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Minnesota Management and Budget Non-operating

Minnesota Management and Budget Non-Operating — Agency Profile

mn.gov/mmb/

AT A GLANCE

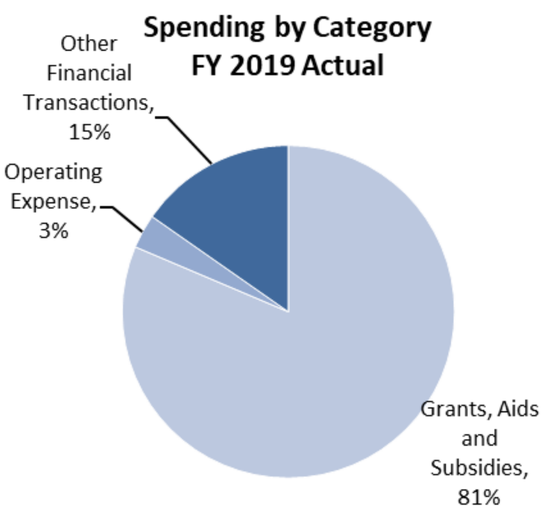
- Maintain more than 125 accounts outside of MMB's regular statutory operations
- Receive over $500 million in deposits, transfers, and cancelations to the general fund annually
- Act as fiscal agent for $8 million in federal funds annually
- Collect over $100 million in miscellaneous fees, fines, penalties, and surcharges annually
- Provide $65 million in direct aid to various local and state pension funds annually

PURPOSE

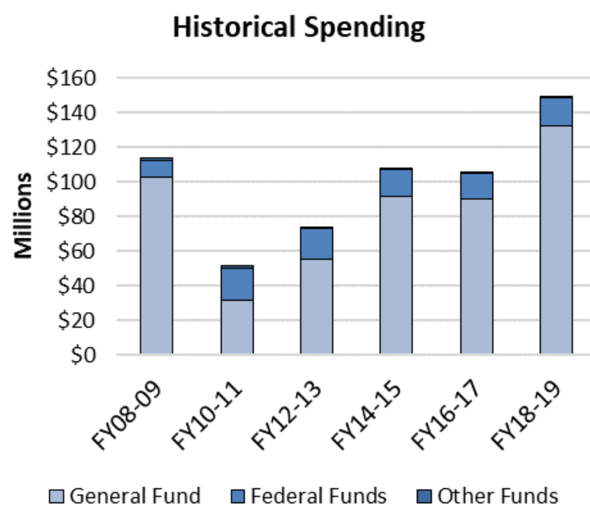
Minnesota Management and Budget (MMB) provides statewide accounting, budgeting, and financial management functions. Because of this role, statute requires MMB to manage a number of accounts and transactions that are outside of our day-to-day operations. This collective work is referred to as MMB's non-operating activities. These accounts and transactions cover a broad range of financial activities, including tort claims, contingency accounts, pension direct aids, and miscellaneous payments, deposits, and transfers. MMB is also responsible for receiving and depositing the state's share of various fees, fines, assessments, and surcharges collected by counties and judicial districts. Additionally, MMB acts as a pass-through entity for federal payments in lieu of taxes that we then remit to units of local government where national forests are located.

MMB is driven by our mission to be stewards of the state's financial and human resources, working together for the people of Minnesota. Our oversight of these non-operating activities is an important aspect of our stewardship of state resources.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The charts above show the amounts and categories of MMB non-operating expenditures. They do not include debt service payments administered by the agency. Expenditures are just one facet of MMB's non-operating activities. Our agency also processes a variety of deposits and transfers. MMB's non-operating activities are described in more detail below.

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in Minnesota Statutes, Section 3.736, Subdivision 7, a state agency may seek approval from MMB to use money in the MMB non-operating account for tort claims if MMB determines that there is not enough money in the agency's appropriations to cover the tort claim payment.

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

Administrative Accounts: The state administers various trusts and funds on behalf of Minnesotans, including the Children's Trust, the Environmental Trust, and the Permanent School Fund. MMB manages the accounts used to support the administration of these trusts and funds.

Cash Flow Accounts: On an ongoing or one-time basis, some agencies or programs receive specific legislative authority to use general fund money to cash flow programs or activities during a biennium. These accounts are housed within the MMB non-operating accounts. In recent years, MMB has managed the following cash flow accounts:

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MNsure Cash Flow Account
- MN.IT Cash Flow Account

Federal Payments in Lieu of Taxes: MMB receives pass-through federal payments in lieu of taxes for national forest lands, like the Chippewa National Forest and Superior National Forest. MMB receives these payments from the federal government and distributes them to the units of local government that are home to these forest lands.

Miscellaneous Fees, Fines, Assessments, Surcharges, and Deposits: The state charges fees and surcharges for various activities, including obtaining marriage licenses or adopting a child, and assesses fines and penalties for violations of the law. These receipts are often dedicated to more than one activity across multiple agencies; therefore, MMB is tasked with acting as an intermediary between the collecting entity and the receiving entity. In other instances, MMB is required to collect certain deposits that contribute to the available balance in the general fund or other funds.

Pension Direct Aids: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems assumed when they merged with the Duluth Teachers Retirement Fund (TRA), the Minneapolis Teachers Retirement Fund (TRA), and the Minneapolis Employees Retirement Fund (PERA). The state also provides direct aid to the PERA Police and Fire Fund and St. Paul Teachers' Retirement Fund to help offset unfunded liabilities. These aids are appropriated to MMB for payment to the applicable pension funds.

STRATEGIES

MMB's non-operating activities contribute to the priorities of Fiscal Accountability and Measurable Results. To support these priorities, a key MMB goal is to direct and model responsible and transparent fiscal management. We work to ensure state resources are used effectively, ensure public trust by responsibly managing state finances and maintaining or improving the state's credit ratings, and communicate the state's fiscal priorities and financial information in a way that is accessible and understandable. These principles extend to both MMB's operating and non-operating functions. We strive to complete our prescribed non-operating duties timely and we conduct this work according to law and accounting principles. We also report our non-operating activities in the Biennial Budget, Enacted Budget, Budget and Economic Forecasts, and financial statements.

Minnesota Statutes, Chapters 16A (https://www.revisor.mn.gov/statutes/?id=16A) and 43A (https://www.revisor.mn.gov/statutes/cite/43A) provide the general legal authority for MMB. However, MMB's non-operating activities are authorized throughout various sections of Minnesota Statutes as well as Minnesota Session Law.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
1000 - General	61,589	70,993	70,745	196,640	82,193	83,295	81,693	84,725
1201 - Health Related Boards				800	400	400	400	400
2830 - Workers Compensation				200	100	100	100	100
3000 - Federal	7,090	8,702	7,615	15,231	15,231	15,231	15,231	15,231
3700 - Debt Service	377		45					
5000 - Master Lease	11,866	14,399	19,123	22,207	14,101	14,101	14,101	14,101
Total	**80,922**	**94,093**	**97,528**	**235,078**	**112,025**	**113,127**	**111,525**	**114,557**
Biennial Change				157,591		(107,454)		(106,524)
Biennial % Change				90		(32)		(32)
Governor's Change from Base								930
Governor's % Change from Base								0
Expenditures by Program								
Contingent	821		100	1,400	1,000	500	1,000	500
Teachers Aid	55,658	60,658	60,658	60,658	60,658	60,658	60,658	60,658
Tort Claims				322	161	161	161	161
Federal Funds	7,090	8,702	7,615	15,231	15,231	15,231	15,231	15,231
Administrative	5,110	10,335	9,987	135,260	20,874	22,476	20,374	23,906
Debt Management	12,243	14,399	19,169	22,207	14,101	14,101	14,101	14,101
Total	**80,922**	**94,093**	**97,528**	**235,078**	**112,025**	**113,127**	**111,525**	**114,557**
Expenditures by Category								
Compensation			77					
Operating Expenses	3,614	3,138	2,893	2,222	1,661	2,330	1,161	3,760
Grants, Aids and Subsidies	65,448	76,560	75,473	210,649	96,263	96,696	96,263	96,696
Other Financial Transaction	11,861	14,396	19,085	22,207	14,101	14,101	14,101	14,101
Total	**80,922**	**94,093**	**97,528**	**235,078**	**112,025**	**113,127**	**111,525**	**114,557**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Balance Forward In		661		561				
Direct Appropriation	153,503	182,080	506,180	226,559	73,480	72,980	100,730	74,910
Open Appropriation	20,682	10,586	22,536	18,041	8,674	10,276	8,674	10,276
Transfers In	10,539	8,787	8,544	365,859	9,664	10,074	9,164	20,990
Transfers Out	109,813	120,092	454,995	54,782	6,222	6,222	33,472	6,222
Net Loan Activity	(7,947)	(8,177)	(8,261)					
Cancellations	4,714	2,853	2,699	359,598	3,403	3,813	3,403	15,229
Balance Forward Out	661		561					
Expenditures	**61,589**	**70,993**	**70,745**	**196,640**	**82,193**	**83,295**	**81,693**	**84,725**
Biennial Change in Expenditures				134,803		(101,897)		(100,967)
Biennial % Change in Expenditures				102		(38)		(38)
Governor's Change from Base								930
Governor's % Change from Base								1
1201 - Health Related Boards								
Balance Forward In		400		400				
Direct Appropriation	400	400	400	400	400	400	400	400
Transfers In				5				
Cancellations		800		5				
Balance Forward Out	400		400					
Expenditures				**800**	**400**	**400**	**400**	**400**
Biennial Change in Expenditures				800		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
1250 - Health Care Response								
Direct Appropriation				10,425				
Transfers In			150,000					
Transfers Out				10,425				
Cancellations			150,000					
1251 - COVID-19 Minnesota								

