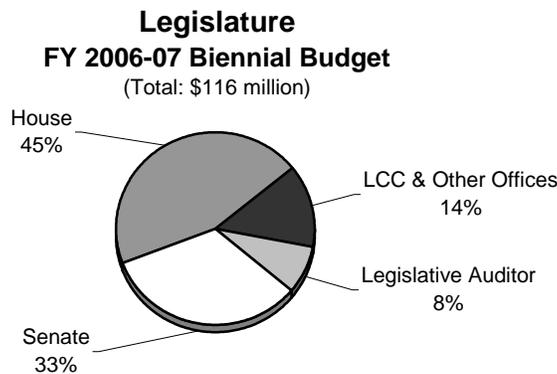
The **Electric Energy Task Force** was established under M.S. 216C.051 to make recommendations to the legislature regarding an environmentally and economically sustainable and advantageous electric energy supply. It consists of ten members of the senate and ten members of the House of Representatives. Under M.S. 216C.051, Sub. 9, the Electric Energy Task Force expires 6-30-2007. Staff is provided by the House, Senate, and the LCC.

The **Legislative-Citizen Commission on Minnesota Resources (LCCMR)** advises the legislature on the allocations for certain dedicated funding sources (primarily the Environment and Natural Resources Trust Fund) for projects “for the public purpose of protection, conservation, preservation, and enhancement of the state’s air, water, land, fish, wildlife, and other natural resources” – Minnesota Constitution Sec. 14 as amended 11-3-1998). The commission consists of five representatives, five senators and seven citizen members (five appointed by the governor and one each by the House and Senate). The governing statute is M.S. Chapter 116P. Complete information and the funding for LCCMR is provided within the Environment and Natural Resources budget. Funding is provided by the Environment and Natural Resources Trust Fund.

The **Legislative Commission to End Poverty in Minnesota by 2020** was created by the legislature in the 2006 session. The commission, consisting of nine members of the House and nine from the Senate, is to be appointed by the members elected in the fall 2006 elections. The commission is to make its recommendations by 12-15-2008.

Budget

The state legislature receives its funding as direct appropriations from the General Fund.



Contact**House of Representatives**

Paul Schweizer, Controller
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St. Paul, Minnesota 55155
Phone: (651) 296-6648
Web site: www.house.mn

Legislative Coordinating Commission

Greg Hubinger, Director
G-72 State Office Building
St. Paul, Minnesota 55155
Phone: (651) 296-2963
Web site: www.commissions.leg.mn

Senate

Pat Flahaven, Secretary of the Senate
231 State Capitol
St. Paul, Minnesota 55155
Phone: (651) 296-2344
Web site: www.senate.mn

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	54,169	62,164	62,164	62,164	124,328
Recommended	54,169	62,164	62,843	63,790	126,633
Change		0	679	1,626	2,305
% Biennial Change from 2006-07					8.9%
Health Care Access					
Current Appropriation	128	128	128	128	256
Recommended	128	128	128	128	256
Change		0	0	0	0
% Biennial Change from 2006-07					0%
<u>Expenditures by Fund</u>					
Carry Forward					
General	5,584	2,797	651	741	1,392
Direct Appropriations					
General	53,516	62,637	62,692	63,639	126,331
Health Care Access	128	128	128	128	256
Gift	0	44	0	0	0
Statutory Appropriations					
Misc Special Revenue	0	3	0	0	0
Federal	8	0	0	0	0
Miscellaneous Agency	357	400	359	359	718
Total	59,593	66,009	63,830	64,867	128,697
<u>Expenditures by Category</u>					
Total Compensation	10,176	10,949	11,748	12,695	24,443
Other Operating Expenses	49,417	55,060	52,082	52,172	104,254
Total	59,593	66,009	63,830	64,867	128,697
<u>Expenditures by Program</u>					
House Of Representatives	26,130	28,803	28,503	28,593	57,096
Senate	20,080	22,111	20,800	20,800	41,600
Legislative Coordinating Cmsn	8,396	9,733	8,266	8,266	16,532
Legislative Audit Comm	4,987	5,362	5,332	5,332	10,664
Compensation Adjustment	0	0	929	1,876	2,805
Total	59,593	66,009	63,830	64,867	128,697
Full-Time Equivalents (FTE)	131.6	152.2	150.2	150.2	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	62,164	62,164	62,164	124,328
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(250)	(250)	(500)
Subtotal - Forecast Base	62,164	61,914	61,914	123,828
Change Items				
Compensation Adjustment	0	929	1,876	2,805
Total Governor's Recommendations	62,164	62,843	63,790	126,633
Fund: HEALTH CARE ACCESS				
FY 2007 Appropriations	128	128	128	256
Subtotal - Forecast Base	128	128	128	256
Total Governor's Recommendations	128	128	128	256
Fund: GENERAL				
Planned Statutory Spending	2,797	651	741	1,392
Total Governor's Recommendations	2,797	651	741	1,392
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	3	0	0	0
Total Governor's Recommendations	3	0	0	0
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	400	359	359	718
Total Governor's Recommendations	400	359	359	718

LEGISLATURE

Program: HOUSE OF REPRESENTATIVES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	24,177	27,790	27,790	27,790	55,580
Subtotal - Forecast Base	24,177	27,790	27,790	27,790	55,580
Total	24,177	27,790	27,790	27,790	55,580
 <u>Expenditures by Fund</u>					
Carry Forward					
General	2,039	800	500	590	1,090
Direct Appropriations					
General	23,876	27,790	27,790	27,790	55,580
Statutory Appropriations					
Miscellaneous Agency	215	213	213	213	426
Total	26,130	28,803	28,503	28,593	57,096
 <u>Expenditures by Category</u>					
Other Operating Expenses	26,130	28,803	28,503	28,593	57,096
Total	26,130	28,803	28,503	28,593	57,096
 <u>Expenditures by Activity</u>					
House Of Representatives	26,130	28,803	28,503	28,593	57,096
Total	26,130	28,803	28,503	28,593	57,096

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	17,965	20,654	20,654	20,654	41,308
Subtotal - Forecast Base	17,965	20,654	20,654	20,654	41,308
Total	17,965	20,654	20,654	20,654	41,308
 <u>Expenditures by Fund</u>					
Carry Forward					
General	2,107	1,421	151	151	302
Direct Appropriations					
General	17,831	20,503	20,503	20,503	41,006
Statutory Appropriations					
Miscellaneous Agency	142	187	146	146	292
Total	20,080	22,111	20,800	20,800	41,600
 <u>Expenditures by Category</u>					
Other Operating Expenses	20,080	22,111	20,800	20,800	41,600
Total	20,080	22,111	20,800	20,800	41,600
 <u>Expenditures by Activity</u>					
Senate	20,080	22,111	20,800	20,800	41,600
Total	20,080	22,111	20,800	20,800	41,600

LEGISLATURE

Program: LEGISLATIVE COORDINATING CMSN

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,497	8,514	8,514	8,514	17,028
Technical Adjustments					
Approved Transfer Between Appr			(126)	(126)	(252)
One-time Appropriations			(250)	(250)	(500)
Subtotal - Forecast Base	7,497	8,514	8,138	8,138	16,276
Total	7,497	8,514	8,138	8,138	16,276
Health Care Access					
Current Appropriation	128	128	128	128	256
Subtotal - Forecast Base	128	128	128	128	256
Total	128	128	128	128	256
 <u>Expenditures by Fund</u>					
Carry Forward					
General	1,438	576	0	0	0
Direct Appropriations					
General	6,822	8,982	8,138	8,138	16,276
Health Care Access	128	128	128	128	256
Gift	0	44	0	0	0
Statutory Appropriations					
Misc Special Revenue	0	3	0	0	0
Federal	8	0	0	0	0
Total	8,396	9,733	8,266	8,266	16,532
 <u>Expenditures by Category</u>					
Total Compensation	5,634	6,202	6,004	6,004	12,008
Other Operating Expenses	2,762	3,531	2,262	2,262	4,524
Total	8,396	9,733	8,266	8,266	16,532
 <u>Expenditures by Activity</u>					
Lcc-Leg Reference Library	1,009	1,161	1,154	1,154	2,308
Lcc-Revisors Office	5,494	5,890	5,065	5,065	10,130
Lcc-Miss River Pkwy Cmsn	39	31	31	31	62
Lcc-Other	293	296	294	294	588
Lcc-Pensions & Retirements	295	332	333	333	666
Lcc-Great Lakes Cmsn	46	52	52	52	104
Lcc-Employee Relations	73	85	86	86	172
Lcc-Commission Operations	837	1,178	891	891	1,782
Lcc-Electric Energy Task	15	16	0	0	0
Legislative Television	295	442	360	360	720
Lcc-Commission On Poverty	0	250	0	0	0
Total	8,396	9,733	8,266	8,266	16,532
 Full-Time Equivalent (FTE)	 75.6	 90.2	 88.2	 88.2	

LEGISLATURE

Program: LEGISLATIVE AUDIT COMM

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,530	5,206	5,206	5,206	10,412
Technical Adjustments					
Approved Transfer Between Appr			126	126	252
Subtotal - Forecast Base	4,530	5,206	5,332	5,332	10,664
Total	4,530	5,206	5,332	5,332	10,664
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,987	5,362	5,332	5,332	10,664
Total	4,987	5,362	5,332	5,332	10,664
 <u>Expenditures by Category</u>					
Total Compensation	4,542	4,747	4,815	4,815	9,630
Other Operating Expenses	445	615	517	517	1,034
Total	4,987	5,362	5,332	5,332	10,664
 <u>Expenditures by Activity</u>					
Legislative Audit Comm	5	41	14	14	28
Legislative Auditor	4,982	5,321	5,318	5,318	10,636
Total	4,987	5,362	5,332	5,332	10,664
 Full-Time Equivalent (FTE)	 56.0	 62.0	 62.0	 62.0	

LEGISLATURE

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$929	\$1,858	\$1,858	\$1,858
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$929	\$1,858	\$1,858	\$1,858

Recommendation

The Governor recommends additional funding for compensation related costs associated with the operation of the legislature. This amount represents an estimated annual increase of 2% for general funded personnel costs.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

As with the executive branch, the Governor suggests that these offices and institutions receive a compensation adjustment to reflect rising costs due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. For agencies receiving appropriations from the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Since some divisions of the legislature do not provide compensation data to the executive branch, the 2% annual increase was calculated on a compensation base estimated at 75% of the total FY 2007 General Fund appropriation, adjusted for one-time funds.

The Governor makes no recommendations regarding any specific initiatives that may be put forward by the 2007 Legislature.

Relationship to Base Budget

This proposal is an increase to the operating funds of the legislature. This change is not reflected in the legislature "base," but instead is shown as a change item for specific discussion and decision. While the Governor recommends a total amount for the increase, he respects the legislature's authority in choosing whether to adopt this increase and in deciding how to distribute it among its divisions. Therefore, the overview fiscal page reflects the compensation adjustment but the program detail pages do not.

Statutory Change: Not Applicable

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Agency Purpose

The Minnesota State Lottery (Lottery) exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. The Lottery does so by offering games of chance to Minnesota adults in accordance with M.S. Chapter 349A.

Core Functions

To accomplish this purpose, the Lottery must:

- ◆ design, distribute, and promote games that will appeal to the general public in a manner consistent with statutory guidelines and the dignity of the state;
- ◆ maintain security procedures that ensure the integrity of the games will not be compromised;
- ◆ manage a large network of private sector retailers who sell lottery products; and
- ◆ accurately process numerous financial transactions, including payment of prizes to winners, commissions to retailers, proceeds to the state, and the purchase of goods and services necessary for lottery operations.

At A Glance

- ◆ In FY 2006, the Minnesota State Lottery generated \$121 million for state programs from sales of \$450 million.
- ◆ More than two out of three Minnesota adults have purchased a lottery ticket.
- ◆ Prizes in FY 2006 exceeded \$267 million.
- ◆ Scratch games account for 60% of lottery sales. Powerball accounts for another 26%.
- ◆ Since its inception in 1990, Minnesotans have purchased almost \$6 billion in lottery tickets, returning more than \$1.4 billion to the state.
- ◆ Factors such as weather, gasoline prices, local and state economies, and competition for discretionary dollars can all affect lottery sales and proceeds.

Operations

Lottery tickets are sold through a network of approximately 3,000 retailers located in more than 650 Minnesota cities. These retailers earn a commission on every ticket sold and can earn additional income by redeeming winning tickets and participating in various incentive programs. Each retailer has a computer terminal that is connected to central lottery computers through a secure telecommunications network. Retailers are the primary contact for the ticket-buying public. More than two out of every three Minnesota adults have purchased a lottery ticket.

The Lottery is managed by a director appointed by the governor with the advice and consent of the senate.

The Lottery is organized into six divisions:

- ⇒ **Executive** includes the director, legislative relations, and research and planning.
- ⇒ **Finance** provides accounting and budget services.
- ⇒ **Legal** includes legal services, human resources, and purchasing and contracting.
- ⇒ **Marketing** is responsible for retailer service, promotions, advertising, customer relations, and public relations.
- ⇒ **Operations** provides computer and telecommunications services, conducts drawings, and is responsible for product design and distribution.
- ⇒ **Security** protects against internal and external lottery fraud and prevents compromise of the games.

Key Measures

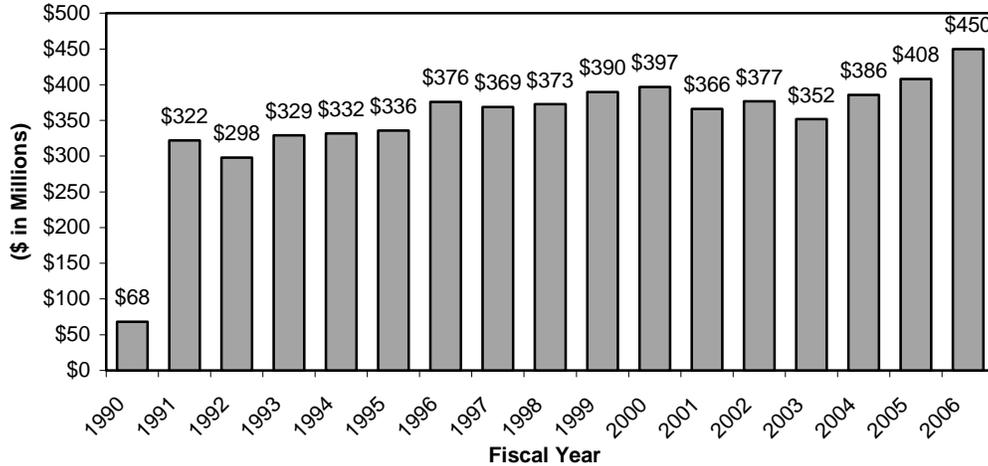
Lottery success is primarily measured by the revenue returned to the state for the designated beneficiaries (see agency fiscal report). In seeking to maximize revenue, the Lottery must also consider security, integrity, and the broader policy concerns of the state. Other measures include administrative efficiency and player participation and satisfaction.

Budget

By law, the Lottery may not spend more than 9% of gross revenue on operations. For FY 2007, the Lottery's operating budget must not exceed \$27.419 million.

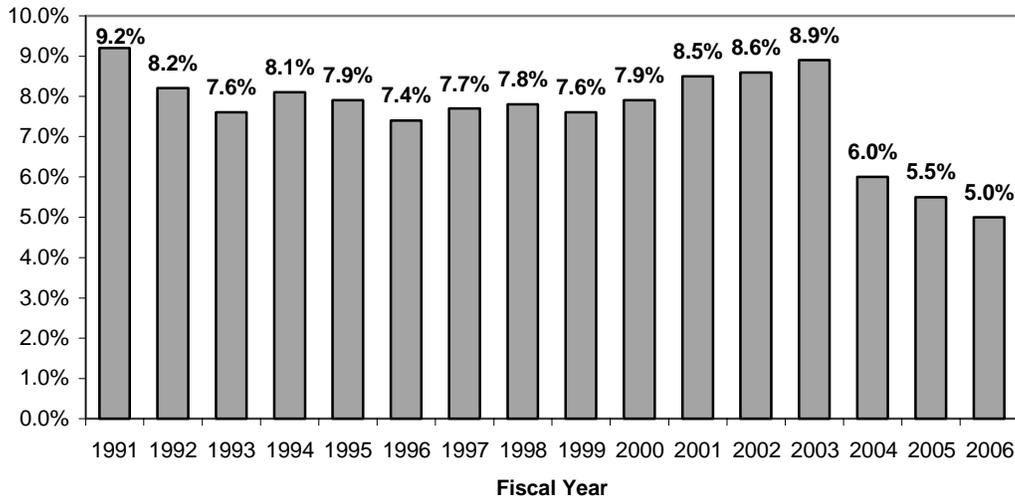
Major administrative expenses include salaries and benefits, advertising and promotions, rent, telecommunications, and computer maintenance. The Lottery has approximately 144 full-time permanent employees located at its headquarters in Roseville and its four regional offices statewide.

**Minnesota State Lottery
Sales by Fiscal Year**



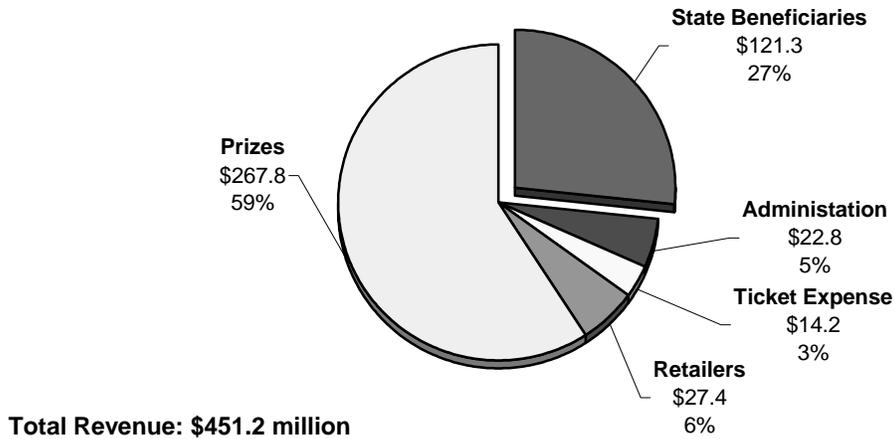
The Lottery set a new sales record of \$450 million in FY 2006. In addition, the \$42 million increase from FY 2005 was by far the greatest ever in raw dollars. In terms of percentages, the 10% sales growth from FY 2005 to FY 2006 represents the third biggest increase on record, behind the 12% increase from FY 1995 to FY 1996 and fractionally behind the 10% from FY 1992 to FY 1993.

Administrative Expense as Percent of Total Income



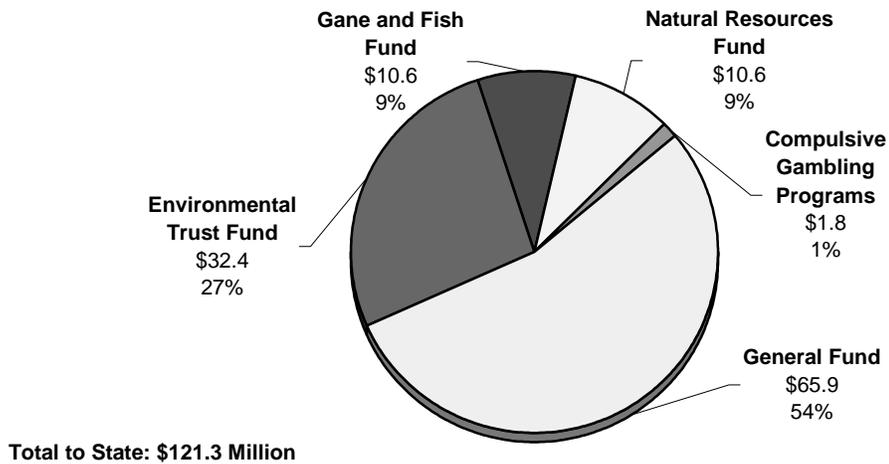
From FY 2003 to FY 2004 lottery administrative expense dropped from 9% of revenue to 6%. This was made possible in large part by a 24% cut in its operating budget. Since that time administrative expense has continued to decline to 5.5% in FY 2005 and 5.0 percent in FY 2006. The lottery budget, however, has not significantly changed since FY 2004, remaining at approximately \$23 million a year. Efficiency can be improved not only by cutting costs but by increasing revenue.

FY06 Lottery Revenue Distribution
(\$ in Millions)



Two years ago the Lottery celebrated contributing \$100 million to the state for the first time. Since then revenues exceeded that level by more than 20%. Since the first ticket was sold in April 1990, the Lottery has contributed \$1.4 billion to our beneficiaries. Ticket expense includes the cost of printing and distributing scratch tickets along with vendor commissions on online tickets. All other operating costs are included under administration.

FY06 Distribution of Lottery Proceeds
(\$ in Millions)



Contact

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**2007-11 Budget
Preliminary Agency Budget Brief
(\$ in thousands)**

	Actual FY2006	Budget 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011
Revenue						
Scratch Ticket Sales	\$267,794	\$260,000	\$262,600	\$265,000	\$266,000	\$266,000
Online Ticket Sales	181,917	167,900	173,500	174,300	176,300	176,300
Total Sales Revenue	449,711	427,900	436,100	439,300	442,300	442,300
Less In-Lieu-of-Sales Tax	29,231	27,814	28,347	28,555	28,750	28,750
Gross Receipts	420,479	400,087	407,754	410,746	413,551	413,551
Non-operating Income	1,701	1,365	1,526	1,538	1,548	1,548
Gross Revenue	422,180	401,452	409,280	412,283	415,099	415,099
Direct Costs						
Prize Expense	267,797	253,432	258,081	259,950	261,580	261,518
Unclaimed Prizes Paid to State Treasury	7,008	8,862	7,924	8,095	8,151	8,213
Compulsive Gambling from Prize Fund	1,821	1,946	2,000	2,000	2,000	2,000
Retailer Commissions and Incentives	27,380	25,630	26,113	26,305	26,480	26,480
Ticket Costs	3,038	3,433	3,703	3,737	3,751	3,751
Online/Generation 3 Vendor Expense	11,122	10,320	10,656	10,706	10,828	10,828
Total Direct Costs	318,166	303,623	308,477	310,792	312,789	312,789
Operating Expense						
Advertising	6,091	6,741	6,800	6,900	7,000	7,000
Promotions	1,479	2,340	2,400	2,500	2,600	2,600
Game Development/New Initiatives	5	1,000	1,000	1,000	1,000	1,000
Salaries and Benefits	9,944	10,700	11,100	11,500	12,075	12,679
Occupancy Costs	1,778	1,849	1,360	1,405	1,457	1,508
Communications	407	484	499	513	529	545
Purchased Services	1,210	1,504	1,483	1,528	1,574	1,621
Depreciation	368	524	800	800	800	800
Supplies and Materials	788	842	867	893	920	948
Other	713	974	1,069	1,101	1,134	1,168
Total Operating Expense	22,782	26,958	27,378	28,141	29,088	29,868
Net Proceeds	\$ 81,232	\$ 70,871	\$ 73,425	\$ 73,351	\$ 73,221	\$ 72,441
 Total Full-Time Equivalent (FTE)	 146	 146	 146	 146	 146	 146

LOTTERY

Agency Overview

	Actual FY2006	Budget 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011
PAID TO STATE BENEFICIARY						
General Fund						
In-Lieu-of-Sales Tax	\$ 8,059	\$ 7,668	\$ 7,815	\$ 7,872	\$ 7,926	\$ 7,926
Net Proceeds	48,739	42,522	44,055	44,010	43,933	43,465
Unclaimed Prizes	7,008	8,862	7,924	8,095	8,151	8,213
Unclaimed Prizes Held in Trust for State	2,187	0				
Compulsive Gambling from Prize Fund	1,821	1,946	2,000	2,000	2,000	2,000
Compulsive Gambling to Prize Fund	(195)					
Gambling Enforcement from Operations	0	0	0	0	0	0
Total General Fund	67,619	60,998	61,794	61,978	62,009	61,604
Envir. and Natural Resources Fund						
Net Proceeds	32,493	28,348	29,370	29,340	29,288	28,976
Unclaimed Prizes	0	0	0	0	0	0
Total Envir and Natural Resources Fund	32,493	28,348	29,370	29,340	29,288	28,976
Game and Fish Fund						
	10,586	10,073	10,266	10,341	10,412	10,412
Natural Resources Fund						
	10,586	10,073	10,266	10,341	10,412	10,412
TOTAL PAID TO STATE BENEFICIARY	\$ 121,284	\$ 109,491	\$ 111,694	\$ 111,999	\$ 112,120	\$ 111,402
% of sales to State	27%	26%	26%	25%	25%	25%

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↻ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 148B.01, 148B.175 and 148B.29 and Minnesota Rules 5300.0100-0350 authorize the Minnesota Board of Marriage and Family Therapy to act as the official licensure agency for marriage and family therapists. The purpose of the board is to protect the public by ensuring that licensed marriage and family therapists comply with the board's rules and practice in a professional, legal, and ethical manner.

Core Functions

The board accomplishes its mission by:

- ◆ granting licensure to individuals who meet the statutory education, employment, and ethical requirements and who pass both the national and oral examination as required by rule;
- ◆ establishing and implementing procedures designed to assure that licensed marriage and family therapists will comply with the board's rules;
- ◆ reviewing complaints of alleged violations of statutes and rules, holding disciplinary conferences with licensees, and taking legal action to suspend or revoke the licenses of therapists who fail to meet standards;
- ◆ studying and investigating the practice of marriage and family therapy within the state in order to improve the standards imposed for the licensing of marriage and family therapists and to improve the procedures and methods used for enforcement of the board's standards; and
- ◆ providing information and education about licensure requirements and standards of practice to the public and other interested parties.

Operations

- ⇒ The board consists of seven members and normally meets on the third Friday of each month.
- ⇒ Licensure affects marriage and family therapists who are mental health professionals trained in psychotherapy and family systems, and licensed to diagnose and treat mental and emotional disorders within the context of marriage, couples, and family systems.
- ⇒ A newsletter regarding current licensure issues and disciplinary actions is available on the board's web site.

Key Measures

- ⇒ The board received 26 complaints in FY 2006 - 14 were dismissed, eight were assigned to educational conferences, two licenses were revoked, and two are still pending.
- ⇒ Ten percent of continuing education programs are audited each year. Licensees are required to attend 30 hours of continuing education programs each year. In FY 2006, licensees attended an average of 78 hours of continuing education.
- ⇒ A recent survey of the 12 graduate academic programs revealed that there are currently 641 students pursuing graduate work leading to licensure in the field of marriage and family therapy.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be \$332,000, which includes 1.60 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$381,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: \$332,000

Total Estimated Revenues: \$381,000

Staff: 1.60 Full-time equivalent employees

**Minnesota Licensed Marriage and Family
Therapist Statistics**

(As of June 30, 2006):

Total Licensed: 1,140

Contact

Board of Marriage and Family Therapy
2829 University Avenue Southeast,
Suite 330
Minneapolis, Minnesota 55414-3222

The web site at: <http://www.bmft.state.mn.us> gives visitors easy access to useful information about marriage and family therapy. Types of information available through the web site include: regulatory news and updates, rules and Minnesota statutes, public notices, and forms. License renewals and address changes may be done online and the public may file complaints online.

Robert Butler, Executive Director
E-mail: Robert.Butler@state.mn.us
Phone: (612) 617-2220
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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	127	131	131	131	262
Recommended	127	131	134	154	288
Change		0	3	23	26
% Biennial Change from 2006-07					11.6%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	123	135	134	154	288
Open Appropriations					
State Government Spec Revenue	8	8	8	8	16
Total	131	143	142	162	304
 <u>Expenditures by Category</u>					
Total Compensation	90	96	104	127	231
Other Operating Expenses	41	47	38	35	73
Total	131	143	142	162	304
 <u>Expenditures by Program</u>					
Marriage And Family Therapy, B	131	143	142	162	304
Total	131	143	142	162	304
 Full-Time Equivalent (FTE)	 1.6	 1.6	 1.6	 1.6	

MARRIAGE & FAMILY THERAPY BD

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	131	131	131	262
Subtotal - Forecast Base	131	131	131	262
Change Items				
Retirement Payout	0	0	17	17
Compensation Adjustment	0	3	6	9
Total Governor's Recommendations	131	134	154	288
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	8	8	8	16
Total Governor's Recommendations	8	8	8	16

MARRAIGE & FAMILY THERAPY BD

Change Item: Retirement Payout

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	0	17	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$17	\$0	\$0

Recommendation

The Governor recommends a one-time increase to the Board of Marriage and Family Therapy's annual appropriation by \$17,000 in FY 2009 to cover the cost of an employee retirement payout.

Background

The board is staffed with 1.6 full-time equivalent employees and receives an annual appropriation of \$131,000. In FY 2009, a long-time employee of the state is planning to retire and has amassed substantial vacation and sick leave time, which the board is obligated to pay. Due to the small size of the budget, the board does not have the ability to pay this one-time obligation from its existing spending authority. The one-time payout accounts for 13% of the board's annual appropriation. Despite the increase, the board's revenue is sufficient to cover expenditures.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$334,000. The board is estimated to collect \$437,000 in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Statutory Change: Not applicable

MARRIAGE & FAMILY THERAPY BD

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	3	6	6	6
Revenues	0	0	0	0
Net Fiscal Impact	\$3	\$6	\$6	\$6

Recommendation

The Governor recommends additional funding of \$3,000 in FY 2008 and \$6,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

MARRIAGE & FAMILY THERAPY BD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	202	180	217	220	437
Other Revenues:					
State Government Spec Revenue	(2)	0	0	0	0
Total Non-Dedicated Receipts	200	180	217	220	437
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue					
	200	180	217	220	437

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↻ Designates that this item is a change item

Agency Purpose

Mayo Clinic aspires to provide the highest quality, compassionate patient care at a reasonable cost through a physician-led team of diverse people working together in clinical practice, education, and research in a unified multi-campus system.

Mayo aims to conduct its interdependent programs of medical care, research, and education in keeping with the highest standards of ethics and quality. Fundamental to this pledge is the need to combine the science and art of medicine and technology with personalized care. Excellence in all endeavors with respect for the individual — both patient and employee — is the primary goal.

Core Functions

Mayo Clinic operates clinics and hospitals in three locations: Jacksonville, Florida; Rochester, Minnesota; and Scottsdale, Arizona. The Mayo Clinic actively engages in competitive, prioritized, coordinated research programs, which enhance the care of the patient and decrease the burden of disease. In addition to patient care and research activities, Mayo Clinic provides education in the medical sciences amidst a scholarly environment. Mayo Clinic's education of future physicians, medical scientists, and allied health staff contributes to the quality of healthcare at Mayo Clinic and in communities throughout the state of Minnesota and worldwide. The educational activities of Mayo Clinic staff are a key component of Mayo's continuing excellence.

Operations

Mayo clinics and hospitals served more than a half-million patients in 2005. The state of Minnesota has provided Mayo Medical School with financial aid for its Minnesota students in the form of capitation support since the opening of the school in 1972. In the FY 2004–05 biennium each Minnesota student has received \$14,405 per year in state funding to reduce the cost of tuition.

The Mayo School of Graduate Medical Education Family Practice Program was established in 1978. The program prepares the prospective family physician for primary care practice in all settings with a special emphasis on rural and underserved communities. Funding provided by the state of Minnesota offsets by approximately \$22,125 the cost of resident stipends that average \$41,144 per year.

Budget

Income from current activities, the best indicator of Mayo Clinic's success in funding its overall mission, was \$275 million in 2005. Mayo Clinic continues to invest in education and research. Total commitment to education was \$165 million in 2005, with Mayo funds accounting for \$123 million of this amount. Total expenditure on research reached \$402 million in the same year. Mayo contributed \$132 million to research endeavors.

At A Glance

- ◆ Patient Care – Physicians, scientists, and allied health staff collaboratively providing healthcare.
- ◆ Medical Education – one of the largest graduate education centers in the country, training physicians in more than 100 specialties.
- ◆ Research – Strong biomedical research programs in both basic and patient oriented area.
- ◆ Over 55% of the 1,227 graduates of Mayo Medical School are Minnesotans.
- ◆ The Mayo Family Practice Residency Program has graduated over 170 physicians. Consistently, over half of these doctors choose to practice in Minnesota.

Contact

Mayo Clinic
 200 First Street Southwest
 Rochester, Minnesota 55906
 Phone: (507) 284-2511
 Website: <http://www.mayo.edu>

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,391	1,391	1,391	1,391	2,782
Recommended	1,391	1,391	1,202	1,250	2,452
Change		0	(189)	(141)	(330)
% Biennial Change from 2006-07					-11.9%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,391	1,362	1,202	1,250	2,452
Total	1,391	1,362	1,202	1,250	2,452
<u>Expenditures by Category</u>					
Local Assistance	1,391	1,362	1,202	1,250	2,452
Total	1,391	1,362	1,202	1,250	2,452
<u>Expenditures by Program</u>					
Mayo Medical School	514	514	591	615	1,206
Mayo Family & Residency	531	531	611	635	1,246
St Cloud Hospital/Family Med	346	317	0	0	0
Total	1,391	1,362	1,202	1,250	2,452

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	1,391	1,391	1,391	2,782
Technical Adjustments				
Transfers Between Agencies		(346)	(346)	(692)
Subtotal - Forecast Base	1,391	1,045	1,045	2,090
Change Items				
Mayo Medical School Capitation Grants	0	77	101	178
Mayo Family Medicine Residency Stipends	0	80	104	184
Total Governor's Recommendations	1,391	1,202	1,250	2,452

Information Item: Program Transfer

The Mayo Clinic has ended its affiliation with the St. Cloud Hospital Family Residency program. This program, identified as ST CLOUD HOSPITAL/FAMILY MED on these budget pages, provides annual stipend support of about \$20,000 to each of 12 family medicine residents-in-training.

The St. Cloud Hospital Family Residency program is now affiliated with the University of Minnesota. This program structural change is reflected in the Mayo Clinic's Change Summary page as a "Transfer Between Agencies" technical adjustment, with the program's funding listed as 0 for the 2008-09 biennium.

In the University of Minnesota's budget pages there is a corresponding "Transfer Between Agencies" to move the funding of \$346,000 per year over to the University. This change is listed as a technical adjustment on the University's maintenance and operations Program Summary page for the 2008-09 biennium. (The \$346,000 annual appropriation amount will be shown as an increase within the University's "State Special" General Fund appropriation for Health Sciences for FY 2008 and FY 2009.)

Program Description

The mission of the Mayo Medical School is to use the patient centered focus and strengths of the Mayo Clinic to educate physicians to serve society by assuming leadership roles in medical practice, education and research. A newly revised curriculum is designed to foster the individual strengths and talents of each student, and to take full advantage of the unique integrated research, education and practice resources of Mayo Clinic. The school seeks to provide access to a medical education to all students regardless of socioeconomic background. The school also strives to promote and eliminate barriers that may inhibit students from entering the historically lower paying primary care specialties. Finally, Mayo Medical School provides students the opportunity to obtain an excellent medical education that is delivered in a cost efficient manner, and allows these students to graduate unencumbered by a large debt-load.

Program at a Glance

As of July 2005:

- ◆ 55% of matriculants to the Mayo Medical School were from Minnesota.
- ◆ 25% of Mayo Medical School graduates are practicing medicine in Minnesota.

Population Served

Graduates of undergraduate colleges and universities who are seeking a high quality, affordable medical education are served by this activity.

Services Provided

Mayo Medical School (MMS) was founded in 1972. The small class size, 42 students per class, facilitates a personalized course of instruction characterized by extensive clinical interaction and the integration of basic and clinical sciences throughout all segments of the curriculum. A balance is sought to produce physicians interested in medical subspecialties as well as the primary care disciplines of general internal medicine, family medicine, pediatrics, and obstetrics/gynecology. As part of their education, each Mayo Medical School student lives with a family practice physician who is in private practice in a rural Minnesota community to experience first-hand the challenges and rewards of primary care medicine.

Historical Perspective

Mayo Medical School has graduated 1,227 physicians since 1976 and of those, 447 (36%) currently practice medicine in Minnesota. Of the 669 graduates who were originally from Minnesota (and received capitation grants), 310 (46%) have stayed to practice in Minnesota. Since 1972, the legislature has provided grants to Minnesota residents. These capitation grants provided by the state are used to offset tuition paid by Minnesota medical school students. All state monies are directly given to Minnesota students to reduce their tuition payment. Tuition for 2005-2006 is \$24,500. The FY 2004 state appropriation provided capitation grants of \$12,850 for up to 40 students.

Key Measures

- ⇒ As of July 2005, 628 (55%) of the total matriculants to Mayo Medical School were Minnesota residents.
- ⇒ 40% is the five-year average for Mayo Medical School graduates entering primary care residency programs.
- ⇒ As of July 2005, 447 (36%) total graduates of Mayo Medical School are practicing medicine in Minnesota

Number of Mayo Medical School Graduates Choosing Primary Care Residency Training Programs

Graduates of MMS 2002	Graduates of MMS 2003	Graduates of MMS 2004	Graduates of MMS 2005	Graduates of MMS 2006
14 for 36%	19 for 44%	14 for 35%	18 for 47%	14 for 38%

Contact

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E-mail: bporter@mayo.edu

MAYO CLINIC

Program: MAYO MEDICAL SCHOOL

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	514	514	514	514	1,028
Subtotal - Forecast Base	514	514	514	514	1,028
Governor's Recommendations					
Mayo Medical School Capitation Grants		0	77	101	178
Total	514	514	591	615	1,206
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	514	514	591	615	1,206
Total	514	514	591	615	1,206
<u>Expenditures by Category</u>					
Local Assistance	514	514	591	615	1,206
Total	514	514	591	615	1,206
<u>Expenditures by Activity</u>					
Mayo Medical School	514	514	591	615	1,206
Total	514	514	591	615	1,206

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$77	\$101	\$126	\$151
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$77	\$101	\$126	\$151

Recommendation

The Governor concurs with Mayo’s request as presented on this page and recommends increased funding of \$77,000 in FY 2008 and \$101,000 in FY 2009 for this program. In addition, the Governor recommends that this program be funded at the requested levels for FY 2010 and FY 2011.

Request

For the Mayo Medical School capitation grants program the Mayo Clinic requests increases of \$77,000 in FY 2008 and \$101,000 in FY 2009. These amounts represent a 15% increase in the first year of the biennium followed by a 4% increase in the second year. A 4% increase is also requested for each fiscal year in the FY 2010-11 biennium. These changes restore the state funding of this Mayo Medical School program to its FY 2004-05 allocation levels. In building on this base, the additional annual increases of 4% will be passed directly to the medical students to mitigate tuition increases.

Background

There is a shortage of family physicians in rural areas of Minnesota. Mayo medical education programs assist in improvement of the state healthcare environment by attracting and training high quality medical students and residents. These students have consistently and in large numbers remained in the state to begin their medical practices.

Increased dollars allocated to the Mayo Medical School will be passed directly to the students. The increased capitation will allow each student to minimize tuition borrowing by the amount of the incremental increase.

The strategy of providing a competitive tuition base in order to encourage Minnesota graduates of four-year colleges and universities to consider matriculating at Mayo Medical School has proven to be highly successful. With the direct pass through of state appropriations, students are able to maintain low student loan debt levels while obtaining a high quality medical education.

Relationship to Base Budget

Year one of the change request, for FY 2008, represents a 15% increase over the FY 2007 base year. This change is designed to restore funding to FY 2004-05 biennium levels. The proposed 4% increases each year in FY 2009 through FY 2011 are designed to avoid rescission in program quality or content due to increased program costs.

Key Measures

Mayo Medical School

- ⇒ Percentage of Mayo Medical School graduates who elect to complete a residency in Minnesota.
- ⇒ Percentage of Mayo Medical School graduates who choose a primary care residency.
- ⇒ Percentage of Mayo Medical School matriculants who are from the state of Minnesota.

Statutory Change: Not Applicable

Program Description

The Mayo Department of Family Medicine Residency program educates and inspires medical school graduates to pursue careers as family physicians. The program emphasizes training in rural primary care augmented by subspecialty training.

Population Served

In the last 25 years, the program has provided the state of Minnesota with 90 family physicians, with 41% of these practicing in rural communities. The program is located at the Mayo Family Clinic – Kasson, a rural community in Dodge County, serving a population area of close to 18,000.

Program at a Glance

- ◆ Trains family medicine physicians.
- ◆ 52% of program graduates are practicing in Minnesota.
- ◆ 22% practice in rural areas in Minnesota.
- ◆ Graduating residents consistently score above average on board exams. The pass rate on the first attempt is 99%.

Services Provided

The residency training program prepares the prospective family physician for primary care medicine in all settings, with special emphasis on rural or smaller communities. The residents-in-training spend a major portion of their training providing ambulatory, primary, and continuity care to patients. The residents participate fully in the department’s population management initiatives to improve the quality, and decrease the cost, of employee/dependent healthcare.

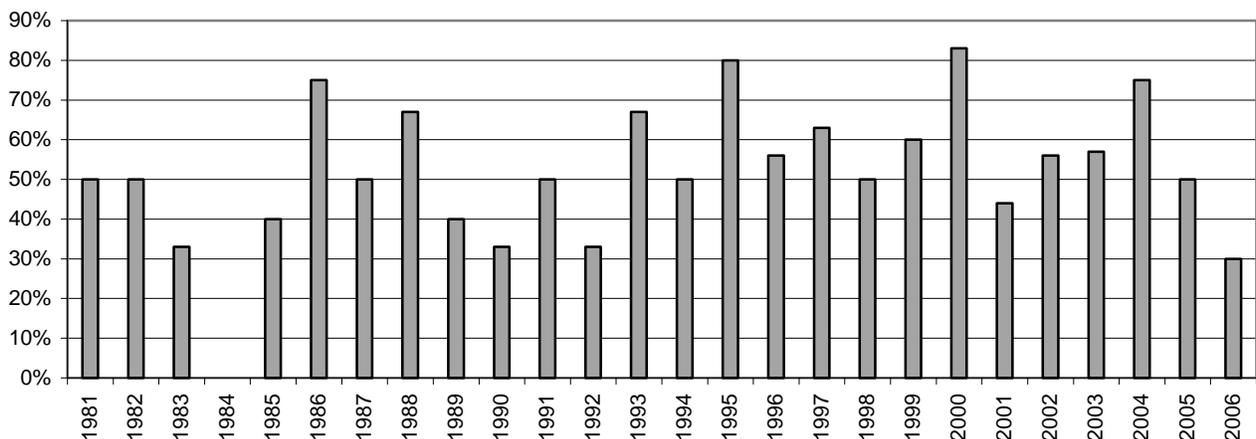
Historical Perspective

The three-year training program was established in 1978, beginning with four residents. It has included a maximum of 25 resident trainees. Over time it has grown in size and success, with all training positions being filled for the past 25 years. The program has graduated 172 family physicians. The Minnesota capitation appropriation has supported residents’ training stipends since 1978-79.

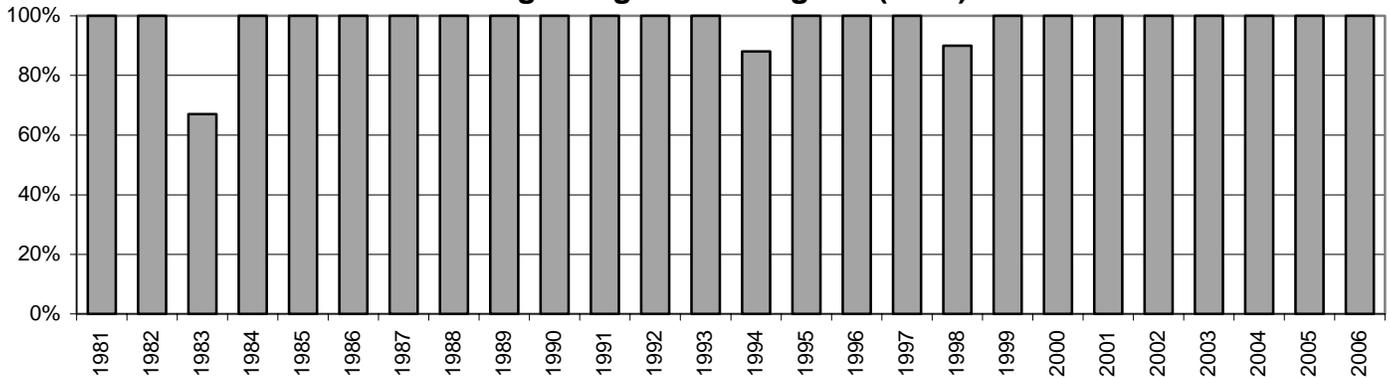
Key Measures

- ⇒ Percent of Family Medicine Graduates Practicing in Minnesota
- ⇒ Graduates Practicing in Family Medicine Since Program Beginning

Family Medicine Graduates Practicing in Minnesota



Graduates Practicing in Family Medicine Since the Beginning of the Program (1981)



Program Funding

The program’s calendar year 2005 operating expenses were \$2.2 million. That year the Mayo Clinic supported 76% of the program and the state capitation appropriation of \$531,000 supported 24% of the program cost. The appropriation for the 2004-05 biennium was \$531,000 each year. That state funding supported \$22,125 of the stipend for each of the 24 residents.

Contact

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MAYO CLINIC

Program: MAYO FAMILY & RESIDENCY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	531	531	531	531	1,062
Subtotal - Forecast Base	531	531	531	531	1,062
Governor's Recommendations					
Mayo Family Medicine Residency Stipends		0	80	104	184
Total	531	531	611	635	1,246
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	531	531	611	635	1,246
Total	531	531	611	635	1,246
<u>Expenditures by Category</u>					
Local Assistance	531	531	611	635	1,246
Total	531	531	611	635	1,246
<u>Expenditures by Activity</u>					
Mayo Family & Residency	531	531	611	635	1,246
Total	531	531	611	635	1,246

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$80	\$104	\$129	\$155
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$80	\$104	\$129	\$155

Recommendation

The Governor concurs with Mayo’s request as presented on this page and recommends increased funding of \$80,000 in FY 2008 and \$104,000 in FY 2009 for this program. In addition, the Governor recommends that this program be funded at the requested levels for FY 2010 and FY 2011.

Request

For the Mayo Family Medicine Residency program the Mayo Clinic requests increases of \$80,000 in FY 2008 and \$104,000 in FY 2009. These amounts represent a 15% increase in the first year of the biennium followed by a 4% increase in the second year. A 4% increase is also requested for each fiscal year in the FY 2010-11 biennium. These changes restore the state funding of the Mayo Family Medicine Residency program to its FY 2004-05 allocation level, and as importantly, the additional annual increases of 4% will allow for consistent stipend support for the residents.

Background

There is a shortage of family physicians in rural areas of Minnesota. Mayo medical education programs assist in improvement of the state healthcare environment by attracting and training high quality medical students and residents. These students have consistently and in large numbers remained in the state to begin their medical practices.

Mayo Clinic will continue to support the Family Medicine Residency program. Incremental funding will allow for greater program stability and allow restoration of full capacity within the training program.

Through the family medicine residency training program, Mayo Clinic is able to maintain a consistent pipeline of family physicians trained specifically for deployment as local and rural physicians. Trainees are attracted by the competitive stipends and the critical mass of the program.

Relationship to Base Budget

Year one of the change request, for FY 2008, represents a 15% increase over the FY 2007 base year. This change is designed to restore funding to FY 2004-05 biennium levels. The proposed 4% increases each year in FY 2009 through FY 2011 are designed to avoid rescission in program quality or content due to increased program costs.

Key Measures

Mayo Family Medicine Residency Program

- ⇒ Percentage of Family Medicine Graduates Practicing in Minnesota.
- ⇒ Number of Graduates Practicing in Family Medicine Since Program Beginning.

Statutory Change: Not Applicable

MAYO CLINIC

Program: ST CLOUD HOSPITAL/FAMILY MED

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	346	346	346	346	692
Technical Adjustments					
Transfers Between Agencies			(346)	(346)	(692)
Subtotal - Forecast Base	346	346	0	0	0
Total	346	346	0	0	0
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	346	317	0	0	0
Total	346	317	0	0	0
 <u>Expenditures by Category</u>					
Local Assistance	346	317	0	0	0
Total	346	317	0	0	0
 <u>Expenditures by Activity</u>					
St Cloud Hospital/Family Med	346	317	0	0	0
Total	346	317	0	0	0

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↻ Designates that this item is a change item

BMS

BUREAU OF MEDIATION SERVICES
State of Minnesota

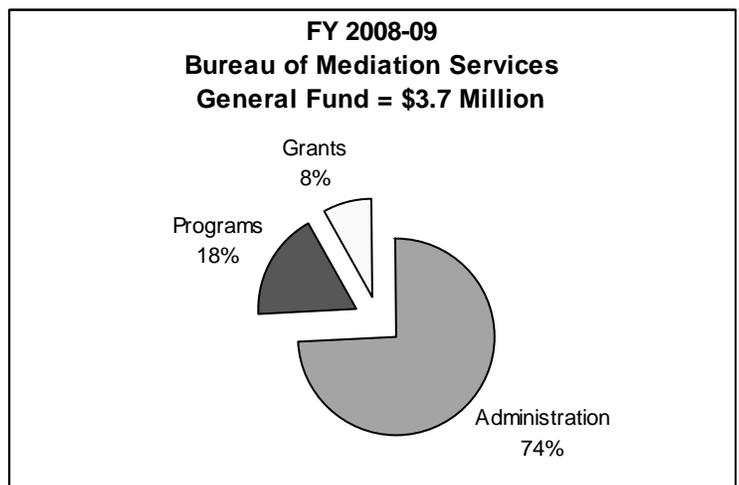
January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Bureau of Mediation Service's budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$3,729,000 from the state's General Fund. The recommended funding level represents a 5.1% increase from FY 2006-07 spending.

With this budget recommendation, we will be able to maintain our commitment to delivering quality services to state agencies and to the public. The proposed budget will support our statutory and core functions, which include:

- Assisting parties in resolving collective bargaining disputes.
- Resolving questions of labor union representation and bargaining unit structure.
- Supporting, training and facilitating joint labor management committees.
- Providing technical training.
- Developing and maintaining a roster of labor arbitrators



Funding at the requested level will assist us in accomplishing our mission of promoting stable and constructive labor-management relations throughout the state.

I would appreciate your support and consideration of this budget request. Please feel free to contact me if you have any questions, or if there is any other information that I can provide.

Sincerely,

James A. Cunningham, Jr.
Commissioner

Agency Purpose

The mission of the Minnesota Bureau of Mediation Services (BMS) is to promote stable and constructive labor-management relations and the use of collaborative processes. (M.S. Chapters 179 and 179A).

Core Functions

- ⇒ Assisting parties in resolving collective bargaining disputes.
- ⇒ Resolving questions of labor union representation and bargaining unit structure.
- ⇒ Supporting, training, and facilitating joint labor management committees.
- ⇒ Providing technical training.
- ⇒ Developing and maintaining a roster of labor arbitrators.

Operations

The primary clientele of BMS includes labor organizations and employers (public, nonprofit, and private). Agency services are delivered through:

- ◆ mediating collective bargaining disputes;
- ◆ determining bargaining units;
- ◆ conducting and certifying union representation elections;
- ◆ facilitating labor-management committees and awarding grants to area/industry labor-management councils;
- ◆ training practitioners in labor relations; and
- ◆ offering representation and arbitration decisions to the public.

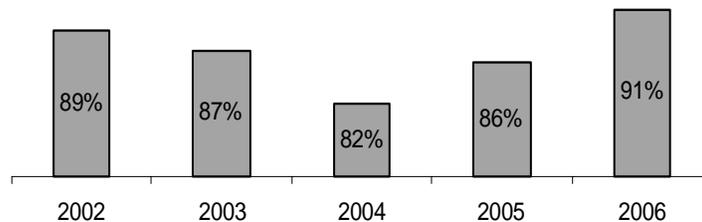
Key Measures

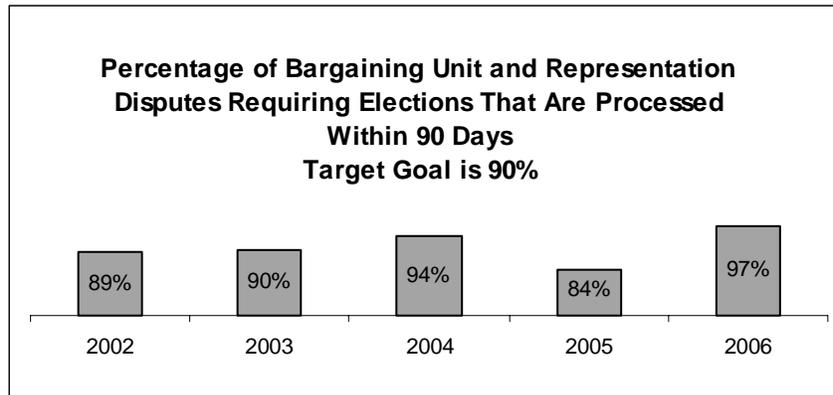
At A Glance

Summary data for the Bureau of Mediation Services 2005-2006:

Petitions Received:	2,553
Meetings Held:	2,138
Strike Notices Received:	15
Strikes:	3

**Percentage Of Collective Bargaining Contract and Grievance Disputes Settled Through Mediation
Target Goal Is 90%**





For updated information and a more complete list of the key measurers by which BMS monitors its results, see <http://www.departmentresults.state.mn.us/bms>.

Budget

The department’s primary source of funding for the current biennium is a roughly \$1.8 million annual direct appropriation from the General Fund. This includes \$100,000 each year for labor management cooperation grants. Current staff includes 16 full-time equivalent employees.

Contact

Bureau of Mediation Services
 1380 Energy Lane, Suite #2
 Saint Paul, Minnesota 55108-5253

World Wide Web Home Page: <http://www.BMS.state.mn.us>

James A. Cunningham, Jr. Commissioner
 Phone: (651) 649-5433
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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,773	1,773	1,773	1,773	3,546
Recommended	1,773	1,773	1,850	1,877	3,727
Change		0	77	104	181
% Biennial Change from 2006-07					5.1%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,721	1,828	1,850	1,877	3,727
Statutory Appropriations					
Misc Special Revenue	2	1	1	1	2
Total	1,723	1,829	1,851	1,878	3,729
 <u>Expenditures by Category</u>					
Total Compensation	1,315	1,327	1,369	1,426	2,795
Other Operating Expenses	308	402	332	302	634
Local Assistance	100	100	150	150	300
Total	1,723	1,829	1,851	1,878	3,729
 <u>Expenditures by Program</u>					
Mediation Services	1,723	1,829	1,851	1,878	3,729
Total	1,723	1,829	1,851	1,878	3,729
 <u>Full-Time Equivalent (FTE)</u>					
	15.3	15.3	15.3	15.3	

MEDIATION SERVICES BUREAU

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	1,773	1,773	1,773	3,546
Subtotal - Forecast Base	1,773	1,773	1,773	3,546
Change Items				
Labor-Management Cooperative Grants	0	50	50	100
Compensation Adjustment	0	27	54	81
Total Governor's Recommendations	1,773	1,850	1,877	3,727
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
Revenue Change Items				
Fund: GENERAL				
Change Items				
Arbitrator Filing Fee	0	4	4	8

MEDIATION SERVICES BUREAU

Change Item: Arbitrator Filing Fee

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	4	4	4	4
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(4)	\$(4)	\$(4)	\$(4)

Recommendation

The Governor recommends increasing the fee charged to applicants to the Bureau of Mediation Services arbitration roster to \$100 per year.

Background

The Bureau maintains and refers arbitrators to parties involved in labor disputes upon request. The applicants are selected based on certain experience and training criteria. Minnesota statute requires the size of such roster to be not fewer than 25 nor more than 60 members. The current roster consists of 46 members, which pay \$25 for a three-year period resulting in approximately \$1,150.00 in non-dedicated revenue. The fee was established in 1989 under M.S. 179A.04 and M.R. 5530.0700 and 5530.1510.

Relationship to Base Budget

The proposed increase would generate an additional estimated \$4,000 in revenue per year.

Key Measures

Increasing the fee would not impact services provided. The proposed fee would be comparable to the fee charged by entities providing similar arbitration services.

Alternatives Considered

None considered

Statutory Change: None

MEDIATION SERVICES BUREAU

Change Item: Labor-Management Cooperative Grants

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$50	\$50	\$50	\$50
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$50	\$50	\$50	\$50

Recommendation

The Governor recommends an increase in the Bureau of Mediation Services (BMS) budget in the amount of \$100,000 for the Labor Management Cooperation Grant Program. The increase will allow the BMS to increase the grants available to Area Labor Management Councils (ALMC) all over the state that work cooperatively in areas that benefit their respective communities.

Background

The Bureau's Labor-Management Cooperative grant program was established in 1987. The grant recipients are geographic or industry related organizations with members from both labor and management. All of the grant recipients work collaboratively on labor-management issues that impact collective bargaining.

History of labor Management Grant Funding (\$000s)

Biennium	98/99	00/01	02/03	04/05	06/07
Grant funds	\$604	\$604	\$272	\$200	\$200
# grantees	11	11	9	7	8

Relationship to Base Budget

This increase is a 2.8% change in the BMS budget of \$1.763 million.

Key Measures

The ALMC's work collaboratively on labor-management issues to help improve communications and relationships that have a direct and positive effect on the collective bargaining process. Strong working relationships between members of the ALMC's labor and management members leads to more mutually beneficial collective bargaining outcomes.

Statutory Change: Not Applicable

MEDIATION SERVICES BUREAU

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$27	\$54	\$54	\$54
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$27	\$54	\$54	\$54

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

MEDIATION SERVICES BUREAU

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	0	1	9	9	18
Total Non-Dedicated Receipts	0	1	9	9	18
<u>Dedicated Receipts:</u>					
Other Revenues:					
Misc Special Revenue	2	1	1	1	2
Total Dedicated Receipts	2	1	1	1	2
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Agency Total Revenue	2	2	10	10	20

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↻ Designates that this item is a change item

Agency Purpose

Minnesota Statutes, Ch. 214 and 147.01, mandate that the Board of Medical Practice *protects the public*. In the interest of public health, safety, and welfare, and to protect the public from the unprofessional, improper, incompetent, and unlawful practice of medicine, it is necessary to provide laws and regulations to govern the granting and subsequent use of the license to practice medicine.

Core Functions

The board enforces the Medical Practice Act by:

- ◆ ensuring that applicants for credentials have met all statutory requirements for license or registration;
- ◆ investigating and responding to public and agency inquiries, complaints, and reports regarding licensed and registered practitioners;
- ◆ implementing educational or disciplinary action with impaired or incompetent practitioners, thus ensuring that standards of care are met; and
- ◆ providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

Operations

- ⇒ The board is made up of 11 physicians and five public members, all of whom are appointed by the governor. The board also regulates acupuncturists, athletic trainers, physician assistants, respiratory care practitioners, midwives and professional firms.
- ⇒ The 24 board staff are employed to process licensing and complaint information for the board's review and to handle administrative functions.

Key Measures

- ⇒ Historically, the board has licensed or registered 2,100 new practitioners each year.
- ⇒ On average the board receives 700-900 complaints per year, resulting in approximately 66 disciplinary orders or corrective action agreements during that time frame.
- ⇒ Currently the board has 85% of its licensees using the online renewal service.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be \$9.395 million, which includes 24 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$8.506 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

At A Glance

Biennial Budget – FY 2006-07:

Total Estimated Expenses: \$9.395 million

Total Estimated Revenues: \$8.506 million

Staff: 24.0 Full-time equivalent employees

Minnesota Board of Medical Practice License Statistics (As of June 30, 2006)

Total Licensed: 21,655

Contact

Minnesota Board of Medical Practice
2829 University Avenue Southeast, Suite 400
Minneapolis, Minnesota 55414-3246

The web site at: <http://www.bmp.state.mn.us> gives visitors easy access to useful information about medical practice. Types of information available through the web site include; regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

Robert Leach, Executive Director
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Phone: (612) 617-2130
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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	4,229	4,269	4,269	4,269	8,538
Recommended	4,229	4,269	4,120	3,674	7,794
Change		0	(149)	(595)	(744)
% Biennial Change from 2006-07					-8.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	2,242	3,800	4,120	3,674	7,794
Open Appropriations					
State Government Spec Revenue	34	16	58	58	116
Total	2,276	3,816	4,178	3,732	7,910
<u>Expenditures by Category</u>					
Total Compensation	1,463	1,584	1,669	1,795	3,464
Other Operating Expenses	813	2,232	1,355	783	2,138
Transfers	0	0	1,154	1,154	2,308
Total	2,276	3,816	4,178	3,732	7,910
<u>Expenditures by Program</u>					
Medical Practice, Board Of	2,276	3,816	4,178	3,732	7,910
Total	2,276	3,816	4,178	3,732	7,910
Full-Time Equivalents (FTE)	24.5	23.7	23.8	23.8	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	4,269	4,269	4,269	8,538
Technical Adjustments				
Current Law Base Change		(200)	(200)	(400)
One-time Appropriations		(500)	(500)	(1,000)
Subtotal - Forecast Base	4,269	3,569	3,569	7,138
Change Items				
Contested Case Legal Costs	0	500	0	500
Compensation Adjustment	0	51	105	156
Total Governor's Recommendations	4,269	4,120	3,674	7,794
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	16	58	58	116
Total Governor's Recommendations	16	58	58	116

MEDICAL PRACTICE BOARD

Change Item: Contested Case Legal Costs

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	500	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$500	\$0	\$0	\$0

Recommendation

The Governor recommends a one-time increase to the Board of Medical Practice's appropriation by \$500,000 in FY 2008 to cover the costs of a large contested case proceeding. Costs involved with the contested case include fees paid to the Attorney General's Office, the Office of Administrative Hearings, consultant services, witness fees, and court reporters.

Background

The board has been involved in a lengthy, expensive contested case since 2004. As of November 2006, the board has spent over \$1.3 million to investigate and litigate the case. Attorney General services and consultants hired to provide expert witness testimony comprise approximately 70% and 20% of the total cost, respectively. It is unknown how long the case will continue, although it is likely to last multiple years. The board receives an annual General Fund appropriation of \$3.769 million. The one-time request is 13.3% of the board's annual appropriation. Despite the increase in spending, the board will collect sufficient revenue to cover its expenses.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs to fund the Health Professionals Services Program, the Office of Mental Health Practice, and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$7.838 million. The board is estimated to collect \$8.768 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures

The additional resources will assist the board in meeting the following key measures:

- ◆ review and approve licenses in a timely manner;
- ◆ promptly investigate complaints and resolve investigations; and
- ◆ protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

MEDICAL PRACTICE BOARD

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	51	105	105	105
Revenues	0	0	0	0
Net Fiscal Impact	\$51	\$105	\$105	\$105

Recommendation

The Governor recommends additional funding of \$51,000 in FY 2008 and \$105,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

MEDICAL PRACTICE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	4,361	4,200	4,381	4,387	8,768
Other Revenues:					
State Government Spec Revenue	(57)	0	0	0	0
Total Non-Dedicated Receipts	4,304	4,200	4,381	4,387	8,768
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue					
	4,304	4,200	4,381	4,387	8,768

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January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Metropolitan Council's recommendation on funding for operations and maintenance of the Metropolitan Regional Park System in the FY 2008-09 budget.

This budget recommendation consists of \$3.3 million per year of General Funds and \$4.57 million per year of Lottery in Lieu of Sales Tax revenues. It maintains the base appropriations from the FY 2006-07 biennium.

The Metropolitan Council distributes the appropriations to 10 regional park implementing agencies under a formula contained in MS 473.351. These appropriations supplement local property taxes and park user fees to finance the operations and maintenance of the Metropolitan Regional Park System because the park system provides services to the Region's and the State's residents and Out-of- State visitors.

We look forward to working with the Legislature in the coming months on this budget recommendation.

Sincerely,



Peter Bell
Chair

Agency Purpose

The Metropolitan Council is a political subdivision of the state governed by a chairperson and 16 other Council members, who represent equal-population districts. All Council members are appointed by the governor. Council members' role is to provide a regional perspective and work toward a regional consensus on issues facing the metropolitan area.

The mission of the Metropolitan Council is to develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on transportation, wastewater, parks, and aviation systems that guide the efficient growth of the metropolitan area. The Council operates transit and wastewater services and administers housing and other grant programs.

The Council has jurisdiction in the seven-county metropolitan area comprising Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. The seven-county area is an economically stable region that is expected to grow by one million people, a half-million households and nearly 600,000 jobs between the year 2000 and 2030.

Core Functions

The Council's main functions are:

- ◆ providing a planning framework for regional growth and conducting long-range planning for regional transportation, wastewater, and parks systems;
- ◆ operating the regional transit and wastewater systems;
- ◆ coordinating system-wide planning and capital improvement funding for the regional parks system; and
- ◆ operating a regional housing and redevelopment authority that provides assistance to low-income families in the region.

Operations

The Council is organized into staff divisions that focus on community development, the environment, and transportation, supported by administrative and service units.

The **Community Development Division** provides local planning assistance to communities, conducts research, and maintains geographic information systems that integrate and depict geographic-based data. The unit administers the Metropolitan Livable Communities Act, which provides grants to eligible communities to help them clean up polluted sites, expand housing choices and develop projects that use land and infrastructure more efficiently. It also delivers rent assistance and provides affordable housing to low-income households through the Metropolitan Housing and Redevelopment Authority. The unit administers planning and grants for the regional park system.

- ⇒ The regional park system consists of 52,617 acres, of which 22,961 have been acquired with state and Metropolitan Council funds since 1974. Approximately \$425 million of state and Metropolitan Council funds have been invested to acquire land, develop new parks and trails, and rehabilitate existing parks and trails since 1974. Since 1985, the state has appropriated over \$93 million of General Fund and Lottery-in-Lieu-of-Sales-Tax revenues to help finance the operations and maintenance of the regional park system.
- ⇒ The unit administers regional park planning by designating lands to be acquired by cities, counties, and special parks districts as regional recreation open space under M.S. 473.147; distributes state appropriations to these agencies to acquire land and develop recreation facilities under M.S. 473.315; and distributes state

At A Glance

Metropolitan Council Operations:

- ◆ 3,577 employees (FTE)
- ◆ \$453 million operating expenditure budget

Community Development Functions:

- ◆ 5,885 households in the Section 8 program
- ◆ 193 local government comprehensive plans reviewed
- ◆ Over 33 million visits a year to 52,617 acre regional park system

Transportation Functions:

- ◆ 2,688 employees (FTE)
- ◆ \$325 million operating budget (CY 2006)
- ◆ \$156.3 million FY 2006-07 biennial state General Fund appropriation
- ◆ Over 77 million transit rides in 2005

Environmental Services Functions:

- ◆ 694 employees (FTE)
- ◆ \$111 million operating budget
- ◆ Nearly 300 million gallons of wastewater treated daily

appropriations to supplement local property taxes and user fees to operate and maintain the regional park system under M.S. 473.351.

⇒ The unit also administers the Livable Communities Act, which has awarded \$160 million in grants to metropolitan area communities to help them clean up polluted land for redevelopment and new jobs, create efficient, cost-effective development and redevelopment, and provide affordable housing opportunities.

The **Environmental Services Division** maintains approximately 600 miles of regional sewers and treats nearly 300 million gallons of wastewater daily at eight regional treatment plants. The division maintains near-perfect compliance with clean water discharge permits, and in 2005, all eight treatment plants received major awards. Wastewater services are fully fee funded, and its rates are below the national average. In addition, the division works with approximately 800 industrial clients in the metro area to reduce pollution and provides water resources monitoring and analysis for the entire region.

The **Transportation Division** is responsible for providing transit services in the region. The division operates Metro Transit, the region's largest transit provider, with more than 61 million bus rides in 2005. Metro Transit opened the Hiawatha Light Rail line in 2004 and, in 2005, had 7.9 million rides. The division also provides Metro Mobility, the region's Americans with Disabilities paratransit service, and manages contracted regular route and dial-a-ride services. The combined ridership for these services reached nearly four million in 2005. The division also acts as a liaison with opt out transit authorities and other regional transit services with ridership of four million. The function is funded by state General Fund dollars, Motor Vehicle Sales Tax (MVST), federal revenue, and fares.

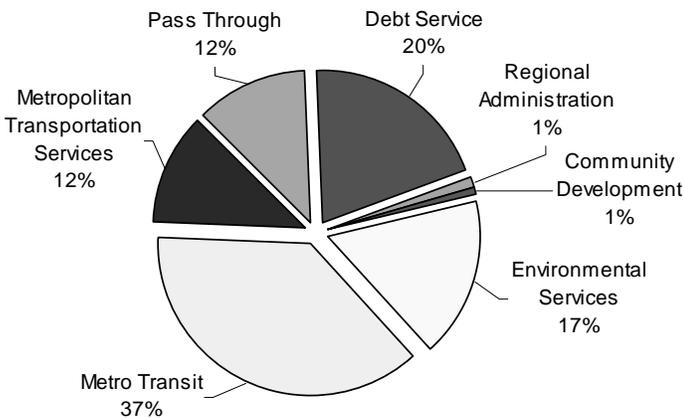
The Council also serves as the federally designated Metropolitan Planning Organization and manages the allocation of federal transportation funds. In this role, the Transportation Division provides regional transportation planning including aviation, highway, and transit systems. It also develops the Transportation Policy Plan (TPP) and the federal Transportation Improvement Program (TIP) for the metropolitan area.

Budget

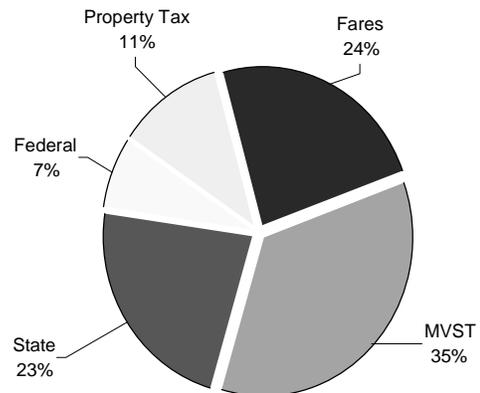
The Council adopts an annual budget for its operations. The proposed \$664 million unified operating budget for CY 2007 is composed of three major categories: \$453 million of operating expenditures, \$79 million of pass-through grants and loans, and \$132 million of debt service expenditures. Organization staff includes 3,577 FTE.

Of the proposed CY 2007 council operating budget, \$325 million is for transportation, \$111 million is for wastewater treatment, and \$17 million is for planning and administration.

2007 Unified Operating Budget by Function



2007 Unified Operating Budget by Funding



Contact

Metropolitan Council
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Saint Paul, Minnesota 55101-1805

Peter Bell, Chair

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Fax: (651) 602-1358

Tom Weaver, Regional Administrator

Phone: (651) 602-1723

Fax: (651) 602-1358

Home Page: <http://www.metrocouncil.org>

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us/>.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,000	1,000	1,000	1,000	2,000
Recommended	1,000	1,000	0	0	0
Change		0	(1,000)	(1,000)	(2,000)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	3,300	3,300	3,300	3,300	6,600
Recommended	3,300	3,300	3,300	3,300	6,600
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Natural Resources					
Current Appropriation	4,570	4,570	4,570	4,570	9,140
Recommended	4,570	4,570	4,570	4,570	9,140
Change		0	0	0	0
% Biennial Change from 2006-07					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,000	1,000	0	0	0
General	3,300	3,300	3,300	3,300	6,600
Natural Resources	4,570	4,570	4,570	4,570	9,140
Total	8,870	8,870	7,870	7,870	15,740
<u>Expenditures by Category</u>					
Local Assistance	8,870	8,870	7,870	7,870	15,740
Total	8,870	8,870	7,870	7,870	15,740
<u>Expenditures by Program</u>					
Metro Parks	8,870	8,870	7,870	7,870	15,740
Total	8,870	8,870	7,870	7,870	15,740

METROPOLITAN COUNCIL PARKS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Taxes:					
Natural Resources	4,765	4,570	4,570	4,570	9,140
Total Dedicated Receipts	4,765	4,570	4,570	4,570	9,140
Agency Total Revenue	4,765	4,570	4,570	4,570	9,140

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↻ Designates that this item is a change item

January 22, 2007

To the 2007 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Metropolitan Council's recommendation for metropolitan transit operations for the FY 2008-09 budget.

This budget consists of \$157.506 million from the state's General Fund and \$292.1 million from the state Motor Vehicle Sales Tax (MVST) for bus and light rail transit operations in the metropolitan area. The MVST revenues also include revenues generated from the Governor's recommendation to dedicate the sales tax on leased vehicles similar to the dedication of MVST revenues. The total recommendation for state appropriations is \$59.684 million above the current budget for FY 2006-07.

Despite fuel price fluctuations and salary/benefit increases, the Governor's appropriation allows us to meet our highest priority, maintaining service throughout the metropolitan area.

In addition, due to the continued phase-in of MVST, including the new lease vehicle sales tax revenues, the Council remains on track to meet our goal of increasing ridership throughout the metropolitan area transit system by 50% by 2020.

The Minnesota Department of Transportation budget also includes \$50million in Trunk Highway Bonding for Transit Advantages. The Council will use these bonds to build up to ten park and ride facilities adjacent to trunk highways throughout the metropolitan area.

We look forward to working with the legislature in the coming months.

Sincerely,



Peter Bell
Chair

Agency Purpose

The Metropolitan Council is a political subdivision of the state governed by a chairperson and 16 other Council members, who represent equal-population districts. All Council members are appointed by the governor. Council members' role is to provide a regional perspective and work toward a regional consensus on issues facing the metropolitan area.

The mission of the Metropolitan Council is to develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on transportation, wastewater, parks, and aviation systems that guide the efficient growth of the metropolitan area. The Council operates transit and wastewater services and administers housing and other grant programs.

The Council has jurisdiction in the seven-county metropolitan area comprising Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. The seven-county area is an economically stable region that is expected to grow by one million people, a half-million households and nearly 600,000 jobs between the year 2000 and 2030.

Core Functions

The Council's main functions are:

- ◆ providing a planning framework for regional growth and conducting long-range planning for regional transportation, wastewater, and parks systems;
- ◆ operating the regional transit and wastewater systems;
- ◆ coordinating system-wide planning and capital improvement funding for the regional parks system; and
- ◆ operating a regional housing and redevelopment authority that provides assistance to low-income families in the region.

Operations

The Council is organized into staff divisions that focus on community development, the environment, and transportation, supported by administrative and service units.

The **Transportation Division** is responsible for providing transit services in the region. The division operates Metro Transit, the region's largest transit provider, with more than 61 million bus rides in 2005. Metro Transit opened the Hiawatha Light Rail line in 2004 and, in 2005, had 7.9 million rides. The division also provides Metro Mobility, the region's Americans with Disabilities paratransit service, and manages contracted regular route and dial-a-ride services. The combined ridership for these services reached nearly four million in 2005. The division also acts as a liaison with opt out transit authorities and other regional transit services with ridership of four million. The function is funded by state General Fund dollars, Motor Vehicle Sales Tax (MVST), federal revenue, and fares.

The Council also serves as the federally designated Metropolitan Planning Organization and manages the allocation of federal transportation funds. In this role, the Transportation Division provides regional transportation planning including aviation, highway, and transit systems. It also develops the Transportation Policy Plan (TPP) and the federal Transportation Improvement Program (TIP) for the metropolitan area.

At A Glance

Metropolitan Council Operations:

- ◆ 3,577 employees (FTE)
- ◆ \$453 million operating expenditure budget

Community Development Functions:

- ◆ 5,885 households in the Section 8 program
- ◆ 193 local government comprehensive plans reviewed
- ◆ Over 33 million visits a year to 52,617 acre regional park system

Transportation Functions:

- ◆ 2,688 employees (FTE)
- ◆ \$325 million operating budget (CY 2006)
- ◆ \$156.3 million FY 2006-07 biennial state General Fund appropriation
- ◆ Over 77 million transit rides in 2005

Environmental Services Functions:

- ◆ 694 employees (FTE)
- ◆ \$111 million operating budget
- ◆ Nearly 300 million gallons of wastewater treated daily

The **Community Development Division** provides local planning assistance to communities, conducts research, and maintains geographic information systems that integrate and depict geographic-based data. The unit administers the Metropolitan Livable Communities Act, which provides grants to eligible communities to help them clean up polluted sites, expand housing choices, and develop projects that use land and infrastructure more efficiently. It also delivers rent assistance and provides affordable housing to low-income households through the Metropolitan Housing and Redevelopment Authority. The unit administers planning and grants for the regional park system.

- ⇒ The regional park system consists of 52,617 acres, of which 22,961 have been acquired with state and Metropolitan Council funds since 1974. Approximately \$425 million of state and Metropolitan Council funds have been invested to acquire land, develop new parks and trails, and rehabilitate existing parks and trails since 1974. Since 1985, the state has appropriated over \$93 million of General Fund and Lottery-in-Lieu-of-Sales-Tax revenues to help finance the operations and maintenance of the regional park system.
- ⇒ The unit administers regional park planning by designating lands to be acquired by cities, counties, and special parks districts as regional recreation open space under M.S. 473.147; distributes state appropriations to these agencies to acquire land and develop recreation facilities under M.S. 473.315; and distributes state appropriations to supplement local property taxes and user fees to operate and maintain the regional park system under MS 473.351.
- ⇒ The unit also administers the Livable Communities Act, which has awarded \$160 million in grants to metropolitan area communities to help them clean up polluted land for redevelopment and new jobs, create efficient, cost-effective development and redevelopment, and provide affordable housing opportunities.

