

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<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	67,792	73,467	141,259
Gift	35	157	0	0	0
Total	362,307	552,109	476,313	478,536	954,849
<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	199,177	205,595	404,772
Transfers	0	(5,050)	(6,881)	(6,881)	(13,762)
Total	362,307	552,109	476,313	478,536	954,849

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<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	134,869	137,797	272,666
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	476,313	478,536	954,849
Full-Time Equivalent (FTE)	1,296.4	1,277.3	1,271.1	1,270.7	

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

			<i>Dollars in Thousands</i>		Biennium 2008-09
	Current FY2006	FY2007	Governor Recomm. FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
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
<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	66,670	72,345	139,015
Gift	4	44	0	0	0
Total	56,520	186,194	134,869	137,797	272,666

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Program Summary

	<i>Dollars in Thousands</i>				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<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	98,723	102,143	200,866
Transfers	0	(4,850)	(4,850)	(4,850)	(9,700)
Total	56,520	186,194	134,869	137,797	272,666
<u>Expenditures by Activity</u>					
Compliance Monitoring	23,779	28,605	25,565	25,622	51,187
Health Policy	32,741	157,589	109,304	112,175	221,479
Total	56,520	186,194	134,869	137,797	272,666
Full-Time Equivalents (FTE)	279.0	285.5	293.1	293.1	

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	\$77	\$289	\$354
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	\$791	\$13,537	\$33,886	\$42,241
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	\$9,607	\$18,546	\$39,310	\$49,494

Recommendation

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

Background

Although Minnesota has been ranked the healthiest state in the nation, and the state has the lowest un-insurance rates in the country, over 70,000 Minnesota children are without health insurance. A recent study by Prevention's National Center for Health Statistics¹ found that children who are without health insurance for all or even part of a year are significantly less likely than insured children to have a regular source of health care, a medical home, or to receive any health care during the year. 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.

Despite 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.

¹ Prevention's National Center for Health Statistics 2003 National Survey of Children's Health (NSCH).

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.
- ⇒ 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 are estimated to provide public health care program coverage to over 15,000 additional children. These changes require federal approval of either a revision to the MinnesotaCare waiver or a Medicaid state plan amendment. The budget estimates do not assume federal matching payments for the MinnesotaCare private market (MinnesotaCare II) option. The state would pursue federal participation for MinnesotaCare II expenditures, but implementation would not be contingent upon federal approval.

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 (MA) eligibility for infants under age two to 305 percent of FPG.

Both eligibility expansions would be effective January 1, 2009. This would expand MinnesotaCare to cover children in families with annual income up to \$60,084 for a family of four. MA eligibility would expand to cover infants under age two in families with annual income up to \$61,207 for a family of four. The proposed eligibility expansions are linked; the MA infant income limit must remain higher than the MinnesotaCare income limit in 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.

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.

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 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 applicants and enrollees with choosing a health plan to provide their MinnesotaCare benefits. The MnHIE would also assist MinnesotaCare II enrollees in choosing among their coverage options. Eligible applicants who don't need or want assistance would still be able to have the ability to simply pay the MinnesotaCare premium to the MnHIE and gain coverage under MinnesotaCare as they do currently.

Create an alternative to current MinnesotaCare coverage (MinnesotaCare Classic); a private market insurance subsidy option, MinnesotaCare II 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 private market insurance products. These products will include benefit design elements that focus on prevention, outcomes, and healthy behaviors. The model benchmark benefit package would be established by the MnHIE, in consultation with the Commissioners of Human Services and Commerce. 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: Adults and families with children under age 21 enrolled in MinnesotaCare Classic would receive a \$3 monthly premium deduction for each child who met goals for

HEALTH DEPT

PROGRAM: POLICY QUALITY & COMPLIANCE

Change Item: Healthy Connections

preventive care or an adult who met goals for cardiac or diabetes care in the previous year (maximum \$15 monthly deduction per family). The premium discount incentive would be administered by the Minnesota Health Insurance Exchange (MnHIE). The MnHIE 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

This proposal will impact approximately 58,000 Minnesotans. Of that number, approximately 23,000 currently uninsured will gain coverage through the MNHIE private market resources, expansion of Section 125 plans, or MinnesotaCare. The remaining approximately 35,000 Minnesotans impacted are currently insured, but will benefit from expanded insurance choices, tax benefits and lower premiums.

In 2006 approximately 129,000 enrollees per month received coverage under MinnesotaCare. This proposal will increase MinnesotaCare average monthly enrollment by approximately 15,500 children and 1,200 adults. 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.

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

Activity: HEALTH POLICY

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	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	66,670	72,345	139,015
Gift	4	44	0	0	0
Total	32,741	157,589	109,304	112,175	221,479
<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	98,723	102,143	200,866
Transfers	0	(4,850)	(4,850)	(4,850)	(9,700)
Total	32,741	157,589	109,304	112,175	221,479
Full-Time Equivalents (FTE)	74.7	81.6	86.2	86.2	

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➤ Designates that this item is a change item

HUMAN SERVICES DEPT

Agency Overview

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	4,174,797	4,577,115	4,925,022	9,502,137
Change		(25,224)	377,094	725,001	1,102,095
% Biennial Change from 2006-07					16.7%
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	312,856	417,753	446,034	863,787
Change		(53,981)	50,916	79,197	130,113
% Biennial Change from 2006-07					44.8%
Federal Tanf					
Current Appropriation	273,355	303,905	303,905	303,905	607,810
Recommended	273,355	279,156	275,409	269,082	544,491
Change		(24,749)	(28,496)	(34,823)	(63,319)
% Biennial Change from 2006-07					-1.5%
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	4,115,565	4,577,115	4,925,023	9,502,138
State Government Spec Revenue	519	549	545	555	1,100
Health Care Access	271,775	308,722	417,753	446,034	863,787
Federal Tanf	270,760	290,144	275,409	269,082	544,491
Lottery Cash Flow	1,383	1,704	1,459	1,462	2,921
Statutory Appropriations					
General	55,664	38,938	37,496	37,542	75,038
Health Care Access	20,670	18,705	18,634	16,765	35,399
Misc Special Revenue	284,311	331,328	159,224	156,040	315,264
Federal	3,833,429	4,089,652	4,414,642	4,687,159	9,101,801
Miscellaneous Agency	621,732	832,511	829,668	829,445	1,659,113
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	10,141,346	10,845,469	11,482,631	22,328,100

HUMAN SERVICES DEPT

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Category</u>					
Total Compensation	412,475	475,464	465,497	467,368	932,865
Other Operating Expenses	311,309	398,815	350,653	343,104	693,757
Capital Outlay & Real Property	531	77	77	77	154
Payments To Individuals	7,017,005	7,570,271	8,304,257	8,963,722	17,267,979
Local Assistance	873,963	1,043,400	1,070,967	1,050,373	2,121,340
Other Financial Transactions	623,857	653,319	652,702	652,479	1,305,181
Transfers	0	0	1,316	5,508	6,824
Total	9,239,140	10,141,346	10,845,469	11,482,631	22,328,100
<u>Expenditures by Program</u>					
Agency Management	64,736	73,522	71,847	72,117	143,964
Revenue & Pass Through Expend	1,014,233	1,312,406	1,315,431	1,308,148	2,623,579
Children & Economic Assist Gr	1,105,089	1,207,862	1,290,833	1,298,578	2,589,411
Children & Economic Asst Mgmt	88,220	105,323	102,657	100,626	203,283
Health Care Grants	3,615,552	3,860,528	4,333,114	4,748,626	9,081,740
Health Care Management	78,385	102,876	87,846	83,753	171,599
Continuing Care Grants	2,900,049	3,020,652	3,216,209	3,442,415	6,658,624
Continuing Care Management	31,377	42,790	38,696	38,530	77,226
State Operated Services	341,499	415,387	388,836	389,838	778,674
Total	9,239,140	10,141,346	10,845,469	11,482,631	22,328,100
Full-Time Equivalents (FTE)	6,559.5	7,128.0	6,967.3	6,831.3	

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
February Forecast Adjustment	(5,446)	41,786	49,121	90,907
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	4,174,797	4,501,351	4,814,141	9,315,492
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	909	1,124	2,033
MFIP Time Limit and Program Violations	0	(17)	(100)	(117)
Child Care Assistance Program	0	1,524	2,177	3,701
Adoption Asst and Relative Custody Asst	0	3,005	5,991	8,996
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
Healthy Connections	0	0	77	77
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	6,416	5,643	12,059
Admin Funding for Citizen Documentation	0	697	447	1,144
Long-Term Care Payment Adjustment	0	22,178	69,769	91,947
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	1,853	6,755	8,608
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
Disproportionate Share Hospitals	0	24,629	26,502	51,131
Total Governor's Recommendations	4,174,797	4,577,115	4,925,022	9,502,137
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
February Forecast Adjustment	(20,774)	(38,986)	(36,959)	(75,945)
November Forecast Adjustment	(33,207)	(20,467)	(28,079)	(48,546)

HUMAN SERVICES DEPT

Change Summary

	<i>Dollars in Thousands</i>			
	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Subtotal - Forecast Base	312,856	404,057	400,228	804,285
Change Items				
Immigration Status Validation at Recert	0	41	36	77
Healthy Connections	0	791	13,536	14,327
Extension of Critical Access Dental	0	(1,803)	(106)	(1,909)
Admin Funding for Citizen Documentation	0	41	41	82
Mental Health Initiatives	0	13,088	30,370	43,458
HIV/AIDS Insurance Program Funding	0	1,150	1,150	2,300
Compensation Adjustment	0	388	779	1,167
Total Governor's Recommendations	312,856	417,753	446,034	863,787
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)
February Forecast Adjustment	(4,088)	(2,199)	(2,368)	(4,567)
November Forecast Adjustment	(20,661)	(18,816)	(20,842)	(39,658)
Subtotal - Forecast Base	279,156	234,146	234,242	468,388
Change Items				
MFIP Federal Compliance	0	1,263	2,140	3,403
TANF Refinancing	0	40,000	32,700	72,700
Total Governor's Recommendations	279,156	275,409	269,082	544,491
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	38,938	65,429	75,320	140,749
Change Items				
Disproportionate Share Hospitals	0	(27,933)	(37,778)	(65,711)
Total Governor's Recommendations	38,938	37,496	37,542	75,038
Fund: HEALTH CARE ACCESS				
Planned Statutory Spending	18,705	19,427	19,480	38,907
Change Items				
Healthy Connections	0	(793)	(2,715)	(3,508)
Total Governor's Recommendations	18,705	18,634	16,765	35,399
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