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Transfers In			200,000					
Cancellations			200,000					
2000 - Restrict Misc Special Revenue								
Balance Forward In	123			3,656				
Receipts	8,088	7,323	6,579	3,126	3,081	3,081	3,081	3,081
Transfers Out	8,210	7,323	2,923	6,782	3,081	3,081	3,081	3,081
Balance Forward Out			3,656					
2001 - Other Misc Special Revenue								
Transfers In	340	340	340	340	340	340	340	340
Transfers Out	340	340	340	340	340	340	340	340
2005 - Opiate Epidemic Response								
Balance Forward In					6,619	6,961	6,619	6,961
Receipts				6,619	342	342	342	342
Balance Forward Out				6,619	6,961	7,303	6,961	7,303
2200 - Game and Fish (Operations)								
Balance Forward In		134	134	134	134	134	134	134
Balance Forward Out		134	134	134	134	134	134	134
2300 - Outdoor Heritage								
Transfers In	338	368						
Cancellations	338	368						
2301 - Arts & Cultural Heritage								
Transfers In	202	220						
Cancellations	202	220						
2302 - Clean Water								
Transfers In	22,338	368						
Cancellations	22,338	368						

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
2303 - Parks and Trails								
Transfers In	146	159						
Cancellations	146	159						
2360 - Health Care Access								
Direct Appropriation	322,750	322,000	122,000	122,000	122,000	122,000	122,000	122,000
Transfers In			7,200					
Transfers Out	322,750	322,000	122,000	122,000	122,000	122,000	122,000	122,000
Cancellations			7,200					
2700 - Trunk Highway								
Transfers In	3,959	4,761	3,936	4,291	4,291	4,291	4,291	4,291
Cancellations	3,959	4,761	3,936	4,291	4,291	4,291	4,291	4,291
2830 - Workers Compensation								
Balance Forward In		100		100				
Direct Appropriation	100	100	100	100	100	100	100	100
Transfers In				14				
Cancellations		200		14				
Balance Forward Out	100		100					
Expenditures				**200**	**100**	**100**	**100**	**100**
Biennial Change in Expenditures				200		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
3000 - Federal								
Balance Forward In	38	43	51	59	66	73	66	73
Receipts	7,095	8,709	7,623	15,238	15,238	15,238	15,238	15,238
Balance Forward Out	43	51	59	66	73	80	73	80
Expenditures	**7,090**	**8,702**	**7,615**	**15,231**	**15,231**	**15,231**	**15,231**	**15,231**
Biennial Change in Expenditures				7,054		7,616		7,616

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Biennial % Change in Expenditures				45		33		33
Governor's Change from Base								0
Governor's % Change from Base								0

3700 - Debt Service

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In		349		15	15	15	15	15
Receipts	398		60					
Transfers Out		349						
Balance Forward Out	21		15	15	15	15	15	15
Expenditures	**377**		**45**					
Biennial Change in Expenditures				(331)		(45)		(45)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3800 - Permanent School

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In	8,047	8,450	9,622	9,417	11,704	11,792	11,704	11,792
Receipts	33,426	37,167	38,885	41,522	41,786	42,051	41,786	42,051
Transfers Out	33,023	35,996	39,090	39,235	41,698	41,963	41,698	41,963
Balance Forward Out	8,450	9,622	9,417	11,704	11,792	11,880	11,792	11,880

4901 - 911 Revenue Bond Debt Service

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In	274	535	807	1,069	1,332	1,595	1,332	1,595
Transfers In	23,261	23,261	23,261	23,261	23,261	23,261	23,261	23,261
Transfers Out	23,000	22,989	22,998	22,998	22,998	22,998	22,998	22,998
Balance Forward Out	535	807	1,069	1,332	1,595	1,858	1,595	1,858

4925 - Paid Family Medical Leave

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Direct Appropriation								11,416
Transfers Out								11,416

5000 - Master Lease

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In	0	0	0					
Transfers In	11,866	14,399	19,123	22,207	14,101	14,101	14,101	14,101

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Transfers Out	0							
Balance Forward Out	0	0	0					
Expenditures	**11,866**	**14,399**	**19,123**	**22,207**	**14,101**	**14,101**	**14,101**	**14,101**
Biennial Change in Expenditures				15,065		(13,128)		(13,128)
Biennial % Change in Expenditures				57		(32)		(32)
Governor's Change from Base								0
Governor's % Change from Base								0

6000 - Miscellaneous Agency

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In	9,520	10,548	10,651	12,021	12,665	13,309	12,665	13,309
Receipts	1,679	816	2,664	1,512	1,512	1,512	1,512	1,512
Transfers In	67	52	91	67	67	67	67	67
Transfers Out	720	764	1,385	935	935	935	935	935
Balance Forward Out	10,548	10,651	12,021	12,665	13,309	13,953	13,309	13,953

8000 - Housing Finance Agency

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
Balance Forward In	71	136	150	20				
Receipts	523	527	508	550	550	550	550	550
Transfers Out	458	513	638	570	550	550	550	550
Balance Forward Out	136	150	20					

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	**226,559**	**226,559**	**226,559**	**453,118**
Base Adjustments				
One-Time Capital Appropriations		(38,779)	(38,779)	(77,558)
All Other One-Time Appropriations		(114,800)	(114,800)	(229,600)
Biennial Appropriations		500		500
Forecast Base	**226,559**	**73,480**	**72,980**	**146,460**
Change Items				
Capital Investment Bill Debt Service and Cash		27,250		27,250
Paid Family and Medical Leave Insurance (DEED)			1,930	1,930
Total Governor's Recommendations	**226,559**	**100,730**	**74,910**	**175,640**
Fund: 1201 - Health Related Boards				
FY2021 Appropriations	**400**	**400**	**400**	**800**
Forecast Base	**400**	**400**	**400**	**800**
Total Governor's Recommendations	**400**	**400**	**400**	**800**
Fund: 1250 - Health Care Response				
FY2021 Appropriations	**10,425**			
Forecast Base	**10,425**			
Total Governor's Recommendations	**10,425**			
Fund: 2360 - Health Care Access				
FY2021 Appropriations	**122,000**	**122,000**	**122,000**	**244,000**
Forecast Base	**122,000**	**122,000**	**122,000**	**244,000**
Total Governor's Recommendations	**122,000**	**122,000**	**122,000**	**244,000**
Fund: 2830 - Workers Compensation				
FY2021 Appropriations	**100**	**100**	**100**	**200**
Forecast Base	**100**	**100**	**100**	**200**
Total Governor's Recommendations	**100**	**100**	**100**	**200**
Fund: 4925 - Paid Family Medical Leave				
Change Items				
Paid Family and Medical Leave Insurance (DEED)			11,416	11,416
Total Governor's Recommendations			**11,416**	**11,416**
Open				

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Fund: 1000 - General				
FY2021 Appropriations	**15,882**	**15,882**	**15,882**	**31,764**
Base Adjustments				
Forecast Open Appropriation Adjustment	4,875	(4,552)	(4,008)	(8,560)
November Forecast Adjustment	(2,716)	(2,657)	(848)	(3,505)
February Forecast Adjustment		1	(750)	(749)
Forecast Base	**18,041**	**8,674**	**10,276**	**18,950**
Total Governor's Recommendations	**18,041**	**8,674**	**10,276**	**18,950**
Dedicated				
Fund: 3000 - Federal				
Planned Spending	**15,231**	**15,231**	**15,231**	**30,462**
Forecast Base	**15,231**	**15,231**	**15,231**	**30,462**
Total Governor's Recommendations	**15,231**	**15,231**	**15,231**	**30,462**
Fund: 5000 - Master Lease				
Planned Spending	**22,207**	**14,101**	**14,101**	**28,202**
Forecast Base	**22,207**	**14,101**	**14,101**	**28,202**
Total Governor's Recommendations	**22,207**	**14,101**	**14,101**	**28,202**
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**3,126**	**3,081**	**3,081**	**6,162**
Total Governor's Recommendations	**3,126**	**3,081**	**3,081**	**6,162**
Fund: 2005 - Opiate Epidemic Response				
Forecast Revenues	**6,619**	**342**	**342**	**684**
Total Governor's Recommendations	**6,619**	**342**	**342**	**684**
Fund: 3000 - Federal				
Forecast Revenues	**15,238**	**15,238**	**15,238**	**30,476**
Total Governor's Recommendations	**15,238**	**15,238**	**15,238**	**30,476**
Fund: 3800 - Permanent School				
Forecast Revenues	**41,522**	**41,786**	**42,051**	**83,837**
Total Governor's Recommendations	**41,522**	**41,786**	**42,051**	**83,837**
Fund: 6000 - Miscellaneous Agency				

