

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Child Care Assistance Program Maximum Rate Update

Fiscal Impact (\$000s) -	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	21,691	96,400	126,983	133,014
Revenues	0	0	0	0
Other Funds				
Expenditures	22,000	8,000	8,000	8,000
Revenues	0	0	0	0
Net Fiscal Impact	43,691	96,400	134,983	141,014
FTEs	1	1	1	1

Recommendation:

The Governor recommends investing \$111.7 million from the general fund and \$30 million from the Child Care Development Fund (CCDF) in the FY 2024-25 biennium for changes to the Child Care Assistance Program (CCAP) to update the maximum rates paid to child care providers to the 75th percentile of the most recent market survey. In the FY2026-27 biennium, the Governor recommends \$229.7 million from the general fund and \$16 million from the CCDF. Updating the maximum rates supports families, children, and child care providers across the state.

Additionally, this proposal increases the average cost of child care, resulting in an increase in the cost of other child care proposals in the Governor's recommendations. This adds \$6.4 million in FY2025, \$14.7 million in FY2026 and \$15.6 million in FY2027 to the general fund cost.

Rationale/Background:

This proposal impacts most providers and families receiving child care assistance with the intended result to improve access to the child care market and ensure that Minnesota achieves the federally recommended benchmark for equal access by setting rates to the 75th percentile of the most recent market rate survey.

History

The Child Care and Development Block Grant Act of 2014 requires that states ensure CCAP-eligible children have equal access to child care services provided to other children.¹ Federal law also requires that states update their survey of child care market rates every 3 years,² and the final federal rule requires that CCAP rates be based on the most recent market rate survey.³ Further, the federal Administration for Children and Families (ACF) has specified that setting rates at the 25th percentile is the lowest measure of equal access allowed and that states should be prepared to set rates higher in the future to remain in federal compliance.⁴ Currently, the federally recommended benchmark to ensure equal access to the full child care market is to set rates at the 75th percentile or higher of the most recent market rate survey.⁵

CCAP pays a child care provider's charge or, if less, a maximum hourly, daily or weekly rate that is calculated based on state law. These rates are referred to as "maximum rates." Every 3 years DHS conducts a statewide survey of prices charged by licensed family child care and licensed center child care providers, referred to as a

¹ Public Law 113-186, Section 5b(4)(A). <https://www.congress.gov/113/plaws/publ186/PLAW-113publ186.pdf>.

² 42 U.S.C. § 9858(c)(4)(B). "Requirements of a Plan: Payment Rates, Survey." <https://www.law.cornell.edu/uscode/text/42/9858c>.

³ 45 CFR 98.45. "Equal Access." <https://www.law.cornell.edu/cfr/text/45/98.45>.

⁴ Shannon Christian, ACF Office of Child Care, to Chad Dunkley and Clare Sanford, Minnesota Child Care Association, July 3, 2019. Letter.

⁵ ACF Office of Child Care. "CCDF Payment Rates – Understanding the 75th Percentile." https://childcareta.acf.hhs.gov/sites/default/files/public/508ed-75th_percentile_exercise.pdf.

“market rate survey.” The 2021 legislature set current maximum rates to the 40th percentile of the 2021 market rate survey for infants and toddlers and the 30th percentile of the 2021 market rate survey for preschool and school aged children. In January 2025, these rates will update based on results of the 2024 market rate survey. These changes brought Minnesota into compliance with rate requirements through Federal Fiscal Year 2024. The 2025 increase will be reflected in the Federal Fiscal Year 2025 – 2027 Child Care Development Fund (CCDF) Plan and may meet minimum requirements at the 30th and 40th percentiles. Minnesota will be out of compliance if the legislature does not update rates to the 2027 survey.

Impact of low rates on child care providers

When payment rates are too low, providers are less likely to serve families who are eligible for CCAP. Providers who choose to accept the low payment rates often struggle to offer quality care, attract and retain staff, purchase sufficient supplies, and maintain facilities. These providers are often left struggling to keep their doors open.⁶ Some do not stay open.

Impact of not updating rates with the most recent market rate survey

Updates to maximum rates support providers who serve families receiving CCAP by ensuring they receive payments comparable to what they would receive from private pay families. Predictable revenues also support providers’ ability to run their business when faced with unexpected challenges, such as COVID-19. Allowing maximum rates to increase with each new survey also maintains alignment with the market. Increasing CCAP maximum rates and updating after each market rate survey will help ensure families and children can receive assistance from CCAP to access child care and reduce the need to pay out of pocket. Failing to increase maximum rates and update the maximum rates based on the most recent market rate survey puts access to CCAP reimbursement in jeopardy since many providers do not accept CCAP because the rates are too low.

Prior to the rate update in the 2020 Legislative Session, CCAP maximum rates were based on data collected in 2011. This led to CCAP rates fully covering 16% of licensed family child care providers and 23% of licensed child care center prices at the time of the update in 2020.

Proposal:

This proposal updates CCAP maximum rates every 3 years after each market rate survey. Maximum rates would be set at the 75th percentile of the most recent rate survey or the rates in effect at the time of the update, whichever is greater. Many rates would increase, some rates would stay the same, and no rates would decrease.

The first update would be made in October 2023 using the 2021 rate survey. The second update would be in January 2025 using the 2024 rate survey. Maximum rates would then be updated every third January following the market rate survey. The proposal adds one additional FTE licenser position to meet the needs of child care programs that seek licensure or need to renew a license.