HUMAN SERVICES DEPT

Change Summary

	<i>Dollars in Thousands</i>			
	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Total Governor's Recommendations	331,328	159,224	156,040	315,264
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	4,089,652	4,374,263	4,653,237	9,027,500
Change Items				
MFIP Federal Compliance	0	379	1,222	1,601
TANF Refinancing	0	40,000	32,700	72,700
Total Governor's Recommendations	4,089,652	4,414,642	4,687,159	9,101,801
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	832,511	829,668	829,445	1,659,113
Total Governor's Recommendations	832,511	829,668	829,445	1,659,113
<i>Fund: GIFT</i>				
Planned Statutory Spending	40	36	36	72
Total Governor's Recommendations	40	36	36	72
<i>Fund: ENDOWMENT</i>				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
<i>Fund: REVENUE BASED STATE OPER SERV</i>				
Planned Statutory Spending	77,443	77,443	77,443	154,886
Total Governor's Recommendations	77,443	77,443	77,443	154,886
<i>Fund: MN NEUROREHAB HOSPITAL BRAINER</i>				
Planned Statutory Spending	17,470	17,470	17,470	34,940
Total Governor's Recommendations	17,470	17,470	17,470	34,940
<i>Fund: DHS CHEMICAL DEPENDENCY SERVS</i>				
Planned Statutory Spending	18,574	18,574	18,574	37,148
Total Governor's Recommendations	18,574	18,574	18,574	37,148
<u>Revenue Change Items</u>				
<i>Fund: GENERAL</i>				
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
Disproportionate Share Hospitals	0	8,312	0	8,312
<i>Fund: HEALTH CARE ACCESS</i>				
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

HUMAN SERVICES DEPT

Change Summary

Dollars in Thousands

	FY2007	Governor's Recomm.		Biennium 2008-09
		FY2008	FY2009	
Mental Health Initiatives	0	69	641	710
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	379	1,222	1,601
TANF Refinancing	0	40,000	32,700	72,700

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
February Forecast Adjustment		1,543	833	972	1,805
November Forecast Adjustment		12,284	10,099	11,753	21,852
Subtotal - Forecast Base	34,204	52,820	61,445	61,440	122,885
Governor's Recommendations					
MFIP For Legal Non-Citizens Continuation		0	572	571	1,143
MFIP Time Limit and Program Violations		0	(17)	(100)	(117)
Total	34,204	52,820	62,000	61,911	123,911
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)
February Forecast Adjustment		(4,407)	(2,623)	(2,691)	(5,314)
November Forecast Adjustment		(20,292)	(18,341)	(20,407)	(38,748)
Subtotal - Forecast Base	109,355	82,221	73,587	73,295	146,882
Governor's Recommendations					
MFIP Federal Compliance		0	(66)	(732)	(798)
Total	109,355	82,221	73,521	72,563	146,084
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	33,869	52,820	62,000	61,911	123,911
Federal Tanf	105,310	82,221	73,521	72,563	146,084
Statutory Appropriations					
General	3,869	4,555	4,444	4,444	8,888
Federal	117,093	115,011	116,699	118,194	234,893
Miscellaneous Agency	14,483	13,525	13,096	13,042	26,138
Total	274,624	268,132	269,760	270,154	539,914
<u>Expenditures by Category</u>					
Other Operating Expenses	(49)	0	0	0	0
Payments To Individuals	254,506	249,481	251,681	252,141	503,822
Local Assistance	4,967	4,871	4,839	4,827	9,666
Other Financial Transactions	15,200	13,780	13,240	13,186	26,426
Total	274,624	268,132	269,760	270,154	539,914

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	1,263	2,140	2,666	2,680
Revenues	0	0	0	0
Net Fiscal Impact	\$1,424	\$2,228	\$2,754	\$2,768

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 under 10 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.

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GRANTS

Change Item: MFIP Federal Compliance

⇒ **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 \$264,000 in 2008, \$3.049 million in 2009, \$3.767 million in 2010, and \$3.764 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 \$795,000 in 2008, \$1,058,000 in 2009, \$1,053,000 in 2010, and \$1,052,000 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 \$ 8.328 million in 2008, \$11.1 million in 2009, \$11.023 million in 2010, and \$11.013 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 \$9.387 million in 2008, \$15.183 million in 2009, \$15.843 million in FY 2010 and \$15.829 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 10-1-2007, 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	(100)	(243)	(243)	(243)
315	15	MFIP Child Care Assistance Grants- Employment Grants – Transfer to CCDF	379	1,222	1,230	1,244
300	REV	Child Care Development Fund – TR From TANF	(379)	(1,222)	(1,230)	(1,244)
300	22	Child Care Development Fund	379	1,222	1,230	1,244
315	20	MFIP/DWP Grants – Shorten Sanction Period	0	(34)	(89)	(89)
315	20	MFIP/DWP Grants – Require Employment Plan	0	(571)	0-	0
315	20	MFIP/DWP Grants – Lift ESL Hourly Restrictions	34	116	118	118
100	35	Children & Econ Assistance Admin-TANF Quality Assurance	166	146	146	146
100	REV1	FFP	(66)	(58)	(58)	(58)
100	36	Children & Econ Assistance Operations- Shorten Sanction Period	25	0	0	0
100	36	Children & Econ Assistance Operations- Require Employment Plan	19	0	0	0
100	36	Children & Econ Assistance Operations- Move cases to State non-MOE funding	17	0	0	0
315		Net Fund Impact	\$1,263	\$2,140	\$2,666	\$2,680
100		Net Fund Impact	\$161	\$88	\$88	\$88
		Net All Fund Impact	\$1,424	\$2,228	2,754	2,768
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 Time Limit and Program Violations

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$(17)	\$(100)	\$(123)	\$(122)
Net Fiscal Impact	\$(17)	\$(100)	\$(123)	\$(122)

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 35 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 10-1-07, 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 35 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	\$(17)	\$(100)	\$(123)	\$(122)
100		Net Fund Impact	\$(17)	\$(100)	\$(123)	\$(122)
		Net All Fund Impact	\$(17)	\$(100)	\$(123)	\$(122)

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
February Forecast Adjustment		(1,739)	(959)	(1,022)	(1,981)
November Forecast Adjustment		(2,994)	2,309	501	2,810
Subtotal - Forecast Base	49,944	31,635	74,029	71,632	145,661
Governor's Recommendations					
MFIP For Legal Non-Citizens Continuation		0	337	553	890
Child Care Assistance Program		0	850	1,485	2,335
TANF Refinancing		0	(40,000)	(32,700)	(72,700)
Total	49,944	31,635	35,216	40,970	76,186
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	31,635	35,216	40,970	76,186
Statutory Appropriations					
Federal	48,409	78,482	83,670	77,213	160,883
Total	98,353	110,117	118,886	118,183	237,069
<u>Expenditures by Category</u>					
Payments To Individuals	14,476	13,500	14,850	12,979	27,829
Local Assistance	83,877	96,617	104,036	105,204	209,240
Total	98,353	110,117	118,886	118,183	237,069

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	\$1,524	\$2,177	\$2,634	\$2,678
Revenues	122	78	78	78
Net Fiscal Impact	\$1,402	\$2,099	\$2,556	\$2,600

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	\$(79)	\$(82)	\$(86)
100	22	MFIP Child Care Assistance Grants – Adjust Entry Level to 250% of FPG	0	424	851	859
100	22	MFIP Child Care Assistance Grants – Incentives for Service Providers	850	1,140	1,162	1,189
100	23	BSF Child Care Assistance Grants – Incentives for Service Providers	370	498	509	522
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	\$1,402	\$2,099	\$2,556	\$2,600
		Net All Fund Impact	\$1,402	\$2,099	\$2,556	\$2,600
FTEs Requested						
100	35	Children & Economic Assistance Admin – Incentives for Service Providers	1	1	1	1

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: CHILDREN'S SERVICES GRANTS

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	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	2,584	5,618	8,202
Long-Term Care Payment Adjustment		0	53	169	222
Mental Health Initiatives		0	1,873	4,341	6,214
Total	40,527	47,308	55,772	61,390	117,162
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	55,772	61,390	117,162
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	122,136	137,343	259,479
<u>Expenditures by Category</u>					
Other Operating Expenses	411	125	(941)	(1,489)	(2,430)
Payments To Individuals	38,963	43,475	47,835	51,868	99,703
Local Assistance	53,533	74,869	75,242	86,964	162,206
Total	92,907	118,469	122,136	137,343	259,479

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	\$3,005	\$5,991	\$5,991	\$5,991
Revenues	168	149	149	149
Net Fiscal Impact	\$2,837	\$5,842	\$5,842	\$5,842

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 12%. 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	\$1,160	\$1,248	\$1,248	\$1,248
100	26	Children's Services Grants – Payment Adjust	408	432	432	432
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	2,572	5,017	5,017	5,017
100	26	Relative Custody Assistance Grants - Estimates	(1,578)	(1,101)	(1,101)	(1,101)
100		Net Fund Impact	\$2,837	\$5,842	\$5,842	\$5,842
		Net All Fund Impact	\$2,837	\$5,842	\$5,842	\$5,842
FTEs Requested						
100	35	Children & Economic Assistance Admin	5	5	5	5

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
February Forecast Adjustment		(118)	(9)	(9)	(18)
November Forecast Adjustment		1,199	1,661	1,790	3,451
Subtotal - Forecast Base	33,363	36,185	37,876	38,253	76,129
Total	33,363	36,185	37,876	38,253	76,129
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	31,292	36,185	37,876	38,253	76,129
Statutory Appropriations					
General	1,749	2,000	2,000	2,000	4,000
Total	33,041	38,185	39,876	40,253	80,129
 <u>Expenditures by Category</u>					
Other Operating Expenses	719	0	0	0	0
Payments To Individuals	32,322	37,685	39,376	39,753	79,129
Local Assistance	0	500	500	500	1,000
Total	33,041	38,185	39,876	40,253	80,129

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
February Forecast Adjustment		106	37	(17)	20
November Forecast Adjustment		(1,204)	(1,731)	(2,216)	(3,947)
Subtotal - Forecast Base	30,030	30,254	30,505	30,812	61,317
Total	30,030	30,254	30,505	30,812	61,317
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	29,948	30,254	30,505	30,812	61,317
Statutory Appropriations					
General	351	600	600	600	1,200
Total	30,299	30,854	31,105	31,412	62,517
<u>Expenditures by Category</u>					
Other Operating Expenses	14	0	0	0	0
Payments To Individuals	30,285	30,854	31,105	31,412	62,517
Total	30,299	30,854	31,105	31,412	62,517

HUMAN SERVICES DEPT

Program: CHILDREN & ECONOMIC ASSIST GR

Activity: GROUP RESIDENTIAL HOUSING GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<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
February Forecast Adjustment		(2,015)	(1,313)	(1,334)	(2,647)
November Forecast Adjustment		(3,840)	(4,753)	(5,713)	(10,466)
Subtotal - Forecast Base	80,307	83,275	89,774	96,023	185,797
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	298	900	1,198
Total	80,307	83,275	90,072	96,923	186,995
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	74,622	82,965	90,072	96,923	186,995
Statutory Appropriations					
General	1,264	1,400	1,400	1,400	2,800
Total	75,886	84,365	91,472	98,323	189,795
<u>Expenditures by Category</u>					
Other Operating Expenses	228	0	298	900	1,198
Payments To Individuals	75,658	84,365	91,174	97,423	188,597
Total	75,886	84,365	91,472	98,323	189,795