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Forecast Revenues	**1,512**	**1,512**	**1,512**	**3,024**
Total Governor's Recommendations	**1,512**	**1,512**	**1,512**	**3,024**
Fund: 8000 - Housing Finance Agency				
Forecast Revenues	**550**	**550**	**550**	**1,100**
Total Governor's Recommendations	**550**	**550**	**550**	**1,100**
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	**368,231**	**276,957**	**283,030**	**559,987**
Change Items				
Payment Plus (MMB)		336	671	1,007
Total Governor's Recommendations	**368,231**	**277,293**	**283,701**	**560,994**
Fund: 1200 - State Government Special Rev				
Forecast Revenues	**2,468**	**2,468**	**2,468**	**4,936**
Total Governor's Recommendations	**2,468**	**2,468**	**2,468**	**4,936**
Fund: 1250 - Health Care Response				
Forecast Revenues	**99**			
Total Governor's Recommendations	**99**			
Fund: 2212 - Peace Officer Training Account				
Forecast Revenues	**104**	**104**	**104**	**208**
Total Governor's Recommendations	**104**	**104**	**104**	**208**
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	**4,984**	**4,984**	**4,984**	**9,968**
Total Governor's Recommendations	**4,984**	**4,984**	**4,984**	**9,968**
Fund: 2301 - Arts & Cultural Heritage				
Forecast Revenues	**330**	**330**	**330**	**660**
Total Governor's Recommendations	**330**	**330**	**330**	**660**
Fund: 2302 - Clean Water				
Forecast Revenues	**2,613**	**2,613**	**2,613**	**5,226**
Total Governor's Recommendations	**2,613**	**2,613**	**2,613**	**5,226**
Fund: 2303 - Parks and Trails				

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Forecast Revenues	841	841	841	1,682
Total Governor's Recommendations	841	841	841	1,682
Fund: 2340 - Renewable Development				
Forecast Revenues	19,830	30,031	30,289	60,320
Total Governor's Recommendations	19,830	30,031	30,289	60,320
Fund: 2360 - Health Care Access				
Forecast Revenues	4,810	3,700	2,150	5,850
Total Governor's Recommendations	4,810	3,700	2,150	5,850
Fund: 3010 - Coronavirus Relief				
Forecast Revenues	2,197			
Total Governor's Recommendations	2,197			

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Capital Investment Bill Debt Service and Cash

Fiscal Impact ($000s)	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
General Fund				
Expenditures	39,397	12,655	17,027	20,823
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	39,397	12,655	17,027	20,823
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $52.052 million in the FY 2022-23 biennium from the general fund to support his revised 2021 capital budget recommendations.

Rationale/Background:

- The Governor's 2021 capital budget recommendations were announced in February 2021.
- The Governor's revised 2021 capital budget recommendations were announced in March 2021.
- This change item includes the general fund cash and debt service needed to finance projects included in the Governor's revised 2021 capital budget recommendations.

Proposal:

The Governor's revised 2021 capital budget recommendations can be found in the "Current Capital Budget" section of MMB's website: https://mn.gov/mmb/budget/capital-budget/current/

This $550.443 million proposal includes:

- $272.107 million in General Obligation Bonds
  This amount is $32.107 million above the $240 million in general obligation bonds included in the forecast. General fund cash is required to finance debt service for projects.
- $250 million in Appropriation Bonds
  This includes $100 million in Housing Infrastructure Bonds at Minnesota Housing and $150 million in Redevelopment Appropriation Bonds at the Department of Employment and Economic Development. General fund cash is required to finance debt service for these projects.
- $28.336 million in General Fund Cash
  This includes a $15 million set-aside for equity projects and additional FY 2022 general fund capital investments.

Impact on Children and Families:

The resources made available by Housing Infrastructure Bonds will impact children and families by increasing affordable housing and creating new supportive housing opportunities for the most vulnerable families and youth experiencing homelessness. This resource is critical to preserving and building new housing opportunities across the state. Housing Infrastructure Bonds are the largest state source of development resources. People in families accounted for over 40% of the total number of people experiencing homelessness in 2020. 9,060 students experiencing homelessness were enrolled in Minnesota schools on October 1, 2019. These students were in 1,172 schools and 309 school districts in 77 of Minnesota's 87 counties. Housing stability is proven to increase family incomes and improve school attendance.

The resources made available by Redevelopment Appropriations Bonds will impact children and families by building generational wealth and employment opportunities in neighborhoods that currently have high poverty rates resulting from structural racism. This resource will support rebuilding efforts in the cities of Minneapolis and St. Paul arising from the damage and destruction to small businesses and other private property that occurred in response to the killing of George Floyd and compounded by long-standing structural systems of inequality and racism within the cities, state, and nation. The financing provided by these appropriation bonds will serve a public purpose and redevelop the areas damaged by civil unrest.

Equity and Inclusion:

The resources made available by Housing Infrastructure Bonds will increase affordable housing and create new housing for individuals, families, and youth experiencing homelessness, which disproportionally impacts certain populations, such as African Americans, American Indians, people with disabilities, and lesbian, gay, bisexual, transgender, or questioning/queer (LGBTQ) people. Black, Indigenous and people of color are more likely to pay a higher percentage of their income on housing, be evicted, experience homelessness, and sleep outside.

The resources made available by Redevelopment Appropriations Bonds include a focus on equity. The damage and destruction from these incidents were primarily focused in areas of the cities with a high proportion of people of color and Indigenous people. These redevelopment efforts will create or retain jobs, preserve the tax base, support enterprise development and wealth creation for persons adversely affected by long-standing structural racial discrimination and poverty, help prevent displacement of small businesses owned by people of color and Indigenous people, and stabilize these impacted neighborhoods.

The general fund cash set-aside for equity projects will support capital projects from community-based organizations that are led by and serve communities of color and American Indians, as these organizations have not traditionally had access to capital investment from the state.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Removing Budget Reserve Reduction

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund	491,000	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	491,000	0	0	0
FTEs	**0**	**0**	**0**	**0**

Request:

The Governor recommends removing a provision in Chapter 6 from the 2019 special session that stipulates the balance of the budget reserve account be reduced by $491 million on the first day of FY 2022. This action results in $491 million being directed to the budget reserve account in FY 2022.

Rationale/Background:

The existence of the general fund budget reserve allows state government to maintain operations without a significant reduction in services. The February 2021 forecast projects a positive budgetary balance of $1.571 billion for the FY 2022-23 biennium. The budget reserve account balance is estimated to be $1.886 billion.

Proposal:

This proposal increases the budget reserve balance by $491 million in FY 2022.

In addition to this proposal, the budget reserve is reduced $34 million in FY 2023 to account for the Blue Ribbon Commission on Health and Human Services (BRC) strategies not recommended in this budget. Laws 2019, Special Session 1, Chapter 9, requires the commissioner to reduce the budget reserve balance by the difference between $100 million and the net savings from the BRC included in this budget. Starting in FY 2023, the budget reserve balance is anticipated to be $2.343 billion under this proposal, after accounting for changes related to the Blue Ribbon Commission.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Cap Stadium Reserve Balance at $100 million

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Allocation from Reserve	35,841	64,859	74,524	84,178
Net Fiscal Impact = (Expenditures – Revenues)	(35,841)	(64,859)	(74,524)	(84,178)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends capping the balance of the stadium reserve account in the general fund at $100 million. Capping the balance of the stadium reserve at $100 million will result in balances over $100 million accruing to the bottom line of the general fund. Given that the stadium reserve is projected to grow year over year in the February forecast, capping the reserve results in additional resources in the general fund in each year beginning in FY 2022.

Rationale/Background:

The stadium reserve exists to retain funds when revenues designated as part of the statutory stadium reserve formula exceed spending identified in law as part of the stadium reserve formula. Revenues include lawful gambling revenue receipts exceeding $36.9 million each year and sales tax revenues collected to fund the portion of costs covered by the city of Minneapolis. Spending includes debt service on US Bank Stadium, payments for city of Minneapolis stadium obligations, St. Paul Sports Facilities Grants, and appropriations for problem gambling programs. In FY 2022, it's projected that revenue will exceed spending by $55 million, the annual excess grows to $84 million by FY 2025 under the current forecast.

Capping the stadium reserve at $100 million retains resources to cover approximately two and half years of stadium related expenditures. This proposal does not change any state appropriations for stadium related expenses, those appropriations remain in current law and are paid from the general fund regardless of the balance of the stadium reserve account.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Public Defender Payment Distribution Change

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
MMB Non-Operating				
General Fund				
Expenditures	(500)	(500)	(500)	(500)
Revenues	0	0	0	0
Board of Public Defense				
General Fund				
Expenditures	500	500	500	500
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends the responsibility for distributing public defender expense reimbursements be transferred from Minnesota Management and Budget (MMB) to the Minnesota Board of Public Defense. Certain public defender expense reimbursements are paid using a portion of the county program aid appropriation. This proposal simplifies the payment process for vendors by ensuring that the Board of Public Defense, which approves the expenses under current law, is also the entity that processes the expense payments. The Governor also recommends removing the requirement that certain public defender costs must be authorized by court order.

Rationale/Background:

As authorized by Minnesota Statutes Section 611.27, the $500,000 annual transfer from county program aid can be used for two broad purposes. First, to pay for appellate public defenders' transcript costs and other necessary expenses in appeal and postconviction cases when the Board of Public Defense's own $500,000 annual allocation has been exhausted. Second, for the costs of alternative counsel in district court cases when a district public defense office indicates it is unable to provide adequate representation. For both types of costs, the expenses must be authorized by the Board of Public Defense. For district-level costs, the appointment of alternative counsel must also be approved by the district court. All expenses are then received by the Board of Public Defense and forwarded to MMB for payment.

MMB processed 927 invoices forwarded from the Board of Public Defense in FY 2020, 1,196 in FY 2019, 1,091 in FY 2018, and 679 in FY 2017.