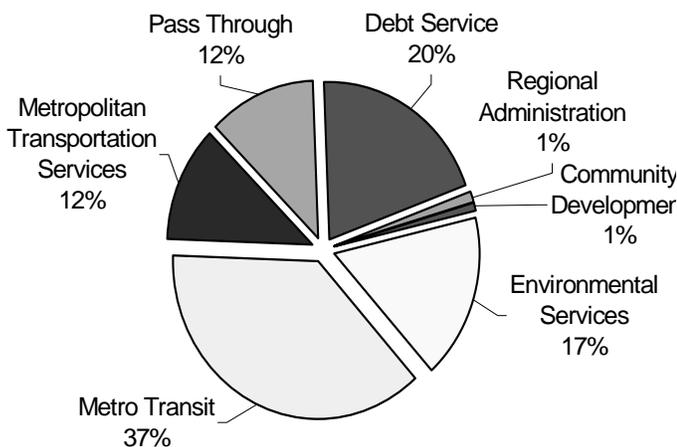
The **Environmental Services Division** maintains approximately 600 miles of regional sewers and treats nearly 300 million gallons of wastewater daily at eight regional treatment plants. The division maintains near-perfect compliance with clean water discharge permits, and in 2005, all eight treatment plants received major awards. Wastewater services are fully fee funded, and its rates are below the national average. In addition, the division works with approximately 800 industrial clients in the metro area to reduce pollution and provides water resources monitoring and analysis for the entire region.

Budget

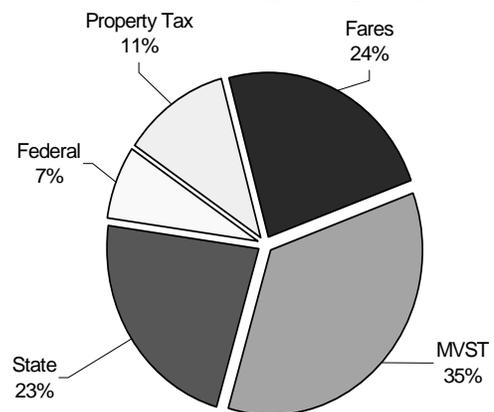
The Council adopts an annual budget for its operations. The proposed \$664 million unified operating budget for calendar year 2007 is composed of three major categories: \$453 million of operating expenditures, \$79 million of pass-through grants and loans, and \$132 million of debt service expenditures. Organization staff includes 3,577 FTE.

Of the proposed CY 2007 council operating budget, \$325 million is for transportation, \$111 million is for wastewater treatment, and \$17 million is for planning and administration.

2007 Unified Operating Budget by Function



2007 Unified Operating Budget by Funding



Contact

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For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us/>.

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	77,503	78,753	78,753	78,753	157,506
Recommended	77,503	86,600	78,753	78,753	157,506
Change		7,847	0	0	0
% Biennial Change from 2006-07					-4%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	77,503	86,600	78,753	78,753	157,506
Statutory Appropriations					
Metro Area Transit	115,631	110,188	0	0	0
Transit Assistance	0	0	132,587	159,513	292,100
Total	193,134	196,788	211,340	238,266	449,606
 <u>Expenditures by Category</u>					
Local Assistance	193,134	196,788	211,340	238,266	449,606
Total	193,134	196,788	211,340	238,266	449,606
 <u>Expenditures by Program</u>					
Met Council Transit	193,134	196,788	211,340	238,266	449,606
Total	193,134	196,788	211,340	238,266	449,606

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: GENERAL</i>				
FY 2007 Appropriations	78,753	78,753	78,753	157,506
Subtotal - Forecast Base	78,753	78,753	78,753	157,506
Change Items				
FY 2007 MVST Deficiency	7,847	0	0	0
Total Governor's Recommendations	86,600	78,753	78,753	157,506
<i>Fund: METRO AREA TRANSIT</i>				
Planned Statutory Spending	110,188	0	0	0
Total Governor's Recommendations	110,188	0	0	0
<i>Fund: TRANSIT ASSISTANCE</i>				
Planned Statutory Spending	0	0	0	0
Change Items				
Dedicate Sales Tax to Transportation	0	132,587	159,513	292,100
Total Governor's Recommendations	0	132,587	159,513	292,100
<u>Revenue Change Items</u>				
<i>Fund: TRANSIT ASSISTANCE</i>				
Change Items				
Dedicate Sales Tax to Transportation	0	132,587	159,513	292,100

METROPOLITAN COUNCIL/TRANSPORT

Change Item: Dedicate Sales Tax to Transportation

Fiscal Impact (\$000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	\$8,369	\$0	\$0	\$0	\$0
Revenues		\$(30,600)	(36,400)	(41,600)	(48,200)
Other Fund					
Expenditures, county state aid fund		5,976	7,109	8,124	9,413
Expenditures, municipal state aid fund		1,570	1,867	2,134	2,473
Expenditures, transit, metro		132,587	159,513	189,952	225,531
Expenditures, transit, Greater Minnesota		8,581	9,450	10,470	12,037
Revenues, highway user tax distribution fund		18,360	21,840	24,960	\$28,920
Revenues, transit assistance fund		12,240	14,560	16,640	19,280
Net Fiscal Impact	\$8,369	\$148,714	\$177,939	\$210,679	\$249,454

Recommendation

The Governor recommends enacting legislation to implement the constitutional amendment that fully dedicates motor vehicle sales tax (MVST) revenues to transportation purposes. The enabling legislation will allocate MVST revenues 60% to highway purposes and 40% to transit purposes phased-in over a five year period. After the phase-in, 38% of MVST would be for metropolitan transit and 2% would be for Greater Minnesota transit.

The Governor also recommends statutorily dedicating the sales tax on motor vehicle leases on the same basis as the constitutional dedication of MVST.

The Governor also recommends FY 2007 deficiency appropriations from the General Fund of \$7.847 million to the Metropolitan Council and \$522,000 to Mn/DOT to reflect the decline in MVST revenues for FY 2007 from the February 2006 forecast to the November 2006 forecast.

Background

On November 7, 2006, the citizens of Minnesota authorized changing the Minnesota Constitution to dedicate 100% of MVST revenues to transportation purposes. Statutory enabling legislation is required to implement this change. This proposal would change the existing deposit of MVST revenues in M. S. 297B.09 subdivision 1, to provide a five-year phase-in dedicating 60% of MVST revenues to the highway user tax distribution fund (HUTDF) and 40% of MVST revenues to a transit assistance fund. The transit assistance fund would have two accounts, one for metropolitan transit purposes and one for Greater Minnesota transit purposes. The final split between these two accounts would be 38% of MVST for metropolitan transit programs and 2% for Greater Minnesota programs (95%/5% of the 40%). Legislation must be passed to distribute the revenues to the HUTDF and to a newly created transit assistance fund and also to distribute the transit funds to the metropolitan and Greater Minnesota transit accounts.

Under current law motor vehicle leases are taxed based on the provisions of Minnesota Statutes Chapter 297A; accordingly, this revenue is deposited in the General Fund. The Governor proposes that the provision for depositing this revenue be statutorily changed such that this revenue would be treated the same as revenue from MVST, since purchasing a motor vehicle compared with acquiring the use of a vehicle through a lease are conceptually similar. This proposal would change how sales tax revenue on motor vehicle leases is deposited from the GF to transportation funds and would be phased in from 2008 to 2012 (the same as for MVST) such that in 2012 60% of the revenue would be deposited in the highway user tax distribution fund and 40% would be deposited in a transit assistance fund.

Revenue received in the highway user tax distribution fund is further distributed to the trunk highway fund (58.9%), the county state aid highway fund (32.55%), and the municipal state aid street fund (8.55%), in accordance with Article XIV of the Minnesota Constitution.

Relationship to Base Budget

The November 2006 forecast assumed the following with respect to the dedication of sales tax for transportation:

- ◆ 60% of MVST to the HUTD and 40% of MVST to a transit assistance fund;
- ◆ No current law authority for spending from transit assistance fund;
- ◆ Discontinuation of spending from metropolitan area transit fund and Greater Minnesota transit fund from FY 2008; and
- ◆ Change in revenue to GF from MVST dedication to transportation.

This proposal changes the November 2006 forecast as follows

- ◆ Highways: addition of revenue from dedication of sales tax on leases, same basis as MVST;
- ◆ Additional direct appropriations for CSAH and MSAS spending on roads and highways to reflect the additional transfer of funds from the HUTD from the proposed dedication of sales tax on leasing;
- ◆ Transit: provide statutory dedication of transit assistance fund to metropolitan and Greater Minnesota transit, including \$408,000 in FY 2008 and \$416,000 in FY 2009 and beyond for administration of the Greater Minnesota program at Mn/DOT;
- ◆ Transit: addition of revenue from dedication of sales tax on leases, same basis as MVST; and
- ◆ Change in revenue to GF from dedication of sales tax on leases (shown in the Governor’s tax initiatives).

The proposed phase in schedule from both MVST and sales tax on leases is shown in the following table.

	General Fund	HUTD	Transit Fund	Of which, Metropolitan	Of which, Greater Minnesota
FY 2008	36.25%	38.25%	25.50%	23.95%	1.55%
FY 2009	26.25%	44.25%	29.50%	27.85%	1.65%
FY 2010	16.25%	50.25%	33.50%	31.75%	1.75%
FY 2011	6.25%	56.25%	37.50%	35.60%	1.90%
FY 2012	0%	60.00%	40.00%	38.00%	2.0%

The impact of this proposal in terms of additional revenues and/or spending to highway and transit funds, using the phase in above, and compared to the November 2006 forecast, is as follows:

Fiscal Impact (\$000s), compared to November 2006 forecast	FY 2008	FY 2009	FY 2010	FY 2011
HUTD, additional revenue				
Dedication of sales tax on leasing	\$18,360	\$21,840	\$24,960	\$28,920
Highway spending changes				
CSAH additional appropriation	5,976	7,109	8,124	9,413
MSAS additional appropriation	1,570	1,867	2,134	2,473
Transit Assistance Fund, additional revenue				
Dedication of sales tax on leasing	12,240	14,560	16,640	19,280
Note: 40% of constitutional dedication already in Transit Assistance Fund in November 2006 forecast				
Transit, Metropolitan, additional spending				
Constitutional Amendment	121,091	145,767	174,181	207,228
Dedication of sales tax on leasing	11,496	13,746	15,771	18,303
Transit, Greater Minnesota, additional spending				
Constitutional Amendment	7,837	8,636	9,601	11,060
Dedication of sales tax on leasing	744	814	869	977

The Metropolitan Council operates bus services that enhance citizens' mobility options, address congestion and contribute to a cleaner environment. The Hiawatha Light Rail line has been very successful in attracting riders and promoting development along its corridor. Metro Mobility operates the region's paratransit service and dial-a-ride services.

The Governor's recommended funding for the dedication of MVST to transportation, as well as the additional dedication of sales tax on vehicle leases, will allow the Council to:

- ◆ maintain the region's bus services;
- ◆ transition from the role played in supporting LRT operations by the one-time three-year Congestion Mitigation/Air Quality (CMAQ) grant that expires in FY 2007;
- ◆ address cost pressures related to energy and propulsion costs, LRT equipment coming off warranty, and compensation related costs associated with the delivery of the Council's services; and
- ◆ undertake the pre-revenue service and training for the Northstar Commuter rail line.

Finally, the Governor's recommendation of a FY 2007 deficiency appropriation of \$7.847 million to reflect the decline in MVST revenues for FY 2007 from the February 2006 forecast to the November 2006 forecast will allow the Council to maintain the assumptions used in developing its CY 2007 budget.

Statutory Change: Change the deposit of MVST revenues in M.S. 297B.09, subdivision 1, to phase-in a 100% dedication to transportation purposes over five years. Dedicate the sales tax on leased vehicles in M.S. 297A.815 on the same basis as changes in M.S. 297B. Pass legislation creating a new transit assistance fund and establishing a metropolitan transit account to receive, by 2012 and thereafter, 38% of the total MVST and leased vehicle sales tax revenues and a Greater Minnesota transit account to receive 2% of the total MVST and leased vehicle sales tax revenues. Statutorily appropriate revenues in the transit accounts.

Dollars in Thousands

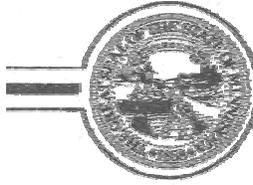
	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Taxes:					
Metro Area Transit	115,631	110,188	0	0	0
Transit Assistance	0	0	132,587	159,513	292,100
Total Dedicated Receipts	115,631	110,188	132,587	159,513	292,100
Agency Total Revenue	115,631	110,188	132,587	159,513	292,100

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⇒ Designates that this item is a change item

DEPARTMENT OF MILITARY AFFAIRS

MINNESOTA ARMY AND AIR NATIONAL GUARD



OFFICE OF THE ADJUTANT GENERAL

VETERANS SERVICE BUILDING

STATE OF MINNESOTA

20 WEST 12TH STREET

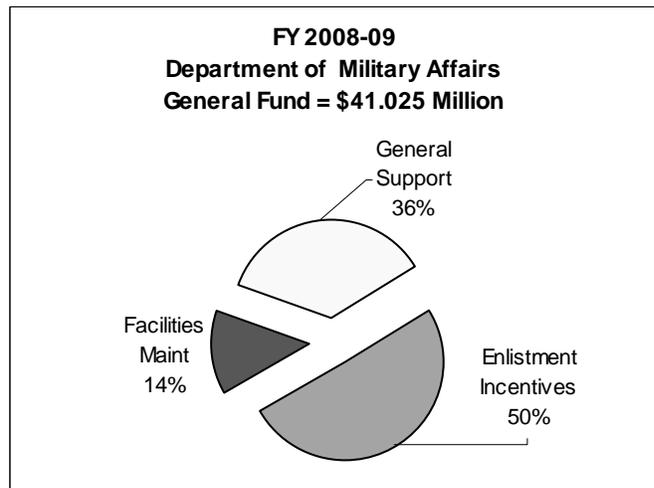
ST. PAUL, MINNESOTA 55155-2006

January 22, 2007

The 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, the nearly 13,000 members of the Minnesota Army and Air National Guard, and the department's 257 state employees, I am pleased to submit the Department of Military Affairs budget recommendation for fiscal years 2008 and 2009. This budget consists of approximately \$181 million in federal funding, a request for \$41.025 million in direct appropriations from the state's general fund, and over \$2 million in dedicated receipts. This represents a 16.7% increase in our general fund appropriation, including a 2% increase in employee compensation funding.

The increases from our Fiscal Year 2006 – 2007 budget are in the Maintenance of Training Facilities and General Support programs. The recommendation includes funding for the National Guard Reintegration Program – "Beyond the Yellow Ribbon." This program is intended to help our National Guard members serving in the War on Terror, including those whose tours will be extended, assimilate back into their civilian lives once they return. The proposed budget also provides for additional employees in our general staff area to improve our ability to prepare for and respond to state emergencies and federal mission support. In addition, the recommendation provides the resources necessary to provide for the cleaning, minor repair, and daily operations of our state-owned training facilities located around the state. This is one of our core activities.

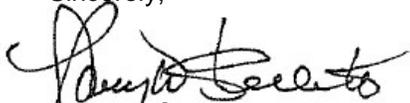


Another core activity of the department is related to implementation and execution of a series of cooperative agreements with the federal government. The cooperative agreements require human resources support for the 230 department employees whose salaries are at least partially reimbursed by the federal government, purchasing and contracting services to execute the \$75 to \$107 million dollars in federal funds received annually for construction and repair of supported facilities, and accounting and budgeting services. This budget maintains that support.

Finally, the proposed budget provides the resources necessary to continue our enlistment incentives programs for the soldiers and airmen of the Minnesota National Guard. These programs are crucial in maintaining the strength of the Minnesota National Guard – ensuring we have sufficient members to respond to the continuing war on terror and to any state emergency that might arise. Absent extraordinary tuition increases at the University of

Minnesota, the department anticipates current funding for enlistment incentives will be sufficient for the next two years. Overhead costs to support this program remain extremely low – less than 1% of the total appropriation is used for employee compensation and administrative support.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry W. Shellito". The signature is fluid and cursive, with a large initial "L" and "S".

Larry W. Shellito
Major General, MN Army National Guard
The Adjutant General

Agency Purpose

The Minnesota Department of Military Affairs, also known as the Minnesota National Guard, “is comprised of and includes the military forces of the state, the office of the adjutant general, all military reservations, military installations, armories, air bases, and facilities owned or controlled by the state for military purposes, and civilians employed by the state for the administration of the military department.” (M.S. Ch.190.05)

- ⇒ *Federal Mission:* As a federal entity, military members of the Minnesota National Guard serve as a reserve force for the United States Army and Air Force. They are subject to be called to federal active duty for extended periods of time by the President.
- ⇒ *State Mission:* As a state entity, the Minnesota National Guard provides support to local law enforcement agencies during natural disasters and other emergencies at the direction of the governor.
- ⇒ *Community Mission:* The Minnesota National Guard is also involved in community support projects throughout the state. These projects give our soldiers a chance to “give back to the community.”

At A Glance

- ◆ There are currently 12,975 military members of the Minnesota National Guard.
- ◆ The Department of Military Affairs manages 2.1 million square feet (SF) of facilities within 1,430 buildings on 54,496 acres at Camp Ripley and Arden Hills; 694,000 square feet (SF) within 46 logistical support buildings at nine locations; and 1.8 million SF in 62 National Guard Training and Community Centers (armories).
- ◆ The agency annually supports 2,500 National Guard men and women through its tuition reimbursement program.
- ◆ The department has overseen 64,721 National Guard “man-days” in response to state emergencies since 1998.

The vision of the Department of Military Affairs is to provide leadership, resources, and support to the National Guard to assist in accomplishing these three missions.

Core Functions

The Department of Military Affairs provides the structure and resources to accomplish the four core programs that support the Minnesota National Guard:

- ◆ Maintenance of Training Facilities
- ◆ Enlistment Incentives
- ◆ Emergency Services
- ◆ General Support

Operations

The department's customer base is the 12,975 members of the Minnesota Army and Air National Guard, the directors and managers responsible for the execution of the federal-state cooperative agreements, and the citizens of the state and nation during emergencies. The Minnesota National Guard has never been more engaged in world-wide missions. The National Guard is no longer a cold-war era, strategic reserve force, but rather it is an operational force being utilized daily in the war on terrorism. Since 9/11 and as of August 2006, the Minnesota National Guard has deployed 7,856 Army Guard members and 3,445 Air Guard members.

The **Maintenance of Training Facilities Program** is the primary staff section responsible for maintaining the state's facilities used to train and house the members of the Minnesota National Guard and to protect the state's investment in facilities. Each Air National Guard Base also has a Civil Engineering function that is responsible for the maintenance of the federal facilities that are supported with state dollars.

The **Enlistment Program** is responsible for managing the department's enlistment incentives and tuition reimbursement programs. These programs provide incentives to the men and women who enlist and maintain their memberships in the Army and Air National Guard.

Emergency Services is managed by the Military Support directorate of the state staff. They provide the command and control services to the governor when the National Guard is activated in response to state emergencies.

General Support provides the general administrative, financial, accounting, budgeting, project management, and human resource support necessary for the operation of the department.

Budget

Of the department's total budget, 68% comes from the federal government through cooperative agreements for facilities maintenance, telecommunications, security, firefighting, and the STARBASE educational program. The state General Fund accounts for 30%, and approximately 2% comes from other sources (local government, facility sales, housing operations, etc.).

The Department of Military Affairs is also responsible for an additional approximately \$310 million per year, received from the federal government during the state's biennium. These funds come directly from the federal government, do not pass through the state treasury, and are paid to individuals and vendors for federal-related activities.

The department's staff includes 257 employees. Only 31 of these employees are 100% state-funded. The remainder are predominantly federally funded -- some at 100% and most others at 75% or 80%.

Contact

Department of Military Affairs
Veterans Service Building
20 West 12th Street
Saint Paul, Minnesota 55155

World Wide Web Home Page:
<http://www.dma.state.mn.us>

Major General Larry W. Shellito
The Adjutant General
Phone: (651) 268-8924
Fax: (651) 282-4541

For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.departmentresults.state.mn.us/>

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	17,584	17,584	17,584	17,584	35,168
Recommended	17,584	17,584	21,271	19,754	41,025
Change		0	3,687	2,170	5,857
% Biennial Change from 2006-07					16.7%
Misc Special Revenue					
Current Appropriation	338	855	855	855	1,710
Recommended	338	855	855	855	1,710
Change		0	0	0	0
% Biennial Change from 2006-07					43.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,669	18,112	21,965	21,472	43,437
Misc Special Revenue	205	342	338	338	676
Open Appropriations					
General	528	653	414	477	891
Statutory Appropriations					
General	74	1	1	1	2
Misc Special Revenue	550	840	850	875	1,725
Federal	30,244	62,629	106,969	73,664	180,633
Total	46,270	82,577	130,537	96,827	227,364
<u>Expenditures by Category</u>					
Total Compensation	15,003	16,626	19,021	19,709	38,730
Other Operating Expenses	22,012	39,169	46,898	17,920	64,818
Capital Outlay & Real Property	682	16,080	52,950	46,510	99,460
Payments To Individuals	7,808	9,800	10,790	11,810	22,600
Local Assistance	765	902	878	878	1,756
Total	46,270	82,577	130,537	96,827	227,364
<u>Expenditures by Program</u>					
Maint Training Facilities	35,347	69,079	114,593	81,257	195,850
General Support	2,503	2,937	4,627	3,164	7,791
Enlistment Incentives	7,892	9,908	10,903	11,929	22,832
Emergency Services	528	653	414	477	891
Total	46,270	82,577	130,537	96,827	227,364
Full-Time Equivalent (FTE)	260.1	256.6	301.6	301.6	

MILITARY AFFAIRS DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	17,584	17,584	17,584	35,168
Technical Adjustments				
One-time Appropriations		(30)	(30)	(60)
Subtotal - Forecast Base	17,584	17,554	17,554	35,108
Change Items				
Special Assessments	0	185	0	185
Armory Maintenance	0	1,700	1,800	3,500
Reintegration Program	0	1,500	0	1,500
General Support Employees	0	275	285	560
Compensation Adjustment	0	57	115	172
Total Governor's Recommendations	17,584	21,271	19,754	41,025
Fund: MISC SPECIAL REVENUE				
FY 2007 Appropriations	855	855	855	1,710
Subtotal - Forecast Base	855	855	855	1,710
Total Governor's Recommendations	855	855	855	1,710
Fund: GENERAL				
Planned Open Spending	653	414	477	891
Total Governor's Recommendations	653	414	477	891
Fund: GENERAL				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	840	850	875	1,725
Total Governor's Recommendations	840	850	875	1,725
Fund: FEDERAL				
Planned Statutory Spending	62,629	106,969	73,664	180,633
Total Governor's Recommendations	62,629	106,969	73,664	180,633

Program Description

The purpose of the Maintenance of Training Facilities program is to protect the state's investment in state owned facilities; provide for operating costs of both state and federally supported facilities; and to provide the resources necessary to construct training facilities in partnership with the federal and local government.

Budget Activities Included:

- ⇒ Camp Ripley/Holman
- ⇒ Armory Maintenance
- ⇒ Air Base Maintenance – Twin Cities
- ⇒ Air Base Maintenance – Duluth

MILITARY AFFAIRS DEPT

Program: MAINT TRAINING FACILITIES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,590	5,590	5,590	5,590	11,180
Subtotal - Forecast Base	5,590	5,590	5,590	5,590	11,180
Governor's Recommendations					
Special Assessments		0	185	0	185
Armory Maintenance		0	1,700	1,800	3,500
Compensation Adjustment		0	29	58	87
Total	5,590	5,590	7,504	7,448	14,952
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,028	6,330	7,504	7,448	14,952
Statutory Appropriations					
General	74	1	1	1	2
Misc Special Revenue	531	649	659	684	1,343
Federal	29,714	62,099	106,429	73,124	179,553
Total	35,347	69,079	114,593	81,257	195,850
<u>Expenditures by Category</u>					
Total Compensation	13,430	14,972	17,090	17,695	34,785
Other Operating Expenses	21,235	38,177	44,703	17,202	61,905
Capital Outlay & Real Property	682	15,930	52,800	46,360	99,160
Total	35,347	69,079	114,593	81,257	195,850
<u>Expenditures by Activity</u>					
Camp Ripley/Holman	21,379	16,068	15,927	16,256	32,183
Armory Maintenance	8,720	44,352	89,788	55,934	145,722
Air Base Maint-Twin Cities	1,536	3,168	3,221	3,272	6,493
Air Base Maint-Duluth	3,712	5,491	5,657	5,795	11,452
Total	35,347	69,079	114,593	81,257	195,850
Full-Time Equivalents (FTE)	242.1	238.8	280.8	280.8	

MILITARY AFFAIRS DEPT**Program: MAINT TRAINING FACILITIES****Change Item: Special Assessments**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$185	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$185	0	0	0

Recommendation

The Governor recommends a one-time appropriation of \$185,000 to pay for special assessments levied by local governments against custodial property held by the department.

Background

Under M.S. 435.19, local governments may levy assessments against the property of another governmental unit benefited by local improvements. According to this statute, state agencies that do not have sufficient funds to pay these special assessments must submit a budget request for the amount of the assessments. Although the assessments are relatively small, the agency cannot find any funding within its current appropriation to retire these obligations.

If not paid, penalties and interest accrue against these assessments. While minor in amounts, these assessments can have a large impact on the local governmental units that rely on them to retire debt for major improvements, such as utility or street work, within the local communities. In most instances, local governments have donated the land to the state for military purposes.

Relationship to Base Budget

This is a one-time appropriation and would not be added to the base budget.

Key Measures

None.

Statutory Change: Not Applicable

Activity Description

This activity provides for the daily operation, maintenance, and repair of training facilities located at Camp Ripley, Arden Hills, Holman Field in St. Paul, and various other logistical facilities located in nine other communities around the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. The Adjutant General may also, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state.

This activity also provides the structure for acceptance of significant federal funding for construction, environmental programs, range operations, and base security. Some special funds (dedicated revenue) pass through this activity for operational leases of Camp Ripley facilities.

Activity at a Glance

Training Sites – Camp Ripley and Arden Hills

- ◆ 54,496 acres
- ◆ 2.1 million square feet of facilities
- ◆ 1,384 buildings

Logistical Facilities

- ◆ 46 Structures
- ◆ 694,000 total square feet
- ◆ 60 acres
- ◆ \$57.4 million investment in facilities

Population Served

This activity primarily serves the 12,975 members of the Minnesota Army and Air National Guard, providing training, maintenance, and housing facilities. It also serves members of other active and reserve military components, military members from other nations, and state employees from the departments of Natural Resources (DNR) and Public Safety – Camp Ripley is the home for the State Patrol’s Rookie Camp and the DNR Enforcement Training. The Education Center is also used by many other state agencies for training.

Services Provided

This activity provides the state share required to pay for the operation, maintenance, and utility costs for a multitude of facilities. It also provides some of the staff required to construct and repair facilities throughout the state.

Historical Perspective

Since FY 2000, the Army National Guard has added 1,225 acres to our supported sites. This is predominantly the acquisition of additional training area space at Arden Hills. We have also added 140,000 square feet of state supported facilities. This is due to the replacement of the old Combined Support Maintenance Shop at Camp Ripley with a new, state of the art facility.

All these facilities support the training of soldiers and repair of equipment used by the Minnesota Army National Guard which directly affects the readiness posture of the Army National Guard.

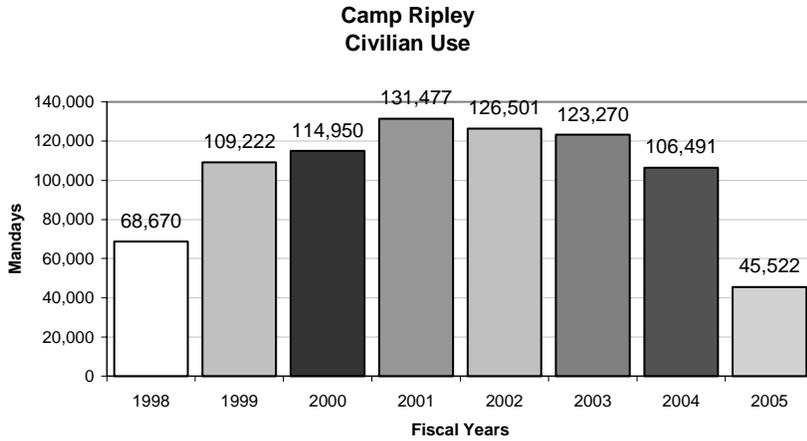
Key Measures

We expect the state funds to be used efficiently to support the federal and state missions of the National Guard. We also expect a high standard of facility maintenance so that employees and military members can focus on accomplishing their work and so we can provide facilities for civilian use when not required for military use.

A pertinent measure is civilian use of the National Guard Training Facilities at Camp Ripley. Our ability to expand the use of facilities at Camp Ripley to state government, community agencies, schools, and civic organizations, reduces the need to build similar facilities in other locations, showcases the outstanding training and educational facilities, and provides another opportunity for the Minnesota National Guard to give back to the citizens of the state.

Civilian usage of Camp Ripley began to decline with increased security on the post. Official government training has also declined as budgets at all levels of government have been reduced; funds available for training have

been severely restricted. As of 2005, we no longer track the numbers of visitors. We are now tracking only officially recognized training events.



Activity Funding

Most of the facilities at Camp Ripley are supported 100% with federal funds. However, some square footage is predominantly used by the state and some support activities must be paid for by the state. The state's portion receives a direct appropriation from the General Fund. Some special funds are also generated through the use of Camp Ripley.

Contact

For further information on this activity, contact:
Facilities Management Office
15000 Highway 15
Little Falls, Minnesota 56345-4173
Phone (320) 632-7314.

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: CAMP RIPLEY/HOLMAN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	743	856	884	905	1,789
Statutory Appropriations					
General	74	1	1	1	2
Misc Special Revenue	456	572	582	607	1,189
Federal	20,106	14,639	14,460	14,743	29,203
Total	21,379	16,068	15,927	16,256	32,183
<u>Expenditures by Category</u>					
Total Compensation	8,172	9,053	9,327	9,623	18,950
Other Operating Expenses	12,606	7,015	6,600	6,633	13,233
Capital Outlay & Real Property	601	0	0	0	0
Total	21,379	16,068	15,927	16,256	32,183
Full-Time Equivalents (FTE)	140.1	139.8	139.8	139.8	

Activity Description

This activity provides the funding for the daily operation, maintenance, and repair of armories located throughout the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. It also provides the structure for receipt of federal funds for construction, cooperative agreement funding for federal and community use of facilities, and federal funding for telecommunications costs.

Activity at a Glance

Support provided for operation of:

- ◆ 62 facilities;
- ◆ 1.8 million square feet of building space;
- ◆ 325 acres of supporting property; and
- ◆ \$249.4 million of investment in facilities.

Population Served

The population served by this program is the Army National Guard soldiers, employees of the department, and to some extent, citizens of the communities where National Guard facilities are located.

Services Provided

Under this program, Military Affairs operates and maintains 62 National Guard Training and Community Centers (armories). One armory at Camp Ripley was recently converted to a soldier processing center to support mobilization of Minnesota Guard members.

This activity provides funding for utilities, maintenance and repair, and various inspections. It also provides funding for some essential facility maintenance equipment. We partner with local government in several locations to leverage resources to operate and maintain facilities.

These facilities provide space for administrative and logistical support and training for the 10,800 Army National Guard soldiers located in Minnesota, stationing and support of soldiers called to state active duty by the governor in response to emergencies, events and programs of government and community organizations, and individuals including the new Distance Learning programs. Armories also serve as emergency shelters during weather emergencies.

Historical Perspective

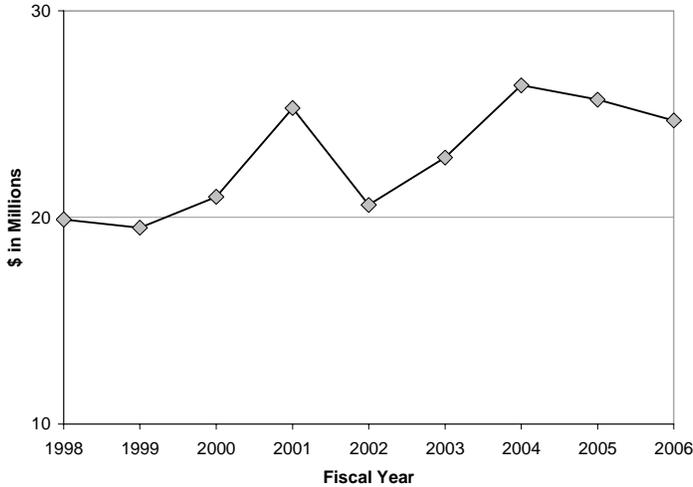
Due to budget constraints and loss of federally supported manning, the department closed 12 armories in 1991. Since that time, the National Guard's strength in Minnesota has increased significantly from a low of approximately 8,900 in 1991 to almost 10,800 today. Most recently, the department had to lay off its state-funded general maintenance worker staff, leaving most state owned facilities without custodial services.

The National Guard has been called upon to perform a greater role in the defense of the nation and state since 9-11-01. This has resulted in extremely high operations tempo in the military organizations throughout the state creating a greater burden on the facilities and personnel.

Key Measures

One of the measures of the effectiveness of our preventative maintenance program is the level of maintenance backlog. This measure is directly affected by the amount of money available for major repairs through the capital budget program, but an effective preventative maintenance program can prevent minor repairs becoming much more expensive major repairs. The following chart shows the actual backlog as measured on January 1 of each year. It has been difficult to attack the amount of backlog maintenance to aging facilities, reduced funding for major repairs, loss of custodial support, and increased facility use.

Maintenance Backlog



Activity Funding

The state is responsible for maintenance, operation, and upkeep of armory facilities. Some funds are received from the federal government where we share with or lease space to other military organizations, and some local funds are provided where we partner with local government in the operation, maintenance, and use of facilities. We also receive federal funds under cooperative agreements whereby the federal government provides 75% of the basic costs of facility construction. The federal government pays 100% of the telecommunications costs for these facilities.

The state received increased federal funding in FY 2002 and FY 2003 related to completion of the Training and Community center in Mankato and anticipated projects including the design of a maintenance facility in Arden Hills. In FY 2006 federal funding has been received to replace the rented armory facility in Cambridge. Construction is expected to begin in FY 2007. Since this facility is being constructed jointly with the Army Reserve as a Base Realignment and Closure project, the basic building is being funded 100% by the federal government. Prior to FY 2002, some federal construction dollars were tracked under a different accounting structure.

Contact

For further information, contact:
Division of Public Works, Facilities Management Office,
15000 Highway 115
Little Falls, Minnesota 56345-4173.
Phone: (320) 616-3004

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: ARMORY MAINTENANCE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,521	4,387	5,520	5,432	10,952
Statutory Appropriations					
Misc Special Revenue	75	77	77	77	154
Federal	5,124	39,888	84,191	50,425	134,616
Total	8,720	44,352	89,788	55,934	145,722
<u>Expenditures by Category</u>					
Total Compensation	462	493	2,116	2,236	4,352
Other Operating Expenses	8,177	27,929	34,872	7,338	42,210
Capital Outlay & Real Property	81	15,930	52,800	46,360	99,160
Total	8,720	44,352	89,788	55,934	145,722
Full-Time Equivalents (FTE)	7.3	7.2	49.2	49.2	

MILITARY AFFAIRS DEPT**Program: MAINT TRAINING FACILITIES****Change Item: Armory Maintenance**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,700	\$1,800	\$1,800	\$1,800
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,700	\$1,800	\$1,800	\$1,800

Recommendation

The Governor recommends increasing the maintenance budget for National Guard armories in order to protect investment in state facilities. This appropriation will support approximately 42 full and part-time employees to perform cleaning and routine maintenance, as well as contract services for snow removal and grounds maintenance. The cost of the program will be \$1.7 million in the first year and \$1.8 million in later years.

Background

Armories are used for recruitment and training of National Guard soldiers, as well as to temporarily house civilians and soldiers in inclement weather. Therefore, these facilities must be clean and accessible. This change is necessary because current methods used to clean and maintain armories are no longer adequate. With this increase, the department can provide better training facilities for soldiers and reduce its reliance on the capital budget process to protect National Guard facilities from further degradation.

Currently, the department relies upon tenant National Guard units to clean and do minor preventive maintenance at armories. This requires that units and soldiers take time out of their valuable training schedules and/or workdays to take care of facilities, including snow removal and lawn mowing. By a conservative estimate, National Guard soldiers are spending 25,000 hours on cleaning and another 10,000 hours on outdoor maintenance at Minnesota armories. This is not only very expensive in terms of wasted training opportunities; it is also a very inefficient use of resources. In some instances, tenants are no longer able to perform this work because the major organizations have been deployed.

As a result, there is a gradual but noticeable decline in the cleanliness of National Guard facilities and a gradual increase in deferred maintenance since the maintenance staff was laid off in 2002. Attempts to partner with other levels of government to provide maintenance services have been only marginally successful since few governments have excess capacity.

Relationship to Base Budget

The base budget for maintenance of training facilities is \$11.180 million for the FY 2008-09 biennium. This would be a 30% increase in the maintenance of training facilities appropriation and a 10% increase in the total agency General Fund budget.

Key Measures

This appropriation will free up soldiers' time so they can concentrate on their assigned missions while ensuring proper cleaning and maintenance of state-owned facilities. At a minimum, this change will allow the department to:

- ◆ Develop a well-trained, well-supported, and efficient cadre of maintenance employees
- ◆ Reduce the backlog of maintenance projects reported in the Armory Maintenance budget activity page of the Maintenance of Training Facilities program narrative
- ◆ Operate boilers and HVAC systems more efficiently, so savings can be reinvested in maintenance projects.

Statutory Change: Not Applicable

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 133rd Air Wing, Minnesota Air National Guard base, located at the Minneapolis-St. Paul International Airport.

Population Served

This activity predominantly serves the 1,200 members of the 133rd Air Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the Wing is to command units ready for immediate support to accomplish federal and state requirements for the airlift of troops, cargo, and medical patients for state, national, or international emergencies.

Services Provided

The state partners with the federal government, to provide for facility operational costs, maintenance and repair costs, and also base security and fire protection. Activities are regulated on the federal side and the budget and state human resource activities are monitored and approved by the state agency.

Historical Perspective

The 133rd Air Wing participated in several missions during the statewide snow removal operations and floods of 1997, providing snow removal and water pumping equipment and personnel, and airlifting equipment and sandbags to those areas hit by the flood.

In the spring of 2001, the wing also provided assistance statewide for flood response. The 133rd Airlift Wing activated hundreds of members to provide essential services to the residents of the state veteran's homes during the October 2001 state employee strike. Last year the Wing assisted states impacted by Hurricane Katrina and Rita, providing numerous personnel and equipment for airlift, medical, fire, security and services needs. Most recently the unit is involved with Operation Jump Start providing assistance to the border patrol and local law enforcement agencies in Arizona and New Mexico.

Since the 9-11-01 crisis, the operational pace of the 133rd Airlift Wing has increased dramatically. The wing is currently providing in-theater airlift and ground support and is maintaining a heightened state of alert.

Key Measures

Funding constraints on the federal side drive the state's obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 25% match and acquire the federal funding. For the last three biennia, we have been able to provide 100% funding for this activity.

Much of the federal funding is driven by the wing's flying hour program. As illustrated in the following chart, there was a substantial increase in flying hours and sorties (missions) in response to 9-11-01 which have since decreased with more recent focus on Homeland Defense and Domestic Operations. Increased activities place a much greater strain on facilities.

Activity at a Glance

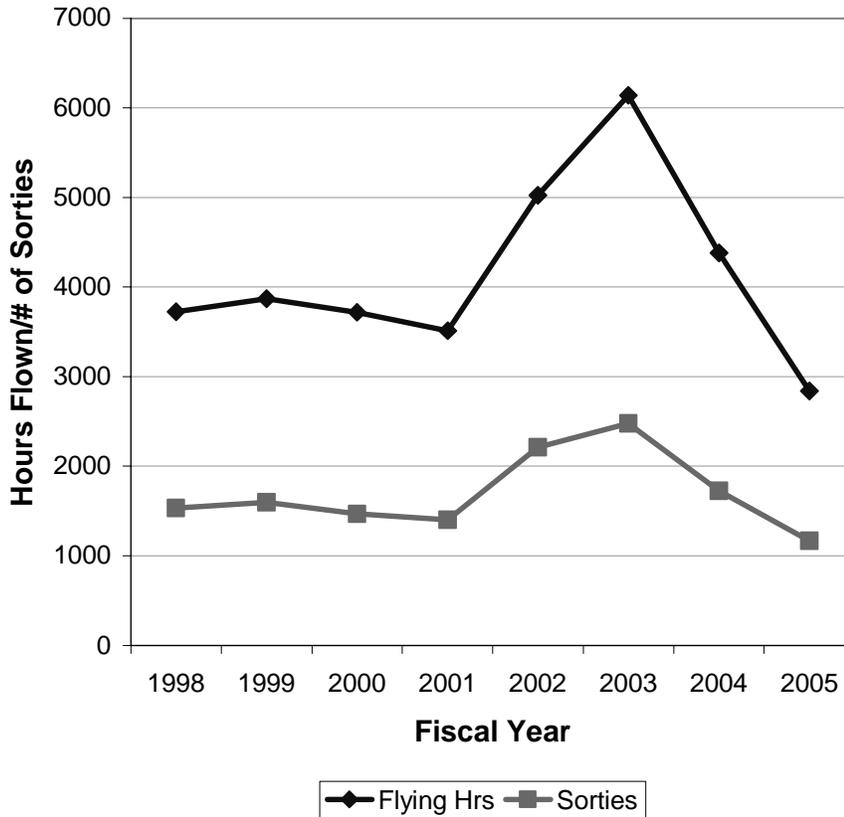
Facilities supported represent:

- ◆ 422,125 square feet;
- ◆ 38 buildings and 48 other facilities; on
- ◆ 125 acres.

These facilities support:

- ◆ Eight C-130H model transport airplanes
- ◆ 1200 air guard members.

C-130 Transport Aircraft



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 75% of the costs for operations, maintenance, and airfield lease costs. The state must provide the other 25%. The federal government also pays 100% of the costs of base security and the operational costs for a C-130 regional flight simulator. Federal funding for base security and operations has increased since 9-11-01.

Contact

For further information on this activity, contact:
 Headquarters, Minnesota Air National Guard
 Veterans Service Building
 20 West 12th Street,
 Saint Paul, Minnesota 55155-2098
 Phone: (651) 268-8966.

You may also visit the 133rd's web site at <http://www.dma.state.mn.us/airguard/main.htm>

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: AIR BASE MAINT-TWIN CITIES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	380	561	566	572	1,138
Statutory Appropriations					
Federal	1,156	2,607	2,655	2,700	5,355
Total	1,536	3,168	3,221	3,272	6,493
<u>Expenditures by Category</u>					
Total Compensation	1,327	1,560	1,613	1,664	3,277
Other Operating Expenses	209	1,608	1,608	1,608	3,216
Total	1,536	3,168	3,221	3,272	6,493
Full-Time Equivalent (FTE)	25.4	25.0	25.0	25.0	

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 148th Fighter Wing, Minnesota Air National Guard base, located at the Duluth International Airport.

Population Served

This activity predominantly serves the 1,100 members of the 148th Fighter Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the 148th is to provide the nation with a wing of 15 F-16C model fighter aircraft, ready for immediate deployment for state, national, or international emergencies.

Services Provided

Through a series of cooperative agreements with the federal government, the state partners to provide for facility operational costs, maintenance and repair costs, and also base security and fire protection. Activities are regulated on the federal side, and the budget and state human resource activities are monitored and approved by the state agency.

Historical Perspective

The 148th Fighter Wing has participated in many federal missions. It also provided security, medical, aircraft refueling and services support, as well as vehicle maintenance technicians and heavy equipment operators for state active duty call-ups. Unit Explosive Ordnance Disposal (EOD) technicians also support the state and community providing invaluable expertise to local law enforcement personnel.

Since the 9-11-01 crisis, the operational pace of the 148th Fighter Wing has increased dramatically. The wing is currently supporting a 24-hour Air Sovereignty Alert (Air Defense) mission from Duluth. Simultaneously in 2005, the 148FW also deployed over 400 personnel to 11 different countries, most of which to Balad AB, Iraq in support of Operation Iraqi Freedom.

Key Measures

Funding constraints on the federal side drive the state's obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 20% match and acquire the federal funding for the operation and maintenance of base facilities. For the last three biennia, we have been able to provide 100% funding for this activity.

The flying hour program and mission requirements drive much of the federal funding the agency receives. These activities put a strain on facilities due to much higher use.

Activity at a Glance

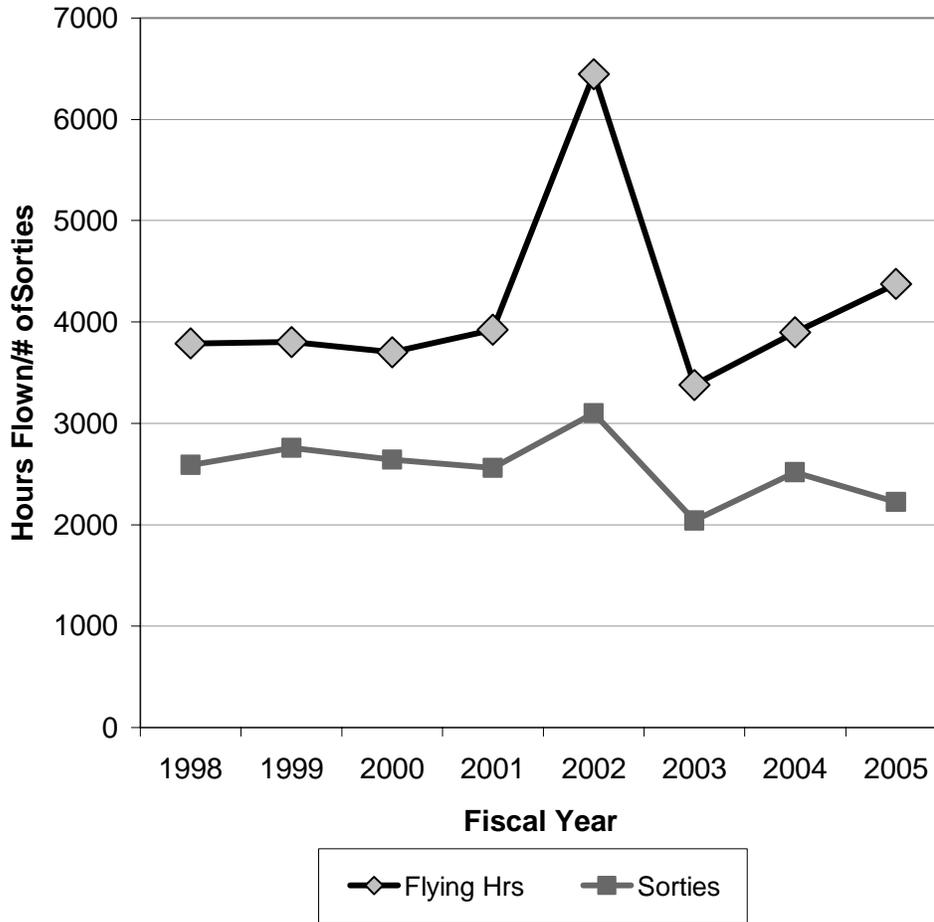
Facilities supported represent:

- ◆ 463,246 square feet of facilities; in
- ◆ 61 separate structures.

That support:

- ◆ 1,100 Air National Guard members; and
- ◆ 15 F-16C fighter jets.

F-16 Fighter Aircraft



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 80% of the costs for operations, maintenance, and airfield lease costs. The state must provide the other 20%. The federal government also pays 100% of the costs of a real property manager, base security, and airfield firefighting. Federal funding for security, firefighting, and operational costs have increased since 9-11-01.

Contact

For further information on this activity, contact:
 Headquarters, Minnesota Air National Guard
 Veterans Service Building
 20 West 12th Street
 Saint Paul, Minnesota 55155-2098
 Phone: (651) 268-8966.

You may also visit the 148th 's web site at <http://www.dma.state.mn.us/airguard/main.htm>

MILITARY AFFAIRS DEPT
Program: MAINT TRAINING FACILITIES
Activity: AIR BASE MAINT-DULUTH

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	384	526	534	539	1,073
Statutory Appropriations					
Federal	3,328	4,965	5,123	5,256	10,379
Total	3,712	5,491	5,657	5,795	11,452
<u>Expenditures by Category</u>					
Total Compensation	3,469	3,866	4,034	4,172	8,206
Other Operating Expenses	243	1,625	1,623	1,623	3,246
Total	3,712	5,491	5,657	5,795	11,452
Full-Time Equivalents (FTE)	69.3	66.8	66.8	66.8	

Program Description

The purpose of the General Support program is to provide the leadership, administrative, and technical support for the department. It also provides the support for members of the National Guard called to State Active Duty by the governor. It includes the operating costs for the department headquarters in St. Paul including rent for the Veterans Service Building.

Budget Activities Included:

- ⇒ Administrative Services
- ⇒ Auxiliary Services
- ⇒ STARBASE Minnesota

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,787	1,787	1,787	1,787	3,574
Technical Adjustments					
One-time Appropriations			(30)	(30)	(60)
Subtotal - Forecast Base	1,787	1,787	1,757	1,757	3,514
Governor's Recommendations					
Reintegration Program		0	1,500	0	1,500
General Support Employees		0	275	285	560
Compensation Adjustment		0	26	53	79
Total	1,787	1,787	3,558	2,095	5,653
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,749	1,874	3,558	2,095	5,653
Misc Special Revenue	205	342	338	338	676
Statutory Appropriations					
Misc Special Revenue	19	191	191	191	382
Federal	530	530	540	540	1,080
Total	2,503	2,937	4,627	3,164	7,791
<u>Expenditures by Category</u>					
Total Compensation	1,202	1,306	1,531	1,568	3,099
Other Operating Expenses	536	579	2,068	568	2,636
Capital Outlay & Real Property	0	150	150	150	300
Local Assistance	765	902	878	878	1,756
Total	2,503	2,937	4,627	3,164	7,791
<u>Expenditures by Activity</u>					
Administrative Services	1,768	1,915	3,599	2,136	5,735
Auxiliary Services	205	492	488	488	976
Starbase Minnesota	530	530	540	540	1,080
Total	2,503	2,937	4,627	3,164	7,791
Full-Time Equivalent (FTE)	16.3	16.2	19.2	19.2	

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Change Item: Reintegration Program

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,500	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,500	0	0	0

Recommendation

The Governor recommends a one-time appropriation of \$1.5 million in FY 2008 to support the Minnesota National Guard Reintegration Program – “Beyond the Yellow Ribbon.” This funding will help insure successful reintegration of our returning National Guard members back into civilian life. To be ready for our soldiers when they return, this appropriation will be available until spent.

Background

Military Affairs believes that Minnesota will have a number of commands and units deploying in the Global War on Terrorism in FY 2008 and beyond. A one-year pilot program funded by the federal government has demonstrated the value and importance of establishing a reintegration program for our returning National Guard members. This appropriation would allow the department to continue this program for service members returning after federal funding ceases.

“Beyond the Yellow Ribbon” helps address critical issues facing Minnesota National Guard members as they return from war. Returning to families, hometowns, and civilian employment can be extremely challenging for service members and their families. During the typical 18-month separation, many changes occur – including personality changes. This affects some members and their families in very stressful ways. Mental health, substance abuse, divorce, and financial strains are just some of the problems that will affect our members.

This program brings service members and their families together for multiple reintegration sessions after the service members return from war. These sessions provide specialized counseling (marriage, stress, suicide prevention, etc.), presentations, and resource materials to help service members and their families prevent issues such as mental illness, substance abuse, divorce, and financial strain from developing. Federal reintegration funds (or funds from the federal operating budget, after dedicated federal funds cease) will pay wages for returning soldiers and airmen to attend the training. The state appropriation will pay for contracted services (speakers, counselors, other specialized professionals), meeting halls, lodging, and meals. It will also pay for meals, mileage, and centralized day care for service members’ spouses so they may also attend the training as well. Some funds will be dedicated to help pay for ongoing community mental health and family services when the service members return to their hometowns.

As the budget allows, this program will also provide service members and their spouses with reference materials (handouts, books, DVDs) to take and review later. The program will also attempt to offer motorcycle-driving lessons for the returning service members. History has shown that a disproportionate number of service members acquire motorcycles and are involved in serious accidents with them.

Relationship to Base Budget

This represents an increase of less than 4% of the total general fund budget for this agency.

Key Measures

The intent of the program is to proactively address the problems that history and experience show plague our service members whose military service includes participation in war. The key measure will be the lower rate of service members seeking veteran’s assistance for issues such as mental illness, substance abuse, and relationship or financial strain as they transition from active service.

Statutory Change: Not Applicable

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Change Item: General Support Employees

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$275	\$285	\$285	\$285
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$275	\$285	\$285	\$285

Recommendation

Due to increased reliance on the Minnesota National Guard, the Governor recommends an increase of \$275,000 in the first year and \$285,000 in the second year to support three new staff. One staff member would serve as a quartermaster to track and account for state property; two staff members would serve as planners to develop and maintain plans for emergency response and major events.

Background

The two new planning staff will become a dedicated element within the Operations Division to develop and maintain state-level military response plans for domestic attacks, natural disasters, and major events. Since 9-11 there is increased need to develop comprehensive response plans for domestic attacks, and in the wake of recent natural disasters the need for more proactive coordination is clear. The department currently relies on federal employees from the Operations Division for all of its planning needs. When state-level emergencies are declared by the Governor, these federal employees are called on to develop a response plan. Due to the complexity of current and future responses, it is no longer adequate to plan for events on such short notice. Additionally, when the agency is called on to generate comprehensive state-level emergency plans and plan for major state-level events, it is more appropriate to have full-time state planners who can coordinate complex plans and manage multiple agency relationships on an ongoing basis. For example, the department works with multiple state agencies to coordinate a pandemic response plan and will also play a major role in coordinating security for the Republican National Convention in 2008. Activities like these are greatly simplified when state employees can dedicate their time to make necessary connections with other agencies and governments. Military Affairs aggressively pursues grants for this purpose, however that method does not provide a stable stream of funding for consistent and timely responses to natural disasters and other events that require ongoing contact with supported and supporting agencies.

According to cooperative agreements with the federal government, most property purchased with federal funds must be tracked and accounted for as state property. Military Affairs is currently tracking over 6,500 pieces of equipment despite a concerted effort to purge items from the database that no longer require formal accountability. The department has relied on a 20% time quartermaster, but with multiple deployments since 9-11, the task has grown exponentially. Each time a unit deploys or returns, the property located at the armory must be inventoried and assigned to another Guard member or secured. The quartermaster must also properly transfer or dispose of unserviceable items. This requires coordination with other agencies, including the Department of Administration Surplus Services division. This increase will allow the department to hire a full-time quartermaster to accomplish this work.

Relationship to Base Budget

This represents a 15% increase in the appropriation for general support and a 2% increase in the total general fund budget for the agency.

Key Measures

A dedicated state planning unit will:

- ◆ Plan more efficiently for events that require both National Guard and state responses, and
- ◆ Develop policies that allow soldiers called to active duty to report knowing what the missions are and where/how they will obtain their support.

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Change Item: General Support Employees

The full-time quartermaster will:

- ◆ Better track and account for all assigned property, and
- ◆ Ensure stored property is more readily accessible for state active duty emergencies and National Guard unit mobilizations.

Statutory Change: Not Applicable.

Activity Description

The Adjutant General is the military chief of staff to the governor and is the department head. The assistant Adjutant General, and other key members of his staff, are charged with policy development, management, supervision, and support of the Minnesota Army and Air National Guard. This activity provides the leadership, technical, and administrative support for the state agency. It also provides the support for the separate grants and programs authorized by the legislature, such as the Minnesota National Guard Youth Camp funding.

Activity at a Glance

This activity provides support to:

- ◆ 257 state employees; and
- ◆ 12,975 members of the Minnesota National Guard.

Population Served

The administrative services activity provides support to the Adjutant General's staff, the department directors responsible for the cooperative agreements with the federal government, the state employees of the department, and, in times of state declared emergencies, the members of the Minnesota Army and Air National Guard called to state active duty.

Services Provided

Areas of policy guidance and support include:

- ◆ strategic planning;
- ◆ administration and training;
- ◆ facility maintenance and management;
- ◆ acquisition of funding for new construction;
- ◆ personnel and recruiting; and
- ◆ military operational readiness.

Some of the administrative and management services provided include:

- ◆ senior leadership and management;
- ◆ budget and accounting functions;
- ◆ fiscal management of the state/federal cooperative agreement;
- ◆ internal audit and management controls;
- ◆ payroll and logistical support to personnel called to state active duty;
- ◆ human resources support services for our 250 state employees; and
- ◆ processing payments for departmental operations.

Historical Perspective

The workload for this part of the agency has generally increased over the past few years, mostly in response to call-up of the Minnesota National Guard for state active duty and also due to increases in federal funding for specific programs. The Minnesota National Guard has never been more engaged in world-wide missions. The National Guard is no longer a cold-war era strategic reserve force, but rather it is an operational force being utilized daily in the war on terrorism. Increases in federal missions also increase the work load for the Adjutant General and his staff.

Key Measures

One of the measures we use to evaluate our efficiency is the percentage of invoices that are paid promptly as defined by Minnesota statutes. If there is no early payment discount period, the invoice must be paid within 30 days following the receipt of the invoice, merchandise, or service, whichever is later. The data below shows that measure from FY 1998 through FY 2006. Factors that affect our performance include additional workloads caused by National Guard State Active duty callouts and employee illnesses.

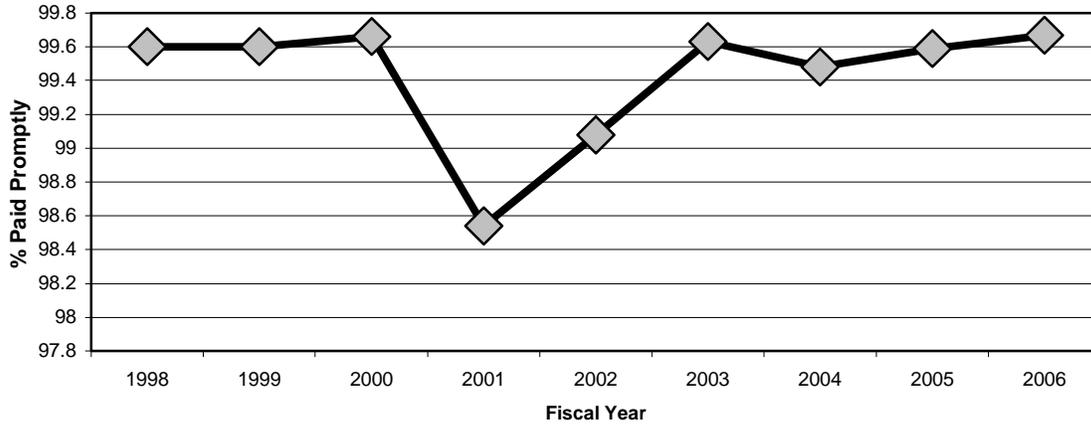
MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: ADMINISTRATIVE SERVICES

Narrative

Obligation Payment History



Activity Funding

Funding for this activity is predominantly state General Fund. Some special revenue is recognized as part of an employee sharing agreement with the Minnesota State Armory Building Commission.

Contact

For further information, contact
Comptroller, Department of Military Affairs
20 West 12th Street
Saint Paul, Minnesota 55155-2098
Phone: (651) 268-8948

You may also visit the department's web site at <http://www.dma.state.mn.us/>.

MILITARY AFFAIRS DEPT
Program: GENERAL SUPPORT
Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,749	1,874	3,558	2,095	5,653
Statutory Appropriations					
Misc Special Revenue	19	41	41	41	82
Total	1,768	1,915	3,599	2,136	5,735
<u>Expenditures by Category</u>					
Total Compensation	1,202	1,306	1,531	1,568	3,099
Other Operating Expenses	536	579	2,068	568	2,636
Local Assistance	30	30	0	0	0
Total	1,768	1,915	3,599	2,136	5,735
Full-Time Equivalents (FTE)	16.3	16.2	19.2	19.2	

MILITARY AFFAIRS DEPT

Program: GENERAL SUPPORT

Activity: AUXILIARY SERVICES

Narrative

Activity Description

This activity provides the accounting and budgeting structure for receipts of payments for sale of closed armories under the provisions of M.S. 193.36.

Activity at a Glance

Serves as "pass through" only for funds from sale of closed armories.

Population Served

The department and other local government entities.

Services Provided

This activity serves as a pass through for the receipt and dispersal of proceeds from the sale of closed armories.

Key Measures

There are no measures associated with this activity. Occasionally, armories are replaced and the old facility is sold to help finance the construction of the new facility.

Activity Funding

FY 2001 revenue was from sale of unused parcels in Duluth and a contract for deed payment for the sale of the old Montevideo armory. FY 2002 revenue was from the final two contract for deed payments from the sale of the old Montevideo armory and the sale of an unused parcel in Dawson, Minnesota. FY 2003 revenue was from down-payment on a contract for deed from the old Long Prairie armory, and FY 2004 revenue was from sale of the old Mankato armory. Both of these facilities have been replaced and in accordance with state statute, the revenue will be used to defray the costs of the replacement facilities.

Contact

Comptroller, Department of Military Affairs
20 West 12th Street
Saint Paul, Minnesota 55155
Phone: (651) 268-8948

Additional information may also be accessed at the department's web site at www.dma.state.mn.us.

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT
 Activity: AUXILIARY SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Misc Special Revenue	205	342	338	338	676
Statutory Appropriations					
Misc Special Revenue	0	150	150	150	300
Total	205	492	488	488	976
<u>Expenditures by Category</u>					
Capital Outlay & Real Property	0	150	150	150	300
Local Assistance	205	342	338	338	676
Total	205	492	488	488	976

Activity Description

STARBASE Minnesota’s purpose is to increase the knowledge and skills of inner city youth in science, mathematics, and technology using an aerospace environment to motivate and inspire students. This activity exists to provide a “pass through” for federal funding for the STARBASE program.

Activity at a Glance

STARBASE is an accredited educational program providing;

- ◆ a 20-hour program to
- ◆ 2,500-2,600 inner city school students each year.

Population Served

Each year, STARBASE serves 2,500-2,600 inner city youth primarily from Minneapolis and St. Paul inner city schools.

Services Provided

The goal of STARBASE is to increase the knowledge, skills, and interests of inner city youth in science, mathematics, and technology through aerospace. By providing a mix of hands-on, real world learning activities, and scientific experimentation and exploration, students are inspired to learn from unique educational experiences rarely found in traditional classroom settings. STARBASE provides educational services to 4th, 6th, and 8th grade students throughout the school year and summer through 20-hour, standards-based programs. Pre and post assessments measure student gains in knowledge, skills, and attitudes in science, math, and technology and in their awareness of careers.

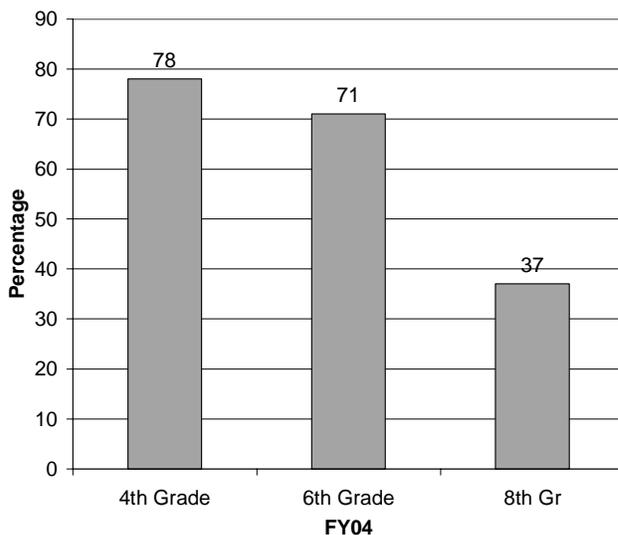
Historical Perspective

The STARBASE program was started in 1993 serving just under 1,000 students. The interest in STARBASE and the support of its programs has steadily increased and by 6-30-2006 STARBASE has served over 25,000 students.

Key Measures

STARBASE utilizes a multi-pronged assessment and evaluation process in order to measure effectiveness of programs in meeting the STARBASE mission. By the end of FY 2005, graduates of the program improved their knowledge and application of math and science skills, measured by pre and post testing. Students in grades four and six made gains of 71-78% from pre to post test, and the eighth grade students who are in summer school due to academic challenges made gains of 37%. Numerous other reports are utilized to analyze data to identify gaps of understanding and to drive curriculum and instructional decisions.

Percentage Improvement by Grade Level



Activity Funding

Funding for this activity to date has been 100% federal.

Contact

For further information about STARBASE, contact:
Executive Director, STARBASE
659 Mustang Avenue
Saint Paul, Minnesota 55111-4128
Phone: (612) 713-2530

You may also visit the organization's web site at <http://www.starbasemn.org>.

MILITARY AFFAIRS DEPT
 Program: GENERAL SUPPORT
 Activity: STARBASE MINNESOTA

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Federal	530	530	540	540	1,080
Total	530	530	540	540	1,080
<u>Expenditures by Category</u>					
Local Assistance	530	530	540	540	1,080
Total	530	530	540	540	1,080

Program Description

Incentives for Minnesota citizens to join and remain in the National Guard are authorized by M.S. 192.501, enacted by the legislature in 1989 and amended by the legislature five times, most recently in 2005.

Population Served

This activity provides the funding for the state's enlistment incentives program for 12,975 members of the Minnesota Army and Air National Guard.

Program at a Glance

This program provides enlistment incentives used in FY 2006 by:

- ◆ 2,523 (19%) of Minnesota National Guard Members.

Services Provided

The **Tuition Reimbursement** program has not only helped the Minnesota Army and Air National Guard enlist and retain members, it has provided educational opportunities to many members who may not otherwise be financially able to attend school. National Guard members must be prepared to perform a military mission if called, but more practically, they add more value to their state and community if they pursue post secondary education. Tuition reimbursement is not guaranteed and soldiers and airmen must attain a minimum grade of C in their course(s) in order to receive reimbursement.

The **Extended Tuition Reimbursement** program started in FY 2006 as a way for soldiers and airmen who have been ordered to active federal service to utilize their tuition reimbursement benefit after satisfactorily completing their service contracts. The additional time for utilization of the program is meant to provide those service members that have been called to active service with additional time to complete their education. Tuition Reimbursement is available to these soldiers and airmen for two years, plus the time of federal service, after they separate from the Minnesota National Guard.

State Re-enlistment Bonuses are paid to members of the Minnesota National Guard that have between six and twelve years of service. The state offers up to a \$5,000 bonus for a six year extension of service. The bonus is paid in increments of \$1,000 a year until the maximum amount is reached. This incentive greatly aids in the retention of mid-career soldiers and airmen, keeping their valuable experience in service.

Commissioning Bonuses are also paid to some members. A commissioning bonus is designed to attract and encourage quality members of the Minnesota National Guard to become officers or warrant officers within the organization. The state offers a \$1,000 bonus to enlisted members receiving a commission through federal OCS (Officer Candidate School), state OCS, or Air Guard COTS (Commissioned Officer Training School).

Historical Perspective

The keystone of the incentives program is the **tuition reimbursement** program. Beginning in FY 2006, tuition reimbursement began funding 100% of tuition costs up to the undergraduate rate at the University of Minnesota – Twin Cities Campus. Until FY 2006, funding levels varied from 50% to 80%. 100% funding is a great incentive for soldiers and airmen to join the Minnesota National Guard and further their education. The tuition reimbursement program allows the Minnesota National Guard to compete with neighboring states. The commitment made to assist with higher education costs is a tangible measure of how the state of Minnesota strives to support the soldiers and airmen of the Minnesota National Guard.

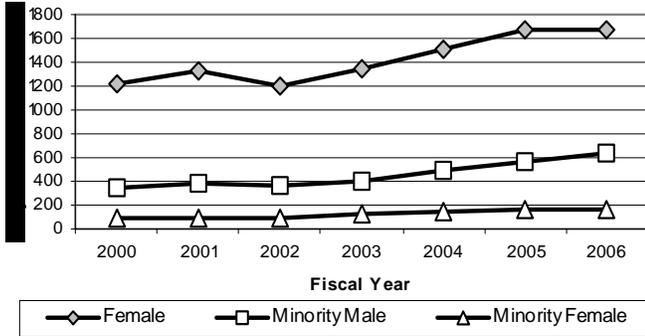
Enlistment incentives are now more critical to our program than ever before. Minnesota National Guard members are being called to active service in numbers greater than any in recent history. These activations often place great strains on work and family life. Incentives are needed to encourage members to maintain their affiliation with the National Guard.

Key Measures

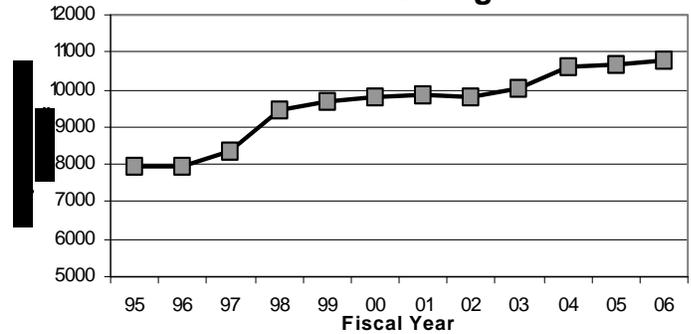
The state tuition reimbursement has proven effective in attracting women and minorities. The following tables show the increase in minority and female membership in the Army National Guard and total personnel strengths of the Army National Guard over the past five years. The numbers show a positive correlation between the

incentives program and the recruitment and retention of members in general and of females and minorities in particular.

Effect on Female/Minority Participation



Effect on Total Strength



Program Funding

All of the funding for this program is provided from the state General Fund. 92% of the funding is spent on tuition reimbursement, 7% on bonuses, and 1% on overhead costs – primarily salary.

Contact

For further information, contact:
 Incentive and Educational Services Officer
 Department of Military Affairs
 20 West 12th Street
 Saint Paul, Minnesota 55155-2098,
 Phone: (651) 282-4590

Additional information is also available at the department’s web site at <http://www.dma.state.mn.us/>

MILITARY AFFAIRS DEPT
 Program: ENLISTMENT INCENTIVES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,207	10,207	10,207	10,207	20,414
Subtotal - Forecast Base	10,207	10,207	10,207	10,207	20,414
Governor's Recommendations					
Compensation Adjustment		0	2	4	6
Total	10,207	10,207	10,209	10,211	20,420
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,892	9,908	10,903	11,929	22,832
Total	7,892	9,908	10,903	11,929	22,832
<u>Expenditures by Category</u>					
Total Compensation	83	108	113	119	232
Other Operating Expenses	1	0	0	0	0
Payments To Individuals	7,808	9,800	10,790	11,810	22,600
Total	7,892	9,908	10,903	11,929	22,832
<u>Expenditures by Activity</u>					
Enlistment Incentives	7,892	9,908	10,903	11,929	22,832
Total	7,892	9,908	10,903	11,929	22,832
Full-Time Equivalent (FTE)	1.6	1.6	1.6	1.6	

Program Description

Statutes require that the National Guard be available for state active duty when the governor orders the Guard to support local law enforcement authorities in time of civil disorder, natural disaster, or other emergencies (M.S. 190.02).

Program at a Glance

Since FY 1998, the National Guard has responded to:

- ◆ 44 calls to state active duty; providing
- ◆ 64,721 “man-days” of support.

Population Served

This program serves the governor, the Department of Public Safety, local law enforcement agencies, and the citizens of the state in times of emergencies.

Services Provided

The department is able to partner with and leverage all of the resources of the Army and Air National Guard. The training and equipping of the National Guard is funded totally by federal dollars. Over \$1 billion worth of federally owned military aircraft and other equipment is available to the governor to support the state in times of emergency. There is no expense to the state for this equipment except for operating costs, and repair or replacement if damaged during emergency operations.

Typical services provided include rescue, security, transport of supplies and equipment, helicopter fire-fighting, and some work to limit further destruction of public and personal property.

Historical Perspective

Over the last several years, the National Guard has been called to state active duty much more often than ever before for a variety of missions including: floods, missing person searches, storms/tornados, firefighting, and providing essential health and care services to residents of state regional treatment center, veterans’ homes, and community-based residences.

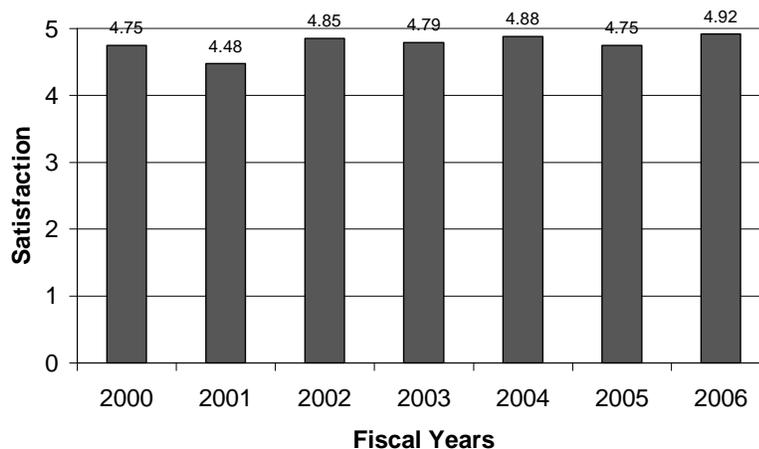
National Guard Support

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Mandays	31,075	726	1,091	4,241	22,342	2,573	474	967	1232

Key Measures

One of the measures of effective activity performance is the satisfaction survey that is filled out by supported organizations/agencies. On a scale of one to five (one being poor and five being excellent), respondents are asked a series of questions which gauge their satisfaction with the response of the National Guard to the supported activities. The following chart shows the average of the responses for the last seven fiscal years.

Satisfaction Index



Program Funding

The Department of Military receives no direct appropriation for this activity. When an emergency is declared by the governor, the department requests funds through an open appropriation under M.S. 192.52. When emergencies are declared federal disasters, the department applies for federal reimbursement on behalf of the state. Costs are then reimbursed at varying levels (50% to 100%) and when received are deposited to the state's General Fund.

Contact

Military Support Officer, Department of Military Affairs
20 West 12th Street
Saint Paul, Minnesota 55155-2098
Phone: (651) 282-4554.

Additional information may be accessed at the department's web site at <http://www.dma.state.mn.us/>.

MILITARY AFFAIRS DEPT
 Program: EMERGENCY SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Open Appropriations					
General	528	653	414	477	891
Total	528	653	414	477	891
<u>Expenditures by Category</u>					
Total Compensation	288	240	287	327	614
Other Operating Expenses	240	413	127	150	277
Total	528	653	414	477	891
<u>Expenditures by Activity</u>					
Emergency Services	528	653	414	477	891
Total	528	653	414	477	891
Full-Time Equivalent (FTE)	0.1	0.0	0.0	0.0	

MILITARY AFFAIRS DEPT

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$57	\$115	\$115	\$115
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$57	\$115	\$115	\$115

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

MILITARY AFFAIRS DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Other Sources:					
General	2	2	2	2	4
Total Non-Dedicated Receipts	2	2	2	2	4
<u>Dedicated Receipts:</u>					
Grants:					
Misc Special Revenue	488	687	700	725	1,425
Federal	30,124	62,624	106,964	73,659	180,623
Other Revenues:					
General	74	1	1	1	2
Misc Special Revenue	0	150	150	150	300
Federal	120	5	5	5	10
Other Sources:					
Misc Special Revenue	63	0	0	0	0
Total Dedicated Receipts	30,869	63,467	107,820	74,540	182,360
Agency Total Revenue	30,871	63,469	107,822	74,542	182,364

Federal Program (\$ in thousands)	Primary Purpose	SFY 2006 Revenues	Related SFY 2006 Spending	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
Armory Construction	SO	1,045	500	1,045	15,000	19,000	45,000
Logistical Facilities	SO	0	None	0	20,000	33,800	1,360
Air Base Duluth	SO	3,300	390	3,300	3,400	3,500	3,500
Air Base Mpls	SO	1,150	380	1,150	1,200	1,300	1,350
Camp Ripley Construction	SO	0	None	0	930	22,330	0
Environmental/Communications	SO	3,420	None	3,420	3,500	3,550	3,600
STARBASE	SO	530	None	530	530	540	540
Agency Total		9,445	1,270	9,445	44,560	84,020	55,350

Key:
 Primary Purpose
 SO = State Operations
 GPS = Grants to Political Subdivision
 GI = Grants to Individuals
 GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item

Agency Purpose

The Minnesota Historical Society (Society) was created by the Territorial Legislature in 1849 as one of the first educational and cultural institutions in Minnesota.