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 families w/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 \$22,000. 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	\$22	\$22	\$22
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

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
February Forecast Adjustment		(10,550)	24,412	33,262	57,674
Fund Changes/consolidation			150	150	300
November Forecast Adjustment		28,142	3,006	2,330	5,336
Subtotal - Forecast Base	1,687,564	1,827,517	1,975,253	2,197,360	4,172,613
Governor's Recommendations					
Healthy Connections		0	0	77	77
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	6,416	5,643	12,059
Long-Term Care Payment Adjustment		0	1,470	4,746	6,216
Mental Health Initiatives		0	(2,454)	(2,233)	(4,687)
Services For Deaf & Hard of Hearing		0	46	46	92
HIV/AIDS Insurance Program Funding		0	0	0	0
Disproportionate Share Hospitals		0	24,629	26,502	51,131
Total	1,687,564	1,827,517	2,006,797	2,233,417	4,240,214
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
February Forecast Adjustment		(20,774)	(38,986)	(36,959)	(75,945)
November Forecast Adjustment		(33,207)	(20,467)	(28,079)	(48,546)
Subtotal - Forecast Base	255,212	282,524	374,499	373,350	747,849
Governor's Recommendations					
Healthy Connections		0	291	11,989	12,280
Extension of Critical Access Dental		0	(1,803)	(106)	(1,909)
Mental Health Initiatives		0	1,091	3,459	4,550
Total	255,212	282,524	374,078	388,692	762,770
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,669,959	1,820,362	2,006,797	2,233,417	4,240,214
Health Care Access	251,614	278,992	374,078	388,692	762,770
Statutory Appropriations					
General	45,516	28,864	27,258	27,021	54,279
Health Care Access	20,670	18,705	18,634	16,765	35,399
Misc Special Revenue	18,461	27,075	75	75	150
Federal	1,609,332	1,686,530	1,906,272	2,082,656	3,988,928
Total	3,615,552	3,860,528	4,333,114	4,748,626	9,081,740

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Category</u>					
Other Operating Expenses	311	475	475	475	950
Payments To Individuals	3,595,092	3,839,872	4,311,591	4,723,960	9,035,551
Local Assistance	20,149	20,181	23,650	25,121	48,771
Transfers	0	0	(2,602)	(930)	(3,532)
Total	3,615,552	3,860,528	4,333,114	4,748,626	9,081,740
<u>Expenditures by Activity</u>					
Minnesotacare Grants	438,484	445,616	544,920	532,542	1,077,462
Ma Basic Health Care Grant-F&C	1,344,632	1,487,882	1,708,443	1,934,033	3,642,476
Ma Basic Health Care Grant-E&D	1,513,525	1,621,014	1,840,114	2,030,187	3,870,301
Gamc Grants	288,785	277,167	238,878	251,105	489,983
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	3,860,528	4,333,114	4,748,626	9,081,740

HUMAN SERVICES DEPT

Change Item: Health Care Enrollment Transfer

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	0	0	0	0
Revenues	\$2,600	\$41,300	\$64,500	\$30,500
Health Care Access Fund				
Expenditures	0	0	0	0
Transfers	\$2,600	\$41,300	\$64,500	\$30,500
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends transferring \$43.9 million in the FY 2008-09 biennium and \$143 million in the FY 2010-11 biennium from the health care access fund (HCAF) to the general fund (GF) to offset the cost of the shift of MinnesotaCare recipients to Medical Assistance (MA) with the implementation of HealthMatch. The Governor further recommends adjusting the end of year HCAF balance transfer in FY 2011.

Background

Generally, the state share of the Medical Assistance (MA) program is funded from the GF and the state share of the MinnesotaCare program is funded from the HCAF. There are people enrolled in MinnesotaCare whose income and assets are low enough to qualify for the MA program.

The Department is developing HealthMatch, an automated eligibility determination system for Minnesota's publicly funded health care programs. Once HealthMatch is implemented, applicants who qualify for MA without a spenddown will be automatically enrolled in that program (although they can switch to MinnesotaCare if they choose) because the cost sharing is lower and the benefit set, in some cases, is more comprehensive. This is expected to shift eligibility from MinnesotaCare to MA for a significant number of families with children, resulting in a shift in costs from the HCAF to the GF.

The February 2007 forecast estimates the effect to be an increase in MA costs of \$44 million in the FY 2008-09 biennium and \$143 million in FY 2010-11 biennium. A similar savings is assumed in the MinnesotaCare forecast.

The February 2007 forecast estimates a HCAF balance of \$270 million by the end of FY 2009 and over \$531 million by the end of FY 2011. Included in the fund balance estimate is a current law transfer which authorizes the transfer of any HCAF balances at the end of the fiscal year to be transferred to the GF. This transfer is capped at \$96 million per biennium.

Proposal. This proposal would align resources with expected enrollment changes by transferring \$43.9 million in the FY 2008-09 biennium and \$143 million in the 2010-11 biennium from the HCAF to the GF. The current law end-of-year HCAF balance transfer would be suspended in FY 2011. This enrollment shift transfer would be adjusted in subsequent budget forecasts to reflect any adjustments to the estimated costs of this shift until HealthMatch has been fully implemented (i.e., all MinnesotaCare cases have been converted to the HealthMatch system). At that time, prospective transfers will be adjusted to reflect the cost of this enrollment shift. To the extent necessary, the end-of-year HCAF balance transfer and the enrollment shift transfer will be adjusted to allow for a positive HCAF fund balance.

Relationship to Base Budget

This proposal would increase transfers from the HCAF from \$96 million a biennium to \$139 million in the FY 2008-09 biennium and \$191 million in the FY 2010-11 biennium.

Statutory Change: 16A.724

HUMAN SERVICES DEPT

Change Item: Health Care Enrollment Transfer

Fiscal Detail

Budget Tracking: (in thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
190	TR	Transfer from HCAF to GF	\$2,600	\$41,300	\$64,500	\$78,500
100	REV2	Transfer from HCAF to GF	(\$2,600)	(\$41,300)	(\$64,500)	(\$78,500)
190	TR	End of Year Balance Transfer from HCAF to GF				(\$48,000)
100	REV2	End of Year Balance Transfer from HCAF to GF				\$48,000
		Total HCAF	\$2,600	\$41,300	\$64,500	\$30,500
		Total GF	(\$2,600)	(\$41,300)	(\$64,500)	(\$30,500)
		Net All Fund Impact	\$0	\$0	\$0	\$0

HUMAN SERVICES DEPT

Change Item: Disproportionate Share Hospitals

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	24,629	26,502	0	0
Revenues	36,245	37,778	33,510	34,569
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	(11,616)	(11,276)	(33,510)	(34,569)

Recommendation

The Governor recommends using a methodology for claiming federal Medicaid disproportionate share hospital (DSH) match that is predominately based on the state's General Assistance Medical Care (GAMC) expenditures in order to maximize federal funds in the most streamlined and reliable manner. The Governor further recommends that most hospital payment rate increases that are contingent upon receipt of DSH match in FY 2008-09 be eliminated.

Background

Since the early 1980s, Minnesota has made an increasing Medical Assistance (MA) payment adjustment –known as a disproportionate population adjustment (DPA)-- to hospitals that serve a disproportionate share of low-income or uninsured patients. In 1988, Federal law began to require that states make such a payment, referred to at the federal level as a disproportionate share hospital (DSH) payment adjustment. As DSH payments in many states grew significantly in the 1990s, Congress limited the amount of Medicaid DSH payments each state could make by establishing state-specific DSH allotments.

For the FY 2006-07 biennium, current law requires that in addition to the traditional DPA payments, the Department claim federal Medicaid DSH match on all GAMC payments made by the state to hospitals, both in fee-for-service and in managed care. This federal Medicaid match is treated as non-dedicated revenue to the general fund. This DSH claiming methodology will sunset at the end of the FY 2006-07 biennium.

For the FY 2008-09 biennium, current law requires that the Department claim federal Medicaid DSH match on any expenditures made by Hennepin County, Hennepin County Medical Center, Ramsey County, Regions Hospital, the University of Minnesota and the University of Minnesota Medical Center, known as certified public expenditures (CPEs). This federal Medicaid match is dedicated to the Medical Assistance (MA) program account (1) to offset the state cost of what would otherwise be a 4% reduction to inpatient hospital payments, and (2) contingent upon the availability of additional federal DSH revenue, to increase payment rates for hospitals in the amount of 13%, 10% and 4% depending on the hospital's location and Medicaid utilization. This claiming methodology and the contingent payment rate increase sunset at the end of the FY 2008-09 biennium.

On January 18, 2007, the federal Centers for Medicare and Medicaid Services (CMS) issued a notice of proposed rulemaking that would limit states' ability to certify local government expenditures as the non-federal share of the Medicaid program. The only hospital listed above that is expected to qualify to certify public expenditures under this proposed rule would be Hennepin County Medical Center. This would significantly reduce the state's ability to fully draw down the state's federal Medicaid DSH allotment.

Proposal. Effective July 1, 2007, this proposal would substitute the following DSH claiming methodology for the methodology that is currently in law for FY 2008-09. The hierarchy for claiming federal Medicaid DSH match would be:

- (1) Traditional DPA payments
- (2) GAMC fee-for-service expenditures for hospital services
- (3) GAMC managed care payments for hospital services

HUMAN SERVICES DEPT

Change Item: Disproportionate Share Hospitals

(4) Public expenditures certified by Hennepin County for Hennepin County Medical Center.

The proposal would extend this methodology to continue beyond the FY 2008-09 biennium. Federal Medicaid DSH match would continue to be treated as non-dedicated revenue to the general fund as opposed to revenue dedicated to the MA account.

In addition, for FY 2008-09, the proposal would retain the payment to Hennepin County Medical Center that is contingent upon a CPE DSH claim, but would adjust the payment to equal the lesser of the CPE claim or the amount of DSH match available based on the hierarchy above. The remaining hospital rate increases that are contingent upon receipt of DSH under the FY 2008-09 methodology would be stricken.

Relationship to Base Budget

This proposal would reduce inpatient payments by 2% in FY 2008 and 4.7% in FY 2009. The reduction is a one-time reduction for the FY 2008-09 biennium.