This proposal increases the cost of other proposals included in the Governor’s recommendations that expand access to MFIP child care and the Basic Sliding Fee. Specifically, the combined general fund cost of Supporting Child Care for Foster Parents and Relative Caregivers, Permanent Reprioritization of the CCAP BSF and Supporting Working Minnesotans will grow by \$6.4 million in FY2025, \$14.7 million in FY2026 and \$15.6 million in FY2027.

Impact on Children and Families:

CCAP helps families pay for child care so that parents can work or go to school. It helps ensure that families can access affordable child care and children are supported to achieve their highest potential in child care settings that best meet family needs and preferences. CCAP typically serves approximately 15,000 families and 30,000 children each month. An average of 2,650 providers receive CCAP payments each month. Counties and tribal agencies administer CCAP. As of FY 2021, only 27% of Family Child Care providers and 68% of Licensed Centers were registered to serve families receiving CCAP. This proposal will make CCAP rates more competitive in an

⁶ National Women’s Law Center. At the crossroads: State child care assistance policies 2021. <https://nwl.org/wp-content/uploads/2022/06/State-of-Child-Care-2022-WIP-accessibility.pdf>

already tight child care market, potentially increasing the number and percent of all types of providers willing to take CCAP payments.

This proposal will increase access to affordable child care, a critical component in preventing family and child entry into the child protection system.

Equity and Inclusion:

Updating CCAP maximum rates based on the most recent market rate survey will increase access to affordable, quality child care for families receiving CCAP. This proposal will benefit families of color, particularly African American families, and prove beneficial as parents and legal guardians pursue employment or educational opportunities. Tribally licensed providers serving children receiving CCAP will also see a rate increase.

In State Fiscal Year 2021, 68% of all children served by CCAP were children of color, specifically African-American, Asian/Pacific Islander, Hispanic/Latino, multiple races, and American Indian children. Of all children served, 54% are African-American. Accordingly, any rate increase for children and families receiving CCAP, and/or the providers who serve them, is likely to benefit African-American children.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

This proposal will impact White Earth Nation and Red Lake Nation specifically as they administer CCAP in partnership with the state. Other Tribal Nations may have participants receiving CCAP, but those cases are administered through a county or other local agency. This proposal does not create any new responsibilities or duties for tribal administrators. Tribal administrators may see small increased caseloads due to more families utilizing CCAP. Tribal Nations have voiced support for this proposal.

Impacts to Counties:

Most counties have expressed support for increasing CCAP maximum payment rates. This proposal would not add any new responsibilities or duties for counties. Counties may see small increased caseloads due to more families utilizing CCAP. Counties support language that directs Basic Sliding Fee allocations increase proportionately to the rate increases tied to market rate changes.

IT Costs:

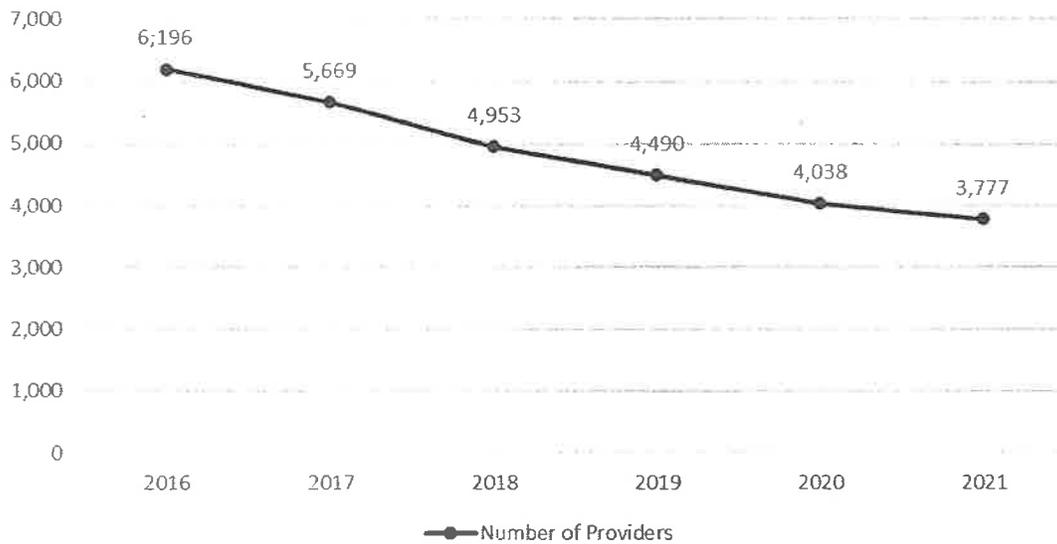
The Minnesota Electronic Child Care Systems, or MEC², the automated system that supports CCAP, will need changes in order to implement this proposal. MN.IT estimates the cost of updating a new rate will be \$37,026 each time rates are updated. Due to related changes paid for by the 2021 Legislature, the net cost in FY24 is \$33,438 (because this will be paid with federal CCDF dollars, whole dollars are tracked for FY24, rather than state share only). The related change paid for by the 2021 Legislature results in a net cost of \$33,438 (state share of \$18,391) in FY25 and \$37,026 (state share of \$20,364) in FY28. MN.IT estimates the ongoing maintenance cost at \$7,405 (state share of \$4,073) in FY26, FY27 and FY29 when a rate change does not occur.