Today, the Society serves a statewide audience through programs and services at the History Center in the Capitol Complex in St. Paul and through a statewide network of historic sites and museums.

The **Mission** of the Society is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past, and find purpose for the future.

The **Mission** is carried out by:

- ◆ providing opportunities for people of all ages to learn about the history of Minnesota;
- ◆ collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and
- ◆ encouraging and doing research in Minnesota history.

The Society's **Vision** is: To serve as an educational institution providing a variety of historical programs and services. Through these activities we help people gain meaning for their lives. The Society is a creative and dynamic institution, documenting life in Minnesota and offering programs that are at once educational, engaging, and entertaining.

The Society is governed by an Executive Council of 30 members who are responsible for establishing major policies and monitoring the quality of its programs and services.

Core Functions

The Society serves the citizens of Minnesota through a variety of programs and services. Major operations are as follows:

Historical Programs and Education Division,
Departments include:

- ◆ Historic Preservation, Field Services, and Grants
- ◆ Archaeology
- ◆ History Center Museum and Education
- ◆ Enterprise Technology and Business Development

Historic Sites and Museums Division

- ◆ 32 historic sites statewide
- ◆ Mill City Museum

At A Glance

Two-year operating budget:

- ◆ \$46.65 million in state General Funds (FY 2006-07 appropriated)
- ◆ \$25.002 million in non-state funds including earned revenue, gifts, grants, etc. (FY 2004-05 estimated)

The Society serves, each year:

- ◆ Nearly 700,000 visitors served at historic sites and museums
- ◆ Nearly 225,000 visitors served at History Center museum
- ◆ Nearly 240,000 school children on organized programs and sites and History Center
- ◆ Over 6.5 million "visitor sessions" on the Society's web site, www.mnhs.org

This work is carried out by

- ◆ 180.3 full-time employees (FTE)
- ◆ 191.0 part-time and seasonal employees (FTE)

The Society preserves over one million items in collections, including three-dimensional objects, artifacts, books, maps, photos, government records, and archaeological artifacts for the benefit of Minnesotans of today and of the future.



Library, Publications and Collections Division, Departments include:

- ◆ Collections
- ◆ Reference
- ◆ State Archives
- ◆ Collections Management
- ◆ MHS Press

External Relations Division, Departments include:

- ◆ Marketing and Communications
- ◆ Government Relations
- ◆ Development

**Human Resources and Volunteer Services
Finance and Administration**

Budget

The Society is supported by state appropriations of approximately \$23.2 million each year, for operation of the History Center (including building services and debt service, for which approximately \$5.5 million each year is transferred to the Department of Administration), the Historic Sites Network and other activities (including State Archives), the History Center Museum, the History Center Library, the State Historic Preservation Office, and numerous other functions.

In addition, the Society is supported by non-state funds, including earned revenue, gifts, and grants.

Contact

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Minnesota Historical Society Homepage:
www.mnhs.org

Web sites
MHS Web links:
History Center information:
<http://www.mnhs.org/places/historycenter/index.html>

Library: Including catalogs, special databases, and genealogy information:
<http://www.mnhs.org/library/index.html>

Minnesota Place Names:
<http://mnplaces.mnhs.org/index.cfm>

Upcoming Events:
<http://www.mnhs.org/events/index.html>

Membership Information:
<http://www.mnhs.org/about/members/index.html>

Minnesota's Historic Sites Network
For further information about MHS Historic Sites:
<http://www.mnhs.org/places/sites/index.html>

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	23,317	23,333	23,083	23,083	46,166
Recommended	23,317	23,333	26,455	24,347	50,802
Change		0	3,372	1,264	4,636
% Biennial Change from 2006-07					8.9%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	23,317	23,333	26,455	24,347	50,802
Statutory Appropriations					
Misc Special Revenue	898	898	898	898	1,796
Federal	340	340	340	340	680
Gift	14,673	14,673	14,673	14,673	29,346
Total	39,228	39,244	42,366	40,258	82,624
<u>Expenditures by Category</u>					
Total Compensation	20,552	21,274	22,239	23,221	45,460
Other Operating Expenses	15,424	14,893	14,977	13,984	28,961
Capital Outlay & Real Property	450	283	275	266	541
Local Assistance	680	672	2,753	665	3,418
Other Financial Transactions	2,122	2,122	2,122	2,122	4,244
Total	39,228	39,244	42,366	40,258	82,624
<u>Expenditures by Program</u>					
Education & Outreach	25,589	25,589	27,945	26,103	54,048
Preservation & Access	13,285	13,285	13,966	13,784	27,750
Pass Through Appropriations	354	370	455	371	826
Total	39,228	39,244	42,366	40,258	82,624
Full-Time Equivalents (FTE)	348.4	371.3	371.3	371.1	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	23,333	23,083	23,083	46,166
Technical Adjustments				
Biennial Appropriations		84	0	84
Subtotal - Forecast Base	23,333	23,167	23,083	46,250
Change Items				
History Center Building Lease Costs	0	500	500	1,000
Sesquicentennial Commission	0	2,000	0	2,000
Preservation of Historic Flags	0	308	0	308
Minnesota Military Museum	0	201	201	402
Compensation Adjustment	0	279	563	842
Total Governor's Recommendations	23,333	26,455	24,347	50,802
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	898	898	898	1,796
Total Governor's Recommendations	898	898	898	1,796
Fund: FEDERAL				
Planned Statutory Spending	340	340	340	680
Total Governor's Recommendations	340	340	340	680
Fund: GIFT				
Planned Statutory Spending	14,673	14,673	14,673	29,346
Total Governor's Recommendations	14,673	14,673	14,673	29,346

Program Description

The Education and Outreach Program supports the Minnesota Historical Society’s mission by “providing opportunities for people of all ages to learn about the history of Minnesota.” This program includes:

- ◆ Historic sites and museums programs (including History Center and Mill City Museum)
- ◆ Educational programs, including school programs, museum programs, family programs, and public programs
- ◆ Exhibits at History Center and historic sites
- ◆ MHS Press
- ◆ State Historic Preservation Office and Field Services office
- ◆ Information Technology, Human Resources and Finance Departments (also partly included in Preservation and Access Program)
- ◆ History Center Building and Debt Service (also partly included in Preservation and Access Program)

Program at a Glance

The Minnesota Historical Society (MHS) serves the public through:

- ◆ 32 historic sites statewide
- ◆ History Center Museum program, including exhibitions, educational, and public programs
- ◆ 50-75 grants made annually, as well as technical assistance provided to local historical organizations to further statewide history efforts
- ◆ 25 books published by the MHS Press in FY 2006
- ◆ www.mnhs.org - the Society's web site, a comprehensive source of information about MHS Historic Sites and History Center programs and activities, including access to the Society's collections

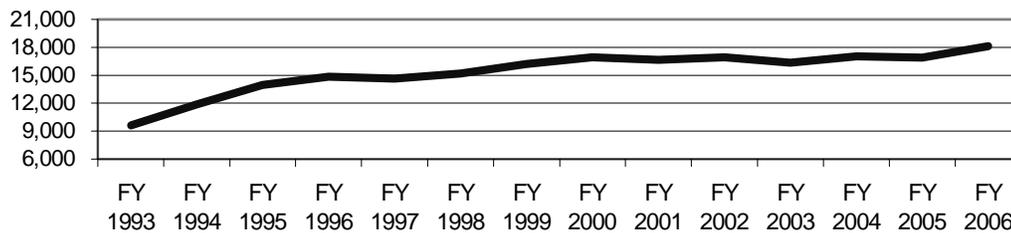
Population Served

Through this program, the Society serves, each year:

- ◆ Nearly 225,000 visitors to the History Center;
- ◆ Nearly 600,000 visitors served at historic sites statewide; and
- ◆ Nearly 240,000 school children on organized programs at historic sites and museums.

Activities within this program serve visitors from Minnesota and beyond, providing an important component of Minnesota’s \$9 billion tourism sector.

Membership

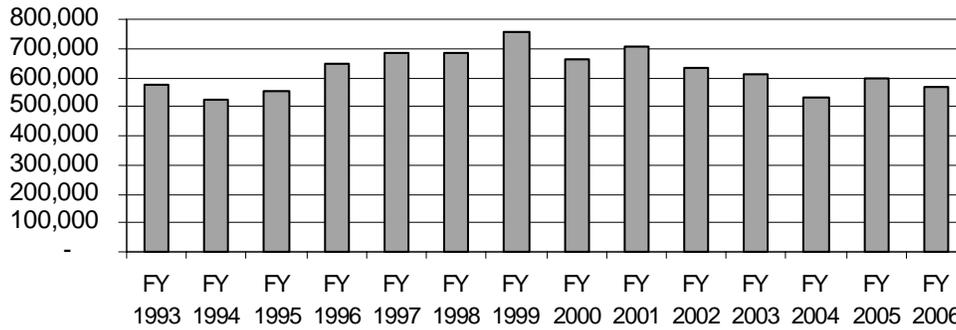


Services Provided

The Education and Outreach program provides the following services to the people of Minnesota:

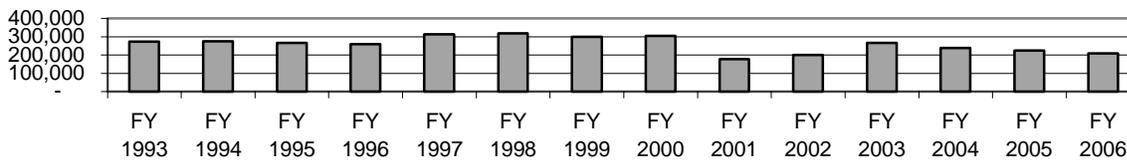
⇒ *Historic Sites Network* - Minnesota’s statewide network of 32 historic sites was created in 1965 by the Minnesota Legislature under M.S. 138.661-669. By providing visitors with the unique experience of learning about history where it happened, the Network has added richness to the educational and recreational life of Minnesotans and out-of-state visitors, and is an important element of the state’s tourism economy. To provide this service to Minnesotans, the Society preserves 115 structures, many of which are over 100 years old.

Historic Sites Attendance



⇒ *Exhibits and Museum Program* - Exhibits at the History Center and throughout the Historic Sites Network provide visitors with creative methods to learn about Minnesota’s past. Costumed guides, interactive multi-media installations, and “hands-on” artifacts tell Minnesota’s story in meaningful and memorable ways.

History Center Museum Attendance



⇒ *Education* - As a central part of our mission, the Society provides public programs for students of all ages. They include lectures, programs geared to students in the classroom, those who visit the History Center and use exhibits as a learning tool, and those who visit historic sites on field trips. Many of these school visits are related to material in *Northern Lights*, the Minnesota history curriculum developed by the Society and widely used in the state’s schools.

One rapidly growing Society-coordinated educational program is History Day, which began with just over 100 participants in the early 1990s. Nearly 30,000 students now participate in this annual program, in which junior and senior high school students undertake original research projects, developing a variety of essential communications skills. In recent years, Minnesota students have taken numerous awards in the National History Day competition. It is expected that History Day will continue to grow, in part due to its applicability to meeting graduation standards.

⇒ *Minnesota Historical Society Press* - The MHS Press, the oldest publisher in the state helps to fulfill the Society’s mission by providing materials for readers interested in Minnesota’s past. Through popular and scholarly titles, the MHS Press not only encourages research, but it also helps a wider audience learn about Minnesota history. The number of units shipped by the publications area (including books, tapes, CDs, posters) has shown steady increases each year over the past decade, with 25 books published in FY 2006.

⇒ *Historic Preservation and Field Services* - The Society, as directed by state and federal law, serves as Minnesota’s State Historic Preservation Office (SHPO). This office maintains the *National Register of Historic Places* for properties in Minnesota, provides reviews for compliance with applicable federal laws, and educates the public about the values and benefits of maintaining cultural resources and the historic environment. In 2005, the SHPO conducted over 3,000 reviews of state and federal projects to ensure compliance with applicable laws. In addition, the office conducts reviews of applications for the various competitive, matching grant programs administered by the Society, and it helps to coordinate the Society’s contact with the state’s 450 county and local historical organizations. Through matching requirements, state funds are leveraged to accomplished projects with minimal state investment.

⇒ *Information Technology* - The use of information technology has enhanced the Society's ability to deliver programs and collections to the public. The Society's web site (www.mnhs.org) is an active destination for researchers and users of the History Center, historic sites, educational programs, and public events. In FY 2006, there were over 6.5 million "visitor sessions." Among the top destinations on the Society's web page were pages with information about death records, the National Register of Historic Places, the Historic Sites Network and specific sites, and other popular programs.

Contact

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Web sites, relating to MHS and the Education and Outreach Program:

Minnesota Historical Society homepage: <http://www.mnhs.org>

Minnesota History Center General Information: <http://www.mnhs.org/places/historycenter/index.html>

Historic Sites Network (with links to specific sites): <http://www.mnhs.org/places/sites/index.html>

State Historic Preservation Office (with links to National Register of Historic Places, grants information):
<http://www.mnhs.org/preserve/shpo/index.html>

MHS Press: <http://www.mnhs.org/market/mhspress/index.html>

School and Educational Programs: <http://www.mnhs.org/school/index.html>

HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	13,191	13,191	13,141	13,141	26,282
Subtotal - Forecast Base	13,191	13,191	13,141	13,141	26,282
Governor's Recommendations					
History Center Building Lease Costs		0	250	250	500
Sesquicentennial Commission		0	2,000	0	2,000
Compensation Adjustment		0	156	314	470
Total	13,191	13,191	15,547	13,705	29,252
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	13,191	13,191	15,547	13,705	29,252
Statutory Appropriations					
Misc Special Revenue	898	898	898	898	1,796
Federal	340	340	340	340	680
Gift	11,160	11,160	11,160	11,160	22,320
Total	25,589	25,589	27,945	26,103	54,048
<u>Expenditures by Category</u>					
Total Compensation	13,054	13,403	13,991	14,583	28,574
Other Operating Expenses	10,761	10,436	10,213	9,789	20,002
Capital Outlay & Real Property	264	261	256	250	506
Local Assistance	322	301	2,297	293	2,590
Other Financial Transactions	1,188	1,188	1,188	1,188	2,376
Total	25,589	25,589	27,945	26,103	54,048
<u>Expenditures by Activity</u>					
Hist Sites, Mus, Statewide Sv	21,800	21,741	21,847	22,005	43,852
Information & Program Delivery	722	781	2,781	781	3,562
Hist Ctr Bldg & Debt Service	3,067	3,067	3,317	3,317	6,634
Total	25,589	25,589	27,945	26,103	54,048
Full-Time Equivalents (FTE)	228.3	243.4	243.4	243.2	

HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Change Item: History Center Building Lease Costs

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$500	\$500	\$500	\$500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$500	\$500	\$500	\$500

Recommendation

The Governor recommends \$1 million of new funding in FY 2008-09 to replace the heating, ventilation and air conditioning (HVAC) control system and for lease rate increases at the Minnesota History Center.

Background

The Minnesota History Center is a gathering place where school children, families, tourists, and senior citizens come to learn about their past. It also houses Minnesota's legacy, which consists of material – archives, manuscripts, and three-dimensional collections – that help interpret our rich past to today's and future generations. Building services rates and costs are determined by the Department of Administration (DOA).

This initiative has three major cost drivers:

- ⇒ Increased cost of heat and electricity, and the salary and benefit costs of DOA's maintenance staff.
- ⇒ The previous rent did not recover actual costs, which forced DOA to borrow funds from its maintenance reserve, which is normally used to finance large, infrequent repairs. Those loans now have to be repaid.
- ⇒ The cost of replacing the HVAC control system.

If this initiative is not funded, other reductions in staff and service could result. If the HVAC system controls are not replaced, energy and personnel costs would increase, and failing environmental conditions could potentially put collections in jeopardy.

Relationship to Base Budget

This initiative represents an approximately 2% increase to the Minnesota Historical Society base budget.

Key Measures

Replacement of the outdated HVAC control systems will ensure the efficient operation of the History Center's climate control systems, avoiding increased utility costs and damage to existing collections resulting from inefficient systems.

Statutory Change: Not Applicable

HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Change Item: Sesquicentennial Commission

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$2,000	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$2,000	0	0	0

Recommendation

The Governor recommends a one-time appropriation of \$2 million to the 2008 Minnesota Sesquicentennial Commission to help plan and underwrite partial costs of Sesquicentennial themed events and projects at the state, regional and local level with some limitations. Of the state appropriation, no more than \$500,000 can be used for Commission staff, administration and support costs. Of this amount, at least \$750,000 must be reserved for competitive local matching grants for planning and supporting local events and projects. The remainder can be used for planning and support of statewide activities.

Background

The 2008 Sesquicentennial Commission was established by the 2005 Legislature and provided a start-up appropriation of \$100,000 (\$50,000 per year) for the FY 2006-07 biennium. At that time, the commission was also given authority to solicit and raise additional funds from the private sector.

The new state funding, combined with private contributions, will make it possible for the commission to accomplish its purpose, mission of planning, promoting, and overseeing celebrations that recognize Minnesota's 150th anniversary of statehood. The commission's goals include,

- ◆ achieving broad participation of the people of Minnesota, visitors, local communities, institutions and organizations in activities across the state;
- ◆ raising awareness and educating Minnesotans by telling the stories of our past, recognizing the indigenous people of Minnesota, learning from them and the many ethnic groups that have come and continue to be a part of Minnesota;
- ◆ developing a shared vision for the state's future, by engaging Minnesotans in civic dialogue;
- ◆ leaving a lasting legacy through print, visual, musical, and other reminders, as well as media documentation;
- ◆ so that all might have a meaningful perspective on the impact our state has had in the past.

The commission believes that the 150th year celebration will bring significant pride and value to the state and that it will advance the state's economic and cultural development. The commission will oversee the use of the recommended state funds and use private funds to expand and accelerate its activities. It will engage additional staffing and volunteers, plan for the statewide celebration events, make grants to organizations in 87 Minnesota counties and assist with their respective projects.

The commission is confident that this strategy will work because of the experience of sesquicentennial statehood celebrations in Ohio, Wisconsin, and California. The individuals who planned those celebrations report that their state funding helped leverage large amounts of additional support from private sources. In Wisconsin, the small grants to local entities was a catalyst for increased participation across the state.

The influence of state funding will show in different ways. Many partner organizations receiving grants will go beyond the required matches for their grants and raise additional resources to make their projects very successful. The commission will attract additional individual and corporate donors who will participate because the state is providing matching funds. Procedures for the matching opportunity will be posted on the commission's web site: www.mn150years.org. This will enable broad participation by interested citizens and organizations throughout the state.

HISTORICAL SOCIETY

Program: EDUCATION & OUTREACH

Change Item: Sesquicentennial Commission

Relationship to Base Budget

There is no base budget established for the commission.

Key Measures

The commission's performance will be measured by:

- ◆ The amount of local match and private funds raised to achieve our goals
- ◆ The number, kind and impact of grants made to partnering organization
- ◆ The number and cross-section of Minnesota people participating the commission's work and events, such as attendance at events, and number of hits on the commission's websites.

Statutory Change: The commission is requesting legislative clarifications and some enhancements to provide the commission clear authority to do what the Legislature intended.

Program Description

This program helps to fulfill the Minnesota Historical Society's (Society's) mission of "collecting and caring for materials that document human life in Minnesota, and making them known and accessible to people in Minnesota and beyond." Through a variety of public programs, the Society preserves paper, artifacts, and other media that document Minnesota history.

Population Served

In addition to acquiring, processing, and conserving collections, the Society annually serves the following number of customers through the Preservation and Access Program:

- ◆ 39,000 patrons served, including:
- ◆ 29,500 in person inquiries at the History Center Library
- ◆ 6,700 inquiries by telephone
- ◆ 3,052 inquiries by mail and email
- ◆ In addition, the Society's web site has experienced large increases in usage, especially as more collections-related information has been added to the web site. In 2006, over 6.5 million "visitor sessions" occurred on www.mnhs.org. Among the more popular pages on the site are collections catalogs and specific resources, such as the Visual Resources Database and the Minnesota Death Records Database.

Program at a Glance

The Society currently holds for and makes accessible to the people of Minnesota:

- ◆ 415,054 books, pamphlets and periodicals
- ◆ 36,538 cubic feet of manuscripts and 5,922 reels of microfilmed manuscripts
- ◆ 54,743 cubic feet of government records and 11,853 reels of microfilmed records
- ◆ 21,327 maps and atlases
- ◆ 500,000 photographs, albums, and collections
- ◆ 6,100 works of art
- ◆ Over 1.5 million archaeological artifacts
- ◆ Four million issues of 4,000 Minnesota newspapers on 69,484 reels of microfilm
- ◆ Over 260,000 historical artifacts

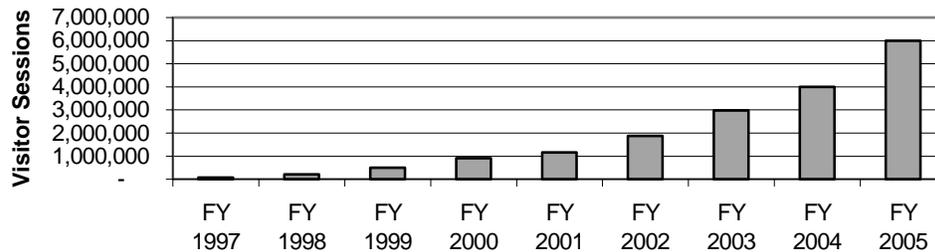
Services Provided

Through this program, the Society provides a number of services to the public to preserve and make collections available today and for future generations:

- ⇒ *Library* -- The History Center Library makes accessible to nearly 40,000 patrons each year the written, visual, and oral history materials relating to Minnesota's past.
- ⇒ *State Archives* -- The Minnesota Historical Society is statutorily responsible for working with state and local units of government to evaluate the historical importance of all of Minnesota's governmental records and arrange for their permanent preservation or disposal. This activity has experienced constant growth, and is continuing to examine how best to handle records that are increasingly more complex and varied in their form and media.
- ⇒ *Processing and Conservation* -- Materials selected for inclusion in the Society's collections are organized, catalogued, and treated to ensure their long-term stability and usability.
- ⇒ *Repair and Replacement* -- Since many of the Society's buildings are more than 100 years old, caring for them presents unique, and usually costly, challenges. This activity provides for ordinary but necessary repairs for structures in the History Center and in the Historic Sites Network.
- ⇒ *Archaeology* -- The archaeology department provides help to the public and other departments of the Society. Recent work has included assistance with historic sites capital projects such as the Sibley Historic Site, the Lindbergh House Historic Site and the Mill City Museum in Minneapolis.
- ⇒ *Information Technology* -- The use of information technology has enhanced the Society's ability to deliver programs and collections to the public. The Society's web site (www.mnhs.org) is an active destination for researchers. In the last year, there were over six million "visitor sessions." To date, nearly 200,000 records including 120,000 digital images are available, including photographs, artwork, and posters from the Society's

collection. In addition, an online index of 1.7 million death certificates recorded between 1908 and 1959 was recently launched, and has become one of the most popular destinations on the web site.

Web Site Users



Historical Perspective

A significant part of the Society’s mission involves the collection, conservation, and preservation of the state’s cultural heritage and governmental records. The Society started this undertaking in 1849, even before Minnesota became a state. Over the years, the Society has successfully adapted to changing technology, beginning with the introduction of microfilming methods in the mid-twentieth century. In recent years, the Society has begun to offer these resources to the public through the internet. While we will never “digitize” all of the collections, we have begun to offer catalog information about the collections to researchers and genealogists. (The death records collection is a good example of this.) Our continuing challenge is to determine the best ways to continue to collect and preserve these materials, while using the latest technology to deliver them to the public.

Contact

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Web sites, relating to MHS and the Preservation and Access Program:

Minnesota Historical Society homepage: <http://www.mnhs.org>

Library: including catalogs, special databases and genealogy information:
<http://www.mnhs.org/library/index.html>

PALS - Online catalog to MHS collections:
<http://www.pals.msus.edu/cgi-bin/pals-cgi?palsAction=newSearch&setWeb=MHSCATT>

Visual Resources Database (including photograph collections) <http://collections.mnhs.org/visualresources/>

Death Records Index site: <http://people.mnhs.org/dci/Search.cfm>

HISTORICAL SOCIETY

Program: PRESERVATION & ACCESS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,772	9,772	9,772	9,772	19,544
Subtotal - Forecast Base	9,772	9,772	9,772	9,772	19,544
Governor's Recommendations					
History Center Building Lease Costs		0	250	250	500
Preservation of Historic Flags		0	308	0	308
Compensation Adjustment		0	123	249	372
Total	9,772	9,772	10,453	10,271	20,724
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,772	9,772	10,453	10,271	20,724
Statutory Appropriations					
Gift	3,513	3,513	3,513	3,513	7,026
Total	13,285	13,285	13,966	13,784	27,750
<u>Expenditures by Category</u>					
Total Compensation	7,498	7,871	8,248	8,638	16,886
Other Operating Expenses	4,663	4,457	4,764	4,195	8,959
Capital Outlay & Real Property	186	22	19	16	35
Local Assistance	4	1	1	1	2
Other Financial Transactions	934	934	934	934	1,868
Total	13,285	13,285	13,966	13,784	27,750
<u>Expenditures by Activity</u>					
Collection Services	9,736	9,673	10,104	9,922	20,026
Information & Program Delivery	1,162	1,225	1,225	1,225	2,450
Hist Ctr Bldg & Debt Service	2,387	2,387	2,637	2,637	5,274
Total	13,285	13,285	13,966	13,784	27,750
Full-Time Equivalent (FTE)	120.1	127.9	127.9	127.9	

HISTORICAL SOCIETY

Program: PRESERVATION & ACCESS

Change Item: Preservation of Historic Flags

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$308	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$308	0	0	0

Recommendation

The Governor recommends one-time funding of \$308,000 for preservation of the Civil War era and Spanish-American War era battle flags housed at the Minnesota State Capitol in the Rotunda. The preservation of these flags will honor those who served our country in previous conflicts and will help Minnesotans of today and the future to learn about this important part of our history.

Background

The Minnesota State Capitol Rotunda houses 21 historic flags that were part of Minnesota's military history in the Civil War era and Spanish-American War era. Currently under the control of the Adjutant General, these flags are in desperate need of preservation by conservation professionals so that they will be preserved for the education and enjoyment of future Minnesotans and to honor those who served in previous conflicts.

This project will provide funding to restore these flags and provide adequate storage and display space for them. Current conservation and display methods are detrimental to the condition of the flags.

If appropriated, these state funds would provide a non-Federal match for a *Save America's Treasures* federal grant, for which an application will be made in the winter/spring of 2007. If federal *Save America's Treasures* funds are not provided, work can begin on those flags in most need of conservation in a phased approach.

Relationship to Base Budget

Currently, funding does not exist in the Minnesota Historical Society (MHS) base budget for this activity.

Key Measures

State funding at the recommended level, along with a *Save America's Treasures* grant, would provide funding for preservation of 21 flags, important artifacts that interpret and commemorate Minnesota's military history.

Statutory Change: According to statute, the flags are currently under the control of the Minnesota Adjutant General. The MHS has agreed to take custody of the flags, when funding becomes available, to carry out the conservation work called for in this budget initiative. This transfer would require a statutory change.

Minnesota International Center (MIC)

Established in 1953 as a nonprofit, nonpartisan organization, the MIC mission is to inspire our community to understand global issues and cultures in an ever changing world. Serving as Minnesota’s Door to the World, MIC provides international education programs in the classroom, the community, the workplace and the home. MIC is a member-supported organization with more than 2,000 individual members, 36 corporate members and benefits from the services of more than 1,000 volunteers.

In the classroom, MIC’s International Classroom Connection (ICC) program brought the world first-hand to more than **16,000** children in K-12 schools with **72** international presenters from **38** countries. Nearly **600** presentations helped enhance students’ knowledge of the changing world and encourage respect for diversity and other cultures.

In the workplace, MIC’s International Visitor Leadership program (IVLP) coordinates professional meetings between international emerging leaders, visiting the U.S. as guests of the U.S. Department of State, and their Minnesotan counterparts. This mutually beneficial program allows for the exchange of ideas and best practices. Last year, nearly **300** Minnesota companies and organizations met with **322** visiting professionals from **99** countries. In the home, MIC also offers Minnesotans the opportunity to host international professionals and students for dinner. In the 2005-06 program year, **368** international guests from **99** countries participated in **146** dinners in MIC’s member’s homes.

In the community, MIC encourages Minnesotans to explore international events through first-hand accounts by expert speakers. Last year, MIC sponsored and cosponsored **43** World Affairs events with an attendance of more than **9,000**. Speakers included His Excellency Tae-sik Lee, the Republic of Korea’s ambassador to the US as well as his counterpart, His Excellency Alexander Vershbow; Lech Walesa, former president of Poland; and James McGregor, former *Wall Street Journal* bureau chief in Beijing. MIC also sponsors *Great Decisions*, a statewide network of **46** discussion groups. In the 2005-06 program year, **394** meetings were held by these groups to discuss international issues and concerns.

Programs of the Minnesota International Center help encourage the citizens of Minnesota to have an international mindset while bringing national and international recognition to the state. MIC is the 6th largest of the 96 World Affairs Councils of America (WACA.) Its ICC schools program was recognized with the 2006 Carol Marquis Award for Excellence in Schools Programming at the WACA National Conference, and MIC’s IVLP manager was awarded the National Council for International Visitors (NCIV) Outstanding Program Agency Programmer Award at the 2006 NCIV National Meeting in Washington D.C.

Minnesota Military Museum

The Minnesota Military Museum, located at Camp Ripley, is operated by the Military Historical Society of Minnesota. It exists to document, preserve, and depict the stories and contributions of Minnesotans who have served in all branches of military service and on the home front in time of peace and war from Minnesota’s early years to the present. Exhibits and publications are intended to foster awareness and understanding of how armed conflicts and military institutions have shaped our state and national experience. The museum also functions as a major repository in Minnesota for historical military artifacts and records.

Our mission is state-oriented and we depend on state support. We receive no direct funds from the federal government, the military, or local government. Our self funding – gift shop sales, investment income, and contributions from veterans’ organizations and individuals – has grown steadily and accounts for over 75% of our operating revenue. Private fund-raising is hampered due to the museum’s location and the public’s perception that it’s a government-supported military activity.

Program at a Glance

The Minnesota Historical Society serves as the pass through agency for certain organizations determined by the Minnesota Legislature. Those organizations are:

- ◆ Minnesota International Center (MIC)
- ◆ Minnesota Military Museum
- ◆ Minnesota Air National Guard Museum
- ◆ Minnesota Agricultural Interpretive Center (Farmamerica)

At a glance:

- ◆ 13,000 visitors per year
- ◆ 65 tours per year
- ◆ 30,000 artifacts
- ◆ 7,000 books in reference library
- ◆ 160 archives in linear feet
- ◆ 12,000 photographs
- ◆ 1,400 volunteer hours worked last year

Minnesota Air Guard Museum

The Minnesota Air Guard Museum serves as a community resource for the preservation of aviation history, (especially military) offering activities and education for all ages.

The private, nonprofit Minnesota Air National Guard Historical Foundation, Inc. has the funding responsibility for the museum. The museum is located on the Minnesota Air National Guard Base at the Minneapolis/St. Paul International Airport. The Minnesota Air Guard owns most of the aircraft and displays them in an air park next to the museum.

Sources of Financial Support:

- ⇒ Membership has increased to 415. That is as high as it has been in recent years.
- ⇒ The \$19,000 state biennial grant represents 25% of our income.
- ⇒ Museum visitors have decreased over the last few years and as a result revenue is down. We expect about 11,000 visitors in 2002.
- ⇒ Private gifts and grants amount to about \$6,500, 10% of our revenue.

Minnesota Agricultural Interpretive Center (MAIC) AKA Farmamerica

Agency Vision and Mission Statement:

The vision of the MAIC is to teach people of all ages about our agricultural, food and environmental systems and their impact on our lives. The mission of the Minnesota Agricultural Interpretive Center is to carry out the vision through public and private partnerships and interactive experiences for visitors to the site. To accomplish this mission, MAIC maintains a 120-acre interpretive site and facilities located four miles west of Waseca on Waseca County Road 2. MAIC provides educational experiences for people of all ages.

Trends, Policies, and Other Issues Affecting the Demand for Services:

The governor and Minnesota state legislature commissioned the MAIC in 1978 to tell the important story of Minnesota's agriculture. It is a not-for-profit educational institution administered by a volunteer board of directors. The story of agriculture is being told through guided tours, hands-on experiential learning experiences, festivals, and exhibitions. Visitors travel on a one-mile timeline road and become involved in activities as they move to the prairie/pond/marsh to the settlement farm of the 1850s. They continue by the one-room schoolhouse, the country church, the 1920/1930s dairy farm, the feed mill, and the blacksmith shop/town hall. The next stop would be the Agri-Hall Museum and the 1970s farm exhibit. The final stop is the newly constructed Visitor's Center that has a modern farm exhibit that projects the future of agriculture.

Trends – technology changes, fewer people involved in farming:

With the tremendous technology changes going on in agriculture and with fewer people involved, there is more need and demand to tell the agriculture story – past, present, and future. In recent years, over 30,000 participated in the school and group tours, outreach programs, and festivals during June - September, as well as the All Hallows Eve and the Holiday Traditions events.

Continued improvements have been made to site facilities since 1978 on the original 120 acres. Facilities and improvements have been made to realize the goals to develop the site with safe and accessible facilities to support educational interpretive public programming about Minnesota's agriculture.

Significant progress has been made to provide necessary facilities in keeping with strategic plans with the most recent addition of the 10,000 square foot visitors center in 2000 and the security and accessibility improvements in 2001/2002. Presently, Farmamerica is focusing on maximizing use of those facilities and assuring that they are programmed and available to the public.

MAIC is Working to Expand Its Support Base:

With limited funds, it has accomplished much through the help of over 450 volunteers from 37 communities that conduct the programs.

Farmamerica is working aggressively to expand its funding base. It is continuing to develop new revenue sources including the expanded membership program, sponsorship program, naming rights program, annual fundraiser, and expanded user fee based programs and services. Donations and grant funds continue to be pursued for public programming.

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HISTORICAL SOCIETY

Program: PASS THROUGH APPROPRIATIONS

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	354	370	170	170	340
Technical Adjustments					
Biennial Appropriations			84	0	84
Subtotal - Forecast Base	354	370	254	170	424
Governor's Recommendations					
Minnesota Military Museum		0	201	201	402
Total	354	370	455	371	826
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	354	370	455	371	826
Total	354	370	455	371	826
<u>Expenditures by Category</u>					
Local Assistance	354	370	455	371	826
Total	354	370	455	371	826
<u>Expenditures by Activity</u>					
Mn International Center	43	42	43	42	85
Mn Air National Guard Museum	16	0	16	0	16
Mn Military Museum	67	0	268	201	469
Farmamerica	128	128	128	128	256
Otter Tail County Veterans Mus	100	0	0	0	0
Mn Agricultural Interp Ctr	0	200	0	0	0
Total	354	370	455	371	826

HISTORICAL SOCIETY

Program: **PASS THROUGH APPROPRIATIONS**

Change Item: **Minnesota Military Museum**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$201	\$201	\$201	\$201
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$201	\$201	\$201	\$201

Recommendation

The Governor recommends a General Fund increase of \$402,000 for the 2008-9 biennium for the Minnesota Military Museum. This funding will provide for staffing and materials to safeguard, conserve and restore artifacts, create new exhibits and prepare educational outreach materials in order to adequately document, preserve and depict the stories and contributions of Minnesotans who have served in all branches of military service and on the home front, in time of peace and war from Minnesota's early years to the present.

Background

Minnesota Military Museum, located at Camp Ripley, is the only museum in Minnesota dedicated exclusively to preserving and interpreting for the public the full story of our state's military history. As a small non-profit organization, it depends on state support to carry out its mission. Additional funding will allow it to strengthen its artifact collections management systems and staffing; create new exhibits, rework existing exhibits and make exhibits more interactive; expand educational materials and outreach efforts and assist with museum administrative support.

Relationship to Base Budget

The Minnesota Military Museum currently receives a state appropriation of \$33,500 each year. This amount is supplemented by fundraising and admissions revenue. The organization operates on a total annual budget of approximately \$93,000. The proposed increase adds \$210,000 each year to the existing state appropriation and would bring its state support level to \$469,000 for the biennium.

Key Measures

Funding this initiative will:

- ◆ Better protect the Museums 30,000 artifacts, 7,000 books and A-V items and 13,000 photographs.
- ◆ Better serve the 13,500 people who visit the museum each year.
- ◆ Make the best possible use of the 19,150 square foot museum facility at Camp Ripley.
- ◆ Present information on deployment of Minnesota units in recent conflicts since 1990.

Statutory Change: Not Applicable

HISTORICAL SOCIETY

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$279	\$563	\$563	\$563
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$279	\$563	\$563	\$563

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

HISTORICAL SOCIETY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<i>Non Dedicated Revenue:</i>					
Total Non-Dedicated Receipts	0	0	0	0	0
<i>Dedicated Receipts:</i>					
Departmental Earnings:					
Misc Special Revenue	898	898	898	898	1,796
Grants:					
Federal	340	340	340	340	680
Gift	14,673	14,673	14,673	14,673	29,346
Total Dedicated Receipts	15,911	15,911	15,911	15,911	31,822
Agency Total Revenue	15,911	15,911	15,911	15,911	31,822

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↻ Designates that this item is a change item

Agency Purpose

The mission of the Minnesota State Academies (MSA) is to provide the highest level of self-sufficiency possible for deaf/hard of hearing and blind/visually impaired students in the state of Minnesota. Established in 1863, the MSA are statewide public schools that provide education and related services to student's ages 0-21, who are blind, visually impaired, deaf or hard of hearing, including those with multiple disabilities. The MSA are composed of two separate and unique schools – the Minnesota State Academy for the Blind (MSAB), and Minnesota State Academy for the Deaf (MSAD). Federal law mandates that services provided by the MSA meet the student's need for a Free and Appropriate Public Education (FAPE) within the least restrictive environment.

The decision to attend the MSA during the school year is made by an Individualized Educational Planning (IEP) team within the Special Education process, including the parent, the district of residence and MSA staff. Each IEP team must decide that MSA provides the most appropriate placement. Students may also attend MSA to obtain social skills or for short-term skill development. (For more information, refer to M.S. 125A.69 Admission Standards.)

Core Functions

The MSA educate enrolled and non enrolled summer program students and/or support public schools to educate students to:

- ◆ develop self-esteem, social skills, leadership skills, and specialized skills like Braille or sign language;
- ◆ complete a course of study equivalent to public schools;
- ◆ earn a living, become integrated into the community, live on their own or in supported living arrangements;
- ◆ prepare for higher education or vocational training;
- ◆ access and utilize state-of-the-art technology to prepare for employment in the 21st century; and
- ◆ acquire technology skills to access information otherwise inaccessible because of their disability.

Operations

The range of services provided by the MSA in support of the agency's mission is unique and often complex when compared to most public schools, making the Academies a necessary option for school districts. The MSA have provided educational services to deaf and blind students for more than 140 years. Historically, the MSA were the only educational options available to deaf or blind students. If students were deaf or blind it was assumed that they would attend the MSA. Today most deaf or blind students attend school in their local community. The MSA recently completed reorganization under a board-directed study that placed the agency under the leadership of one administrator with each academy led by a director who is a specialist in either hearing or visual disabilities. In addition, the board has embarked on development of a strategic plan to guide its improvement and direction for the next several years.

The MSA:

- ◆ provide services that would be prohibitively expensive or unavailable in public schools;
- ◆ provide direct and indirect educational services through a number of program options;
- ◆ provide academic year programs, which include K-12 academies, early childhood intervention, transition, and programs for students with multiple disabilities;
- ◆ provide off-campus services in support of local school districts for non-enrolled students including specialized evaluation, direct teacher services, orientation and mobility training, and consultations;
- ◆ provide on-campus services in support of local school districts for non-enrolled students including weekend parent training programs, family and teacher visitation at the Academies to review specialized resources,

At A Glance

The Minnesota State Academies (MSA) serve deaf or blind students with two schools, The Minnesota Academy for the Blind and the Minnesota Academy for the Deaf. In addition, MSA provides outreach services to school districts and educators. Outreach services serve approximately 50 students in 14 districts. Specifically, students are served as follows:

- ◆ ages 0-21 who reside in the state of Minnesota;
- ◆ in a residential setting, providing 24 hour educational services; and
- ◆ with additional disabilities, including physical and emotional needs.

short-term direct services such as basic skills testing remediation, independent living training, extended school year programming and transition programs;

- ◆ help the state meet federal statutory requirements of the Individuals with Disabilities Act (IDEA);
- ◆ provide access to a direct communication environment, comprehensive services, additional resources and increased opportunities which meet the individual needs of students as mandated by their IEPs; and
- ◆ offer mainstream courses in conjunction with the Faribault Public Schools which provide access to broader curriculum choices, advanced coursework, opportunities to increase skill in working with interpreters, and integration with non-disabled peers.

Budget

The total budget for the MSA for the 2008-09 biennium is approximately \$27.5 million. MSA staff include approximately 200 full-time equivalent employees.

Of the total budget, the vast majority (80%) comes from direct state appropriations from the General Fund. Receipts from school districts and the Department of Education account for another 16% in the form of management aid reimbursements, tuition, and compensatory education revenue. The remainder of the budget is federal funding, employee deposits in tax shelter annuities, student deposits, and gifts. Additionally the Academies collect approximately \$1.7 million in tuition from school districts that are returned to the state's General Fund.

Contact

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Education Director
 Minnesota State Academy for the Deaf
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 615 Olof Hanson Drive
 Faribault, Minnesota 55021-0308
 Phone: (507) 332-5400

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,966	10,966	10,966	10,966	21,932
Recommended	10,966	10,966	11,504	11,527	23,031
Change		0	538	561	1,099
% Biennial Change from 2006-07					5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,846	11,087	11,504	11,527	23,031
Statutory Appropriations					
General	555	489	453	453	906
Misc Special Revenue	1,658	1,932	1,932	1,933	3,865
Federal	235	234	234	234	468
Miscellaneous Agency	250	318	318	318	636
Gift	26	33	33	33	66
Total	13,570	14,093	14,474	14,498	28,972
<u>Expenditures by Category</u>					
Total Compensation	11,258	11,897	12,107	12,290	24,397
Other Operating Expenses	2,072	1,933	2,110	1,951	4,061
Capital Outlay & Real Property	7	0	0	0	0
Payments To Individuals	69	63	57	57	114
Other Financial Transactions	164	200	200	200	400
Total	13,570	14,093	14,474	14,498	28,972
<u>Expenditures by Program</u>					
Resendtl Academies/Deaf&Blind	13,570	14,093	14,474	14,498	28,972
Total	13,570	14,093	14,474	14,498	28,972
Full-Time Equivalent (FTE)	202.7	214.5	214.1	211.8	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	10,966	10,966	10,966	21,932
Subtotal - Forecast Base	10,966	10,966	10,966	21,932
Change Items				
Campus Security System	0	200	20	220
Computer Technology and Staff	0	90	92	182
Mainstreaming Contract Funding	0	50	50	100
Compensation Adjustment	0	198	399	597
Total Governor's Recommendations	10,966	11,504	11,527	23,031
Fund: GENERAL				
Planned Statutory Spending	489	453	453	906
Total Governor's Recommendations	489	453	453	906
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	1,932	1,932	1,933	3,865
Total Governor's Recommendations	1,932	1,932	1,933	3,865
Fund: FEDERAL				
Planned Statutory Spending	234	234	234	468
Total Governor's Recommendations	234	234	234	468
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	318	318	318	636
Total Governor's Recommendations	318	318	318	636
Fund: GIFT				
Planned Statutory Spending	33	33	33	66
Total Governor's Recommendations	33	33	33	66

Program Description

The Minnesota State Academies (Academies) provide educational opportunities to deaf/hard of hearing and blind/visually impaired students ages 0-21 when the student's local school district of residence cannot meet the educational needs of the student. A student may also attend the Academies to obtain social skills or for targeted short-term skill development. Federal law mandates that placement at the Academies be determined by the individual education planning team, including the parent, school district of residence, and Academies staff.

Services Provided

The Academies operate two separate campuses located approximately one mile apart from each other in Faribault, Minnesota: the Minnesota State Academy for the Deaf (MSAD) and the Minnesota State Academy for the Blind (MSAB). The Academies are governed by a seven member board which is appointed by the governor. Support services, such as buildings and grounds maintenance, personnel, finance, food service, and health services are operated to support both MSAB and MSAD. The two academies share a common mission to educate students who are blind/visually impaired or deaf/hard of hearing. Blind students rely on auditory information and deaf students rely on visual information. Teachers at MSAB and MSAD require specialized training and licensure in their respective disability areas. Thus, teachers at one school cannot automatically teach in the other school.

MSAD

MSAD provides direct instruction by licensed teachers fluent in American Sign Language to deaf/hard of hearing students. Instruction and classroom environments are designed to include necessary adaptations unique to deaf/hard of hearing learners. MSAD is a 24-hour, language-rich environment, where American Sign Language and English are utilized to foster effective communication in a community with a critical mass of similar age, language peers. Mainstream opportunities are available within the local public schools to allow students to interact with their hearing peers. Other educational opportunities include core academics, transition programming, work study experience, functional life skill development, specialized behavioral programming, and specific instructional strategies designed to meet the needs of multi-handicapped learners. All student support services are provided by professional staff licensed and trained to work with deaf/hard of hearing students. Approximately 75% of all academy staff members are deaf or hard of hearing, providing students with successful role models. Recreational and competitive activities provide students with opportunities to develop self-confidence, self-esteem, leadership, self-advocacy skills, knowledge and competence to apply to their future roles as productive citizens.

MSAB

The educational process at MSAB is provided in an environment where a specialized curriculum, related support services and appropriate adaptations and modifications are available to all students. Unlike sighted children, blind and visually impaired children cannot access information in the same manner as their sighted peers. Thus the direct teaching of the skills necessary to overcome the loss of vision is critical. The curriculum taught at MSAB focuses on helping a blind/visually impaired child become a self-sufficient adult. The areas of curriculum instruction offered at MSAB include the following:

- ◆ development of skills to access the curriculum, including Braille, large print and or print with the use of optical devices;
- ◆ orientation and mobility skills for independent travel;
- ◆ independent living skills;
- ◆ career education;

Program at a Glance

- ◆ Minnesota State Academies served deaf or blind students in 2005 – 2006 as follows:

Student Type	MSAD	MSAB
Day	83	16
Residential	51	33
Total Enrolled	134	49
Outreach	5	50
Summer	96	45
Total Served	235	144

- ◆ **46%** of MSAD students and **75%** of MSAB students present multiple disabilities including: learning disabilities, physical disabilities, emotional behavior disorders, communication disorders, autism spectrum disorders, cognitive disabilities, and dual sensory impairments (deaf-blind).

- ◆ technology; and
- ◆ specialized expanded core curriculum to address the unique needs of blind children.

An example of this instruction is a summer transition program that focuses on functional skill development and is offered in conjunction with local schools and vocational rehabilitation assistance at MSAB.

Historical Perspective

The decision to enroll at the Academies is not an easy one for parents and/or school districts to make. Research indicates that if there is early identification of deafness or blindness, with timely and adequate specialized services by appropriately trained teachers, students can develop the tools to be successful, responsible, independent citizens. However, if students do not receive appropriate educational opportunities, the potential for future success and independence is diminished. In addition, the social-emotional needs of deaf/hard of hearing or blind/visually impaired students are unique and real. However, children with disabilities also have the same social-emotional needs as their non-disabled peers and have the right to:

- ◆ form an identity;
- ◆ have a peer group;
- ◆ participate in activities;
- ◆ develop their maximum potential;
- ◆ share life experiences; and
- ◆ feel good about who they are.

Determining the least restrictive environment for an individual student must be made on a case-by-case basis. The guiding principle in placement decisions should be matching the educational needs of the student with an appropriate school program that provides meaningful challenges, realistic expectations, maximum opportunities for achievement, and the development of healthy self-esteem.

Some students who attend the Academies are able to participate in regular public school classes within the local public schools in Faribault, while also taking courses at the Academies. This opportunity provides students with the experience of being a participant in a class with non-disabled peers. Deaf students acquire skills in working with an interpreter and note-taker, while blind students learn to negotiate a sighted environment that is not specifically designed to meet their learning style.

The Academies provide support for teacher preparation programs. Student teachers work under the guidance of MSAD licensed professionals. Currently, there are no teacher preparation programs for teachers of the visually impaired in the state of Minnesota. As the current staff at MSAB reaches the age of retirement, it will become exceedingly difficult to find licensed teachers of the visually impaired. We are working with professionals in the state, as well as those in the region and across the country, to brainstorm solutions to this staffing dilemma.

Key Measures

Graduation Success Rates

- ⇒ From the years 1998 through 2003, 43% of MSAD students have attended a four-year college upon graduation. In addition, 23% continued their education with a two-year post-secondary program. Of the remaining graduates, 10% entered the workforce; 5% entered a Department of Rehabilitation Service (DRS) related vocational program; 11% continued a high school transition program; and only 8% were left waiting for DRS services or considered unknown.
- ⇒ Eight MSAB students graduated in 2006, 38% of the students are in a workforce center, 38% returned for continuing education, 13% of the students entered an adult rehab program, and 11% returned to their home.

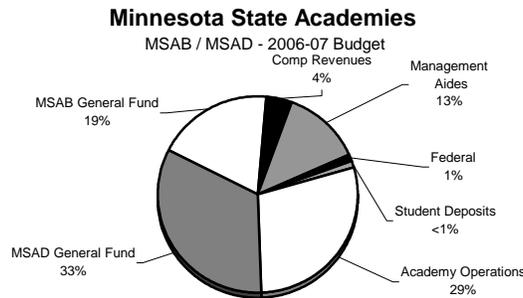
Basic Skills Tests (BST)

	Basic Skills Tests Passage Rates		
	Reading	Writing	Math
MSAD			
2002	22%	40%	33%
2006	60%	40%	54%
MSAB			
2006	63%	100%	33%

- ◆ Due to secondary disabilities not all students attending the Academies are eligible to take the Basic Skills Tests, particularly at MSAB were 40% of students were ineligible to take the tests and took an alternative test.
- ◆ The Basic Skills Tests are not normed for blind/visually impaired students. The math test in particular presents challenges for blind/visually impaired students as some questions are presented using graphs or diagrams.

Accreditation

⇒ Accreditation is being sought by MSAD through the CEASD (Conference of Educators and Administrators Serving the Deaf) organization. Accreditation is already in place through the North Central Association's school improvement cycle.



Contact

For additional information contact:

Minnesota State Academy for the Blind
400 South East 6th Avenue
Faribault, Minnesota 55021
Phone: (507) 333-4800
www.msab.state.mn.us

Minnesota State Academy for the Deaf
615 Olof Hanson Drive
Faribault, Minnesota 55021-0308
Phone: (507) 332-5400
www.msad.state.mn.us

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,846	11,087	11,504	11,527	23,031
Statutory Appropriations					
General	555	489	453	453	906
Misc Special Revenue	1,658	1,932	1,932	1,933	3,865
Federal	235	234	234	234	468
Miscellaneous Agency	250	318	318	318	636
Gift	26	33	33	33	66
Total	13,570	14,093	14,474	14,498	28,972
<u>Expenditures by Category</u>					
Total Compensation	11,258	11,897	12,107	12,290	24,397
Other Operating Expenses	2,072	1,933	2,110	1,951	4,061
Capital Outlay & Real Property	7	0	0	0	0
Payments To Individuals	69	63	57	57	114
Other Financial Transactions	164	200	200	200	400
Total	13,570	14,093	14,474	14,498	28,972
<u>Expenditures by Activity</u>					
Academy Operations	4,119	4,390	4,516	4,438	8,954
Academy For The Deaf	5,839	5,900	6,101	6,223	12,324
Academy For The Blind	3,612	3,803	3,857	3,837	7,694
Total	13,570	14,093	14,474	14,498	28,972
Full-Time Equivalents (FTE)	202.7	214.5	214.1	211.8	

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Change Item: Campus Security System

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$200	\$20	\$20	\$20
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$200	\$20	\$20	\$20

Recommendation

The Governor recommends a one-time General Fund appropriation of \$200,000 in FY 2008 and ongoing funding of \$20,000 in FY 2009 and later years for the installation and maintenance of a campus security system at the Minnesota State Academy for the Deaf and the Minnesota State Academy for the Blind.

Background

The Minnesota Academies for the Blind and Deaf serve vulnerable student populations with special needs in a residential setting. It is particularly important to provide for the safety and security of these students. The campus security system would include controlled access to all campus buildings and a network of security cameras on both campuses.

Relationship to base budget

This funding represents approximately a 2% one-time increase to the agency budget for the design and installation of the system and an ongoing \$20,000 increase to the base in FY 2009.

Key Measures

Enhance the security of students and staff through:

- ⇒ Controlled key card access to all campus buildings (16 buildings)
- ⇒ A security camera monitoring network on both campuses

Statutory Change: Not Applicable

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Change Item: Computer Technology and Staff

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$90	\$92	\$92	\$92
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$90	\$92	\$92	\$92

Recommendation

The Governor recommends a General Fund appropriation of \$90,000 in FY 2008 and \$92,000 in FY 2009 to the Minnesota State Academies (MSA) for IT staff to support existing systems and technology upgrades.

The Governor also recommends funding for technology improvements at the Minnesota State Academies as part of the Small Agency Technology initiative carried by Office of Enterprise Technology (OET). To receive a portion of the funds appropriated to OET for small agency projects, MSA will work with OET to design an effective work plan and then execute an interagency agreement to transfer the funds.

Background

Improvements to computer technology at the MSA will positively impact students at the MSA by better preparing them for higher education and career opportunities.

Currently the MSA have over 300 desktop computers and laptops, 14 servers, 24 networked printers, faxes and copiers, 40 hubs and switches, a video conference center, 200 telephones, video phones and only two IT staff persons to support this equipment. An additional IT staff member would ease the current work load and provide the opportunity for the department to become more proactive and less reactive, particularly with the implementation of new technology included in the Small Agency Technology initiative.

As part of the Small Agency Technology Initiative, MSA will work with OET to implement the following:

- ◆ network infrastructure upgrade;
 - ◆ VoIP Telephone installation;
 - ◆ computer replacement;
 - ◆ educational, productivity and server software upgrades and licensing;
 - ◆ classroom educational hardware;
 - ◆ enhancements to adaptive technology for the blind
- ⇒ Network infrastructure changes. The network wiring, switches and hubs in use at the MSA have been in place since the 1996/1997 school year. Most of this equipment is antiquated and unable to support emerging technologies such as Voice over Internet Protocol (VoIP), videophones and Quality of Service (QoS). Nearly all network switches and hubs will be replaced by this initiative.
- ⇒ Voice over Internet Protocol Telephones. The yearly cost savings of VoIP vs. regular telephone systems is considerable. Changing to VoIP technology would require that all new telephones be installed in all classroom and offices at the MSA.
- ⇒ Computer replacement. Beginning in the spring of 2007, computers purchased on the regular replacement cycles at the MSA will come pre-installed with Windows Vista operating systems. Windows Vista is a new operating system which 90% of the computers at the MSA won't be able to support through upgrades. This initiative would replace old computers with newer technology starting in middle school classrooms and computer labs the first year. In subsequent years, computers in high school classrooms and labs would be replaced. This would enable students to learn the new operating system in the lower grades and allow them to move through high school with a good understanding of the new operating system.

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Change Item: Computer Technology and Staff

- ⇒ Educational and Productivity Software Upgrades. In order for MSA students to be adequately prepared for the working world upon graduation they need access to new technology. Minnesota's blind and deaf citizens need every opportunity to keep pace with their sighted and hearing peers in order to compete the job market. This initiative would allow the MSA to continue providing the newest software for educators so students can be well prepared for the job market
- ⇒ Classroom educational hardware. It's important to immerse students in technology at an early age so that electronic communication and technology becomes second nature to them. To achieve this goal, educators need to use technology tools in the classroom. Interactive white boards replace chalkboards and computer projection devices replace the overhead and filmstrip projectors. These devices transform teaching into interactive lessons. Interactive lesson plans that are developed by educators for these systems can then be centrally stored on the network, allowing educators to adapt them and use them in other classrooms.
- ⇒ Adaptive Technology Enhancements. Adaptive technologies are software and hardware components that are installed on a computer which enable the blind or visually impaired user to use the computer in the least restrictive manner. The ability to quickly and easily access information via the computer by taking away restrictions help blind and visually impaired students compete at a level equal to their sighted peers. In many cases the limited quantities of adaptive equipment available to students at the MSA make it necessary for as many as 30 students to share a single piece of equipment. This equipment would be used in classrooms and computer labs to give educators more opportunities to teach the necessary skills these young people will need once they leave school and embark on their careers.

Relationship to Base Budget

The staff portion of this proposal will increase the base budget by \$90,000 in FY 2008 and \$92,000 in FY 2009. This represents a 0.8% increase in the base appropriation for MSA. The technology improvements funded as part of the OET Small Agency Technology initiative are one-time expenses and will not be added to the agency's base budget.

Key Measures

- ⇒ By coordinating small agency technology programs, OET will help the state realize economies of scale and ensure consistent methodology for project planning and implementation.
- ⇒ By working with OET on these technology upgrades, MSA will accurately document technology problems that impede the agency from fulfilling its mission, determine the extent of foundational technology upgrades required for effective operations, and then implement changes in a cost-effective manner that better align technology with agency business needs.
- ⇒ Educate students in the most current technology so that they are prepared to enter careers or move onto higher education.
- ⇒ Increase student use of technology as an active learning tool that will result in improved student performance.
- ⇒ Through the addition of IT staff, more time will be available to assist teaching staff in the application of assistive technology for improved learning and to assist support staff in the use of technology to accomplish their responsibilities.
- ⇒ Incorporate new technology to enhance communications via technology on both campuses.
- ⇒ Reduced operational costs for telephone service.
- ⇒ Reduced time spent on trying to maintain several different operating systems that are not current.

Statutory Change: Not Applicable

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Change Item: Mainstreaming Contract Funding

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$50	\$50	\$50	\$50
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$50	\$50	\$50	\$50

Recommendation

The Governor recommends the Minnesota State Academies (MSA) for the Blind and Deaf receive a General Fund appropriation increase of \$50,000 in FY 2008 and \$50,000 in FY 2009 in order to offset increases in the cost of the mainstreaming contract between the Academies and Faribault Public Schools.

Background:

The MSA provide mainstreaming experiences for their students through a contract with Faribault Public Schools. The cost of the contract to the MSA has increased due to the inclusion of additional charges previously not included in contracts. These charges include indirect and administrative costs. Additionally, the MSA are responsible for the unreimbursed portion of special education costs to Faribault Public Schools generated by MSA students. The unreimbursed portion of special education costs has increased in recent years, resulting in higher costs to the Academies.

Relationship to Base Budget

This proposal increases provides an ongoing annual increase of \$50,000. It increases the MSA base budget by less than half of a percent

Key Measures

- ⇒ Students are provided with adequate mainstreaming experiences consistent with the requirements of their Individualized Education Plan.
- ⇒ The MSA for the Blind and the MSA for the Deaf are able to meet their obligations under the mainstreaming contract with Faribault Public Schools.

Statutory Change: Not Applicable

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Activity: ACADEMY OPERATIONS

Narrative

Activity Description

Academy Operations exists to provide support services necessary for the Minnesota State Academies (Academies) educational program to run effectively and efficiently.

Population Served

Academy Operations serves approximately 200 students enrolled on campus as well as 200 staff.

Services Provided

Academy Operations includes the following functions: buildings and grounds, personnel, business office, nutrition, and health services, and fixed costs such as electricity, gas, steam, water and sewage, telephones and t-1 line. Services provided include the following:

- ◆ meeting the health and safety needs of the students;
- ◆ maintaining and preserving the campuses and the physical plant, including historic buildings, in a manner which assures a safe environment for both students and staff;
- ◆ providing personnel management, human resource needs, contract negotiation and administration;
- ◆ providing financial management, including payroll, purchasing, accounts payable and receivable, and budgeting;
- ◆ providing health services for students as directed by doctors including, medications, treatments, tube feeding, treating minor injuries, maintaining health records, health screening services and referrals; and
- ◆ providing food services for breakfast, lunch, and dinner to meet the nutritional needs of students following specialized diets or food preparation.

Historical Perspective

Prior to 1975, each school had a full complement of support services. In an effort to economize resources and reduce duplication, the two schools have combined the support departments listed above. Demands on the maintenance department have increased due to recent capital bonding projects. The department has effectively handled these demands without additional cost by postponing other work and having staff handle the increased demands.

In the previous biennium the Academies added 20,000 square feet to the main building at the Minnesota State Academy for the Blind (MSAB) campus consisting of educational classrooms, physical therapy areas, and office space. At the Minnesota State Academy for the Deaf (MSAD) campus, 9,000 square feet was recently renovated and brought back into service as educational classrooms, living skills training areas, and office space for the resource centers. Both of these projects have increased the demand on heating, cooling, electricity, and janitorial services.

Key Measures

- ⇒ Periodic reviews by external agencies validate quality and ensure standards are successfully met. These include: legislative audits, Occupational Safety and Health (OSHA) standards, health standards, food inspection, and Department of Education reviews.
- ⇒ Staff members are licensed appropriately as required by their position descriptions.
- ⇒ Documentation of services is available as appropriate for each department as established by statute, rules and state/agency policies.
- ⇒ Review and consideration of student, parent, and staff driven evaluations of services.

MINN STATE ACADEMIES

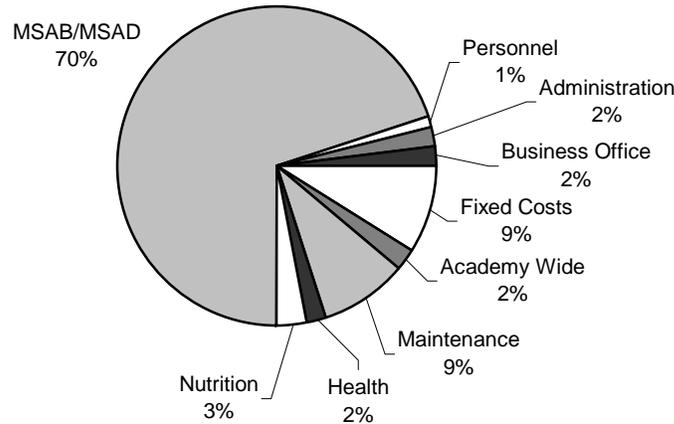
Program: RESENDTL ACADEMIES/DEAF&BLIND

Activity: ACADEMY OPERATIONS

Narrative

Activity Funding

**Minnesota State Academies
Academy Operations - 2006-2007 Budget**



Contact

For additional information contact:

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Faribault, Minnesota 55021-0308
Phone: (507) 332-5400
Web site: www.msad.state.mn.us

MINN STATE ACADEMIES

Program: RESENDTL ACADEMIES/DEAF&BLIND

Activity: ACADEMY OPERATIONS

Budget Activity Summary

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,781	3,944	4,070	3,991	8,061
Statutory Appropriations					
Misc Special Revenue	32	76	76	77	153
Federal	93	95	95	95	190
Miscellaneous Agency	213	275	275	275	550
Total	4,119	4,390	4,516	4,438	8,954
<u>Expenditures by Category</u>					
Total Compensation	2,736	2,836	2,843	2,926	5,769
Other Operating Expenses	1,205	1,348	1,473	1,312	2,785
Capital Outlay & Real Property	7	0	0	0	0
Payments To Individuals	7	6	0	0	0
Other Financial Transactions	164	200	200	200	400
Total	4,119	4,390	4,516	4,438	8,954
Full-Time Equivalent (FTE)	47.6	46.8	45.1	45.1	

MINN STATE ACADEMIES

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$198	\$399	\$399	\$399
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$198	\$399	\$399	\$399

Recommendation

The Governor recommends additional funding of \$198,000 in FY 2008 and \$399,000 for FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

MINN STATE ACADEMIES

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Grants:					
General	879	0	0	0	0
Total Non-Dedicated Receipts	879	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
General	352	381	381	381	762
Misc Special Revenue	1,364	1,627	1,627	1,628	3,255
Federal	236	233	233	233	466
Other Revenues:					
Misc Special Revenue	194	252	252	252	504
Miscellaneous Agency	239	275	275	275	550
Gift	36	34	34	34	68
Other Sources:					
Misc Special Revenue	42	42	42	42	84
Miscellaneous Agency	40	43	43	43	86
Total Dedicated Receipts	2,503	2,887	2,887	2,888	5,775
Agency Total Revenue	3,382	2,887	2,887	2,888	5,775

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↻ Designates that this item is a change item



January 22, 2007

To the 2007 Legislature;

On behalf of Governor Pawlenty, I am pleased to submit the FY 2008-09 budget recommendations for higher education. These recommendations make significant new investments at the University of Minnesota and the Minnesota State College and Universities System (MnSCU), building on the gains of recent years so that we can continue to provide Minnesotans with a high quality, strategically-focused and accessible system of public postsecondary education. The Governor's recommendations strike a balance between support for institutions and support for the state grant program and other student-centered proposals such as the new ACHIEVE program.

The total recommended general fund appropriation for higher education, including the Office of Higher Education and the Mayo Clinic, is \$3.2 billion. This amount is a 16.3% increase over FY 2006-07, and includes \$276 million in new funding for the University of Minnesota and the MnSCU. Also included in that total is \$50 million in performance funding, to support the work that the two systems are doing to move towards tangible and measurable outcomes.

Again this year, the Governor's budget invests in the strategic priorities of the University of Minnesota. As the primary academic research institution in the state, in FY 2006 the University of Minnesota brought in nearly \$576 million of research funds to Minnesota from the federal government and other sponsors. The FY 2008-09 budget recommendations for the University include new funding for strategic investments in educating the health care workforce, for initiatives in translational research and in science and engineering to build a healthier society, for competitive compensation for faculty to attract and retain the best minds, and for continued research in biofuels.

In addition, the Governor's budget recommends \$38 million of new funding for operating support of the University's research partnership in biotechnology and medical genomics with the Mayo Clinic. When this partnership was created, the Governor promised state support of \$70 million over a five-year period, and we are pleased to recommend this final installment of state support for this important partnership.

The Governor's budget recommendations for MnSCU provide new resources to support their strategic direction and action plan. MnSCU plays a key role in educating Minnesota's workforce. The system serves about 34% of Minnesota's undergraduates at 32 colleges and universities located on 53 campuses. The recommendations and funding will allow MnSCU to continue to recruit and retain students, to meet critical workforce needs, especially in the areas of STEM education and in the biosciences, and to update its technology infrastructure, a key element in their ability to continue to advance online learning opportunities

We look forward to working with the Legislature in the coming months.

Sincerely,

A handwritten signature in black ink that reads "Susan Heegaard". The signature is written in a cursive, flowing style.

Susan Heegaard
Director, Office of Higher Education

Agency Purpose

The Minnesota State Colleges and Universities system of distinct and collaborative institutions offers higher education that meets the personal and career goals of a wide range of individual learners, enhances the quality of life for all Minnesotans and sustains vibrant economies throughout the state.

The diverse institutions within the system offer an unequalled breadth, variety and quality of educational opportunities across the state. Collectively and in partnership the colleges and universities offer learning opportunities for a technologically sophisticated world that result in:

- ◆ contributing and empowered citizens;
- ◆ active participants in a democratic society;
- ◆ educated, skilled, and adaptable workers;
- ◆ innovative lifelong learners;
- ◆ practical research and development; and
- ◆ successful communities.

Vision – Minnesota State Colleges and Universities will enable the people of Minnesota to succeed by providing the most accessible, highest value education in the nation.

The uniqueness and diversity of the Minnesota State Colleges and Universities and the power of a unified system will enable the Minnesota State Colleges and Universities to excel as the most accessible, highest quality, and innovative education provider in the region.

Core Functions

Teaching and learning are the core functions of the Minnesota State Colleges and Universities.

Operations

The colleges and universities serve students in credit-based courses, non-credit courses and customized training. The colleges and universities offer an extremely wide array of credit-based courses leading to masters, bachelors, and associate degrees, as well as occupational certificates and diplomas. They also offer non-credit continuing education courses and direct training services to businesses, nonprofit organizations and government agencies seeking to improve their employees' skills.

Educational programs are delivered at 53 campus locations statewide, comprising 26 million square feet of space, or approximately one-third of the state's building inventory. Each one of the 32 Minnesota state colleges and universities contribute to the civic, economic, and cultural life in the 46 communities in which they are located.

At A Glance

- ◆ Largest provider of higher education in Minnesota, educating about 240,000 students in credit courses annually.
- ◆ Serves another 130,000 students in non-credit courses.
- ◆ Graduates 32,000 students each year.
- ◆ Produces the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, firefighters, technicians, trades people and others from a broad range of disciplines.
- ◆ The system has seven universities and 25 colleges on 53 campuses in 46 Minnesota communities.

Budget

Revenue

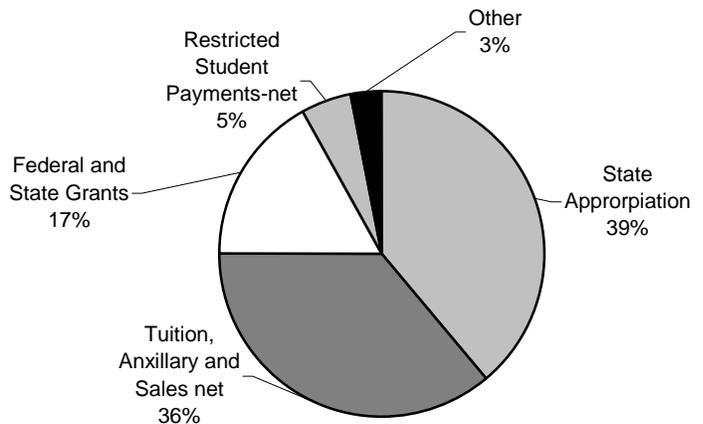
State appropriations comprise 39% and tuition and fee revenue comprises 36% of the system's revenue. Other major sources include federal and state grants. Ninety percent of the state appropriation is allocated to the colleges and universities. All tuition and fee revenues generated by the colleges and universities remain with the institution that generated them.

Expenditures

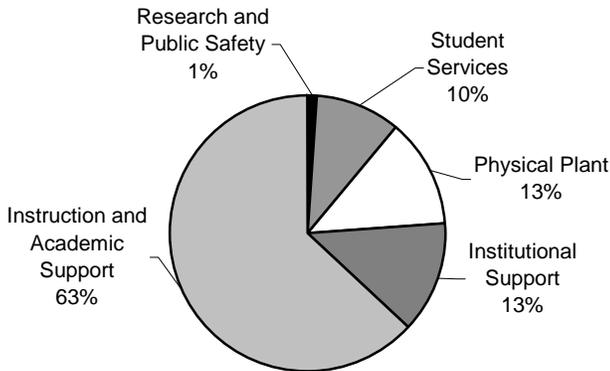
Compensation accounts for 68% of the Minnesota State Colleges and Universities total expenses.

Instruction and academic support comprise approximately 63% of Minnesota State Colleges and Universities functional activities.

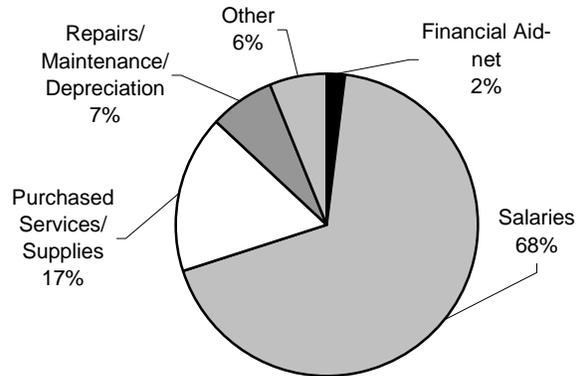
**Revenues - All Funds
FY 2005 \$1.4 Billion**



**Functional Expenditures - General Fund
FY 2005 \$1.2 Billion**



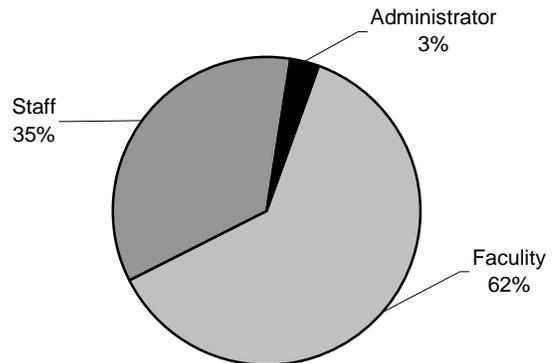
**Expenditures - All Funds
FY 2005 \$1.4 Billion**



Employees

Faculty comprises 62% of the 17,653 headcount employees.

**Employees
Headcount FY 2006**



Contact

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Minnesota State Colleges and Universities web site:
www.mnscu.edu

Minnesota State Colleges and Universities Budget Unit web site:
www.Budget.mnscu.edu/

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
Mn State Colleges/universities					
Current Appropriation	600,694	602,194	602,194	602,194	1,204,388
Recommended	600,694	602,194	664,194	663,194	1,327,388
Change		0	62,000	61,000	123,000
% Biennial Change from 2006-07					10.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Mn State Colleges/Universities	595,739	602,163	664,194	663,194	1,327,388
Statutory Appropriations					
Mn State Colleges/Universities	627,047	736,010	704,758	712,609	1,417,367
Mnscu Special Revenue	10,317	10,362	9,300	9,300	18,600
Mnscu Federal Fund	48,202	46,928	47,000	47,000	94,000
Mnscu Agency Fund	24,407	22,985	23,000	23,000	46,000
Mnscu Gift Fund	323	290	200	200	400
Sub Supplemental & Ira Retire	783	356	270	270	540
Mnscu Enterprise Activities	9,216	9,023	8,455	8,455	16,910
Mnscu Endowment Fund	6	5	5	5	10
Total	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
<u>Expenditures by Category</u>					
Local Assistance	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
<u>Expenditures by Program</u>					
Mn State Colleges & Univs	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215

STATE COLLEGES & UNIVERSITIES

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: MN STATE COLLEGES/UNIVERSITIES				
FY 2007 Appropriations	602,194	602,194	602,194	1,204,388
Subtotal - Forecast Base	602,194	602,194	602,194	1,204,388
Change Items				
Strategic Advancements	0	17,000	21,000	38,000
Infrastructure	0	45,000	15,000	60,000
Performance Bonus	0	0	25,000	25,000
Total Governor's Recommendations	602,194	664,194	663,194	1,327,388
Fund: MN STATE COLLEGES/UNIVERSITIES				
Planned Statutory Spending	736,010	704,758	712,609	1,417,367
Total Governor's Recommendations	736,010	704,758	712,609	1,417,367
Fund: MNSCU SPECIAL REVENUE				
Planned Statutory Spending	10,362	9,300	9,300	18,600
Total Governor's Recommendations	10,362	9,300	9,300	18,600
Fund: MNSCU FEDERAL FUND				
Planned Statutory Spending	46,928	47,000	47,000	94,000
Total Governor's Recommendations	46,928	47,000	47,000	94,000
Fund: MNSCU AGENCY FUND				
Planned Statutory Spending	22,985	23,000	23,000	46,000
Total Governor's Recommendations	22,985	23,000	23,000	46,000
Fund: MNSCU GIFT FUND				
Planned Statutory Spending	290	200	200	400
Total Governor's Recommendations	290	200	200	400
Fund: SUB SUPPLEMENTAL & IRA RETIRE				
Planned Statutory Spending	356	270	270	540
Total Governor's Recommendations	356	270	270	540
Fund: MNSCU ENTERPRISE ACTIVITIES				
Planned Statutory Spending	9,023	8,455	8,455	16,910
Total Governor's Recommendations	9,023	8,455	8,455	16,910
Fund: MNSCU ENDOWMENT FUND				
Planned Statutory Spending	5	5	5	10
Total Governor's Recommendations	5	5	5	10

Program Description

Minnesota's 25 state colleges and seven universities provide an array of high quality and low cost educational programs to residents in all parts of the state.

Technical colleges offer education for employment - courses and programs that teach specific knowledge and skills leading to particular jobs. The programs range in length from three months to two years.

Community colleges provide the first two years of a four-year college education. Graduates of community colleges can transfer to Minnesota state universities and other colleges to complete four-year degrees. Community colleges also offer general education courses and occupational career programs that directly prepare students for jobs.

Combined technical and community colleges are two-year colleges that offer a mix of technical college and community college courses and programs. These colleges offer the opportunity to start a bachelor's degree or pursue a two-year career program leading immediately to employment.

