DIRECT CARE AND TREATMENT

FY2026 Financial Review – Period Ending March 31, 2025

Executive Summary

The following reports provide a snapshot of Direct Care and Treatment (DCT) actual spending compared to budget as of the third quarter of fiscal year 2026. The reports are summarized by Fund. Fund 1000 is the General Fund Appropriated Services and is further broken out by service line.

Points of Interest:

- Fund 1000 - Appropriated Services includes DCT's seven services lines. These services are funded through general fund appropriations and receive two years of operating funding up front.
    - Budgets include an estimated 8% vacancy factor to account for staff turn-over and other vacant positions.
    - Overall DCT is operating within budget.
        - All programs continue to fill vacancies and monitor overtime. FMLA and the new MN Paid Leave Act is increasing non-productive hours. There has been a slight increase in overtime usage especially in Forensics and the Sex Offender program.
        - There continues to be significant underspending within non-personnel expense.
        - Typically, there will be an increase in non-personnel expenses within the last quarter of the fiscal year due to timing of scheduled maintenance and other year-end spending.
    - Any underspending at fiscal year-end will balance forward to FY2027 to be used for unfunded negotiated bargaining unit increases and other one-time expenses.
- MHSATS is over budget within personnel expense but is under budget within non-personnel expense. MSHATS is evaluating the need to fill vacancies and overtime use and is developing a plan to address continued budget pressures for FY27.
- Fund 2000 – Ambulatory and Outpatient Services is a revenue-based service and shall operate within revenue received.
    - Main payer is Medicaid (MA) and payment rates are significantly lower than actual costs.
    - Dental services have statutory authority allowing for a MA cost settle-up. The actual FY25 settlement was greater than budgeted resulting in a positive revenue variance of over $2m.
    - Overall Outpatient Services is operating over budget mainly due to increased overhead allocations and rental of a mobile dental unit during the construction of the Brainerd dental office.
    - Operating margin is negative
- Fund 2001 – DCT Systems Account was established to pay MNIT and other technology expenses. Underspending is due to timing of contracted services.
- Fund 4350 - MSOCS is an Enterprise Services and must operate within the revenue received.
    - Revenues are slightly under budget due to timing of rate renewals.
    - MSOCS has relied on the use of overtime as a number of positions remain vacant.
    - Overall MSOCS is operating within budget
    - Operating margin is about 10%

- Cash on hand is estimated at approximately 60 days.

Financial Snapshot:

- This reflects year-to-date results through the third quarter of the fiscal year, representing 75% of the total budget period

Fund 1000: Direct Care and Treatment Total

	YTD Actuals Mar	Annual Budget FY26	Available Budget	Percent Spent
EXPENSE				
Mental Health Substance Abuse Treatment Svcs (MHSATS)	138,408,937	184,102,673	45,693,736	75%
Community Based Services (CBS)	8,435,607	11,740,200	3,304,593	72%
Forensics Services	117,102,104	156,737,702	39,635,598	75%
Minnesota Sex Offender Program (MSOP)	91,550,955	124,722,241	33,171,286	73%
DCT Admin and Support Services	49,597,533	78,013,063	28,415,530	64%
TOTAL EXPENSE	**405,095,136**	**555,315,879**	**150,220,743**	**73%**

Fund 2001: Systems Account

	YTD Actuals Mar	Annual Budget FY26	Available Budget	Percent Spent
TOTAL EXPENSE	**16,896,075**	**24,700,000**	**7,803,925**	**68%**

Fund 2000: Community Health Clinics

	YTD Actuals Mar	Annual Budget FY26	Available Budget	Percent Spent
TOTAL REVENUE	**5,817,523**	**4,615,700**	**(1,201,823)**	**126%**
TOTAL EXPENSE	**6,304,187**	**8,057,820**	**1,753,633**	**78%**
Change in Fund Balance	**(486,664)**	**(3,442,120)**	**2,955,456**	**-**

Fund 4350: MN State Operated Community Services (MSOCS)

	YTD Actuals Mar	Annual Budget FY26	Available Budget	Percent Spent
TOTAL REVENUE	**150,649,103**	**202,693,692**	**52,044,590**	**74%**
TOTAL EXPENSE	**137,067,095**	**191,679,886**	**54,612,791**	**72%**
Change in Fund Balance	**13,582,008**	**11,013,807**	**2,568,201**	**-**