Statutory Change: Minnesota Statutes, section 256.969, subd. 9, paragraph (f), and subd. 27, and section 256B.199

Budget Tracking: (in thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
100	41	MA Basic Health Care F&C – Increase Appropriation - Undedicated DSH Revenue	27,933	37,778	0	0
		Reduce Dedicated MA Revenue	27,933	37,778	0	0
		Reduce Dedicated MA Expenditures	(27,933)	(37,778)	0	0
100	41	MA Basic HC Grants F&C – Net hospital payments	(8,655)	(16,683)	0	0
100	REV	GAMC DSH Non-Dedicated Revenue to GF	(30,894)	(32,371)	(33,510)	(34,569)
100	REV	CPE DSH Non-Dedicated Revenue to GF	(5,351)	(5,407)	0	0
100	42	MA Basic HC Grants E&D – Hospital payment	5,351	5,407	0	0
100		Net Fund Impact	(11,616)	(11,276)	(33,510)	(34,569)
		Net All Fund Impact	(11,616)	(11,276)	(33,510)	(34,569)
FTEs Requested						

Preliminary Proposal

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 that the Department of Human Services (DHS) be granted authority to mitigate the potential negative impact on the state budget that may result from the promulgation of anticipated federal Medicaid regulations. Contingent upon promulgation of such regulations, DHS would be authorized to require cost reports from government providers, limit annual payments to government providers to costs. In addition, the Department would be authorized to discontinue intergovernmental transfers (IGTs) or certified public expenditures (CPEs) that do not qualify for federal Medicaid match.

Background

The federal Centers for Medicare and Medicaid Services (CMS) published a proposed regulation on 1-18-07 that, if promulgated as final regulation, would affect certain areas of Medicaid payment in Minnesota and would add to the administrative burden of participating in Medicaid for some government providers, counties and DHS.

The proposed regulation, if finalized in accordance with CMS' current plans, would be effective 9-1-07. There are four main themes to the proposal.

First, it narrows the definition of a public entity or public provider for purposes of determining who can participate in the non-federal share of a Medicaid expenditure through intergovernmental transfers (IGTs) and certified public expenditures (CPEs). Under the new rule, an IGT or CPE must be made by a unit of government with taxing authority, by a health care provider with taxing authority or by a provider if the unit of government with taxing authority is obligated by law to fund the providers' liabilities.

Second, where a unit of government certifies a public expenditure, that expenditure must be in accordance with a cost-based interim and final Medicaid payment rate supported by cost reporting.

Third, for all providers¹ that meet the new definition of a unit of government, Medicaid payments must be limited to cost, which requires cost reporting and verification. This includes outpatient providers.

Finally, all providers are required to retain the full amount of a Medicaid payment in order for the full payment to be matched with federal funds. "Retain" is not defined.

Public comments are due on March 19, 2007. CMS is then required to review the public comments, decide whether to make revisions based on the public comment and publish a final regulation.

There are many unanswered questions at this point as to which providers would be affected, which of Minnesota's CPEs and IGTs would need to be restructured if any, and for the non-institutional providers, what methods of cost reporting and verification would suffice, and what the fiscal impact would be on the state and providers. Many of these questions may not be answered until the final regulation is published. Because CMS' stated intent is an

¹ Managed care organizations, facilities of the Indian Health Service, and Tribal 638 facilities are the only providers that are exempt from this requirement.

HUMAN SERVICES DEPT

Change Item: Payments to Public Providers

effective date of 9-1-07, it is likely that implementation could occur after the 2007 legislative session and before the 2008 session.

Proposal. Contingent upon the promulgation of federal regulations, this proposal would authorize the department to:

- Require providers that are units of government to report cost, in a format determined by the Department.
- Limit annual payments to each Medicaid provider that is a governmental unit to their Medicaid cost.
- Revise current law to ensure that all existing transfers and certifications are contingent on the availability of federal funding.

Relationship to Base Budget

The full fiscal effect of the federal regulations will not be clear until final regulations have been promulgated, but may impact revenues to the General Fund, the level of appropriation to the Medical Assistance program, and the rate of payment to government providers.

Alternatives Considered

The alternative to adopting this proposal would be to wait until after a regulation has been promulgated. If such a regulation is promulgated with an effective date prior to the 2008 legislative session, the state could incur costs for which federal Medicaid match is currently assumed, but for which match is not available under the regulation.

Statutory Change: Chapter 256B.

Budget Tracking: (in thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
		Net Fund Impact	0	0	0	0
		Net All Fund Impact	0	0	0	0
FTEs Requested						

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
February Forecast Adjustment		(20,774)	(38,986)	(36,959)	(75,945)
November Forecast Adjustment		(33,207)	(20,467)	(28,079)	(48,546)
Subtotal - Forecast Base	255,212	278,992	372,827	373,350	746,177
Governor's Recommendations					
Healthy Connections		0	291	11,989	12,280
Extension of Critical Access Dental		0	(131)	(106)	(237)
Mental Health Initiatives		0	1,091	3,459	4,550
Total	255,212	278,992	374,078	388,692	762,770
<u>Expenditures by Fund</u>					
Direct Appropriations					
Health Care Access	251,614	278,992	374,078	388,692	762,770
Statutory Appropriations					
Health Care Access	20,670	18,705	18,634	16,765	35,399
Federal	166,200	147,919	152,208	127,085	279,293
Total	438,484	445,616	544,920	532,542	1,077,462
<u>Expenditures by Category</u>					
Payments To Individuals	438,484	445,616	544,920	532,542	1,077,462
Total	438,484	445,616	544,920	532,542	1,077,462

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	\$77	\$289	\$354
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	\$791	\$13,537	\$33,886	\$42,241
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	\$9,607	\$18,546	\$39,310	\$49,494

Recommendation

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

Background

Although Minnesota has been ranked the healthiest state in the nation, and the state has the lowest un-insurance rates in the country, over 70,000 Minnesota children are without health insurance. A recent study by Prevention's National Center for Health Statistics¹ found that children who are without health insurance for all or even part of a year are significantly less likely than insured children to have a regular source of health care, a medical home, or to receive any health care during the year. 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.

Despite 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.

¹ Prevention's National Center for Health Statistics 2003 National Survey of Children's Health (NSCH).

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.

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- ⇒ 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 are estimated to provide public health care program coverage to over 15,000 additional children. These changes require federal approval of either a revision to the MinnesotaCare waiver or a Medicaid state plan amendment. The budget estimates do not assume federal matching payments for the MinnesotaCare private market (MinnesotaCare II) option. The state would pursue federal participation for MinnesotaCare II expenditures, but implementation would not be contingent upon federal approval.

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 (MA) eligibility for infants under age two to 305 percent of FPG.

Both eligibility expansions would be effective January 1, 2009. This would expand MinnesotaCare to cover children in families with annual income up to \$60,084 for a family of four. MA eligibility would expand to cover infants under age two in families with annual income up to \$61,207 for a family of four. The proposed eligibility expansions are linked; the MA infant income limit must remain higher than the MinnesotaCare income limit in 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

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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 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.

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 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 applicants and enrollees with choosing a health plan to provide their MinnesotaCare benefits. The MnHIE would also assist MinnesotaCare II enrollees in choosing among their coverage options. Eligible applicants who don't need or want assistance would still be able to have the ability to simply pay the MinnesotaCare premium to the MnHIE and gain coverage under MinnesotaCare as they do currently.

Create an alternative to current MinnesotaCare coverage (MinnesotaCare Classic); a private market insurance subsidy option, MinnesotaCare II 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 private market insurance products. These products will include benefit design elements that focus on prevention, outcomes, and healthy behaviors. The model benchmark benefit package would be established by the MnHIE, in consultation with the Commissioners of Human Services and Commerce. 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.

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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: Adults and families with children under age 21 enrolled in MinnesotaCare Classic would receive a \$3 monthly premium deduction for each child who met goals for preventive care or an adult who met goals for cardiac or diabetes care in the previous year (maximum \$15 monthly deduction per family). The premium discount incentive would be administered by the Minnesota Health Insurance Exchange (MnHIE). The MnHIE 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

This proposal will impact approximately 58,000 Minnesotans. Of that number, approximately 23,000 currently uninsured will gain coverage through the MNHIE private market resources, expansion of Section 125 plans, or MinnesotaCare. The remaining approximately 35,000 Minnesotans impacted are currently insured, but will benefit from expanded insurance choices, tax benefits and lower premiums.

In 2006 approximately 129,000 enrollees per month received coverage under MinnesotaCare. This proposal will increase MinnesotaCare average monthly enrollment by approximately 15,500 children and 1,200 adults. 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.

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- ◆ 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.

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

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	\$10,744	\$28,645	\$36,716
190	40	QCare Incentives	0	12	157	358
190	40	MnCare – Repeal 8% premium	291	1,233	2,005	2,165
100	41	MA Families Basic Care – Infant Eligibility to 305%	0	77	289	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	87	0	0
190	REV1	Administrative FFP	(134)	(518)	(1,165)	(1,201)
100		Net Fund Impact	0	77	289	354
190		Net Fund Impact	657	13,019	32,721	41,040
		All Fund Impact	\$657	\$13,095	\$33,009	\$41,394
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

HUMAN SERVICES DEPT

Program: HEALTH CARE GRANTS

Activity: MA BASIC HEALTH CARE GRANT-F&C

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<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
February Forecast Adjustment		4,700	24,550	35,201	59,751
November Forecast Adjustment		11,029	(18,666)	(26,012)	(44,678)
Subtotal - Forecast Base	579,056	658,835	740,986	845,482	1,586,468
Governor's Recommendations					
Healthy Connections		0	0	77	77
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	2,815	2,849
Disproportionate Share Hospitals		0	19,278	21,095	40,373
Total	579,056	658,835	761,004	870,312	1,631,316
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
Governor's Recommendations					
Extension of Critical Access Dental		0	(1,672)	0	(1,672)
Total	0	3,532	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	586,471	662,367	761,004	870,312	1,631,316
Statutory Appropriations					
General	45,516	28,864	27,258	27,021	54,279
Federal	712,645	796,651	920,181	1,036,700	1,956,881
Total	1,344,632	1,487,882	1,708,443	1,934,033	3,642,476
<u>Expenditures by Category</u>					
Payments To Individuals	1,327,906	1,468,139	1,689,697	1,912,505	3,602,202
Local Assistance	16,726	19,743	21,348	22,458	43,806
Transfers	0	0	(2,602)	(930)	(3,532)
Total	1,344,632	1,487,882	1,708,443	1,934,033	3,642,476

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
February Forecast Adjustment		(14,194)	(15,408)	(15,035)	(30,443)
November Forecast Adjustment		9,654	13,306	17,686	30,992
Subtotal - Forecast Base	805,697	891,456	996,172	1,103,866	2,100,038
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	6,416	5,643	12,059
Long-Term Care Payment Adjustment		0	1,462	4,719	6,181
Mental Health Initiatives		0	(3,402)	(8,253)	(11,655)
Services For Deaf & Hard of Hearing		0	40	40	80
Disproportionate Share Hospitals		0	5,351	5,407	10,758
Total	805,697	891,456	1,006,706	1,111,791	2,118,497
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	783,365	879,529	1,006,706	1,111,791	2,118,497
Statutory Appropriations					
Federal	730,160	741,485	833,408	918,396	1,751,804
Total	1,513,525	1,621,014	1,840,114	2,030,187	3,870,301
<u>Expenditures by Category</u>					
Payments To Individuals	1,513,525	1,620,785	1,838,021	2,027,733	3,865,754
Local Assistance	0	229	2,093	2,454	4,547
Total	1,513,525	1,621,014	1,840,114	2,030,187	3,870,301

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)
February Forecast Adjustment		(1,056)	15,270	13,096	28,366
November Forecast Adjustment		7,459	8,366	10,656	19,022
Subtotal - Forecast Base	290,961	277,167	237,886	247,803	485,689
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	914	3,205	4,119
Services For Deaf & Hard of Hearing		0	6	6	12
Total	290,961	277,167	238,878	251,105	489,983
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	288,785	277,167	238,878	251,105	489,983
Total	288,785	277,167	238,878	251,105	489,983
<u>Expenditures by Category</u>					
Payments To Individuals	288,785	277,167	238,878	251,105	489,983
Total	288,785	277,167	238,878	251,105	489,983

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. DHS is 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. 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. This proposal would provide administrative funding for required for citizenship and identity documentation, including obtaining Minnesota and out-of-state birth records, for federally matched health care programs administered by DHS. This proposal also would fund the development of a data matching system for Minnesota birth records. Counties and DHS will have access to this data matching system.