Proposal:

The proposal moves the $500,000 annual transfer of county program aid from MMB to the Board of Public Defense. Under current law, the Minnesota Department of Revenue (DOR) transfers this amount from the county program aid account to MMB every July. Under this proposal, DOR will transfer the funds to the board instead, which removes MMB from the process. The proposal also contains related clean-ups to statutory language to clarify how the process works.

These changes streamline the business process by ensuring that the entity approving these public defender expenses—the Board of Public Defense—is the same entity that is consistently processing the payments. These changes will improve processing times and simplify the process for the vendors seeking payment. These vendors have relationships with the Board of Public Defense and submit their invoices to the board. And in the case of appellate transcripts costs, vendors receive payment from the board during certain months of the fiscal year and from MMB during other months. This proposal ensures that vendors will only need to interact with one agency during all times of the year.

This proposal also contains policy changes requested by the Board of Public Defense that removes the requirement that certain public defender costs must ultimately be authorized by court order. When a district public defense office believes it cannot provide representation for a case, the office contacts the Board of Public Defense. As required by law, the board must approve requests for outside counsel, and if it does, current law also requires court order approval from the district court. This is achieved by the board estimating costs, and the state public defender drafting a court order to be signed by the chief district court judge. The board indicates that it is unaware of any instance when a judge has denied a request. By removing the requirement of court order approval, it further streamlines the process by ensuring that one agency receives the county program aid transfer, reviews and approves requests for outside counsel, and monitors expenses in the account.

Statutory Change(s):

Minnesota Statutes, Sections 477A.03 and 611.27

Change Item Title: 2AM Permit Fee Fund Change

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund - DPS				
Expenditures	(90)	194	194	194
Revenues	500	500	500	500
Special Revenue Fund - DPS				
Expenditures	(194)	(194)	(194)	(194)
Transfer Out to GF	(500)	(500)	(500)	(500)
Revenues	(500)	(500)	(500)	(500)
General Fund – MMB Non-Op				
Transfer In from DPS SR	(500)	(500)	(500)	(500)
Net Fiscal Impact = (Expenditures – Revenues)	(284)	0	0	0
FTEs				

Recommendation:
The Governor recommends depositing 2AM Permit revenue as nondedicated revenue in the general fund, and providing an ongoing annual appropriation of $194,000 from the general fund to Alcohol and Gambling Enforcement (AGE). Currently the fee revenue and operating appropriation is in the special revenue fund. This recommendation includes eliminating an annual $500,000 transfer from the special revenue fund to the general fund and the direct appropriation to AGE from the special revenue fund.

Rationale/Background:
Minnesota Statutes Chapter 340A regulates alcohol enforcement and liquor control, and MS 340A.504 oversees the hours and days of sale, including the permit and fee for sales after 1AM. The permit fee is set by statute according to gross receipts of the applicant, and permit fee revenue is deposited in the alcohol enforcement account in the special revenue fund. AGE receives a $694,000 direct appropriation from this account for (1) operating costs and (2) to transfer $500,000 to the general fund.

Revenues from the 2am permit fee have declined in recent years and continue to decline as fewer bars and restaurants apply for the permit. The annual revenue does not support the base budget appropriation and fund balance in the account has been used in recent years to make up for the gap. There is insufficient fund balance to maintain the base budget in FY 2022-2023.

Proposal:
The Governor recommends moving the revenue and appropriation related to the 2AM Permit from the special revenue fund to the general fund. This will provide ongoing, reliable funding for Alcohol and Gambling Enforcement. This proposal has a net general fund savings of $90,000 in FY 2022 and net general fund cost of $194 thousand annually starting in FY 2023. The savings in FY 2022 is due to repealing laws of 2020, special session 7, chapter 2, article 2, section 4(b), which provided a transfer from the general fund to the alcohol enforcement account to backfill lost fee revenue due to the waiver of the 2AM fee in calendar year 2021. The estimated cost of this transfer in FY 2022 is $284,000 – this transfer will no longer be necessary when the revenue and appropriation are shifted to the general fund starting in FY 2022.

Impact on Children and Families:
N/A

Equity and Inclusion:
N/A

IT Related Proposals:
N/A

Change Item Title: BRC Proposal: Uniform Administration of Pharmacy and Dental Benefits

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	(16,614)	39,080	7,652
Revenues	0	0	0	7,479
Health Care Access Fund				
Expenditures	0	(2,651)	(1,115)	3,766
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	(19,265)	37,965	3,939
FTEs	0	3	3	3

Request:
Effective January 2023, the Governor recommends streamlining the administration of the pharmacy benefit in the Medical Assistance program and the dental benefit in the Medical Assistance and MinnesotaCare programs. This approach focuses on the immediate challenges of affordability and access related to prescription drugs and dental care. This proposal has a net savings to the General Fund and Health Care Access Fund of $19.3 million in the FY2022-23 biennium and a cost of $41.9 million in the FY2024-2025 biennium. This proposal assumes the net general fund savings in FY 2022-23 is applied against the $100 million Blue Ribbon Commission (BRC) reduction target enacted in 2019.

Rationale/Background:
Many factors contribute to the increasing costs of healthcare, including the rapid increase of prescription drug prices. In Medical Assistance, these increases have been substantial, with pharmacy service spending per enrollee increasing by 9.7 percent between 2018 and 2021. These increases have been significantly more rapid in the managed care pharmacy benefit than in the fee-for-service (FFS) benefit.

Access to dental care is another major problem in Minnesota, especially in areas of greater Minnesota. While Minnesotans served by public health care programs have dental coverage, that coverage has not always translated into access to care, as 60 percent of children in the Medical Assistance program did not see a dentist in 2017 and 2018. Studies performed by DHS in 2014 and 2015 showed that due to administrative complexity, overall low reimbursement rates, and uneven and disparate rate structures that go to only a small number of providers that are already well beyond capacity to serve additional patients, many dentists, and particularly small clinics in rural areas of the state, are discouraged from serving public program enrollees. Minnesota is currently under a corrective action order from the Center for Medicaid and Medicare Services (CMS) due to substandard dental access rates for children.

Without dental coverage, people access care in the emergency room and are often prescribed drugs to manage pain without resolution of the dental issue. A comprehensive approach that restructures both the administrative and payment structure for dental services is needed to address the lack of dental care access.

Proposal:
This proposal seeks to address the issue of rising costs for health coverage and the lack of access to dental services by:

- Establishing a uniform system for managing pharmacy benefits across Medical Assistance in order to reduce prescription drug prices while ensuring access to a comprehensive pharmacy benefit.
- Restructuring payments and administration of dental benefits across both Medicaid Assistance and MinnesotaCare to support providers and to increase and ensure access to dental services.

Reduce prescription drug prices statewide:
Under this proposal, the Department of Human Services (DHS) will administer the pharmacy benefit for Medical Assistance beginning in 2023. Currently, pharmacy benefits are either administered by DHS or the Managed Care Organizations (MCOs) through their Pharmacy Benefit Managers (PBMs). By moving management of the pharmacy benefit to DHS, the state will have greater visibility and transparency into drug pricing and operations. This new pharmacy program will rely on the state's preferred drug list process, which is established and maintained transparently with consumer and provider input. This proposal also modifies the copayment of brand name drugs included on the Preferred Drug List (PDL) to be equivalent to generic drugs copayments.

Improving Access to Dental Care:
This proposal establishes a simpler and more efficient model for purchasing dental benefits through a common administrative structure, updated payment methodology, and increased provider rates. Implementing a streamlined structure for dental services will result in increased administrative efficiencies for providers, and improve the consumer experience.

Additionally, this proposal will equalize payment rates by providing a 54 percent rate increase over the current Medical Assistance fee schedule for adult dental services and a 24.4 percent rate increase for children's dental services. The rate increase for children's dental services is lower because children's dental services rates are currently higher than the rates for adults. This investment is made possible by repurposing both the critical access and rural dental add-on payments for an across-the-board increase that will remove the payment disparities among dental providers across the state.

Administrative simplification combined with repurposing current rate add-ons received by a limited number of providers allows for an equitable rate structure that pays all dentists the same rates for providing the same services. This helps to create an environment where dental practices throughout Minnesota, including rural areas, can serve all people in their communities. Accessible local dental care also reduces the long distances people on state health care programs currently must travel to receive dental care, if they are able to find a provider that will see them.

Lastly, this proposal will create a quality incentive program in partnership with the Dental Services Advisory Committee to recognize dental practices who are meeting and exceeding quality standards. This incentive program will help offset the additional investments made by clinics and recognize practices going above and beyond in advancing the health outcomes of their patients.

Equity and Inclusion:

Minnesotans served by Medical Assistance and MinnesotaCare have had a persistent challenge in accessing dental services. More than 60 percent of children serviced by the program did not see a dentist in 2017 and 2018. This proposal aims to increase dental access rates to those found among individuals served by private insurance. Making dental care accessible to people in their local communities strengthens those communities by helping to reduce inequities that exist across racial, ethnic, and socio-economic groups. The combination of these two initiatives allows for the state to administer the pharmacy benefit more efficiently and reinvest the savings from administrative costs and PBM profits into the Medical Assistance dental benefit. The investment in Minnesotans served by public programs, rather than administrative costs and PBM profits, strongly supports the administration's commitment to the Minnesota Health Care Program enrollees serve rather than preserving existing administrative structures.