Results:

This proposal impacts most providers and families receiving CCAP with the intended result to improve access to the child care market, which is a critical component in preventing family and child entry into the child protection system. Increasing CCAP maximum rates and updating after each market rate survey will help ensure families and children continue to receive assistance from CCAP to access child care and reduce the need to pay out of pocket. Failing to increase maximum rates and update the maximum rates based on the most recent market rate survey puts access to CCAP reimbursement at risk should providers decide not to accept CCAP because the rates are too low. Under this proposal the number of providers registered with CCAP is expected to increase. This proposal

aligns Minnesota with the federally-recommended benchmark for equal access by setting rates at the 75th percentile of the most recent market rate survey.

Providers Registered with CCAP, 2016 - 2021



NOTE: The years shown are calendar year.

Fiscal Detail:

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			21,691	96,400	148,090	126,983	133,014	259,997
HCAF					-			-
Federal TANF					-			-
Child Care Development Fund			22,000	8,000	30,000	8,000	8,000	16,000
Total All Funds			43,691	104,400	141,723	134,983	141,014	275,997
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund	22	MFIP Child Care	21,547	56,498	78,044	73,980	82,347	156,327
CCDF	42	Basic Sliding Fee	22,000	8,000	30,000	8,000	8,000	16,000
General Fund	42	Basic Sliding Fee	36	33,412	3,448	38,171	34,952	73,124
General Fund	11	Operations Admin	133	153	286	153	153	306
General Fund	11	MEC2 (state share @ 55%)	18	18	36	4	4	8
General Fund	REV1	Admin FFP @32%	(43)	(49)	(92)	(49)	(49)	(98)
General Fund	22	MFIP Child Care (Interaction)		2,648	2,648	4,394	5,108	9,503
General Fund	42	Basic Sliding Fee (Interaction)		3,720	3,720	10,330	10,499	20,829
Requested FTE's			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund	11	Licensing (1 FTE)	1	1	1	1	1	1

Statutory Change(s):

Minn. Stat. § 119B.13, subd. 1

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Critical Resources for Licensing

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	4,919	6,481	6,807	7,004
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	4,919	6,481	6,807	7,004
FTEs	57	60	63	65

Recommendation:

The Governor recommends investments to strengthen core functions of licensing, which includes licensing and oversight of home and community-based services (HCBS), child and adult foster care, and child care centers; maltreatment investigations; and the department's responses to urgent program needs to ensure continuity of services for vulnerable adults and children.

The Licensing Division in the Office of Inspector General performs a critical role in ensuring the health and safety of the vulnerable adults and children receiving services through licensing reviews and maltreatment investigations. Licensed programs and investigations have increased significantly while staffing has failed to keep pace with this growth.

Rationale/Background:

The requested resources in this proposal are critical for the Licensing Division to carry out its mission to ensure program integrity and the health and safety of vulnerable adults and children.

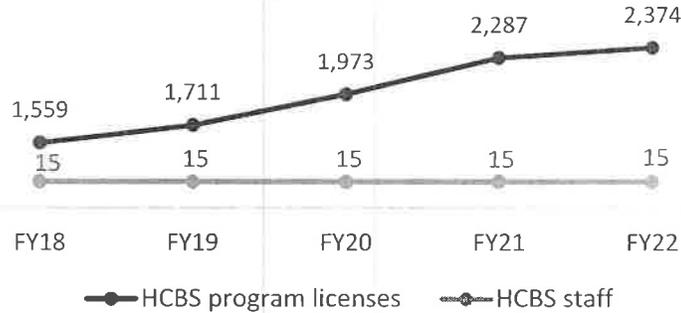
HCBS

The increasing complexity of HCBS service plans, waiver plans, the needs of the persons served, and increased licensing sanctions against providers have increased the demands on the Licensing Division. Since the inception of HCBS licensed services on January 1, 2014, the number of services has expanded from 19 to 31. The number of license holders has also increased significantly from 1,283 at the end of Fiscal Year 2015 to 2,374 licenses at the end of Fiscal Year 2022 – a growth of 85 percent – and the number continues to increase while staffing has remained the same. The amount of time to review applications has also increased, from an average of 27 weekdays in FY 2017 to an average of 164 weekdays in FY 2022. Licensed providers deliver services to approximately 59,000 older adults and people with disabilities in more than 4,900 licensed settings or in the service recipient's own home or community.

Not only have the numbers of providers and persons served increased, but the level of detail required to conduct the reviews and analyze compliance is demanding. With current staffing levels, licensors only monitor providers' compliance an average of once every 4.5 years, unless a history of noncompliance warrants additional licensing reviews. A significant increase in applications in the past two years will continue to increase the interval period between licensing reviews. This falls far short of the federal waiver plan, which binds the State to conducting reviews at least once every three years.

Complaints about licensing violations, including severe violations, have become more complex. The average amount of time it takes to complete a licensing investigation has increased by 236 percent from 47 days in FY 2016 to 158 days in FY 2021. The Licensing Division is struggling to meet the demands of investigating complaints while also staying current on scheduled monitoring reviews.

**Total HCBS program licenses and HCBS staff,
fiscal years 2018 - 2022**



Foster Care

The number of license holders serving children in family foster care settings has grown significantly in recent years. Since 2015, the total number of family child foster care licenses has increased by approximately 40 percent (from 3,119 to 4,353). Whenever possible, children are placed in unlicensed emergency relative homes, which are then required to apply for a child foster care license. The majority of family foster care license holders (57 percent) are now foster care providers who serve relative children. The number of relative-only child foster care license holders has increased by nearly 160 percent (from 545 to 1,415) since 2015. DHS also has oversight of child foster residence settings.