Minnesota's four-year state universities offer courses and programs leading to bachelors, masters, and advanced degrees. Programs are offered in liberal arts and sciences and in professional fields.

Population Served

Minnesota State Colleges and Universities is the largest provider of higher education in the state of Minnesota with 32 institutions serving approximately 240,000 (unduplicated headcount) students annually in for-credit programs or 136,000 full-year equivalents (FYE). The state colleges and universities also serve 141,000 students and 6,000 businesses through customized training. The institutions provide applied research and public service to Minnesota communities in all regions of the state. Enrollment is 97% undergraduate. In FY 2005, the system served more than 26,500 students of color, more than all other Minnesota higher education providers combined. Students of color comprise 13.4% of all students. Thirty-six percent are 25 or older. The average age of our students is 26.3. About 42% attend part-time.

Services Provided

The state colleges and universities offer more than 3,500 educational programs. In the past year more than 30,000 students took online courses, a 40% increase since 2004. Through Minnesota Online, the state colleges and universities offer more than 150 programs completely or predominantly online and more than 3,000 courses.

Historical Perspective

In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities system.

Program Funding

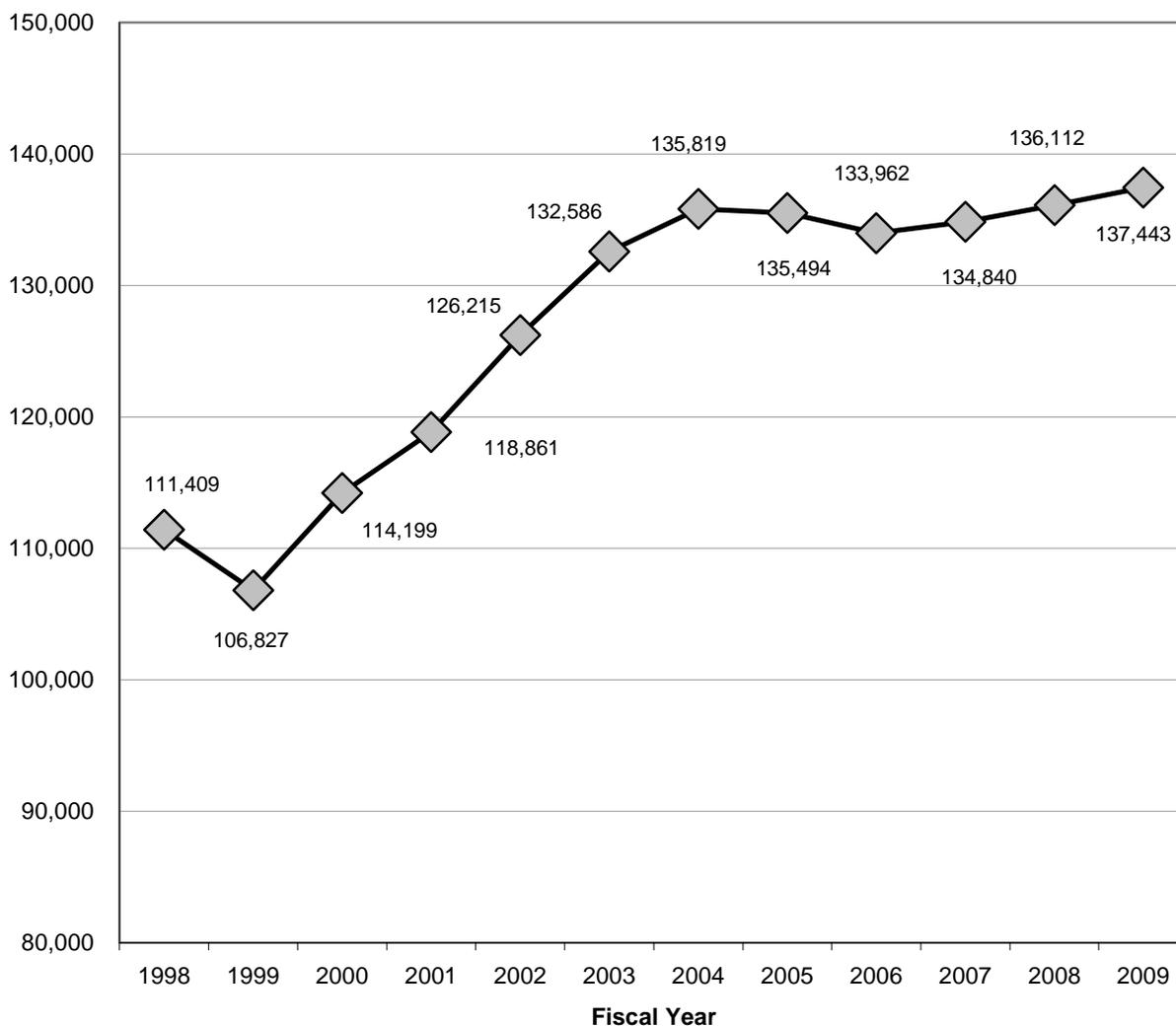
The state general fund appropriation to the system totaled \$602 million in FY 2007. That amount included resources for general operating expenses as well as \$6 million per year for competitive salary adjustments to university and college faculty and staff, and \$5 million per year for Centers of Excellence around the state. State General Fund resources support approximately 50% of the system's total FY 2007 budget. The balance of the budget is generally supported through tuition and fee revenue.

Program at a Glance

- ◆ Largest provider of higher education in Minnesota, educating about 240,000 students each year.
- ◆ Eighty-eight percent of students are Minnesota residents.
- ◆ Eighty-six percent of graduates get jobs related to their major or program within one year after graduation.
- ◆ Eighty-one percent of graduates stay in Minnesota to work or to continue their education.

Key Measures

Full Year Equivalent Enrollment



The system’s FYE enrollment is calculated by dividing the total number of undergraduate credits in a given year by 30 (considered to be a full academic load for an undergraduate student). For graduate FYE, the total number of graduate credits is divided by 20 (considered to be a full academic load for a graduate student).

In January 2006, the Board of Trustees approved “Designing the Future: Minnesota State Colleges and Universities Strategic Plan 2006-2010.” The strategic plan identifies four strategic directions that are the system’s priorities. Those directions include:

- ⇒ Strategic Direction 1: Increase access and opportunity.
- ⇒ Strategic Direction 2: Promote and measure high-quality learning programs and services.
- ⇒ Strategic Direction 3: Provide programs and services integral to state and regional economic needs.
- ⇒ Strategic Direction 4: Innovate to meet current and future educational needs efficiently.

STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVER

Narrative

The plan also contains specific goals within each of the directions. A system action plan has been developed to identify outcomes and outcome measures. Additional information about the strategic and action plans is available on the system website at: http://www.mnscu.edu/media/publications/pdf/strategicplan_2006-10_full.pdf

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STATE COLLEGES & UNIVERSITIES

Program: MN STATE COLLEGES & UNIVS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
Mn State Colleges/Universities	595,739	602,163	664,194	663,194	1,327,388
Statutory Appropriations					
Mn State Colleges/Universities	627,047	736,010	704,758	712,609	1,417,367
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Mnscu Endowment Fund	6	5	5	5	10
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<u>Expenditures by Category</u>					
Local Assistance	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
<u>Expenditures by Activity</u>					
Mn State Colleges And Univ	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215
Total	1,316,040	1,428,122	1,457,182	1,464,033	2,921,215

STATE COLLEGES & UNIVERSITIES

Change Item: Strategic Advancements

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$17,000	\$21,000	\$21,000	\$21,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$17,000	\$21,000	\$21,000	\$21,000

Recommendation

The Governor recommends a total of \$17 million in FY 2008 and \$21 million in FY 2009 from the General Fund to the Minnesota State Colleges and Universities (MnSCU), to provide funding for elements of its Strategic Advancement initiative.

Included in these recommended amounts is \$6 million each year for MnSCU's Access, Opportunity and Success initiative and full funding for each element of MnSCU's Academic Innovations proposal: STEM expansion; a new Center of Excellence in biosciences; allied health curriculum development; and management innovations.

Background

Access, Opportunity and Success

The Governor recommends new funding of \$12 million for the biennium to allow MnSCU to improve the accessibility of its member institutions for traditionally underrepresented groups of students. These additional resources will enable MnSCU campuses to develop new or enhance existing outreach/recruitment and retention projects that are based on the system's experience with proven federal educational opportunity "TRIO" programs (like Student Support Services and Upward Bound) whose reach has been restricted by limited availability of the federal program dollars.

Academic Innovations

STEM Expansion. The Governor recognizes that MnSCU institutions play an important role in educating and training many of the state's future teachers, and supports MnSCU's request for new funding to innovate and improve campuses' education in the fields of science, technology, engineering and mathematics (STEM). By increasing enrollments in STEM courses, promoting career opportunities in STEM-related industries, and increasing the number of teaching graduates who are prepared to teach science and math in K-12 schools this initiative will better position the state and its workforce in the technology-focused economy.

Bioscience Center of Excellence. In the 2006-07 biennium the Governor recommended funding for MnSCU to establish up to eight Centers of Excellence, which are focused postsecondary programs of excellence at selected MnSCU institutions. With the funding provided MnSCU is implementing four Centers, in information technology; health care; manufacturing and applied engineering; and in engineering. By establishing distinctive high quality programs in specific fields, Minnesota 1) provides its students with educational and economic opportunities equal to the best in the world; 2) attracts students, faculty, talent and jobs from outside Minnesota; 3) leverages external support from employers and other organizations; 4) builds a more strategic educational system that provides pathways to degrees in ways best suited to today's students, and 5) helps Minnesota reclaim its status as a leader and innovator in education. The Center of Excellence model, where a four-year university is the lead institution supported by several two-year colleges as partner institutions, is making good progress and showing great promise. The Governor is now recommending the full requested amount of funding (\$3 million for the FY 2008-09 biennium) for MnSCU to establish a fifth Center of Excellence in biosciences.

Allied Health Curriculum Development. The Governor recognizes the challenges Minnesota faces of because of shortages in the health professional workforce and supports efforts by the state's public higher education systems to increase their capacity to educate and train more health professionals in order to more effectively respond to the state's need for these workers. MnSCU's initiative for allied health curriculum development has the potential to expand enrollments in allied health programs, and to change and improve the way health

education in conducted across the state. The Governor recommends the full requested amount of funding (\$3 million for the FY 2008-09 biennium) for the allied health curriculum development initiative.

Management Innovations. The Governor also supports the board's management innovation initiative, as proposed at \$10 million for the FY 2008-09 biennium, to fund the human resources aspects of the innovation focus in the board's strategic plan. MnSCU would use the new resources recommended by the Governor for this initiative to encourage behavior that supports innovation and removes barriers to enable the system to more efficiently and effectively deliver its educational product and increase responsiveness to the unique needs of the changing student population. As a result, tangible support will be provided to the most innovative and productive of employees.

Relationship to Base Budget

This \$38 million total recommendation represents 30.9% of the Governor's proposed \$123 million increase in state funding for the MnSCU system. Overall, the Governor's \$123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU's appropriated amounts for the FY2006-07 biennium.

Key Measures

The recommendation:

- ◆ increases the likelihood that underrepresented students enroll for a first year of college and continue and complete their postsecondary education;
- ◆ expands the promising Centers of Excellence model of innovation in program offerings;
- ◆ increases enrollments in science, technology, engineering and mathematics courses;
- ◆ increases enrollments in allied health programs; and
- ◆ improves MnSCU's ability to deliver its educational product efficiently and effectively.

Statutory Change: Not Applicable

STATE COLLEGES & UNIVERSITIES

Change Item: Infrastructure

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$30,000	\$15,000	\$15,000	\$15,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$30,000	\$15,000	\$15,000	\$15,000

Recommendation

The Governor recommends \$30 million in FY 2008 and \$15 million in FY 2009 for MnSCU's highest priority technology projects. These new funds will enable MnSCU to expand its online educational technology resources and tools throughout the state, as well as to address some of the deferred maintenance and desired modernization MnSCU has identified in a strategic study of its technology infrastructure.

Background

MnSCU's technology infrastructure underlies and supports the system's ability to operate as a higher education system. Technology is the key to more than just online learning opportunities – it also enables MnSCU to operate central and fundamental administrative and support systems efficiently throughout the geographically dispersed campus locations. The Governor recognizes and supports the system's initiative to update and improve the availability, security and reliability and of its computing resources and technology infrastructure, but suggests a more measured approach with respect to new, ongoing base resources for technology. The recommended funding will allow MnSCU to address its most critical technology needs as well as strengthen and expand Minnesota Online and other e-learning opportunities for students and faculty.

Relationship to Base Budget

This \$45 million initiative represents 36.6% of the Governor's proposed \$123 million increase in state funding for the MnSCU system. Overall, the Governor's \$123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU appropriated amounts for the FY2006-07 biennium.

Key Measures

The recommendation:

- ◆ improves MnSCU's ability to provide a secure online environment for student learning and "back office" technology applications;
- ◆ enables MnSCU to increase the number of students taking online courses and/or increase online course offerings; and
- ◆ allows MnSCU to provide its online resources and tools to students in a modernized and more efficient computing environment.

Statutory Change: Not Applicable

STATE COLLEGES & UNIVERSITIES

Change Item: Performance Bonus

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	\$25,000	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	\$25,000	0	0

Recommendation

The Governor recommends \$25 million in FY 2009 from the General Fund to provide a one-time funding bonus for MnSCU, encouraging public review and understanding of the MnSCU system and its performance. This recommended funding would be available to MnSCU once the system demonstrates that it has met at least three of five MnSCU-specific performance goals, listed below in the Key Measures section. MnSCU administration must report to the chairs of the legislative committee divisions with jurisdiction over its budget and to the Office of Higher Education (OHE) no later than 4/1/08. When MnSCU demonstrates that it has attained the specified goals, and OHE certifies that information to the commissioner of finance, this appropriation would be released.

Background

The MnSCU Board of Trustees has adopted a strategic plan for 2006-2010 that covers four strategic directions: 1) to increase access and opportunity; 2) to promote and measure high quality learning programs and services; 3) to provide programs and services integral to state and regional economic needs; and 4) to innovate to meet current and future educational needs efficiently. MnSCU posts this plan on its website (<http://www.mnscu.edu/about/strategicplan.html>). The board adopts an annual system action plan that is designed to advance the strategic goals; the action plan is also posted on the MnSCU website. (<http://www.mnscu.edu/about/actionplan.html>.)

Each MnSCU budget request reflects, and is intended to advance, the system's strategic directions and goals. MnSCU institutions also use the strategic plan to establish campus priorities. MnSCU's administration measures performance towards meeting the strategic goals through a system level accountability framework.

The Governor's recommended performance goals are taken from, or are related to, measures that MnSCU is tracking as part of its annual Action Plan.

Relationship to Base Budget

This \$25 million initiative represents 20.3% of the Governor's proposed \$123 million increase in state funding for the MnSCU system. Overall, the Governor's \$123 million package for new initiatives at MnSCU will result in a 10.4% increase over MnSCU appropriated amounts for the FY2006-07 biennium.

Key Measures

In order to access this funding, MnSCU must demonstrate that it has attained at least three of the following quantifiable performance measures:

- ◆ Increase percentage of students who take college-level courses in Science, Technology, Engineering and Math by 5%;
- ◆ Increase enrollment of upper division-designated Center of Excellence programs by 5% each year;
- ◆ Increase the number of students trained on the use of electronic medical record technology by at least 1,400;
- ◆ Increase number of students taking online courses and/or increase online course offerings by 10%; and
- ◆ Expand the reach/utilization by 10% of "awards of excellence" or other initiatives that reward member institutions, faculty, administrators or staff for innovations designed to advance excellence and efficiency.

Statutory Change: Not Applicable

Minnesota State Colleges and Universities 2008-09 Biennial Budget Request

STATE COLLEGES & UNIVERSITIES

Change Item: Strategic Advancements

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$23,000	\$27,000	\$27,000	\$27,000
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$23,000	\$27,000	\$27,000	\$27,000

Request

The Minnesota State Colleges Universities requests \$23 million in FY 2008 and \$27 million in FY 2009 for strategic advancement initiatives in five component areas: targeted services for underserved/underrepresented populations; expanded learning opportunities in science, technology, engineering and math (STEM); the establishment of a biosciences center of excellence; curriculum development in allied health; and management innovation.

Background

Access, Opportunity and Success:

The Board of Trustees has proposed \$12 million in FY 2008 and \$12 million in FY 2009 for a total of \$24 million in new state appropriation resources for support of comprehensive statewide retention strategies targeted to underserved/underrepresented students. This proposal will be matched with \$10 million in existing resources for a total of \$34 million.

This initiative is designed to address the needs of students who have traditionally been underrepresented in higher education, including low-income students, students whose parents did not attend college, and students of color, by taking a multi-level, multifaceted approach to improving the academic achievement and college success of these students. It would include the establishment of college and university partnerships to provide outreach and college awareness programs for high school students. Colleges and universities will develop programs similar to the successful TRIO Upward Bound and Student Support Services, the federal educational opportunity programs designed to motivate and support students.

Key Measures:

The system-level outcomes from these initiatives are significant. The outreach and recruitment activities are projected to result in increased enrollment of new students at the colleges and universities in fall of 2008 of approximately:

- ◆ 6,700 underrepresented students and 1,500 new students of color.

During the 2007-08 academic year, the new or expanded retention initiatives are projected to provide academic support services to about:

- ◆ 17,000 underrepresented students and 5,500 students of color.

Academic Innovations:

The Board of Trustees has recommended \$5 million in FY 2008 and \$5 million in FY 2009 for a total of \$10 million to improve and expand learning opportunities in science, technology, engineering and math—areas of study known as STEM. The funding will increase student enrollment in STEM courses, promote career opportunities in STEM-related industries and increase the number of Minnesota teachers prepared to teach science and math at the K-12 level. This initiative would be matched with \$5 million in existing resources for a total of \$15 million.

Key Measures:

The initiative will enable the system to meet two key targets that have been established under the system's current strategic plan:

- ⇒ Increase the percent of students enrolled in at least one college-level STEM course each year from 44.9% to 47.8% over the biennium, an increase of 6,900 students by 2009.
- ⇒ Increase the number of secondary teachers prepared for licensure in science and math by 119 or an increase of 115.5% between fiscal years 2005 and 2011.

An additional \$1.5 million in FY 2008 and \$1.5 million in FY 2009 for a total of \$3 million is requested to support the first two years of operation of a biosciences center of excellence. The public and private sectors have made significant investments in the state's research infrastructure, with the goal of making Minnesota a global leader in the biosciences. The proposal will ensure that the state has the highly skilled workforce it will need to capitalize on the significant investments made in biosciences research and development.

Key Measures:

The measures for the biosciences center will be similar to those set for the existing four Centers of Excellence, including:

- ◆ Graduate outcomes
- ◆ Student learning outcomes
- ◆ Related business and/or industry certification and support
- ◆ Faculty qualifications
- ◆ Other outside funding
- ◆ Local, state and national programmatic accreditation and recognition
- ◆ Enrollment/placement trends
- ◆ Advisory committee(s) in existence
- ◆ Access to quality facilities and equipment
- ◆ PK-12 partnerships

An allied health program curriculum development request of \$1.5 million in FY 2008 and \$1.5 million in FY 2009 for a total of \$3 million is proposed which will enable the system to increase the number of nursing graduates in high-growth regions of the state with redesign of curriculum and seamless programming to the baccalaureate and graduate-degree levels. The initiative would also promote the retention of frontline caregivers in Minnesota's long-term care facilities through innovative delivery of skills training using game-based learning and training, particularly for on-the-job skill training for incumbent workers. The initiative is proposed to foster a partnership with the University of Minnesota for stronger foundations at two-year institutions so that students can transition into upper-division coursework at the University's Center for Allied Health Programs. This would include the development of on-line courses in physiology, biochemistry and microbiology. This initiative would also provide instruction using electronic medical record technology so that Minnesota's healthcare students graduate with the necessary skills and competencies to practice in EMR healthcare facilities by 2010.

Key Measures

- ⇒ Increase the number of nursing graduates by 25% over the biennium with an emphasis on increasing the number of students educated at the baccalaureate and graduate level. This will result in 950 more nursing graduates over the biennium.
- ⇒ Improve recruitment and retention of under-represented students in nursing and allied health.
- ⇒ Provide training to approximately 1,400 students on the use of electronic medical record systems.
- ⇒ Deliver simulated training in ten long-term care facilities with diverse populations of workers.

A management innovation initiative is proposed at \$10 million to fund the human resources aspects of the innovation focus in the board's strategic plan. The request is for \$3 million in FY 2008 and \$7 million in FY 2009. The board's strategic direction four – "Innovate to meet current and future educational needs efficiently" – includes a goal that focuses on rewarding and supporting institutions, administrators, faculty and staff for innovations that advance excellence and efficiency. Another goal directs the system to identify and remove barriers to innovation and responsiveness. New resources would be used to encourage behavior that supports

innovation and removes barriers to enable the system to more efficiently and effectively deliver its educational product and increase responsiveness to the unique needs of the changing student population.

Key Measures:

One key measure will be the competitiveness of our total compensation for each employee group relative to the appropriate peer group. Success would be to ensure that the system has the ability to provide total compensation to the most innovative and productive of employees above the 70th percentile of the appropriate peer group.

Relationship to Base Budget

This budget request builds on activities the system has already launched in these areas and is tied directly to the priorities identified in "Designing the Future: Minnesota State Colleges and Universities Strategic Plan 2006-2010" adopted by the Board of Trustees in January 2006. The strategic plan was designed specifically to build upon the activities that are currently being undertaken and to prioritize the areas of focus to advance the goals of the system into the future through innovation in all areas. The total appropriation request of \$177 million represents a 15% increase in state resources over the FY 2008-09 biennium.

Alternatives Considered

The alternatives considered in developing this request included phasing in of the initiatives and funding the initiatives with an ever greater reliance on tuition resources. The significant delay in making progress on the initiatives as a result of a phased in approach and asking student to pay substantially higher tuition were both unacceptable approaches.

Statutory Change: Not Applicable

STATE COLLEGES & UNIVERSITIES

Change Item: Infrastructure

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$48,666	\$78,191	\$78,191	\$78,191
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$48,666	\$78,191	\$78,191	\$78,191

Request

The Minnesota State Colleges and Universities system requests \$49 million in FY 2008 and \$78 million in FY 2009 for infrastructure related initiatives focused on technology and inflation.

Background

A. Technology Infrastructure

The Board of Trustees is requesting \$30 million in FY 2008 and \$40 million in FY 2009 in additional state appropriation to accelerate the enhancement, expansion and full integration of innovative technology systems and resources for the student learning environment; and to achieve and sustain enhanced availability, security, and support for its technology infrastructure. These enhancements will include systems supporting student learning administration, student services, enterprise learning and administrative portals. This funding also will support the initial development of a key strategic initiative for innovation within the system: establishment of a statewide learning grid that will seamlessly unite online educational technology resources and tools and make them available to students and faculty at any time and any place. Projects to be implemented with the use of these resources include retooled administrative systems; financial management support systems; student records; human resources and employee services; project and portfolio management; management decision support; new student services and student learning online tools; new faculty research and development online tools; and new career and business/entrepreneurship online tools.

All of the initiatives in this portion of the request support the board's strategic direction to increase access and opportunity by providing an expansion of educational programming throughout the state.

The proposed increase in the technology budget, supported by an extensive strategic study, addresses deferred maintenance in technology infrastructure. It lays the groundwork for significantly advancing the following goals:

- ⇒ Achieving a high level of availability and security for all mission-critical services and provide matching funding for college and university technology infrastructure upgrades.
- ⇒ Providing the technical foundation for delivering personalized student learning, student services and faculty support.
- ⇒ Stabilizing the costs of ongoing computing infrastructure support by implementing technology life-cycle planning, system wide standards and statewide partnerships and aggregated technology purchasing.
- ⇒ Providing administrative tools and management dashboards that allow for real-time tracking of metrics, data-driven analysis and forecasting, and improved ability for strategic decision making.
- ⇒ Establishment of a robust foundation for the statewide learning grid that will enable seamless access to educational resources throughout the state.

The following projects will be undertaken with the new resources provided by this initiative:

- ⇒ Service Oriented Architecture: The underlying "service oriented architecture" for all enterprise systems and interfaces will be based on a set of loosely coupled and inter-operable services.
- ⇒ Identity Management: An enterprise identity management infrastructure lies at the foundation of all enterprise and campus applications. In addition to managing identities for the MnSCU population, the extended Identity

STATE COLLEGES & UNIVERSITIES

Change Item: Infrastructure

Management system will implement federated identity management for sharing resources with other state agencies and partner institutions.

- ⇒ Data and Network Center Modernization: Serving as the Command and Control Center for the learning grid, the significantly upgraded Data and Network Center will achieve maximum uptime but also will also be provisioned for business continuity and disaster recovery. An upgraded network operations center will allow 24x7 system monitoring and accelerated response. Continued investment in technologies such as SAN (Storage Area Network), Oracle RAC (Real Application Clusters), and enterprise tape backup systems are required to achieve high availability and data integrity.
- ⇒ Network Infrastructure: The network infrastructure constitutes the interstate system for the learning grid. The network infrastructure will offer increased bandwidth, greater fault tolerance and accommodate resource sharing through new technologies such as grid computing.
- ⇒ Trusted Systems: The ambitious statewide learning grid concept will require trusted systems that ensure data privacy and security and allow for smooth flow of information and credentials between nodes on the system and partner institutions.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2008-2009 Biennium		2010-2011 Biennium		2012-2013 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personnel	\$4,000	\$7,000	\$7,500	\$8,000	\$8,250	\$8,650
Supplies	500	1,000	1,000	1,100	1,100	1,200
Hardware	5,000	7,500	5,000	5,000	6,500	6,000
Software	4,000	5,000	8,000	7,000	7,250	6,750
Facilities	3,500	3,000	3,000	5,000	3,000	3,500
Services	7,000	7,500	6,500	4,900	4,900	4,900
Training	1,000	1,500	1,500	1,500	1,500	1,500
Grants	5,000	7,500	7,500	7,500	7,500	7,500
TOTAL	\$30,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000

Personnel: permanent staff; some based regionally and at campuses
 Facilities: Data Center modernization, space lease
 Services: consulting, network fees, software as a service
 Grants: directed to campuses for infrastructure and innovation

Key Measures:

Each of the major business goals will be accompanied by direct and indirect performance metrics.

Item	Metric	Type
System availability	Increased uptime: 99.9%	Direct
Exceptional learning environment and student services	Student and faculty satisfaction, increased retention, improved academic performance, growth in online programs	Indirect
Statewide learning grid	Increased partnerships and collaboration, improved K-12 stream, improved access for remote and diverse learners, increased revenue from continuing and executive education	Indirect
Efficiencies	Lower costs, demonstrated ROI, increased integration and system interoperability	Direct
Strategic Decision Making	Improved access to real-time data	Direct, Indirect

B. Inflation

The Board of Trustees is requesting \$18.7 million in FY 2008 and \$38.2 million in FY 2009 in additional state resources to support inflation on the system's base costs. In accordance with the Department of Finance guidelines, inflation is assumed at 3.25%. Within the inflation assumption, insurance inflation is assumed to be 10%. In the past several biennia, insurance increases have been in the double digits. Overall, the inflation

assumptions incorporated into this budget request total \$130 million. Revenues to cover these inflation costs would be a combination of increased state resources and tuition dollars as follows:

- ⇒ State appropriation support in the amount of \$57 million outlined above.
- ⇒ Average system wide tuition increase of 4% per year to generate \$73 million. The package assumes a 4% average annual tuition increase system wide.

In addition to these resources, the system will reallocate \$10 million of existing resources to supplement the amount available to cover inflation, bringing it to 3.5%. The total reallocation of existing base resources in the system's total request is \$25 million for FY 2008-09.

Relationship to Base Budget

The inflation related component of this request includes an increase in state resources equal to \$57 million over the biennium matched with \$73 million in increased tuition support to finance inflation at a rate of 3.25% on the system's base. Reallocation of \$10 million of current base resources is proposed to finance an additional 0.25% of inflationary costs.

The \$70 million biennial increase that is requested for technology initiatives would increase the system's technology base from its current level of \$20 million per year to \$60 million per year by FY 2009.

Alternatives Considered

Given the fact that the system's current technology infrastructure is based on a platform in existence before the merger of the three separate systems in the 1990s and that the Uniface platform itself is no longer widely supported, updating has become a critical need. Due to the breadth of the needs, existing system resources are insufficient to finance the necessary changes

The bulk of the system's inflation request is related to collective bargaining activities. The state's budgetary problems over the last several years have built intense pressure on the compensation component of the system budget. Maintaining quality faculty and staff has been and continues to be a priority for the system. Compensation packages that are competitive with system peers are critical to that quality.

Statutory Change: Not Applicable

STATE COLLEGES & UNIVERSITIES

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
Mn State Colleges/universities	12,999	12,029	12,029	12,029	24,058
Mnscu Special Revenue	4,173	3,663	3,663	3,663	7,326
Mnscu Federal Fund	45,633	46,500	46,500	46,500	93,000
Mnscu Gift Fund	112	85	85	85	170
Other Revenues:					
Mn State Colleges/universities	639,789	685,137	689,265	697,116	1,386,381
Mnscu Special Revenue	764	583	583	583	1,166
Mnscu Federal Fund	491	500	500	500	1,000
Mnscu Agency Fund	46	35	35	35	70
Mnscu Gift Fund	110	115	115	115	230
Sub Supplemental & Ira Retire	191	250	250	250	500
Mnscu Enterprise Activities	9,076	8,450	8,450	8,450	16,900
Mnscu Endowment Fund	4	3	3	3	6
Other Sources:					
Mn State Colleges/universities	7,316	3,456	3,456	3,456	6,912
Mnscu Special Revenue	5,853	5,054	5,054	5,054	10,108
Mnscu Federal Fund	5	0	0	0	0
Mnscu Agency Fund	23,571	22,965	22,965	22,965	45,930
Sub Supplemental & Ira Retire	20	20	20	20	40
Mnscu Enterprise Activities	-3	5	5	5	10
Taxes:					
Mn State Colleges/universities	8	8	8	8	16
Total Dedicated Receipts	750,158	788,858	792,986	800,837	1,593,823
Agency Total Revenue	750,158	788,858	792,986	800,837	1,593,823

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Agency Purpose

The Minnesota State Retirement System (MSRS) provides a comprehensive system of retirement programs for its members. Membership is comprised of state employees, state law enforcement and correctional officers, constitutional officers, legislators, judges, employees of the University of Minnesota, the Metropolitan Council, and employees of various other designated state agencies. MSRS also operates other plans for all public employees in the state. They include a tax-deferred compensation plan, a tax-free health care savings plan, and the Hennepin County Supplemental Retirement Plan. In total, 31 employers are covered by MSRS retirement plans, and 650 different employers are contributing to the Minnesota Deferred Compensation Plan (MNDCP) and the Health Care Savings Plan (HCSP).

Core Functions

MSRS disburses monthly benefit payments to retired members, survivors, and disabled employees. MSRS disburses lump-sum withdrawals and rollovers to members who have terminated their employment. MSRS reimburses health care costs to the participants of HCSP. Also, MSRS provides a long-term savings plan through its MNDCP.

Operations

MSRS operates from its main office in St. Paul and branch offices located in St. Cloud, Mankato, Detroit Lakes, and Duluth. Members receive retirement planning and pension administration services by phone, through onsite visits and through the MSRS interactive web site(s). Services are provided to active members, former members, retired members, survivors and beneficiaries, in addition to all public members who are participants of the MNDCP and HCSP.

Budget

The MSRS revenues are received from employee and employer contributions and investment earnings. As of 6-30-06, contribution rates as a percentage of salary for the various retirement plans were as follows:

	<u>Employee</u>	<u>Employer</u>
General Employees Retirement Plan	4.00%	4.00%
Military Affairs Plan	5.60	5.60
Transportation Department Pilots' Plan	5.60	5.60
State Fire Marshals Plan	6.78	8.20
State Patrol Plan	8.40	12.60
Correctional Employees Retirement Plan	5.69	7.98
Judges Retirement Plan	8.00	20.50
Legislators Plan	9.00	N/A
Unclassified Employees Retirement Plan	4.00	6.00

These funds are dedicated for the payment of monthly retirement and health care benefits, refunds/rollovers and administrative expenses. All benefit payments are determined either by statute or by IRS regulation. Budgets to cover administrative expenses are recommended by the MSRS staff to the Board of Directors for their review and approval. At 6-30-06, MSRS employed a staff of 84.6 full-time equivalent employees. The administrative expenses for MSRS in FY 2006 totaled \$8.583 million, which is .39% of the payroll on which MSRS contributions are based.

At A Glance

Membership on June 30, 2006:

- ◆ 129,488 active members
- ◆ 50,381 inactive members
- ◆ 35,665 retirees and beneficiaries

Benefits paid in FY 2006:

- ◆ \$490.5 million in annuity benefits
- ◆ \$18.2 million in health care benefits
- ◆ \$152.8 million in refunds/rollovers

Actuarial Assets and Liabilities (in 000's):

At 6-30-2005	Assets	Liabilities	Funding Ratio
General Plan	8,081,736	8,455,336	95.58
State Patrol Plan	601,220	566,764	106.08
Correctional Plan	503,573	546,118	92.21
Judges Plan	144,465	191,414	75.47

Membership statistics by fiscal year

At June 30	Active Members	Inactive Members	Retirees and Beneficiaries
2006	129,488	50,381	35,665
2005	117,217	46,493	37,930
2004	138,477	27,427	37,308
2003	134,219	33,076	34,557
2002	104,504	54,117	28,170

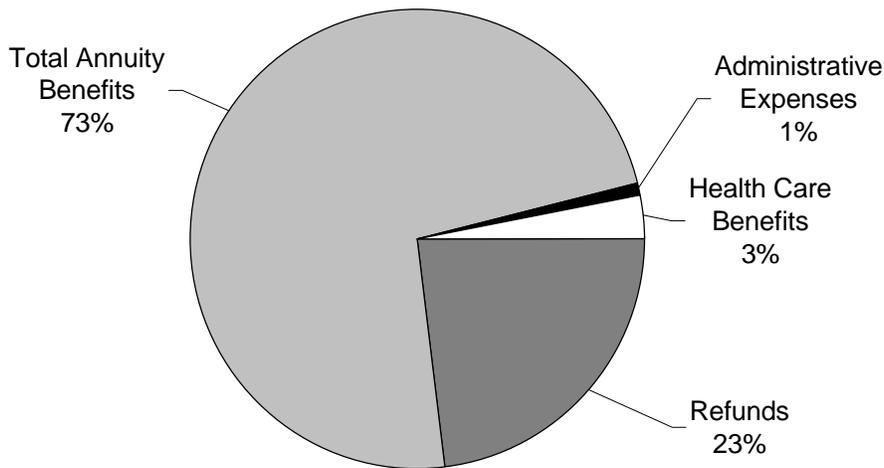
Benefits paid (in 000's) by fiscal year

At June 30	Annuity Benefits	Health Care Benefits	Refunds/Rollovers
2006	490,457	18,210	152,766
2005	462,510	13,417	122,330
2004	405,013	9,260	17,722
2003	384,511 *	4,056	14,111
2002	365,621 *	389	14,456

** Does not include Deferred Compensation Fund.*

**Benefits and Expenses
(FY 2006)**

Minnesota State Retirement System
Division Budgets (Total: \$670 million)



Contact

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60 Empire Drive, Suite 300
Saint Paul, Minnesota 55103-3000

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(800) 657-5757
Fax: (651) 297-5238

Visit us on the web at www.msrs.state.mn.us.
Telecommunications-device-for-the-deaf (TDD)
Minnesota Relay Service at (800) 627-3529 and ask to be connected to (651) 296-2761.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Open Appropriations					
General	6,190	1,226	1,450	1,469	2,919
Correctional Employees Retire	27,210	28,120	28,120	28,120	56,240
State Employees Retirement	388,849	398,968	398,968	398,968	797,936
Highway Patrol Retirement	38,936	40,127	40,127	40,127	80,254
Unclassified Employees Retire	6,355	15,818	15,818	15,818	31,636
Postretirement Health Care Ben	18,549	17,460	17,460	17,460	34,920
Henn Cty Supplemental Retirmnt	4,135	3,342	3,342	3,342	6,684
Judicial Retirement	14,302	14,760	14,760	14,760	29,520
Statutory Appropriations					
Legislative Annuities	5,232	5,366	5,366	5,366	10,732
Total	509,758	525,187	525,411	525,430	1,050,841
<u>Expenditures by Category</u>					
Total Compensation	5,633	6,090	6,090	6,090	12,180
Other Operating Expenses	4,082	6,251	6,251	6,251	12,502
Capital Outlay & Real Property	142	0	0	0	0
Other Financial Transactions	499,901	512,846	513,070	513,089	1,026,159
Total	509,758	525,187	525,411	525,430	1,050,841
<u>Expenditures by Program</u>					
Mn State Retirement System	461,350	483,033	483,033	483,033	966,066
Elective Officers Plan	412	424	429	435	864
Judges Plan	14,302	14,760	14,760	14,760	29,520
Legislators Plan	11,010	6,168	6,387	6,400	12,787
Health Care Savings Fund	18,549	17,460	17,460	17,460	34,920
Srhc	4,135	3,342	3,342	3,342	6,684
Total	509,758	525,187	525,411	525,430	1,050,841
Full-Time Equivalent (FTE)	78.7	74.1	74.1	74.1	

MINN STATE RETIREMENT SYSTEM

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	284	247	247	247	494
Correctional Employees Retire	20,957	20,401	20,401	20,401	40,802
State Employees Retirement	174,200	163,381	163,381	163,381	326,762
Highway Patrol Retirement	11,734	11,358	11,358	11,358	22,716
Unclassified Employees Retire	10,684	10,060	10,060	10,060	20,120
Postretirement Health Care Ben	52,546	45,541	45,541	45,541	91,082
Henn Cty Supplemental Retirmnt	884	412	412	412	824
Judicial Retirement	10,191	10,349	10,349	10,349	20,698
Total Non-Dedicated Receipts	281,480	261,749	261,749	261,749	523,498
<u>Dedicated Receipts:</u>					
Other Revenues:					
Miscellaneous Agency	3	0	0	0	0
Total Dedicated Receipts	3	0	0	0	0
Agency Total Revenue	281,483	261,749	261,749	261,749	523,498

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Small Agency Profile

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Agency Fiscal Page (Gov Rec)

4

Agency Purpose

The Minnesota Conservation Corps (MCC) provides hands-on environmental stewardship training and service-learning opportunities to youth and young adults (ages 15-25), while completing priority and cost-effective natural resource management and emergency response work. MCC benefits both the training and development needs of young people and the natural resources of Minnesota.

Core Functions

- ⇒ **Public Service** – MCC serves primarily governmental, educational, and non-profit organizations for the common good.
- ⇒ **Youth and Young Adults** – MCC provides training and work opportunities to youth and young adults to create positive outcomes for the communities of Minnesota and their natural resources.
- ⇒ **Professional Development** – Corps members receive intensive safety and skills training, preparing them to serve as the state’s future natural resources professionals. Developing a strong work and stewardship ethic is the foundation of the conservation corps philosophy.
- ⇒ **Environmental Impact** – The MCC enables positive improvements to our environment, our communities, and our corps members through a commitment to environmental service.

At A Glance

Minnesota Conservation Corps (MCC) was formed in 1981, based on the Civilian Conservation Corps (CCC) model of the 1930s. MCC is now an entrepreneurial and mission driven nonprofit 501(c)(3) organization, governed by a volunteer Board of Directors.

During the course of a program year, MCC:

- ◆ Leads over 200 program participants
- ◆ Serves over 125 different project sponsors, including the Department of Natural Resources (DNR), U.S. Fish and Wildlife Service, and The Nature Conservancy
- ◆ Completes 110,000 hours of natural resource projects, of which 10,600 hours are devoted to skill-building and personal development training to participants
- ◆ Offers emergency response and recovery to Minnesota communities impacted by disaster

Operations

- ⇒ The MCC Summer Youth Residential Program operates for eight weeks each summer out of a base camp at St. Croix State Park, sending crews of youth (ages 15-18) throughout the state to perform labor-intensive natural resources work on public land.
- ⇒ The MCC Young Adult Program operates year-round by placing crews of young adults (ages 18-25) in communities throughout the state to perform both labor-intensive and highly technical natural resources work on public land, including emergency response to natural disasters.

Budget

The MCC consistently spends more than 85% of its funding directly for youth and young adult programs and strives to ensure exceptional experiences for program participants. As a nonprofit organization, the MCC generates nearly 55% of its operating funds from fees charged for conservation services.

FY 2007 Projected Revenue Summary:

Fee-For Service (55%)	1,643,000
Natural Resources Fund (15%)	490,000
State General Fund (12%)	350,000
Federal AmeriCorps Grant (16%)	470,000
Other (2%)	<u>49,000</u>
Total	3,002,000

State funds are used for priority projects throughout the state and to leverage resources from many organizations. State funds are also used to match the federal AmeriCorps annual grant (totaling \$470,000 in FY 2007). The state matching requirement for the AmeriCorps grant is expected to double in the coming biennium (from a 25% to a 50% matching requirement).

Future Opportunities

- ◆ partnering with agencies involved in the Clean Water Legacy Initiative;
- ◆ creating “specialized crews” of corps members with knowledge and skills in specific areas of natural resources management; and
- ◆ determining funding sources and curricula for expanded youth programs.

Contact

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2715 Upper Afton Road
Maplewood, Minnesota 55119

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Fax: (651) 209-9901
E-mail: info@conservationcorps.org
Web site: www.conservationcorps.org

Len Price, Executive Director
(651) 209-9900 x12
len.price@conservationcorps.org

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	350	350	350	350	700
Recommended	350	350	350	350	700
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Natural Resources					
Current Appropriation	490	490	490	490	980
Recommended	490	490	490	490	980
Change		0	0	0	0
% Biennial Change from 2006-07					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	350	350	350	350	700
Natural Resources	490	490	490	490	980
Total	840	840	840	840	1,680
<u>Expenditures by Category</u>					
Local Assistance	840	840	840	840	1,680
Total	840	840	840	840	1,680
<u>Expenditures by Program</u>					
Minn Conservation Corps	840	840	840	840	1,680
Total	840	840	840	840	1,680

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☞ Designates that this item is a change item

Minnesota Department of Natural Resources

500 Lafayette Road • St. Paul, MN • 55155-4037



January 22, 2007

To the 2007 Legislature

On behalf of Governor Pawlenty, I am pleased to submit the Department of Natural Resources' budget recommendation for the FY 2008-09 biennial budget. This budget consists of \$243 million from the state's General Fund to include both direct and open appropriations and \$445 million from other funds. It represents a 6.4% increase from FY 2006-07 spending and an 8.4% increase from the FY 2008-09 forecast base.

The DNR budget consists of a variety of funds, which include: General Fund (33%), Game and Fish Fund (27%), Natural Resources Fund (21%), Special Revenue (7%), and Federal (5.9%). These funds are not evenly distributed to DNR programs. Some programs are almost entirely General Fund (Lands and Minerals, Waters and Forestry) and others are almost entirely dedicated funds (Fish and Wildlife and Trails and Waterways).

In the budget process, the Governor asked agencies to develop "priority based budgets" focused on their missions. The mission of the DNR is to work with the citizens to conserve our natural resource heritage and to provide for sustainable recreation and economic opportunities.

The DNR has identified several natural resource challenges and opportunities for change. These challenges are closely interconnected and complex, and include: habitat protection and fragmentation; clean water and sustainable use; public access to natural resources; harmful, invasive species; changing forest products industry; changing recreation participation; and climate change.

The DNR's priority is the conservation of natural resources. With that direction, The Governor's recommended FY 2008-09 biennial budget request allows the DNR to meet the following outcomes:

1. Division of **Lands and Minerals** leases lands for exploration and mining, regulates mineral exploration, conducts essential mineral research as well as oversees DNR land transactions. Funding is recommended to continue the management activities related to generation, collection and enhancement of state mineral revenue.
2. Division of **Waters** guides and regulates the physical integrity of Minnesota's lakes, rivers and water supplies. Funding is recommended to address surface and groundwater issues to ensure sustainable use of our water resources.
3. Division of **Forestry** manages forest lands to meet long-term, sustainable management objectives and wildfire protection. Funding is recommended for timber management and to support additional technical and cost-share timber management to non-industrial private forest landowners. This budget includes recommendations from the Governor's forestry task force and funding to continue critical forest resource management programs authorized under the 1995 Sustainable Forest Resources Act.
4. Division of **Parks and Recreation** provides open access to all state parks, including park and forest campgrounds, visitor services and conserves Minnesota's natural and cultural resources.
5. Division of **Trails and Waterways** provides public access to natural resources through a system of trails and water recreation facilities.

6. Division of **Fish and Wildlife** manages and protects fish and wildlife and their habitats and public use of fish and wildlife. Funding is recommended for prairie wetlands activities to support accelerated programs and efforts to meet Minnesota's long-term waterfowl and pheasant goals and improve water quality.
7. Division of **Ecological Services** collects and links ecological data and manages fish, wildlife and native plant populations and their habitats. Funding is being recommended to enable the DNR to participate in activities that support the identification of impaired waters and develop plans to address those impairments, as required by the Federal Clean Water Act.
8. Division of **Enforcement** protects natural resources and ensures public safety through information, education and law enforcement services.
9. **Operations Support** (e.g., Facilities, Equipment, Financial, Human Resources, Information Systems, Information and Education and the Commissioner's Office) provides essential support services.

The recommended budget includes funding for the redesign of the DNR's land management processes and implementation of a new land records management information system to better support natural resources management.

The recommended budget also includes increased appropriations from dedicated funds where additional effort is needed and fund balances allow. This has been done with particular attention to ensuring the dedicated funds are being spent only for the purposes for which they were received.

There are recommendations that move some dedicated fund spending from direct to statutory appropriations. A primary benefit is that funds generated through specific hunting and fishing license revenues would be used to benefit appropriate programs and activities in a timelier manner.

In the area of open appropriations, the Governor is recommending that funding made available for payment in-lieu of taxes be adjusted to account for the impact of increasing market values. This is an increase for FY 2008-09 of \$8.0 million or 24% over the FY 2006-07 appropriation.

The DNR's *Strategic Conservation Agenda* reports on over 90 performance indicators and conservation targets to enable the DNR to clearly communicate priorities in specific and measurable terms, measure progress and document conservation results and clarify expectations with citizens and stakeholders. This document is available on the DNR website at <http://www.dnr.state.mn.us/conservationagenda/index.html>.

As you review the Governor's recommendations, I look forward to working with you.

Sincerely,



Mark Holsten
Commissioner

Agency Purpose

The Minnesota Department of Natural Resources (DNR) “works with citizens to conserve and manage the state’s natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life.” This mission requires sharing stewardship with citizens and partners, working together to address often-competing interests.

Core Functions

The DNR works to provide opportunities for hunting and fishing, other recreational opportunities, and economic development, as well as to preserve important features of our natural heritage. Multiple interests must often be balanced in order to protect the long-term sustainability of our natural resources while meeting the economic and recreational needs of Minnesota citizens.

Key DNR Policy Principles:

- ⇒ Protect the long-term health of the state’s natural resources.
- ⇒ Deliver sustainable levels of products and services that support Minnesota’s natural resources-based economies.
- ⇒ Provide a variety of outdoor recreation opportunities for Minnesota’s citizens.
- ⇒ Guard the integrity of dedicated funds and ensure financial accountability.

These management principles guide DNR’s work:

- ◆ enhance communication and working relationships with core natural resource constituents, with particular attention to hunters and anglers;
- ◆ cooperate with other agencies, local units of government, citizens, and stakeholders to manage and sustain natural resources effectively;
- ◆ provide for sustainable economic use of our natural resources; place immediate focus on enhancing the state’s forest-based economy;
- ◆ make resource and land use decisions at the local level;
- ◆ integrate planning and budgeting across area, regional, and state organizational levels;
- ◆ adapt DNR’s organizational structure to deliver services more effectively and efficiently;
- ◆ use sound scientific principles, accurate information, and state-of-the-art technology in managing natural resources; and
- ◆ model the sustainable use of natural resources in our work.

Operations

The DNR works directly with citizens, stakeholder groups, and all levels of government in setting priorities, managing diverse natural resources, and providing scientific and technical expertise. The DNR administers 12 million acres in mineral rights and 5.5 million acres of land for state forests, wildlife management areas, parks, recreation areas, scientific and natural areas, state trails, and public water access sites.

At A Glance

Minnesota has approximately 51 million total land acres.

Public Lands and Waters Administered by DNR

- ◆ 5.5 million acres of land owned by the state of Minnesota, including 4.2 million acres predominantly in state forest management
- ◆ 12 million acres of land managed for mineral rights
- ◆ Eight million acres of surface rights and mineral rights managed for horticultural peat, industrial minerals, and construction materials
- ◆ 58 State Forests
- ◆ 11,842 lakes
- ◆ 69,000 miles of rivers and streams

Facilities Administered by DNR

- ◆ 66 State Parks and six state recreation areas
- ◆ 1,585 state water accesses
- ◆ More than 1.2 million acres of wildlife management areas and 37,294 acres of aquatic management areas
- ◆ 140 Scientific and natural areas
- ◆ Over 3,400 miles of canoe and boating routes plus 150 miles of Lake Superior Kayak Trail
- ◆ 1,300 miles of multi-use state trails and 500 miles of state bicycle trails
- ◆ 1,600 miles of cross country ski trails (DNR and Grant-in-Aid)
- ◆ 1,700 miles of off-highway vehicle trails (DNR and Grant-in-Aid)
- ◆ 21,600 miles of snowmobile trails (DNR and Grant-in-Aid)

The agency is organized into four geographic regions, eight operating divisions, and four support bureaus. Staff work out of 182 field offices that are located statewide.

- ⇒ **Lands and Minerals Division** manages agency real estate transactions and promotes, regulates, and provides expertise on mineral exploration, mining, and mine land reclamation.
- ⇒ **Waters Division** regulates all phases of the hydrologic cycle, including managing impacts on wetlands, lake, river, and groundwater phases of the hydrologic cycle.
- ⇒ **Forestry Division** protects citizens and property from wildfire and strives for the sustainable yield of timber resources for forest products while managing state forests for wildlife habitat and recreation.
- ⇒ **Parks and Recreation Division** operates a system of state park and forest campgrounds that conserves and manages natural, scenic and cultural resources, and offers opportunities for recreation and education.
- ⇒ **Trails and Waterways Division** provides public access to lakes, rivers and streams; designates boating routes; and maintains a statewide network of recreation trails.
- ⇒ **Fish and Wildlife Division** conserves and enhances the state's fish and wildlife populations and their supporting habitats through regulation, restoration, research, monitoring, and education.
- ⇒ **Ecological Services Division** works to advance healthy, resilient ecosystems through research on native plant and animal communities, regulation and environmental review; provides extensive public information; and maintains the state's scientific and natural areas.
- ⇒ **Enforcement Division** enforces laws related to game and fish; wetlands; aquatic plants; and the operation of watercraft, snowmobiles, all-terrain vehicle (ATVs) and other recreational vehicles; and provides a series of conservation and safety education programs.
- ⇒ **Operations Support** includes the commissioner's office, four bureaus and regional operations that provide administrative leadership and support services to all DNR divisions and geographic regions (northwest, northeast, central and southern) as well as provide direct services to the public.

Budget

Direct, open, and statutory appropriations total \$629 million for the FY 2006-07 biennium: 29% is from the General Fund, 29% from the Game and Fish Fund, 22% from the Natural Resources Fund, 6% from federal funds, and the remaining from other funding sources.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	13,419	13,192	13,267	13,267	26,534
Recommended	13,419	13,192	0	0	0
Change		0	(13,267)	(13,267)	(26,534)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	75,573	76,843	76,843	76,843	153,686
Recommended	75,573	76,843	82,015	85,770	167,785
Change		0	5,172	8,927	14,099
% Biennial Change from 2006-07					10.1%
Natural Resources					
Current Appropriation	64,848	64,006	64,006	64,006	128,012
Recommended	64,848	64,006	75,036	74,814	149,850
Change		0	11,030	10,808	21,838
% Biennial Change from 2006-07					16.3%
Game And Fish (operations)					
Current Appropriation	86,928	87,773	87,773	87,773	175,546
Recommended	86,928	87,773	83,335	85,332	168,667
Change		0	(4,438)	(2,441)	(6,879)
% Biennial Change from 2006-07					-3.5%
Remediation Fund					
Current Appropriation	100	100	100	100	200
Recommended	100	100	100	100	200
Change		0	0	0	0
% Biennial Change from 2006-07					0%

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	13,291	17,434	0	0	0
General	71,460	83,003	82,015	85,770	167,785
Minnesota Resources	1,076	279	0	0	0
Natural Resources	60,679	71,470	75,036	74,814	149,850
Game And Fish (Operations)	79,907	93,676	83,335	85,332	168,667
Remediation Fund	76	124	100	100	200
Permanent School	136	264	200	200	400
Open Appropriations					
General	16,623	16,927	37,398	37,844	75,242
Natural Resources	629	356	356	356	712
Game And Fish (Operations)	835	673	673	673	1,346
Statutory Appropriations					
General	3	357	0	0	0
Natural Resources	2,890	5,038	2,734	2,768	5,502
Misc Special Revenue	22,157	24,696	21,762	20,918	42,680
Game And Fish (Operations)	3,370	3,628	9,778	9,778	19,556
Federal	16,158	23,774	23,334	21,096	44,430
Remediation Fund	1,177	3,026	585	585	1,170
Reinvest In Minnesota	2,709	3,823	3,801	3,801	7,602
Miscellaneous Agency	2	45	45	45	90
Gift	1,598	3,218	1,610	1,605	3,215
Permanent School	3	536	18	18	36
Total	294,779	352,347	342,780	345,703	688,483
<u>Expenditures by Category</u>					
Total Compensation	153,382	165,631	166,473	170,729	337,202
Other Operating Expenses	82,001	115,128	105,373	105,892	211,265
Capital Outlay & Real Property	17,821	22,659	11,946	11,908	23,854
Local Assistance	40,807	49,039	38,649	36,424	75,073
Other Financial Transactions	768	0	0	0	0
Non-Cash Transactions	0	(123)	0	0	0
Transfers	0	13	20,339	20,750	41,089
Total	294,779	352,347	342,780	345,703	688,483
<u>Expenditures by Program</u>					
Land & Minerals Resource Mgmt	9,642	11,360	33,483	33,080	66,563
Water Resources Mgmt	12,854	14,934	16,893	17,078	33,971
Forest Management	60,363	66,675	68,742	68,727	137,469
Parks & Recreation Mgmt	38,667	41,726	40,192	41,010	81,202
Trails & Waterways Mgmt	28,161	42,962	34,798	33,450	68,248
Fish & Wildlife Management	77,794	89,637	87,645	89,061	176,706
Ecological Services	17,021	26,515	20,745	22,458	43,203
Enforcement Nr Laws&Rules	28,072	33,106	32,068	32,739	64,807
Operations Support	22,205	25,432	8,214	8,100	16,314
Total	294,779	352,347	342,780	345,703	688,483
Full-Time Equivalent (FTE)	2,402.8	2,356.4	2,320.0	2,272.4	

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	13,192	13,267	13,267	26,534
Technical Adjustments				
One-time Appropriations		(13,267)	(13,267)	(26,534)
Subtotal - Forecast Base	13,192	0	0	0
Total Governor's Recommendations	13,192	0	0	0
Fund: GENERAL				
FY 2007 Appropriations	76,843	76,843	76,843	153,686
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(1,762)	(1,762)	(3,524)
Program/agency Sunset		(730)	(730)	(1,460)
Subtotal - Forecast Base	76,843	74,351	74,351	148,702
Change Items				
Minerals Management	0	0	2,896	2,896
General Fund Investment DNR Forest Mgmt	0	2,000	2,000	4,000
SFRA Re-Authorization & Implementation	0	1,180	780	1,960
Firewood Sales Limitation/State Land	0	55	55	110
Prairie Wetlands	0	575	575	1,150
Wildlife Disease Management	0	132	132	264
Clean Water Legacy	0	1,630	1,630	3,260
Ethanol - Water Supply Issues	0	858	858	1,716
Operations Support Funding	0	0	0	0
DNR Budget Reallocation	0	0	0	0
Compensation Adjustment	0	1,234	2,493	3,727
Total Governor's Recommendations	76,843	82,015	85,770	167,785
Fund: NATURAL RESOURCES				
FY 2007 Appropriations	64,006	64,006	64,006	128,012
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(630)	(630)	(1,260)
Program/agency Sunset		(1,946)	(1,946)	(3,892)
Subtotal - Forecast Base	64,006	61,430	61,430	122,860
Change Items				
Minerals Management	0	3,000	0	3,000
FMIA Investments in DNR Forest Mgmt	0	7,367	7,367	14,734
State Park Appropriation Increase	0	500	750	1,250
Snowmobile Grant-in-Aid (GIA) Increase	0	700	700	1,400
Invasive Species Management & Control	0	785	2,450	3,235
Non Game Wildlife Appropriation Increase	0	35	36	71
Land Records Management System	0	375	375	750
All-Terrain Vehicle (ATV) Gas Tax	0	315	632	947
Operations Support Funding	0	0	0	0
Maintenance of Service -Non General Fund	0	529	1,074	1,603
Total Governor's Recommendations	64,006	75,036	74,814	149,850
Fund: GAME AND FISH (OPERATIONS)				
FY 2007 Appropriations	87,773	87,773	87,773	175,546
Subtotal - Forecast Base	87,773	87,773	87,773	175,546
Change Items				
DJ/Wallop-Breaux Motor Boat Access	0	32	107	139

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Statutory Approp For Fish & Wildlife	0	(7,584)	(7,584)	(15,168)
Angling, Hunting Recruitment, Retention	0	150	150	300
Fishing Tourney License Fee	0	108	108	216
Prairie Wetlands	0	575	575	1,150
Land Records Management System	0	326	326	652
Roadside Habitat	0	100	100	200
Operations Support Funding	0	0	0	0
Maintenance of Service -Non General Fund	0	1,855	3,777	5,632
DNR Budget Reallocation	0	0	0	0
Total Governor's Recommendations	87,773	83,335	85,332	168,667
Fund: REMEDIATION FUND				
FY 2007 Appropriations	100	100	100	200
Subtotal - Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Fund: GENERAL				
Planned Open Spending	16,927	37,398	37,844	75,242
Total Governor's Recommendations	16,927	37,398	37,844	75,242
Fund: NATURAL RESOURCES				
Planned Open Spending	356	356	356	712
Total Governor's Recommendations	356	356	356	712
Fund: GAME AND FISH (OPERATIONS)				
Planned Open Spending	673	673	673	1,346
Total Governor's Recommendations	673	673	673	1,346
Fund: GENERAL				
Planned Statutory Spending	357	0	0	0
Total Governor's Recommendations	357	0	0	0
Fund: NATURAL RESOURCES				
Planned Statutory Spending	5,038	2,393	2,402	4,795
Change Items				
Balsam Bough Permit Fees	0	1	1	2
Forest Resource Assessment Account	0	325	350	675
Statutory Forestry Land Use Account	0	15	15	30
Total Governor's Recommendations	5,038	2,734	2,768	5,502
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	24,696	22,087	21,268	43,355
Change Items				
Forest Resource Assessment Account	0	(325)	(350)	(675)
Total Governor's Recommendations	24,696	21,762	20,918	42,680
Fund: GAME AND FISH (OPERATIONS)				
Planned Statutory Spending	3,628	3,343	3,343	6,686
Change Items				
Statutory Approp For Fish & Wildlife	0	6,435	6,435	12,870
Total Governor's Recommendations	3,628	9,778	9,778	19,556
Fund: FEDERAL				
Planned Statutory Spending	23,774	23,334	21,096	44,430
Total Governor's Recommendations	23,774	23,334	21,096	44,430

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: REMEDIATION FUND				
Planned Statutory Spending	3,026	585	585	1,170
Total Governor's Recommendations	3,026	585	585	1,170
Fund: REINVEST IN MINNESOTA				
Planned Statutory Spending	3,823	3,801	3,801	7,602
Total Governor's Recommendations	3,823	3,801	3,801	7,602
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	45	45	45	90
Total Governor's Recommendations	45	45	45	90
Fund: GIFT				
Planned Statutory Spending	3,218	1,610	1,605	3,215
Total Governor's Recommendations	3,218	1,610	1,605	3,215
Fund: PERMANENT SCHOOL				
Planned Statutory Spending	536	18	18	36
Total Governor's Recommendations	536	18	18	36
<u>Revenue Change Items</u>				
Fund: GENERAL				
Change Items				
FMIA Investments in DNR Forest Mgmt	0	90	90	180
Fund: NATURAL RESOURCES				
Change Items				
FMIA Investments in DNR Forest Mgmt	0	380	380	760
Balsam Bough Permit Fees	0	1	1	2
Forest Resource Assessment Account	0	325	350	675
State Park Appropriation Increase	0	250	500	750
Invasive Species Management & Control	0	1,807	2,692	4,499
All-Terrain Vehicle (ATV) Gas Tax	0	315	632	947
Fund: MISC SPECIAL REVENUE				
Change Items				
FMIA Investments in DNR Forest Mgmt	0	130	130	260
Forest Resource Assessment Account	0	(325)	(350)	(675)
Fund: GAME AND FISH (OPERATIONS)				
Change Items				
Fishing Tourney License Fee	0	108	108	216
Fund: PERMANENT SCHOOL				
Change Items				
FMIA Investments in DNR Forest Mgmt	0	150	150	300

Program Description

The Minnesota Department of Natural Resources (DNR) is responsible for implementing land policy on state-owned lands and providing fiduciary oversight for real estate and mineral transactions that relate to state ownership. DNR has regulatory authority for reclamation of metallic mineral and peat mines to ensure environmentally- sound mining practices. This program is the responsibility of DNR's Division of Lands and Minerals.

The program's real estate responsibilities include land purchases, sales, and exchanges implementing the resource management plans reflected in the department's *Strategic Conservation Agenda, 2003-2007*. Measuring progress toward mission, June 2006.

Mineral management responsibilities include issuing leases for exploration and mining, negotiating lease rates, and managing revenue transactions related to mining and exploration. The program also provides technical assistance to local governments on available mineral resources and mining issues.

Population Served

DNR provides mineral and real estate information for the state's citizens. State-owned lands provide opportunities for hunting, fishing, and other recreational pursuits as well as financial benefits to trust funds and local units of governments.

Services Provided

⇒ **Real Estate and Mineral Transactions**

The DNR provides the following transaction services: land acquisitions; land exchanges; land sales; road easements; utility licenses; real estate tax and special assessment payments; and mineral and agricultural leases. Land is acquired in fee title and for conservation easements designed to protect habitat and resources. Mineral leases include those for taconite, iron ore, non-ferrous metallic, minerals, horticultural peat, construction aggregates, and industrial minerals.

Core responsibilities include reconciling mineral rental and royalty payments, title research, calculating payments in lieu of taxes (PILT) payments for state-owned natural resources lands, and conducting legislatively-mandated reviews for county-proposed, tax-forfeited land sales. Additional responsibilities include maintaining the Land and Mineral Rights Information System that holds records for 400,000 individual parcels of DNR lands and county administered lands held in trust by the state.

⇒ **Mineral Potential and Engineering**

DNR is responsible for monitoring global commodity demand and pricing to establish royalty rates for Minnesota minerals. Services include developing mineral resource information to support state mineral lease sales and mining, generating resource and reserve estimates, determining ore quality, conducting field inspections, and calculating royalties due from exploration and mining on state lands. Staff geologists also provide technical information on construction aggregate resources to zoning and planning commissions and county boards throughout the state.

⇒ **Mineland Reclamation**

Minnesota statutes direct DNR to establish and enforce regulations for reclamation of lands disturbed by mining. This authority pertains to iron ore, taconite, non-ferrous metallic minerals, and peat mines. Responsibilities include: reducing the environmental impacts of mining; issuing permits and ensuring

Program at a Glance

- ◆ National Mineral Commodity Rankings*
 - 7th in non-fuel mineral production
 - 1st in taconite production
 - 5th in sand and gravel production
 - 3rd in horticultural peat production
- ◆ \$40 million in mineral revenue for FY 2005-06
- ◆ 12 million acres of land managed for mineral rights and eight million acres of surface rights managed for horticultural peat, industrial minerals, and construction materials
- ◆ Fiduciary responsibilities for the Permanent School Fund and Permanent University Fund
- ◆ Reclamation program for iron ore, metallic minerals, and horticultural peat
- ◆ Acquisitions of 17,000 acres of land and conservation easements valued at \$37 million in FY 2005-06

* Source: U. S. Geological Survey, Mineral Commodity Summaries, June 2006

reclamation during and following completion of mining; determining effective reclamation techniques; enforcing reclamation law; ensuring public review and input to the permitting process; and developing mine closure plans.

⇒ **Minerals Research**

Mineral research includes: Iron Ore Cooperative Research, Minerals Diversification, and Environmental Cooperative Research. Statutes direct the research to support and diversify the state's mineral industry and address environmental issues related to mining. Ongoing research includes studies of mercury emissions from taconite processing facilities and product quality improvement modeling, both co-funded by private and federal monies.

⇒ **Land Survey**

This program provides land surveying services and boundary staking and platting for acquisitions, conservation easements, land sales, trespass situations, and other activities. Core functions include land title research, review of encroachments and adjoining rights, and review of quiet title actions served on the department by the judiciary.

Historical Perspective

Worldwide, mineral demand has increased dramatically creating what some metals experts refer to as a super commodity cycle. The increased demand is unprecedented in modern times led by demand from China and India. Unit prices for copper, nickel, zinc, gold, and platinum have risen 100 to 300% since 2002. Specifically, copper has increased from \$0.70 per pound (January 2002) to \$3.25 (June 2006); nickel has increased from \$2.75 to \$9.50 per pound and gold increased from \$275 to \$550 per ounce over the same time period according to *World Exploration Trends*, Metals Economics Group, A Special Report for the Prospectors and Developers Association of Canada, 2006 International Convention, March 2006, and American Metal Market price reports.

Following the demand, multinational mineral exploration companies have increased expenditures every year since 2002. Globally, 2005 exploration expenditures for nonferrous metals were \$5.1 billion, which is a 34% increase over 2004 and a 168% increase over 2002. Following international trends, exploration also is increasing in Minnesota, including investments in early-stage exploration for gold, base metals and possibly diamonds; two late-stage exploration projects for copper, nickel and Platinum Group Elements; and permitting for a copper, nickel and Platinum Group Elements deposit. During the same timeframe, the number of metallic mineral leases has increased from 105 to 210; lease acreage increased from about 26,000 to 69,000; the number of exploration drill holes increased from 31 to 77; and total drill footage increased from 25,618 to 65,394.

Minnesota's taconite industry is also significantly stronger than two years ago, reflecting historical highs in global iron ore demand and attendant pricing. All taconite plants in the state are operating at capacity, and a number of the facilities are undergoing expansions and plant improvements. United Taconite, LLC, partially owned by Chinese steel-maker Laiwu, completed a one million ton pellet production expansion. Northshore Mining Company has permitted a major refurbish and restarted an 800,000-ton pelletizing line. Mittal Steel USA is in the process of opening a new 835-acre mine to replace the declining production from the Laurentian Mine. US Steel Corporation's two facilities and Hibbing Taconite Company continue to operate at capacity. In addition, Mesaba Nugget, LLC completed a successful demonstration of its pilot plant and plans to start construction of its commercial iron nugget plant in the fall of 2006. Minnesota Steel Industries, LLC is conducting permitting and seeking financing for a taconite mine and steel plant on the western Mesabi Iron Range.

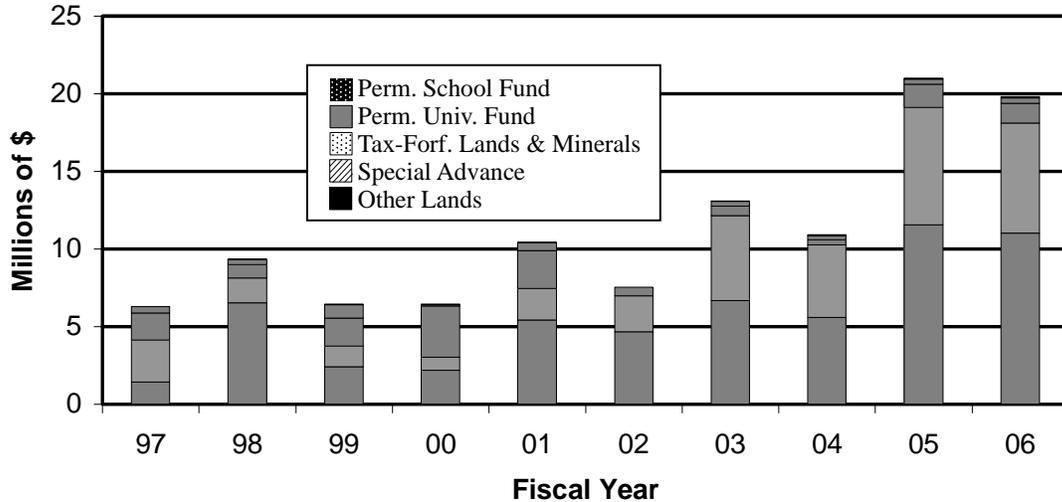
The demand for construction aggregates (natural sand, gravel, and crushed rock) has increased 27% since 2000 and remains high. The department is currently managing programs to respond to increased market demand. DNR is currently mapping county aggregate resources in three counties; the mapping is projected to be finished by the end of the biennium. Eight additional counties have requested mapping work through county board resolutions. DNR also is evaluating resource deposits on school trust lands in order to sell resources to provide for societal needs and, simultaneously, increase revenue to the school trust fund. Historically sales of aggregates on state lands have been limited, but through this program a number of new reserves have been identified and leases executed to sell materials.

Key Measures

Mineral Revenue

Mineral receipts reached historical levels in the past two fiscal years reflecting strong iron ore demand worldwide. In FY 2005, mineral revenue reached an all-time high of \$21 million. Although there was a slight decrease in FY 2006, the revenue in both years essentially doubled the revenue from FY 2004 and tripled the revenue from ten years earlier. As in the past, taconite mining generated about 97% of the revenue.

State Minerals Lease Revenues, FY 1997-2006



NOTE: Under the provisions of M.S. 93.335, Subd. 4, the state annually distributes 80% of the mineral rents and royalties generated from the tax-forfeited lands to local taxing districts.

Program Funding

During the 2005 legislative session a Minerals Management Account (MMA) was created to fund a portion of mineral management activities previously supported by the General Fund. For FY 2006-07, 20% of the income generated from the leasing of state-owned minerals was deposited into the MMA. During the same session, an appropriation to the DNR for conducting mineral management activities was also approved. This appropriation ensured management of the state’s mineral resources for the current biennium.

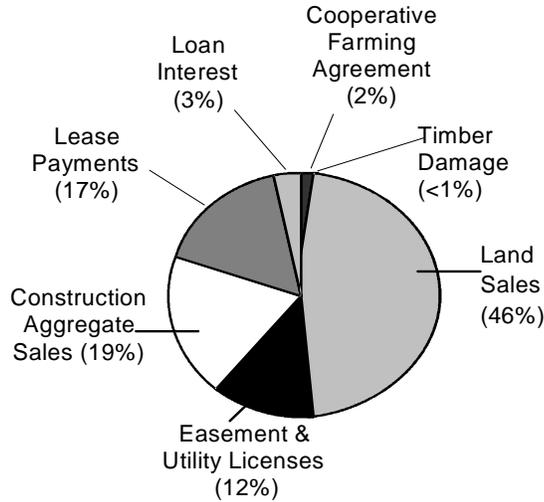
A permanent source of permanent funding for this program has not been determined. A decision will be required in the 2007 legislative session about whether to continue funding minerals management from the accounts that financially benefit from these efforts or to consider other funding sources.

Land Revenue

Real estate-related activities generated about \$2.6 million in revenue in FY 2005 and about \$3.0 million in FY 2006. The chart on the next page illustrates the types of activities that produced revenue in FY 2006.

The 2003 and 2005 legislatures required state agencies to identify and sell state-owned land and deposit net proceeds into the General Fund. DNR land sales provided \$790,000 in revenue to the General Fund during FY 2005 and FY 2006.

**Land Revenue FY 2006
Total \$2.99 million**



Real Estate Transactions

Land acquisitions, land sales, and land exchanges are a measure of the department’s progress toward its management goals outlined in the *A Strategic Conservation Agenda, 2003-2007*. The following table contains information on selected department land transactions for FY 2005-06. DNR acquires land to provide recreational opportunities and preserve rare natural resources including: aquatic management areas, canoe and boating routes, fish management areas, native prairie, scientific and natural areas, state parks, state trails, water access sites, and wildlife management areas.

In the forthcoming biennium, the department expects to see a moderation in land costs after ten years of double-digit annual increases. During the last decade, *farmland* has increased in value approximately 17% a year, and *timberland* has increased in value about 38% a year according to the Department of Applied Economics, University of Minnesota.

Land Acquisitions, Sales, and Exchange Statistics, FY 2005-06

		Number of parcels	Acres	Cost *	Value
Land Acquisitions	Fee Title	134	10,265	\$30,500,700	
	Easements	54	6,863	\$6,466,300	
	Total	188	17,128	\$36,967,000	
Land Sales**		39	520		\$2,116,800
Land Exchanges***	Relinquished	10	652		\$698,500
	Acquired	10	833		\$727,900

* The costs for acquisitions include appraisal fees, recording fees, property taxes, etc., in addition to the land value. Thirty-two of the fee title acquisitions were gifts (2,810 acres), eleven of which were donated by Pheasants Forever, which received Legislative Commission on Minnesota Resources (LCMR) monies to obtain the gifted parcels. Nine easements (135 acres) were gifts, and one fee title acquisition (50 acres) was acquired via condemnation.

** Value includes sale proceeds, sale costs, timber value, and improvements.

*** Value includes only the value of land.

Contact

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NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	156	161	161	161	322
Technical Adjustments					
One-time Appropriations			(161)	(161)	(322)
Subtotal - Forecast Base	156	161	0	0	0
Total	156	161	0	0	0
General					
Current Appropriation	5,248	5,248	5,248	5,248	10,496
Subtotal - Forecast Base	5,248	5,248	5,248	5,248	10,496
Governor's Recommendations					
Minerals Management		0	0	2,896	2,896
Operations Support Funding		0	262	262	524
DNR Budget Reallocation		0	863	863	1,726
Compensation Adjustment		0	72	146	218
Total	5,248	5,248	6,445	9,415	15,860
Natural Resources					
Current Appropriation	2,222	2,222	2,222	2,222	4,444
Technical Adjustments					
One-time Appropriations			(100)	(100)	(200)
Program/agency Sunset			(1,946)	(1,946)	(3,892)
Subtotal - Forecast Base	2,222	2,222	176	176	352
Governor's Recommendations					
Minerals Management		0	3,000	0	3,000
Land Records Management System		0	375	375	750
Total	2,222	2,222	3,551	551	4,102
Game And Fish (operations)					
Current Appropriation	983	1,005	1,005	1,005	2,010
Subtotal - Forecast Base	983	1,005	1,005	1,005	2,010
Governor's Recommendations					
Land Records Management System		0	326	326	652
Maintenance of Service -Non General Fund		0	32	64	96
Total	983	1,005	1,363	1,395	2,758

NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	102	215	0	0	0
General	5,149	5,550	6,445	9,415	15,860
Natural Resources	2,001	2,443	3,551	551	4,102
Game And Fish (Operations)	843	1,145	1,363	1,395	2,758
Permanent School	136	264	200	200	400
Open Appropriations					
General	72	18	20,372	20,783	41,155
Statutory Appropriations					
Natural Resources	0	16	6	6	12
Misc Special Revenue	1,334	1,105	1,483	667	2,150
Miscellaneous Agency	2	45	45	45	90
Gift	0	23	0	0	0
Permanent School	3	536	18	18	36
Total	9,642	11,360	33,483	33,080	66,563
<u>Expenditures by Category</u>					
Total Compensation	6,376	6,070	6,923	7,160	14,083
Other Operating Expenses	2,126	4,744	5,026	4,776	9,802
Capital Outlay & Real Property	2	0	0	0	0
Local Assistance	1,138	546	1,208	407	1,615
Transfers	0	0	20,326	20,737	41,063
Total	9,642	11,360	33,483	33,080	66,563
<u>Expenditures by Activity</u>					
Land & Minerals Resource Mgmt	9,642	11,360	33,483	33,080	66,563
Total	9,642	11,360	33,483	33,080	66,563
Full-Time Equivalent (FTE)	85.3	84.3	100.9	99.6	

NATURAL RESOURCES DEPT**Program: LAND & MINERALS RESOURCE MGMT****Change Item: Minerals Management**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$2,896	\$2,896	\$2,896
Revenues	0	0	0	0
Other Fund – Natural Resources				
Expenditures	3,000	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$3,000	\$2,896	\$2,896	\$2,896

Recommendation

The Governor recommends funding of \$3.0 million for FY 2008 from the Mineral Management Account and \$2.896 million for FY 2009 from the General Fund for management of state-owned mineral resources. FY 2008 expenditures will exhaust the funds in the balance of the Mineral Management Account. The biennium funding will be used to fund the management activities related to generation, collection, and enhancement of state mineral revenue.