IT Related Proposals:

This proposal will require IT changes to implement the new rates and administrative structure for dental. This proposal also relies on the modernization of the pharmacy claims processing system, but this modernization work is already prioritized and occurring independently of this legislative proposal.

Fiscal Detail:

Net Impact by Fund (dollars in thousands)			FY22	FY23	FY22-23	FY24	FY25	FY24-25
General Fund				(16,614)	(16,614)	39,080	173	39,253
HCAF				(2,651)	(2,651)	(1,115)	3,766	2,651
Federal TANF								
Other Fund								
Total All Funds				(19,265)	(19,265)	37,965	3,939	41,904
Fund	**BACT#**	**Description**	**FY22**	**FY23**	**FY22-23**	**FY24**	**FY25**	**FY24-25**
GF	33ED	MA Grants	0	(4,553)	(4,553)	3,781	(1,717)	2,064
GF	33AD	MA Grants	0	(1,460)	(1,460)	4,333	1,318	5,651
GF	33FC	MA Grants	0	(14,175)	(14,175)	24,178	1,242	25,420
HCAF	31	MNCare Grants	0	(3,081)	(3,081)	(1,984)	(4,595)	(6,579)
GF	33	MA Grants (Dental Administrator)	0	2,767	2,767	5,505	5,526	11,031
HCAF	31	MNCare Grants (Dental Administrator)	0	430	430	869	882	1,751
GF	13	HCA FTEs (0,3,3,3)	0	429	429	386	386	772
GF	13	HCA Admin (Prior Auth Contract)	0	750	750	1,500	1,500	3,000
GF	REV2	HCAF to GF Transfer	0	0	0	0	7,479	7,479
HCAF	REV2	HCAF to GF Transfer	0	0	0	0	(7,479)	(7,479)
GF	REV1	FFP @ 32%	0	(377)	(377)	(604)	(604)	(1,208)
GF	11	Systems State Share (MMIS @ 29%)	0	5	5	1	1	2
		Requested FTE's						
Fund	**BACT#**	**Description**	**FY22**	**FY23**	**FY22-23**	**FY24**	**FY25**	**FY24-25**
		DHS FTEs		3		3	3	

Statutory Change(s):

Minnesota Statutes §§ 256B.76, subd. 2; 256B.0625, subd. 9; 256L.11, subd. 6a and 7

Change Item Title: Information and Telecommunications Account Funds Cancellation

Fiscal Impact ($000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	0	0	0	0	0
Transfer In	179	0	0	0	0
Workers Compensation Fund					
Expenditures	0	0	0	0	0
Transfer In	14	0	0	0	0
Health-Related Boards Fund					
Expenditures	0	0	0	0	0
Transfer In	5	0	0	0	0
Net Fiscal Impact = (Expenditures – Transfers In)	198	0	0	0	0
FTEs	**0**	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends cancelling funding remaining from several IT projects that have been completed and no longer require funding. With this recommendation, the money will cancel to the fund from which the resources were originally appropriated and, therefore, create savings in those funds.

Rationale/Background:

There are a number of technology projects funded from the Information and Telecommunications Account (ITA), often known as the "Odyssey Fund," which have been completed but have funding remaining in the account. The remaining funds are no longer needed, and this proposal would cancel the money to the funds from which it originally came, thus creating savings in those funds.

Proposal:

As noted above, the cancellation of this funding would result in a savings of $179,000 to the general fund, as well as smaller savings in several other funds. The largest portion of the savings would come from the MMB enterprise budget systems project, but there are several other projects from which savings would come as well. In addition to the general fund, $5,000 would cancel to the Health-Related Boards fund and $14,000 would cancel to the Workers Compensation fund.

Statutory Change(s):

No statutory changes are necessary.

FY 2022-23 Biennial Budget Change Item

Change Item Title: Minnesota Premium Security Plan Transfer

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	105,785	0
Other Funds				
Expenditures	0	0	(105,785)	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends transferring approximately $105.785 million remaining in the Premium Security Plan Account (PSPA) to the general fund in FY 2024. The recommendation was repriced to reflect the balance in the fund as of the February 2021 forecast.

Rationale/Background:

The Minnesota Premium Security Plan (MPSP) was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. The program was created to stabilize the state's individual health insurance market and reduces health insurance premiums from what they otherwise would be absent the program's existence. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program.

$543 million in state resources were appropriated for FY 2018-19. The state resources are from $142 million in transfers from the General Fund, $401 million in transfers from the Health Care Access Fund, and $42 million in remaining operating funds from MCHA. Minnesota is expected to receive $379.299 million in federal funds for the program for plan years 2018 – 2020.

Proposal:

This proposal transfers the projected remaining balance of the Premium Security Plan account to the General Fund in FY 2024. This request utilizes assumptions from the February 2021 forecast regarding total MPSP program size in both 2020 and 2021. This request assumes the MPSP will end after plan year 2021, with final payments to eligible health insurers for that plan year occurring by the end of FY 2023. This request assumes that approximately $105.785 million will be available for transfer after final payment obligations are fulfilled for the MPSP.

Statutory Change(s):

Laws 2017, chapter 13, article 1, section 15, as amended
Transfer language within appropriations article.

Change Item Title: Paid Family and Medical Leave Insurance

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures				
DEED	10,828	0	0	0
MMB	28	0	0	0
MMB Non-Operating	0	1,930	3,727	3,727
DLI	528	0	0	0
Supreme Court	20	0	0	0
DHS	0	0	0	468
Legislature-LCC	11	0	0	0
Transfer In	0	11,416	0	0
Paid Family Medical Leave Fund				
Expenditures				
DEED	0	23,880	51,671	50,755
MMB	0	23	13	13
DLI	0	518	468	618
DHS	0	574	0	115
Court of Appeals	0	0	0	5,600
Benefits	0		780,569	780,569
Revenues	0	446,199	862,769	880,024
Transfer Out	0	11,416	0	0
Net Fiscal Impact = (Expenditures – Revenues)	11,416	(419,848)	(26,321)	(38,159)
FTEs	**14**	**75**	**301**	**326**

Recommendation:

The Governor recommends $11.416 million from the general fund in FY 2022 only and applying a 0.6% employer premium rate to employee wages beginning in calendar year 2023 to establish a Paid Family and Medical Leave Insurance program. The Governor recommends allowing employees to pay for one-half of the premium rate. In FY 2023 only, the Governor recommends a transfer of $11.416 million from the Paid Family and Medical Leave fund to the general fund to reimburse agencies' startup costs. State appropriations will support the development of an IT system for collecting premiums and paying benefits, as well as initial staffing and administrative resources required to implement and operate this program at the Department of Employment and Economic Development, Minnesota Management and Budget, Department of Labor and Industry, the Supreme Court, Court of Appeals and the Legislative Coordinating Commission.

Rationale/Background:

Paid Family and Medical Leave is a program that most employees will need at one point but approximately 26 percent of all family and medical leaves do not include any wage replacement. According to the "Paid Family & Medical Leave Insurance: Options for Designing and Implementing a Minnesota Program" released in February 2016, around 10% of Minnesota workers take a family or medical leave in any given year. Fifty-nine percent (59%)

of current leaves in Minnesota are for own-health reasons (other than pregnancy), 17 percent are for bonding/parental leave (including pregnancy disability), and 24 percent of leaves are for caretaking a seriously ill family member.

Low-wage employees, certain minority groups, younger workers, and less educated populations are much more likely to manage leaves without any pay. Minnesota workers are less likely to receive compensation during leave for their own serious health condition or family care than for pregnancy or parental (bonding/maternity/paternity) leave. For many low-income Minnesotans, taking leave with little or no pay can create significant economic instability for their families, often during some of the most challenging times.

Without a comprehensive state paid family and medical leave program, Minnesotans are missing out on the economic stability and economy-boosting effects of keeping people employed while welcoming a new family member, caring for a sick loved one, or recovering from an illness or injury.

Proposal:

The Governor recommends creating a new Minnesota Family and Medical Leave Program administered by DEED. This program will provide wage replacement for family and medical leaves and will provide job protections for recipients, so they are assured of continued employment with their employer upon their return. Premiums collected will fund program benefits and ongoing administrative costs. Appropriations from the general fund and the new Paid Family and Medical Leave Fund will allocate:

- $34.708 million in FY 2022-23 and $102.426 million in FY 2024-25 for the Department of Employment and Economic Development will support the creation of a premium collection system, benefits payment system, user interface development, and program administration.
- $1.930 million in FY 2022-23 and $7.454 million in FY 2024-25 will be provided to Minnesota Management and Budget Non-Operating to offset employer-paid premium costs in the general fund for state executive and judicial branch agencies and offset the costs to agencies for obtaining notice acknowledgments from employees.
- $51 thousand in FY 2022-23 and $26 thousand in FY 2024-25 for Minnesota Management and Budget will fund state executive branch employee workplace notice costs as well as upgrades to the state's payroll system necessary for the collection of premiums.
- $1.046 million in FY 2022-23 and $1.086 million in FY 2023-25 for the Department of Labor and Industry will fund oversight and compliance costs related to the program as well as IT systems upgrades.
- $20 thousand in FY 2022-23 for the Supreme Court will fund a onetime update to the existing case management system that would calculate interest on judgments against employers.
- Starting in FY 2025, $5.6 million per year would fund costs related to appeals filed with the Court of Appeals for denied benefit claims.
- $11 thousand in FY 2022-23 for the Legislature-LCC will support onetime payroll system updates.
- $574 thousand in FY 2023 and $115 thousand ongoing starting in FY 2025 for the Department of Human Services to make systems modifications necessary for the implementation of the program. Income generated by individuals through participation in the family and medical leave program will be considered in eligibility determinations for MFIP, DWP, SNAP, Housing Support, MSA, GA, RCA, MA, MinnesotaCare, and CCAP. Implementation of the Minnesota Family and Medical Leave Program will also increase medical assistance nursing home rates starting in calendar year 2025. Nursing homes are reimbursed through a cost based method. The general fund cost of this is $468 thousand in fiscal year 2025.