The dramatic increase in child foster care licenses, especially relative child foster care license holders, has put significant pressures on the DHS Licensing Division, which oversees the statewide child foster care and adult foster care licensing systems, issues foster care licenses based on agency recommendations, reviews county and private agency license denial and sanction recommendations, issues licensing sanctions, reviews/approves certain variances, and conducts regular monitoring of each county and private agency’s licensing work to ensure statewide consistency of the foster care licensing system. Each licensing action involves significant case consultation with the licensing agency to assess whether the nature, severity, and chronicity of licensing violations justifies the recommendation and to ensure there is thorough documentation to support the action. In 2021, the average length of time for DHS to issue a decision on a family child foster care licensing action recommendation was 172 days.

DHS also provides training, technical assistance, and individual case consultations to approximately 400 county and private agency licensurers. Relative child foster care applicants often face challenges and barriers in meeting licensing and background study requirements, which has also increased the need for DHS to provide case specific consultation and technical assistance. Additionally, the recent child foster care background studies reform and the development of child foster care licensing guidelines are changing how licensurers do their work. While the number of child foster care applications and licenses has grown significantly in recent years, there has not been a corresponding increase in the number of employees doing this work.

The foster care unit is also responsible for oversight of the statewide adult foster care licensing system and the county delegated responsibilities of inspecting and monitoring community residential settings. The adult foster care licensing model has evolved significantly since the implementation of the corporate foster care moratorium in 2009 and the subsequent implementation of HCBS in 2014. Within its current staffing levels, the department is

unable to provide the level of oversight and support needed for these settings. Licensors need more resources, tools, technical assistance, and trainings to help them navigate complex issues that have emerged in adult foster care. Additional staff are needed to allow the department to fulfill its critical oversight role and resume conducting community residential setting file reviews, and complete both these and adult foster care file reviews statewide on a biennial schedule.

Maltreatment investigations

The Central Intake and Maltreatment Investigations unit triages and investigates maltreatment and licensing complaints under a combination of the Vulnerable Adults Act, the Maltreatment of Minors Act, and state licensure laws. The number of maltreatment complaints received by the Licensing Division increased by 65 percent from 4,346 in FY 2017 to 7,122 in FY 2022.

Over the period of FY2018 – FY 2022, the Licensing Division experienced a significant increase in work, including:

- 53 percent increase in licenses
- 62 percent increase in maltreatment, licensing, and death reports received

Statewide staffing shortages in programs have increased the number of reports Licensing has received and made it more difficult to gather information from staff working at those programs. DHS Licensing has also taken on investigations for Department of Corrections licensed children's residential facilities and specialized assessments for the Minnesota Security Hospital, the Minnesota Sex Offender Program, and psychiatric residential treatment facilities, further adding to the Division's work.

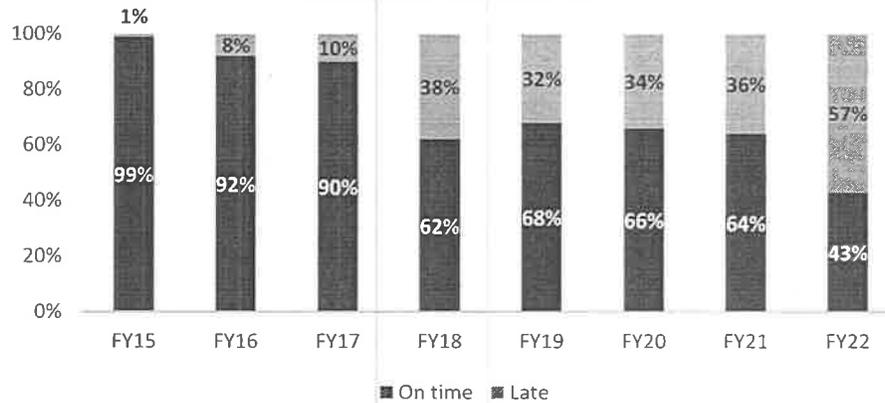
The Central Intake and Maltreatment Investigations unit is receiving maltreatment reports that are more complex and that require more staff time. This is affecting this unit in several ways:

- Providers frequently provide multiple lines of services, so assessors have to research databases and make phone calls to verify which services the client was receiving to verify that the investigation is within the Department's jurisdiction. Additionally, several services are regulated by more than one agency, which requires intake and assessor staff to notify and coordinate documentation with other agencies.
- There has been an increase in litigation by providers that has resulted in delays and multiple visits to programs when legal counsel for the providers can be present.
- The complexity and number of maltreatment investigations is increasing, requiring investigators to spend additional time gathering information, interviewing individuals, and coordinating with other agencies, such as law enforcement.
- Staff are required to enter each allegation into more data systems, which produces better data, but creates more work and adds complexity.

The timely review of these complaints, the researching of prior facility history, and the evaluation of maltreatment or licensing jurisdiction have all been compromised by the significant increase in reports. Statute requires that DHS make an initial disposition on every report within five business days. The percent of reports assessed within five days has fallen to 40 percent, due to the increased workloads and complexities already highlighted.

State statute requires out-of-office investigations to be completed within 60 days. The increased volume and complexity of maltreatment complaints have contributed to the Licensing Division falling behind and completing only 43 percent of out-of-office investigations within the required 60 days. Without more staff, the unit will continue to miss statutory timelines.