Background

Historically, the financial responsibility of providing mineral management had been funded by appropriations from the General Fund. The funding changed in the FY 2006-07 biennium. In 2005, the Governor recommended a similar change, based on the concept that the costs of mineral management that are related directly to the generation of income be borne by the funds that receive the economic benefit from the mineral management. In spring of 2005, the Legislature and Governor agreed to amend the Governor's initial recommendation and changed what was designed to be a perpetual funding mechanism to a biennial change, ending on 7/30/07. In his recommendation, the Governor has chosen to return to the historical practice of funding these valuable activities out of the General Fund.

The DNR currently manages mineral rights on about 12 million acres of land. The majority of the mineral rights are located on lands that were either granted to the state by the federal government for certain specified uses, or on lands that were acquired by the state as a result of forfeiture related to the non-payment of taxes. In both cases the DNR now serves as the trustee for these mineral rights and is responsible for prudently managing the minerals and ensuring that the income generated is credited to the appropriate accounts.

In its capacity as trustee, the DNR performs a number of tasks including: the collection and maintenance of geologic data and physical samples used to aid in future mineral exploration and development; conducting mineral lease sales; negotiating mineral leases, preparing and maintaining lease documents and other legal contracts; inspecting mining and exploration activity to ensure lease compliance; working with industry to identify cost-reducing and value enhancing processing technologies; collaborating with mine operators to identify environmentally acceptable practices; ensuring that mine areas have reclamation plans and permits that ensure utility and value of mine areas when mining ceases; and providing technical advice on mineral development proposals when state funds or minerals are involved.

This change item is designed to maintain the current level of mineral management and to continue providing funds to enhance mineral revenue potential. The DNR will continue to advance new opportunities such as the development of value-added iron products, mercury reduction research to assist taconite plants, and drill core analysis to identify new exploration areas, all of which could ultimately increase revenue and maintain a strong mineral industry in the state. Providing funds to investigate income enhancement opportunities is consistent with recommendations in the 2004 Governor's Task Force Report on Minnesota's Mining Future.

Mineral income has increased substantially in recent years and there continues to be opportunities for future growth in iron ore and for expansion into other minerals. Exploration and mining on state-owned mineral lands in FYs 2005 and 2006 generated approximately \$20 million a year in mineral income. Global demand, particularly in China, India, and other Asian countries, for iron ore, and precious and base metals has increased both exploration and mining in Minnesota. Industry observers believe strong demand, and attendant pricing, will

NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Change Item: Minerals Management

continue for the near term. Strong global demand and prudent mineral management of the state's mineral resources is essential to maintaining a strong mineral industry in the state.

Relationship to Base Budget

This initiative will result in a continuation of the funding for mineral management that was initiated for FY 2006 and FY 2007. The cost of management that was projected in 2005 has proven higher than anticipated; subsequently, the additional costs of mineral management in FY 2006 and FY 2007 were covered by division's General Fund appropriation.

The recommended initiative will provide the funding necessary for mineral management costs in FY 2008-09, including the funding for initiatives to enhance future income generation and modernizing management tools such as the state's land and mineral records system that is essential to track mineral income and leasing activities.

Key Measures

The State Constitution and several State Laws establish the DNR's fiduciary responsibilities for managing state-owned minerals. A key trust responsibility is to secure maximum long-term economic return from the sale of state minerals. The measure of success will be a continuous income stream to local government, and the permanent school and university trust funds generated from exploring for and mining state-owned mineral resources.

Alternatives Considered

Historically, expenditures for mineral management have been appropriated from the General Fund. In FY 2006 and FY 2007, program funding was changed to the Minerals Management Account. This Change Item encompasses a reversion of program funding to the General Fund, which historically funded the program. The change will occur in the second year of the biennium, FY 2009.

Statutory Change: Statutes to be amended include M. S. 93.22 and M. S. 93.2236.

Program Description

The purpose of the Water Resources Management Program is to maintain the physical integrity of Minnesota's wetlands, lakes, rivers, and ground water resources. This program is the responsibility of the Department of Natural Resources (DNR's) Division of Waters. The division cooperates with local units of government and the public to measure rainfall, lake levels, stream flow, and ground water levels; and also gathers and interprets water resource data to describe how human activities impact the hydrologic system and how negative impacts can be mitigated.

DNR Waters works to prevent or mitigate impacts of hydrologic extremes. The division must balance resource protection with reasonable uses of the water resources and adjacent lands in administering its programs. Statutory duties are found in M.S. 103A through 103I, with most in M.S. 103G.

Program at a Glance

- ◆ Regulate over 21,000 public waters basins and 69,200 miles of rivers and streams
- ◆ Permit and monitor about 7,000 large water users and enforce dam safety regulations at over 1,000 public and private dams
- ◆ Manage statewide monitoring networks for precipitation, lake levels, stream flow, and ground water levels
- ◆ Administer flood hazard mitigation grants totaling over \$175 million in since 1997
- ◆ Assist 450 local governments to administer floodplain ordinances, and 250 local governments to administer shoreland ordinances

Population Served

DNR Waters provides water resources data, information, stewardship education, and water resources technical assistance to other state and federal agencies, local government officials, planning commissions, consultants, environmental organizations, teachers, and the public. DNR Waters provides grants, training, and technical assistance to local governments. DNR Waters also regulates certain activities of riparian land owners, dam owners, persons proposing projects that would result in filling or excavation of public waters, and water users who exceed the threshold of one million gallons per year.

Services Provided

DNR Waters maintains critical data collection and services not duplicated elsewhere:

- ◆ gathers, compiles, and interprets information from a precipitation monitoring network of over 1,400 volunteers managed by the state climatologist in cooperation with soil and water conservation districts;
- ◆ gathers, compiles, and interprets water level data from a lake level monitoring network encompassing about 1,000 lakes with the assistance of about 700 citizen volunteers and several local government partners;
- ◆ operates a river flood warning system that includes 38 automated stream gages and provides matching funds to support 30 stream flow monitoring gages operated by the U.S. Geological Survey;
- ◆ gathers, compiles, and interprets water level data from over 750 ground water level monitoring wells in partnership with soil and water conservation districts;
- ◆ collects information on water use from approximately 7,000 water appropriation permit holders and approves municipal emergency and water conservation plans;
- ◆ prepares County Geologic Atlases and Regional Ground Water Assessments in cooperation with the Minnesota Geological Survey and local government partners;
- ◆ prepares maps of ground water aquifers and surface water watersheds;
- ◆ provides assistance to decision-makers through technical analysis and modeling; including ordinary high water level determinations;
- ◆ administers grants for local flood hazard mitigation, dam repair/removal; and coastal zone management projects;
- ◆ assists counties and cities in developing and administering zoning ordinances for shorelands, floodplains, critical areas, and wild and scenic rivers;
- ◆ investigates and mitigates domestic well interference problems that may be caused by high capacity wells; and,
- ◆ regulates work occurring during periods of low water levels on public waters; permits withdrawals of water from surface and ground water sources; and constructions, operates and maintains public and private dams.

Historical Perspective

DNR Waters statutory responsibilities to manage Minnesota’s public waters and water supply through a state permit program dates back to 1937. In the 1960s, responsibilities were added to set minimum standards for local shoreland and floodplain zoning ordinances; in the 1970s, a statewide inventory of public waters basins and watercourses was added; and in the 1980s, flood hazard mitigation and dam safety grant programs were created. The 1989 Groundwater Act provided DNR Waters responsibility for the County Atlas Program.

DNR Waters has: 1) streamlined regulation through the issuance of general permits; 2) adopted project management for staff productivity; and 3) required project proposals to include more specific supporting information for permits or other approval requests.

Key Measures

⇒ County Geologic Atlases or Regional Hydro-geological Assessments are completed.

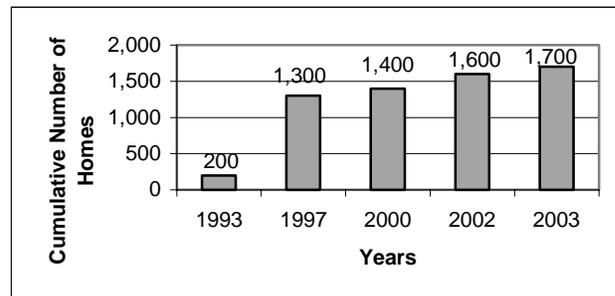
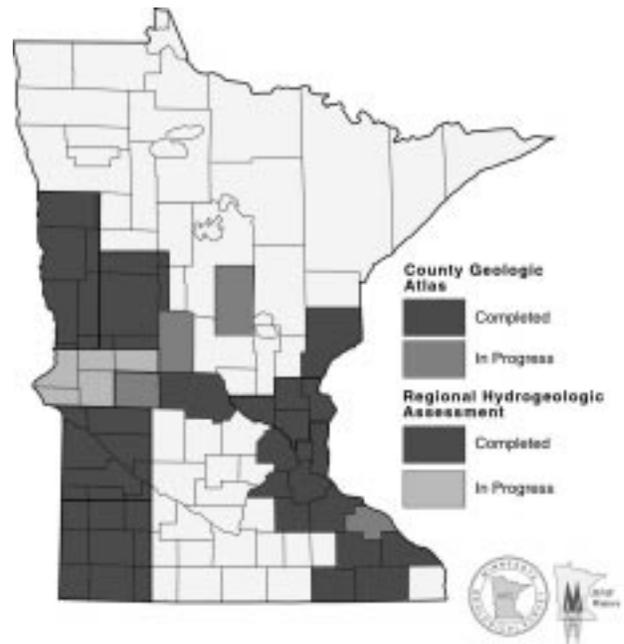
DNR Waters in partnership with the Minnesota Geological Survey (MGS) provides local governments with baseline hydrogeologic information to effectively plan for and manage their land and water resources. Information and technical assistance helps communities find reliable sources of water, and manage water and land use to sustain high quality water resources.

Baseline hydro-geologic information is now available for areas that include 75% of the state’s population and 37% of its land area. These data provide local officials, well drillers, consultants, and land owners a common framework for understanding the local ground water resource.

⇒ Homes are removed from flood plains to prevent flood damage.

Flooding is a natural part of river systems, but flood extremes can harm people and property. Protecting healthy watersheds, removing structures from floodplains, and preparing for floods when they do occur can reduce flood damages. DNR Waters’ goal is to continue to remove homes from floodplains.

Since 1987, DNR has provided funds to communities to build flood-control structures, define flood hazard areas, and buy and remove flood-prone homes. In Austin, for example, DNR has spent \$1.3 million to acquire flood-prone homes. Major flooding occurred there in 2000 and 2004 and the cost savings due to removal of flood-prone buildings exceeded the cost of acquiring the structures. Statewide, over 1,700 homes have been removed from the floodplain.



Number of homes removed from flood plains. By removing homes from flood plains, the expense and inherent danger of fighting a flood is avoided.

Program Funding

DNR Waters is funded primarily through General Fund appropriations. A small portion of the operating budget comes from the Natural Resources Fund and certain special revenue accounts.

Non-dedicated fees collected for permit applications and annual water use fees totaling approximately \$4.5 million a year are deposited in the General Fund. A surcharge on summer water use was initiated in 2005 and generated \$628,000 in FY 2006 revenues. Federal grants provide approximately \$2 million a year. Current sources of federal grant income include Federal Emergency Management Agency grants for the floodplain management and dam safety programs, and National Oceanic and Atmospheric Agency grants for the coastal zone program in the Lake Superior basin.

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For additional DNR Waters program information visit www.dnr.state.mn.us/waters.

NATURAL RESOURCES DEPT

Program: WATER RESOURCES MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,812	10,812	10,812	10,812	21,624
Subtotal - Forecast Base	10,812	10,812	10,812	10,812	21,624
Governor's Recommendations					
Clean Water Legacy		0	820	820	1,640
Ethanol - Water Supply Issues		0	773	773	1,546
Operations Support Funding		0	202	202	404
DNR Budget Reallocation		0	100	100	200
Compensation Adjustment		0	182	367	549
Total	10,812	10,812	12,889	13,074	25,963
Natural Resources					
Current Appropriation	280	280	280	280	560
Subtotal - Forecast Base	280	280	280	280	560
Total	280	280	280	280	560
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,373	11,397	12,889	13,074	25,963
Natural Resources	276	284	280	280	560
Statutory Appropriations					
Misc Special Revenue	138	278	272	272	544
Federal	2,060	2,962	3,445	3,445	6,890
Gift	7	13	7	7	14
Total	12,854	14,934	16,893	17,078	33,971
<u>Expenditures by Category</u>					
Total Compensation	8,569	9,511	10,107	10,283	20,390
Other Operating Expenses	2,148	2,790	3,305	3,314	6,619
Local Assistance	2,137	2,756	3,481	3,481	6,962
Non-Cash Transactions	0	(123)	0	0	0
Total	12,854	14,934	16,893	17,078	33,971
<u>Expenditures by Activity</u>					
Water Resources Mgmt	12,854	14,934	16,893	17,078	33,971
Total	12,854	14,934	16,893	17,078	33,971
Full-Time Equivalents (FTE)	115.7	119.0	128.7	127.4	

Program Description

The purpose of the Forest Management Program is to:

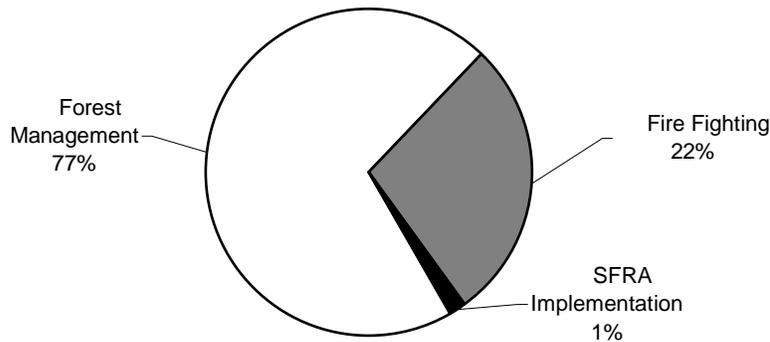
- ◆ manage forest lands in the state (including community forests) to meet long-term, sustainable management objectives for multiple forest resources, including timber, wildlife habitat, recreation, and aesthetics;
- ◆ protect citizens, property, and natural resources from wildfires; and
- ◆ bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site and landscape-based forest management practices.

This program is the responsibility of the Department of Natural Resources (DNR's) Division of Forestry.

Budget Activities Included:

- ⇒ Forest Management
- ⇒ Fire Fighting
- ⇒ Sustainable Forest Resources Act Implementation

**Funding FY 2006-07
(Total = \$119,289 million)
Data as of 09/08/06**



Key Measures

DNR uses a range of performance measures to assess its progress in managing forest lands in the state to meet long-term, sustainable management objectives for multiple forest resources, and protecting citizens, property and natural resources from wildfires. The measures found in the budget activity narratives illustrate accountability to sustainable forestry results. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003–2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

See activity sections for specific measures.

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	1,122	1,122	1,122	1,122	2,244
Technical Adjustments					
One-time Appropriations			(1,122)	(1,122)	(2,244)
Subtotal - Forecast Base	1,122	1,122	0	0	0
Total	1,122	1,122	0	0	0
General					
Current Appropriation	24,961	24,561	24,561	24,561	49,122
Technical Adjustments					
Program/agency Sunset			(730)	(730)	(1,460)
Subtotal - Forecast Base	24,961	24,561	23,831	23,831	47,662
Governor's Recommendations					
General Fund Investment DNR Forest Mgmt		0	2,000	2,000	4,000
SFRA Re-Authorization & Implementation		0	1,180	780	1,960
Firewood Sales Limitation/State Land		0	55	55	110
Operations Support Funding		0	875	875	1,750
DNR Budget Reallocation		0	(2,667)	(2,667)	(5,334)
Compensation Adjustment		0	409	824	1,233
Total	24,961	24,561	25,683	25,698	51,381
Natural Resources					
Current Appropriation	10,315	10,315	10,315	10,315	20,630
Subtotal - Forecast Base	10,315	10,315	10,315	10,315	20,630
Governor's Recommendations					
FMIA Investments in DNR Forest Mgmt		0	7,367	7,367	14,734
All-Terrain Vehicle (ATV) Gas Tax		0	50	100	150
Maintenance of Service -Non General Fund		0	301	611	912
Total	10,315	10,315	18,033	18,393	36,426
Game And Fish (operations)					
Current Appropriation	250	250	250	250	500
Subtotal - Forecast Base	250	250	250	250	500
Governor's Recommendations					
Maintenance of Service -Non General Fund		0	7	14	21
Total	250	250	257	264	521

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	874	1,736	0	0	0
General	22,951	26,865	25,683	25,698	51,381
Minnesota Resources	30	0	0	0	0
Natural Resources	10,292	10,338	18,033	18,393	36,426
Game And Fish (Operations)	250	250	257	264	521
Open Appropriations					
General	8,559	9,000	9,000	9,000	18,000
Natural Resources	0	29	29	29	58
Statutory Appropriations					
Natural Resources	55	62	403	428	831
Misc Special Revenue	11,416	12,466	11,259	11,234	22,493
Federal	5,910	5,807	4,041	3,644	7,685
Reinvest In Minnesota	3	0	0	0	0
Gift	23	122	37	37	74
Total	60,363	66,675	68,742	68,727	137,469
<u>Expenditures by Category</u>					
Total Compensation	30,368	33,124	34,696	35,385	70,081
Other Operating Expenses	21,024	26,278	28,611	28,100	56,711
Capital Outlay & Real Property	3,351	1,710	1,162	1,162	2,324
Local Assistance	4,856	5,563	4,273	4,080	8,353
Other Financial Transactions	764	0	0	0	0
Total	60,363	66,675	68,742	68,727	137,469
<u>Expenditures by Activity</u>					
Forest Management	39,667	45,094	46,799	47,015	93,814
Fire Fighting	19,984	20,660	20,763	20,932	41,695
Sustain Res Act Implementation	712	921	1,180	780	1,960
Total	60,363	66,675	68,742	68,727	137,469
Full-Time Equivalent (FTE)	492.8	479.4	507.4	507.4	

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: FMIA Investments in DNR Forest Mgmt

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	90	90	90	90
Other Fund – School Trust Fund				
Expenditures				
Revenues	150	150	150	150
Other Fund – Special Revenue				
Expenditures				
Revenue	130	130	130	130
Other Fund – Natural Resources				
Expenditures	7,367	7,367	6,267	6,267
Revenues	380	380	380	380
Net Fiscal Impact	\$6,617	\$6,617	\$5,517	\$5,517

Recommendation

The Governor recommends that an additional \$7.367 million per year be allocated from the Forest Management Investment Account (FMIA) as follows:

- ⇒ \$3.167 million per year increased allocation from the FMIA to more fully cover costs attributable to generating revenue to the FMIA.
- ⇒ \$750,000 per year to hire additional field foresters to work primarily on timber sales.
- ⇒ \$1 million per year for forest improvement efforts (pre- and non-commercial thinning, and seedling protection).
- ⇒ \$1.1 million per year for forest road maintenance.
- ⇒ \$600,000 per year to accelerate implementation of the ecological classification system (ECS).
- ⇒ \$350,000 per year to address invasive species on state-administered forest lands.
- ⇒ \$400,000 per year to accelerate the continual re-inventory of state-administered forest lands.

Background

Full Cost Recovery for FMIA Activities

Currently, more than half of DNR forest management program staff time is spent on activities that are directly coded to the FMIA (M. S. 89.039). However, 100% of the programs administrative costs (i.e., supplies and expenses, fleet, indirect costs, administrative costs, etc.), including those associated with FMIA activities, are currently funded out of the General Fund. To better capture and fund the full-cost of activities associated with generating revenue to the FMIA, this proposal increases appropriations from the FMIA to cover its proportionate share of the Division of Forestry's total administrative costs.

Additional Timber Sales Foresters

Additional entry-level foresters are needed to provide field time to visit and evaluate additional acres and incorporate new tools, techniques, and management direction into stand-level management prescriptions. Recent developments in the state's forest products industry also highlight the importance of spending the time to evaluate all sites identified in DNR forest management plans for potential harvest opportunities. These positions are estimated to generate an additional \$750,000 in revenues per year. Based on historical evidence and the mix of land status types the state administers (e.g., School Trust, Con-Con, Acquired), additional timber sales revenue generated by this proposal is expected to be deposited in a mix of accounts: FMIA, General Fund, and assorted special revenue accounts (Con-Con, Game & Fish, Burntside State Forest).

Forest Improvement

This funding would be primarily for contracts to complete needed timber stand improvement (e.g., pre-commercial thinning, non-commercial stand marking, releasing young forests from competing vegetation, pruning, etc.), and protect young forests from deer browsing and other threats. Many of these efforts are needed to improve the long-term productivity of state-administered forestlands. Over the seven-year period of FY 2000 through FY 2006,

the DNR completed an average nearly 8,000 acres of forest stand improvement and protection. The additional \$1 million per year from the FMIA would increase forest stand improvement and protection to 12,000 acres per year (4,000 acres above the running average level of 8,000 acres per year).

State Forest Road Maintenance

This funding would be used for road grading and maintenance, graveling projects, and resurfacing.

Accelerate ECS Implementation on State Forest Lands

This funding would be for contracts to complete an additional 70,000 acres per year of native plant community classification using Ecological Classification System (ECS) field guides. The proposed acceleration is important, as classifications have quickly become a vital tool for field foresters to use in making the right management decisions/prescriptions on individual sites. These decisions are critical in helping improve and sustain the health and productivity of individual sites and forest lands in general.

Invasive Species on State Forest Lands

One of the targets identified in the DNR Strategic Conservation Agenda is to "continue to map and control aggressive terrestrial invasive plant species on state lands." Currently there is no systematic or consistent effort to inventory and control invasive terrestrial plant species on state forest lands. The recommended funding would establish a terrestrial invasive species program within the Division of Forestry to:

- ⇒ Inventory high-risk areas for invasive plant species (\$100,000 to inventory 1,000 acres of high risk state forest lands).
- ⇒ Control invasive terrestrial plants, insects, and diseases on state administered lands (\$175,000 to control invasive plant species, such as buckthorn, on 150 acres of forest land).
- ⇒ Hire an invasive species specialist to coordinate and oversee inventory and control efforts; design and implement a division invasive terrestrial plant education program for division employees; and integrate terrestrial invasive species efforts into the on-going invasive insect and disease efforts to develop a comprehensive approach to invasive species on forestry administered lands. (\$75,000).

Accelerate the Re-inventory of State Forest Lands

Cooperative Stand Assessment (CSA) is the vegetative inventory system used on nearly five million acres of state-owned lands. The CSA inventory is the primary data set from which the DNR develops long-range forest management plans at the statewide and landscape levels, operational timber harvest and forest development plans, and wildlife habitat assessments. This proposal would reduce the re-inventory cycle from the current 15-year period to 10-years by accomplishing an additional 100,000 acres of re-inventory each year.

Web links for more information:

DNR timber harvesting:	http://www.dnr.state.mn.us/forestry/harvesting/index.html
Forest management guidelines:	http://www.frc.state.mn.us/FMgdline/Guidebook.html
DNR ecological classification system:	http://www.dnr.state.mn.us/ecs/index.html
DNR Forest Certification:	http://www.dnr.state.mn.us/forestry/certification/index.html
Forest landscape planning:	http://www.dnr.state.mn.us/forestry/subsection/index.html http://www.frc.state.mn.us/Landscp/Landscape.html
Invasive Species:	http://www.dnr.state.mn.us/invasives/index.html

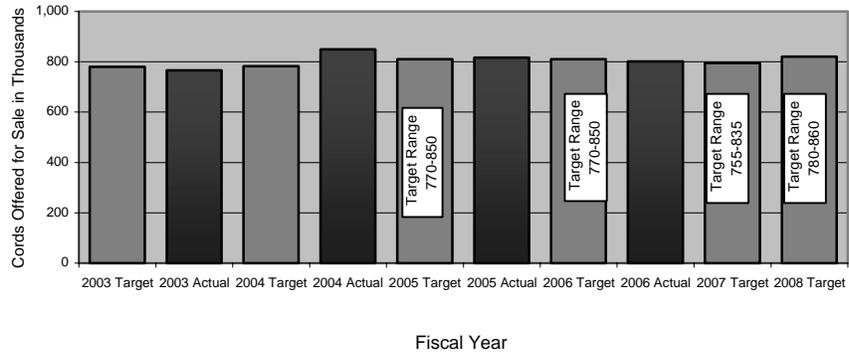
Relationship to Base Budget

Current funding from the FMIA is \$10.32 million per year. The proposed change level would increase the FMIA allocation by over 70%. As a proportion of total current Division of Forestry direct appropriations, the proposed increase in FMIA allocations represents a 21% increase. Due to higher than projected timber sales revenues over the first three years of the account, the FMIA balance has grown substantially. This initiative proposes to fund these needed new or accelerated efforts consistent with the purposes of the FMIA, while maintaining the long-term integrity of the fund.

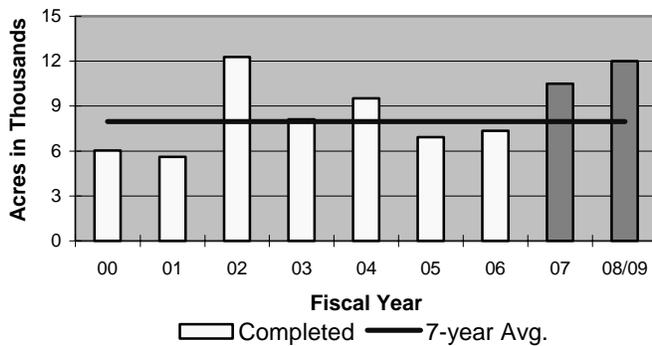
Key Measures

With 27 percent of the state's timberlands, DNR is a significant source of raw materials for the forest products industries. Timber sales from state administered lands generate funds for schools and public services, and are the primary tool for achieving wildlife habitat objectives. DNR timber harvest levels are determined through DNR Subsection Forest Resource Management Plans.

Number of Cords Offered for Sale on DNR Lands

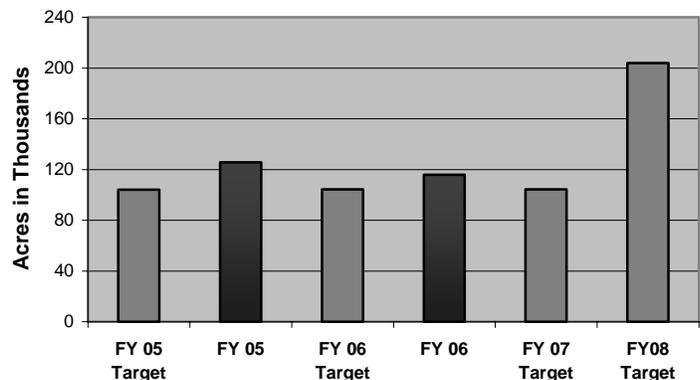


State Land TSI/Protection



Timber stand improvement (TSI) includes pre-commercial thinning, non-commercial stand marking, releasing young forests from competing vegetation, and pruning. Seedling protection (e.g., protection from deer browse) is primarily bud capping (i.e., protecting buds with paper caps during the winter) and browse repellents. TSI and protection efforts are very important to protect past investments in regenerating/restoring forest stands and improve the longer-term health and productivity of state forest lands.

Acres of State-Administered Forest Lands Reinventoried



Forests are constantly changing due to growth, and aging, succession, fire, windstorms, insects and diseases, and other factors. DNR needs reliable information about the forestlands it manages in order to make the best forest management decisions. It is vitally important that management-level forest information is periodically and regularly updated, primarily through field re-inventory. Information gathered includes overstory and understory tree species, stand age, timber volumes, site productivity, shrub and ground species, insects and diseases, and other specific site conditions.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: General Fund Investment DNR Forest Mgmt

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,000	\$2,000	\$2,000	\$2,000

Recommendation

The Governor recommends appropriating \$2 million each year from the General Fund to the Department of Natural Resources (DNR) Forest Management Program for the following purposes:

- ⇒ \$1.5 million per year to support additional technical and cost-share assistance to **non-industrial private forest** (NIPF) landowners.
- ⇒ \$500,000 to address escalating land asset management demands, such as boundary disputes, access easements, and sale/exchange/acquisition of forestlands.

Background

Investments in NIPF Landowner Assistance

This proposal would support efforts to prepare an additional one million acres of forest stewardship plans for NIPF landowners and enroll 20% of the actively managed NIPF forestlands in an internationally recognized, third party audited, forest certification program by 2015. This funding will be used for additional cost-sharing project funding on NIPF lands, contracts to complete additional Forest Stewardship plans, for additional technical assistance from DNR (including Forest Stewardship plan writing) to family forest owners and for coordination efforts to certify family forestlands. This is expected to result in the completion each year of an additional 85,000 acres of Forest Stewardship plans and 3,000 acres of cost-shared projects (e.g., tree planting, site preparation, forest stand improvement, invasive species control, etc.).

Land Asset Management Demands

In part due to changing private forest ownership patterns, expanding development pressures and the need to address DNR's dispersed ownership, demands on field staff have increased in recent years to address requests for access/easements and leases/permits on state-administered lands and to resolve boundary issues/ disputes and dispose/exchange/acquire forest lands to make progress towards a more efficient DNR ownership pattern. This proposal would place new staff specialists in the three northern regions to help handle land asset-related workloads. Sixty-percent of the funding would cover transactional costs associated with easements, leases and permits on state land and the disposal, exchange and acquisition of 150-200 parcels each year.

Current staffing levels are unable to adequately address the increased incidence and complexity of land trespass. With the development of a Strategic Land Asset Management Plan for the 4.6 million acres of DNR Forestry-administered land, there is anticipated more than a three-fold workload increase needed to accomplish the goals of this plan within 20 years. This will require dedicated, trained staff to address the over 2300 DNR Forestry-administered land parcels that are scattered and inefficient to manage along with the over 500 in holdings of non-state land within State Forests.

Web links for more information:

Forest Stewardship Program: <http://www.dnr.state.mn.us/grants/forestmgmt/stewardship.html>

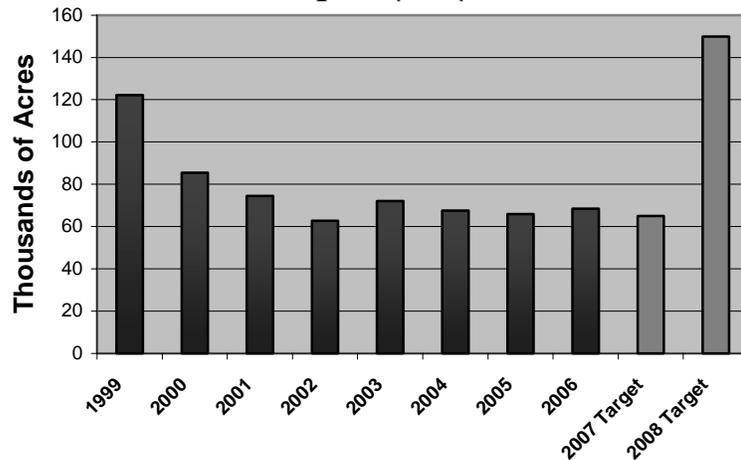
Relationship to Base Budget

This change item proposes a 10% increase in General Fund direct appropriations to the Forest Management Program and about a 6% increase over total base level direct appropriations to the program.

Key Measures

Some 147,000 individuals and organizations (excluding industry) own 40% of Minnesota's forestland. The DNR and other partners offer forest management expertise to these NIPF landowners in developing plans for sustainable forest management through the Forest Stewardship Program. This proposal would increase annual plan writing accomplishments by 85,000 acres each year (i.e., from 65,000 acres to 150,000 acres per year).

Acres of Forest Stewardship Plans



Alternatives Considered

Funding these activities with current General Fund appropriations would require the redirection of FTEs from other high priority work areas and a significant overall reduction in Division of Forestry staffing.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: SFRA Re-Authorization & Implementation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,180	\$780	\$780	\$780
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,180	\$780	\$780	\$780

Recommendation

The Governor recommends \$1.960 million over the FY 2008-09 biennium for continuing critical forest resource management programs, authorized under the 1995 Sustainable Forest Resources Act (M.S. 89A), to support sustainable forest resource management efforts in Minnesota. A one-time allocation of \$200,000 is for conducting a study of options available for addressing fragmentation and parcelization of large blocks of private forestland in the state. An additional one-time appropriation is recommended for \$200,000 for the Forest Resources Research Advisory Committee, as established in M.S. 89A.08, to provide direction on research topics recommended by the Governor's Task Force on the Competitiveness of Minnesota's Primary Forest Products Industry. The Minnesota Sustainable Forest Resources Act (SFRA) (M.S. 89A) contains a repealer that sunsets the entire Act effective 6/30/07. The repealer was included when the legislation was passed in 1995 and re-authorized in 2001 as a mechanism for periodically evaluating SFRA usefulness and progress. In conjunction with this change item, the Governor recommends, and the Department of Natural Resources (DNR) and Minnesota's forest community will be seeking, re-authorization of the SFRA.

Background

Large increases in timber harvest levels from the 1970s to the early 1990s led to intense conflict over forest policy issues in Minnesota. In response to citizen concerns about these increases, the Minnesota Environmental Quality Board commissioned a Generic Environmental Impact Statement (GEIS) on Timber Harvesting and Forest Management in 1989. The GEIS analyzed the effects that expanded timber harvesting might have on the state's forest resources. Completed in 1994, the GEIS suggests site, landscape, and research mitigation strategies to offset adverse impacts of timber harvesting. In 1995, the Minnesota Legislature adopted the Minnesota SFRA, one of the state's most significant forestry laws. The SFRA established policies and programs to ensure sustainable use and management of Minnesota's forests. The SFRA also created the Minnesota Forest Resources Council (MFRC), a 17-member governor-appointed body to coordinate SFRA implementation and serve as an advisory body to government and land management organizations on sustainable forest resource policies and practices.

The MFRC coordinates implementation of the SFRA to promote environmental, recreational and economic values. The key programs led and conducted by the MFRC are: a) developing, implementing, reviewing and revising timber harvesting and forest management guidelines; b) coordinating development and implementation of landscape-level forest resource plans and promoting forest management coordination within six major forested regions; c) monitoring harvest sites to assess the degree of compliance with current guidelines; d) promoting assessment of current trends and conditions in managing and harvesting forest resources; e) promoting and guiding relevant forest research; f) operating the Citizens Concern Registration Program, which allows citizens to express concerns regarding negligent timber harvesting and forest management practices; and g) providing policy advice to the governor, legislature and public management agencies.

A one-time \$200,000 General Fund appropriation would fund an MFRC effort to complete a statewide assessment of forest land parcelization/development, assess pertinent policy tools that are being or could be used to conserve forest land, and make recommendations to the Legislature.

This proposal would also provide \$200,000 in one-time funds to be the Forest Resources Research Advisory Committee (M.S. 89A.08) to provide direction on research topics recommended by the Governor's Task Force on the Competitiveness of Minnesota's Primary Forest Products Industry, including:

- ⇒ Identifying and recommending best practices for setting up and administering timber sales on public lands.
- ⇒ Studying historical timber market corrections.
- ⇒ Conducting stumpage markets/land management economic analysis.
- ⇒ Researching value-added manufacturing.
- ⇒ Conducting research to support adoption of improved logging technology.

Web links for more information:

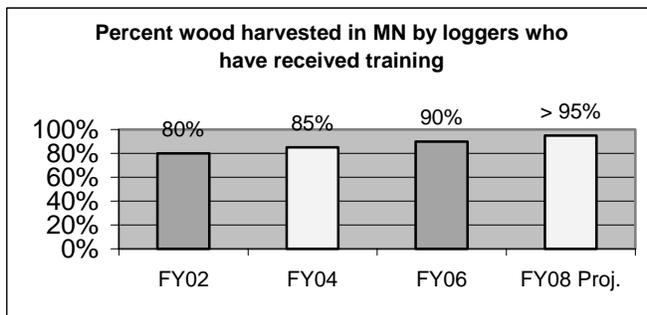
MFRC and SFRA Implementation: <http://www.frc.state.mn.us>

Relationship to Base Budget

The requested appropriation from the General Fund represents a 4% increase in General Fund direct appropriations for the Forest Management Program, but represents a 100% increase in direct appropriations for continuing the Minnesota Forest Resources Council (MFRC) and appropriations for the SFRA Implementation budget activity within the Forest Management Program. Without the requested funding, the majority of important efforts initiated by the SFRA will disappear or continue at much lower levels of progress and quality.

Key Measures

- ◆ **Timber Harvesting and Site-based Forest Management Guidelines:** The MFRC leads and conducts the development, implementation, review and revision of Timber Harvesting and Forest Management Guidelines.

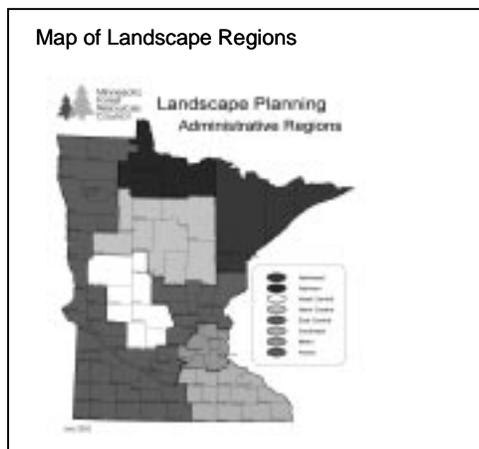


Indicator: Percent of wood harvested by loggers who have received guideline training.

Target: Over 95% of wood is harvested by trained loggers.

Additional Target: Publish guidelines for sustainable removal of woody biomass from forests and brushlands for energy.

- ◆ **Landscape-level Planning and Coordination:** The MFRC leads and coordinates the development of landscape-level forest resource plans within six major forested regions of the state.



Indicator: Number of MFRC Landscape plans implemented.

Target: Actively implement landscape plans for the six major forested regions by 2007. In FY 2008-09, begin revision of Northeast landscape plan.

Statutory Change: DNR is seeking to repeal M.S. 89A.11 (i.e., repealer language).

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Balsam Bough Permit Fees

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund - Natural Resources				
Expenditures	0.25	0.25	0.25	0.25
Revenues	0.25	0.25	0.25	0.25
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that \$250 in anticipated additional revenue generated by changes in the balsam bough permit statutes M.S. 88.642, be made available to the Department of Natural Resources (DNR) to cover costs associated with administering balsam bough permits.

Background

Harvesting balsam boughs for decorative purposes has been a growing business in Minnesota. If done properly, bough harvesting does not kill the tree. It is important that the DNR manage the harvesting of balsam boughs on state lands so it continues to be done in a sustainable way. The DNR is proposing changes to balsam bough permit statutes to remove the specific dollar amount for the cost of a permit and instead insert language that a fee will be charged for the permit that shall cover the commissioner's cost of issuing the permit and reduce the minimum amount of boughs that must be covered by a permit from 100 pounds to 25 pounds. This is expected to result in a very minimal increase in fees collected.

Relationship to Base Budget

This proposal is expected to have a very minor impact on the program budget, but will be important to capture revenue from the sale of balsam bough permits commensurate with the cost to the agency to administer them.

Key Measures

The number of balsam bough permits issued each year is expected to increase by ten, resulting in an additional \$250 in revenue to be deposited in the special revenue account.

Alternatives Considered

Status quo.

Statutory Change: M. S. 88.642, Decorative Materials

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Firewood Sales Limitation/State Land

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$55	\$55	\$55	\$55
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$55	\$55	\$55	\$55

Recommendation

The Governor recommends \$55,000 be appropriated to the Department of Natural Resources (DNR) each year to develop and implement a statewide information/education campaign regarding the proposed statewide ban on the transport, storage or use of non-approved firewood on state-administered lands. Funding would also be used to develop and implement a strategy to contain and dispose of non-approved firewood confiscated from state-administered lands.

Background

Introduced invasive pests, such as the emerald ash borer, pose a grave threat to Minnesota's forests. The resulting damage can have a significant impact on the aesthetic and economic value of our forests. The movement of firewood across state boundaries from unknown sources contributes to the spread of invasive insect species and damaging forest pests. For example, emerald ash borer egg masses may be found on firewood bark or larva might be in the wood. Emerald ash borer has already infected forests in Michigan and Ohio.

The DNR is proposing a ban on the transport, storage or use of non-approved firewood on state-administered lands to help prevent the introduction of destructive forest pests associated with the movement of firewood. Several adjacent or near-by states already have or are currently pursuing legislation to restrict the movement of firewood. Minnesota is receiving pressure from neighboring states and partners to do what it can to prevent new introductions in Minnesota and prevent the spread to additional states.

This proposal provides funding for staff time and materials to develop a statewide informational and education campaign to reach target audiences, implement a strategy to properly contain and dispose confiscated firewood, and to enforce the proposed statewide ban.

Relationship to Base Budget

This request represents less than a 1% increase to the Forest Management Program General Fund direct appropriations.

Key Measures

- ◆ Number of new invasive forest pest infestations on state-administered lands.
- ◆ Cords of wood confiscated from state-administered lands.

Statutory Change: M.S. 89.55 Infestation Control, Costs

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Forest Resource Assessment Account

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Special Revenue Fund				
Expenditures	\$(325)	\$(350)	\$(375)	\$(400)
Revenues	(325)	(350)	(375)	(400)
Other Fund – Natural Resources				
Expenditures	325	350	375	400
Revenues	325	350	375	400
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends establishing a Forest Resource Assessment Account in the state treasury within the Natural Resources Fund. Payments for services and products rendered by the Department of Natural Resources (DNR) Forest Resource Assessment unit, including revenue currently being deposited in a special revenue account for forest resource assessment product sales (e.g., aerial photos), will be deposited in this new account.

Background

DNR Resource Assessment provides integral services to the DNR, county land departments, Pollution Control Agency, Natural Resource Conservation Service, U.S. Forest Service, Board of Soil and Water Resources, and other state and national land management agencies. Services include: survey design, data collection and compilation, creation of data layers, and remote sensing (aerial photography, satellite imagery, and analysis) on a fee-for-service basis, and photographic and map products.

Dollars for services provided and creation of products for sale are funded up front from mixed sources (federal, General Fund, and special revenue dollars), creating budgeting problems during and over different fiscal years. Establishing a forest resource assessment account where all funding dollars (including federal dollars) can be deposited will enable Resource Assessment to manage its financial operations within the parameters of state/federal government rules and regulations, while allowing it to efficiently manage its operations.

Resource Assessment operates under a strategic plan that focuses staff efforts on creation of products and completion of tasks. This entrepreneurial approach has resulted in a more cost-efficient delivery. These services are accomplished through employment of permanent and temporary personnel, student workers, and contractual resources.

Relationship to Base Budget

This proposal does not propose any new funding, but rather consolidates payments for services provided and sales of products into one account in the natural resources fund.

Key Measures

- ⇒ Color-Infrared aerial photography taken and orthorectified - average of 3 counties per year.
- ⇒ Satellite imagery - images analyzed for specific customers and projects - 500 square miles per year.
- ⇒ Forest Inventory - 300 permanent forest plots revisited and re-inventoried per year.
- ⇒ Forest Inventory - 55,000 acres of state administered forest lands re-inventoried per year.

Statutory Change: M. S. Sec. 84.085 and M. S 89.421 (new).

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT
Change Item: Statutory Forest Land Use Account

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Other Fund – Natural Resources				
Expenditures	\$15	\$15	\$15	\$15
Net Fiscal Impact	\$15	\$15	\$15	\$15

Recommendation

The Governor recommends that the forest land use account in the Natural Resources Fund be changed to a statutory appropriation to allow expenditure of the fund balance for the purposes identified in the statute.

Background

The Forest Land Use account was established by the Legislature in 2006 in the Natural Resources Fund to deposit fees collected for the use of state forestlands. There was no appropriation authorized. Allowing the commissioner to charge fees for the use of state forest lands for special events and have those fees annually appropriated to the commissioner enables the resource impacts caused by those events to be prevented or mitigated, and recoups the expenses incurred when developing, operating, and maintaining facilities used for special events.

In 2006, the Department of Natural Resources (DNR) originally proposed that this account be created as a special revenue account with annual statutory appropriations. DNR proposed a special revenue account because of the relatively small amount of revenue/expenditures involved, and the intent to recoup costs associated with administering special uses of state forestlands (i.e., not to collect revenues above and beyond costs).

Relationship to Base Budget

The proposed appropriation from this account is less than 0.1% of the overall budget of Forest Management Program direct appropriations budget. However, it is important for the DNR to be able to recover the costs of administering permits for special uses of state forest lands, such as for motor vehicle rallies or races, dog sled races, dog trials, group campouts, large horse trail rides, and various commercial uses.

Key Measures

The number and type of special use permits granted, the associated revenues collected, and the costs of administering these permits are all valid measures related to this account. However, this proposal will not change the number of special use permits issued by the DNR nor will it change the revenues collected to cover costs associated with administering such permits. It only changes how the revenue from these special use fees are appropriated to the DNR.

Statutory Change: M. S. 89.22, Subd. 2

Activity Description

This activity exists to sustain and enhance forest ecosystems; to provide a sustainable supply of forest products to meet human needs (e.g., material, economic, and social); and to provide income to the permanent school trust fund.

The goals of this activity are to:

- ⇒ Provide a long-term, sustainable yield of forest resources (as defined in M.S. 89.001).
- ⇒ Manage school trust lands to fulfill the fiduciary responsibilities to the permanent school trust.
- ⇒ Improve the health and productivity of public and private (including community) forest lands.

Population Served

This activity serves a wide range of stakeholders, including:

- ◆ non-industrial private forest landowners
- ◆ forest industries
- ◆ environmental groups
- ◆ outdoor recreational users (motorized and non-motorized)
- ◆ hunters
- ◆ loggers
- ◆ communities
- ◆ other state agencies and levels of government
- ◆ consulting foresters and other forestry professionals

Services Provided

This activity provides the following services:

- ◆ management of 4.2 million acres of state-owned lands, including:
 - ⇒ forest vegetation management planning;
 - ⇒ timber sales and harvesting;
 - ⇒ reforestation and timber stand improvement;
 - ⇒ old growth, old forest, and riparian area management;
 - ⇒ maintenance and operation of a 2,000-mile state forest road system (primarily for public recreation use, travel and access to state lands);
 - ⇒ outdoor recreation support, including motorized and non-motorized opportunities; and
 - ⇒ enforcement of state forest rules and regulations.
- ◆ forest management planning assistance, technical advice, and cost-share financial assistance for non-industrial private forest landowners;
- ◆ technical urban forestry and cost-share assistance to Minnesota communities;
- ◆ producing and selling tree and shrub seedlings for conservation planting on public and private lands;
- ◆ monitoring the health, growth and composition of Minnesota' forests;
- ◆ monitoring the implementation and effectiveness of forest management practices and guidelines;
- ◆ technical assistance to counties;
- ◆ developing, monitoring, and evaluating evolving management concepts; and
- ◆ coordinating forestry related education programs in schools.

Activity at a Glance

- ◆ Manage 4.2 million acres of state-owned forest land
- ◆ Offer for sale 750,000–850,000 cords of wood each year . . . enough to build 15,000 homes
- ◆ Produce eight to ten million tree seedlings for planting on public and private lands
- ◆ Reforest 30,000 acres of state forest lands each year
- ◆ Provide technical and cost-share assistance serving 140,000 private forest landowners to promote sustainable management on 5.7 million acres of non-industrial private forest land

Historical Perspective

Over the past 15 years, the Department of Natural Resources (DNR) has contributed about 15 to 20% (about 650,000 cords per year) of the total amount of timber harvested in the state (i.e., statewide timber harvesting from all ownerships has ranged from 3.5 to 4.1 million cords per year over the same time period, with the most recent estimate being 3.6 million cords in 2003). New DNR subsection forest resource management plans (SFRMPs)

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

are generally proposing higher levels of harvesting over the next seven to ten or more years to maintain desired acreages of various forest types; limit losses to tree decay and mortality; and improve the growth, quality, and diversity of future forests. As a result, DNR's contribution to state timber harvesting can be expected to increase over the near term.

The DNR works with conservation partners to strengthen private forest management through the voluntary Forest Stewardship Program, which provides professional natural resource management expertise and cost sharing (for tree planting and other actions) to private landowners who develop plans for sustainable forest management. DNR currently provides about 35% of the Forest Stewardship planning assistance. The Sustainable Forestry Incentives Act (M.S. 290C), which provides an incentive payment for landowners that follow a professionally prepared forest management plan, will likely increase the demand for forest management plan preparation and other assistance for private woodlot owners.

Established in 1931, DNR Forest Tree Nurseries have historically played a significant role in providing tree seedlings to private and public landowners for planting for conservation purposes. In 1997, the legislature capped tree seedling production at DNR nurseries at ten million seedlings per year to help avoid competition with private nurseries. Discussions will continue between the DNR, private nurseries and the legislature on the appropriate role of DNR nurseries in providing tree seedlings for conservation purposes.

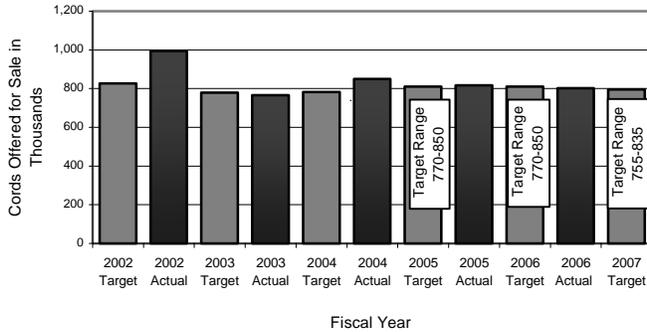
Nearly one million acres of large, mostly undeveloped private industrial tracts of Minnesota forests are at risk of being sold and converted into smaller parcels. Given the recent and dramatic trends in industrial forest ownership, the DNR has joined forces with other state, federal, and private partners under the banner of the Minnesota Forest Legacy Partnership to accelerate efforts to secure permanent, large-scale conservation easements to help maintain these large blocks of essentially undeveloped forest land that are increasingly important as unfragmented wildlife habitat, a sustainable source of timber for the state's forest industries, and land that has generally been open to the public for outdoor recreation.

Motorized use of state lands has grown substantially in recent years. In response to this growing demand, the legislature directed the DNR to identify and designate motorized trail opportunities on state forest lands by the end of 2008. The Forest Management activity will continue to play a significant role in this effort, including the ongoing maintenance and operation of designated motorized trails on state forest lands.

Key Measures

- ◆ **DNR Timber Sales:** With 24% of the state's timber land, DNR is a significant source of raw materials for forest products industries. Also, harvests create habitat for many kinds of wildlife. DNR determines sustainable harvests on state lands with citizen and legislative guidance to balance timber production with other goals such as wildlife, recreation, water quality, and biodiversity.

Number of Cords Offered for Sale on DNR Lands

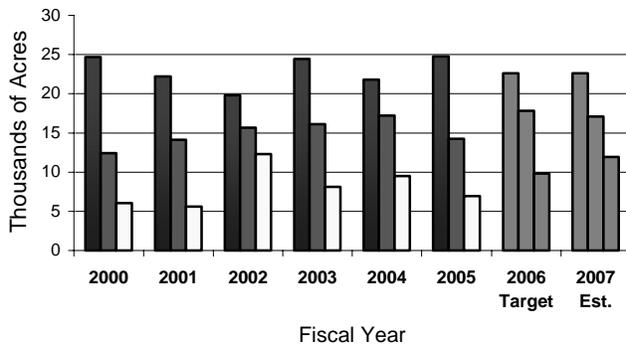


Indicator: Number of cords of wood offered for sale on DNR lands

Target: Offer 755,000 – 835,000 cords of timber for sale from DNR lands in FY 2007

- ◆ **State Land Reforestation:** The DNR is required by statute to restore harvested, damaged (i.e., by natural causes) or otherwise poorly stocked sites on state forest lands to a state of productivity. DNR accomplishes reforestation through efforts that include natural means (i.e., sprouting or natural seeding assisted by appropriate timber harvest design and site preparation); “artificial” means (i.e., tree planting, seeding, and site preparation); and protection and stand improvement efforts (i.e., to help assure that young trees survive and grow).

State Land Reforestation Completed

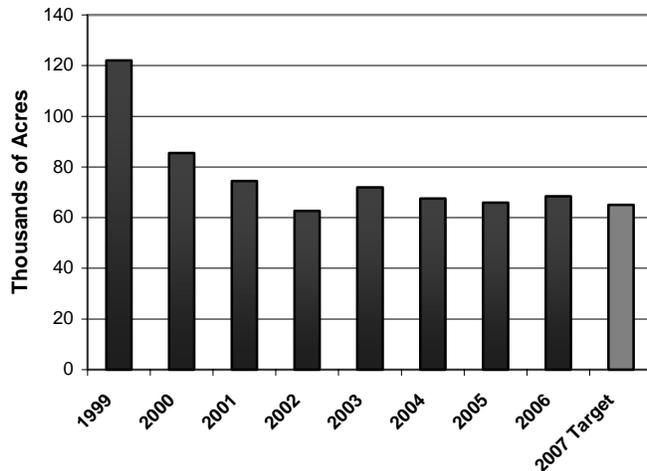


Indicator: Acres of reforestation (natural and artificial) and protection/improvement completed on DNR lands

Target: Naturally reforest 22,600 acres, artificially reforest 17,830 acres, and protect/improve 9,800 acres on DNR lands in FY 2006

- ◆ **Cooperative Forest Management:** More than 140,000 individuals and organizations (excluding industry) own 40% of Minnesota’s forestland and provide over 50% of the timber harvested in the state. This land, much in small woodlots, faces increasing development pressure. To encourage retention and sustainable management of these forestlands, the Forest Stewardship Program offers professional assistance to non-industrial, private forest owners in developing management plans that guide tree planting, timber harvesting, and other forest management activities.

Forest Stewardship Plans Completed



Indicator: Acres of Private Forestlands with Stewardship Plans

Target: Complete 65,000 acres of Forest Stewardship Plans

Activity Funding

This activity receives 45% of its funding from General Fund appropriations, 23% from the Natural Resources Fund that includes Forest Management Investment Account, 15% from other special revenue accounts, and 14% from federal sources. About 53% of this activity's expenditures are salary related, 38% for other operating costs, and 9% for local assistance grants.

Contact

Tom Baumann
 Forest Resource Management Section Manager
 DNR Division of Forestry
 Phone: (651) 259-5253
 Fax: (651) 296-0902

Learn more about:

- ◆ Timber harvesting on state lands at <http://www.dnr.state.mn.us/forestry/harvesting/index.html>
- ◆ Public involvement in forest planning at <http://www.dnr.state.mn.us/forestry/subsection/index.html>
- ◆ Statewide timber harvest at <http://www.mnplan.state.mn.us/mm/goal.html>
- ◆ The Forest Stewardship Program at <http://www.dnr.state.mn.us/grants/forestmgmt/stewardship.html>

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
One-time Appropriations			(1,122)	(1,122)	(2,244)
Subtotal - Forecast Base	0	0	(1,122)	(1,122)	(2,244)
Total	0	0	(1,122)	(1,122)	(2,244)
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Mgmt		0	2,000	2,000	4,000
General Fund Investment DNR Forest					
Firewood Sales Limitation/State Land		0	55	55	110
Operations Support Funding		0	875	875	1,750
DNR Budget Reallocation		0	(2,667)	(2,667)	(5,334)
Compensation Adjustment		0	243	489	732
Total	0	0	506	752	1,258
Natural Resources					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Fund		0	7,367	7,367	14,734
FMIA Investments in DNR Forest Mgmt					
All-Terrain Vehicle (ATV) Gas Tax		0	50	100	150
Maintenance of Service -Non General		0	301	611	912
Total	0	0	7,718	8,078	15,796
Game And Fish (operations)					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Fund		0	7	14	21
Maintenance of Service -Non General					
Total	0	0	7	14	21
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	874	1,736	0	0	0
General	15,145	18,733	17,120	17,366	34,486
Minnesota Resources	30	0	0	0	0
Natural Resources	10,292	10,338	18,033	18,393	36,426
Game And Fish (Operations)	250	250	257	264	521
Open Appropriations					
Natural Resources	0	29	29	29	58

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
Statutory Appropriations					
Natural Resources	55	62	403	428	831
Misc Special Revenue	7,085	8,017	6,879	6,854	13,733
Federal	5,910	5,807	4,041	3,644	7,685
Reinvest In Minnesota	3	0	0	0	0
Gift	23	122	37	37	74
Total	39,667	45,094	46,799	47,015	93,814
<u>Expenditures by Category</u>					
Total Compensation	20,422	22,350	23,758	24,278	48,036
Other Operating Expenses	11,108	15,633	17,768	17,657	35,425
Capital Outlay & Real Property	3,351	1,650	1,102	1,102	2,204
Local Assistance	4,786	5,461	4,171	3,978	8,149
Total	39,667	45,094	46,799	47,015	93,814
Full-Time Equivalentents (FTE)	321.9	309.7	336.7	336.7	

Activity Description

The Minnesota Department of Natural Resources (DNR) is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. Activity goals are to:

- ◆ provide wildfire protection to avoid loss of life;
- ◆ minimize the loss of property and natural resources;
- ◆ provide emergency response in Minnesota and other states; and,
- ◆ support the use of prescribed fire as an effective natural resource management tool.

Wildfire control efforts under state authority originated in the early 1900s after a series of devastating wildfires that destroyed Hinckley, Baudette, Chisholm, and Cloquet. After a severe wildfire season in 1976 the legislature created an open appropriation account to fund emergency fire suppression efforts. Since then, we've worked with legislature to assure an appropriate balance between direct and open appropriations.

Activity at a Glance

- ◆ Wildfire protection on 45.5 million acres of land in Minnesota
- ◆ Response to an average of 1,780 fires reported to the DNR each year that burn over 41,000 acres
- ◆ Oversight of open burning statutes through the issuing of 60,000-70,000 burning permits each year
- ◆ Operation of the Minnesota Interagency Fire Center that coordinates wildfire response and resource sharing for wildfire suppression in Minnesota and for out-of-state reciprocal assistance
- ◆ Providing direct emergency fire fighting response with equipment and trained staff to other emergency response agencies.

Population Served

- ◆ Minnesota citizens, homeowners, landowners, and businesses;
- ◆ Minnesota rural fire departments;
- ◆ other state, provincial, and federal agencies as partners in wildfire and other emergency response; and
- ◆ natural resource and land managers.

Services Provided

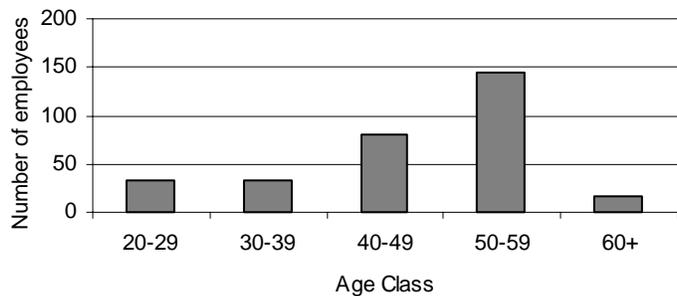
- ⇒ *Pre-suppression* activities include:
 - ◆ training firefighters and support personnel;
 - ◆ developing and maintaining partnerships with other fire protection agencies;
 - ◆ operating the Minnesota Interagency Fire Center;
 - ◆ participating in a national interagency fire equipment cache;
 - ◆ contracting for heavy ground and aerial suppression equipment;
 - ◆ maintaining an emergency response communications network that supports interagency response; and
 - ◆ developing mobilization and dispatch plans.
- ⇒ *Suppression* is accomplished by a combined force of trained firefighters, support personnel, and aerial and ground equipment. Activities include:
 - ◆ locating wildfires using a combination of aerial patrols, public reports, and limited utilization of lookout towers (i.e., detection);
 - ◆ pre-positioning of resources to maintain adequate response times (i.e., initial attack); and
 - ◆ controlling the spread and minimizing damage and loss from wildfire.
- ⇒ Firewise Structures and Communities' activities include:
 - ◆ training and supporting homeowners, developers, and communities in implementing wildfire risk mitigation practices and principles (e.g., fuel reduction);
 - ◆ embedding Firewise principles into K-12 education (e.g. teaching modules for geography and computer science classes); and
 - ◆ increasing fire service communities' abilities to utilize Geographic Information System technology to assess and respond to wildfire risks.

- ⇒ *Prevention* activities include:
 - ◆ education (e.g., Smokey Bear, fire prevention week, school visits);
 - ◆ regulation of open burning (i.e., spring fire restrictions, issuing open burning permits, implementation of internet-based open burning permit system); and
 - ◆ enforcement of state wildfire and open burning laws (M.S. 88).
- ⇒ *Emergency response* assistance includes:
 - ◆ maintaining expertise and interagency qualifications in the National Incident Management System (NIMS); and
 - ◆ providing direct emergency response assistance with equipment, and staff trained in NIMS to support other emergency response agencies.
- ⇒ *Prescribed burning* helps prepare sites for reforestation; control insects, diseases, and invasive weeds; improve wildlife habitat; maintain natural community types; reduce the risk and severity of wildfires; and provide valuable fire suppression training. Activities include:
 - ◆ fire planning, prescribed fires;
 - ◆ conducting prescribed fires;
 - ◆ reporting, monitoring, and evaluation of prescribed burning activity; and
 - ◆ providing training to DNR staff, partner agencies, and organizations involved in prescribed burning.
- ⇒ *Rural Community Fire Assistance* supports rural fire departments and their ability to protect communities from wildfires through cooperative agreements training, grants, and contracts. Activities include:
 - ◆ enabling local fire departments to use federal surplus equipment as part of the Federal Excess Property Program and the new Firefighter Property Program (FPP);
 - ◆ distributing approximately \$450,000 per year of state and federal funds to communities with populations under 10,000 to organize, train, and equip their fire departments for preventing and suppressing fires; and
 - ◆ providing state surplus wildfire engines to rural fire departments that provide wildfire mutual aid.

Historical Perspective

The DNR is in the midst of an age-class imbalance in field staff with wildfire suppression responsibilities. Firefighting remains arduous and hazardous work and heart attacks are the leading cause of wildland firefighting deaths. At a time when suppression demands are increasing in the expanding wildland-urban interface, this age-class imbalance increasingly challenges our suppression capabilities and has increased the need for and use of air craft, emergency firefighters, permanent personnel overtime, and resources from regional and national partner agencies.

Age Distribution of Employees
DNR Division of Forestry 2006



Minnesota’s strong reciprocal relationship with its state, federal, and provincial partners in wildfire suppression is vital to overcoming this shortage. Maintaining these relationships and the reciprocal sharing of suppression resources, regionally as well as nationally, will impact other division programs. Support for accelerated training of new permanent staff and increasing the number of seasonal positions will be necessary to address the loss of skilled personnel to retirement, the increasing number of field personnel with restricted physical response capabilities, and the expected increase in new, inexperienced personnel.

The department has been able to address the expanded wildfire threat resulting from the 1999 windstorm in northeastern Minnesota, the expanding wildland-urban interface, and its aging workforce through the use/availability of CL-215 water scooping aircraft and strengthened partnerships with the Minnesota National Guard, Superior National Forest, other wildfire response partners, and the Provinces of Ontario and Manitoba.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

These resources were particularly important to preparedness for wildfire response in the area of northeastern Minnesota affected by the 1999 blow down event.

In December of 2005, the DNR completed the lease purchase of the two CL-215 aircraft. These aircraft are experiencing expanded use, regionally and nationally, due to the reductions in availability of large air tankers over the last two years. The department has increased its reimbursement costs for utilization of the aircraft to address the potential accelerated depreciation and maintenance required.

Rural community fire departments have been consistent partners supporting wildfire response. Many rural fire departments are also facing an aging workforce, and difficulties in recruiting and retaining experienced and trained personnel. This constrains their ability to respond to fires independently in the wildland urban interface.

Reductions in federal Firewise funding will shift the focus of DNR Firewise efforts from grants to technical assistance.

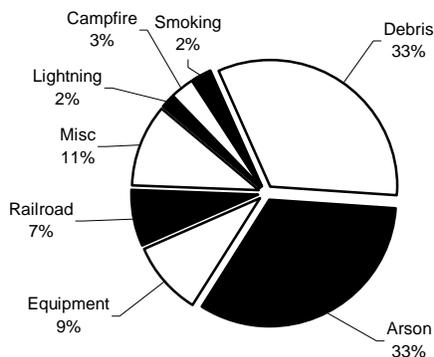
Key Measures

⇒ Wildfire Protection

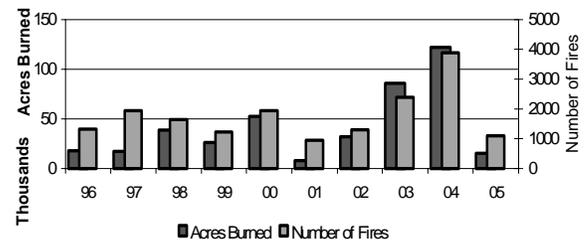
M.S. 88 defines a wildfire as "a fire requiring suppression action, burning any forest, brush, grassland, cropland, or any other vegetative material." The data presented in the charts below include wildfires that the DNR was actively involved in suppressing as well as wildfires suppressed by fire departments that were reported to the DNR.

2004-05 Wildfire Causes

Total: 4,981 Wildfires



Wildfires Suppressed



Activity Funding

The activity is funded primarily through General Fund appropriations. Of the activity's state expenditures, about 68% is from the General Fund direct and open appropriation. The state receives full reimbursement for personnel or equipment mobilized in support of other states, provinces, or national emergencies.

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Information on the Wildfire Information Center: <http://www.dnr.state.mn.us/forestry/fire/index.html>

Information on protecting homes from wildfire: <http://www.dnr.state.mn.us/firewise/homerisk.html>

Information on Wildfire Prevention School Program: <http://www.dnr.state.mn.us/education/wildfire/index.html>

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FIRE FIGHTING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Compensation Adjustment		0	166	335	501
Total	0	0	166	335	501
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,114	7,217	7,383	7,552	14,935
Open Appropriations					
General	8,559	9,000	9,000	9,000	18,000
Statutory Appropriations					
Misc Special Revenue	4,311	4,443	4,380	4,380	8,760
Total	19,984	20,660	20,763	20,932	41,695
<u>Expenditures by Category</u>					
Total Compensation	9,558	10,357	10,523	10,692	21,215
Other Operating Expenses	9,592	10,141	10,078	10,078	20,156
Capital Outlay & Real Property	0	60	60	60	120
Local Assistance	70	102	102	102	204
Other Financial Transactions	764	0	0	0	0
Total	19,984	20,660	20,763	20,932	41,695
Full-Time Equivalents (FTE)	166.4	166.2	166.2	166.2	

Activity Description

This budget activity supports implementation of the Sustainable Forest Resources Act (SFRA), M.S. 89A. The public goal to be achieved through the SFRA is promoting the sustainable management and protection of Minnesota's forest resources. The SFRA provides a unique forum for collaborative problem solving among diverse groups interested in forest resource management and protection. The Minnesota Forest Resource Council (MFRC) is responsible for implementing the SFRA. The MFRC advises the governor and federal, state, and local governments on forest policy and practices and oversees two broad initiatives that address impacts of timber harvesting and forest management: 1) site-based forest resource practices; and 2) larger scale landscape-level planning and coordination. Focusing on both site- and landscape-level issues is important because of the continuing conflicts between commodity, ecological and amenity values associated with forests.

Population Served

Forests occupy one-third of Minnesota's land area and provide a variety of benefits vital to many Minnesota communities, their economies and the natural environment.

Therefore, all Minnesota citizens, both urban and rural, depend to some extent on the state's forest resources since citizens expect and depend upon a vibrant economy, viable communities, and healthy ecosystems. Citizens who reside in forested areas and those who recreate there are especially dependent on the state's forest resources.

Services Provided

The MFRC coordinates implementation of the SFRA of 1995 to promote environmental, recreational, and economic values. The key programs led and conducted by the MFRC include the following:

- ◆ developing, implementing, reviewing and revising Timber Harvesting and Forest Management Guidelines;
- ◆ coordinating development and implementation of landscape-level forest resource plans and promoting forest management coordination within six major forested regions;
- ◆ monitoring harvest sites to assess the degree of compliance with guidelines;
- ◆ promoting monitoring to assess current trends and conditions in managing and harvesting forest resources;
- ◆ promoting and guiding relevant forest research;
- ◆ operating the Citizens Concern Registration Program, which allows citizens to express concerns regarding negligent timber harvesting and forest management practices; and
- ◆ providing policy advice to the governor, legislature, and public management agencies.

Historical Perspective

Large increases in timber harvest levels from the 1970s to the early 1990s led to intense conflict over forest policy issues in Minnesota. In response to citizen concerns about these increases, the Minnesota Environmental Quality Board commissioned a Generic Environmental Impact Statement (GEIS) on Timber Harvesting and Forest Management in 1989. The GEIS analyzed the effects that expanded timber harvesting might have on the state's forest resources. Completed in 1994, the GEIS suggests site, landscape, and research mitigation strategies to offset adverse impacts of timber harvesting. In 1995, the Minnesota Legislature adopted the Minnesota SFRA, one of the state's most significant forestry laws. The SFRA established policies and programs to ensure sustainable use and management of Minnesota's forests. The SFRA also created the MFRC (M.S. 89A.03) and

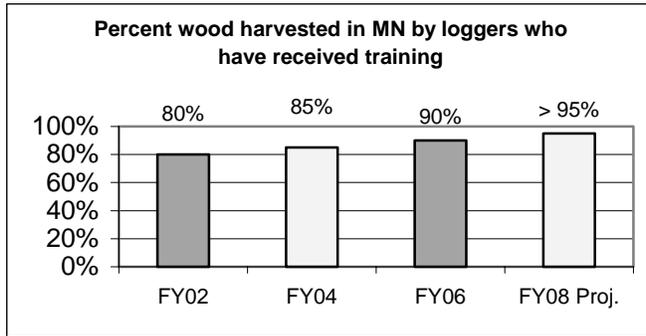
Activity at a Glance

- ◆ Addresses complex forest management issues through collaborative problem solving with the MFRC. The MFRC is made up of 17 individuals with diverse interests in management of Minnesota's forest
- ◆ Oversees implementation and monitoring of comprehensive site-level forest management guidelines that promote sustainable harvest of over 90% of Minnesota's timber
- ◆ Assembles forest resource data and develop and coordinate long-term forest management direction across all ownerships within six landscape regions
- ◆ Monitors timber-harvesting activity occurring within forest areas across the state
- ◆ Guides the sustainable management and use of forestlands across the state that are vitally important to the state's \$6.9 billion forest industry and \$9 billion tourism industry

mandated it to develop and oversee programs to address impacts of timber harvesting and forest management at the site and landscape levels.

Key Measures

⇒ **Timber Harvesting and Site-based Forest Management Guidelines:** The MFRC leads and conducts the development, implementation, review and revision of Timber Harvesting and Forest Management Guidelines.

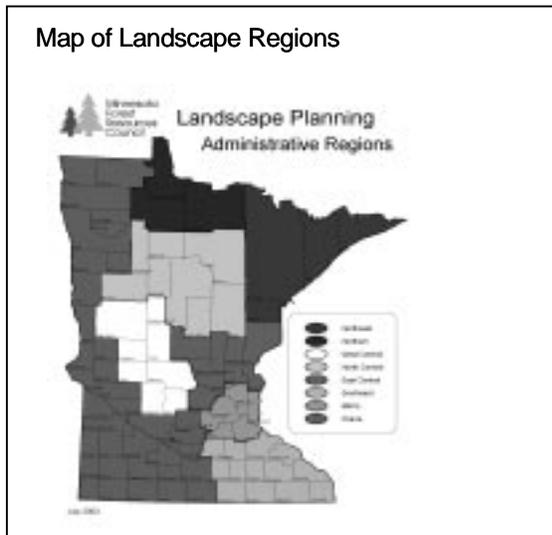


Indicator: Percent of wood harvested by loggers who have received guideline training.

Target: Over 95% of wood is harvested by trained loggers.

Additional Target: Publish guidelines for sustainable removal of woody biomass from forests and brushlands for energy.

⇒ **Landscape-level Planning and Coordination:** The MFRC leads and coordinates the development of landscape-level forest resource plans within six major forested regions of the state.



Indicator: Number of MFRC Landscape plans implemented.

Target: Actively implement landscape plans for the six major forested regions by 2007. In FY 2008-2009, begin revision of Northeast landscape plan.

⇒ **Forestland Conservation Policy Assessment and Recommendations:** The MFRC assesses policy approaches needed to conserve private forestland in response to unprecedented ownership change, parcelization, and development.

Target: Assess trends in forestland parcelization and development in major forest regions, evaluate policy approaches available to address these trends, and make recommendations to the legislature on the most cost-effective approaches.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: SUSTAIN RES ACT IMPLEMENTATION

Narrative

Activity Funding

This activity is funded entirely by General Fund appropriations, with the exception of biomass guideline development.

Contact

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NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: SUSTAIN RES ACT IMPLEMENTATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Technical Adjustments					
Program/agency Sunset			(730)	(730)	(1,460)
Subtotal - Forecast Base	0	0	(730)	(730)	(1,460)
Governor's Recommendations					
SFRA Re-Authorization & Implementation		0	1,180	780	1,960
Total	0	0	450	50	500
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	692	915	1,180	780	1,960
Statutory Appropriations					
Misc Special Revenue	20	6	0	0	0
Total	712	921	1,180	780	1,960
 <u>Expenditures by Category</u>					
Total Compensation	388	417	415	415	830
Other Operating Expenses	324	504	765	365	1,130
Total	712	921	1,180	780	1,960
 Full-Time Equivalents (FTE)	 4.5	 3.5	 4.5	 4.5	

Program Description

The purpose of the Parks and Recreation Management Program is to provide a state park and state forest recreation system that conserves and manages Minnesota's natural, scenic, and cultural resources for current and future generations, while providing appropriate recreation and education opportunities. This program is the responsibility of the Minnesota Department of Natural Resources (DNR's) Division of Parks and Recreation.

The Minnesota State Legislature has set aside 267,000 acres within state park/forest statutory boundaries that contain some of Minnesota's spectacular scenic resources and unique natural and cultural resources. Minnesota was the second state in the United States to recognize the need for a state park system when it established Itasca State Park in 1891. This was done to ensure that natural and scenic resources would be preserved so that our citizens would forever have places to learn about the importance of the natural world, and have opportunities for safe, high quality outdoor recreation. The primary statutes that cover the Minnesota State Park System are Chapters 85 and 86A.

<u>Program at a Glance</u>	
◆	73 state park and recreation areas, eight state waysides, and one state trail totaling 211,000 owned and administered acres.
◆	54 state forest campgrounds and day use areas.
◆	Over 5,000 individual campsites, 218 horse campsites, 68 group campsites, over 1,250 miles of trail, 6,381 picnic sites, 36 swimming beaches, 33 fishing piers, 322 miles of road and over 1,600 buildings.
◆	Eight million annual visitors and \$14.5 million in annual revenue.

Population Served

Minnesota statutes provide direction to make outdoor recreational opportunities available to all citizens of the state, both now and in the future. All citizens of Minnesota benefit directly or indirectly from a high quality state park system. Visitors from the United States and around the world make up the eight million annual visitors who benefit directly from Minnesota state parks. Park and recreation areas benefit visitors, communities, the economy, and the environment. Benefits to visitors include opportunities for safe, healthy recreation, as well as a place to learn about the natural world, relax, and simply enjoy a natural environment. Communities near parks gain a sense of community pride, a better understanding of their natural environment, and a greater appreciation for what makes their community a special place to live and work. The economy benefits from visitor spending, employment opportunities, and economic growth generated by park visitation. The environment benefits from a protected landscape.

Services Provided

The services provided by the Division of Parks and Recreation are delivered through a variety of activities:

Resource Management – This activity provides direction and technical expertise in protecting, restoring, and managing natural and cultural resources on state park lands.

Visitor Services – This activity provides for a range of recreational opportunities and services to park visitors that include a variety of trails, day use facilities, and overnight accommodations.

Interpretive Services and Environmental Education – This activity provides information, interpretive services and environmental education programs for park visitors, communities, and schools to increase their understanding and appreciation of natural and cultural resources, outdoor issues, and recreational opportunities.

Land Acquisition – This activity provides all the services necessary to determine legal park boundary descriptions, appraise land, acquire parkland, adjust boundaries, and maintain land records for the division.

Park Development – The development activity is responsible for determining state park infrastructure needs, securing funds from the legislature, designing and building park structures and facilities, complying with the Americans with Disabilities Act (ADA), maintaining facilities, and keeping records of all activities.

Archaeology – This activity conducts archaeological investigations and interpretations of all state park sites and projects as required by state and federal law. It provides the data that allows us to protect irreplaceable cultural resources.

Park Operations – This activity provides for all state park operations functions including operational policy development, customer service, maintenance, equipment management, interdisciplinary activities, local government contacts, budget management, and law enforcement.