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						

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
February Forecast Adjustment		7,327	18,785	17,269	36,054
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	1,544,602	1,645,228	1,738,539	3,383,767
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	20,156	63,247	83,403
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	2,434	4,647	7,081
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	1,544,602	1,668,051	1,808,334	3,476,385
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	6,060	8,560
HIV/AIDS Insurance Program Funding		0	1,150	1,150	2,300
Total	0	750	4,400	7,960	12,360
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	1,431,624	1,484,214	1,668,051	1,808,334	3,476,385
Health Care Access	0	750	4,400	7,960	12,360
Lottery Cash Flow	1,235	1,556	1,308	1,308	2,616
Statutory Appropriations					
General	2,915	1,502	1,778	2,061	3,839
Misc Special Revenue	109,172	116,799	44,345	46,296	90,641
Federal	1,355,103	1,415,831	1,496,327	1,576,456	3,072,783
Total	2,900,049	3,020,652	3,216,209	3,442,415	6,658,624

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>Expenditures by Category</u>					
Other Operating Expenses	671	1,034	816	925	1,741
Payments To Individuals	2,766,238	2,876,710	3,077,520	3,293,457	6,370,977
Local Assistance	133,140	142,908	136,826	144,466	281,292
Transfers	0	0	1,047	3,567	4,614
Total	2,900,049	3,020,652	3,216,209	3,442,415	6,658,624
<u>Expenditures by Activity</u>					
Aging And Adult Services Gr	35,562	35,039	34,750	35,108	69,858
Altlnative Care Grants	43,516	30,150	35,538	42,207	77,745
Ma Ltc Facilities Grants	1,034,873	1,024,774	1,027,198	1,018,456	2,045,654
Ma Ltc Waivers & Home Care Gr	1,578,914	1,706,160	1,894,614	2,103,212	3,997,826
Adult Mental Health Grants	60,441	66,048	67,712	74,039	141,751
Deaf & Hard Of Hearing Grants	1,706	1,715	2,124	2,552	4,676
Cd Entitlement Grants	105,153	108,203	118,168	130,232	248,400
Cd Non-Entitlement Grants	12,452	13,479	13,465	13,265	26,730
Other Continuing Care Grants	27,432	35,084	22,640	23,344	45,984
Total	2,900,049	3,020,652	3,216,209	3,442,415	6,658,624

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	410	1,488	1,898
Total	58,278	47,613	49,858	51,758	101,616
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	40,601	28,648	33,760	40,146	73,906
Statutory Appropriations					
General	2,915	1,502	1,778	2,061	3,839
Total	43,516	30,150	35,538	42,207	77,745
<u>Expenditures by Category</u>					
Payments To Individuals	43,516	30,150	35,538	42,207	77,745
Total	43,516	30,150	35,538	42,207	77,745

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)
February Forecast Adjustment		4,458	7,197	5,136	12,333
November Forecast Adjustment		(19,486)	(7,413)	3,054	(4,359)
Subtotal - Forecast Base	501,185	485,993	487,072	482,024	969,096
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	6,742	17,106	23,848
Elderly Waiver Assisted Living Coverage		0	0	200	200
Total	501,185	485,993	493,814	499,330	993,144
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	509,346	504,958	509,912	510,942	1,020,854
Statutory Appropriations					
Federal	525,527	519,816	517,286	507,514	1,024,800
Total	1,034,873	1,024,774	1,027,198	1,018,456	2,045,654
<u>Expenditures by Category</u>					
Payments To Individuals	1,034,873	1,024,774	1,027,198	1,018,456	2,045,654
Total	1,034,873	1,024,774	1,027,198	1,018,456	2,045,654

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	\$22,178	\$69,769	\$82,304	\$86,786
Revenues	0	0	0	0
Net Fiscal Impact	\$22,178	\$69,769	\$82,304	\$86,786

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	\$10,924	\$37,670	\$44,469	\$47,990
100	72	MA LTC Facilities	\$6,742	\$17,106	\$19,899	\$19,759
100	42	MA Basic Health Care E & D	\$1,462	\$4,719	\$6,307	\$6,989
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	\$410	\$1,488	\$1,850	\$2,007
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	\$928	\$1,048	\$1,086
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	\$1,047	\$3,567	\$4,089	\$4,311
100		Net Fund Impact	\$22,178	\$69,769	\$82,304	\$86,786
		Net All Fund Impact	\$22,178	\$69,769	\$82,304	\$86,786
FTEs Requested						
		N/A				

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Activity: MA LTC WAIVERS & HOME CARE GR

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<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
February Forecast Adjustment		3,587	12,234	12,832	25,066
November Forecast Adjustment		(24,264)	(32,390)	(39,437)	(71,827)
Subtotal - Forecast Base	809,879	862,119	946,333	1,037,184	1,983,517
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	10,924	37,670	48,594
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	862,119	958,251	1,076,928	2,035,179
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	789,457	853,080	958,251	1,076,928	2,035,179
Statutory Appropriations					
Federal	789,457	853,080	936,363	1,026,284	1,962,647
Total	1,578,914	1,706,160	1,894,614	2,103,212	3,997,826
<u>Expenditures by Category</u>					
Payments To Individuals	1,578,914	1,706,160	1,894,614	2,103,212	3,997,826
Total	1,578,914	1,706,160	1,894,614	2,103,212	3,997,826

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	2,434	4,647	7,081
Total	46,731	47,516	56,354	59,129	115,483
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	6,060	8,560
Total	0	750	3,250	6,810	10,060
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	56,354	59,129	115,483
Health Care Access	0	750	3,250	6,810	10,060
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	67,712	74,039	141,751
<u>Expenditures by Category</u>					
Other Operating Expenses	193	381	219	219	438
Local Assistance	60,248	65,667	67,493	73,820	141,313
Total	60,441	66,048	67,712	74,039	141,751

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	\$1,853	\$6,755	\$7,304	\$7,807
Revenues	2,288	6,320	7,304	7,807
Health Care Access Fund				
Expenditures	13,088	30,370	34,788	34,816
Revenues	69	(1,103)	(2,120)	(2,623)
Net Fiscal Impact	\$12,584	\$31,908	\$36,908	\$37,439

Recommendation

The Governor recommends adoption of a number of measures totaling \$44.492 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

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

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 \$1.064 million in FY 2008, \$4.789 million in FY 2009, \$4.781 million in FY 2010, and \$5.061 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 dialectical behavioral therapy, a time-intensive approach for people with borderline personality disorder. 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 \$528,000 in FY 2009 and \$1.101 million in FY 2010 and FY 2011 are requested to implement the intensive mental health outpatient treatment benefit.

⇒ ***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 local 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, local 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 local projects would be limited to creating preferred integrated care networks available to no more than 40% of the state's eligible population.

Within each project's geographic area, the enrollment of persons with SED and SPMI will be phased in as the "preferred integrated networks" (PINs) develop the capacity to meet their needs. Medical Assistance eligibles currently on fee-for service with an SED or SPMI will be preferentially enrolled in the preferred integrated network with the following exceptions:

- Persons who meet eligibility criteria for home and community-based waiver services for the developmentally disabled will remain in fee-for-service Medical Assistance;
- Persons eligible for exclusion from PMAP under Minnesota Statutes section 256B.69, Subd. 4. for reasons independent of their mental illness (such as children on adoption assistance status) may remain in fee-for service medical assistance;
- Persons who do not wish to enroll in a preferred integrated network may elect to enroll in another available pre-paid health plan in their area;

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Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

- Persons eligible for Medical Assistance because of their disability status or who are SPMI may elect prior to enrollment to remain in fee-for service and, if enrolled in a network, may request to return to fee-for-service at any time, and;
- In areas that have a preferred integrated network, non-disabled children with SED will be required to choose either a PIN or another available pre-paid plan.

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 \$208,000 is realized. Implementation of this section requires 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 \$361,000 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) providers when they provide the services which were included in the 2006 rate increase. Also the rate increase 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 \$380,000 in FY 2008, \$1.97 million in FY 2009, and \$3.010 million in FY 2010 and \$3.013 million in 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.

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 \$60,000 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 unnecessary admissions to regional treatment centers and to 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

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

maximize revenues from both public and private coverage. Funding would be used to develop the infrastructure for all populations and cover non-billable time and 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.

- ◆ *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 children's mental health and family service 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.*

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

This proposal is intended to complement a proposal from the Housing Finance Agency to increase the state's "Bridges" 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 can be addressed through 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.