Percent of maltreatment investigations completed within 60 days, fiscal years 2015-2022



Child Care Centers

The Child Care Development Block Grant (CCDBG) requires every licensed child care program receive an inspection annually for compliance with licensing standards. When this new federal requirement was enacted, the DHS Licensing Division received resources to hire additional child care center licensors. The Licensing Division established a staffing plan in 2014 based on the number of licensed centers at that time, anticipated growth in the number of providers, and the target caseload number.

In 2019, the department received resources to establish a team of “early and often” child care licensors whose caseload is smaller and focused on assisting child care center applicants to become licensed and visiting newly licensed programs four times within their first year of operation. This team also works closely with the OIG Child Care Provider Investigation unit and provides a critical program integrity function.

The resources the Licensing Division has previously received have allowed the department to provide support to license holders, oversight of licensed child care centers, and meet federal CCDBG requirements for annual inspections. However, the current staffing composition is no longer sufficient to meet the needs. The number of licensed child care centers has grown steadily since 2014. Additionally, there are currently several child care capacity-building initiatives underway across state government to grow the number of child care providers to address the child care shortage, such as Child Care Wayfinder, a one-stop navigation network for starting and growing child care programs, and Empower to Educate, a child care workforce development program. These efforts collectively are working toward the One Minnesota Goal of increasing the number of families in Minnesota with adequate access to child care from 75 percent to 91 percent. Other entities around the state are also working to build child care capacity including the Minnesota Initiative Foundations, economic development professionals, and many communities throughout greater Minnesota.

DHS anticipates that these initiatives will further increase the number of licensed child care centers. The average child care center licensor caseload is currently 84 centers, and growing. As of August 24, 2022, there are 101 pending child care center license applications.

Receivership & TIS Authority for Residential Programs

This proposal will provide a mechanism to ensure vulnerable adults and children are not at risk of sudden service interruption, including the ability to remain safely in their current placement. The proposal aligns the DHS receivership process with that of the Minnesota Department of Health (MDH). This will ensure persons served can be protected in the short-term while also allowing sufficient time to locate alternative services and person-centered planning should their current service provider be unable to continue serving their needs.

Licensing is required to issue an order of temporary immediate suspension (TIS) when it is determined that conditions in a licensed program pose an imminent risk of harm to the health, safety, or rights of persons served by the program. A TIS could also be issued if a program continues to operate pending an Order of License Revocation, but Licensing determines the program has subsequent violations that adversely affect the health and safety of persons served. The effect of this order is to require a provider to immediately cease operations. For residential programs, particularly sizable programs, finding immediate person-centered alternative placements is a significant barrier to use of the TIS authority to address safety concerns. When persons served reside in the program, it is extremely difficult to ensure for the continuity of necessary services or secure alternative services immediately. This proposal would allow a planning period for the suspension to go into effect in order to transition vulnerable adults or children to alternative placements or to pursue emergency receivership over the current program. During this period, Licensing would provide enhanced oversight of the program subject to the TIS while simultaneously working with case managers and persons served to secure alternative services and/or pursue receivership. Once alternative services have been identified and implemented, the suspension order would become effective.

Additionally, for license holders that have multiple satellite or affiliated licenses connected to the larger provider organization, the current TIS statute does not allow for DHS to take site-specific actions. For example, it is common for a parent 245D license holder to hold numerous individual Community Residential Setting (“CRS”) licenses that are connected to the parent license. If DHS determines that conditions in only one CRS home rise to the level of an imminent risk of harm to persons served, but other CRS homes remain in good standing, DHS cannot limit the TIS order to the individual problem site. Under current law, the parent license must be included in a TIS action. This leaves DHS with only two options: take the TIS action, unnecessarily impacting homes where persons served are *not* at an imminent risk of harm; or take no action, leaving DHS without the TIS option to address the specific program, potentially leaving persons served at risk. By comparison, there is statutory authority to issue a site-specific Correction Order or Conditional License Order under Minnesota Statutes, section 245A.06, subdivision 2a. This proposal would grant DHS the authority to take a similar action when persons served are at an imminent risk of harm in a specific service site. The benefit of this proposal would be to give DHS the tools to immediately respond to address serious licensing violations that are putting individuals at risk of imminent harm, while minimizing the disruption of programs that are not exhibiting those same violations.

Proposal

This proposal would be used to hire new staff to provide critical support to HCBS, foster care, and child care center licensing activities; maltreatment and licensing complaint investigations; and to cover costs associated with receivership.

HCBS

The additional funding in this proposal increases staffing in the HCBS unit within the Licensing Division at DHS by 26 FTEs for the FY 2024-25 biennium. The total staffing increase after the FY 2026-27 biennium would be 31 FTEs. This funding will ensure:

- On-site reviews of each HCBS license holder are conducted at least once every three years to meet federal waiver plan timeframes
- Staff will have greater capacity to respond to requests more quickly, including: providing technical assistance and training, application reviews and approvals, complaint investigations, and sanction activity related to providers with significant compliance issues
- Staff will have more time to communicate with providers to correct problems and improve care

To put all of this in context, Medicaid spending on licensed HCBS services in Minnesota totaled \$2.1 billion in calendar year 2021. The HCBS licensing and investigation units provide quality assurance by ensuring that the services meet minimum standards, currently costing approximately \$6.0 million per year – just over a quarter of one percent of the cost of the services provided. Even with the increase in funding included in this proposal, the

HCBS licensing functions would still cost just over 0.4 percent of the amount of public funds spent on providing these services.