Management and Geographic Information Systems – This activity provides the hardware and software for all state park computerized functions and the comprehensive management of all state park information, desktop support, Geographic Information System (GIS) surveys, and mapping services.

Emergency Maintenance – The emergency maintenance activity provides immediate help in the event of natural and man-made disasters such as floods, storms, forest fires, and accidents.

Merchandise – The merchandise activity provides high quality products and gifts for sale in state park nature stores and generates revenues for resource and education programs.

Marketing and Public Affairs – The marketing and public affairs activity works with and responds to the news media, operates the state park website, develops marketing plans, participates in the state fair, tourism trade shows, customer surveys, and in designing and publishing a variety of brochures.

Planning – The planning activity develops the state park strategic plan and develops operating and management policies, annual reports, environmental review, interdisciplinary park unit plans, park research, surveys, and special reports and projects.

Legislative Affairs – This activity is responsible for the development, revision, and passage of all state park legislative initiatives including the state park boundary bill and budget legislation.

Administration – This activity is responsible for all budgeting and accounting.

Human Relations – This activity is responsible for recruiting, hiring, training, evaluating and monitoring 183 full-time, 73 part-time, and 507 seasonal employees.

Historical Perspective

In 1891, the legislature created Itasca State Park to preserve the Mississippi River headwaters region with its old growth red and white pine. In 1895, Interstate Park (Minnesota/Wisconsin) became the first interstate park in the country. Since that time, the system has grown to 73 state parks and recreation areas, 54 state forest campgrounds and recreation areas, eight state waysides and one state trail. The most significant growth occurred in 1937, when ten parks were added across the state, in 1957, when five parks were added including four along the North Shore, and in 1963, when 11 parks were added to the system.

Visitation has risen over the years and has stabilized at approximately eight million visitors per year. A variety of factors including weather events, limited capacity on high demand weekends, availability of facilities, competing recreation activities, and economic changes can cause fluctuations in visitation in any given year.

The following are critical trends that challenge park and recreation management:

- ◆ staying relevant to youth, young families and an aging, more urban, and diverse population;
- ◆ servicing an aging infrastructure;
- ◆ keeping abreast of the swift changes in technology;
- ◆ declining natural areas and open space;
- ◆ increasing energy costs;
- ◆ increasing climate change and exotic invasive species;
- ◆ replacing leadership and expertise due to baby boomer retirement;

- ◆ increasing need for resource management data and plans for parks in critical resource areas; and
- ◆ increasing population in major urban areas and changes to lands surrounding parks.

Key Measures

Parks and Recreation uses a range of performance measures to assess its progress in managing park lands and facilities in the state to achieve sustainable management objectives and to provide good quality and safe recreation services for the state’s citizens. The following measures illustrate accountability to sustainable management results in four core budget activity areas. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR’s *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

⇒ **State Park Visitor Satisfaction**

State parks are an integral part of Minnesota’s high quality of life. Each year, eight million visitors enjoy Minnesota’s 67 state parks and six recreation areas, and spend approximately \$200 million annually during their visits. In recent years, 95% of park visitors have expressed positive satisfaction ratings.

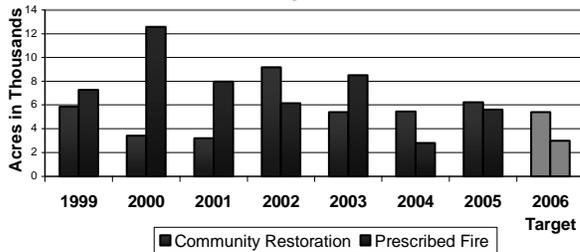
Indicator: Percent satisfied with a visit to Minnesota State Parks.

Target: Maintain a 95% or higher satisfaction rating.

⇒ **Natural Vegetation in State Parks**

State law mandates that state park managers protect, manage, and restore pre-settlement natural features, plants, and animals. Over 235 federal or state endangered, threatened or special concern species inhabit more than 1,000 locations in state parks. State parks contain more than 30% of DNR’s designated protected old growth forest, and support more than 80 types of important native plant communities. Natural community restoration and prescribed fire ensure the maintenance of important natural features.

Acres of Habitat with Prescribed Fire and Active Restoration in the State Park System



Indicator: Acres of natural vegetation actively maintained or restored in the state park system.

Target: Have 5,400 acres in active restoration and carry out prescribed burns on 3,000 acres each year.

⇒ **State Parks Historic Features**

DNR has the statutory responsibility to protect historic properties listed on the National and State Registers. Of the 1,600 total buildings in the state parks system, 369 (23%) are historic buildings or buildings located within the 34 National Register Historic Districts. In addition, the state parks system contains 251 historic structures and objects and five National Historic Landmarks.

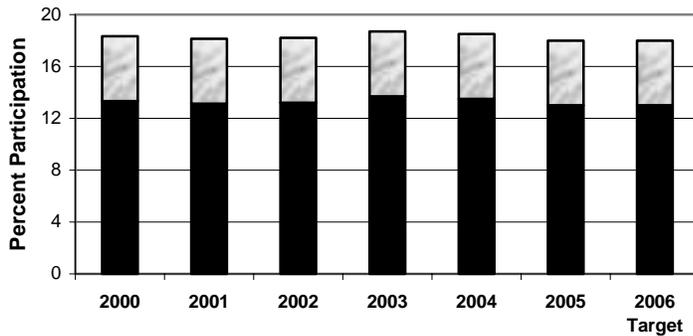
Indicator: Maintenance and restoration of historic buildings, structures, and districts within state parks.

Target: Direct 10% of the capital investment for state parks in each biennium to buildings, structures, and districts within state parks and state recreation areas on the National Register.

⇒ **Outdoor Education**

Minnesota law mandates that state parks provide educational programs interpreting Minnesota’s natural and cultural resources for the public. Outdoor education promotes stewardship of Minnesota’s resources, offers a low-key enforcement tool, and promotes understanding of and support for DNR’s programs, key messages, and management decisions. For more than 60 years, state parks have offered interpretive facilities and applied educational experiences to the eight million visitors who use parks each year. In 2005, 146,000 visitors participated in specific educational staff led programs and visitor center attendance totaled 976,000.

Percent Participation in Parks Education and Interpretive Activities



Indicator: Percent of park visitors participating in outdoor education activities.

Target: Maintain at least 18% participation level of park visitors in outdoor education and interpretive opportunities.

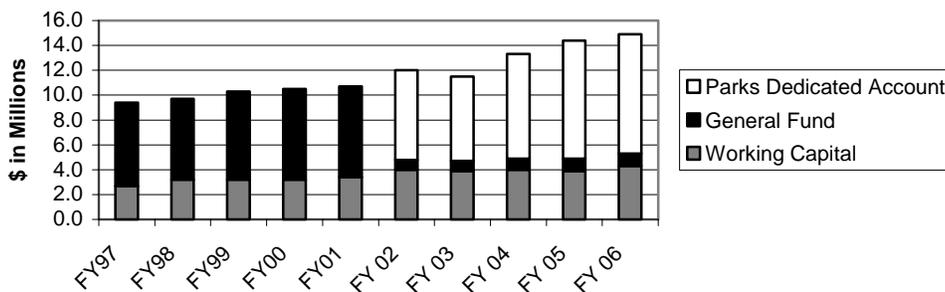
■ Staff-led activities and exhibit counts □ Estimates of self-guided activities

Program Funding

FUNDING SOURCES: Funding for state parks in FY 2006 came from four sources in the following percentages: General Fund 49.8%, Natural Resources Fund 34.6%, Special Revenue Fund 12.0%, and Environment and Natural Resources Fund 2.8%, and all other funds .8%.

REVENUE SUMMARY: State parks generated a total of \$15.0 million in FY 2006, a 3.6 increase over the previous fiscal year. General Fund revenue totaled \$1.045 million in FY 2006, an increase of 6.4% over FY 2005. The dedicated account collected \$9.589 million in FY 2006, a 1.3% increase over FY 2005. Also, approximately \$100,000 of forest recreation area camping revenue, administered by state parks, is deposited in the Permanent School Fund.

DNR Parks Revenue Generation



Contact

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NATURAL RESOURCES DEPT

Program: PARKS & RECREATION MGMT

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,000	1,000	1,000	1,000	2,000
Technical Adjustments					
One-time Appropriations			(1,000)	(1,000)	(2,000)
Subtotal - Forecast Base	1,000	1,000	0	0	0
Total	1,000	1,000	0	0	0
General					
Current Appropriation	19,279	19,279	19,279	19,279	38,558
Subtotal - Forecast Base	19,279	19,279	19,279	19,279	38,558
Governor's Recommendations					
Operations Support Funding		0	770	770	1,540
DNR Budget Reallocation		0	208	208	416
Compensation Adjustment		0	356	719	1,075
Total	19,279	19,279	20,613	20,976	41,589
Natural Resources					
Current Appropriation	13,722	14,282	14,282	14,282	28,564
Technical Adjustments					
One-time Appropriations			(400)	(400)	(800)
Subtotal - Forecast Base	13,722	14,282	13,882	13,882	27,764
Governor's Recommendations					
State Park Appropriation Increase		0	500	750	1,250
Maintenance of Service -Non General Fund		0	199	404	603
Total	13,722	14,282	14,581	15,036	29,617
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,145	1,000	0	0	0
General	18,822	19,800	20,613	20,976	41,589
Natural Resources	13,612	14,708	14,581	15,036	29,617
Open Appropriations					
Natural Resources	2	60	60	60	120
Statutory Appropriations					
Natural Resources	11	14	14	14	28
Misc Special Revenue	4,824	5,626	4,742	4,742	9,484
Federal	187	130	67	67	134
Gift	64	388	115	115	230
Total	38,667	41,726	40,192	41,010	81,202
<u>Expenditures by Category</u>					
Total Compensation	23,782	25,174	25,401	25,666	51,067
Other Operating Expenses	12,867	15,009	14,247	14,800	29,047
Capital Outlay & Real Property	2,015	1,543	544	544	1,088
Local Assistance	3	0	0	0	0
Total	38,667	41,726	40,192	41,010	81,202
<u>Expenditures by Activity</u>					
Parks & Recreation Mgmt	38,667	41,726	40,192	41,010	81,202
Total	38,667	41,726	40,192	41,010	81,202

NATURAL RESOURCES DEPT

Program: PARKS & RECREATION MGMT

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Full-Time Equivalent (FTE)</i>	434.7	416.0	413.3	406.5	

NATURAL RESOURCES DEPT**Program: PARKS & RECREATION MGMT****Change Item: State Park Appropriation Increase**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund – Natural Resources				
Expenditures	\$500	\$750	\$750	\$750
Revenues	250	500	500	500
Net Fiscal Impact	\$250	\$250	\$250	\$250

Recommendation

The Governor recommends an annual increase of \$500,000 in FY 2008 and \$750,000 in FY 2009 from the parks account to fund parks operations. The increase will provide funds for maintenance and visitor services.

Background

Camping fees are set by Commissioner’s Order. Results of a fee study that included stakeholder involvement stated that park visitors are willing to accept incremental increases in camping fees. Currently the standard (showers available) camping rate is \$18.00 at “Familiar Favorites” parks and \$15.00 at “Discovery” parks. The rustic camping rate (no showers available) is \$15.00 at “Familiar Favorites” parks and \$12.00 at “Discovery” parks. These rates would increase by \$2.00 on average, with the increased revenue being available to be appropriated for the DNR to provide enhanced recreational opportunities, complete necessary resource management work, and provide interpretation. This increase will be implemented in 2008.

Relationship to Base Budget

A camping fee increase will generate an estimated \$500,000 per year in additional revenue. State parks have a FY 2008 direct appropriation base of \$29,453,000 for state park operations. The increase represents an additional 1.7% of operational funding. This will be effective in calendar year 2008.

Key Measures

More than 750,000 campers use state park campgrounds annually. A customer satisfaction survey showed that 95% of state park customers were satisfied with their experience. Additional funding generated from this change item would help in maintaining our customer satisfaction level and protecting natural resources in state parks.

Alternatives Considered

Timing and size of a camping increase were discussed.

Statutory Change: Not Applicable

Program Description

The purpose of the Trails and Waterways Management Program is to create recreation opportunities through a system of trails and water recreation facilities that contribute to a sustainable quality of life. This program is the responsibility of the Minnesota Department of Natural Resources (DNR's) Division of Trails and Waterways.

Budget Activities

- ⇒ Non-motorized Recreation
- ⇒ Water Recreation
- ⇒ Motorized Recreation

Key Measures

DNR uses a range of performance measures to assess its programs in managing trails and waterways opportunities and services. For a more complete set of performance measures with detailed descriptions, please see the DNR's "***A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress Toward Mission***" (www.dnr.state.mn.us/conservationagenda/index.html).

See activity sections for specific measures.

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	1,400	1,400	1,400	1,400	2,800
Technical Adjustments					
One-time Appropriations			(1,400)	(1,400)	(2,800)
Subtotal - Forecast Base	1,400	1,400	0	0	0
Total	1,400	1,400	0	0	0
General					
Current Appropriation	1,384	1,284	1,284	1,284	2,568
Subtotal - Forecast Base	1,384	1,284	1,284	1,284	2,568
Governor's Recommendations					
DNR Budget Reallocation		0	495	495	990
Compensation Adjustment		0	19	39	58
Total	1,384	1,284	1,798	1,818	3,616
Natural Resources					
Current Appropriation	23,196	23,419	23,419	23,419	46,838
Technical Adjustments					
One-time Appropriations			(130)	(130)	(260)
Subtotal - Forecast Base	23,196	23,419	23,289	23,289	46,578
Governor's Recommendations					
Snowmobile Grant-in-Aid (GIA) Increase		0	700	700	1,400
All-Terrain Vehicle (ATV) Gas Tax		0	215	325	540
Operations Support Funding		0	591	591	1,182
Total	23,196	23,419	24,795	24,905	49,700
Game And Fish (operations)					
Current Appropriation	2,091	2,087	2,087	2,087	4,174
Subtotal - Forecast Base	2,091	2,087	2,087	2,087	4,174
Governor's Recommendations					
DJ/Wallop-Breaux Motor Boat Access		0	32	107	139
Total	2,091	2,087	2,119	2,194	4,313

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,009	3,187	0	0	0
General	1,245	1,459	1,798	1,818	3,616
Minnesota Resources	759	248	0	0	0
Natural Resources	20,764	28,409	24,795	24,905	49,700
Game And Fish (Operations)	1,312	2,866	2,119	2,194	4,313
Open Appropriations					
Natural Resources	624	249	249	249	498
Statutory Appropriations					
Natural Resources	192	1,275	497	497	994
Misc Special Revenue	214	85	75	75	150
Federal	2,013	5,076	5,230	3,677	8,907
Gift	29	108	35	35	70
Total	28,161	42,962	34,798	33,450	68,248
<u>Expenditures by Category</u>					
Total Compensation	9,199	10,648	10,689	10,709	21,398
Other Operating Expenses	6,695	8,242	6,512	6,512	13,024
Capital Outlay & Real Property	2,643	8,596	3,791	3,866	7,657
Local Assistance	9,624	15,466	13,796	12,353	26,149
Transfers	0	10	10	10	20
Total	28,161	42,962	34,798	33,450	68,248
<u>Expenditures by Activity</u>					
T&W - Non-Motorized Recreation	5,378	11,555	7,842	6,309	14,151
T&W - Water Recreation	9,722	13,908	11,860	11,935	23,795
T&W - Motorized Recreation	13,061	17,499	15,096	15,206	30,302
Total	28,161	42,962	34,798	33,450	68,248
Full-Time Equivalent (FTE)	138.3	128.4	126.8	122.7	

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - NON-MOTORIZED RECREATION

Narrative

Activity Description

This activity provides trail recreation for state residents and tourists. It supports Department of Natural Resources (DNR) non-motorized trail-related activities primarily on state trails.

Population Served

The users served by this activity include:

- ◆ bicyclists;
- ◆ walkers;
- ◆ joggers;
- ◆ in-line skaters;
- ◆ hikers;
- ◆ horseback riders;
- ◆ cross-country skiers; and
- ◆ Minnesota citizens and tourists in general.

Activity at a Glance

- ◆ Number of paved bike trail miles has increased by 96 miles in four years.
- ◆ Manage 372 miles of horse trails in state forests.
- ◆ Adopt-a-River volunteer cleaned up 515 miles of shoreline.

Services Provided

The services provided by this activity include:

- ◆ management of State Trails systems;
- ◆ trail planning and surveying;
- ◆ management of horse trails;
- ◆ maintenance of non-motorized state trails;
- ◆ volunteer river cleanup opportunities through the Adopt-a-River program;
- ◆ development and distribution of public information materials (e.g., maps, brochures, etc.); and
- ◆ financial assistance through the Cooperative Trails Grant Program (local trail connections, regional trails, and national recreation trail grants [SAFETEA-LU]);

Key Measures

Minnesotans and tourists have access to the outdoors through a network of trails that accommodate recreational activities such as biking, hiking, skiing, and snowmobiling. Year-around recreation opportunities support Minnesota's high quality of life and its regional economies. Developing and sustaining a diverse trail system ensures DNR meets the needs of both tourists and local residents alike. Paved state trails available for bicycle use are an important part of this trail system.

Indicator: Miles of State Trails

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State Trails	1,141	1,141	1,147	1,159	1,301	1,328
State Trails (paved)	365	400	406	418	496	523

Indicator: Miles of Cross-Country Ski Trails

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
GIA X-Country Ski	1,003	1,003	1,003	1,003	1,003	1,003

Currently there are 1,328 miles of state trails, providing recreation opportunities for hikers, bicyclists, in-line skaters, snowmobilers, horseback riders, and cross country skiers. In 2001, State Forest Recreation Management responsibility was transferred from the DNR Division of Forestry to the Division of Trails and Waterways. Trails that were developed early in the history of the state trail program are in need of rehabilitation. Trail rehabilitation generally has been funded through the capital budget.

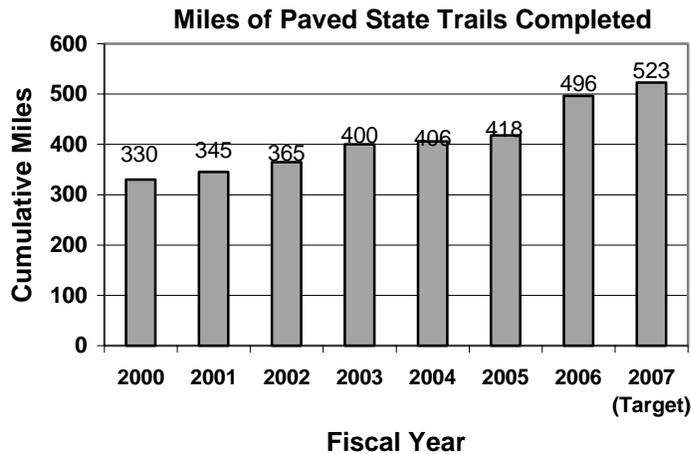
NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - NON-MOTORIZED RECREATION

Narrative

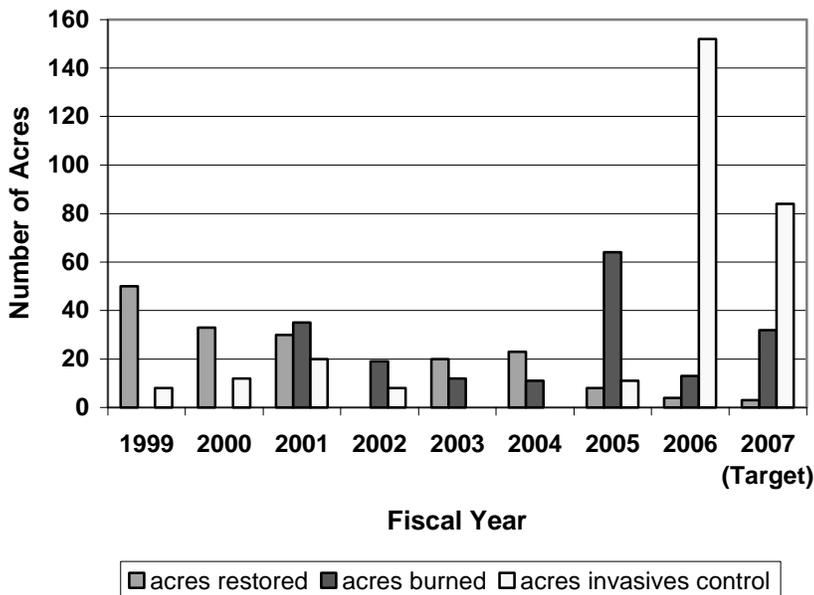
DNR works with local trail associations, trail user groups, and communities to plan, acquire, develop, and manage the entire state trail system. Not all trails accommodate every use; 523 miles are paved, 489 are asphalt and 34 are surfaced with crushed aggregate designed to accommodate bicycle use. For detailed descriptions of the following measures, see DNR's *A Strategic Conservation Agenda, 2003-2007*.



Indicator: Miles of paved trail completed and open to the public for bicycle use.

Target: Construct eight miles of the Gitchi-Gami State Trail, eight miles of Glacial Lakes State Trail, and the first six miles of the Casey Jones State Trail. Incorporate locally constructed 5 miles of the Great River Ridge Trail into the State Trail system.

Number of Acres Restored and Managed Within Trail Rights-of-Way



Indicator: Number of acres of natural vegetation restored and managed within trail rights-of-way.

Target: Restore three acres and perform prescribed burns on 32 acres to remove invasive species

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - NON-MOTORIZED RECREATION

Narrative

Indicator: Adopt-A-River: Number of Cleanups Reported and Miles of Shoreline Cleaned

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY2004</u>	<u>FY 2005</u>	<u>FY 2006</u> <i>(Target)</i>	<u>FY 2007</u> <i>(Target)</i>
Cleanups Reported	185	136	148	147	158	160
Miles Cleaned	650	469	484	446	515	500
Tons of garbage			125	70	118	98

Activity Funding

This activity is funded primarily through General Fund appropriations, the Cross Country Ski Account (Cross-Ski passes), Horse Trail Account, Lottery-in Lieu of sales tax, and additional projects funded with Environmental and Natural Resources, and federal matching funds.

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NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - NON-MOTORIZED RECREATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	678	3,187	0	0	0
General	1,145	1,459	1,798	1,818	3,616
Minnesota Resources	759	248	0	0	0
Natural Resources	1,287	1,519	1,415	1,415	2,830
Statutory Appropriations					
Natural Resources	183	1,037	461	461	922
Misc Special Revenue	97	85	75	75	150
Federal	1,212	3,912	4,058	2,505	6,563
Gift	17	108	35	35	70
Total	5,378	11,555	7,842	6,309	14,151
<u>Expenditures by Category</u>					
Total Compensation	1,212	1,548	1,743	1,763	3,506
Other Operating Expenses	1,182	1,531	1,010	1,010	2,020
Capital Outlay & Real Property	1,055	3,291	486	486	972
Local Assistance	1,929	5,185	4,603	3,050	7,653
Total	5,378	11,555	7,842	6,309	14,151
Full-Time Equivalents (FTE)	18.3	14.4	17.4	17.3	

Activity Description

The purpose of the Water Access and Recreation activity is to provide the public with water-based recreational boating and fishing opportunities and services. This activity provides the public with access (M.S. 97A.141) to lakes, streams, river corridors and designated canoe and boating routes (M.S. 85.32) for boaters, anglers, paddlers, and other users. Safe harbors (M.S. 86A20-24) on Lake Superior provide trailer-able boat access and boat slips for larger boats in a protected harbor.

Activity at a Glance

- ◆ Minnesota ranks fourth in the nation for total boats registered (853,000).

Population Served

All Minnesotans and out of state tourists who boat, canoe, or fish on Minnesota's lakes and rivers.

Services Provided

Major responsibilities of the activity:

⇒ **Boat Access Sites**

The 3,000 sites are one to seven acres in size, contain a boat launch ramp, a parking lot, an entrance road, and amenities such as toilets, docks, security lights, and information kiosks. One half of the sites are owned and operated by the Minnesota Department of Natural Resources (DNR). When building or upgrading access sites, DNR also looks for partnerships where DNR provides the capital/construction investment and the local community maintains and operates the facility. Services provided include maps and information guides.

⇒ **River Recreation**

Facilities and services on 28 rivers, designated as a canoe and boating route, are provided by DNR, including primitive campsites, rest areas, portage trails, and launch sites. Services include river cleanup, obstruction removal, maps and information guides, water level reports, and marking and signing of hazards. When needed, new access sites are acquired and developed according to management objectives and demonstrated need, often in cooperation with local units of government. There are currently 525 access sites on Minnesota rivers; 60% are operated by the DNR and 40% were developed in cooperation with local governments.

⇒ **Lake Superior Safe Harbors**

Implementation of the North Shore Harbors Plan, and subsequent legislation establishing safe harbors, began in 1999 with the completion of the Silver Bay safe harbor and marina. Taconite Harbor, a boat access and safe harbor only, was completed in fall 2001. Construction of the McQuade Road (Duluth) safe harbor and access will be completed in fall 2007. State and federal funds have been appropriated for an additional harbor at Two Harbors that is in the land acquisition and design phase. All sites have active local participation and are constructed in cooperation with the U.S. Army Corps of Engineers. All facilities provide boat access and protection from storms, and some will provide gas, dockage, sewage pump outs, and other services related to boating and fishing. DNR is working with local groups and communities to plan future safe harbors and accesses at Knife River, Two Harbors, Grand Marais, and Grand Portage.

Historical Perspective

Minnesotans rely heavily on public water access sites. A survey conducted by the University of Minnesota showed that three-fourths of state boat owners launch at public boat access sites at least once a year. Minnesota ranks fourth in the nation for total boats registered (853,000) and first in the nation in the number of boats per capita (one boat for every six people). Overall boat registrations have increased substantially (about 50%) over the last 25 years. Since 1980, canoes and kayaks have maintained their share (20%) of all boat registrations. The mix between canoes and kayaks, however, is changing rapidly. Since 2000, canoe registrations have been stable, while kayak registrations have doubled.

In the 1996 Metro, 1998 Brainerd, 2001 Central Lakes, and 2003 Lower Mississippi River boating studies, boat access users gave high marks to the quality of the boat accesses. In the Brainerd study, and to a lesser degree in the central lakes study, boat accesses were identified as becoming an asset to lakeside homeowners and

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - WATER RECREATION

Narrative

resorts, who accounted for nearly 40% of access use. Over 50% of public access use is for fishing. Public accesses are becoming a necessity for all boaters, especially since boat and motor size has increased and rendered many small private accesses unuseable.

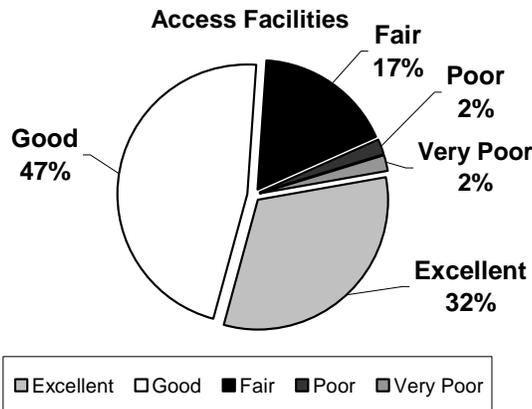
Key Measures

⇒ Acquisition, development and maintenance of boat access sites. Approximately 70% of DNR's goal for boat access sites has been attained.

Indicator: Number of Boat Access Sites Target: DNR anticipates constructing ten new water access sites and one Lake Superior safe harbor/access in FY 2008-09.	Fiscal Years	Number of Sites
	2000-01	1,550
	2002-03	1,560
	2004-05	1,570
	2006-07	1,585

⇒ DNR uses periodic surveys to measure satisfaction levels with facilities and services. The survey ratings below are from a 2001 survey and represent a small improvement over a 1987 survey.

Minnesota Boater Satisfaction Levels with Water Access Facilities



Activity Funding

The primary sources of funds for this budget activity is appropriated from the water recreation account in the natural resources fund. Account revenues come from unfunded highway gasoline taxes and watercraft registration fees. Federal Wallop/Breaux funds also have funded boat access efforts. This law requires 15% of federal receipts from the Sport Fish Restoration Program (75% reimbursement); and the Boat Safety Account administered by the U.S. Coast Guard (50% reimbursement) be spent on public access facilities. The Game and Fish Fund provides match for this program.

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NATURAL RESOURCES DEPT
Program: TRAILS & WATERWAYS MGMT
Activity: T&W - WATER RECREATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	331	0	0	0	0
General	100	0	0	0	0
Natural Resources	6,867	9,520	8,413	8,413	16,826
Game And Fish (Operations)	1,312	2,866	2,119	2,194	4,313
Open Appropriations					
Natural Resources	173	120	120	120	240
Statutory Appropriations					
Natural Resources	9	238	36	36	72
Misc Special Revenue	117	0	0	0	0
Federal	801	1,164	1,172	1,172	2,344
Gift	12	0	0	0	0
Total	9,722	13,908	11,860	11,935	23,795
<u>Expenditures by Category</u>					
Total Compensation	4,059	4,590	4,534	4,534	9,068
Other Operating Expenses	3,531	4,417	3,493	3,493	6,986
Capital Outlay & Real Property	1,574	4,328	3,305	3,380	6,685
Local Assistance	558	573	528	528	1,056
Total	9,722	13,908	11,860	11,935	23,795
Full-Time Equivalent (FTE)	61.6	59.5	57.1	55.0	

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - MOTORIZED RECREATION

Narrative

Activity Description

This activity, funded through the dedicated accounts within the Natural Resources Fund, provides motorized trail users the opportunity to access and enjoy the outdoors in a safe, responsible manner while protecting sensitive resources and fostering local economic development.

Activity at a Glance

- ◆ 591 grants to Local Units of Government
- ◆ 277,000 registered snowmobiles
- ◆ 237,000 registered ATV's

Population Served

This activity provides services to trails users who contribute to dedicated accounts through registration fees and un-refunded gas tax. The recreational activities of these trail users include:

- ◆ Snowmobiling;
- ◆ All-Terrain Vehicles (ATVs);
- ◆ Off-Highway Motorcycles (OHM); and
- ◆ Off-Road Vehicles (ORV).

Services Provided

The services provided by this activity include:

- ◆ maintenance and operations of trails;
- ◆ evaluating and designating off-highway vehicle (OHV) trails in state forests;
- ◆ monitoring and maintenance of trails in state forest;
- ◆ operation of Iron Range off-highway vehicle recreation areas;
- ◆ grant programs to local units of government;
- ◆ development and distribution of public information materials (e.g., maps, brochures, interpretive information, etc.); and
- ◆ administration of dedicated account activities

Key Measures

- ◆ Develop and maintain trails to meet the growing demand for motorized recreational trails.

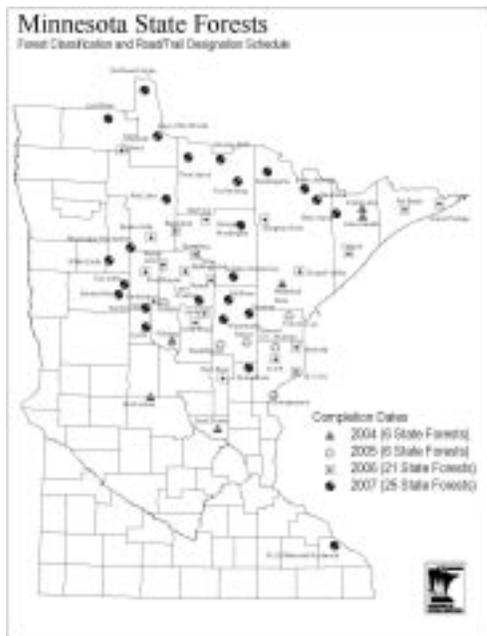
Indicator: Total Miles of Department of Natural Resources Trails

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u> <i>(Target)</i>
DNR-Snowmobile only	2,135	2,135	2,135	2,135	2,135	2,135
DNR-ATV/OHM only			134	140	362	712
DNR-Trail-ATV only	212	263	155	160	250	300
DNR-Trail-Off-Hwy		192	161	161	81	106
Motorcycle only	192					
DNR-Trail-Off Road Vehicle only	11	11	11	11	22	37

- ◆ Administer a trail system that anticipates and responds to changing public demand through local trail grants.

Indicator: Total Miles of Grant-In-Aid (GIA) Trails

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u> <i>(Target)</i>
GIA-Snowmobile	15,400	18,200	18,250	18,300	19,500	19,550
GIA-All Terrain Vehicle	505	525	601	631	821	925
GIA-Off-Hwy Motorcycle	113	113	119	125	127	130
GIA-Off Road Vehicle	0	0	0	0	57	67



Indicator: Number of state forests reclassified with signed road/trail designation orders.

Target: The evaluation of a number of State Forests is currently underway, with nearly one-dozen forests complete, and many more planned or about to begin. All 58 state forests must be completed by 12-31-2008

Activity Funding

This activity is funded primarily through dedicated revenues from the Natural Resources Fund. Revenues generated for the OHM, ORV, ATV, and Snowmobile Safety and Enforcement Funds come from vehicle registrations, permits, and un-refunded gas tax. Unrefunded gas taxes are those tax dollars attributed to fuel consumed while using public lands and trails.

Contact

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Additional information can be obtained on the DNR web site at <http://www.dnr.state.mn.us/>.

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - MOTORIZED RECREATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Natural Resources	12,610	17,370	14,967	15,077	30,044
Open Appropriations					
Natural Resources	451	129	129	129	258
Total	13,061	17,499	15,096	15,206	30,302
<u>Expenditures by Category</u>					
Total Compensation	3,928	4,510	4,412	4,412	8,824
Other Operating Expenses	1,982	2,294	2,009	2,009	4,018
Capital Outlay & Real Property	14	977	0	0	0
Local Assistance	7,137	9,708	8,665	8,775	17,440
Transfers	0	10	10	10	20
Total	13,061	17,499	15,096	15,206	30,302
Full-Time Equivalents (FTE)	58.4	54.5	52.3	50.4	

NATURAL RESOURCES DEPT**Program: TRAILS & WATERWAYS MGMT****Change Item: DJ/Wallop-Breaux Motor Boat Access**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	32	107	107	107
Revenues	0	0	0	0
Net Fiscal Impact	\$32	\$107	\$107	\$107

Recommendation

The Governor recommends \$139,000 over the FY 2008-09 biennium from the Game and Fish Fund for expenditure on water access sites according to the requirements of the Federal Sport Fish Restoration Program. This budget initiative will align the level of state expenditures through the Trails and Waterways Program with the required 15% of the federal apportionment.

Background

The Federal Sport Fish Restoration Program, administered by the U.S. Fish and Wildlife Service, requires the state to allocate an amount equal to 15% of the federal funds apportioned to the Department of Natural Resources (DNR) each fiscal year for expenditure on water access sites. Funds for this program are provided by boaters through a federal gas tax based on boat usage, an excise tax on boating equipment and fishing tackle, and other related funding sources. According to federal program requirements 15% of the federal apportionment must be used on expenditures for acquisition, development and renovation or improvement of public boat access facilities for recreational boating purposes.

Relationship to Base Budget

Funding from the Game and Fish Fund for this program is \$1.933 million for FY 2007.

Key Measures

The additional resources will be used to upgrade and increase the number of boat access facilities through land acquisition and development of new access sites, and the expansion and renovation of existing boat access sites throughout the state. With the technological advances in boats, motors and equipment, and their cost to the customer, recreational boaters and anglers expect the DNR to provide boat launch facilities that can accommodate larger boats and trailers and more powerful motors.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Change Item: Snowmobile Grant-in-Aid (GIA) Increase

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Natural Resources Fund				
Expenditures	700	700	700	700
Revenues	0	0	0	0
Net Fiscal Impact	\$700	\$700	\$700	\$700

Recommendation

The Governor recommends \$1.4 million over the FY 2008-2009 biennium from the Snowmobile Account within the Natural Resources Fund for the Snowmobile Grants-In-Aid (GIA) program. This program provides grants for developing and maintaining snowmobile trails.

Background

The Minnesota Snowmobile Trails Assistance Program, popularly known as Grant-in-Aid or GIA, has provided grants to local units of government to develop, maintain, and groom snowmobile trails throughout Minnesota. The system of GIA snowmobile trails has grown to over 18,000 miles. Most of these miles are groomed and maintained by local volunteer snowmobile clubs who have partnered with local units of government. The 2005 legislature authorized a snowmobile trail pass to provide additional dedicated funding to the GIA program.

There is a need to complete capital improvements to snowmobile trails throughout the state, including providing signing and maps, and funding for lease payments.

Relationship to Base Budget

The Department of Natural Resources (DNR) initially estimated revenue from the new snowmobile trail pass to be \$1.5 million on an annual average basis. Snowmobile trail passes were first available for FY 2006 and generated \$3.15 million in revenue, much more than expected. The DNR has revised the annual revenue estimate from the trail pass to be \$2.8 million annually.

The proposed annual increase of \$700,000 would increase activities in the following areas:

- Capital improvement grants (\$500,000 annually)
- GIA trust fund lease/permit payments (\$50,000 annually)
- GIA trail maps (\$50,000 annually)
- GIA trail signs (\$100,000 annually)

Key Measures

This change item will allow for trail improvements, which would result in improved trail safety and signage. These additional grants will improve and maintain the quality of the existing GIA system.

Statutory Change: Not Applicable

Program Description

The purpose of the Fish and Wildlife Management Program is to manage fish and wildlife, their habitats, and public use of fish and wildlife, including fishing, hunting, and trapping. This program is the responsibility of the Minnesota Department of Natural Resources (DNR's) Division of Fish and Wildlife.

It is the policy of the state that fish and wildlife are renewable natural resources to be conserved and enhanced through planned scientific management, protection, and use (M.S. 84.941). Hunting and fishing were recognized as a valued part of Minnesota's heritage to be managed by law and regulation for the public good when approved as Constitutional Amendment 13, Section 12, in 1998 by more than 77% of voters in the general election.

Program at a Glance

- ◆ Serves 1.5 million licensed anglers (plus 600,000 anglers not required to be licensed), 578,000 licensed hunters and trappers, and 2.2 million wildlife viewers.
- ◆ Generates \$2.7 billion in annual expenditures in Minnesota from fishing, hunting, wildlife watching, and trapping.
- ◆ Oversees 5,400 fishing lakes and 16,000 miles of fishable streams and rivers in Minnesota.
- ◆ Manages over 50 wildlife game species in Minnesota.

Central management of the Fish and Wildlife Division is coordinated through five sections: 1) Fisheries Management; 2) Wildlife Management; 3) Outreach; 4) Policy; and 5) Administrative Services. Field programs are delivered through Fisheries Management and Wildlife Management activities in regional offices, area offices, and hatcheries. (see activity narratives).

- ⇒ **Fisheries Management.** The Fisheries Management Section develops, directs, and manages statewide fisheries population and habitat programs; monitors progress so that programs are continuously adapted and improved to meet changing resource conditions and societal needs; implements department and division programs and policies in the field; provides financial, human resource, administrative, and policy support to division field staff; and directs hatchery system and acquisition and management of Aquatic Management Areas.
- ⇒ **Wildlife Management.** The Wildlife Management Section develops, directs, and manages statewide wildlife population and habitat programs; monitors progress so that programs are continuously adapted and improved to meet changing resource conditions and societal needs; implements department and division programs and policies in the field; provides financial, human resources, administrative, and policy support to division field staff; and directs acquisition and management of wildlife management areas.
- ⇒ **Outreach.** The Outreach Section oversees education, communications, user recruitment and retention, and certain private and public land habitat projects. The section includes MinnAqua (aquatic education), hunter recruitment and retention, Southeast Asian outreach and other minority outreach efforts, Becoming an Outdoors Woman Program, the roadsides for wildlife program, private lands wildlife habitat outreach, agricultural policy coordination and communications coordination (hunting and fishing regulation booklets, press releases, and media relations).
- ⇒ **Policy.** The Policy Section integrates scientific data and analyses into development of division policy, direction, and issues management and coordinates division legislative involvement and initiatives.
- ⇒ **Administrative Services.** The Administrative Services Section manages division budgets, revenues, business functions, grants, fleet and facilities, volunteer programs, and the License Center.

Historical Perspective

Societal trends have the ability to either enhance or threaten fish and wildlife habitat and populations and recreational access to the outdoors. Societal trends with the potential to diminish fish and wildlife values include:

- ⇒ Increasing human population growth and expanding distribution of human populations: Projected population increases in Minnesota will continue to result in conversion of natural lands to other uses, loss of habitat,

changing land ownership patterns, increasing recreational and economic demands, and increasing interactions between people and wildlife.

- ⇒ Global warming and climate change: Fish and wildlife species are adapted to their environments. Accelerated climate changes impact these environments and have the potential to affect populations and range distributions. In combination with ongoing threats of pollution, loss and fragmentation of habitat through development, and ozone depletion, the potential negative effects on fish and wildlife populations and habitats are great.
- ⇒ Conflicting interests and uses of natural resources: As human populations increase and development spreads in Minnesota, demands increase on the state's limited and, in some cases, fragile natural resources. Sustainable use of natural resources requires a balance between resource values and economic benefits. Resource managers and citizens of the 21st century are challenged to craft creative approaches that support Minnesota's natural resources in a sustainable manner.
- ⇒ Changes in outdoor recreation participation: Our society is becoming more urbanized and disconnected from our natural resources. New forms of recreation replace popular recreation activities of the past. Our challenge is to preserve traditional forms of natural resource-based recreation including hunting, fishing, trapping, and other wildlife-related recreation.

Societal trends with the potential to enhance the fish and wildlife values include:

- ⇒ Rapid increases in communications and information technology: Advancing technology allows staff to utilize science-based tools to better manage fish and wildlife populations and habitats using spatial computer and statistical analysis programs; provide better electronic information to hunters, anglers, and wildlife watchers through multiple media formats; and efficiently and quickly collaborate with other agencies and organizations to cooperatively manage populations, habitat, and disease emergencies.
- ⇒ Knowledgeable and informed citizens and advocates: As pressure on lands and habitats increase, citizens have also become more informed and knowledgeable about these threats. Citizen advocates, organizations, and agencies have formed conservation partnerships to accomplish tasks of mutual interest, which ultimately benefit fish and wildlife populations and habitats on both a site specific and landscape level.

Key Measures

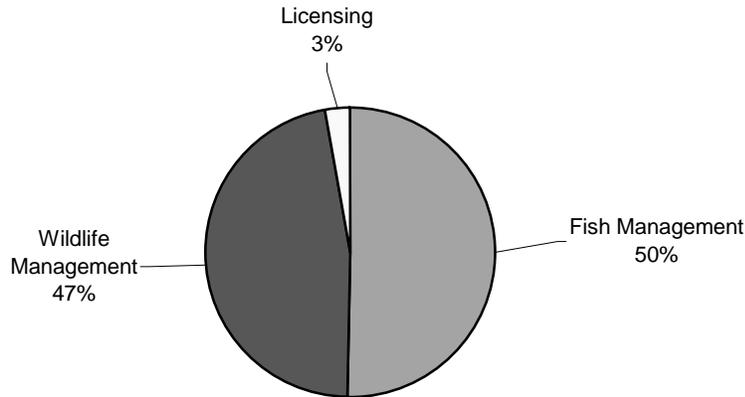
The Division of Fish and Wildlife uses a range of performance measures to assess its progress towards management, protection, use, understanding, and enjoyment of Minnesota's fish and wildlife resources. For a comprehensive set of performance measures and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

See activity sections for specific fish and wildlife measures.

Program Funding

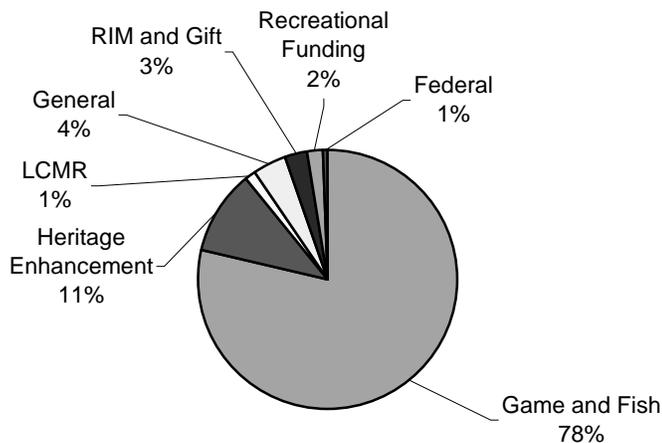
The program funding for the Division of Fish and Wildlife is split into three distinct activities: Fisheries, Wildlife and Licensing (see chart below).

FY 2006-07 Program Breakdown by Activity



Approximately 78% of the overall operating funding for the Division is from the Game and Fish Fund. The remainder of funding comes from a variety of funding sources including Legislative Commission on Minnesota Resources (LCMR), General Fund, Water Recreation, All-terrain Vehicle (ATV), Off-Highway Vehicle (OHV), Snowmobile, Heritage Enhancement, federal funds, gifts, and RIM Critical Habitat Match. A pie chart showing the distribution by funding source is below.

FY 2006-07 Division Operating Funding



Contact

General information on the Division of Fish and Wildlife can be found on the DNR web site <http://www.dnr.state.mn.us/index.html>. A wide variety of general and technical publications are also available.

Contact for additional information:

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NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	599	470	470	470	940
Technical Adjustments					
One-time Appropriations			(470)	(470)	(940)
Subtotal - Forecast Base	599	470	0	0	0
Total	599	470	0	0	0
General					
Current Appropriation	2,308	2,198	2,198	2,198	4,396
Technical Adjustments					
Approved Transfer Between Appr			62	62	124
One-time Appropriations			(132)	(132)	(264)
Subtotal - Forecast Base	2,308	2,198	2,128	2,128	4,256
Governor's Recommendations					
Prairie Wetlands		0	575	575	1,150
Wildlife Disease Management		0	132	132	264
Operations Support Funding		0	324	324	648
DNR Budget Reallocation		0	258	258	516
Compensation Adjustment		0	46	96	142
Total	2,308	2,198	3,463	3,513	6,976
Natural Resources					
Current Appropriation	1,740	1,740	1,740	1,740	3,480
Technical Adjustments					
Approved Transfer Between Appr			5	5	10
Subtotal - Forecast Base	1,740	1,740	1,745	1,745	3,490
Governor's Recommendations					
Operations Support Funding		0	131	131	262
Total	1,740	1,740	1,876	1,876	3,752
Game And Fish (operations)					
Current Appropriation	58,782	59,160	59,160	59,160	118,320
Technical Adjustments					
Approved Transfer Between Appr			34	34	68
Subtotal - Forecast Base	58,782	59,160	59,194	59,194	118,388
Governor's Recommendations					
Statutory Approp For Fish & Wildlife		0	(7,584)	(7,584)	(15,168)
Angling, Hunting Recruitment, Retention		0	150	150	300
Fishing Tourney License Fee		0	108	108	216
Prairie Wetlands		0	575	575	1,150
Roadside Habitat		0	100	100	200
Operations Support Funding		0	1,460	1,460	2,920
Maintenance of Service -Non General Fund		0	1,278	2,600	3,878
DNR Budget Reallocation		0	(40)	(40)	(80)
Total	58,782	59,160	55,241	56,563	111,804

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	946	813	0	0	0
General	2,243	2,501	3,463	3,513	6,976
Minnesota Resources	287	31	0	0	0
Natural Resources	2,298	1,982	1,876	1,876	3,752
Game And Fish (Operations)	54,300	62,524	55,241	56,563	111,804
Open Appropriations					
General	7,992	7,909	8,026	8,061	16,087
Game And Fish (Operations)	835	673	673	673	1,346
Statutory Appropriations					
General	0	270	0	0	0
Natural Resources	1,261	2,331	1,145	1,154	2,299
Misc Special Revenue	1,617	1,228	991	991	1,982
Game And Fish (Operations)	2,993	3,362	9,635	9,635	19,270
Federal	176	1,679	2,814	2,814	5,628
Reinvest In Minnesota	2,578	3,569	3,547	3,547	7,094
Gift	268	765	234	234	468
Total	77,794	89,637	87,645	89,061	176,706
<u>Expenditures by Category</u>					
Total Compensation	39,287	42,070	44,362	45,615	89,977
Other Operating Expenses	21,185	31,081	27,315	27,443	54,758
Capital Outlay & Real Property	7,197	7,490	5,205	5,205	10,410
Local Assistance	10,121	8,993	10,760	10,795	21,555
Other Financial Transactions	4	0	0	0	0
Transfers	0	3	3	3	6
Total	77,794	89,637	87,645	89,061	176,706
<u>Expenditures by Activity</u>					
Fish Management	40,447	42,800	43,267	44,129	87,396
Wildlife Management	31,522	38,799	37,647	38,179	75,826
Licensing	5,825	8,038	6,731	6,753	13,484
Total	77,794	89,637	87,645	89,061	176,706
Full-Time Equivalents (FTE)	632.8	611.0	598.2	576.9	

Program: Fish and Wildlife Management

Change Item: Statutory Appropriations for Fish & Wildlife

	Fund	FY08	FY09	FY10	FY11
Deer and Bear Management Account	231				
Expenditures		\$ 397	\$ 397	\$ 397	\$ 397
Statutory Expenditures		\$ 715	\$ 715	\$ 715	\$ 715
Net Fiscal Impact		\$ 318	\$ 318	\$ 318	\$ 318
Deer Habitat Improvement Account	232				
Expenditures		\$ 1,411	\$ 1,411	\$ 1,411	\$ 1,411
Net Fiscal Impact		\$ (58)	\$ (58)	\$ (58)	\$ (58)
Statutory Expenditures		\$ 1,353	\$ 1,353	\$ 1,353	\$ 1,353
Waterfowl Habitat Improvement Account	233				
Expenditures		\$ 851	\$ 851	\$ 851	\$ 851
Statutory Expenditures		\$ 700	\$ 700	\$ 700	\$ 700
Net Fiscal Impact		\$ (151)	\$ (151)	\$ (151)	\$ (151)
Trout and Salmon Management Account	234				
Expenditures		\$ 880	\$ 880	\$ 880	\$ 880
Statutory Expenditures		\$ 830	\$ 830	\$ 830	\$ 830
Net Fiscal Impact		\$ (50)	\$ (50)	\$ (50)	\$ (50)
Pheasant Habitat Improvement Account	235				
Expenditures		\$ 890	\$ 890	\$ 890	\$ 890
Statutory Expenditures		\$ 875	\$ 875	\$ 875	\$ 875
Net Fiscal Impact		\$ (15)	\$ (15)	\$ (15)	\$ (15)
Wildlife Acquisition Account	237				
Expenditures		\$ 3,013	\$ 3,013	\$ 3,013	\$ 3,013
Statutory Expenditures		\$ 1,790	\$ 1,790	\$ 1,790	\$ 1,790
Net Fiscal Impact		\$ (1,223)	\$ (1,223)	\$ (1,223)	\$ (1,223)
Wild Turkey Management Account	238				
Expenditures		\$ 142	\$ 142	\$ 142	\$ 142
Statutory Expenditures		\$ 172	\$ 172	\$ 172	\$ 172
Net Fiscal Impact		\$ 30	\$ 30	\$ 30	\$ 30
Total Expenditures		\$ 7,584	\$ 7,584	\$ 7,584	\$ 7,584
Total Statutory Expenditures		\$ 6,435	\$ 6,435	\$ 6,435	\$ 6,435
Net Fiscal Impact		\$ (1,149)	\$ (1,149)	\$ (1,149)	\$ (1,149)

Recommendation

The Governor recommends that appropriations for seven dedicated accounts or funds within the Game and Fish Fund be changed to be statutory appropriations. These funds include Deer/Bear Management and Computerized Licensing (231), Deer Habitat Improvement (232) Waterfowl Habitat Improvement (233), Trout and Salmon Management (234), Pheasant Habitat Improvement (235), Wildlife Acquisition (237), and Wild Turkey Management (238).

Background

Program: Fish and Wildlife Management

Change Item: Statutory Appropriations for Fish & Wildlife

This change would make the account balances available for expenditure according to statute language for each fund (M.S. 97A.075 and M.S. 97A.071). The Game and Fish Fund Budgetary Oversight Committee (authorized in M.S. 97A.055) supports using the balances in dedicated accounts for intended purposes (August 2004 letter to DNR Commissioner, "Recommendations for FY 2006-07 Game & Fish Fund Budget"). Revenues are generated through the sale of hunting and fishing licenses and stamps and deposited into the Game and Fish Fund. With fixed biennial appropriations, balances in the dedicated accounts are generated and are not available for spending. This change would allow the expenditure of fund balances in the accounts only for the purposes identified in statute without constantly seeking adjustments to direct appropriations. Department expenditures would not be able to exceed the balances in the accounts. Expenditures from these dedicated accounts are controlled by statute and annually reviewed by citizen oversight committees.

A primary benefit of statutory appropriations is that funds generated through specific hunting and fishing license revenues would be used to benefit appropriate programs and activities in a timelier manner. A secondary benefit would be a reduction in administrative overhead.

Relationship to Base Budget

As of the close of the FY 2006-07 biennium, balances are projected in each account as follows: Deer/Bear Management and Computerized Licensing (231) \$364,000; Deer Habitat Improvement (232) \$344,000; Waterfowl Habitat Improvement (233) \$354,000; Trout and Salmon Management (234) \$89,000; Pheasant Habitat Improvement (235) \$326,000; Wildlife Acquisition (237) \$1,000; and Wild Turkey Management (238) \$174,000. If this initiative passes, these balances would be used/conserved over several years.

Key Measures

The key measure is more timely utilization of user fees for authorized activities and purposes as follows.

- ◆ WMA acquisitions and management
- ◆ Deer population and habitat management
- ◆ Waterfowl habitat management
- ◆ Trout and salmon habitat management
- ◆ Trout waters acquisitions
- ◆ Pheasant habitat acquisition and management
- ◆ Wild turkey population surveys, monitoring and research
- ◆ Wild turkey habitat acquisition and management

Alternatives Considered

The alternative to this option is to maintain existing direct appropriations. The disadvantage with this option is that projected unused balances continue to accrue rather than be used for the intended purposes as identified in statute and as requested by the payers of the user fees.

Statutory Change: M.S. 97A.075 and M.S. 97A.071

Activity Description

The Fisheries Management Activity protects, maintains, and enhances Minnesota’s fishery resources and aquatic communities for recreational, ecological, and economic benefits to the state. The Department of Natural Resources (DNR) is the sole entity responsible for managing the state’s public fisheries resources. In addition, state environmental agencies, such as Agriculture, Health, Pollution Control, and the Board of Water and Soil Resources have responsibility for environmental regulation and management that impact water quality and aquatic habitat. Local units of government also have regulatory authority that impacts aquatic resources.

Population Served

Primary stakeholders include anglers and fishing-related businesses. However, because fishing and the health of the aquatic environment are so important to the state’s economy and overall well being, virtually all Minnesotans have a stake in the management of our fisheries and aquatic resources.

Activity at a Glance

- ◆ Fish Management influences recreational and commercial fisheries and aquatic habitat on approximately 5,400 lakes and 16,000 miles of fishable streams and rivers
- ◆ About 30 million pounds of fish are harvested annually in Minnesota
- ◆ This activity serves 1.5 million licensed anglers and 600,000 non-licensed anglers; 1,700 commercial fisheries operators, and over 2,000 resort and ancillary tourist businesses
- ◆ Sport fishing generates about \$1.5 billion each year in direct expenditures to the state’s economy

Services Provided

Fisheries Management provides five primary strategies or services:

- ⇒ **Fish Population and Aquatic Habitat Monitoring.** Primary goals or outcomes for population and habitat monitoring include:
 - ◆ collecting and distributing of knowledge about fish populations, aquatic ecosystems and management techniques among resource professionals,
 - ◆ improving information about individual lake and stream management for decision makers and the public, and
 - ◆ expanding knowledge about angler attitudes, actions, and satisfaction levels among resource professionals.
- ⇒ **Fish Population and Aquatic Habitat Management.** Healthy aquatic habitats support sustainable fish populations for recreational and commercial users. Management of healthy aquatic habitats and fish populations requires the protection, restoration, and improvement of those habitats. Other goals or outcomes include expanded access to aquatic resources, improved numbers and sizes of fish through special and experimental regulations, and expansion of the quality and diversity of angling opportunities.
- ⇒ **Fish Propagation and Stocking.** Fish propagation includes the production of appropriate genetic fish strains and healthy fish stocks that can be used to meet management goals. Certain fish communities are restored, enhanced and maintained through stocking to meet angler interests.
- ⇒ **Public Information and Aquatic Education.** Fisheries Managers collaborate with the public, commercial, and governmental organizations on fish and aquatic habitat management efforts. With high interest in fishing in Minnesota, it is critically important that the public is aware of natural and altered aquatic systems and how these systems need to be managed for the public good, as well as recreational fishing regulations to fully appreciate and enjoy fish and wildlife resources.
- ⇒ **Planning, Coordination, and Administration.** In order to meet Fish Management goals and outcomes it is necessary to maintain a healthy, skilled, knowledgeable, and productive workforce. Agency resources are effectively used by using appropriate techniques to accomplish fisheries goals and outcomes.

Historical Perspective

In general, fisheries for many of Minnesota’s important game fish species are in good condition including largemouth and smallmouth bass, muskellunge, brook and brown trout, lake trout, and catfish. Walleye numbers in lakes with natural reproduction are generally good to excellent. The state has worked with stakeholders to develop and implement an aggressive walleye stocking program to provide the best possible fishing in lakes where natural reproduction is not adequate to sustain a healthy fish population.

Bluegill and black crappie numbers remain high, but decreasing average size is a major concern. The same is true of northern pike and yellow perch. The department has taken steps to address these species of concern through statewide and lake/stream specific fishing regulation changes.

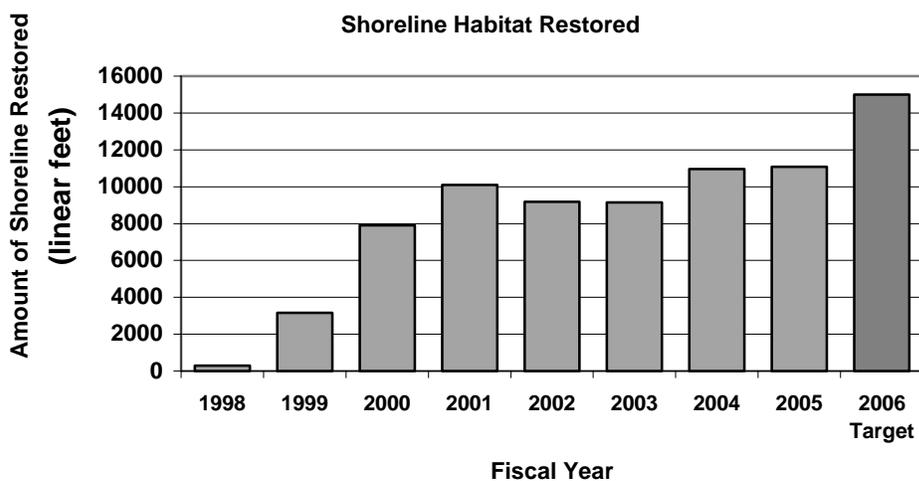
Key Measures

In reference to mission, the primary measures for the Fisheries Management Activity are:

- ◆ game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program;
- ◆ angler catch rates and average size of various fish species as measured by creel surveys;
- ◆ angler satisfaction as measured by attitude surveys;
- ◆ fisheries management plans developed with constituent input for each managed water;
- ◆ regulations that protect the fisheries resource and provide sustainable quality angling opportunities;
- ◆ aquatic habitat capable of sustaining recreational and commercial fisheries; and
- ◆ a public knowledgeable of the fisheries resource and the ecology, conservation, and ethics of fishing.

The following measures illustrate several program activities and their conservation results. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR’s *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

Shoreline Habitat Conservation: Healthy shorelines have long been recognized as critical for water quality, aquatic plants, and essential habitat for fish and wildlife that live in or near Minnesota’s lakes and streams. DNR works with partners to manage and restore shoreline habitat.



Indicators: Amount of shoreline habitat restored.

Target: Restore 10,000 to 15,000 linear feet of shoreline each year.

NATURAL RESOURCES DEPT

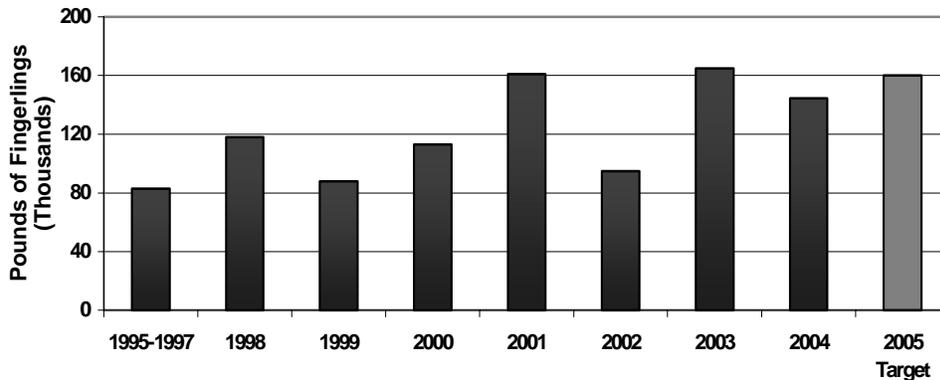
Program: FISH & WILDLIFE MANAGEMENT

Activity: FISH MANAGEMENT

Narrative

Walleye Stocking: Walleye fishing is an integral part of Minnesota’s outdoor fishing heritage. Minnesota has a 36% participation rate in fishing—the second highest in the nation, behind Alaska.

Pounds of Walleye Fingerlings Stocked



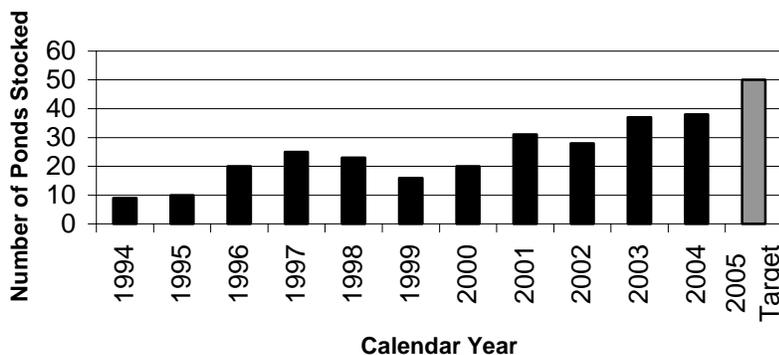
Indicator: Pounds of walleye fingerlings stocked; walleye population levels.

Target: Stock 160,000 pounds of walleye fingerlings each year.

The DNR protects and improves walleye habitat, regulates catch, and stocks walleye in approximately 900 lakes where natural reproduction is lacking. Each lake has its own fisheries management objectives, such as stocking targets. To achieve individual lake stocking targets, the DNR produces fingerlings (four to six inch walleyes) in natural rearing ponds. Stocking is just one aspect of the walleye population; however, most walleye caught in Minnesota are from natural reproduction.

Twin Cities Metropolitan Area Fishing: With more than two million anglers in Minnesota, it’s clear that fishing is one of our state’s most popular pastimes. As the state’s population has grown, people have become concentrated in the greater metro region. The metro region has over 900 small lakes, but many area residents don’t have access to them. Only one in six Minnesotans own a boat, and many water bodies lack shorefishing facilities. There is a need to provide adequate fishing locations and management in the metro region to assure future generations will have opportunities to experience our outdoor fishing heritage.

Number of metro region ponds stocked for fishing and education.



Indicator: Number of metro ponds stocked for fishing and education.

Target: Stock 40-50 lakes, primarily with bluegill and crappie each year.

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

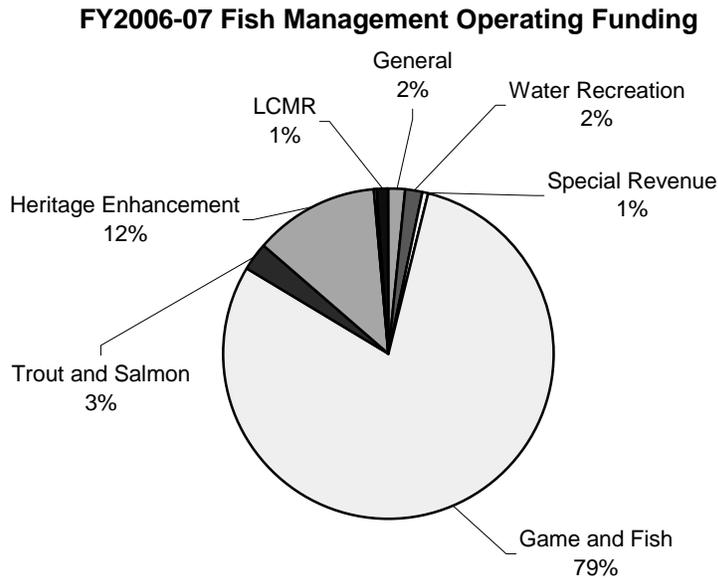
Activity: FISH MANAGEMENT

Narrative

Activity Funding

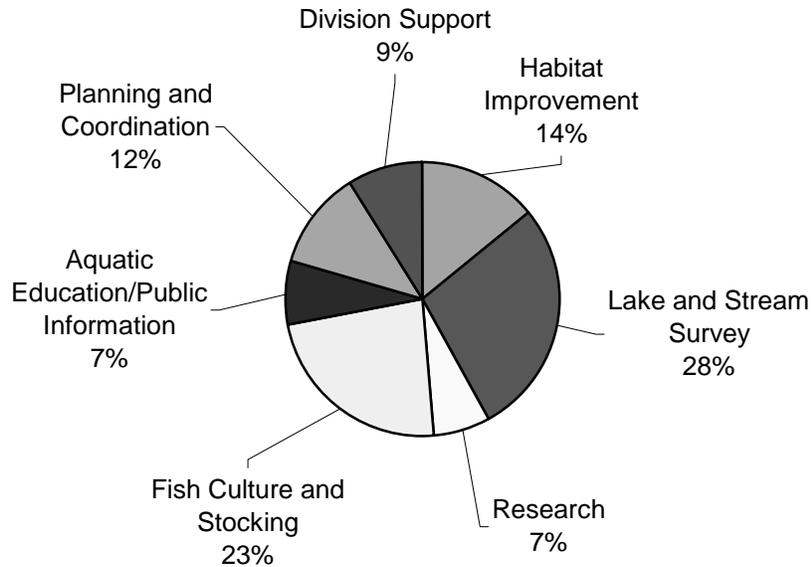
The Fish Management Activity generates revenue from the sale of fishing licenses and from federal reimbursement under the Sport Fishing Restoration Act. This U.S. Fish and Wildlife Service Federal Aid program, commonly referred to as the Dingle-Johnson Act (DJ), manages the distribution of revenues derived from federal excise taxes on fishing equipment to state fish and wildlife agencies through grants. In FY 2006-07 the grants under this program will generate over \$23 million in reimbursement. These revenues are deposited in the dedicated Game and Fish Fund to support the Fish Management Activity. In addition, the Division generates dedicated revenue from cooperative agreements, natural resources sales, sales of publications, and gifts.

The direct operating budget for FY 2006-07 includes the following sources of funds: Game and Fish 79%; Heritage Enhancement 12%; Trout and Salmon 3%; Legislative Commission on Minnesota Resources (LCMR) 1%; General 2%; Water Recreation 2%; and Special Revenue 1%.



Fisheries expenditures are summarized into seven activities. A breakdown of FY 2005 activity expenditures are shown below.

FY 2005 Fish Management Activity Expenditures



Contact

The following web sites offer additional information on the fish management activity.

The DNR Fishing information page at <http://www.dnr.state.mn.us/fishing/index.html> provides selected game fish information, news releases, and reports.

The "Lake Finder" at <http://www.dnr.state.mn.us/lakefind/index.html> provides management information about specific lakes. It also provides information about stocking, fish consumption advice, and water quality.

For general information about the Fish Management and local area fisheries office news see <http://www.dnr.state.mn.us/fisheries/index.html>.

For general information about fish management see <http://www.dnr.state.mn.us/fisheries/management/index.html>.

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NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: FISH MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	492	171	0	0	0
General	485	555	928	942	1,870
Natural Resources	560	562	626	626	1,252
Game And Fish (Operations)	29,790	32,166	31,726	32,543	64,269
Open Appropriations					
General	7,898	7,815	7,835	7,866	15,701
Game And Fish (Operations)	835	673	673	673	1,346
Statutory Appropriations					
Natural Resources	0	28	0	0	0
Misc Special Revenue	227	512	275	275	550
Game And Fish (Operations)	0	0	830	830	1,660
Federal	49	84	312	312	624
Gift	111	234	62	62	124
Total	40,447	42,800	43,267	44,129	87,396
<u>Expenditures by Category</u>					
Total Compensation	21,986	23,751	25,208	25,972	51,180
Other Operating Expenses	8,977	10,780	10,013	10,080	20,093
Capital Outlay & Real Property	909	350	198	198	396
Local Assistance	8,575	7,916	7,845	7,876	15,721
Transfers	0	3	3	3	6
Total	40,447	42,800	43,267	44,129	87,396
Full-Time Equivalent (FTE)	358.2	355.9	345.6	332.7	

Activity Description

The Wildlife Management Activity provides management, protection, use, understanding, and enjoyment of the state's wildlife. The DNR is the primary authority responsible for wildlife population management and harvest regulation, providing healthy wildlife populations for hunting and viewing activities, and resolving conflicts between humans and wildlife.

Because of the critical role of habitat in maintaining healthy and diverse wildlife populations, this program is also the primary lead for other programs that deal with acquiring, managing, and restoring wildlife habitats on public and private lands, and some public waters. This program partners with public and private landowners, other agencies, all levels of government, nonprofit organizations, and citizens.

Activity at a Glance

- ◆ Serves 572,000 hunters and trappers, 2.2 million wildlife viewers
- ◆ Manages 1,381 WMA with over 1.2 million acres for optimal wildlife habitat. About 5,000 acres are added to WMA system annually
- ◆ Manages over 50 big game, small game, waterfowl, migratory bird, and furbearer species through regulated harvest
- ◆ Hunting and trapping generates \$664 million and wildlife watching generates \$531 million for Minnesota's economy according to a 2001 national survey

Population Served

Primary clientele include 572,000 hunters and trappers and 2.2 million wildlife viewers/photographers. Minnesota ranks sixth among all states for the number of hunters and trappers and eleventh for the number of wildlife viewers/photographers.

Services Provided

The Wildlife Management program provides six primary services:

Wildlife Habitat Acquisition and Development. This program acquires and manages an extensive system of over 1,381 Wildlife Management Areas (WMA) totaling over 878,000 acquired acres, with another 340,000 acres of cooperatively managed lands. A citizen's advisory committee recommended an accelerated goal of acquiring 210,500 acres of new WMA lands within the next 10 years, based on an analysis of current and future needs for wildlife habitat, wildlife population management, and hunter access ("Report on the Wildlife Management Area Land Acquisition Program, December 2002"). Wildlife Managers also provide technical assistance to land owners and land managers to improve wildlife habitat on private land.

Inventorying, monitoring and conducting applied research on the state's wildlife populations and habitats. Basic population inventory, monitoring, and research is essential to responsible management of populations, including the management of quota systems, setting hunting seasons, and investigating applied population and habitat management needs. Natural resource and habitat assessments using geographical information system technology provide historical and current data on wildlife habitat and land use patterns critical for evaluating, recommending and planning habitat protection and enhancement efforts.

Wildlife Population Management. The department provides for wildlife resource-related recreation and manages hunting and trapping seasons for over 50 game species which provide over 8.4 million days of recreation annually. Goals and outcomes for population management include: 1) establishing and maintaining sustainable regulated wildlife harvest seasons; 2) providing technical assistance and cost-sharing to resolve wildlife – human conflicts; and 3) restoring and enhancing certain wildlife populations through trapping and relocation.

Shallow Lake Management. Permanent wetlands and shallow lakes provide critical spring and fall migration habitat for waterfowl. The quality of this habitat has declined markedly due to shoreline development, drainage, excessive runoff, sedimentation and invasive plant and fish species. Active shallow wildlife and wild rice lake management is an important component of department's Long Range Duck Recovery Plan.

Monitoring and managing wildlife health. Wildlife populations are faced with a number of animal health issues including Chronic Wasting Disease, Bovine Tuberculosis, and avian influenza. Monitoring animal health will allow the department to appropriately respond should disease threaten animal populations or human health.

Providing for public information and hunter and trapper retention. DNR provides public information and education about wildlife and their habitats through publications, mass media, DNR web site and personal presentations by Wildlife Managers. The long-term retention and recruitment of hunters and trappers is vital for future support of wildlife management programs.

Historical Perspective

Populations of many species are at or near all-time highs, including deer, wild turkeys, black bears, and locally breeding Canada geese. Minnesota also has some of the best ruffed grouse populations in the country and is a major waterfowl production state. Abundant populations of wildlife species provide for increased hunting, trapping and wildlife-related recreational opportunities. However, abundant populations of wildlife such as deer, bears, and geese can cause conflicts with humans so the DNR also maintains programs to manage populations and address wildlife damage and nuisance problems.

Hunting and fishing were recognized as a valued part of Minnesotan's heritage to be managed by law and regulation for the public good when Constitutional Amendment 13, Section 12 was approved in 1998 by more than 77% of voters in the general election.

Key Measures

In reference to the mission, the primary measures for the Wildlife Management Activity are:

- ◆ wildlife habitat capable of supporting wildlife populations and hunting and trapping recreation as measured by the acres of WMA protected;
- ◆ wildlife population abundance and health measured by population surveys and assessment programs;
- ◆ sustainable hunter and trapper harvest to meet demand as measured by harvest and hunter satisfaction surveys; and
- ◆ quality shallow lake habitat as measured by fall migratory waterfowl surveys.

For a more complete set of performance measures and detailed descriptions, please see the DNR's *A Strategic Conservation Agenda, 2003–2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

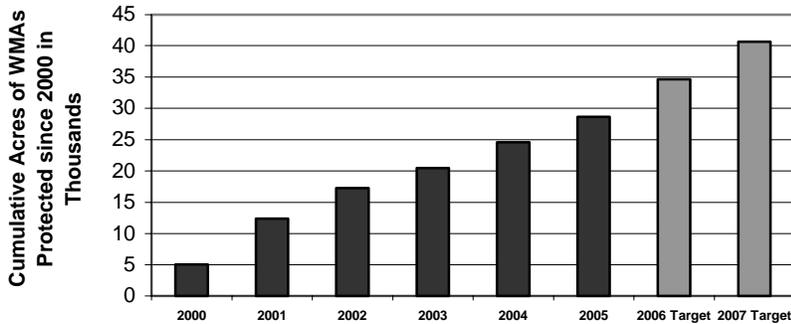
⇒ **Prairie Wetland Complexes:** Prairie wetland complexes – restored or native grasslands mixed with a range of wetland types and sizes – are important for many species, including waterfowl, shorebirds, amphibians, pheasants, and deer. DNR will need to restore and protect an additional two million acres of prairie wetlands and grasslands while maintaining the existing habitat base to meet long-term sustainability goals.

Indicator: Number of acres of prairie wetlands and grasslands protected annually

Target: Increase the number of high-quality prairie wetland complexes through the restoration and protection of a total of 40,000 wetland and grassland acres by all partners each year.

⇒ **Wildlife Management Areas:** The DNR manages 1,381 public wildlife areas covering 1.2 million acres of high-quality habitat in 86 of the state's 87 counties. These areas provide recreation for hundreds of thousands of hunters and wildlife watchers each year, who contribute significantly to the state's economy. After FY 2005, stakeholders recommended the DNR acquire 21,000 acres/year for the next ten years, and then acquire 12,250 acres/year for the following 40 years. Long-range planning will help Minnesota achieve a high-quality network of WMA's totaling an additional 700,000 acres over the next 50 years.

Acres Protected in Wildlife Management Areas

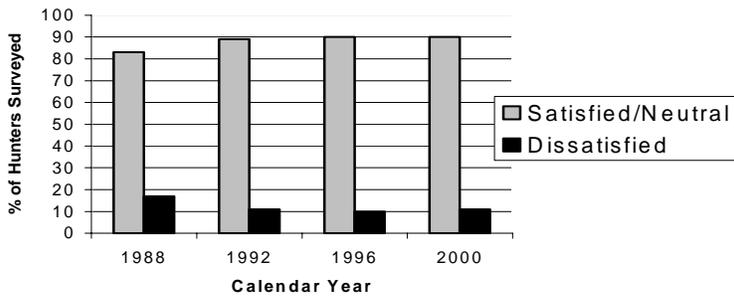


Indicator: Number of acres protected in Wildlife Management Areas

Target: Acquire 5,000 WMA acres per year in FY 2003–05. After FY 2005, stakeholders recommended DNR acquire 21,000 acres/year for the next 10 years

⇒ **Hunter Recruitment and Satisfaction:** Hunter satisfaction is related to healthy wildlife populations and habitats, but also to a complex relationship between the degree of crowding, availability of hunting areas, animals seen, animals bagged, size of animals, length and timing of seasons, bag limits, and other factors. DNR is conducting more “human dimensions” surveys to assess satisfaction and the contributors to high or low satisfaction.