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

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	FY2010	FY2011
Gen	26	Balance of CMH-TCM transfer grants	\$1,873	\$4,757	\$2,842	\$2,842
Gen	41	MH-TCM and Rule 5 to PMAP	\$0	\$2,448	\$5,138	\$5,391
Gen	42	MA Basic HC E&D - repeal TCM Grants	(\$3,740)	(\$11,528)	(\$11,528)	(\$11,528)
Gen	42	Add MH-TCM to Program IM	\$0	\$167	\$321	\$257
Gen	43	Add MH-TCM & Adult MH Rehab	\$910	\$3,166	\$4,454	\$4,557
Gen	74	Balance of AMH-TCM Transfer Grants	<u>\$934</u>	<u>\$2,344</u>	<u>(\$941)</u>	<u>(\$941)</u>
		Subtotal General Fund	(\$23)	\$1,354	\$286	\$578

HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

HCAF	40	Add MH-TCM and Rule 5 for children	\$0	\$158	\$332	\$349
HCAF	40	Add MH-TCM for adults	\$0	\$638	\$1,544	\$1,586
HCAF	40	Add MH rehab services for adults	\$1,014	\$2,470	\$2,412	\$2,382
HCAF	40	Add Neuropsych, Day Tx and Part Hosp	<u>\$73</u>	<u>\$169</u>	<u>\$167</u>	<u>\$166</u>
		Subtotal HCAF	\$1,087	\$3,435	\$4,455	\$4,483
		Total All Funds	\$1,064	\$4,789	\$4,741	\$5,061

Intensive Outpatient Benefit

Gen	41	MA Basic Health Care F&C	\$0	\$24	\$55	\$55
Gen	42	MA Basic Health Care E&D	\$0	\$399	\$926	\$926
Gen	43	General Assistance Medical Care Grants	<u>\$0</u>	<u>\$21</u>	<u>\$48</u>	<u>\$48</u>
		Subtotal General Fund	\$0	\$444	\$1,029	\$1,029
HCAF	40	Minnesota Care Grants	\$0	\$9	\$20	\$20
HCAF	51	MMIS systems costs	\$0	\$18	\$0	\$0
HCAF	85	Project staff & admin costs	\$0	\$95	\$86	\$86
HCAF	REV1	Administrative FFP	<u>\$0</u>	<u>(\$38)</u>	<u>(\$34)</u>	<u>(\$34)</u>
		Subtotal Health Care Access Fund	\$0	\$84	\$72	\$72
		Total All Funds	\$0	\$528	\$1,101	\$1,101

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>FY2010</u>	<u>FY2011</u>
Gen	26	Transfer Children's MH Grants	\$0	(\$416)	(\$1,556)	(\$1,556)
Gen	41	MA Basic Health Care F&C	\$0	\$166	\$622	\$648
Gen	42	MA Basic Health Care E&D	\$0	\$947	\$3,582	\$3,764
Gen	74	Transfer Adult MH Grants	<u>\$0</u>	<u>(\$697)</u>	<u>(\$2,648)</u>	<u>(\$2,648)</u>
		Subtotal transition of clients to MCOs	\$0	\$0	\$0	\$208
HCAF	50	Health Care purchasing staff and actuarial	\$50	\$332	\$308	\$308
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	\$86	\$86
HCAF	REV1	Administrative FFP	<u>(\$69)</u>	<u>(\$562)</u>	<u>(\$533)</u>	<u>(\$533)</u>
		Subtotal HCAF Admin Costs	\$103	\$424	\$361	\$361
		Total All Funds	\$103	\$424	\$361	\$569

Address workforce shortages / increase rates for providers who didn't get increases in previous two sessions by adding CTSS providers, mental health behavioral aid services 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	\$177	\$271	\$271
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HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

Gen	42	MA Basic Health Care E&D	\$338	\$1,762	\$2,690	\$2,693
Gen	43	General Assistance Medical Care Grants	\$4	\$18	\$28	\$28
HCAF	40	Minnesota Care Grants	\$4	\$15	\$21	\$21
		Total All Funds	\$380	\$1,972	\$3,010	\$3,013

Create a system for measuring mental health service outcomes

HCAF	85	Continuing Care Administration	\$0	\$102	\$102	\$102
HCAF	REV1	Administrative FFP	\$0	(\$41)	(\$41)	(\$41)
		Total All Funds	\$0	\$61	\$61	\$61

Create a system for tracking acute care / mental health service availability

HCAF	74	Adult Mental Health Grants	\$0	\$60	\$60	\$60
		Total All Funds	\$0	\$60	\$60	\$60

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.

			<u>FY 2008</u>	<u>FY 2009</u>	<u>FY2010</u>	<u>FY2011</u>
<i>- Mobile Mental health crisis services infrastructure</i>						
HCAF	26	Children's Services Grants	\$1,500	\$3,500	\$4,500	\$4,500
HCAF	74	Adult Mental Health Grants	\$1,500	\$3,500	\$4,500	\$4,500
		Total All Funds	\$3,000	\$7,000	\$9,000	\$9,000

- Children's mental health school-based infrastructure - treatment services grants & early child development

HCAF	26	Children's Services Grants	\$4,350	\$8,700	\$8,700	\$8,700
HCAF	26	Children's Services Grants	\$2,475	\$4,950	\$4,950	\$4,950
		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	\$750	\$1,500	\$2,000	\$2,000
		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	\$250	\$1,000	\$1,250	\$1,250
		Total All Funds	\$500	\$2,000	\$2,500	\$2,500

- Expanded Housing Options

Gen	74	Adult Mental Health Grants	\$1,500	\$3,000	\$3,000	\$3,000
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HUMAN SERVICES DEPT

Program: CONTINUING CARE GRANTS

Change Item: Mental Health Initiatives

Total All Funds	\$1,500	\$3,000	\$3,000	\$3,000
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Increase Transfer from Health Care Access Fund to General Fund

Gen	REV2	Transfer from HCAF	\$0	(\$1,744)	(\$2,728)	(\$3,231)
HCAF	REV	Transfer to GF	\$0	\$1,744	\$2,728	\$3,231

SUMMARY

Gen	26	Children's Services Grants	\$1,873	\$4,341	\$1,286	\$1,286
Gen	41	MA Basic Health Care F&C	\$34	\$2,815	\$6,086	\$6,365
Gen	42	MA Basic Health Care E&D	(\$3,402)	(\$8,253)	(\$4,009)	(\$3,888)
Gen	43	General Assistance Medical Care Grants	\$914	\$3,205	\$4,530	\$4,633
Gen	74	Adult Mental Health Grants	\$2,434	\$4,647	(\$589)	(\$589)
Gen	REV2	SOS Collections	(\$2,288)	(\$4,576)	(\$4,576)	(\$4,576)
Gen	REV2	Transfer from HCAF	\$0	(\$1,744)	(\$2,728)	(\$3,231)
		Subtotal General Fund	(\$435)	\$435	\$0	\$0
HCAF	26	Children's Services Grants	\$9,325	\$19,650	\$21,400	\$21,400
HCAF	74	Adult Mental Health Grants	\$2,500	\$6,060	\$7,810	\$7,810
HCAF	40	Minnesota Care Grants	\$1,091	\$3,459	\$4,496	\$4,524
HCAF	50	Health Care Administration	\$50	\$832	\$808	\$808
HCAF	51	Health Care Operations	\$0	\$36	\$0	\$0
HCAF	85	Continuing Care Administration	\$122	\$333	\$274	\$274
HCAF	REV1	Administrative FFP	(\$69)	(\$641)	(\$608)	(\$608)
HCAF	REV2	Transfer to General Fund	<u>\$0</u>	<u>\$1,744</u>	<u>\$2,728</u>	<u>\$3,231</u>
		Subtotal Health Care Access Fund	\$13,019	\$31,473	\$36,908	\$37,439
		Total All Funds	\$12,584	\$31,908	\$36,908	\$37,439

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 2008-09
	FY2006	FY2007	FY2008	FY2009	
<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
 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
February Forecast Adjustment		(718)	(646)	(699)	(1,345)
November Forecast Adjustment		(9,615)	(5,545)	(2,201)	(7,746)
Subtotal - Forecast Base	67,960	69,693	77,178	84,571	161,749
Governor's Recommendations					
Long-Term Care Payment Adjustment		0	1,047	3,567	4,614
Total	67,960	69,693	78,225	88,138	166,363
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	78,225	88,138	166,363
Statutory Appropriations					
Misc Special Revenue	105,153	108,203	39,943	42,094	82,037
Total	105,153	108,203	118,168	130,232	248,400
<u>Expenditures by Category</u>					
Payments To Individuals	102,740	105,740	114,497	123,880	238,377
Local Assistance	2,413	2,463	2,624	2,785	5,409
Transfers	0	0	1,047	3,567	4,614
Total	105,153	108,203	118,168	130,232	248,400

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	928	1,195
HIV/AIDS Insurance Program Funding		0	(1,150)	(1,150)	(2,300)
Total	14,601	15,178	14,503	15,207	29,710
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	1,150	1,150	2,300
Total	0	0	1,150	1,150	2,300
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	21,002	24,217	14,503	15,207	29,710
Health Care Access	0	0	1,150	1,150	2,300
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	22,640	23,344	45,984
<u>Expenditures by Category</u>					
Other Operating Expenses	335	523	467	576	1,043
Payments To Individuals	5,529	9,211	4,998	5,027	10,025
Local Assistance	21,568	25,350	17,175	17,741	34,916
Total	27,432	35,084	22,640	23,344	45,984

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	1,150	1,150	1,150	1,150
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

Effective July 1, 2007, the Governor recommends financing the existing state HIV insurance premium grant funding from the Health Care Access Fund instead of the General Fund.

Background

In 1990, the legislature allocated \$1.15 million per year 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, Minnesota receives federal Ryan White Care Act funds in the amount of \$3.3 million per year to operate a drug reimbursement program. The state also obtains additional funding for the insurance continuation program through dedicated drug rebate funding.

In 2003, the Department of Human Services employed aggressive strategies to address a program deficit, including client cost sharing and co-pays. These strategies, paired with aggressive efforts to obtain drug rebate funding, has allowed the state to continue to operate the HIV/AIDS program without needing an additional state appropriation. The most recent forecast of the HIV/AIDS program indicates that existing appropriations will be sufficient to manage the program for the next two years.

Proposal. This is a proposal to refinance the existing state HIV insurance premium program base funding from the general fund to the health care access fund. The HIV insurance premium program maintains private insurance coverage for people living with HIV/AIDS. It does this by continuing existing insurance or purchasing insurance on behalf of eligible people with HIV or AIDS.

The HIV/AIDS program is intended to provide access to quality, affordable, and accessible health care with the intention of improving health outcomes by delaying or preventing the onset of a disability. This is consistent with the allowable use of Health Care Access Fund under Minnesota Statutes, section 295.581.

Relationship to Base Budget

This proposal does not change the value of the base funding but shifts it from the General Fund to the HCAF.

Statutory Change

Rider.

Fiscal Detail (DHS Use Only)

Budget Tracking: (in thousands)

Fund	BACT or Non-ded. REV	Description	FY 2008	FY 2009	FY 2010	FY 2011
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	1,150	1,150	1,150	1,150
		Net All Fund Impact	0	0	0	0

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	

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 Equivalent (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)	\$(1,659)	\$(1,659)
Revenues	(166)	(166)	(166)	(166)
Net Fiscal Impact	\$(1,493)	\$(1,493)	\$(1,493)	\$(1,493)

Recommendation

The Governor recommends a 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 15 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.

Proposal

This proposal delays the opening of one treatment unit in the Minnesota Security Hospital scheduled to open in FY 2008 until FY 2011, resulting in 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.