Foster care

This proposal will add 12.0 FTE to the DHS Licensing Division to meet the increased workload attributed to the overall growth in the number of child foster care licenses and increased focus on licensing relatives, the increased complexity of emerging issues in adult foster care, and new child foster care initiatives. This funding will ensure:

- DHS Licensing staff can decrease the length of time it takes to issue licenses, license denials, licensing actions and variances;
- Staff can provide more resources, training, support, and communication to counties and private agencies;
- Staff will be able to offer technical assistance and individual case consultation to support counties and private agencies as they assist applicants; and
- Staff will have the capacity to conduct routine on-site reviews of county delegated licensing activities for adult foster care and community residential settings, and more timely on-site reviews of private agency child foster care licensing activities.

Maltreatment investigations

The additional funding in this proposal increases staffing in the Central Intake and Maltreatment Investigations unit within the Licensing Division at DHS by 12 FTE. This funding will ensure:

- Intake and assessor staff have time to adequately research and review licensing and maltreatment complaints, including completion of a robust, in-office investigation within statutorily required timelines;
- Maltreatment investigators can conduct out-of-office investigations of ever more complex maltreatment complaints within statutorily required deadlines; and
- Staff have more time to communicate with families and help providers correct problems and improve care.

Child Care Centers

This proposal will add seven FTE to the Child Care Center Licensing unit. This funding will ensure:

- Compliance with the federal Child Care Development Block Grant requirement for annual visits;
- Licensors can maintain a caseload size of 75-80 centers and be a resource for providers who have questions or need technical assistance; and
- The “Early and Often” team of child care licensors will continue to be able to focus on supporting and providing oversight to applicants and newly licensed child care centers.

Receivership & TIS Authority for Residential Programs

This proposal will provide DHS with the necessary tools to quickly and effectively address imminent health and safety concerns without a loss of services for vulnerable adults and children who live in residential programs. The proposal includes two prongs: (1) aligning DHS’ receivership language with that of our partner agency, MDH, which has refined its receivership authority based on extensive experience with nursing home receiverships, and (2) amending DHS’ temporary immediate suspension (TIS) authority so that it can be used more effectively in ensuring continuity of services for vulnerable adults and children.

The receivership component of this proposal establishes DHS’ authority to operate and re-license or close programs that have placed clients in imminent risk of harm. It adjusts receivership timelines, establishes a funding mechanism for instances of receivership, limits liability of managing agents, sets criteria for termination of the receivership, and establishes a period of financial reconciliation with the managing agent so that monies advanced in excess of need are returned to DHS.

The proposal would address associated litigation costs required to petition the court and represent DHS in the proceedings; and the actual money required to operate a program in receivership, including paying the managing agent who will be obligated to conduct the day-to-day operations.

Receivership, if granted, results in the commissioner assuming operations of a program. The commissioner would contract with a managing agent to carry out the day-to-day operations, but the court would order the commissioner to pay a fee to fund the costs of those operations. These fees could be significant depending on the size, conditions and circumstances facing the individual program.

This proposal also enhances DHS' TIS authority so that the licensing status of a license holder who is subject to receivership reflects that the program is in receivership due to imminent risk of harm to clients. A TIS requires the immediate closure of a license. For residential programs, particularly sizable programs, finding immediate person-centered alternative placements is a significant barrier to use of the TIS authority to address safety concerns. This proposal would allow a planning period for the TIS to go into effect in order to transition vulnerable adults or children to alternative placements or to pursue emergency receivership over the current program. During this period, licensing would provide enhanced oversight of the program subject to the TIS while simultaneously working with case managers and persons served to secure alternative services and/or pursue receivership. Once alternative services have been identified and implemented, the suspension order would become effective.

Currently, when DHS revokes a license, any other licenses held by the license holder or that have common controlling individuals must also be revoked. Under this proposal, if the other licenses are in substantial compliance and provide services relied upon by the community, DHS can choose not to issue a revocation of those affiliated licenses. The effect of this proposal would allow quality programs that can be distinguished from those that were revoked, to remain active and providing necessary services.

Data and Analytics Office

This proposal will add two FTE to the Data and Analytics Office to support the data and analytic needs of the Licensing Division to assure the health and safety of the vulnerable adults and children receiving services. The addition of these staff will enable the Data and Analytics Office to:

- Create and maintain dashboards to track performance and decrease the time it takes to obtain data to make critical decisions for the Central Intake and Maltreatment Investigations unit
- Respond timely to the increased number of public data requests
- Create metrics to track operational performance of the Licensing Division units
- Develop and implement data-driven models necessary to implement key indicator abbreviated checklists in a differential monitoring system to improve the efficiency of compliance monitoring
- Support the implementation of the new child care licensing and provider reporting hub to improve access to data and enable data driven decision making that promotes integrated service delivery

Enterprise Operations Office

This proposal will add one FTE to the OIG Operations Office to coordinate risk management and business continuity responsibilities within the Office of Inspector General (including the Licensing division) necessary to ensure compliance with agency and state requirements in these two areas. The growth of the OIG Licensing division proposed requires additional resources to appropriately staff this scope. The addition this staff member will enable OIG Operations to:

- Maintain up-to-date continuity of operations plans that describe OIG's critical business priorities and the resources needed to maintain services during continuity events
- Coordinate OIG's continuity event response, including working with OIG leadership, divisional business continuity planners, and the administration's Recovery Director to ensure issues and guidance are identified and communicated, prepare impact analyses, and make recommendations.
- Coordinate OIG's risk management framework, including working with OIG leadership and agency stakeholders to identify risk factors impacting OIG's business functions, identify and facilitate implementation of mitigation strategies, and report on progress.