Hunting Satisfaction

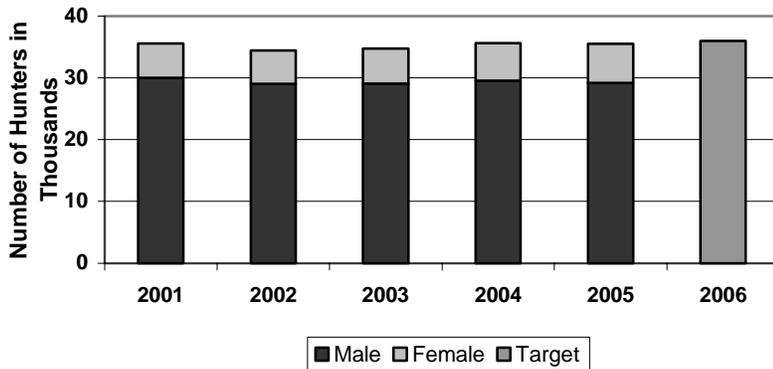


Indicator: Hunter satisfaction levels as measured by surveys

Target: Maintain 90% satisfaction rates among hunters

The DNR has initiated a special effort to promote and sustain hunting by identifying barriers to participation and enacting programs and policies that reduce or remove them. The DNR has reduced youth hunting license fees and initiated special youth hunts, and is working with hunting organizations to provide educational and introductory experiences.

Firearms Deer Hunters Age 12-15 License Sales



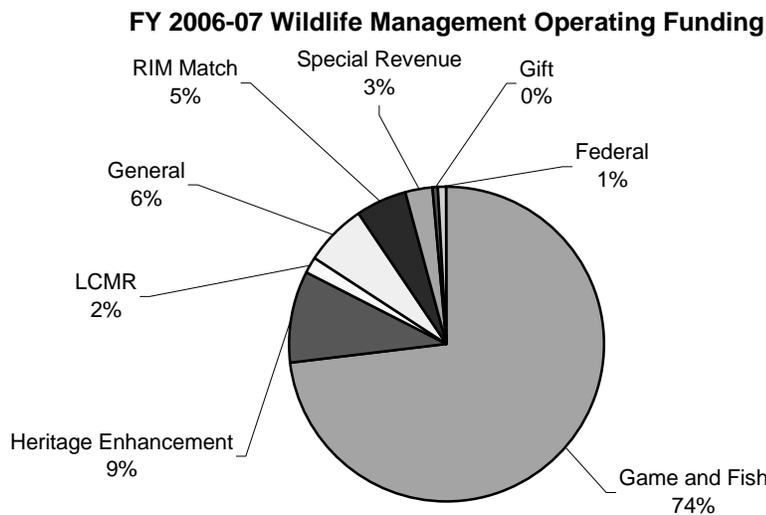
Indicator: Youth hunter participation and hunter satisfaction as measured by surveys

Target: Maintain youth hunter participation as measured by license sales, increase special youth hunts in the future, and maintain 90% satisfaction rates among hunters.

Activity Funding

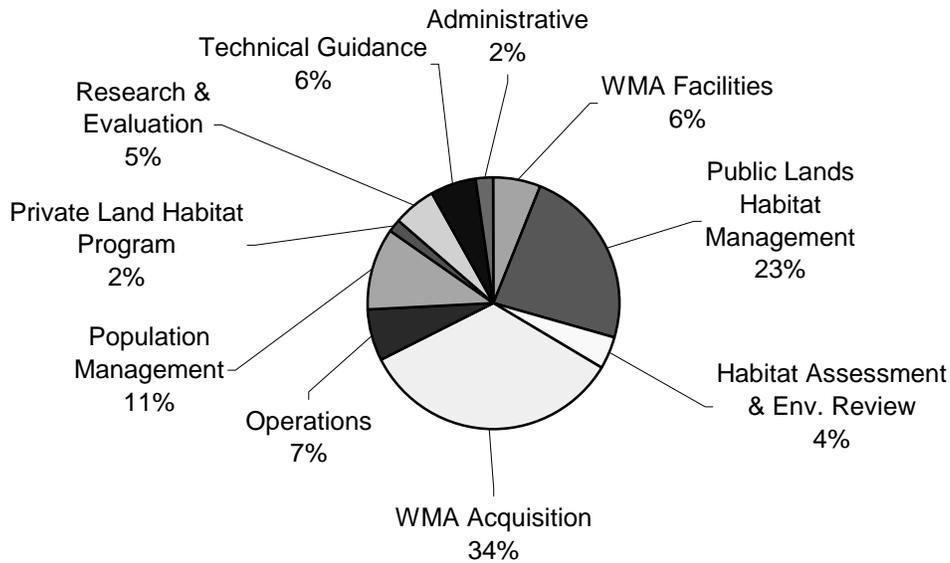
The Wildlife Management Activity generates revenue from the sale of hunting licenses and from reimbursement under the Federal Aid in Wildlife Restoration Act. This U.S. Fish and Wildlife Service Federal Aid program, commonly referred to as the Pittman-Robertson Act (PR), manages the distribution of revenues derived from federal excise taxes on hunting equipment to state fish and wildlife agencies through grants. In FY 2006-07, these federal grants will generate over \$13 million in reimbursement. These revenues are deposited in the dedicated Game and Fish Fund to support the Wildlife Management Activity. In addition, the Division generates dedicated revenue from cooperative agreements, natural resource sales, sales of publications, and gifts.

The Wildlife Management Activity receives funding from many sources with the bulk of funding from the Game and Fish Fund including its dedicated accounts 74%; other sources of funds include Heritage Enhancement 9%; Reinvest in Minnesota Match accounts 5%; Special Revenue 3%; General 6%; Legislative Commission on Minnesota Resources (LCMR) 2%; and federal 1%.



Wildlife expenditures are summarized into ten activities. A breakdown of FY 2005 activity expenditures are shown below:

FY 2005 Wildlife Management Activity Expenditures



Contact

General information on Wildlife programs can be found on the Department of Natural Resources web site <http://www.dnr.state.mn.us>. A wide variety of general and technical publications are also available.

Contact for additional information:

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Division of Fish and Wildlife

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NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: WILDLIFE MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	454	642	0	0	0
General	1,717	1,877	2,487	2,521	5,008
Minnesota Resources	287	31	0	0	0
Natural Resources	800	0	0	0	0
Game And Fish (Operations)	23,737	28,563	22,361	22,855	45,216
Open Appropriations					
General	94	94	191	195	386
Statutory Appropriations					
General	0	270	0	0	0
Natural Resources	94	581	2	2	4
Misc Special Revenue	1,377	702	702	702	1,404
Game And Fish (Operations)	124	420	5,759	5,759	11,518
Federal	103	1,519	2,426	2,426	4,852
Reinvest In Minnesota	2,578	3,569	3,547	3,547	7,094
Gift	157	531	172	172	344
Total	31,522	38,799	37,647	38,179	75,826
<u>Expenditures by Category</u>					
Total Compensation	15,970	17,004	17,829	18,309	36,138
Other Operating Expenses	7,714	13,578	11,896	11,944	23,840
Capital Outlay & Real Property	6,288	7,140	5,007	5,007	10,014
Local Assistance	1,546	1,077	2,915	2,919	5,834
Other Financial Transactions	4	0	0	0	0
Total	31,522	38,799	37,647	38,179	75,826
Full-Time Equivalents (FTE)	249.3	231.5	229.9	222.3	

Activity Description

This activity manages the issuance of game, fish and commercial licenses, registration and titling of watercraft, and registrations of ATVs, OHVs, OHMs, and snowmobiles through an electronic licensing system (ELS) developed specifically for the state of Minnesota.

Population Served

Licensing serves the general public, licensing agents, deputy registrars and management within the Department of Natural Resources (DNR). Other governmental organizations benefit as well from the services outlined below.

Services Provided

The DNR License Center is responsible for the development, implementation, and maintenance of the statewide Electronic Licensing System (ELS). Hunting and fishing licenses can be purchased at any of the 1,700 ELS agent locations, by phone and online. License Center responsibilities also include commercial licenses (i.e. minnow dealers, game farms, shooting preserves) and the lottery system for issuing controlled hunt permits (i.e. turkey, antlerless deer, bear, moose, and elk).

The License Center issues all watercraft registration and titles and the registration of ATVs, Snowmobiles, ORVs, and OHMs through our web-based ELS.

A walk-in service counter provides service to customers for all types of license, registration, and titling transactions.

Other services include the statewide distribution of a variety of DNR-related materials. This includes hunting regulations, fishing regulations, waterfowl supplements, boating guides, snowmobile regulation and off-highway vehicle regulations.

Historical Perspective

The License Center's duties have changed dramatically over the past five years, converting from a manual system to a completely automated system. ELS has enabled the department to provide accurate and timely information pertaining to license holders, license and recreation activities, revenue collected, and numbers of licenses, registrations and titles issued for use by the department, other state agencies, the legislature, and the general public. In addition, the ELS system accelerates the collection of revenues from license, registration, and title sales.

Purchase of licenses can be made from a local agent, by phone, or online. Hunting and fishing licenses can be purchased electronically any time of the day, any day of the week. ELS has also streamlined business practices and cut administrative costs. Currently 135 different transactions are available online, ranging from hunting and fishing licenses to cross-country ski passes, snowmobile trail stickers, and boat and recreational vehicle registration renewals.

The ongoing development and availability of electronic tools will result in continued improved service and efficiency for licensing activities. DNR is embarking on an evaluation of the existing services to determine opportunities to enhance customer services, create operational efficiencies and utilize new technologies. The continued use of driver's license data will also be evaluated. Service, efficiency, and cost will be all be considered in selection of the final product.

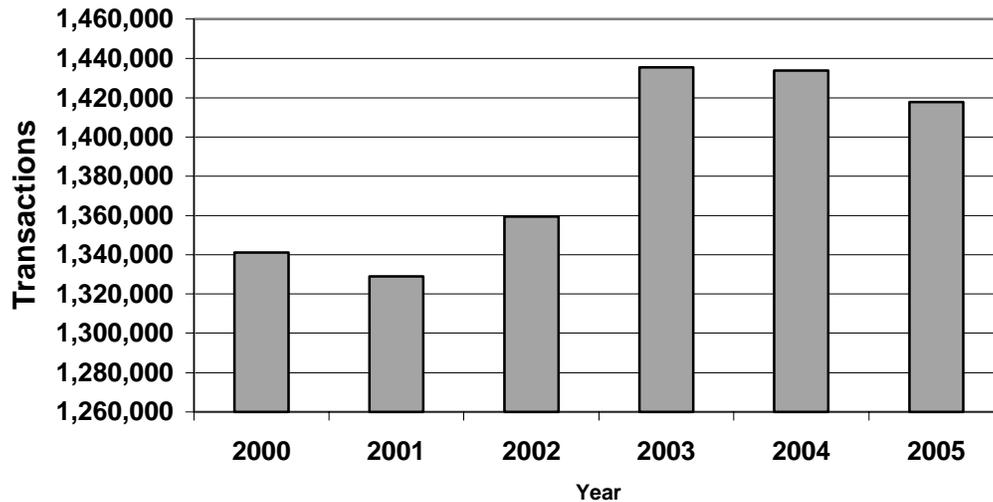
Activity at a Glance

- ◆ Manage the transactions and collect revenues from three million DNR licenses as well as 1.3 million boat/vehicle registrations and watercraft titles
- ◆ Manage 1,700 point-of-sale hunting and fishing license agents and 173 registration and titling agents
- ◆ Collect \$63 million in receipts annually
- ◆ Process 65,000 titles and registrations each year
- ◆ Process 350,000 pieces of mail annually
- ◆ Answer over 100,000 questions via telephone each year

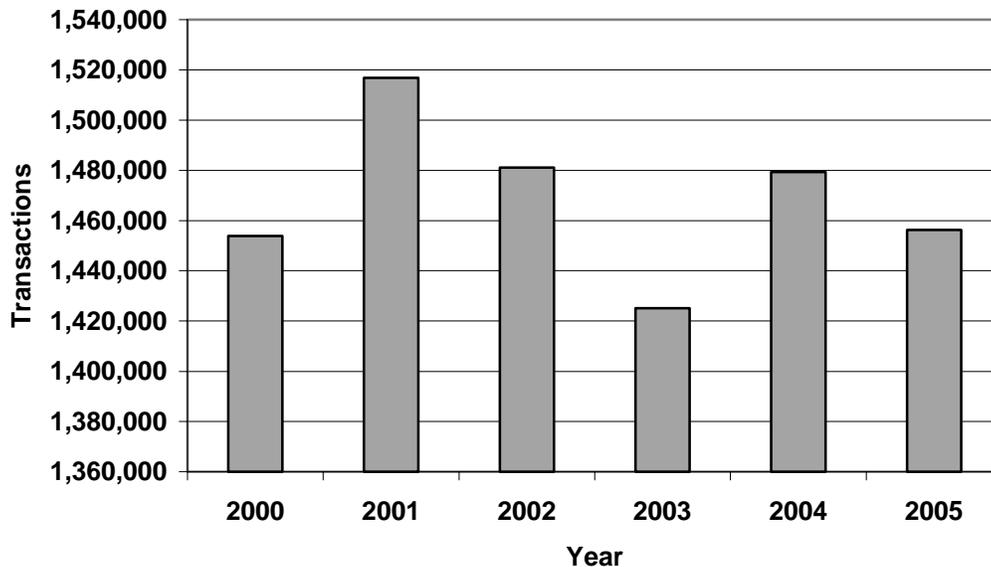
Key Measures

⇒ Hunter and angler satisfaction with licensing procedures: As part of its mission the DNR provides high-quality services to Minnesota’s hunters and anglers. This includes not only managing and sustaining resources, but also providing customers with licenses and useful information. This indicator focuses on hunter and angler satisfaction with procedures to get a license or permit. High satisfaction is part of the goal of providing high-quality customer services. Information on this indicator will assist the DNR with ongoing assessment of satisfaction levels with ELS.

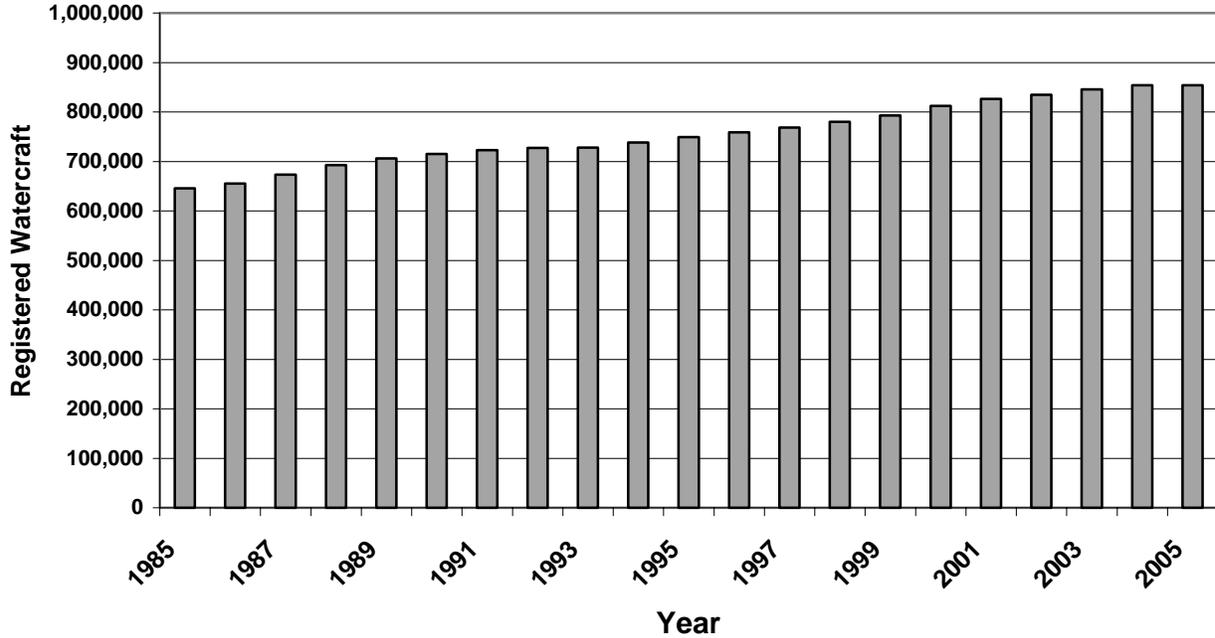
ELS Angling Transactions



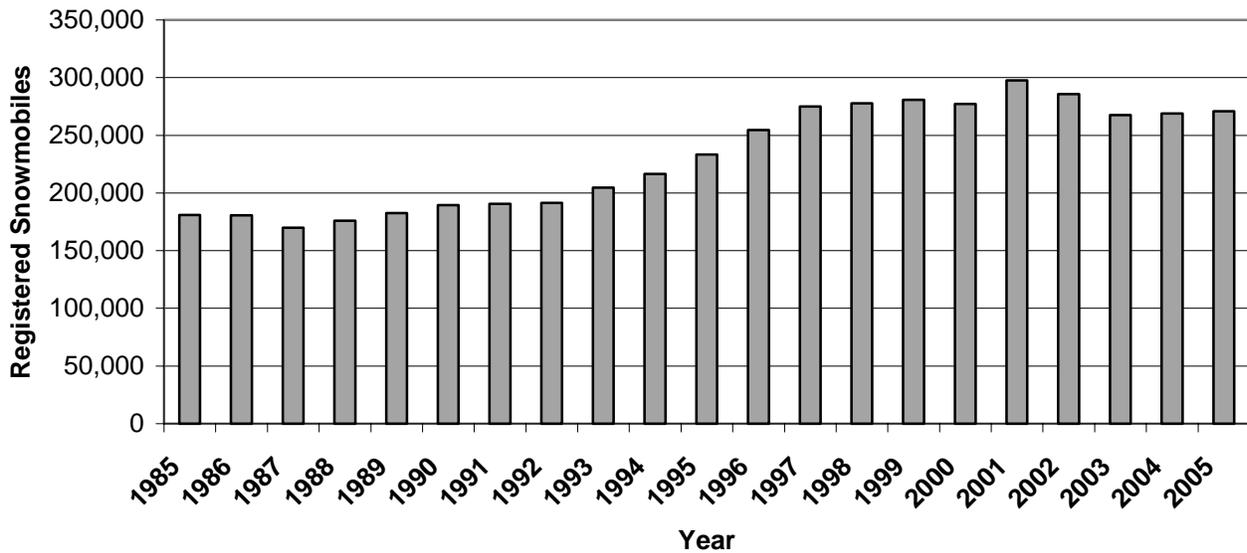
ELS Hunting Transactions



Registered Watercraft



Registered Snowmobiles



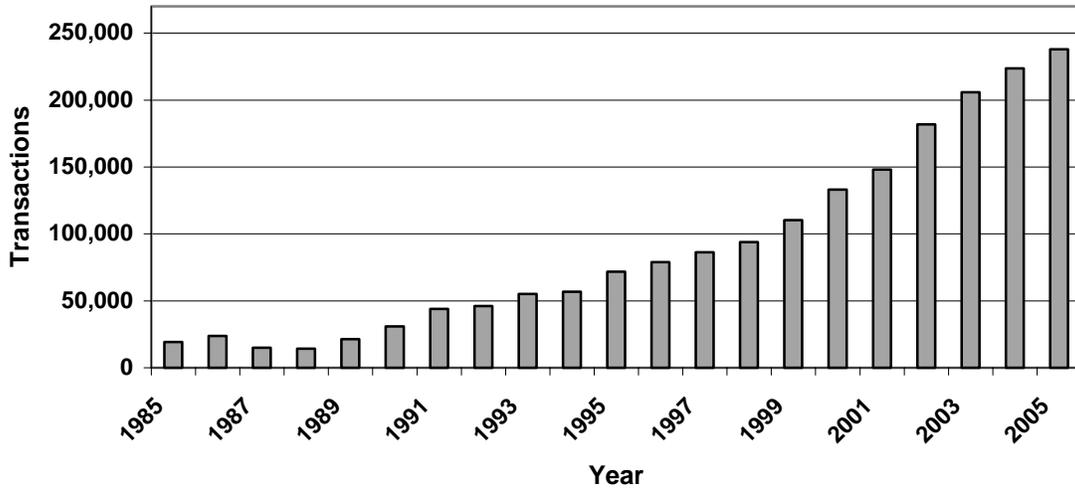
NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

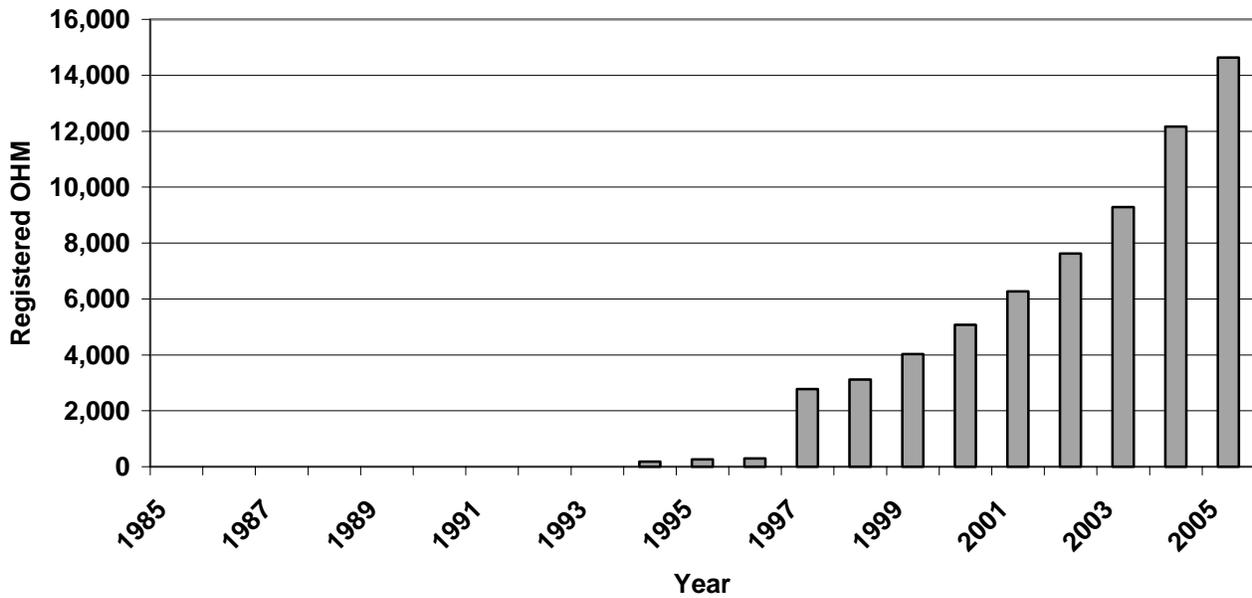
Activity: LICENSING

Narrative

Registered All Terrain Vehicles (ATV)



Registered Off Highway Motorcycles (OHM)



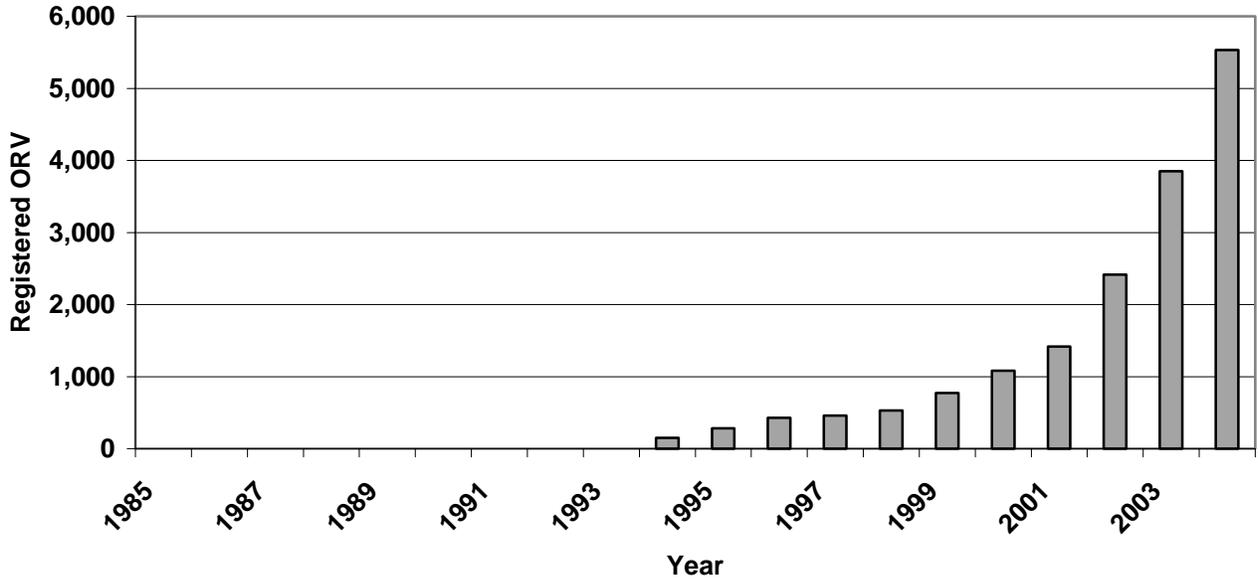
NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Activity: LICENSING

Narrative

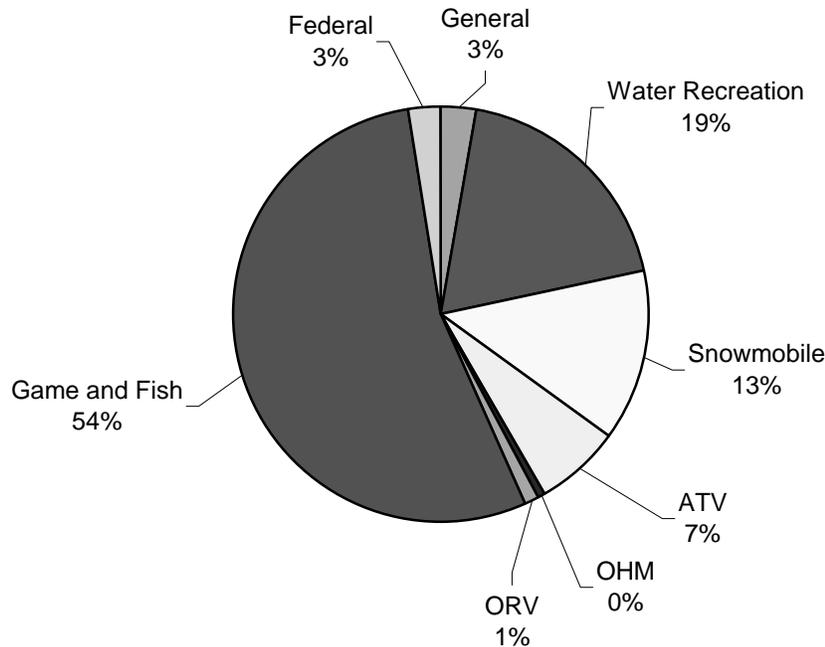
Registered Off Road Vehicles (ORV)



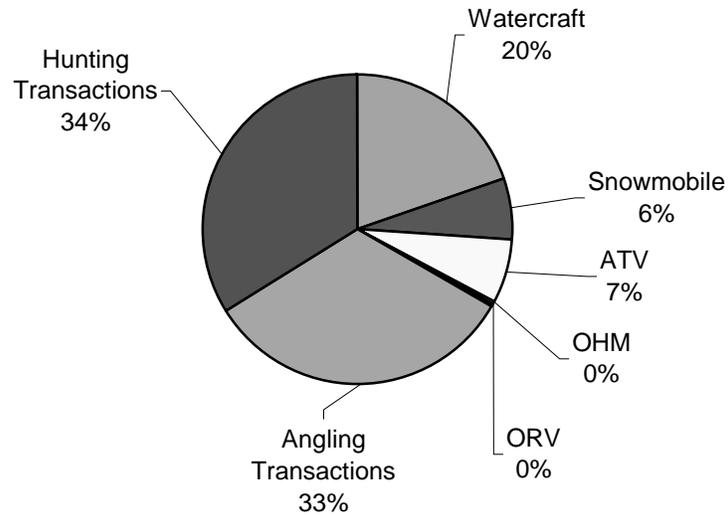
Activity Funding

The operating budget for FY 2006-07 includes the following sources of funds: Game and Fish Fund 54%; Water Recreation 19%; Snowmobile 13%; ATV 7%; General 3%; ORV 1%; Other 3%.

FY 2006-07 Licensing Operating Funding



2005 Licensing Activity



Contact

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NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
Activity: LICENSING

Budget Activity Summary

	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	41	69	48	50	98
Natural Resources	938	1,420	1,250	1,250	2,500
Game And Fish (Operations)	773	1,795	1,154	1,165	2,319
Statutory Appropriations					
Natural Resources	1,167	1,722	1,143	1,152	2,295
Misc Special Revenue	13	14	14	14	28
Game And Fish (Operations)	2,869	2,942	3,046	3,046	6,092
Federal	24	76	76	76	152
Total	5,825	8,038	6,731	6,753	13,484
<u>Expenditures by Category</u>					
Total Compensation	1,331	1,315	1,325	1,334	2,659
Other Operating Expenses	4,494	6,723	5,406	5,419	10,825
Total	5,825	8,038	6,731	6,753	13,484
Full-Time Equivalent (FTE)	25.3	23.6	22.7	21.9	

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Change Item: Angling, Hunting Recruitment, Retention

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Game & Fish Fund				
Expenditures	\$150	\$150	\$150	\$150
Revenues	0	0	0	0
Net Fiscal Impact	\$150	\$150	\$150	\$150

Recommendation

The Governor recommends a \$150,000 appropriation from the Game and Fish Fund to accelerate, integrate and expand hunting and angling recruitment and retention efforts in light of demographic data that indicates declining participation rates in hunting and fishing.

Background

All U.S. and Minnesota participation rates fell from 1991 to 2001 for fishing, hunting and wildlife watching. In Minnesota, Electronic Licensing System data analysis indicates that younger adults are not participating in fish and wildlife-associated activities like their elders and the hunting population is growing older faster than the overall population. A 2001 study listed Minnesota as 35th in a state-by-state analysis of hunter replacement ratios. Though Minnesota hunting participation rates have been remarkably stable over much of the past 30 years, there has been a participation rate decrease from about 16% to 14% in the past few years, and the pending desertion of Baby-Boomers from the sport is likely to accelerate this decline. Fishing participation rates have been on a more dramatic decline. Though angling license sales have remained fairly stable at about 1.4 million per year, fishing participation was nearly 40% around 1970 and has to fallen to 29% in recent years.

To address these declines and their direct economic impact to conservation funding, the Fish and Wildlife Division proposes to recruit new hunters and anglers and reduce drop-out rates of current sportsmen by implementing an integrated approach that involves analyzing license sales data, developing marketing strategies based on critical trend information, expanding mentoring/education/skills development programs to youth, adults and stakeholder organizations, and reducing barriers to participation through specially designed information on the Department of Natural Resources (DNR) web site, in the minority press, and other media.

This collective effort, which would further enhance the efforts of the hunter recruitment program, MinnAqua program, Southeast Asian program, Becoming An Outdoors Woman program, and Fishing in the Neighborhood program, would be based on state and national research that has identified strategies for reducing barriers to participation and increasing participation rates of minority and non-traditional cultures. This initiative will provide additional mentoring and marketing opportunities in partnership with existing non-profit mentoring organizations and outdoor related industries.

Relationship to Base Budget

Current recruitment, retention and educational programs amount to under two percent of all divisional expenditure. This initiative represents approximately a ten percent increase in current programming. This initiative is likely to positively affect future license sale revenues.

Key Measures

The Department's Conservation Agenda has a number of indicators that measure success of the programs. Among them are Hunter Recruitment (Indicators: Number of youth license sales; number of participants in special youth hunts) and Angling Participation and Education (Indicator: Number of participants involved in MinnAqua fisheries aquatic and angling education program.)

Alternatives Considered

This is the alternative that best addresses the issues and improvements outlined above to meet DNR's mission responsibilities for both conservation of natural resources and provision of recreational opportunities.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT**Program: FISH & WILDLIFE MANAGEMENT****Change Item: Fishing Tourney License Fee**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	108	108	110	110
Revenues	108	108	110	110
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that the Department of Natural Resources (DNR) establish a fee schedule for fishing contest permits to recoup current and future costs associated with administering the permits; including collecting applications, determining that contest limits are met, conducting drawings, and reporting. Currently, the DNR expends \$108,000 for this program and no fee is required. It is being proposed that contest organizers be assessed fees to recoup these costs.

Background

Anglers have been concerned for many years that the costs of administering commercial fishing operations, including fishing contests were subsidized by angling license fees. Tournament costs have increased from \$15,000 annually to over \$100,000 annually over the past ten years. Cost increases have been due to changes in legislation that resulted in increased numbers of permitted fishing contests. As these costs have risen, the Game and Fish Fund Budgetary Oversight Committee (M.S. 97A.055, Subd. 4b), charged with overseeing revenues and expenditures in the Game and Fish Fund, has recommended that the department take action to recover costs for administering the fishing contest permit program. In their report "Citizen Oversight Report on Game and Fish Fund Expenditures FY 2005", August 2006 they found that the cost of managing fishing tournaments is completely subsidized by the Game and Fish Fund. The committee recommended that, "DNR seek legislative change to Minnesota Statutes to create a tournament fee structure for small, medium and large tournaments."

Relationship to Base Budget

This appropriation increase will have little impact on the overall budget for the Division of Fish and Wildlife and should be revenue neutral.

Key Measures

The goal of this change level request is to recoup current costs for administering this program.

Statutory Change: M.S. 97C.081, Subd. 3

NATURAL RESOURCES DEPT**Program: FISH & WILDLIFE MANAGEMENT****Change Item: Prairie Wetlands**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$575	\$575	\$575	\$575
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	575	575	575	575
Revenues	0	0	0	0
Net Fiscal Impact	\$1,150	\$1,150	\$1,150	\$1,150

Recommendation

The Governor recommends \$2.3 million over FY 2008-09 biennium for accelerating programs and efforts to preserve, restore, and enhance grassland/wetland complexes on public and private lands in order to meet Minnesota's long-term waterfowl and pheasant population goals and improve water quality. Funds will be used to encourage enrollment of private land in conservation programs, grass-based bio-fuel development assistance, rotational grazing for grassland management on public land, and restoration and improvement of wetland and grassland complexes on working private lands. This funding will allow the Department of Natural Resources (DNR) to leverage an additional \$600,000 from the U.S. Fish and Wildlife Service (USFWS) and a minimum of \$1 million per year from non-governmental organizations.

Background

Less than 10% of the state's prairie pothole region wetlands and 1% of its native grasslands remain. Recognizing this loss and associated impacts, state and federal agencies have implemented conservation programs including acquisition, easements, set aside, and cost sharing of habitat management practices. Although successful, these programs have fallen far short of the state's conservation needs.

The backbone of the prairie pothole region was prairie wetland complexes: native grasslands mixed with a range of wetland types and sizes in four to nine square mile blocks. Few such areas remain protected in Minnesota. The 1997 Minnesota Wetland Conservation Plan identified the restoration of wetland complexes in the prairie pothole region as a priority. The future success of conservation programs in this region will depend on targeting program efforts to restore and protect these complexes through information sharing, coordination, and accelerated funding.

The DNR, USFWS, BWSR, NRCS, FSA, and other conservation organizations are working as partners to develop a common vision and coordinated strategy of conservation, protection and restoration of working lands within specific focus areas. Strategies include but are not limited to providing technical assistance and cost sharing to private landowners to implement such things as sustainable grazing and sediment control; long-term easements or fee title from willing landowners; fish management as related to wetlands; and restoration, improvement, and enhancement of native grasslands, wetlands, stream banks, and lakeshore on public and private land.

This initiative will be used to accelerate funding for the Prairie Stewardship program to assist private landowners to restore and manage native prairie, to protect and restore critical prairie wetland habitat through WMA acquisition and management, and initiate an assessment of wetland status and trends to measure our state's progress in achieving a net gain of wetland acres. The USFWS has pledged to match the accelerated WMA acquisition funding and additional funding will be sought from other partners.

The funds may also be used for data management or GIS mapping, monitoring and assessment (management techniques, population response), fee acquisitions and easements, land management, development and enhancement, outreach and education, promotion and support of federal farm programs, wetland law enforcement, shallow lake management, and partnership support such as the Working Lands Initiative.

Some critical trends that compel us to accelerate the program are:

- ⇒ The transformation from small, diversified farms to intensive row cropping and confined livestock has dramatically reduced reproductive and winter habitat for pheasants and other species on current farming operations.
- ⇒ The average breeding population of ducks in Minnesota since the May surveys started (1968-2005) is 630,000 birds. The average mallard recruitment rate is 0.43. The average recruitment rate needed to maintain a stable mallard population is 0.49. Minnesota has met or exceeded that level eight out of the last 19 years.
- ⇒ Minnesota waterfowl hunter numbers have remained relatively stable over the last decade. However, the number declined in 2004 and again in 2005 when approximately 100,000 state waterfowl stamps were sold.
- ⇒ Minnesota has lost more than 90% of its prairie wetlands. While Minnesota's prairie wetland acreage exceeded the combined total found in North and South Dakota in pre-settlement times, Minnesota had less than either state by 1980. Temporary and seasonal wetlands have suffered the greatest losses.
- ⇒ Nearly two-thirds of the shallow prairie lakes surveyed by the Minnesota Pollution Control Agency have impaired water clarity.
- ⇒ The Federal Farm Bill will be reauthorized in 2007 and Minnesota risks losing more than one million acres in CRP lands. Concurrently, the ethanol demand for corn may be forcing some growers to decrease conservation practices on their land. Growing interest in biofuels provides the opportunity to consider alternative sources of cellulose (e.g., switch grass, willow, other brush species, etc) with management practices that benefit fish and wildlife habitat.

Relationship to Base Budget

The change item will increase the FY 2008 appropriations to the Fish and Wildlife Management program by \$1.150 million for the prairie wetlands and grasslands initiative. This is a 1.9% increase in direct appropriations to Fish and Wildlife.

Key Measures

Performance measures have been identified in the Department's "*Strategic Conservation Agenda*." The target for Prairie Wetland Complexes is to protect 40,000 new acres by all partners each year. Please see http://files.dnr.state.mn.us/aboutdnr/reports/conservationagenda/fisherieswildlife_prairiewetlands.pdf for details.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT**Program: FISH & WILDLIFE MANAGEMENT****Change Item: Wildlife Disease Management**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$132	\$132	\$66	\$66
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$132	\$132	\$66	\$66

Recommendation

The Governor recommends a General Fund appropriation of \$264,000 over the FY 2008-09 biennium to accelerate wildlife health programs and to prevent the spread of disease from livestock and poultry to the wildlife population.

Background

Minnesota has increasingly needed to respond to disease threats related to wildlife and their interactions with livestock, poultry and humans. Recent examples include bovine tuberculosis (TB) in cattle that appears to have "spilled over" into deer; concerns about highly pathogenic avian influenza showing up in North America; and ongoing monitoring of deer for chronic wasting disease (CWD). To date, CWD has been documented on three domestic cervid farms but has not been found in wild deer in Minnesota. The Department of Natural Resources (DNR) staff dedicated to this program currently includes an unclassified wildlife health coordinator and wildlife health specialist. This initiative, along with approximately \$50,000 annually from the wild cervid health management account (in the Game and Fish Fund) will provide funding for maintaining two unclassified positions and adding one additional wildlife research scientist/veterinarian position to enhance our capabilities for resolving the TB issue and addressing other emerging wildlife health issues in Minnesota.

Relationship to Base Budget

An annual increase of \$132,000 in General Fund appropriations represents a 6% increase in General Fund dollars to the program, or a 0.2% increase to total direct- appropriated dollars.

Key Measures

This initiative will enable DNR to continue TB surveillance in wild deer in Northwest Minnesota, in coordination with the concurrent Minnesota Board of Animal Health efforts to monitor and eradicate TB in cattle. This ongoing effort will be required by USDA both to eradicate the disease in cattle, and regain TB accredited free status for Minnesota's livestock producers. DNR will collect and analyze tissue samples from approximately 1,000 wild deer annually to monitor TB presence in selected areas, and coordinate and cooperate with Minnesota Board of Animal Health and USDA programs.

Statutory Change: Not Applicable

Program Description

The purpose of the Ecological Services Program is to ensure that present and future generations enjoy the benefits of healthy ecosystems. This program is the responsibility of the Minnesota Department of Natural Resources (DNR's) Division of Ecological Services.

Natural resource agencies have a long tradition of managing fish and wildlife resources that have economic value for recreational hunting and fishing. In the 1970s, however, people began to recognize the need to protect and manage all wildlife species (game and nongame) as well as native plants and natural communities, such as prairies and wetlands. In addition, they recognized the importance of addressing serious threats such as contaminants and invasive non-native species, and the need to restore degraded lakes, rivers and wetlands, to protect and improve the natural resources that are so important to Minnesota's quality of life. The DNR addresses these important resource issues with 19 different programs concentrated in four key areas: 1) nongame and rare resources; 2) lakes and rivers; 3) ecosystem health; and 4) conservation information and community assistance.

Beginning in FY 2007, the Division has served an important role in the Clean Water Initiative with dollars directed at assessing and monitoring state waters to identify impairments, providing technical tools and assistance to local units of government preparing and implementing TMDL plans, and acquiring critical riparian lands that help protect water quality.

Program at a Glance

- ◆ Survey Minnesota counties for rare biological resources
- ◆ Maintain over 30,000 records of rare natural resources
- ◆ Provide 18,000 hours/year of technical ecological assistance to private developers, local governments, and other agencies;
- ◆ Help 1.6 million boaters avoid spreading invasive species
- ◆ Manage 140 scientific and natural areas and 70 native prairie bank conservation easements
- ◆ Assist with restoration of degraded rivers statewide
- ◆ Supports the Clean Water Initiative by assessing state waters, providing technical assistance and protecting riparian lands.

Population Served

This program reaches out in partnership and service to a wide range of individuals and organizations. These include: active and concerned citizens, outdoor enthusiasts, local units of government, private business, nonprofit organizations, and natural resource managers.

Services Provided

The program's primary mission is to collect and link ecological information to help make wise resource decisions and protect and restore natural plant and wildlife communities. The DNR accomplishes this by providing five key services:

- ⇒ **Collecting ecological data.** Collecting and translating ecological information requires specialized expertise to understand how ecosystems and their component parts work. DNR staff have ecological expertise in Minnesota's natural communities (e.g., forests, wetlands, rivers) and in the state's flora and fauna (e.g., ornithologists, botanists, and herpetologists). Small grants are provided to individuals and academic institutions to collect information on rare resources.
- ⇒ **Managing ecological data.** The DNR's emphasis on collecting ecological information means that it must place an equally important emphasis on managing data. The backbone of the system is the Natural Heritage Information System, which includes over 20 databases that store data on rare features (i.e., state-listed plants and animals and natural plant communities).
- ⇒ **Delivering technical assistance.** The DNR provides educational programs and ecological data to decision makers and educators. It is important to deliver good information to resource users so that it can be used in the decision-making efforts of landowners, business leaders, resource agencies, and local public officials. Several programs are focused on data delivery and interpretation, technical assistance, and providing educational material.

- ⇒ **Protecting and restoring native plant and wildlife communities.** Key functions include acquisition and management of a statewide system of natural areas and prairie bank easements, native prairie habitat enhancement on private lands, minimizing the impact of invasive species, shoreland habitat restoration, and river restoration. Small grants to local units of government help them manage and control the impacts of Eurasian watermilfoil and curly-leaf pondweed on public waters.
- ⇒ **Regulating activities that impact native plant and wildlife communities.** DNR staff manages permit programs designed to protect aquatic plants, control invasive species, protect endangered species, and provide for the safe operation of lake aeration systems.

Historical Perspective

The history of DNR's Division of Ecological Services reflects the growing interest of Minnesota citizens to address a broader range of natural resource issues. For nearly 40 years the unit provided technical assistance to the department's traditional resource programs in fisheries and wildlife. In the 1980s, however, a series of program changes and additions gave shape to a newly expanded division with authorities in a variety of new areas including invasive species, endangered species, wetland mitigation, nongame wildlife, scientific and natural areas, native plants and plant communities, and restoration of degraded grassland and river habitats.

Coupled with the increased interest in addressing a broader range of natural resource issues has been an increase in the number of wildlife watchers as outdoor recreation participants. The number of Minnesota citizens participating in bird watching, wildlife tourism, bird feeding, and wildlife photography increased from 1.3 million in 1996 to 1.9 million in 2001 – an increase of 46% in five years (U.S. Fish and Wildlife Service, 2002). The amount of money spent in search of bald eagles, loons, and peregrine falcons in the wild, as well as cardinals and warblers at bird feeders, increased from \$383 million in 1996 to \$531 million in 2001 – an increase of 39% in five years. Nevertheless, despite the increase in the number of wildlife watchers, there is concern that the percentage of the state's total population participating in this and other outdoor activities is actually decreasing as the overall population increases.

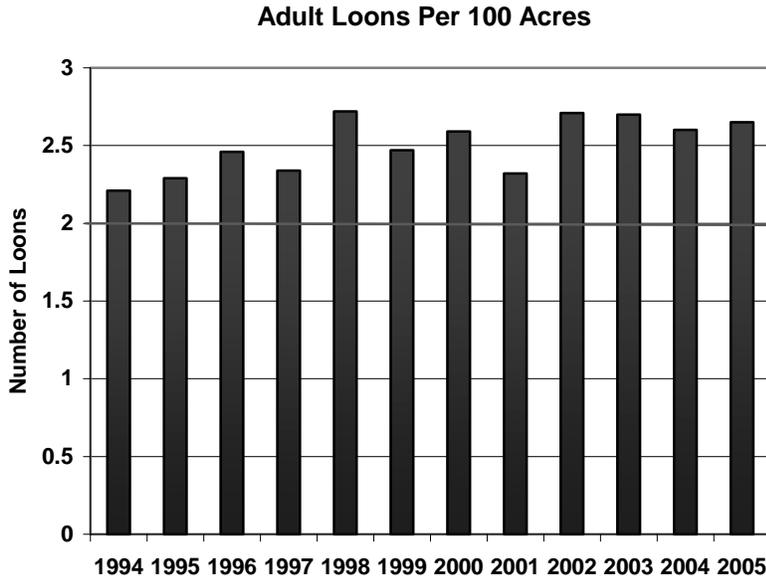
The DNR has greatly increased partnerships with local units of government in response to the growing interest to protect open space and natural areas and to restore degraded sites. Local communities utilize ecological data provided by the division to launch local protection initiatives, such as Sherburne County's Sugarbush Preserve, Chub Lake watershed protection in Dakota County, the Chain of Lakes Natural Area in Isanti County, and the new regional park in Scott County. The department's efforts have also guided local governments' interest in initiating river restoration and protection efforts throughout the state.

Key Measures

The Ecological Services Program uses a range of performance measures to assess its progress in collecting and providing ecological information critical to wise resource decisions and sustainable resource results. The following measures illustrate four of the division's core program activities and their conservation results. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

⇒ Nongame and Rare Resources

Loon populations: Minnesota is summer home to approximately 12,000 adult loons. To assess the stability of loon populations over time, the DNR's loon monitoring program relies on nearly 1,000 volunteers to collect data on six 100-lake 'index areas.'

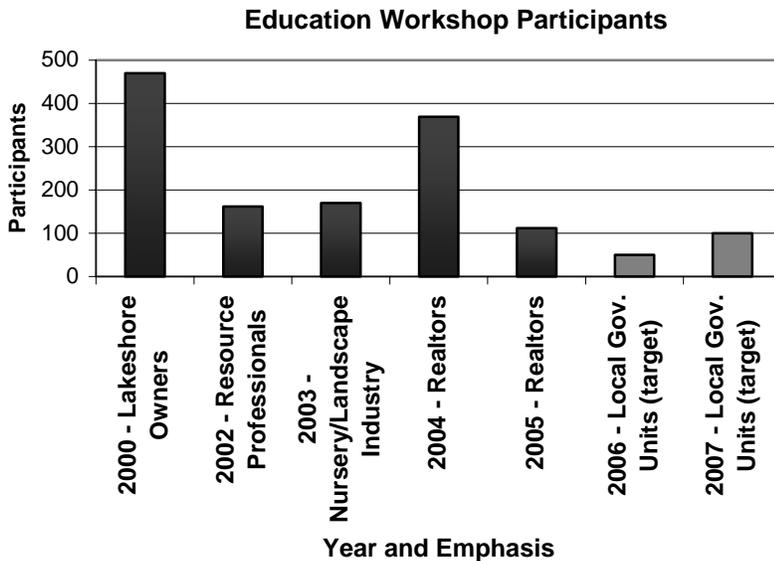


Indicator: Loon population levels in six 100-lake index areas

Target: Sustain a population of two to three adult loons per 100 acres of lake surface in the Aitkin/Crow Wing area over the long term

⇒ Lakes and Rivers

Shoreline Habitat Conservation: DNR produces education materials on conserving and restoring shoreline habitat and hosts shoreline management workshops for citizens, industry, resource professionals, and local units of government.



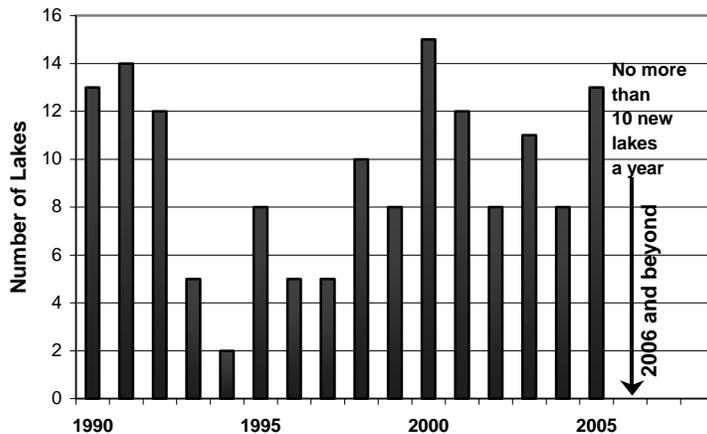
Indicator: Number of shoreline workshop participants

Target: Reach 150 local government units with shoreline workshops in 2006 and 2007

⇒ Ecosystem Health

Eurasian watermilfoil is a nonnative invasive aquatic plant that harms Minnesota waterways by displacing native species, degrading habitat for fish and wildlife, and limiting lake recreation. Unintentional transport on trailered watercraft and equipment is believed to be the primary means of spread. Ninety percent of Minnesota boaters responding to a question in a 2000-01 survey said they took action to avoid spreading aquatic invasive species, an increase over a similar survey in 1994 when 70% of Minnesota boaters said they took action. A new survey is scheduled for 2006-07.

Number of Lakes or Rivers Where Eurasian Watermilfoil is Known to Occur



Indicator: Number of waters with new infestations of Eurasian watermilfoil.

Target: Limit the rate of spread of Eurasian watermilfoil to no more than ten new lakes per year.

⇒ Conservation Information and Community Assistance

Counties with a Minnesota County Biological Survey: The Minnesota County Biological Survey (MCBS) is a systematic examination of the state’s rare biological features. DNR has completed surveys in 60 of Minnesota’s 87 counties and has surveys underway in 14 others. The surveys have already identified 14,377 locations of rare features and documented 17 species of native plants and two species of amphibians not previously recorded in Minnesota.

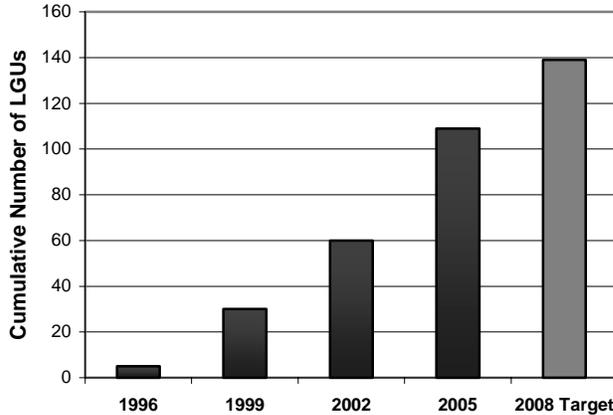


Indicator: Number of counties with a Minnesota County Biological Survey.

Target: Complete 62 counties and portions of 5 other counties by 2007 and all counties by 2021.

Local Governments using Natural Heritage data: Technical assistance and up-to-date data on natural features help local governments protect natural resources in a cost-effective, collaborative manner.

Number of Local Governments Using Natural Heritage Data



Indicator: Number of local governments using natural heritage data.

Target: Provide technical assistance and natural features information to an additional 30 local governments by 2008.

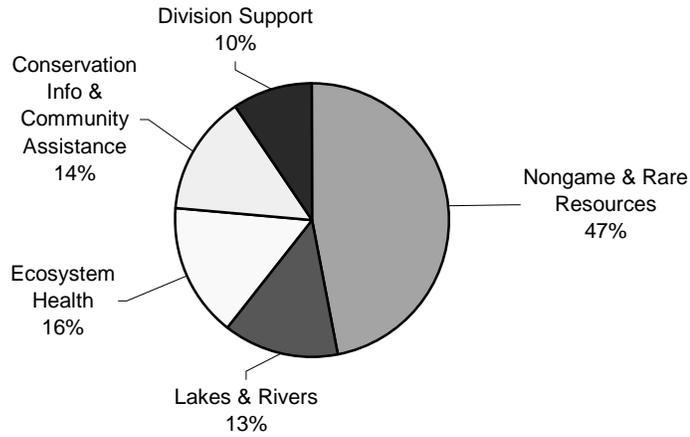
Program Funding

Ecological Services' operating budget for FY 2006-07 included the following sources of funds: General (24%), Game and Fish (11%), Heritage Enhancement (8%), Natural Resources (17%), Environmental Trust Fund (6%), Federal (14%), and Special Revenue (20%). Total program funding in FY 2006-07 was \$37.2 million.

Game and Fish Fund appropriations include dollars from the Heritage Enhancement Account, a sub-account of the Game and Fish Fund that was authorized by the 2000 legislature and funded from a percentage of lottery revenues in lieu of sales tax. Natural Resources funding includes the Water Recreation Account (motorboat gas taxes), Invasive Species Surcharge (sub-account of the Water Recreation Account funded by a surcharge on boat licenses), Nongame Fund (state income tax check-off), and Off-Highway Vehicle (OHV) and Recreational Trail funds (OHV registration fees). Federal and Special Revenue funds include dollars from a number of grant programs cooperative agreements and other sources. In FY 2007, a total of \$1.63 million in general fund dollars was appropriated to the Department and managed by the Division to support the Clean Water Initiative. These dollars are being used to fund work in the Division of Waters, Division of Fish & Wildlife and the Division of Forestry, as well as in the Division of Ecological Services.

This program generates revenue from aquatic plant and lake aeration permits and reimbursement under the Federal Aid to Sport Fish and Wildlife Restoration and State Wildlife Grant programs. Sport Fish and Wildlife Restoration dollars are deposited in the Game and Fish Fund. State Wildlife Grants are federal dollars reimbursed for state program expenditures targeted at wildlife species of greatest conservation need.

FY 2004-05 Expenditures by Program Area



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General information about the division and its diverse program services is available on the DNR web site (http://www.dnr.state.mn.us/ecological_services/index.html). In addition, annual reports are available that summarize the division's expenditures from the Game and Fish Fund and activities with the Aquatic Plant Management and Invasive Species programs. These can be obtained by calling (651) 259-5100.

NATURAL RESOURCES DEPT
 Program: ECOLOGICAL SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	1,338	1,189	1,264	1,264	2,528
Technical Adjustments					
One-time Appropriations			(1,264)	(1,264)	(2,528)
Subtotal - Forecast Base	1,338	1,189	0	0	0
Total	1,338	1,189	0	0	0
General					
Current Appropriation	3,275	5,455	5,455	5,455	10,910
Technical Adjustments					
One-time Appropriations			(1,630)	(1,630)	(3,260)
Subtotal - Forecast Base	3,275	5,455	3,825	3,825	7,650
Governor's Recommendations					
Clean Water Legacy		0	810	810	1,620
Ethanol - Water Supply Issues		0	85	85	170
Operations Support Funding		0	200	200	400
DNR Budget Reallocation		0	420	420	840
Compensation Adjustment		0	59	117	176
Total	3,275	5,455	5,399	5,457	10,856
Natural Resources					
Current Appropriation	3,215	3,215	3,215	3,215	6,430
Subtotal - Forecast Base	3,215	3,215	3,215	3,215	6,430
Governor's Recommendations					
Invasive Species Management & Control		0	785	2,450	3,235
Non Game Wildlife Appropriation Increase		0	35	36	71
Operations Support Funding		0	209	209	418
Maintenance of Service -Non General Fund		0	29	59	88
Total	3,215	3,215	4,273	5,969	10,242
Game And Fish (operations)					
Current Appropriation	3,706	3,745	3,745	3,745	7,490
Subtotal - Forecast Base	3,706	3,745	3,745	3,745	7,490
Governor's Recommendations					
Operations Support Funding		0	30	30	60
Maintenance of Service -Non General Fund		0	67	136	203
DNR Budget Reallocation		0	40	40	80
Total	3,706	3,745	3,882	3,951	7,833

NATURAL RESOURCES DEPT
 Program: ECOLOGICAL SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	892	1,996	0	0	0
General	2,978	5,940	5,399	5,457	10,856
Natural Resources	3,393	3,424	4,273	5,969	10,242
Game And Fish (Operations)	3,017	4,434	3,882	3,951	7,833
Open Appropriations					
Natural Resources	3	15	15	15	30
Statutory Appropriations					
Natural Resources	179	49	22	22	44
Misc Special Revenue	2,144	3,349	2,675	2,675	5,350
Federal	3,073	3,740	3,559	3,449	7,008
Remediation Fund	1,177	3,026	585	585	1,170
Reinvest In Minnesota	128	254	254	254	508
Gift	37	288	81	81	162
Total	17,021	26,515	20,745	22,458	43,203
<u>Expenditures by Category</u>					
Total Compensation	8,722	9,672	10,037	11,111	21,148
Other Operating Expenses	5,455	11,674	9,529	10,148	19,677
Capital Outlay & Real Property	1,263	1,539	131	131	262
Local Assistance	1,581	3,630	1,048	1,068	2,116
Total	17,021	26,515	20,745	22,458	43,203
<u>Expenditures by Activity</u>					
Ecological Services	17,021	26,515	20,745	22,458	43,203
Total	17,021	26,515	20,745	22,458	43,203
Full-Time Equivalent (FTE)	143.8	138.7	139.0	133.8	

NATURAL RESOURCES DEPT

Program: **ECOLOGICAL SERVICES**

Change Item: **Invasive Species Management and Control**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures				
Revenues				
Other Fund –Invasive Species				
Account				
Expenditures	\$785	\$2,450	\$2,450	\$2,450
Revenues	\$1,807	\$2,692	\$2,692	\$2,692
Net Fiscal Impact	(\$1,022)	(\$242)	(\$242)	(\$242)

Recommendation

The Governor recommends forming a new Invasive Species Account (ISA) with an appropriation of \$3.235 million and revenues of \$4.499 million for management and control of invasive species. This change item would provide increased funding for law enforcement and water access inspection to prevent spread of aquatic invasive species, grants to manage invasive aquatic plants in public waters, and management of terrestrial invasive species on state-administered lands.

Background

A watercraft license surcharge was implemented in 1992 to help fund aquatic invasive species management. The surcharge generates about \$1.3 million annually, which is deposited into the Water Recreation Account (WRA). Current revenues are not adequate to address the increasing challenges posed by invasive species. Terrestrial invasive species also pose an increasing management challenge on state forests, parks, wildlife management areas, and scientific and natural areas, yet there is no dedicated funding source to address this issue.

This proposal would increase the watercraft license surcharge from \$5 to \$10 for boats under 17 feet and from \$5 to \$15 for other watercraft (except for canoes for which there would be no increase). It would also add a \$2 surcharge to non-resident fishing licenses. This would provide estimated revenues to the new ISA of \$1.334 million in FY 2008 and \$1.940 million in FY 2009. This proposal would also add a \$5 surcharge to licenses for utility trailers and recreational campers for terrestrial and aquatic invasive species management. In addition, the revenues from the existing watercraft license surcharge would be deposited into the ISA beginning 7/1/07 and the current annual, non-surcharge expenditure from the WRA, which is \$594,000, would be transferred from the WRA to the ISA on 7/1/07.

Relationship to Base Budget

The Department of Natural Resources (DNR), Division of Ecological Services currently spends about \$2.2 million annually on invasive species management, control, and education, most of which is targeted at aquatic invasive species. Of this total, \$1.201 million is from the existing watercraft license surcharge, which is deposited in the WRA. An additional \$540,000 is expended annually from the WRA for aquatic invasive species.

Key Measures

This change item would enable the DNR to:

- ◆ Increase grants to treat Eurasian water milfoil and curly-leaf pondweed from 33 lakes/year to 55 lakes/year.
- ◆ Increase annual inventory of DNR lands for terrestrial invasive species from 3,000 acres to 9,000 acres and increase management of terrestrial species on DNR lands from 300 acres to 900 acres annually.
- ◆ Increase enforcement of invasive species laws.

Statutory Change: This proposal would require several statutory changes including:

- ◆ Establishing the new invasive species account along with requirements for how the money is to be deposited and spent;
- ◆ Modifying fishing license fees in M.S. Sec. 97A.475 and also authorizing the non-resident fishing license surcharge to be deposited into the ISA instead of the Game and Fish Fund (in addition, the U.S. Fish and

NATURAL RESOURCES DEPT

Program: ECOLOGICAL SERVICES

Change Item: Invasive Species Management and Control

Wildlife Service Federal Aid Office should be consulted to verify that this approach is not in conflict with federal aid requirements for fishing license revenue administration);

- ◆ Modifying watercraft license fees in M.S. Sec. 86B.415 and authorizing the surcharge to be deposited into the ISA instead of the WRA; and
- ◆ Authorizing the utility trailer and recreational camper licenses to be deposited into the ISA.

NATURAL RESOURCES DEPT**Program: ECOLOGICAL SERVICES****Change Item: Non-Game Wildlife Appropriation Increase**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund – Natural Resources				
Expenditures	\$35	\$36	\$36	\$36
Revenues	0	0	0	0
Net Fiscal Impact	\$35	\$36	\$36	\$36

Recommendation

The Governor recommends that appropriations from the Non-game Wildlife Fund be increased by \$71,000 to fund wildlife education (Project Wild).

Background

Project Wild is a wildlife education program that provides education materials and training to teachers at the kindergarten through 12th grade level. In recent years, the program has been supported by a combination of non-game wildlife and federal funds; however, the federal funding will not be available during the next biennium. This initiative is necessary to maintain the current level of activity in the Project Wild program.

Relationship to Base Budget

The Non-game Wildlife Fund is supported primarily by donations solicited on state income tax and property tax forms, and online. Donations have been increasing steadily since the late 1990s and a record amount was collected in 2005. The non-game fund balance is currently about \$1.2 million and is projected to increase by about \$31,000/year through FY 2009 at current rates of revenues and expenditures. Current expenditures from the non-game fund are \$1.128 million annually and the total revenue collected in the most recent year of record (2005) was \$1.187 million. Given the current rate of revenue, the fund balance can absorb the proposed increased expenditure.

Key Measures

This initiative will support 50 wildlife education workshops and development of 15 wildlife learning trunks.

Alternatives Considered

The alternative to this option is to keep appropriation levels from the Non-game Wildlife Fund the same, which would decrease activities in this program.

Statutory Change: Not Applicable

Program Description

The purpose of the Natural Resource Laws and Rules Program is to ensure compliance with laws regarding state game and fish, recreational vehicles, natural resource commercial operations, environmental protection, and public safety. This program is the responsibility of the Minnesota Department of Natural Resources (DNR's) Division of Enforcement.

Major responsibilities include law enforcement, public safety, and education a variety of issues:

- ◆ hunting and fishing seasons, methods of taking wild animals and bag and possession limits;
- ◆ commercial use and possession of natural resources and products;
- ◆ protection of the state's land, air, and water;
- ◆ public safety, especially where it concerns alcohol use while hunting or operating Off-Highway Vehicles (OHV), and watercraft; and
- ◆ education safety training and hunter education for youth and adults.

Program at a Glance

- ◆ Sponsors education and safety classes attended by more than 40,000 citizens
- ◆ Cites or documents more than 26,000 violations annually
- ◆ Provides aviation support for department needs ranging from stocking fish and completing wildlife population censuses to enforcement activities
- ◆ Partners with other DNR non-enforcement staff working in cooperative support of the law enforcement mission
- ◆ Administers \$1.7 million in grants to local law enforcement agencies for enforcement work in boat and water, snowmobile, and OHV, and also administered matching dollars for the improvement of public shooting and archery ranges

Population Served

The DNR serves citizens by safeguarding the public safety through education and enforcement efforts with approximately 854,000 registered boaters, 860,000 licensed hunters, 1.5 million licensed anglers, 287,000 All Terrain Vehicles (ATV), 14,600 Off Highway Motorcycles (OHM), 7,200 Off-Road Vehicles (ORV), 271,000 registered snowmobiles, 2,000 licensed/registered commercial operations, and countless other stakeholders and visitors using our abundant natural resources and recreational opportunities.

Services Provided

This program provides services through the use of community-based conservation officers and specially trained officers assigned for support, including:

- ◆ 154 conservation officers assigned to specific community field stations for field operations;
- ◆ a special Investigation Unit (SIU) that conducts undercover work targeting unlawful activity among commercial operations;
- ◆ a department Aviation Unit used by all divisions for operations support including aerial census and mapping;
- ◆ Wetland Enforcement Officers (WEO) specifically trained in the complexities of state and federal wetland issues, dealing with unlawful activity in wetlands and wetlands destruction;
- ◆ a Training and Standards Unit, concentrating on officer training, academy training, professionalism, safety; and
- ◆ information and education programs, administering mandated safety training and education programs delivered through volunteer instructors, regional training officers, and local conservation officers.

Historical Perspective

Natural resource commercial and recreational use has increased many-fold in the last half-century; however, the DNR has maintained approximately the same number of officer positions. In addition to the exponential increase in the number of traditional hunters (example – the number of deer hunters has increased over 650%) and the number of anglers (has increased over 400%), the state has new user groups. During that time, new duties have been added to the program.

- ◆ wetlands drainage and Wetland Conservation Act (WCA) enforcement;
- ◆ enforcement efforts on 20,000 miles of state trails hosting motorized recreational vehicles including ATVs, ORVs, OHMs, and snowmobiles.

- ◆ firearm safety classes (24,000 students annually); Snowmobile and OHV Safety Education; Boat and Water Safety Enforcement (854,000 watercraft);
- ◆ Advanced Hunter Education (1,500 students annually);
- ◆ water quality and pollution issues;
- ◆ commercial enterprises such as Shooting Preserves, taxidermists, Ginseng exporters;
- ◆ state parks enforcement;
- ◆ invasive species;
- ◆ Forest Arson Investigations;
- ◆ new seasons for wildlife species, e.g., metro goose, turkey, moose, muzzleloader deer, archery deer, falconry, mourning doves;
- ◆ Indian Treaty Issues 1837 and 1854;
- ◆ cross-country ski passes
- ◆ shoreline protection
- ◆ operating recreational vehicles and hunting while impaired

Modern wildlife management theory and practice has focused on habitat protection and enhancement as opposed to stocking and "put-and-take" operations. Pro-active law enforcement efforts likewise focus upon more habitat protection efforts for game and fish population enhancement (forests, waters, wetlands, and prairies). While the traditional role of conservation officer patrol and the apprehension of violators is a key factor in effective management, specialized training and skills are required for a more comprehensive approach to wildlife and environmental protection.

Key Measures

The effectiveness of law enforcement efforts cannot be gauged simply by tabulating the results of citations and warnings issued. The Division has a three-pronged approach to gaining compliance; information, education, and law enforcement, with enforcement action as the last measure. The division will continue to use the media to inform and influence citizens to increase voluntary compliance and report more violations. Education efforts also will be enhanced. The following measures illustrate the Division's core program activities. Detailed descriptions of performance measures are found in DNR's *A Strategic Conservation Agenda: 2003-2007* (www.dnr.state.mn.us/conservationagenda/index.html).

Game and Fish Protection: Compliance with natural resource laws is difficult to measure. Our goal is to increase the compliance rate as well as increase levels of service hours in the following priority areas:

- ⇒ Wetlands Conservation Act: Efforts by the division will meet or exceed a goal of 11,300 service hours in FY 2007 and 12,000 hours in FY 2008.
- ⇒ Experimental/Special Regulation Waters: Conservation Officers will increase efforts on these waters. Enforcement goal hours for fisheries enforcement will exceed 90,000 hours in FY 2007 and 95,000 hours in FY 2008.
- ⇒ In FY 2007, Waterfowl Task Force: Operations will include a total of fifteen officers. Overall waterfowl enforcement efforts by the Division will exceed a goal of 23,600 hours in FY 2007 and 25,200 in FY 2008.

Recreational Vehicle Law Enforcement:

- ⇒ Hours spent in law enforcement activities will be increased from the FY 2006 level of 18,200 hours to a statewide goal of 19,800 hours in FY 2007 and 21,800 hours in FY 2008.
- ⇒ The division will enhance all enforcement efforts including information, education, and training to increase compliance and reduce injuries and fatalities associated with the unlawful operation of recreational vehicles.
- ⇒ The division will re-establish task force operations for enhanced ORV and snowmobile enforcement efforts.

Safety Education: Retain 4,000 volunteer instructors.

- ⇒ Outreach efforts will be increased to draw more students to vehicle safety classes. Each year the division will train 950 students in ATV, and 14,900 in snowmobile safety to reduce the fatalities associated with

recreational vehicle use. Goals are to have fewer fatalities than the following historical percentages: Snowmobiling - 7.53/100,000 registered snowmobiles, ATV - 8.26/100,000 registered ATVs.

⇒ Outreach efforts will be increased to draw more students to firearms safety and advanced hunter education safety classes. In each year, we will train 24,000 students in firearms safety and 5,600 students in advanced hunter education with the goal of reducing the injuries/fatalities associated with firearms hunting incidents.

Program Funding

The Natural Resource Laws and Rules Program - Enforcement has a complex funding mechanism. The operating budget for FY 2006-07 is comprised of the following sources of funds: Game and Fish 59%, Water Recreation 11.1%, General 11.4%, ATV 5.7%, Snowmobile 5.4%, Heritage 3.8%, OHM/ORV 1% and Solid Waste/Legislative Commission on Minnesota Resources 0.8% and federal grants 1.8%.

Contact

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NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS&RULES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	150	150	150	150	300
Technical Adjustments					
One-time Appropriations			(150)	(150)	(300)
Subtotal - Forecast Base	150	150	0	0	0
Total	150	150	0	0	0
General					
Current Appropriation	3,106	3,106	3,106	3,106	6,212
Subtotal - Forecast Base	3,106	3,106	3,106	3,106	6,212
Governor's Recommendations					
Operations Support Funding		0	76	76	152
DNR Budget Reallocation		0	300	300	600
Compensation Adjustment		0	54	110	164
Total	3,106	3,106	3,536	3,592	7,128
Natural Resources					
Current Appropriation	6,963	6,938	6,938	6,938	13,876
Subtotal - Forecast Base	6,963	6,938	6,938	6,938	13,876
Governor's Recommendations					
All-Terrain Vehicle (ATV) Gas Tax		0	50	207	257
Operations Support Funding		0	175	175	350
Total	6,963	6,938	7,163	7,320	14,483
Game And Fish (operations)					
Current Appropriation	18,323	18,673	18,673	18,673	37,346
Subtotal - Forecast Base	18,323	18,673	18,673	18,673	37,346
Governor's Recommendations					
Operations Support Funding		0	305	305	610
Maintenance of Service -Non General Fund		0	444	907	1,351
Total	18,323	18,673	19,422	19,885	39,307
Remediation Fund					
Current Appropriation	100	100	100	100	200
Subtotal - Forecast Base	100	100	100	100	200
Total	100	100	100	100	200

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS&RULES

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	148	203	0	0	0
General	3,046	3,706	3,536	3,592	7,128
Natural Resources	6,423	7,464	7,163	7,320	14,483
Game And Fish (Operations)	17,544	19,452	19,422	19,885	39,307
Remediation Fund	76	124	100	100	200
Statutory Appropriations					
Natural Resources	5	301	77	77	154
Misc Special Revenue	4	34	14	14	28
Game And Fish (Operations)	377	266	143	143	286
Federal	449	1,500	1,600	1,600	3,200
Gift	0	56	13	8	21
Total	28,072	33,106	32,068	32,739	64,807
<u>Expenditures by Category</u>					
Total Compensation	18,902	20,445	20,854	21,337	42,191
Other Operating Expenses	7,111	9,375	7,971	8,002	15,973
Local Assistance	2,059	3,286	3,243	3,400	6,643
Total	28,072	33,106	32,068	32,739	64,807
<u>Expenditures by Activity</u>					
Enforcement-Nr Laws&Rules	28,072	33,106	32,068	32,739	64,807
Total	28,072	33,106	32,068	32,739	64,807
Full-Time Equivalent (FTE)	247.0	260.0	266.0	258.9	

Program Description

The purpose of the Operations Support Program is to provide administrative leadership and support to all other Minnesota Department of Natural Resources (DNR) programs; direct services to the general public; and financial assistance to local governments and private organizations to build recreational facilities and to protect and enhance natural areas.

This program is the responsibility of the DNR's service bureaus, regional operations offices, and commissioner's office.

Budget Activities Included:

- ⇒ Operations Support
- ⇒ Recreation and Local Initiative Grants

Key Measures

DNR uses a range of organizational indicators to assess its performance related to department-wide operations and business practices. For a more complete set of performance measures and more detailed descriptions of each measure, please see DNR's *A Strategic Conservation Agenda, 2003 – 2007: Measuring Progress Toward Mission* (www.dnr.state.mn.us/conservationagenda/index.html).

See activity sections for specific measures.

NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Direct Appropriations by Fund</i>					
Environment & Natural Resource					
Current Appropriation	7,654	7,700	7,700	7,700	15,400
 Technical Adjustments					
One-time Appropriations			(7,700)	(7,700)	(15,400)
Subtotal - Forecast Base	7,654	7,700	0	0	0
Total	7,654	7,700	0	0	0
General					
Current Appropriation	4,900	4,900	4,900	4,900	9,800
 Technical Adjustments					
Approved Transfer Between Appr			(62)	(62)	(124)
Subtotal - Forecast Base	4,900	4,900	4,838	4,838	9,676
 Governor's Recommendations					
Operations Support Funding		0	(2,709)	(2,709)	(5,418)
DNR Budget Reallocation		0	23	23	46
Compensation Adjustment		0	37	75	112
Total	4,900	4,900	2,189	2,227	4,416
Natural Resources					
Current Appropriation	1,595	1,595	1,595	1,595	3,190
 Technical Adjustments					
Approved Transfer Between Appr			(5)	(5)	(10)
Subtotal - Forecast Base	1,595	1,595	1,590	1,590	3,180
 Governor's Recommendations					
Operations Support Funding		0	(1,106)	(1,106)	(2,212)
Total	1,595	1,595	484	484	968
Game And Fish (operations)					
Current Appropriation	2,793	2,853	2,853	2,853	5,706
 Technical Adjustments					
Approved Transfer Between Appr			(34)	(34)	(68)
Subtotal - Forecast Base	2,793	2,853	2,819	2,819	5,638
 Governor's Recommendations					
Operations Support Funding		0	(1,795)	(1,795)	(3,590)
Maintenance of Service -Non General Fund		0	27	56	83
Total	2,793	2,853	1,051	1,080	2,131

NATURAL RESOURCES DEPT
 Program: OPERATIONS SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	8,175	8,284	0	0	0
General	4,653	5,785	2,189	2,227	4,416
Natural Resources	1,620	2,418	484	484	968
Game And Fish (Operations)	2,641	3,005	1,051	1,080	2,131
Open Appropriations					
Natural Resources	0	3	3	3	6
Statutory Appropriations					
General	3	87	0	0	0
Natural Resources	1,187	990	570	570	1,140
Misc Special Revenue	466	525	251	248	499
Federal	2,290	2,880	2,578	2,400	4,978
Gift	1,170	1,455	1,088	1,088	2,176
Total	22,205	25,432	8,214	8,100	16,314
<u>Expenditures by Category</u>					
Total Compensation	8,177	8,917	3,404	3,463	6,867
Other Operating Expenses	3,390	5,935	2,857	2,797	5,654
Capital Outlay & Real Property	1,350	1,781	1,113	1,000	2,113
Local Assistance	9,288	8,799	840	840	1,680
Total	22,205	25,432	8,214	8,100	16,314
<u>Expenditures by Activity</u>					
Operations Support	13,385	16,673	7,374	7,260	14,634
Rec & Local Initiative Grants	8,820	8,759	840	840	1,680
Total	22,205	25,432	8,214	8,100	16,314
Full-Time Equivalent (FTE)	112.4	119.6	39.7	39.2	

Activity Description

This activity provides administrative leadership and support to agency management including: formulating and establishing policies and priorities; integrating department operations in a cohesive direction; and management of Minnesota Department of Natural Resources (DNR) capital assets, information, and employee safety in order to enable program activities and ensure fund integrity. The activity includes the Commissioner’s Office; Office of Management and Budget Services; Bureau of Human Resources; Bureau of Information and Education; Management Resources; and Regional Operations.