Impact on Children and Families:

Similar programs in other states have shown improvements in economic stability for families and positive impacts for children. Societal benefits include retaining more women in the labor force, reductions in the need and associated costs for nursing home and other institutional care, reductions in the need for public assistance when a new baby arrives, and less infant care shortages.

Equity and Inclusion:
According to the 2016 report, while almost three-quarters of Minnesota workers received at least some pay when they were out of work for family or medical reasons, low-wage (46%); black (42%); or Hispanic (39%); younger (39%); part-time (38%) or less educated (38%) workers are much more likely to manage leaves without any pay. This proposal is intended to help address that inequality and the economic impacts that that inequality has on these workers.

IT Related Proposals:
This recommendation includes funding for IT costs to create a system for collecting premiums from employers and paying program benefits to recipients. The development of the Paid Family and Medical Leave system will be a multi-year project. The total cost to build the system between FY 2022-2026 is $67.841 million, including $5.973 million for staff costs.

Results:
Department of Employment and Economic Development will track the following:
- Amount of leave taken
- Amount of benefit payments made to recipients
- Employer opt-outs
- Employee opt-ins
- Program tax collections and balance
- Customer satisfaction

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Capitol Complex Parking Fund Shortfall

Fiscal Impact ($000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Transfers In	(993)	(993)	0	0	0
Expenditures					
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	993	993	0	0	0
FTEs	**0**	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends temporarily relieving the state parking fund of a statutory requirement to make certain transfers to the general fund. This will reduce transfers into the general fund by $993,000 in FY 2021 and $993,000 in FY 2022.

Suspending these transfers will help address the revenue shortfall in the parking fund, which is managed by the Department of Administration (Admin). This shortfall is the result of significant parking contract cancellations and decreased use of state meters as a result of the pandemic. Revenue reductions began during the state's work-from-home period and are continuing as employees continue to work remotely. In addition, since the public is not visiting the Capitol complex, meter revenue has been significantly reduced. State parking facilities and state employee transit pass programs are user-financed.

Rationale/Background:

Expenses for parking facilities on the Capitol Complex are funded by user fees paid by state employees who contract to park and users of state parking meters. The Capitol Complex has seen a dramatic decline in the number of parking contracts since the start of the pandemic (1,700 cancellations as of mid-November), as well as a significant decrease in meter usage, which has resulted in a steep reduction in revenue.

Since the start of the pandemic, Admin has worked to control the fund's expenses, including through salary reductions, postponing repairs and general maintenance, and minimizing overtime expenses associated with snow removal. But more than 40 percent of the fund's annual expenses are for mandatory debt service payments.

Even with controlling expenses, the revenue loss is expected to result in a deficit in the parking fund during FY 2021 resulting in the need for relief prior to June 30, 2021. Admin anticipates it will take multiple years for the fund to recover.

Proposal:

The Governor recommends amending Laws 2014, chapter 287, section 25 (as amended by Laws 2015, Chapter 77, Section 78) to remove – for FY 2021 and FY 2022 – the requirement that an amount equivalent to the required debt service payment on the Minnesota Senate Garage be transferred from the state parking fund to the general fund. This, along with other initiatives, will help ensure the parking fund is able to meet its obligations and provide safe, convenient parking for all users.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Payment Plus

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
Minnesota Management and Budget Non-Operating				
General Fund				
Expenditures	0	0	0	0
Revenues	336	671	671	671
Minnesota Management and Budget				
Special Revenue Fund				
Expenditures	36	73	73	73
Revenues	36	73	73	73
Net Fiscal Impact = (Expenditures – Revenues)	(336)	(671)	(671)	(671)
FTEs	**0.5**	**1**	**1**	**1**

Recommendation:

The Governor recommends the establishment of Payment Plus, a rebate program that allows state vendors to receive payments by a virtual credit card. Through this program, the state will receive a percentage of the payment in the form of a rebate. The Governor recommends the rebates, less program administrative costs, be credited to the general fund, except where prohibited by federal regulations or where funds are dedicated by the Minnesota Constitution.

Payment Plus is anticipated to generate general fund revenue of approximately $336,000 in FY 2022 and $671,000 each year thereafter.

Rationale/Background:

Payment Plus provides state vendors the option of a new – and faster – way to receive payments. Currently, vendors receive payments within 30 days in accordance with Minnesota's Prompt Payment Law. Payment Plus provides immediate payments through a virtual credit card from U.S. Bank, the state's purchasing card service provider. Rather than issuing individual checks, the state would make a monthly credit card payment to U.S. Bank. This maximizes cash flow for both the state and the vendor.

Proposal:

When a vendor opts to receive a payment through Payment Plus, the state receives 2.1375% of the purchase as a rebate. The rebate, less a 0.15% administrative fee retained by Minnesota Management and Budget (MMB), will be credited as non-dedicated revenue to the general fund, except where prohibited by federal regulations or where funds are dedicated by the Minnesota Constitution.

Based on FY 2019 and FY 2020 state agency spending and estimated participation rates, MMB and U.S. Bank anticipate $48.427 million in state agency purchases will be paid through Payment Plus each year, resulting in approximately $1.035 million in annual rebates. MMB will retain approximately $73,000 each year to administer the program in coordination with U.S. Bank, state agency finance staff, and the state's vendors. This leaves a balance of $962,000.

MMB estimates $671,000 of this balance would be deposited to the general fund as non-dedicated revenue each year. Another $291,000 of the total rebates would occur in funds protected by federal regulations or the Minnesota Constitution and be returned to the accounts where the spending occurred.

MMB anticipates it will launch Payment Plus on October 1, 2021. Rebates will be credited on a quarterly basis with the final quarter credited in the subsequent fiscal year. For these reasons, the FY 2022 estimate reflects a 50% reduction in rebate revenues.

Results:

MMB intends to track the following measures to evaluate the performance of the Payment Plus program.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quality	Number and percentage of state vendors participating in Payment Plus	N/A (new program)	N/A (new program)	Measured annually
Quality	Number and percentage of state government expenditures processed via Payment Plus	N/A (new program)	N/A (new program)	Measured annually

Statutory Change(s):

This proposal requires an amendment to Minnesota Statutes, Chapter 16A.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: State Government Special Revenue Fund Solvency

Fiscal Impact ($000s)	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
General Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers In	0	(77)	(77)	(77)	(77)
Other Funds					
Expenditures	(2,209)	(2,500)	(2,500)	(2,500)	(2,500)
Revenues	0	0	0	0	0
Transfers Out	0	(77)	(77)	(77)	(77)
Net Fiscal Impact = (Expenditures – Revenues)	(2,209)	(2,577)	(2,577)	(2,577)	(2,577)
FTEs	**0**	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends the cancellation of appropriations and transfers to address a structural deficit in the state government special revenue fund. The changes do not have an impact on the department's programs or operations.

The proposed change is a 3.6% decrease to the department's base in the state government special revenue fund in fiscal year 2022.

Rationale/Background:

The 2020 November economic forecast projects negative budgetary balance in the state government special revenue fund by the end of fiscal year 2025.

Proposal:

The proposed cancellation of $2,209,000 in fiscal year 2021 is unbudgeted roll forward from fiscal year 2020 in the state government special revenue fund.

The proposed cancellation of $2,500,000 in ongoing appropriations beginning in fiscal year 2022 is due to the anticipated transition of home care providers to assisted living providers, resulting in a smaller ongoing home care program.

A $77,000 annual transfer from the state government special revenue fund to the general fund has been required by the Laws of 2008 (chapter 364, section 17b). The transfer does not support any general fund activity and it has cancelled to the bottom line of the general fund each year. This proposal is to permanently cancel this transfer.

Change Item Title: Blue Ribbon Commission (BRC) Program Integrity Strategies

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	336	226	226	226
Revenues	(1,038)	(1,440)	(1,440)	(1,474)
Other Funds				
Expenditures	(7)	(9)	(9)	25
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(709)	(1,223)	(1,223)	(1,223)
FTEs	**6**	**6**	**6**	**6**

Request:

The Governor recommends an investment in staff with offsetting savings to:

- Expand the Department of Human Services' s (DHS) capacity to investigate and prevent fraud in the Medical Assistance (MA) program;
- Increase funding for the Fraud Prevention Investigation (FPI) grant program to provide counties and tribes with additional resources to investigate recipient fraud in human services programs; and
- Expand training and informational resources to improve third party liability (TPL) recoveries in Minnesota Health Care Programs (MHCP).

The proposal would fund an additional 5 FTE to staff the Office of Inspector General's Financial Fraud and Abuse Investigation Division (FFAID) that oversees MA providers, and 1 FTE to lead the Health Care Administration's (HCA) expansion of TPL work. It would also enable counties and tribes to hire additional fraud investigators.