Impact on Children and Families:

HCBS licensors monitor services provided by the waiver programs and thereby ensure that these services will be available to children and adults with disabilities who need them. Increasing the frequency of monitoring visits will help ensure that families and children are provided with services that support their independence in compliance with health and safety standards.

The increased emphasis in recent years on placing children in foster care with a relative has significantly increased the number of relatives seeking a foster care license. Relatives may face barriers to licensing and need additional support navigating the application and home study processes and sometimes need variances to licensing requirements. With additional resources, the Licensing Division will be able to provide more trainings, technical assistance, and individual case consultation to county and private agency licensors. Applications for licensure will also be processed quicker. This will assist all child foster care applicants, especially relative applicants. Relatives must be licensed for a minimum of six months in order to qualify for Northstar Kinship Assistance so licensing delays lead to delays in permanency for children, as well as relative families being able to access this resource.

Ensuring that the Department's Licensing Division has the resources it needs to manage reports of maltreatment or other licensing complaints for providers in a timely manner will better serve children, vulnerable adults, and their families. Staff will also be able to spend more time communicating with families during investigations of alleged maltreatment.

Children and families benefit from licensing oversight of child care centers. Licensing reviews ensure centers are compliant with health and safety standards and provide a safe setting for children. Proper staffing levels allow the department to provide technical assistance to applicants for licensure, process applications in a timely manner, and offer support throughout a center's first year of operation. These efforts benefit families by ensuring more child care options are readily available and, once opened, centers have the knowledge and resources to succeed.

Children and families will benefit from receivership, because it will ensure that children are not at risk of losing services due to a financial crisis or severe noncompliance by their service providers. The proposal will allow the commissioner to step in to protect children served, particularly in residential programs, by providing immediate care as well as a plan for long-term alternatives. Similarly, providing flexibility in the effective date of a TIS order while alternative resources or receivership is pursued will allow Licensing to issue an action when conditions in a program put vulnerable adults or children at risk of harm, while providing time to ensure services are not abruptly ended without a safety net.

Equity and Inclusion:

There are no anticipated negative effects for underrepresented individuals or communities. We anticipate a significant positive impact to persons receiving services as more frequent licensing activity should increase compliance with health, safety, and rights standards. It will also have a positive effect on these groups by allowing more timely responses to concerns and complaints.

BIPOC and LGBTQ communities are disproportionately represented in child foster care. In 2021, American Indian children were around 16 times more likely to experience out-of-home care, those of two or more races were seven times more likely, and Black children were approximately twice as likely as their white counterparts. Investments in the child foster care system will benefit these populations by ensuring more assistance for relatives seeking licensure, more timely responses to applications and licensing questions, and more expeditious due process.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Impacts to Counties:

This proposal will not impact counties financially; however, with additional staff, DHS will be better able to support counties' foster care and community residential setting licensing work. DHS will be able to increase its engagement with county agencies by providing additional outreach, oversight, case consultation, and technical assistance. Counties may be asked to partner with Licensing in response to a TIS order for a community residential setting by providing enhanced licensing oversight during the transition period or in locating alternative services to vulnerable individuals whose residence and services are impacted by the TIS.

The Licensing Division will be able to offer statewide trainings, including new trainings to support relative applicants on a regular basis and offer more-timely updates to the licensor packet forms.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current</i>	<i>Projected</i>
Quantity	HCBS: License review cycle	4.5 years	3 years
Quantity	HCBS: Number of licensed providers visited per year	about 500 per year*	900 per year
Quantity	Foster care: Average length of time for DHS to issue a decision on a family child foster care licensing action recommendation (CY 2021)	172 days	60 days
Quantity	Foster care: Licensor trainings (CY 2019)	15	32
Quantity	Maltreatment investigations: Percentage of reports assessed within initial five days of receipt	40%	100%
Quantity	Maltreatment investigations: Percentage of maltreatment reports assigned for investigation and completed within 60 days	43%	95%
Quantity	Child care centers: Number of pre-licensing visits, early and often and annual inspections conducted (CY 2019)	1,819	2,450
Quantity	Child care centers: Number of applications submitted for licensure (average CY19-21)	116	175

Fiscal Detail:

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			4,919	6,481	11,400	6,807	7,004	13,811
HCAF								
Federal TANF								
Other Fund								
Total All Funds			4,919	6,481	11,400	6,807	7,004	13,811
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	11	Home and Community Based Services FTEs (23, 26, 29, 31)	2,554	4,107	6,661	4,587	4,876	9,463
GF	11	Foster Care FTEs (12,12,12,12)	1,594	1,841	3,435	1,841	1,841	3,682
GF	11	Intake/Maltreatment Investigations FTEs (12,12,12,12)	1,631	1,891	3,522	1,891	1,891	3,782
GF	11	Child Care Centers FTEs (7,7,7,7)	972	1,131	2,103	1,131	1,131	2,262
GF	11	Data and Analytics FTEs (2,2,2,2)	283	330	613	330	330	660
GF	11	Operations FTEs (1,1,1,1)	136	157	293	157	157	314
GF	REV1	Admin FFP @ 32%	(2,251)	(2,976)	(5,227)	(3,130)	(3,222)	(6,352)
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	11	OIG FTEs	57	60		63	65	

Statutory Change(s):

Receivership: 245A.12, 245A.13; and

TIS: 245A.07, subdivision 2

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Addressing Homelessness for Minnesota Adults, Youth, and Families