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)	\$(1,659)	\$(1,659)
	REV	SOS Collections	166	166	166	166
100		Net Fund Impact	(1,493)	(1,493)	(1,493)	(1,493)
		Net All Fund Impact	\$(1,493)	\$(1,493)	\$(1,493)	\$(1,493)
FTEs Requested						
			(25.9)	(25.9)	(25.9)	(25.9)

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	40,000	32,700	\$10,500	\$10,500
Revenues	250	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. This proposal would also cancel any unexpended TANF funds from a 2001 appropriation that currently has permanent carryforward.

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

HUMAN SERVICES DEPT

Change Item: TANF Refinancing

315	REV2	Support Services Grants-increase cancellation estimate	\$(250)	\$0	\$0	\$0
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

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	17,671	17,839	18,327	36,166
Other Revenues:					
General	107,056	145,707	118,224	103,427	221,651
Health Care Access	4,196	5,129	4,609	5,592	10,201
Taxes:					
General	205,282	206,081	209,706	214,606	424,312
Total Non-Dedicated Receipts	376,336	428,665	419,857	415,524	835,381
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Misc Special Revenue	108	125	100	100	200
Departmental Earnings:					
General	5,200	3,787	4,063	4,346	8,409
Health Care Access	20,644	18,705	18,634	16,765	35,399
Misc Special Revenue	8,002	8,513	7,821	7,665	15,486
Federal	18,027	13,204	12,963	12,219	25,182
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	32,258	59,449	69,057	128,506
Misc Special Revenue	56,970	64,362	37,158	38,041	75,199
Federal	3,794,048	4,121,685	4,397,698	4,680,737	9,078,435
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	107,585	105,928	213,513
Federal	24,452	960	960	960	1,920
Miscellaneous Agency	620,510	658,651	658,091	657,868	1,315,959
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	5,342,278	5,610,214	5,899,378	11,509,592
Agency Total Revenue	5,195,356	5,770,943	6,030,071	6,314,902	12,344,973

<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	477	448	455	903
Change		200	196	203	399
% Biennial Change from 2006-07					-2.5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	469	457	448	455	903
Total	469	457	448	455	903
<u>Expenditures by Category</u>					
Total Compensation	203	207	236	243	479
Other Operating Expenses	266	250	212	212	424
Total	469	457	448	455	903
<u>Expenditures by Program</u>					
Judicial Standards Board	469	457	448	455	903
Total	469	457	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	200	0	0	0
Restore Base; Investigations/Hearings	0	192	195	387
Compensation Adjustment	0	4	8	12
Total Governor's Recommendations	477	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	\$200	\$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	\$200	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends \$200,000 for a FY 2007 deficiency request to complete three 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. Subsequently, the Board is proceeding in a third disciplinary matter for which the judge has required a public hearing. The request is for outstanding attorney and professional services costs and additional costs anticipated in FY 2007 to complete these 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



**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 legislature. 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.

For the legislature, the Governor recommends a direct general fund appropriation of \$62.843 in FY08 and \$63.790 in FY09. Consistent with executive branch agencies and constitutional officers, this budget recommendation reflects an estimated 2% annual compensation increase equal to \$2.805 million over the biennium. The Governor makes no recommendations regarding any specific initiatives that may be put forward by the 2007 Legislature.

Sincerely,

A handwritten signature in cursive script that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

LEGISLATURE

Change Item: Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$929	\$1,876	\$1,876	\$1,876
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$929	\$1,876	\$1,876	\$1,876

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

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<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	112,166	0	0	0
Transit Assistance	0	0	129,783	158,174	287,957
Total	193,134	198,766	208,536	236,927	445,463
<u>Expenditures by Category</u>					
Local Assistance	193,134	198,766	208,536	236,927	445,463
Total	193,134	198,766	208,536	236,927	445,463
<u>Expenditures by Program</u>					
Met Council Transit	193,134	198,766	208,536	236,927	445,463
Total	193,134	198,766	208,536	236,927	445,463

<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	112,166	0	0	0
Total Governor's Recommendations	112,166	0	0	0
<i>Fund: TRANSIT ASSISTANCE</i>				
Planned Statutory Spending	0	0	0	0
Change Items				
Dedicate Sales Tax to Transportation	0	129,783	158,174	287,957
Total Governor's Recommendations	0	129,783	158,174	287,957
<u>Revenue Change Items</u>				
<i>Fund: TRANSIT ASSISTANCE</i>				
Change Items				
Dedicate Sales Tax to Transportation	0	129,783	158,174	287,957

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				
Revenues		(29,000)	(34,700)	(39,200)	(45,000)
Other Fund					
Expenditures, County State Aid Fund		5,664	6,777	7,656	8,789
Expenditures, Municipal State Aid Fund		1,488	1,780	2,011	2,309
Expenditures, transit, metro		129,783	158,174	187,644	221,966
Expenditures, transit, Greater Minnesota		8,399	9,371	10,343	11,847
Revenues, Highway User Tax Distribution Fund		17,400	20,820	23,520	27,000
Revenues, Transit Assistance Fund		11,600	13,880	15,680	18,000
Net Fiscal Impact	\$8,369	145,334	176,102	207,654	244,911

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 February 2007 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 February 2007 forecast, is as follows:

Fiscal Impact (\$000s), compared to February 2007 forecast	FY 2008	FY 2009	FY 2010	FY 2011
HUTD, additional revenue				
Dedication of sales tax on leasing	\$17,400	\$20,820	\$23,520	\$27,000
Highway spending changes				
CSAH additional appropriation	5,664	6,777	7,656	8,789
MSAS additional appropriation	1,488	1,780	2,011	2,309
Transit Assistance Fund, additional revenue				
Dedication of sales tax on leasing	11,600	13,880	15,680	18,000
Note: 40% of constitutional dedication already in Transit Assistance Fund in November 2006 forecast				
Transit, Metropolitan, additional spending				
Constitutional Amendment	118,888	145,071	172,784	204,878
Dedication of sales tax on leasing	10,895	13,104	14,861	17,088
Transit, Greater Minnesota, additional spending				
Constitutional Amendment	7,694	8,595	9,524	10,935
Dedication of sales tax on leasing	705	776	819	912

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.

METROPOLITAN COUNCIL/TRANSPORT

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:					
Metro Area Transit	115,631	112,166	0	0	0
Transit Assistance	0	0	129,783	158,174	287,957
Total Dedicated Receipts	115,631	112,166	129,783	158,174	287,957
Agency Total Revenue	115,631	112,166	129,783	158,174	287,957

MILITARY AFFAIRS DEPT

Agency Overview

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	347	399	746
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	130,470	96,749	227,219
<u>Expenditures by Category</u>					
Total Compensation	15,003	16,626	18,971	19,651	38,622
Other Operating Expenses	22,012	39,169	46,881	17,900	64,781
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	130,470	96,749	227,219
<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	347	399	746
Total	46,270	82,577	130,470	96,749	227,219
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	347	399	746
Total Governor's Recommendations	653	347	399	746
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

MILITARY AFFAIRS DEPT
 Program: EMERGENCY SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Open Appropriations					
General	528	653	347	399	746
Total	528	653	347	399	746
<u>Expenditures by Category</u>					
Total Compensation	288	240	237	269	506
Other Operating Expenses	240	413	110	130	240
Total	528	653	347	399	746
<u>Expenditures by Activity</u>					
Emergency Services	528	653	347	399	746
Total	528	653	347	399	746
Full-Time Equivalents (FTE)	0.1	0.0	0.0	0.0	

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	23,333	23,333	46,666
Recommended	23,317	23,333	26,421	24,381	50,802
Change		0	3,088	1,048	4,136
% Biennial Change from 2006-07					8.9%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	23,317	23,333	26,421	24,381	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	42,332	40,292	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	2,719	699	3,418
Other Financial Transactions	2,122	2,122	2,122	2,122	4,244
Total	39,228	39,244	42,332	40,292	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	421	405	826
Total	39,228	39,244	42,332	40,292	82,624
 Full-Time Equivalent (FTE)	 348.4	 371.3	 371.3	 371.1	

HISTORICAL SOCIETY

Change Summary

	FY2007	<i>Dollars in Thousands</i>		Biennium 2008-09
		Governor's Recomm. FY2008	FY2009	
Fund: GENERAL				
FY 2007 Appropriations	23,333	23,333	23,333	46,666
Technical Adjustments				
Biennial Appropriations		84	0	84
One-time Appropriations		(250)	(250)	(500)
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	167	235	402
Compensation Adjustment	0	279	563	842
Total Governor's Recommendations	23,333	26,421	24,381	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

HISTORICAL SOCIETY

Program: PASS THROUGH APPROPRIATIONS

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	354	370	370	370	740
Technical Adjustments					
Biennial Appropriations			84	0	84
One-time Appropriations			(200)	(200)	(400)
Subtotal - Forecast Base	354	370	254	170	424
Governor's Recommendations					
Minnesota Military Museum		0	167	235	402
Total	354	370	421	405	826
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	354	370	421	405	826
Total	354	370	421	405	826
<u>Expenditures by Category</u>					
Local Assistance	354	370	421	405	826
Total	354	370	421	405	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	234	235	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	421	405	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	\$167	\$235	\$167	\$235
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$167	\$235	\$167	\$235

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 \$67,000 in the first year. This amount is supplemented by fundraising and admissions revenue. The organization operates on a total annualized budget of approximately \$93,000. The proposed increase adds \$402,000 to the existing state appropriation in such a way as to bring state support to \$469,000 for the biennium, in equal amounts each year.