The Governor further recommends amending Minn. Stat. § 256.983, Subdivisions 1 through Subdivisions 4 to explicitly include tribal governments as direct recipients of FPI grant funding, subject to the programmatic requirements applicable to county grant applicants. This would align with language included in Subdivision 5, related to child care providers' financial misconduct, which states that "a county *or tribal agency* may conduct investigations of financial misconduct by child care providers" and specifies proof requirements related to those investigations.

These proposals are supported within recommendations of the Blue Ribbon Commission on Health and Human Services, which was tasked by the 2019 Legislature and the Governor to develop an action plan for transforming the health and human services system, recognizing the significant savings to be realized from these programs. This proposal results in net General Fund savings of $1.9 million in the FY 2022-23 biennium and $2.5 million in the FY2024-25 biennium. This proposal assumes the net general fund savings in FY 2022-23 is applied against the $100 million Blue Ribbon general fund reduction target enacted in 2019.

Rationale/Background:

Nearly 17% of the U.S. gross domestic product is spent on health care costs, and it is estimated that 10-25% of that spending is the result of fraud, waste, and abuse. These staggering figures represent a very high price tag, both financially and in perceptions related to the integrity and value of our health care system. Approximately 23% of the population in Minnesota (nearly 1.2 million people) receives their health care coverage through Medicaid (called Medical Assistance or MA in Minnesota). In 2019, the total cost of this coverage was approximately $12.5 billion in state and federal funds that was paid to 240,000 Medicaid providers. The federal

Centers for Medicare & Medicaid Services published a recent Payment Error Rate Measurement report that estimates - nationwide – 14.9% of Medicaid payments were made improperly. In most cases, these errors are the result of providers failing to meet legally required record-keeping and documentation requirements, which are categorized as abuse of taxpayer-funded health care.

As the state Medicaid agency, the Minnesota Department of Human Services (DHS) is federally required to implement a surveillance and utilization control program that investigates improper payments, including billing activities and the delivery of health services by providers and the use of health services by recipients. The program must safeguard against unnecessary or inappropriate MA payments or excess use of MA services. This is accomplished through post-payment review that allows for correction of misutilization practices.

This proposal recommends increasing the post-payment review capability and capacity of DHS's Office of Inspector General, the Health Care Administration, and its county and tribal partners to detect and take appropriate action to prevent fraud, waste, and abuse of MA funds. This will be accomplished through process enhancements and incremental expansion of investigatory capacity within FFAID's Surveillance and Integrity Review Section (SIRS) and Fraud Prevention Investigation (FPI) grants program, as well as HCA's TPL recoveries program.

SIRS Investigation Expansion – During 2019, SIRS recovered $7.05 million in improper payments of state and federal funds. SIRS also terminated, suspended or stopped payments to 80 MA providers who had been paid $10.2 million in the preceding 12 months. The capacity to investigate Minnesota's 240,000 Medicaid providers is limited and, as a result, attaining recoveries is difficult and rarely occurs. The result is multi-million dollar losses in MA.

A 2020 Evaluation Report prepared by the Office of the Legislative Auditor (OLA) on DHS Oversight of Personal Care Assistance found that "… DHS's investigations are not always prompt. This is due, at least in part, to the high volume of complaints received by DHS compared to its limited workforce." The report identified the need for DHS to further develop and standardize its investigative practices and devise a plan for timely investigation of suspected fraud, waste, and abuse.

By strengthening the policy framework, improving internal process efficiency, and expanding investigatory capacity, the Department has the opportunity to demonstrate a significant return on investment by identifying and recouping overpayments, discouraging aberrant behavior of providers and recipients of public assistance, and instilling the public's trust and confidence in program integrity.

FPI Expansion – Through the FPI program, the Office of Inspector General's Financial Fraud and Abuse Investigation Division (FFAID) presently works with counties to investigate recipient fraud. The division currently administers a $3.9 million ($2.3 million state funds, $1.6 million federal funds) annual grant program that funds investigator positions in counties and regions covering 86 of Minnesota's 87 counties.

Increased investment in the FPI program, coupled with a change in statutory language to include tribal agencies, will permit DHS to better address the on-going need for recipient fraud prevention and detection activities throughout Minnesota. Increased FPI funding will allow for additional staffing in regions where investigators are spread thin and in more populated counties where the caseload is greatest, and to expand in areas that have not been a part of the program. Additional funding for recipient investigations will enable counties and tribal agencies to: 1) react more quickly to reports of public benefit fraud, 2) complete investigations in a timelier manner, and 3) stop distribution of benefits sooner to those who are not eligible.

In accordance with Minnesota Statutes, section 256.983, the program has operated on a cost-neutral basis for 30 years. When all program benefits are considered, the program has returned at least $4 for every $1 spent on the program. Previous incremental increases in the FPI grant program has demonstrated proportionate increases in return on investment. This trend is dependent upon county human services workers making fraud referrals to investigators when they see conflicting information or suspect that fraud is occurring. The cost savings are also dependent upon having investigator positions filled. In several FPI regions in the state, just one investigator is responsible for investigations in multiple counties. Turnover in these positions reduces overall benefits derived until the positions can be filled and new staff are trained.

All Minnesota counties are statutorily required (256.986) to submit to DHS a state fiscal year plan to coordinate county duties related to the prevention, investigation, and prosecution of fraud in public assistance programs. The state partners with grant and non-grant funded counties, helping to stretch the limited funds used to conduct investigations. This is done through training, monitoring work products, and assuring that grant programs are run cost effectively, as required by state statute. Resources that counties contribute to maintain investigative programs include the hiring and supervision of additional employees, as well as providing technological resources, equipment, office space, grant oversight, additional training, and vehicles.

Improving TPL Recoveries – DHS undertakes a variety of activities to ensure Medical Assistance, Minnesota's Medicaid program, is the payer of last resort. In certain cases, relating to estate recovery and subrogation, DHS relies on attorneys outside the agency to enforce or pursue recovery. In estate recovery, it is up to the county-based prosecutors to enforce these statutes in a uniform manner across the state. While DHS provides litigation support to counties when requested, it is clear that there could be better training and education to ensure consistent, equitable, and legally sound application of statutes across the many counties.

Similarly, in the area of recovery in personal injury or casualty cases, DHS relies on personal injury/trial attorneys to litigate these cases on behalf of enrollees. Statute requires that these attorneys notify DHS and resolve the Medicaid payments related to the accident or injury. It is unclear whether trial attorneys are universally aware of these requirements, nor do they adhere to all the notification requirements in statute.

In total, DHS and county partners collect approximately $61 million worth of recoveries of Medical Assistance benefits paid on behalf of enrollees every year. This number would be increased by developing training and resource materials, as well as legal forms, to assist the counties in doing their recovery work.

Proposal:

SIRS Investigation Expansion – This proposal adds 5 FTE (3 investigators and 2 operation analysts) staff to the SIRS unit, bringing the total number of budgeted investigatory staff to 35 FTEs. The additional FTEs will increase SIRS investigative capacity and allow the unit to cover more MA provider types that warrant surveillance, investigation, and intervention. The full cost of each investigator position (Human Services Program Representative) is approximately $125,000. The full cost of each operations support position (Human Services Program Specialist) is approximately $102,000. The state would recoup 32% of total personnel costs under a federal financial participation arrangement.

In the recent past, expanding investigatory capacity has focused solely on additional investigators without providing for additional operational support. This results in limited capacity to further develop and standardize investigative and operational practices and an inability to support administrative takes associated with investigations and the issuance of overpayments. This limits investigators' ability to devote time more exclusively to investigatory work. This proposal includes two operations analyst positions that would effectively increase the investigatory capacity of investigators by relieving them of administrative work and operational tasks that currently limit their caseload capacity and slow timely completion of investigations.

In previous budget proposals to increase investigatory capacity, a standard multiplier of $125,000 per investigator was used to calculate the return-on-investment. Recognizing that return-on-investment depends on broader operation and administrative support necessary for efficient and effective investigation activities, the methodology was updated to include both investigators and operation and administrative support. The new methodology is aligned with industry standards for calculating return-on-investment from fraud, waste, and abuse prevention activities, and specifies a 5-to-1 savings ratio for staff investments across all position types. In this methodology, the contributions of investigators and operation and administrative personnel are equally included. Half of return on investment may be attributed to savings to the state, with the other half returned to the federal government.

FPI Expansion – This proposal adds $425,000 from the state general fund to the existing FPI grant program. With the federal match, it will increase grant funding by $736,000, for a total ongoing budget for grants of approximately $4.6 million. Grant funds will increase the number of investigators in a given county, tribe, or region and fund positions in counties and tribes that are not currently participating in this program.

This proposal would allow for the hiring of approximately seven additional FPI investigators in counties and tribal agencies. This number assumes an average of $100,000 in personnel costs per FPI investigator under the grant. The average takes into consideration that the cost of an FPI investigator varies significantly across the state. For example, an investigator who is a sworn peace officer has a much higher cost than a non-sworn investigator. Additionally, there is a significant difference in the personnel costs in greater Minnesota compared with the metro area.

In addition, this proposal would amend Minn. Stat. § 256.983, Subdivisions 1 through Subdivisions 4 to explicitly include tribal agencies as direct recipients of FPI grant funding, subject to the programmatic requirements applicable to county grant applicants. The proposed revision will change “counties” to “counties and tribal agencies” throughout the subdivisions of the statute.