Legislative guidance is provided in Minnesota statutes pertaining to such topics as: accounting, contracting, and budget; data practices; planning and performance measurement; management of fleet, facilities, and assets; publication of regulations and other information; Permanent School Fund; state employment, labor relations, and state retirement; safety; human rights and accessibility. Article 11 of the Minnesota Constitution provides direction concerning finances, revenue from state lands, the Permanent School Fund, and the Environment and Natural Resources Fund.

Population Served

Operations Support assists and provides services to DNR managers, supervisors, and employees in all divisions, bureaus, and regions, and to the general public, local communities, and other governmental organizations.

Services Provided

- ⇒ **Commissioner’s Office** provides leadership and direction for the department and manages regulatory and legislative affairs.
- ⇒ **Office of Management and Budget Services (OMBS)** provides leadership and support through these agency management and financial services:
 - ◆ strategic planning, operational and capital budgeting, and results management;
 - ◆ research to inform agency-wide policies and evaluate results important to citizens;
 - ◆ departmental budgeting, accounting, contracting, and financial management and reporting;
 - ◆ coordination and oversight of federal funding; and
 - ◆ grants management and revenue oversight.
- ⇒ **Bureau of Human Resources** supports agency management through:
 - ◆ compliance with and administration of laws, rules, and regulations, including five labor agreements and two unrepresented labor plans;

Activity at a Glance

Key annual operation support activities include:

- ◆ Maintained and annually improved DNR’s *Strategic Conservation Agenda*, consisting of 90 measurable indicators with targets to show department accountability for conservation results and its mission.
- ◆ Directed budget and accounting procedures for effective use of approximately \$300 million per year.
- ◆ Maintained the Web Integrated Revenue System (WIRES) to manage receipts and receivables of more than \$236 million per year.
- ◆ Managed Federal Emergency Management Agency (FEMA) public assistance grants for damage to DNR properties and facilities from natural disasters.
- ◆ Completed over 28,000 employee and position transactions, and filled more than 1,300 positions.
- ◆ Trained 26 department leaders and 32 new and future supervisors.
- ◆ Provided facility design, construction, and maintenance services.
- ◆ Provided management services for equipment that is driven 17 million miles per year.
- ◆ Provided safety and health services for employees who work 4.5 million hours.
- ◆ Provided information technology support for more than 25,000 DNR web site pages with 225,000 pages viewed daily; 75,000 e-mail messages processed per day; and 360 data files averaging 4 1/2 gigabytes of data downloaded daily.
- ◆ Coordinated 434,000 hours of volunteer time with a value of \$7.2 million for natural resource-based activities.
- ◆ Distributed more than 837,000 DNR publications to the general public and responded to approximately 145,000 phone inquiries and over 30,000 e-mail inquiries
- ◆ Protected habitat through acquisition, easements, or ordinances and direct technical and financial assistance to local communities.
- ◆ Resolved conflicts on natural resource issues within the DNR and with stakeholders.

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

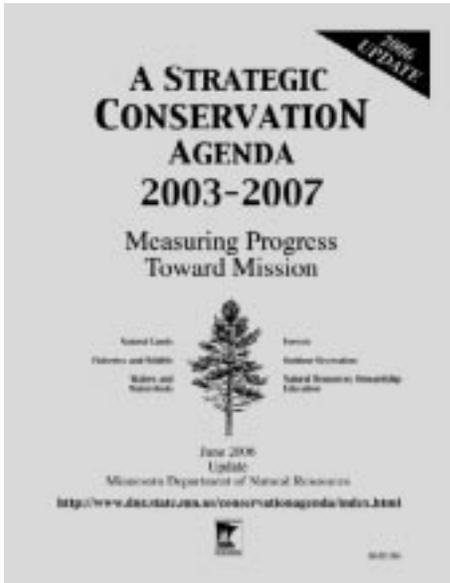
- ◆ recruitment, selection, and compensation for more than 3,000 jobs in 400 classes;
 - ◆ leadership development program and supervisor training; and
 - ◆ human resource policy, employment and data records, payroll, labor distribution, benefits, and insurance.
- ⇒ **Bureau of Information and Education** provides these services to the department:
- ◆ information for the general public through the DNR's Information Center (including phone calls, e-mails, brochures and other materials, voicemail, and walk-ins) and special events;
 - ◆ audio-visual, graphic, special event, and educational support for all Natural Resources (NR) units;
 - ◆ publication of the bi-monthly Minnesota Conservation Volunteer magazine;
 - ◆ administration of the Boat and Water Safety Program;
 - ◆ media and marketing services, including media relations, special events, internal communications, and intellectual property rights / data practices consulting; and
 - ◆ coordination of DNR educational activities.
- ⇒ **Management Resources** provides leadership and expertise on managing capital assets, information, and employee safety, including:
- ◆ administrative oversight for leasing and operation of buildings, design expertise, construction management and repair services for all DNR facilities;
 - ◆ selection and purchase of appropriate equipment and provision of maintenance services;
 - ◆ purchase and supply of materials and equipment needed to operate programs efficiently and effectively;
 - ◆ health and safety program to foster employee attentiveness to personal health and to create the safest possible work environment; and
 - ◆ information services for efficient and effective deployment of computer, telecommunications, and data and information resources.
- ⇒ **Regional Operations** provides leadership and assistance for interdisciplinary delivery of DNR services at the local level, including:
- ◆ coordination of natural resource management programs to ensure that the agency provides a unified response and is effectively and appropriately managing and conserving the state's natural resources;
 - ◆ technical assistance to local communities, stakeholders, and elected officials;
 - ◆ local administration of financial assistance programs, including Metro Greenways, and Legislative and Citizen Commission on Minnesota Resources (LCCMR) recommended grants, Community Assistance, Metro Greenways Planning and Metro Corridor grants;
 - ◆ information and education, communications planning, media relations, and department participation in local education and community events; and
 - ◆ coordination of the department's emergency response assistance in the event of a non-fire emergency.

Historical Perspective

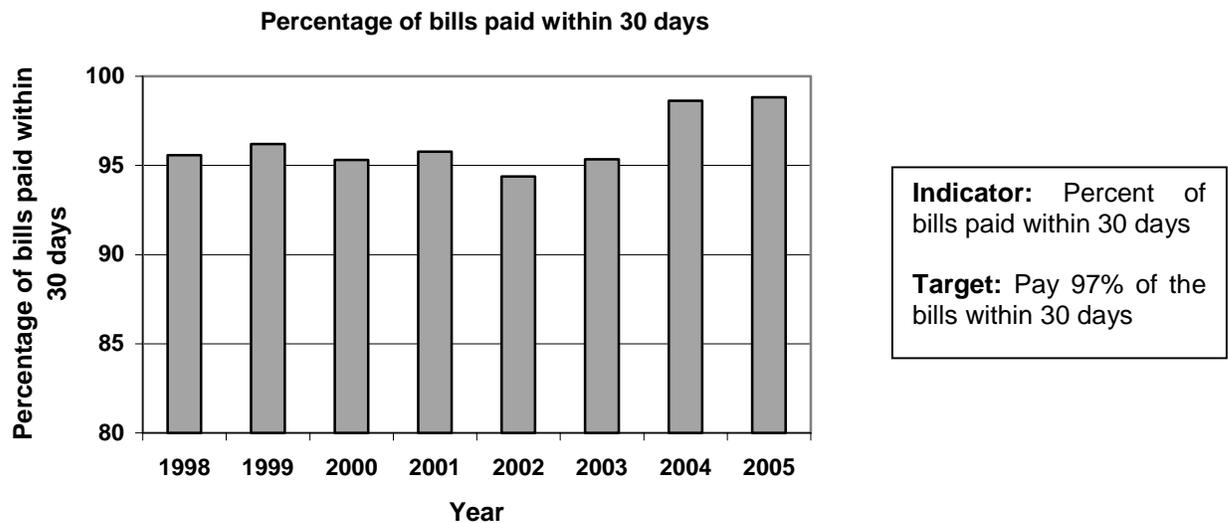
In recent years, the varied components of Operations Support have focused on improvements in operational efficiency and accountability. The Office of Management and Budget Services pursues effective integration of planning, budgeting, operations, and accountability mechanisms. Human Resources activities are shifting to a paperless/online system, while workforce planning is a key strategic issue due to the high percentage of employees and managers approaching retirement age. Information and Education activities are also shifting to electronic systems and e-commerce. Management Resources provides information management, capital assets, and safety programming to DNR workers through streamlined and economical systems. The DNR has four regions with headquarters in Bemidji, Grand Rapids, New Ulm, and St. Paul.

Key Measures

⇒ **Performance measurement system:** DNR’s Operations Support manages an agency-wide performance measurement process that builds and reports on agency performance indicators. These indicators serve to clearly define agency natural resource priorities; measure progress; and document accountability to results. DNR’s *A Strategic Conservation Agenda, 2003-2007* (www.dnr.state.mn.us/conservationagenda/index.html) reports on a set of 75 indicators and associated targets that reflect the range and reach of DNR’s mission.



⇒ **Managing Fiscal Resources:** Effective and efficient fiscal management – The percentage of bills paid within 30 days is one area where DNR is tracking efforts and striving to become even more efficient. Within the past eight years the DNR has successfully paid 94-96% of bills within 30 days. DNR is working to meet the state target of 97%.



⇒ **Human Resource Management:** Affirmative Action - percentage of minorities in the DNR workforce as compared to the relevant labor market: In order to assure that positions in the executive branch are equally

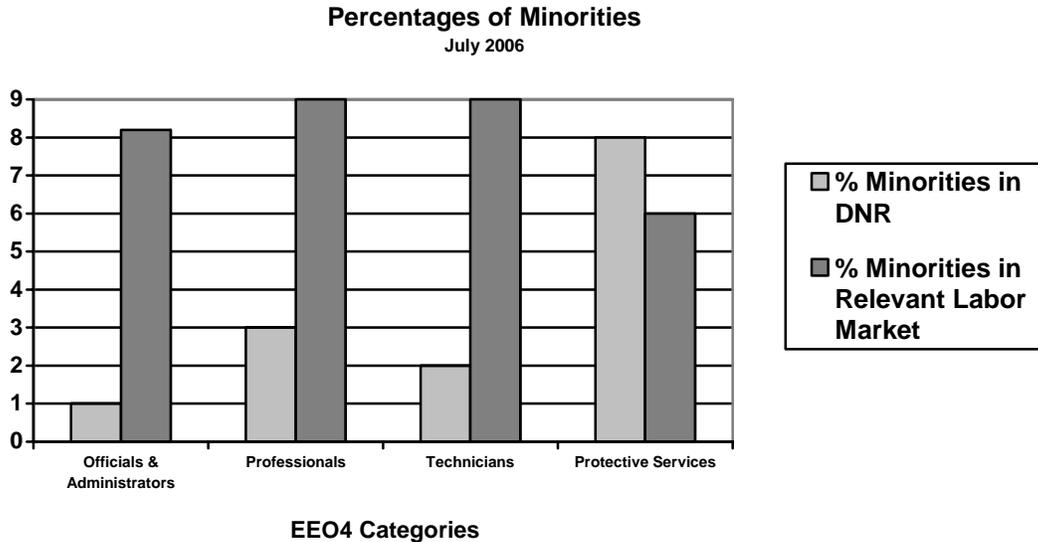
NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

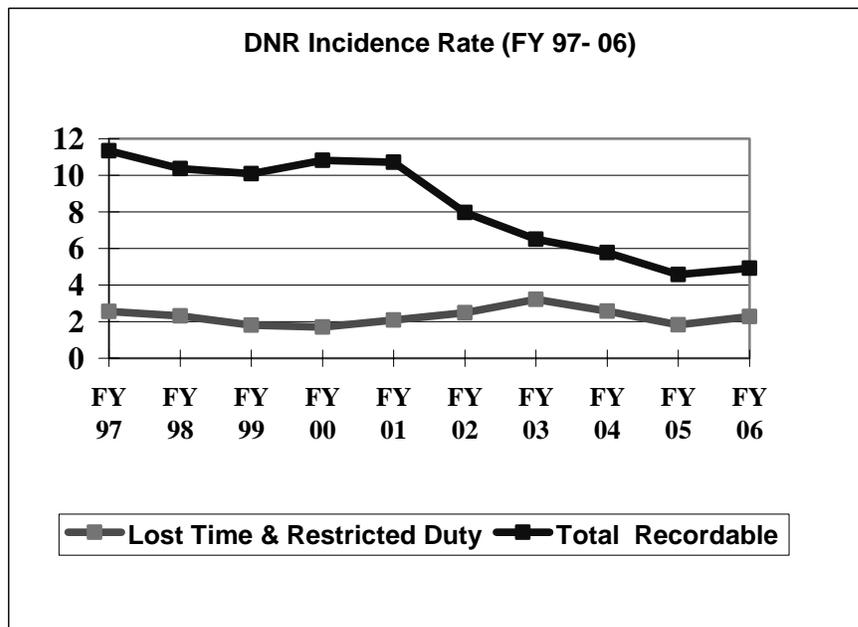
Narrative

accessible to all qualified persons, and to eliminate the underutilization of qualified members of protected groups, Minnesota statutes require state agencies to set hiring goals. Minorities are largely underrepresented in the DNR as illustrated in the example below.



⇒ **Safety Performance:** Incidence rate – The total recordable incidence rate is the number of Occupational Health and Safety Administration (OSHA) recordable injuries and illnesses per 200,000 hours worked. The DNR incidence rate has dropped 56% in the last ten years and 30% in the last three years. The short-term goal is to reduce the total injuries or illnesses in the DNR so that the recordable claims incidence rate is lower than the private sector total incidence rate published by the Bureau of Labor Statistics (BLS).

Target: DNR incidence rate less than the BLS total incidence rate for the private sector of 5.7



NATURAL RESOURCES DEPT

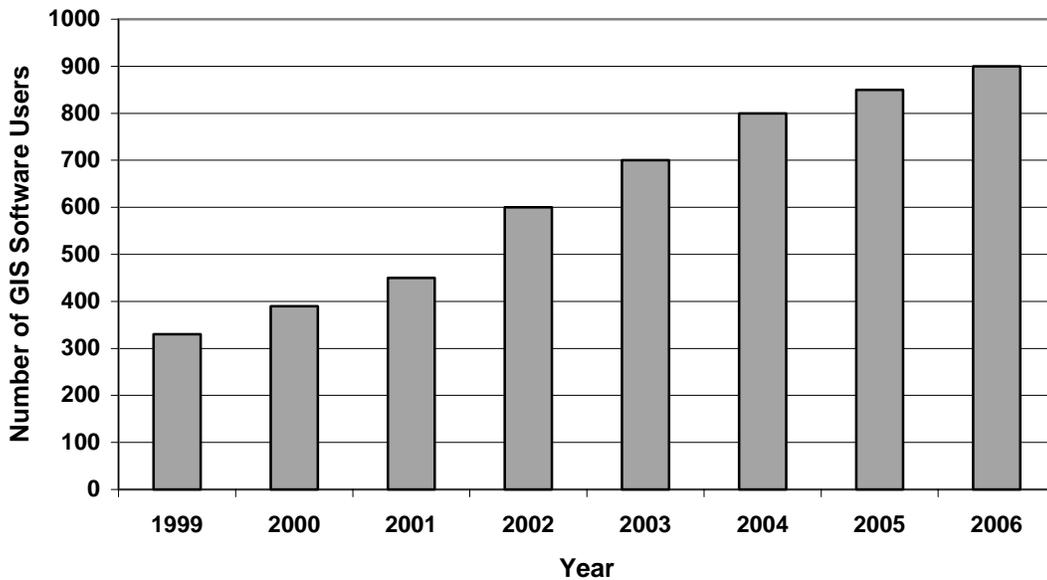
Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

⇒ **Information Services:** GIS software use – Field managers and resource managers use high quality and up-to-date geographic information systems (GIS) tools to manage the state’s natural resources. This indicator illustrates how DNR supports efficient and effective information technologies.

DNR GIS Software Usage



⇒ **Regional Operations:** Community Partnerships and Habitat Protection – Regional operations supports DNR’s mission through interdisciplinary priority setting, community partnership building, resource allocation, and issue resolution. The following indicator is an example of conservation partnership activity carried out by regional operations. Regional operations shares in the responsibility with DNR divisions to accomplish statewide targets defined in DNR’s “A Strategic Conservation Agenda.” Regional operations helps coordinate the interdisciplinary actions needed to ensure that meeting individual conservation targets is done in ways that optimize overall DNR mission results.

Metro Corridors 2005 Focus Area



Indicator: Number of habitat acres protected in the Twin Cities metropolitan area

Target: Protect an additional 700 habitat acres and restore about 1,700 habitat acres through the Metro Wildlife Corridor Project by 2005

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

Activity Funding

For the current biennium, 65% of the funding for this budget activity is from the General Fund, Natural Resources Fund, and the Game and Fish Fund. Twenty seven percent of the budget is derived from dedicated receipt sources and federal funds. The remaining 8% represents projects recommended by the LCCMR and funded through the Minnesota Environment and Natural Resources Trust Fund and the State Land and Water Conservation Account (LWCF) in the Natural Resources Fund.

The operating budgets for the Human Resources and the Management Resources Bureaus are no longer reflected in this budget activity. Under a change item request proposed by the department and approved during the last legislative session, the direct appropriations that have paid for the centralized support services provided by these bureaus are now incorporated into the operating budget of each division. The cost of services from Human Resources and Management Resources are passed through to the program and activities they serve. This approach enhances the accountability of managers and helps them understand the full costs associated with their program and activities.

Contact

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NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: OPERATIONS SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	812	785	0	0	0
General	4,653	5,785	2,189	2,227	4,416
Natural Resources	1,350	2,148	214	214	428
Game And Fish (Operations)	2,641	3,005	1,051	1,080	2,131
Open Appropriations					
Natural Resources	0	3	3	3	6
Statutory Appropriations					
General	3	87	0	0	0
Misc Special Revenue	466	525	251	248	499
Federal	2,290	2,880	2,578	2,400	4,978
Gift	1,170	1,455	1,088	1,088	2,176
Total	13,385	16,673	7,374	7,260	14,634
<u>Expenditures by Category</u>					
Total Compensation	8,085	8,821	3,404	3,463	6,867
Other Operating Expenses	3,384	5,935	2,857	2,797	5,654
Capital Outlay & Real Property	1,348	1,781	1,113	1,000	2,113
Local Assistance	568	136	0	0	0
Total	13,385	16,673	7,374	7,260	14,634
Full-Time Equivalent (FTE)	111.4	118.7	39.7	39.2	

Activity Description

The Recreation and Local Grants Initiative activity provides financial assistance to local governments and private organizations to acquire and build recreational facilities and to protect and enhance natural areas. The Local Parks Grants and Natural and Scenic Area Grants programs are established in M.S. 85.019. The Conservation Partners and Community Environmental Partnerships Grants programs are not established in statute, but have been funded by the Legislative Commission on Minnesota Resources (LCMR) since 1995. The Regional Park Grants (Outside Metro) program was funded by the legislature in 2000, 2001, 2003, 2005, and 2006 and is also established in M.S. 85.019. Pass-through contract administration for LCMR projects was funded by the 2001, 2003, and 2005 legislatures.

Population Served

This activity serves cities, counties, townships, recognized Indian tribal governments, and eligible private/nonprofit organizations throughout Minnesota. Projects have been funded in every county and in well over 500 cities throughout the state.

Services Provided

Projects funded through the Recreation and Local Grants Initiative foster more livable communities, a healthier population, and greater public appreciation and knowledge of natural resource benefits.

- ⇒ **Local Parks Grants** provide matching grants to encourage the creation or enhancement of high quality outdoor recreation facilities.
- ⇒ **Natural and Scenic Area Grants** provide matching grants to protect and enhance natural and scenic areas.
- ⇒ **Conservation Partners Grants** provide matching grants to encourage enhancement of fish, wildlife and native plant habitats, and research and survey of fish and wildlife directly related to specific habitat improvements.
- ⇒ **Environmental Partnership Grants** provide matching grants to encourage environmental service projects and related education activities through public and private partnerships.
- ⇒ **Regional Park Grants (Outside Metro)** provides grants to public regional parks organizations outside the Twin Cities metro area to acquire land, design, construct, and redevelop regional parks and trails, open space, and recreational facilities. Every \$3.00 of state grants must be matched by \$2.00 of non-state funds.

In 2005 the legislature appropriated funds from the Environment and Natural Resources Trust Fund to the Department of Natural Resources (DNR) for administration of contracts for appropriations to several third-party recipients, such as nonprofits and other levels of government. Pass-through appropriations from the 2005 Environment and Natural Resources Trust Fund alone totaled over \$12 million for 57 separate projects. The Local Grants Unit administers this appropriation.

The Recreation and Local Grants Initiative, and the pass-through appropriations administered by DNR staff, represent a significant contribution to protecting and enhancing natural areas and outdoor recreation areas. One key characteristic of this activity is that it involves a variety of partnerships and cooperative efforts among state, local government, private organizations, and private citizen stakeholders. All projects are undertaken as positive, voluntary initiatives on the part of the participants.

Activity at a Glance

- ◆ Acquired 17 acres of new parkland for one city park and developed or redeveloped outdoor recreation facilities at an additional nine local parks.
- ◆ Acquired 110 acres of natural/scenic areas in three city projects. A high quality dry oak forest; oak woodland and wetlands with endangered Tubercled Rein Orchids; and Pilot Knob, a site with historical, scenic, cultural, and ecological values listed on the National Register of Historic Places were protected.
- ◆ Completed 16 habitat improvement projects throughout the state.
- ◆ Awarded 14 conservation and environmental partnership grants throughout the state.
- ◆ Acquired 285 acres of regional parkland in one county and one city park outside the metro area, including a 148-acre addition to the Hormel Environmental Learning Center in Austin and a 138 acre addition to the existing 598 acres of hills, marsh, prairie and forest in Ney Regional Park in Wright County.
- ◆ Administered \$12 million in new pass-through projects contained in 57 separate pass-through appropriations.

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: REC & LOCAL INITIATIVE GRANTS

Narrative

Historical Perspective

The Land and Water Conservation Fund (LWCF) has played an important role in the history of the United States' outdoor recreation and conservation funding efforts. Created in 1964 by Congress, it receives funding primarily through offshore oil and gas receipts. Because offshore drilling for oil and gas depletes a valuable natural resource, Congress determined that it was appropriate to invest the proceeds from these offshore leases to protect America's natural resources and encourage the nation to experience outdoor recreation. Since its inception, this program is responsible for the acquisition of about seven million acres of parkland and over 40,000 state and local recreation and open space projects nationwide.

Since 1965, the LWCF program in Minnesota has invested more than \$68 million into the state's outdoor recreation system, funding over 400 state projects and over 800 local park and recreation projects. The LWCF program in Minnesota has a state and local program, each receiving 50% of the federal appropriation. The state program supports the acquisition and development of the State Outdoor Recreation System. The local program, supported by the Recreation and Local Grants Initiative budget activity, provides matching funds to local units of government, including recognized tribal governments, for outdoor recreation projects.

Congress appropriated federal FY 2000 funds to the states from the LWCF for the first time in several years. In federal FY 2001, \$1.6 million was appropriated and in federal FY 2002 \$2.5 million was appropriated to the state. From that peak year the funding has declined to just under \$500,000 in 2006. One half of these funds are used for the local park program. The prospects for future funding are unclear.

The Local Initiatives Grant Program has also received state funding since the 1960s through state bonding and appropriations from the Environment and Natural Resources Trust Fund and the former Future Resources Fund. Through the years, over 1,863 local projects have received almost \$234 million in state grant funds through this program. Projects have been funded in every county and in over 500 cities throughout the state.

The local match contributed through the years to the programs included in this activity totals more than \$115 million.

Key Measures

The DNR's *A Strategic Conservation Agenda 2003-2007* describes 90 performance indicators with conservation targets in six key areas. One DNR conservation target under the performance indicator "Helping Local Communities Protect Open Space" is to help local governments acquire 200 acres per year in 2005-06 and 200 to 300 acres per year thereafter. The table below illustrates local government demand for open space grants: (**\$'s in millions**)

	FY 2006 Requests Received	FY 2006 Funds Available
Demand for Grants		
Local Park Grants	\$7.1	\$.39
Natural & Scenic Grants	1.6	.975
Regional Park Grants	4.5	.82

	FY 2007 Requests Received	FY 2007 Funds Available
Demand for Grants		
Local Park Grants	\$8.9	\$.29
Natural & Scenic Grants	2.6	.93
Regional Park Grants	8.9	1.65

Results of Grant

FY 2006

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: REC & LOCAL INITIATIVE GRANTS

Narrative

Investments	Projects Funded	Results
Local Park Grants	9	17 acres of new parkland in one park and outdoor recreation facilities in nine parks
Natural & Scenic Grants	3	110 acres of natural & scenic areas acquired (woods, prairie, bluff land, wetlands, endangered species, scenic vistas)
Regional Park Grants	2	285 acres acquired in a city environmental learning center and a county regional park (prairie, woods, marsh, hills)

Activity Funding

For the current biennium, about 84% of the funding for the grant program budget activity is provided from the Minnesota Environment and Natural Resources Trust Fund, 13% of funding is from the federal Land and Water Conservation Fund (LWCF) and state (LWCF) account appropriations, and 3% is Lottery in-Lieu of sales tax from the natural resources fund. This activity also administers local grants funded through state bonding appropriations. In 2005 and 2006 those appropriations totaled \$3 million.

Contact

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NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: REC & LOCAL INITIATIVE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	7,363	7,499	0	0	0
Natural Resources	270	270	270	270	540
Statutory Appropriations					
Natural Resources	1,187	990	570	570	1,140
Total	8,820	8,759	840	840	1,680
<u>Expenditures by Category</u>					
Total Compensation	92	96	0	0	0
Other Operating Expenses	6	0	0	0	0
Capital Outlay & Real Property	2	0	0	0	0
Local Assistance	8,720	8,663	840	840	1,680
Total	8,820	8,759	840	840	1,680
Full-Time Equivalents (FTE)	1.0	0.9	0.0	0.0	

NATURAL RESOURCES DEPT

Change Item: Clean Water Legacy

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,630	\$1,630	\$1,630	\$1,630
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,630	\$1,630	\$1,630	\$1,630

Recommendation

The Governor recommends an increased appropriation of \$1.63 million in FY 2008 and \$1.63 million in FY 2009 for the Clean Water Legacy Program. This change item would provide funding so the Department of Natural Resources (DNR) can participate in activities to support the identification of impaired waters and develop plans to address those impairments, as required by the federal Clean Water Act.

Background

The Clean Water Act requires states to achieve and maintain federal water quality requirements by identifying impaired waters, developing total maximum daily loads for pollutants that are causing impairments, and developing and implementing plans to restore impaired waters and prevent waters from becoming impaired. The DNR's role in this effort includes assessment and monitoring of impairments, technical assistance to local government, and shoreline stewardship.

Relationship to Base Budget

The DNR received a one-time appropriation of \$1.63 million in FY 2007 for Clean Water Legacy activities including stream flow monitoring, lake monitoring, acquisition of riparian lands, forest stewardship, and technical assistance to local government.

Key Measures

This change item would enable the DNR to:

- ◆ Increase monitoring of stream flow and biological impairments in lakes;
- ◆ Increase monitoring of mercury levels in fish; and
- ◆ Expand technical assistance to local government.

Alternatives Considered

This is the alternative that best addresses the issues and improvements outlined above to meet DNR's mission responsibilities for both conservation of natural resources and provision of recreational opportunities.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: Ethanol Water Supply Issues

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$858	\$858	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$858	\$858	\$0	\$0

Recommendation

The Governor recommends a one-time appropriation of \$1.76 million in FY 2008-09 to address surface and groundwater issues related to the development and expansion of ethanol production. The Department of Natural Resources (DNR) will explore the use of water use fees to support on-going activities.

Background

DNR is responsible for the development and protection of the state's water resources. Ethanol is a water intensive industry and currently there are multiple proposals for new or expanded production plants, which has greatly increased demands for staff time related to environmental review and resource investigations. Providing a coordinator for internal and external communications (\$100,000), adding groundwater technical expertise (\$330,000), field hydrologist (\$110,000) and an environmental review planner (\$85,000) will expedite decision making. Information on the extent and characteristics of groundwater resources will be obtained by increased testing, analysis and monitoring (\$233,000). The industry has indicated support for additional agency resources to expedite decision making.

Relationship to Base Budget

This is about a 9% increase over the FY 2007 General Fund appropriation level for water supply investigations, studies, and management. This request would provide capacity to the Divisions of Ecological Services and Waters to address water supply and natural resource issues related to ethanol proposals.

Key Measures

With this appropriation, DNR will:

- ◆ Assure water supply technical information is available to guide decisions about ethanol plant development;
- ◆ Increase coordination and communication with project proposers and their consultants to avoid agency delays in environmental review and permitting decisions; and
- ◆ Conduct more analysis and monitoring of aquifers and their potential to sustain large withdrawals.

Alternatives Considered

Without this change level environmental review and permitting decisions would be delayed because of staff time limitations and lack of specific water availability data.

Reassigning staff was not an option because they are committed to other statutory obligations.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: Lands Records Management System

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Natural Resources Fund				
Expenditures	\$375	\$375	\$105	\$105
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	326	326	91	91
Revenues	0	0	0	0
Net Fiscal Impact	\$701	\$701	\$196	\$196

Recommendation

The Governor recommends improving the Department of Natural Resources (DNR) land records management processes and information system to better support the department's natural resources management. The agency's current processes are not sufficient to support new land management challenges effectively and efficiently. This initiative includes a total investment of \$1.6 million per year in FY 2008-09 and \$0.9 million per year in FY 2010-11. The agency is reallocating \$629,000 per year of existing General Fund Resources to provide partial funding for this initiative with \$701,000 per year included in this change item.

Background

The DNR is responsible for the administration and management of more than 5.5 million acres of state-administered land and more than 12 million acres of mineral rights. Consequently, it has a variety of land management processes, including:

- ◆ Acquiring and disposing of ownership interests in land parcels;
- ◆ Acquiring and granting easements;
- ◆ Leasing, licensing, and permitting minerals extraction, timber harvesting, and other commercial and recreational uses of state land;
- ◆ Ensuring it fulfills its fiduciary duties to the School Trust Fund, University Trust Fund, and obligations to other entities for whose benefit the state administers certain public lands;
- ◆ Ensuring accurate calculation and distribution of payments to local government in lieu of property taxes;
- ◆ Ensuring compliance with restrictive covenants on its land parcels; and
- ◆ Analyzing its land holdings to identify and pursue strategies and tactics for retaining and acquiring land that is best suited to its mission and for disposing of rights in land that is not well-suited to its mission.

This initiative will redesign the DNR's land management processes and implement a new land records management information system to support them based on the FY 2007 scoping study recommendations. This investment is designed to put more detailed and updated land information in the hands of resource management decision-makers, local units of government, and the public. It will inform a wide range of operational decision-makers who require detailed land information to ensure the state fulfills its obligations for such things as calculating land-based revenue for deposit into appropriate funds, complying with easements granted to the state, and establishing the locations of trails. To make these decisions, resource managers require ready access to land records that include:

- ◆ Descriptions of property boundary locations;
- ◆ Descriptions of easement locations;
- ◆ Land rights the state owns (and doesn't own);
- ◆ The method by which each parcel was acquired; and
- ◆ Restrictive covenants on deeds and easements.

This initiative will be coordinated with the Office of Enterprise Technology and the Drive to Excellence's Real Property Management initiative to avoid duplication of effort and to identify and plan for appropriate points of integration between state-level and department-level processes and systems.

Relationship to Base Budget

A Land Records Management Scoping Study is underway in FY 2007 to determine the direction and priorities for the development of a new Land Records Management System. The funding necessary for the scoping project is expected to amount to \$160,000 allocated from the DNR budget.

Key Measures

The new Land Records Management System will strengthen the DNR's natural resources management capabilities by providing:

- ◆ Enhanced access to land transaction and management data by utilizing current web based technologies;
- ◆ More digital documents of appropriate land transactions (acquisition, sale, exchange, licenses, easements, etc) made available to resource managers, local units of government, and the public;
- ◆ Enhanced tracking of land transaction status via a browser interface statewide;
- ◆ Reduced time to obtain land transaction or management data by land managers, local units of government, or the public;
- ◆ Correct calculation of monies earned from the sale or extraction of minerals, or timber, and/or issuance of contracts on state owned land for deposit into appropriate funds; and
- ◆ Appropriate interfaces to other statewide systems.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: All-Terrain Vehicle (ATV) Gas Tax

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Highway User Tax Distribution (Transfer Out)	\$315	\$632	\$635	\$637
Natural Resources Fund (Transferred In)	315	632	635	637
Natural Resources Expenditures	315	632	635	637
Net Fiscal Impact	\$315	\$632	\$635	\$637

Recommendation

The Governor recommends increasing the percent of unrefunded gas tax established in M.S. 296A.18, Subd.4 for operation of All-Terrain Vehicle Account (ATV) from 0.15% to 0.27%. This will result in an increase in the amount of unrefunded gas tax transferred to the All-Terrain Vehicle Account established in M.S. 84.927. In addition, it is recommended that M.S. 84.901, Off Highway Vehicle Safety and Conservation Program, be re-established.

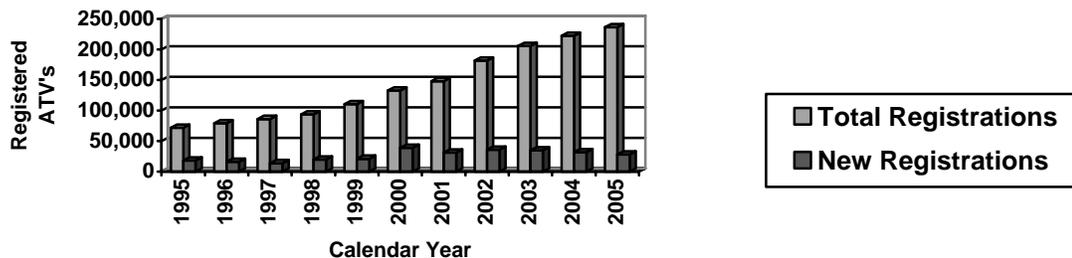
Background

Laws of 2005 first Special Session Chapter 1, Article 2, Section 3, Subd. 6, provided \$75,000 for a study to determine the amount of unrefunded gas tax used by all-terrain vehicle riders in the state, except for riders with vehicles registered for private use. The Minnesota Departments of Natural Resources (DNR), Transportation (Mn/DOT) and Revenue (DOR) jointly oversaw this study, which was subsequently presented to the Minnesota Legislature in March 2006.

The previous ATV gas use study was completed in 1984 when only 19,159 ATVs were registered in the state. Almost 20 years later, in 2005, over 235,000 ATVs were registered. The 1985 ATV gas use study was the basis for establishing in statute that 0.15% of total gas tax revenue relates to ATV operation. Given the significantly increased number of ATVs registered in Minnesota and increased fuel consumption, the updated study concludes that ATV fuel consumption today, as a percent of the total gasoline consumption, is 0.27%.

All-Terrain Vehicle Registrations, 1995-2005¹

Source: MN DNR, T&W, Dec. 2005. Unpublished data. Bureau of Info, Educ & Licensing, St. Paul, MN 55155.



Funds distributed in FY 2008 relate to collections made in 2007. Therefore, collections made from January through June 2007 will be made under the old law (15%). A full year of distributions is reflected in FY 2009.

Relationship to Base Budget

Program expenditures will be focused on high-priority ATV program areas, including: an ATV Trail Off Highway Vehicle Safety and Conservation Program (\$225,000), Minnesota ATV Trails Assistance Program, and State Forest Road maintenance (\$100,000) and Grant-In-Aid Programs (\$325,000). This change item represents a 16% increase in program funds.

Key Measures

With this appropriation the ATV program will establish an Off Highway Vehicle Safety and Conservation Program, and augment both grant-in-aid trail development and state forest road maintenance. The aim is to improve program operation and oversight, while enhancing trail safety and reducing trail-related environmental impacts. Key measures are listed below.

Key measures will be:

- ◆ Establish and operate an Off Highway Vehicle Safety and Conservation Program.
- ◆ Improve maintenance of minimum-maintenance forest roads and county forest roads within state forest boundaries.
- ◆ Increase funding for existing grant-in-aid ATV trail maintenance, and for new trail development, as new trail projects are approved.
- ◆ Ensure compliance with environmental review and protection regulations.
- ◆ Increase assistance and oversight of all new and existing ATV grant-in-aid projects.

Statutory Change: Amend M.S. 296A.18, Sub.4.

NATURAL RESOURCES DEPT

Change Item: Roadside Habitat

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Game and Fish Fund				
Expenditures	\$100	\$100	\$100	\$100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$100	\$100	\$100	\$100

Recommendation

The Governor recommends that the annual appropriation to the Game and Fish Fund be increased by \$100,000 to expand the Roadsides for Wildlife Program:

- ◆ to more intensively convert state, county, and township roads to native prairie habitat;
- ◆ to increase the technical support and number of projects conducted;
- ◆ to reduce spring and summer disturbance;
- ◆ to educate citizens and road authorities about the importance of maintaining remnant prairies;
- ◆ to work closer with the horticulture and landscaping industries to provide quality seed at sufficient quantities to meet demands;
- ◆ to control invasive species using best management practices;
- ◆ to conduct demonstration projects;
- ◆ to coordinate inventory, research, and implementation activities; and
- ◆ to provide assistance to local community-based groups for developing entryway projects. This funding would cover costs associated with staffing, educational materials, research, and some demonstration projects.

Background

The concept of Roadsides for Wildlife has a relatively long history in the state of Minnesota; groundwork was underway as early as the mid-1980's to reduce spring and summer mowing to protect ground nesting birds in roadsides. Now with the rising costs of fuel, reduced maintenance staffs, public pressure to improve water quality and reduce pesticides use, there is growing awareness of the value of using native grasses and wildflowers for roadside vegetation management. The goal of this program is to provide an alternative to typical roadside management practices – including extensive mowing and herbicide application. The benefits of this roadside program will be:

- ◆ Improved grassland habitat for birds, butterflies, and other wildlife;
- ◆ Reduced pollution to streams;
- ◆ Minimized storm water runoff due to more extensive root systems;
- ◆ Improved erosion control after native vegetation has established;
- ◆ Reduced long-term maintenance costs because less fertilizing, mowing and spraying needed;
- ◆ Reduced blowing snow and snow glare in the winter; and
- ◆ More aesthetically pleasing roadside.

To achieve these objectives the Roadsides for Wildlife staff will work cooperatively with Minnesota Department of Transportation (Mn/DOT), county and township road authorities, farmers, universities and colleges, private pesticide applicators and seed producers.

The Roadsides for Wildlife Program can bridge the various authorities that manage the state's natural resources in roadsides. Roadsides often provide recreational opportunities for snowmobile trails, All-Terrain Vehicles (ATV)'s, bike trails, horseback riders, bird watchers, and pedestrians. Many of these groups would appreciate the enhanced prairie restoration and wildlife habitat. With the growing demand for renewable resources, it is possible, that in the future roadsides may be commercially harvested as a cellulosic fuel source.

Other states, including Utah and North Carolina, have similar Department of Natural Resources (DNR) Roadsides for Wildlife programs. Iowa has a broad Integrated Roadside Vegetation Management program that benefits wildlife.

Relationship to Base Budget

This appropriation would increase the DNR-Division of Fish and Wildlife appropriation in FY 2008-11 from the General Fund by \$100,000 per year. The Roadsides for Wildlife program currently receives very limited funding from the Game and Fish Fund. A .25 FTE technician is paid out of the Game and Fish Fund for work on roadsides, and approximately \$20,000 from the Pheasant Habitat Improvement Account provides for cost-share with local road authorities. The legislature approved a one-time appropriation of \$200,000 for the 2006-07 biennium for a Program Coordinator and program implementation.

Key Measures

Establish additional partnerships with road authorities and citizens to enhance Minnesota's roadsides. Enhance public awareness of the importance of roadsides as wildlife habitat.

Reduce Roadside Mowing - A balance between weed control, wildlife habitat, and public perception: The public expects a "cared-for" appearance and mowing the first 8-10 feet is usually sufficient, mowed triangles may be needed at some intersection for safety. Roadside mowing can destroy ground nests. The further along in incubation, the tighter the hen will stick to the nest and not move from an oncoming mower. The most damaging situation is when the hen gets killed. If a hen dies, there is no chance to re-nest. Roadsides provide important corridors and significant habitat in agricultural areas of the state where farming practices disturb nests. Mowing during the nesting season (April 15-July 31) should be done only when necessary for sight distance, noxious weed and wild parsnip control. Mowing for brush control can be done in the fall, preferably on a three-year cycle.

Increase use of Native Prairie Grasses and Wildflowers: Prairie once covered nearly one-half of Minnesota. An objective of the Roadsides for Wildlife Program is to improve the quality of the roadside habitat. Native vegetation, once established, will provide significant environmental benefits, reduced maintenance costs, and long-term cost savings to citizens of Minnesota. Native prairie species are well adapted to Minnesota's climate, they have deep roots that are drought tolerant and resist weed invasion, they absorb high quantities of carbon dioxide, they provide greater biomass per acre than standard roadside seed mixes, they provide excellent wildlife habitat, improve erosion control, minimize storm water runoff, no fertilizers are needed, established prairie plants are long-lived and low-maintenance, and provide travelers with an opportunity to glimpse our vanishing tallgrass prairie landscape.

Reduce Spraying of Herbicides on Roadsides: Spraying for control of weeds shall be limited to those circumstances when it is not practical to mow or otherwise control the noxious weeds. For a safer and healthier roadside environment, restrict herbicide weed application to selective spot spraying two times each growing season. Broadcast spraying will be reduced to special management needs. The focus of weed control on roadsides should be to control reproduction vs. destroy weeds.

Reduce Roadside Haying before July 31: The law does not limit mowing by adjacent private landowners on easement highways. An objective of the program is that private landowners will recognize the value of waiting to harvest the roadsides until after nesting season.

Alternatives Considered

No alternatives considered.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: Operations Support Funding

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the appropriations from the General Fund, Natural Resources Fund, and the Game and Fish Fund used to fund services provided by the Office of Management and Budget Services (OMBS) and the Bureau of Information and Education (I & E) in the Operations Support Program be redirected to the operating divisions. This initiative seeks to raise the awareness of agency program managers and hold them accountable for total program costs. This change item is budget neutral to the General Fund, Natural Resources Fund, and the Game and Fish Fund.

Background

In the past, many of the costs associated with operating natural resource programs have been detached from the operating budget of that specific program. The administrative and technical support services provided by the bureaus to the operating divisions have been reflected as central support costs within the Operations Support Program. The reported costs of specific natural resource programs therefore have not included expenditures for these central support services.

This budget proposal represents the second phase of addressing central support services and costs within the department. The first phase was included in the FY 2006-07 Biennial Budget Request wherein the direct appropriations for the Bureau of Human Resources and the Bureau of Management Resources were redirected to the operating divisions. The budget proposal was approved by the legislature and the department implemented the fee for service business practice for these two bureaus beginning in FY 2006. Under this budget proposal the fee for service practice would be expanded to include the OMBS and I & E.

The table below details the direct appropriations budgeted in FY 2008 to each of these support units:

(\$000s)	General Fund	Natural Resources Fund	Game and Fish Fund
Office of Management and Budget Services	\$2,445	\$204	\$1,130
Information and Education	342	902	670
Total Direct Appropriations	\$2,787	\$1,106	\$1,800

In each of FY 2008-09 the \$2.787 million, \$1.106 million, and \$1.8 million from these three funds would be redistributed to the Department of Natural Resources (DNR) eight operating divisions. The department would develop a set of indices with which to bill the operating divisions for the cost of the central support services. For example, one formula would determine how to distribute business operations funding based on the volume and complexity of financial activities (expenditures, revenues, contracts, etc.) provided by OMBS. Also, a program may be assessed based on the volume and percentage of calls received by the information center or their use of creative services (graphics, etc.) to pay for the information and education services.

Relationship to Base Budget

This change item is budget neutral to the agency and each of the funds noted. The initiative is a redistribution of the direct appropriations that represent the base level funding for these two support units within the Operations Support Program.

Key Measures

Under this budget proposal the direct appropriations that have paid for the centralized support services would be redirected to the operating divisions. The operating divisions would in turn be billed internally for the value of the services provided by OMBS and I & E. The direct link between decisions to incur costs for certain services and the programs to which the services are provided would be established. Also, the department would improve its ability to provide full cost accounting information for natural resource programs, and strengthen fund integrity through fee for service business practices.

Alternatives Considered

In prior budget requests support services have been funded through the Operations Support Program. The weakness of that approach is that the full costs of significant support services remain detached from natural resource program delivery. As a result, both external audiences and agency managers find it more difficult to know the true costs of operating programs. More of the overhead or indirect costs would be captured when reporting on the costs of natural resource program deliver under this approach.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: Maintenance of Service - Non-General Fund

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
Natural Resources Fund				
Expenditures	\$529	\$1,074	\$1,074	\$1,074
Revenues	0	0	0	0
Game and Fish Fund	0	0	0	0
Expenditures	1,855	3,777	3,777	3,777
Revenues	0	0	0	0
Net Fiscal Impact	\$2,384	\$4,851	\$4,851	\$4,851

Recommendation

The Governor recommends \$7.235 million from the Game and Fish Fund and the Natural Resources Fund in FY 2008-09 to allow user fees to finance the increasing costs of supporting resource management projects, protecting fish and wildlife habitat, conducting scientific research on wildlife and plan populations, providing law enforcement activities, assuring effective program administration, and ensuring public participation.

	<u>FY 2008</u>	<u>FY 2009</u>
Natural Resources Fund:		
Nongame Wildlife (185 Fund)	\$29	\$59
State Parks (189 Fund)	199	404
Forest Management Investment (18J Fund)	301	611
Game and Fish Fund:		
Game and Fish Operations (230 Fund)	1,752	3,568
Heritage Enhancement Fund (239 Fund)	<u>103</u>	<u>209</u>
Total	\$2,384	\$4,851

Background

In 2000, fish and wildlife stakeholders supported and the legislature passed hunting and fishing license fee increase to restore and enhance fish and wildlife management programs and services. Those increases in user fees were used in consultation with stakeholders to enhance specific fish and wildlife management programs and services. If this initiative is not approved, it will result in a scaling back of those services, despite the fact that the user fees continue to be collected and to build a balance in these funds that could be used to support program services.

Relationship to Base Budget

Increases for sub-funds within the Natural Resources Fund include 3.25% annual increases in the following funds: Nongame Wildlife (185 Fund), State Parks (189 Fund), Forest Management Investment (18J Fund), the Game and Fish Fund for Game and Fish Operations (230 Fund), and the Heritage Enhancement (239 Fund).

Key Measures

The funds included in this change item would allow the department to maintain almost the same level of effort and seek the outcomes found in *A Strategic Conservation Agenda 2003-07* (June 2006 Update).

Alternatives Considered

Without these appropriations the department would have to reduce services amounting to \$2.384 million in FY 2008 and \$4.851 million in FY 2009. Money is currently available in the unappropriated balances of the Natural Resources Fund and the Game and Fish Fund to sustain these services.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: DNR Budget Reallocation

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends General Fund and Game and Fish Fund appropriations from Department of Natural Resources (DNR) divisions be reallocated to align with key DNR initiatives including Real Estate Management, the Land Records Management System, Forest Recreation, Clean Water Legacy, Conservation Officer Training, and other key initiatives.

Background

- ⇒ **Land Asset Management.** This General Fund reallocation will provide \$635,000 to the Land and Minerals Resource Management division, to provide enhanced real estate services for the management of state-administered lands. The funding will improve productivity, expedite real estate transactions, aid in the protection of strategic natural resource lands, and improve access to land transactions information.
- ⇒ **Land Records Management System.** This General Fund reallocation for the Land Records Management System proposal will provide \$629,000 each year to support the development of the Land Records Management System. The DNR is responsible for the administration and management of more than 5.5 million acres of state-administered land and more than 12 million acres of mineral rights. The Land Records Management System is needed for effective, timely decision-making. We need ready access to boundary locations, easement locations, land rights, the method by which each parcel was acquired, and restrictive covenants on deeds and easements. This funding will support an update of the currently outdated system.

Key Measures: The new Land Records Management System will strengthen the DNR's natural resources management capabilities by providing:

- ◆ Enhanced access to land transaction and management data by utilizing current web based technologies;
 - ◆ More digital documents of appropriate land transactions (acquisition, sale, exchange, licenses, easements, etc) made available to resource managers, local units of government, and the public;
 - ◆ Enhanced tracking of land transaction status via a browser interface statewide;
 - ◆ Reduced time to obtain land transaction or management data by land managers, local units of government, or the public;
 - ◆ Correct calculation of monies earned from the sale or extraction of minerals, or timber, and/or issuance of contracts on state owned land for deposit into appropriate funds; and
 - ◆ Appropriate interfaces to other statewide systems.
- ⇒ **Non-motorized Forest Recreation Trails.** The proposed General Fund funding will provide \$400,000 to support the operation, maintenance, and repair of non-motorized forest trails. This proposal is consistent with the goal to provide a high quality and diverse recreation system.
 - ⇒ **Clean Water Legacy.** The General Fund reallocation portion of the Clean Water Legacy proposal is \$370,000. The primary focus for FY 2008 and FY 2009 is to continue to expand program efforts that meet the state's obligation to monitor and assess state waters every ten years. This assessment identifies waters that do not meet state water quality standards and develops Total Maximum Daily Load (TMDL) plans to determine the pollutant reductions necessary to restore and maintain water quality. Efforts will also be directed at restoring and protecting Minnesota's valuable water resources.

Key Measures:

- ◆ This change item would enable the DNR to:
- ◆ Increase monitoring of stream flow and biological impairments in lakes;

- ◆ Increase monitoring of mercury levels in fish; and
- ◆ Expand technical assistance to local government.

⇒ **Conservation Officer Training.** This General Fund reallocation of \$300,000 will be used to fund and implement an academy to train newly hired conservation officers. The number of conservation officers retiring in the next few years is growing. The DNR is expecting 16 retirements in FY 2007 and FY 2008 alone. This level of funding is essential to maintain the current level of qualified conservation officers in the field.

Key measure: With this appropriation, the Division of Enforcement will maintain officer numbers and continue to provide current levels of game and fish, environmental and recreational enforcement.

⇒ **Interpretative Services.** This General Fund reallocation of \$150,000 will allow Parks and Recreation to recruit a population that is aging, more diverse, and urban with a natural environment. It will also develop and implement strategies for linking youth and technology with outdoor recreation. This funding will allow the department to provide state park Southeast Asian program, provide interpretive interns from diverse backgrounds to attract a broader constituency to state park and recreation areas, and provide seasonal interpretive programming to meet target audiences at parks such as St. Croix, Interstate, and Lake Carlos.

⇒ **Other Initiatives.** This proposal also supports on-going efforts on other DNR initiatives including

- ◆ South Metro Wildlife (\$128,000 Game and Fish Fund);
- ◆ Project Wild (\$40,000 General Fund and \$40,000 Game and Fish Fund);
- ◆ State Wild and Scenic Recreation Rivers (\$75,000 General Fund);
- ◆ Game and Fish Fund Budget Oversight (\$90,000 Game and Fish Fund);
- ◆ Southern Region Planner Position (\$23,000 General Fund);
- ◆ Environmental Review Coordinator (\$100,000 General Fund); and
- ◆ Treaty Cost (\$258,000 General Fund).

Relationship to Base Budget

This change allows the DNR to re-direct resources to areas identified as key priorities for the DNR but, as a whole, has no fiscal impact.

Key Measures

Measures vary depending on the individual initiative being supported. See above.

Alternatives Considered

This is the alternative that best addresses the issues and improvements outlined above to meet DNR's mission responsibilities for both conservation of natural resources and provision of recreational opportunities.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$1,234	\$2,493	\$2,493	\$2,493
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,234	\$2,493	\$2,493	\$2,493

Recommendation

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases. New funding for General Fund activities has been limited in recent years, with the result that agencies have responded to the cost pressures through staff reductions, shifting costs between activities, and program and service reductions.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	5,789	5,380	5,371	5,371	10,742
Natural Resources	39,493	41,260	38,141	39,456	77,597
Game And Fish (operations)	71,698	73,148	68,178	68,825	137,003
Grants:					
Natural Resources	2,213	250	255	250	505
Other Revenues:					
General	501	365	170	170	340
Natural Resources	2,021	2,074	2,007	2,040	4,047
Game And Fish (operations)	1,315	1,457	1,458	1,516	2,974
Other Sources:					
General	33	36	37	37	74
Taxes:					
General	1,944	1,647	1,648	1,648	3,296
Natural Resources	0	0	315	632	947
Highway Users Tax Distribution	0	0	(315)	(632)	(947)
Total Non-Dedicated Receipts	125,007	125,617	117,265	119,313	236,578
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Natural Resources	1,534	1,791	2,057	2,091	4,148
Misc Special Revenue	24,184	22,780	23,040	22,199	45,239
Game And Fish (operations)	3,705	3,375	9,497	9,492	18,989
Miscellaneous Agency	6,236	7,475	8,430	5,530	13,960
Gift	-3	0	0	0	0
Permanent School	21,319	20,782	28,214	24,314	52,528
Grants:					
Natural Resources	1,187	990	570	570	1,140
Federal	15,891	22,440	23,156	21,096	44,252
Other Revenues:					
General	16	8	0	0	0
Natural Resources	553	134	134	135	269
Misc Special Revenue	454	358	357	358	715
Game And Fish (operations)	30	30	30	30	60
Remediation Fund	512	0	0	0	0
Reinvest In Minnesota	191	211	211	211	422
Miscellaneous Agency	22	46	46	46	92
Gift	1,498	1,649	1,505	1,505	3,010
Permanent School	1,185	695	795	695	1,490
Other Sources:					
Misc Special Revenue	208	209	209	209	418
Miscellaneous Agency	22	5	5	5	10
Permanent School	0	1	1	1	2
Total Dedicated Receipts	78,744	82,979	98,257	88,487	186,744
Agency Total Revenue	203,751	208,596	215,522	207,800	423,322

This federal funds summary lists only those programs that anticipate federal revenues from incoming grants and federal cooperative agreements in FY 2008-2009. Programs are listed in biennial budget program order under the primary unit that interfaces with the federal grantor agency. The summary includes anticipated federal revenues to be deposited into the following DNR accounts:

Federal (300 fund) Accounts:

- Federal grant or cooperative agreement revenue directly deposited to a DNR account (whether by advance or reimbursement)
- Federal grant or cooperative agreement revenue passed through another state agency, the University of Minnesota, or other legal entity and deposited to a DNR account, identified by a # before the program name on the chart.

Other Funds per State Statute:

- Federal reimbursements from the U.S. Fish and Wildlife Service under the Federal Aid in Wildlife Restoration and the Federal Aid in Fish Restoration Acts deposited to the Game and Fish Fund per M.S. 16A.68 and 97A.055.
- Federal Land and Water Conservation Fund reimbursements deposited into the state Land and Water Conservation Account in the Natural Resources Fund per M.S. 116P.14 Subd.2.

Benefits

Federal funds are sought and accepted to support the Department's goals and strategies as described in this budget and in this department's strategic plans including the Strategic Conservation Agenda.

Basis for Estimates

Federal funding listed for ongoing programs is a combination of confirmed funding information from current federal awards and future estimates. Future funding estimates are based on information received from current or proposed federal legislation and grantor agencies, and trend analysis of past and current funding. Actual federal funding information is usually not confirmed until well after the start of a federal fiscal year (e.g. federal fiscal year 2008 information may not be available until early winter of 2007 or spring of 2008, halfway through the state fiscal year 2008).

Estimated receipts for programs that sub grant out are listed at a level that enables those programs to encumber for multi-year funding in the first one or two years of the grant period. Thus, the difference between prior actual receipts and estimated receipts might be greater than funding trends dictate. All such sub grant agreements include a clause making funds available contingent upon the actual receipt of federal funds for a given fiscal year.

Related State Spending

Sometimes, when DNR sub grants funds to political subdivisions, community based organizations, or individuals; these sub grantees are required, as terms of the DNR agreement, to provide the required match. If that is the case, match documentation is reviewed and approved by DNR grant management staff. The amount of "related state spending" listed on this report only reflects the actual DNR expenditures reported as "match".

Programs Pending Legislative Approval

Programs that have an asterisk after the federal program name include funds not previously reviewed by the legislature as continuing programs, or through the Legislative Advisory Commission review process.

Changes

The Federal Highway Reauthorization Bill has affected several programs. This includes the programs funded by the Sport Fish Restoration and Boating Trust Fund (formerly the Aquatic Resources Trust Fund). A higher level of fuel tax from motorboats and small engines usage will now be dedicated to Sportfish Restoration, angler and boating access, and boating safety. The following DNR programs are impacted:

- Sport Fish Restoration- an initial increase in federal year 2007 of about 2 million is expected. (Note that program has a maintenance level of effort requirement);
- Boating Safety-a funding increase and improved predictability in funding;
- Boating Infrastructure-expected to continue at current level;
- Clean Vessel-expected to continue at current funding level.

The National Recreational Trails program under The Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy For Users (SAFETEA-LU), has also been re-authorized through September 30, 2010. Although subject to future rescission actions, funding for this program in this state is expected to increase somewhat in the future.

A few continuing programs will see a decline in revenue. The Forest Land Enhancement Program (FLEP) is at the end of its authorization period. Also, because of a change in federal funding methodology we will see a reduction in the Fire Wise Program. The Land and Water Conservation Program (LAWCON) is also nearing the end of its current authorization period and is facing an uncertain future.

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
FEMA DAM SAFETY PROGRAM	0	SO	41	50	75	75
FEMA COMMUNITY ASSISTANCE PROGRAM	97	SO	125	212	170	170
FEMA COOPERATIVE TECHNICAL PARTNERS PROGRAM	0	SO	154	832	1,000	1,000
FEMA MAPS MODERIZATION PROGRAM	0	SO	139	173	200	200
COASTAL ZONE MANAGEMENT	317	GPS	1,911	1,830	2,000	2,000
CFP-VOLUNTEER FIRE ASSISTANCE	100	GPS	188	323	300	300
CFP-STATE FIRE ASSISTANCE	183	SO	436	624	450	450
CFP FIRE WISE	257	GPS	587	1,787	300	300
CFP NCRS	30	SO	5	0	30	30
CONSERVATION EDUCATION	0	SO	13	47	48	15
FOREST STEWARDSHIP	397	GPS	292	483	400	400
FOREST LAND ENHANCEMENT	0	GPS	124	132	93	0
URBAN AND COMMUNITY FORESTRY	373	GPS	248	317	121	121
FOREST LEGACY	924	SO	2,770	1,007	1,000	1,000
FIA	0	SO	357	335	350	350
CRS CONTRIBUTION AGREEMENT	0	SO	24	7	30	30
FOREST HEALTH MGMT-OAK WILT	0	GPS	334	250	300	200
FOREST HEALTH	6	SO	287	146	125	100
CONSERVATION RESERVE SIGN UPS *	611	SO	211	201	476	330
BOATING INFRASTRUCTURE	0	GPS	130	67	100	100
RECREATIONAL TRAILS PROGRAM	0	GPS	1,184	3,565	4,053	2,500
CLEAN VESSEL ACT	0	GPS	24	100	100	100
#EPA CONSOILIDATED PESTICIDE ENFORCEMENT	0	SO	24	26	26	26
#EPA-WETLANDS PROTECTION	0	SO	62	100	100	100

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
EPA-TARGETED WATERSHED GRANT*	0	SO	0	0	500	500
#EPA SUBGRANT FROM WISC. EMAP	0	SO	11	12	140	140
NOAA-COMMERCIAL FISHERIES ASSESSMENT	5	SO	0	24	12	12
NOAA*	0	SO	0	0	86	86
USDA FOREST SERVICE	0	SO	50	30	200	200
USDA APHIS*	0	SO	118	559	550	550
PARK SERVICE*	0	SO	0	0	54	54
USFWS-COOPERATIVE AGREEMENTS	20	SO	100	130	285	175
USFWS-SECTION 6 ENDANGERED SPECIES	35	SO	147	150	150	150
NAWCA-North American Wetlands Conservation Act	0	SO	0	450	1250	1250
USFWS-FISH PASSAGE PROGRAM *	0	SO	0	0	250	250
MULTISTATE AQUATIC RESOURCES INFORMATION SYSTEM (MARIS)	0	SO	25	0	38	38
USFWS-LANDOWNER INCENTIVE PROGRAM	229	SO/GI	504	500	1000	1000
USFWS STATEWIDE WILDLIFE GRANTS	1063	SO	1,003	1,354	1,354	1,354
USGS-MISSISSIPPI RIVER SYSTEM LONG-TERM RESOURCE MONITORING	3	SO	361	400	376	376
HARVEST Information Program (HIP)	0	SO	19	20	20	20
#BULLETPROOF VEST	2	SO	0	2	2	2
#UNDERAGE ACCESS TO ALCOHOL	0	SO	1	2	2	2
RECREATIONAL BOATING SAFETY	4574	SO	2,013	3,900	4,000	4,000
#MASTER NATURALIST	0	SO	8	22	25	25
CAMP RIPLEY ARMY COMPATIBLE USE BUFFER ZONE	0	SO/GPS	1,000	1,000	1,000	1,000
GLNF COOPERATIVE ECO STUDIES	0	SO	0	12	15	15
Subtotal Federal Fund Accounts	9,226		15,030	21,181	23,156	21,096

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2006 Spending	Primary Purpose	SFY 2006 Revenues	SFY 2007 Revenues	Estimated SFY 2008 Revenues	Estimated SFY 2009 Revenues
USFWS Sportfish Restoration	3,333	SO	10,751	12,300	13,100	13,600
USFWS Wildlife Restoration	2,000	SO	7,047	6,800	6,900	7,100
<i>Subtotal Game and Fish Fund Federal Receipts</i>	5,333		17,798	19,100	20,000	20,700
LAWCON -Local Grants	0	GPS/SO	1,187	570	570	570
LAWCON–State Operations	2,213	SO	2,213	250	255	250
<i>Subtotal Natural Resources Fund Federal Receipts</i>	2,213		2,400	820	825	820
Agency Total	16,772		35,228	41,101	43,981	42,616

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 144A.19-144A.28 and Minnesota Rules, Ch. 6400, authorizes the Minnesota *Board of Examiners for Nursing Home Administrators* (BENHA) to act as the official licensure agency for nursing home administrators. It was originally created by federal mandate and currently exists to protect the public's interest through the regulation of nursing home administrators in the state of Minnesota. Regulation is accomplished through licensure examination and renewal as well as by the investigation of complaints.

The mission of the board is to promote the public's interest in quality care and effective services for residents of nursing facilities by ensuring that licensed administrators are qualified to perform their administrative duties.

The Board of Examiners for Nursing Home Administrators has an additional budgetary responsibility serving as the fiscal agent for the *Administrative Services Unit* (ASU). The mission of the ASU is:

- ◆ to provide centralized administrative services to 15 health-related licensing boards, the Emergency Medical Services Regulatory Board (EMSRB), and the Board of Barbers and Cosmetologist Examiners in the areas of budgeting, fiscal analysis, human resources, transaction processing, purchasing and printing services, operations analysis, contracts, information technology, and research and policy analysis.
- ◆ to provide high quality services by having individually trained staff focused on global administrative tasks and cooperative ventures; and
- ◆ to assist in the establishment of a consortium of boards to cooperate on matters of common interest.

Core Functions

The board accomplishes its mission by:

- ◆ setting and administering educational and examination standards for initial and continuing licensure;
- ◆ responding to inquiries, complaints and reports from the public and other health care regulators regarding licensure and conduct of applicants, permit holders, licensees, and unlicensed practitioners;
- ◆ pursuing educational or disciplinary action with licensees as deemed necessary based upon results of investigations conducted; and
- ◆ providing information and education about licensure requirements and procedures and standards of practice to the public and other interested audiences.

Operations

- ⇒ The board is comprised of nine individuals, including four licensed administrators, appointed by the governor.
- ⇒ The departments of Health and Human Services have appointed representatives who serve as ex-officio members.
- ⇒ The board's Education Committee reviews the domain of knowledge and skills required for contemporary administration and sets educational and examination standards. The committee reviews 50 applicants and administers 35 state examinations per year.
- ⇒ The Standards of Practice Committee annually reviews 150 public and agency complaints regarding administrators.
- ⇒ There are seven Minnesota approved Long-Term Care Administration academic programs. Students seeking career information are provided assistance from the board.
- ⇒ The board assists 385 licensed skilled nursing facilities in achieving federal compliance of employing a licensed nursing home administrator.

At A Glance

Biennial Budget – FY 2006-07

Total Estimated Expenses: \$437,000

Total Estimated Revenue: \$388,000

Staff: 2 Full-time equivalent employees

**Minnesota Licensed Nursing Home
Administrator Statistics**
(As of June 30, 2006)

Total Licensed: 840

Key Measures

- ⇒ Currently the board has 82% of its licensees using the online renewal service; a goal of 85% will be pursued in the upcoming biennium.
- ⇒ The processing of a license will occur within 24 hours of the receipt of all licensing requirements. This goal will be maintained in the upcoming biennium.

Budget

BENHA's total direct and indirect expenditures for FY 2006-07 are estimated to be \$437,000, which includes two full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

BENHA is estimated to collect \$388,000 in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

ASU received a direct appropriation from the state government special revenue fund in FY 2006 and FY 2007 of \$418,000 and \$421,000, respectively. The 15 health-related licensing boards, EMSRB, and Barbers and Cosmetologist share the cost of this activity. ASU is funded by receipts from all boards through a formula designed to approximate the share of ASU services used by each board. The boards collect revenue through fees charged to licensees, applicants, and other users and deposit them into the state government special revenue fund to cover the expenses of ASU. EMSRB and Barbers and Cosmetologist pay for their services through an interagency agreement.

Contact

Minnesota Board of Examiners for Nursing Home Administrators
2829 University Avenue Southeast, Suite 440
Minneapolis, Minnesota 55414

The web site at: <http://www.benha.state.mn.us> gives visitors easy access to useful information about nursing home administrators. Types of information available through the web site include; regulatory news and updates, rules and Minnesota statues, public notices and forms.

Randy Snyder, Executive Director
E-mail: Randy.Snyder@state.mn.us
Phone: (651) 201-2730
Fax: (612) 617-2125
TTY: (800) 627-3529

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	666	619	619	619	1,238
Recommended	666	619	633	647	1,280
Change		0	14	28	42
% Biennial Change from 2006-07					-0.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	603	695	633	647	1,280
Open Appropriations					
State Government Spec Revenue	12	3	10	10	20
Statutory Appropriations					
Misc Special Revenue	84	142	190	200	390
Total	699	840	833	857	1,690
<u>Expenditures by Category</u>					
Total Compensation	465	551	616	656	1,272
Other Operating Expenses	234	289	217	201	418
Total	699	840	833	857	1,690
<u>Expenditures by Program</u>					
Nursing Home Admin, Board Of	699	840	833	857	1,690
Total	699	840	833	857	1,690
Full-Time Equivalent (FTE)	7.6	8.6	9.0	9.0	

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	619	619	619	1,238
Subtotal - Forecast Base	619	619	619	1,238
Change Items				
Compensation Adjustment	0	14	28	42
Total Governor's Recommendations	619	633	647	1,280
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	3	10	10	20
Total Governor's Recommendations	3	10	10	20
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	142	190	200	390
Total Governor's Recommendations	142	190	200	390

NURSING HOME ADMIN BOARD

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	14	28	28	28
Revenues	0	0	0	0
Net Fiscal Impact	\$14	\$28	\$28	\$28

Recommendation

The Governor recommends additional funding of \$14,000 in FY 2008 and \$28,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

NURSING HOME ADMIN BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	193	198	198	191	389
Other Revenues:					
State Government Spec Revenue	(2)	0	0	0	0
Total Non-Dedicated Receipts	191	198	198	191	389
<u>Dedicated Receipts:</u>					
Other Revenues:					
Misc Special Revenue	0	0	138	138	276
Total Dedicated Receipts	0	0	138	138	276
Agency Total Revenue	191	198	336	329	665

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↻ Designates that this item is a change item

Agency Purpose

Minnesota Statutes 148.171-148.285 authorizes the Board of Nursing to regulate nursing practice for the purpose of public protection.

The board’s mission is to protect the public’s health and safety by providing reasonable assurance that the individuals who practice nursing in Minnesota are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

The board’s activities are guided by the following principles:

- ⇒ Responsibility for public safety will be fulfilled with respect for due process and adherence to laws and rules.
- ⇒ Customer services will be delivered in a respectful, responsive, timely, communicative, and nondiscriminatory manner.
- ⇒ Government services will be accessible, purposeful, responsible, and secure.
- ⇒ Business functions will be delivered with efficiency, accountability, innovation, maximization of technology, and a willingness to collaborate.

Core Functions

- ⇒ **Credentialing Services:** The Board of Nursing regulates approximately 73,000 registered nurses, 23,000 licensed practical nurses, 4,000 advanced practice registered nurses, 11,000 public health nurses, 600 border state registry nurses, 100 nursing registered firms and 1,000 DEA verifications.
- ⇒ **Education Services:** The board approves and monitors 60 nursing education programs to assure graduates are competent to enter the workforce, monitors program graduation pass/fail rates on national nurse licensure examination, and facilitates innovative approaches to address nursing workforce and nursing faculty shortages. Annually, nursing education programs confirm approximately 2,300 graduations using the board’s online services.
- ⇒ **Nursing Practice Standards:** The board promotes standards of safe nursing practice by interpreting the laws and rules related to nursing practice for nurses, employers, and educators. The board participates in nursing practice forums with nursing organizations and other state agencies to establish nursing performance guidelines so that employers and consumers can make informed decisions regarding the performance of nursing services. On an annual basis, the board responds to approximately 500 data queries regarding nurses for disaster preparedness, workforce, and education planning; answers 65,000 telephone calls and e-mails regarding licensure and nursing practice information; and presents 50 speeches regarding nursing practice, education, and credentialing.

Operations

- ⇒ The Board of Nursing is comprised of eight registered nurses, four licensed practical nurses, and four public members appointed by the governor. The board makes governance and policy decisions related to the regulation of nurse credentialing, practice, and education. Administrative management and services of the organization are delegated to the executive director and staff.
- ⇒ The board interacts with and provides services to applicants, licensees, educational institutions, attorneys, other state agencies, and health-related licensing boards; national and federal information systems; and a national nurse licensure examination test service.
- ⇒ The board disseminates information by publishing a newsletter; maintaining a web site; participating in statewide initiatives on nursing practice, education, and patient safety; and making public presentations and speeches.

At A Glance

Biennial Budget – FY 2006-07

Total Estimated Expenses: \$8.883 million

- ◆ \$375,000 for the nurses loan forgiveness program
- ◆ \$1.26 million for the long-term, home and community-based care employee scholarship program

Total Estimated Revenue: \$9.036 million

Staff: 28.6 Full-time equivalent employees

**Minnesota Board of Nursing
License Statistics
(As of June 30, 2006)**

Total Licensed: 96,000

Key Measures

- ⇒ The board is a state and national leader for envisioning and implementing all licensure services online. Utilization of online services increased by 8% from FY 2005 to FY 2006, bringing the total licensure services conducted online to 75%.
- ⇒ 83% of nurses renew their license online, 97% of Minnesota nursing education programs validate graduation online, 96% of graduates of Minnesota nursing education programs apply for licensure online, and 90% of verifications of nurse licensure status are conducted online.
- ⇒ Business process re-engineering and technology have been utilized to reduce the use of paper by 75% and postage costs by 50% since 2004.
- ⇒ Licenses are issued within 24 hours of an applicant meeting all requirements.
- ⇒ The number of nursing education programs increased by 14% since 2004.

Budget

Total direct and indirect expenditures for FY 2006-07 are estimated to be \$8.833 million, which includes 28.60 full-time equivalent employees. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professionals Services Program, Department of Health HIV/HBV/HCV program, Office of Mental Health Program, and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$9.036 million in FY 2006-07, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants and licensees.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	3,078	3,631	3,631	3,631	7,262
Recommended	3,078	3,631	3,985	4,146	8,131
Change		0	354	515	869
% Biennial Change from 2006-07					21.2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	2,016	3,110	3,985	4,146	8,131
Open Appropriations					
State Government Spec Revenue	38	26	34	34	68
Statutory Appropriations					
Misc Special Revenue	5	0	0	0	0
Total	2,059	3,136	4,019	4,180	8,199
<u>Expenditures by Category</u>					
Total Compensation	1,539	2,039	2,529	2,697	5,226
Other Operating Expenses	520	1,097	560	553	1,113
Transfers	0	0	930	930	1,860
Total	2,059	3,136	4,019	4,180	8,199
<u>Expenditures by Program</u>					
Nursing, Board Of	2,059	3,136	4,019	4,180	8,199
Total	2,059	3,136	4,019	4,180	8,199
Full-Time Equivalent (FTE)	24.0	28.1	33.0	33.0	

NURSING BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	3,631	3,631	3,631	7,262
Technical Adjustments				
Current Law Base Change		141	216	357
Transfers Between Agencies		(200)	(200)	(400)
Subtotal - Forecast Base	3,631	3,572	3,647	7,219
Change Items				
Additional Staff to Address Workload	0	347	364	711
Compensation Adjustment	0	66	135	201
Total Governor's Recommendations	3,631	3,985	4,146	8,131
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	26	34	34	68
Total Governor's Recommendations	26	34	34	68

NURSING BOARD

Change Item: Additional Staff to Address Workload

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	347	364	364	364
Revenues	0	0	0	0
Net Fiscal Impact	\$347	\$364	\$364	\$364

Recommendation

The Governor recommends an increase to the Board of Nursing's annual appropriation by \$347,000 in FY 2008 and \$364,000 in FY 2009 to hire additional staff. The additional resources would enable the board to hire five additional employees to appropriately respond to the rising number of complaints received by the board and to properly evaluate the nursing education programs in the state.

Background

Since FY 2002 the number of complaints received by the board has increased 28%. Additionally, the complaints are more complex in nature and take longer to resolve. Each case manager manages approximately 190 active investigations with limited support staff, which decreases their ability to process complaint activities in a timely manner. The backlog of cases continues to increase despite the implementation of an automated discipline case management system. The table below shows the number of new, closed, and open complaints at the end of each fiscal year.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
New Complaints	944	973	1,113	1,198	1,320
Closed Complaints	937	805	979	975	1,029
Open Complaints	470	672	680	729	914

The nursing shortage has created an increased demand for nursing educational programs. The board has seen a dramatic increase in school approval requests, which increases the number of nursing education programs the board must monitor. In the last four years, 12 new nursing education programs have been approved, a 20 percent increase. There are an additional ten programs pending approval at this time. Due to limited resources, the review, licensing, and auditing of educational programs is carried out by one employee.

Relationship to Base Budget

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. Direct expenditures include salaries, rent, and other operating expenditures. The board receives a direct appropriation for these costs from the state government special revenue fund. Indirect expenditures include costs for services received from the Attorney General's Office, and costs to fund the Health Professionals Services Program and the Administrative Services Unit.

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$7.899 million. The board is estimated to collect \$8.678 million in FY 2008-09 from fees charged to applicants and licensees, which is deposited as non-dedicated revenue into the state government special revenue fund.

Key Measures

The additional resources will assist the board in meeting the following key measures:

- ◆ review and approve licenses in a timely manner;
- ◆ promptly investigate complaints and resolve investigations; and
- ◆ protect the citizens by identifying and disciplining impaired practitioners.

Statutory Change: Not Applicable

NURSING BOARD

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Govt Special Rev Fund				
Expenditures	66	135	135	135
Revenues	0	0	0	0
Net Fiscal Impact	\$66	\$135	\$135	\$135

Recommendation

The Governor recommends additional funding of \$66,000 in FY 2008 and \$135,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for General Fund personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the 0.25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

Statutory Change: Not Applicable

NURSING BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	4,765	4,338	4,338	4,338	8,676
Other Revenues:					
State Government Spec Revenue	(80)	1	1	1	2
Total Non-Dedicated Receipts	4,685	4,339	4,339	4,339	8,678
<u>Dedicated Receipts:</u>					
Other Revenues:					
Misc Special Revenue	5	0	0	0	0
Total Dedicated Receipts	5	0	0	0	0
Agency Total Revenue	4,690	4,339	4,339	4,339	8,678