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

MINN STATE RETIREMENT SYSTEM

Agency Overview

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	1,608	1,649	3,257
Correctional Employees Retire	27,210	28,120	28,823	29,543	58,366
State Employees Retirement	388,849	398,968	408,942	419,165	828,107
Highway Patrol Retirement	38,936	40,127	41,130	42,158	83,288
Unclassified Employees Retire	6,355	15,818	16,213	16,618	32,831
Postretirement Health Care Ben	18,549	17,460	17,896	18,343	36,239
Henn Cty Supplemental Retirmnt	4,135	3,342	3,425	3,511	6,936
Judicial Retirement	14,302	14,760	15,129	15,507	30,636
Statutory Appropriations					
Legislative Annuities	5,232	5,366	5,500	5,637	11,137
Total	509,758	525,187	538,666	552,131	1,090,797
<u>Expenditures by Category</u>					
Total Compensation	5,633	6,090	6,242	6,398	12,640
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	526,173	539,482	1,065,655
Total	509,758	525,187	538,666	552,131	1,090,797
<u>Expenditures by Program</u>					
Mn State Retirement System	461,350	483,033	495,108	507,484	1,002,592
Elective Officers Plan	412	424	438	449	887
Judges Plan	14,302	14,760	15,129	15,507	30,636
Legislators Plan	11,010	6,168	6,670	6,837	13,507
Health Care Savings Fund	18,549	17,460	17,896	18,343	36,239
Srhc	4,135	3,342	3,425	3,511	6,936
Total	509,758	525,187	538,666	552,131	1,090,797
Full-Time Equivalents (FTE)	78.7	78.7	84.0	84.0	

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	20,911	21,433	42,344
State Employees Retirement	174,200	163,381	167,465	171,652	339,117
Highway Patrol Retirement	11,734	11,358	11,641	11,932	23,573
Unclassified Employees Retire	10,684	10,060	10,311	10,569	20,880
Postretirement Health Care Ben	52,546	45,541	46,679	47,846	94,525
Henn Cty Supplemental Retirmnt	884	412	422	432	854
Judicial Retirement	10,191	10,349	10,607	10,872	21,479
Total Non-Dedicated Receipts	281,480	261,749	268,283	274,983	543,266
<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	268,283	274,983	543,266

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<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	82,435	86,610	169,045
Change		0	5,592	9,767	15,359
% Biennial Change from 2006-07					10.9%
Natural Resources					
Current Appropriation	64,848	64,006	64,006	64,006	128,012
Recommended	64,848	64,006	74,826	74,114	148,940
Change		0	10,820	10,108	20,928
% Biennial Change from 2006-07					15.6%
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%

NATURAL RESOURCES DEPT

Agency Overview

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	82,435	86,610	169,045
Minnesota Resources	1,076	279	0	0	0
Natural Resources	60,679	71,470	74,826	74,114	148,940
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	656	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	352,647	342,990	345,843	688,833
<u>Expenditures by Category</u>					
Total Compensation	153,382	165,651	166,682	170,890	337,572
Other Operating Expenses	82,001	115,128	105,409	105,871	211,280
Capital Outlay & Real Property	17,821	22,659	11,946	11,908	23,854
Local Assistance	40,807	49,319	38,614	36,424	75,038
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	352,647	342,990	345,843	688,833
<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	43,262	34,798	33,432	68,230
Fish & Wildlife Management	77,794	89,637	87,645	89,061	176,706
Ecological Services	17,021	26,515	20,955	22,598	43,553
Enforcement Nr Laws&Rules	28,072	33,106	32,068	32,757	64,825
Operations Support	22,205	25,432	8,214	8,100	16,314
Total	294,779	352,647	342,990	345,843	688,833
Full-Time Equivalent (FTE)	2,402.8	2,356.4	2,438.0	2,432.4	

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
Invasive Species Management & Control	0	420	840	1,260
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	82,435	86,610	169,045
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	575	1,750	2,325
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	74,826	74,114	148,940
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				

NATURAL RESOURCES DEPT

Change Summary

	<i>Dollars in Thousands</i>			
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
DJ/Wallop-Breaux Motor Boat Access	0	32	107	139
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	656	356	356	712
Total Governor's Recommendations	656	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

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Total Governor's Recommendations	23,774	23,334	21,096	44,430
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	1,335	1,940	3,275
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

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

	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	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 Equivalents (FTE)	85.3	84.3	101.4	100.6	

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 Equivalent (FTE)	115.7	119.0	128.7	127.4	

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Direct Appropriations by Fund</u>					
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

	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	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
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
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		0	50	100	150
All-Terrain Vehicle (ATV) Gas Tax		0	301	611	912
Maintenance of Service -Non General		0			
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		0			
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 Equivalents (FTE)	321.9	309.7	336.7	336.7	

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	

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
 Activity: SUSTAIN RES ACT IMPLEMENTATION

Budget Activity Summary

	<i>Dollars in Thousands</i>		<i>Dollars in Thousands</i>		<i>Biennium 2008-09</i>
	<i>Current FY2006</i>	<i>Current FY2007</i>	<i>Governor's Recomm. FY2008</i>	<i>Governor's Recomm. FY2009</i>	
<i>Direct Appropriations by Fund</i>					
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
<i>Expenditures by Fund</i>					
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
<i>Expenditures by Category</i>					
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	

NATURAL RESOURCES DEPT

Program: PARKS & RECREATION MGMT

Program Summary

<i>Dollars in Thousands</i>					
	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: TRAILS & WATERWAYS MGMT

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	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	307	522
Operations Support Funding		0	591	591	1,182
Total	23,196	23,419	24,795	24,887	49,682
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

	<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	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	24,887	49,682
Game And Fish (Operations)	1,312	2,866	2,119	2,194	4,313
Open Appropriations					
Natural Resources	624	549	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	43,262	34,798	33,432	68,230
<u>Expenditures by Category</u>					
Total Compensation	9,199	10,668	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	15,746	13,796	12,335	26,131
Transfers	0	10	10	10	20
Total	28,161	43,262	34,798	33,432	68,230
<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	17,799	15,096	15,188	30,284
Total	28,161	43,262	34,798	33,432	68,230
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

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					
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	

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 Equivalents (FTE)	61.6	59.5	57.1	55.0	

NATURAL RESOURCES DEPT

Program: TRAILS & WATERWAYS MGMT

Activity: T&W - MOTORIZED RECREATION

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					
Natural Resources	12,610	17,370	14,967	15,059	30,026
Open Appropriations					
Natural Resources	451	429	129	129	258
Total	13,061	17,799	15,096	15,188	30,284
<u>Expenditures by Category</u>					
Total Compensation	3,928	4,530	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	9,988	8,665	8,757	17,422
Transfers	0	10	10	10	20
Total	13,061	17,799	15,096	15,188	30,284
Full-Time Equivalents (FTE)	58.4	54.5	52.3	50.4	

NATURAL RESOURCES DEPT

Program: FISH & WILDLIFE MANAGEMENT

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Direct Appropriations by Fund</u>					
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

	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	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	618.2	617.0	

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	358.1	357.8	

NATURAL RESOURCES DEPT
Program: FISH & WILDLIFE MANAGEMENT
 Activity: WILDLIFE MANAGEMENT

Budget Activity Summary

	<i>Dollars in Thousands</i>		<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>					
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	237.1	236.7	

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 Equivalents (FTE)	25.3	23.6	23.0	22.5	

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					
Invasive Species Management & Control		0	420	840	1,260
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	5,819	6,297	12,116
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	575	1,750	2,325
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	4,063	5,269	9,332
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 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	892	1,996	0	0	0
General	2,978	5,940	5,819	6,297	12,116
Natural Resources	3,393	3,424	4,063	5,269	9,332
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	20,955	22,598	43,553
<u>Expenditures by Category</u>					
Total Compensation	8,722	9,672	10,246	11,272	21,518
Other Operating Expenses	5,455	11,674	9,565	10,127	19,692
Capital Outlay & Real Property	1,263	1,539	131	131	262
Local Assistance	1,581	3,630	1,013	1,068	2,081
Total	17,021	26,515	20,955	22,598	43,553
<u>Expenditures by Activity</u>					
Ecological Services	17,021	26,515	20,955	22,598	43,553
Total	17,021	26,515	20,955	22,598	43,553
Full-Time Equivalent (FTE)	143.8	138.7	158.2	171.7	

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	\$420	\$840	\$840	\$840
Revenues				
Other Fund –Invasive Species Account				
Expenditures	\$575	\$1,750	\$1,750	\$1,750
Revenues	\$1,335	\$1,940	\$1,940	\$1,940
Net Fiscal Impact	(340)	\$650	\$650	\$650

Recommendation

The Governor recommends forming a new Invasive Species Account (ISA) in the Natural Resources fund with an FY 2008-2009 appropriation of \$2.325 million and revenues of \$3.275 million for management and control of aquatic invasive species. The Governor also recommends a general fund appropriation of \$1.260 million for management of terrestrial invasive species on state-administered lands. 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 funds for education and land inventories to prevent the spread of harmful land-based 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.

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 \$1.335 million in FY 2008 and \$1.940 million in FY 2009. 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. This proposal would also provide annual general fund appropriations to manage land-based, harmful invasive species on state lands.

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); and

- ◆ Modifying watercraft license fees in M.S. Sec. 86B.415 and authorizing the surcharge to be deposited into the ISA instead of the WRA

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS&RULES

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	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	225	275
Operations Support Funding		0	175	175	350
Total	6,963	6,938	7,163	7,338	14,501
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

<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	148	203	0	0	0
General	3,046	3,706	3,536	3,592	7,128
Natural Resources	6,423	7,464	7,163	7,338	14,501
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	32,757	64,825
<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	3,418	6,661
Total	28,072	33,106	32,068	32,757	64,825
<u>Expenditures by Activity</u>					
Enforcement-Nr Laws&Rules	28,072	33,106	32,068	32,757	64,825
Total	28,072	33,106	32,068	32,757	64,825
Full-Time Equivalent (FTE)	247.0	260.0	271.0	268.9	

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	113.0	110.2	

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 Equivalents (FTE)	111.4	118.7	113.0	110.2	

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: 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.

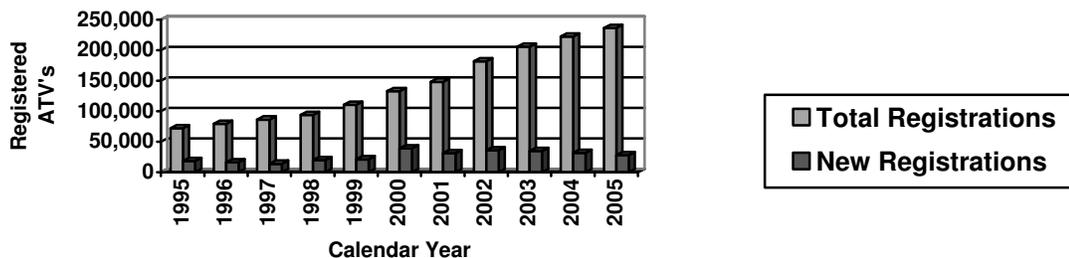
Background

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 (\$50,000 the first year and \$225,000 the second year), the Minnesota ATV Trails Assistance Program and State Forest Road maintenance (\$50,000 the first year and \$100,000 the second year), and Grant-In-Aid Programs (\$215,000 the first year and \$307,000 the second year). 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: 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 \$860,000 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

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	5,789	5,380	5,371	5,371	10,742
Natural Resources	39,493	41,870	37,669	38,704	76,373
Game And Fish (operations)	71,698	74,073	68,293	68,940	137,233
Grants:					
Natural Resources	2,213	250	255	250	505
Other Revenues:					
General	501	365	170	170	340
Natural Resources	2,021	2,174	2,008	2,041	4,049
Game And Fish (operations)	1,315	1,586	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	127,381	116,909	118,677	235,586
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Natural Resources	1,534	1,786	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	3,393	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	82,992	98,257	88,487	186,744
Agency Total Revenue	203,751	210,373	215,166	207,164	422,330