The additional funds made available to counties and tribal agencies under this proposal will be used to significantly expand fraud prevention activities within the State, helping to ensure the appropriate utilization of taxpayer funds. The cost of this proposal are offset by benefit savings from unpaid claims that were determined to represent real or potential fraud. In FY 2022, the overall net fiscal impact is projected to be $86,000 in savings to the General Fund, which assumes total savings of approximately $518,000 as additional investigators are brought onboard in the first year. By FY 2023, all new investigators would be onboard and total projected savings are $689,000 across multiple public assistance programs. This results in total savings of approximately $689,000, and a net fiscal impact of $264,000 in savings to the General Fund in FY 2023 and each year thereafter.

Improving TPL Recoveries – This proposal would authorize and fund DHS to work with the county-based prosecutors, the Minnesota County Attorney Association (MCAA), the elder/estate planning bar, and the trial attorney group, Minnesota Association for Justice, to create educational resources related to the Medicaid program, recovery from probate and non-probate assets, DHS’s process for seeking recovery or subrogation, and DHS’s approach to resolution of these cases on behalf of the Medicaid program. This proposal will:

1. Establish web content/resources
2. Produce and publish training materials – i.e. trust guide, Medicaid Tort Recovery materials – and provide trainings to relevant stakeholders
3. Complete and publish litigation support materials/forms for county attorneys to utilize to defend and initiate lawsuits involving health care
4. Complete and record trainings for attorneys to access

The resources developed will be utilized in ongoing trainings of stakeholders.

To develop these resources, DHS requests 1 FTE that will lead this work. The additional costs of the FTE are offset by the increased recovery revenues to the General Fund. It’s assumed that probate recoveries will increase by 2.5 percent and tort recoveries will increase by 10 percent.

These increased resources will assist with third party liability work at the county level and improved understanding of Medicaid requirements for private attorneys resulting in more consistent enforcement and application of Medicaid laws pertaining to payer of last resort.

Impact on Children and Families:

There are potential, unintended impacts that may occur from halting fraud, waste, and abuse, including the limiting of provider options for vulnerable populations in underserved locations across the state. In strengthening the policy framework and expanding investigatory capacity within DHS, counties, and tribes, the Department will develop equitable standards for Medical Assistance providers to work to address unintended consequences, including the impact on vulnerable populations if their provider were to become ineligible as a result of fraud investigations. These may include making provisions to help connect MA recipients with new providers.

The proposal to expand TPL recovery resources has minimal impact on children and families, except to the extent that families and their attorneys must navigate the estate recovery system when a loved one dies. There may also be a benefit to educating and providing resources for attorneys in cases where a child is injured and is seeking recovery from a third party insurer. Providing their attorneys with information about Medicaid and benefit recovery can be useful to these families and children as they prepare trust documentation and settle their lawsuits.

Equity and Inclusion:

Strengthening the State of Minnesota’s overall approach to combating fraud, waste, and abuse impacts a variety of populations: most notably, providers subject to investigatory scrutiny of billing practices to determine fraudulent activities. Recipients and other vulnerable populations may indirectly benefit from improved program integrity and more effective stewardship of resources allocated for public assistance.

This proposal also affirms the eligibility of Tribal Nations to receive FPI grant funding, which will significantly expand fraud investigatory capabilities within these communities and help to ensure appropriate utilization of taxpayer funds. The access to these funds was identified as a priority during the tribal consultation process. Further, the program will develop equity standards for grant recipients aimed at minimizing unintended consequences of fraud prevention activities that have the potential to increase risks to vulnerable populations (e.g. access to health services), and encourage counties to embed equity and inclusion principles in the recruitment of investigators. Finally, the program will continue its focus on the equitable distribution of grant funding across Minnesota counties and tribal agencies. Annual reporting from grant recipients will be used to assess success and inform programmatic changes to help ensure equitable distribution of funds.

Finally, providing county attorneys and the private bar with useful instruction and resources relating to the federally required estate recovery and subrogation activities surrounding the Medical Assistance program will ensure that these attorneys approach the system with consistent information and will ensure more consistent outcomes for our members. This information will also be helpful to unrepresented parties and ensure an even playing field for all those enrollees who are subject to benefit recovery and third-party liability requirements in the Medicaid program.

IT Related Proposals:

This proposal does not require any IT system changes.

Results:

SIRS investigations represent a net savings to the General Fund, attributable to actions taken following the identification of overpayments to MA providers. In 2019, SIRS recovered $7.05 million in federal and state funds. The methodology for calculating the return on investment is based on industry standards set by the National Health Care Anti-Fraud Association (NHCAA). Expenditures in the form of salaries for both SIRS investigative and non-investigative staff (i.e., management, data and legal teams, and support staff) are offset by a combination of "revenue." This includes: 1) actual recoveries, 2) savings associated with pre-payment denials of claims, 3) prevented loss indicated from actual change in provider billing behavior from the previous 12 months, and 4) court ordered restitution. The state's share of savings included in the budget table reflects 50% of the total return on investment; the remaining return on investment is attributed to the federal share and not counted as savings to the state.

Additionally, providers found to have committed significant program violations because of fraudulent or abusive conduct are terminated or suspended from MA and other public programs. Recovering funds paid to these providers is very difficult, but by removing them from the program, fraudulent payments to that provider cease. An increase in program integrity staff, will increase the number of fraudulent providers who are removed from public programs. For example, in 2019, SIRS terminated, suspended and/or implemented a payment withhold on 80 MA providers who were paid a total of $10.2 million the year preceding the SIRS action. A well-recognized benefit to provider investigations activity is prevented loss of funds associated with terminating, suspending, and/or implementing a payment withholds. The result is that 80 former MA providers are no longer able to obtain millions of dollars in public funds.

The FPI grant program results in benefit savings derived from unpaid claims that were determined by investigators to represent real or potential fraud. Other benefits of FPI grant funding include the identification of overpayments. FPI investigators identified $10.3 million in overpayments across multiple assistance programs in 2019. Considering the totality of benefits, FPI program grants historically return at least four dollars for every dollar of state and federal funding.

Finally, the TPL program's annual recoveries in 2019 were $60.7 million, representing a $5 million (9%) increase from 2016 recoveries.

Fiscal Tracking:

Net Impact by Fund (dollars in thousands)			FY 22	FY 23	FY 22-23	FY 24	FY 25	FY 24-25
General Fund			(702)	(1,214)	(1,916)	(1,214)	(1,248)	(2,462)
HCAF			(7)	(9)	(16)	(9)	25	(18)
Federal TANF								
Other Fund								
Total All Funds			**(709)**	**(1,223)**	**(1,932)**	**(1,223)**	**(1,223)**	**(2,446)**
Fund	**BACT#**	**Description**	**FY 22**	**FY 23**	**FY 22-23**	**FY 24**	**FY 25**	**FY 24-25**
GF	11	County FPI Grants	425	425	850	425	425	850
GF	11	SIRS Fraud Investigations Activities (5 FTE)	515	585	1,100	585	585	1,170
GF	13	HCA Admin (1 FTE)	106	122	228	122	122	244
GF	21	TANF Cash	(118)	(157)	(275)	(157)	(157)	(314)
GF	33	Federal Medical	(197)	(263)	(460)	(263)	(263)	(526)
GF	33	State Medical	(13)	(17)	(30)	(17)	(17)	(34)
GF	22	Child Care (MFIP)	(30)	(40)	(70)	(40)	(40)	(80)
GF	42	Child Care (BSF)	(17)	(23)	(40)	(23)	(23)	(46)
GF	23	General Assistance (GA)	(26)	(34)	(60)	(34)	(34)	(68)
GF	24	Minnesota Supplemental Aide (MSA)	(22)	(29)	(51)	(29)	(29)	(58)
GF	25	Housing Support	(88)	(117)	(205)	(117)	(117)	(234)
GF	REV1	Administrative FFP @ 32%	(199)	(226)	(425)	(226)	(226)	(452)
GF	REV2	Recoveries and Savings	(1,038)	(1,440)	(2,478)	(1,440)	(1,440)	(2,880)

HCAF	31	MinnesotaCare	(7)	(9)	(16)	(9)	(9)	(18)
HCAF	REV2	Adjust 16A Transfer to GF	0	0	0	0	34	34
GF	REV2	Adjust 16A Transfer to GF	0	0	0	0	(34)	(34)
		Requested FTE's						
Fund	**BACT#**	**Description**	**FY 22**	**FY 23**	**FY 22-23**	**FY 24**	**FY 25**	**FY 24-25**
		DHS OIG FTE	5	5		5	5	
		DHS HCA FTE	1	1		1	1	

Minnesota Management and Budget Non-Operating

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY 2020 Actuals	FY 2021 Revised Budget	FY 2022 Revised	FY 2023 Revised	Required State Match or MOE?	FTEs
US Dept of Forestry 10.665	Chippewa National Forest	N	$ 619	$ 1,239	$ 1,239	$ 1,239	N	0.00
US Dept of Forestry 10.665	Superior National Forest	N	$ 1,208	$ 2,417	$ 2,417	$ 2,417	N	0.00
US Dept of Forestry 10.665	Superior National Forest	N	$ 5,787	$ 11,575	$ 11,575	$ 11,575	N	0.00
	Federal Fund – Agency Total		**$ 7,615**	**$ 15,231**	**$ 15,231**	**$ 15,231**		**0.00**

Narrative

The state receives federal pass-through funds for payments in lieu of taxes to local units of government where the following national forests are located: Chippewa National Forest and Superior National Forest.