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	25,688	30,816	45,816	45,816
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	25,688	30,816	45,816	45,816
FTEs	9	9	9	9

Recommendation:

The Governor recommends investing \$56.5 million in FY 2024-2025 and \$91.6 million in FY 2026-2027 from the general fund to increase base funding for the Emergency Services Program (ESP), Transitional Housing Program (THP), Homeless Youth Act (HYA), and Safe Harbor (SH). This investment includes:

- Emergency Services Program: \$35 million in FY 2024-25 and \$70 million in FY 2026-27 to increase base funding for ESP. This funding request increases through the FY 2026-27 biennium to accommodate the shelter operations funding that would be needed to accommodate the governor’s separate capital request for new, renovated, and expanded emergency shelter facilities.
- Transitional Housing Program: \$6 million in FY 2024-25 and \$6 million in FY 2026-27 to increase base funding for THP.
- Homeless Youth Act: \$11.2 million in FY 2024-25 and \$11.2 million in FY 2026-27 to increase base funding for HYA.
- Safe Harbor Shelter and Housing: \$2.5 million in FY 2024-25 and \$2.5 million in FY 2026-27 to increase base funding for Safe Harbor Shelter and Housing.

The current annual base funding for these programs is \$6.844 million for ESP, \$3.184 million for THP, \$5.619 million for HYA, and \$3.5 million for Safe Harbor Shelter and Housing. This recommendation also includes modifications to the HYA Provider Repair and Improvement grant requirements and a codification of Safe Harbor Shelter and Housing grants into statute.

This proposal includes staff to administer the large increases for these programs.

Rationale/Background:

Minnesota counted 7,917 people experiencing homelessness on one night during the January 2022 Point-in-Time count. Of these, approximately 1,741 people were staying outside. Adults represent 62% of the population counted, families with children made up 37%, and unaccompanied children made up 1%. Statewide, providers serving individuals and families experiencing homelessness have articulated the extreme pressures facing the state’s emergency safety net, and the challenges they face in providing and improving services for people experiencing homelessness. Current levels of state support for emergency shelters are not sufficient to meet the needs of individuals, families and youth experiencing homelessness, and key state programs – including ESP, THP, HYA, and SH – have funding levels that do not adequately support the critical work of providers across the state.

Emergency Services Program (ESP):

In recent years, individuals and families staying outdoors or in places not meant for human habitation has been one of the fastest growing segments of the population of Minnesotans experiencing homelessness. Roughly 2,000 Minnesotans, or 25% of people homeless at any point in time, are without shelter, and many of this group are in encampments. Existing shelter capacity is insufficient to meet statewide shelter needs. Given current shelter options and perceptions and realities about those options, some people continue to prefer sleeping outdoors to sleeping in shelter. For example, if accessing shelter requires doing so without one's chosen group of people, possessions, or pets, some opt to stay outdoors instead of accessing available shelter. Additionally, existing emergency shelter options are not meeting the needs of communities most impacted by homelessness. For example, American Indian Minnesotans are at least 32 times more likely to be homeless than white Minnesotans, and Black/African American Minnesotans are at least 12 times more likely.¹

With minimal state investment, emergency shelters have historically been understaffed with high participant-to-staff ratios. As a result, many agencies rely on volunteers with limited training and/or contract with security companies rather than trained service professionals. In addition, wages at emergency shelters lag behind other human service settings, and statewide workforce shortages and the impacts of economic inflation have meant shelters are losing staff to higher paying or lower-demand jobs, including in retail and service industries.

ESP provides emergency shelters with flexible grants that can be used to meet a variety of needs, including supporting the operating and maintenance costs of shelters, and providing essential services to people experiencing homelessness. Increased funding to the program will help emergency shelters across the state that are under financial strain. Additional funding will also support innovative and effective approaches to unsheltered homelessness and enhanced collaboration around homeless encampments between state and local governments, Tribal Nations, and community-based organizations.

Transitional Housing Program (THP):

In March 2021, DHS published a Request for Proposals (RFP) to provide services through the Homeless Assistance Grants, which included THP. As a result, DHS received 68 applications from non-profits, local units of government, and Tribal Nations from around the state of Minnesota for rapid re-housing/scattered-site transitional housing and site-based transitional housing activities, totaling over \$23 million in financial requests. These activities are currently funded with one or more available funding sources through DHS totaling \$14,408,193, which highlights a \$9,019,369 gap in funding for rapid re-housing/scattered-site transitional housing and site-based transitional housing activities based on applications received for the 2022-2023 biennium.

THP provides rental subsidies and supportive services to homeless individuals and families to obtain and maintain permanent, stable housing. With an increase in THP funding, the adverse effects of being homeless can be addressed to end the cycle of homelessness. An increase in THP funding would also support culturally specific transitional housing units and programming, which should help reduce the state's racial disparities in housing.

Relative to other groups of Minnesotans, people identifying as African American or American Indian are notably overrepresented in the homeless population. Racist and discriminatory economic and housing policies, along with generational poverty, continue to play a role in the overrepresentation of African American and American Indian people in the homeless population.² Acknowledging the lasting impact of systemic racism on current racial disparities in homelessness is an important first step towards addressing the issue. As indicated on the Racial Disparities Dashboard by ICA Minnesota, Black/African American Minnesotans are 15.1 times more likely to experience homelessness than white people and Indigenous/American Indian Minnesotans are 23.1 times more likely to experience homelessness than white residents. THP helps support Minnesota's families and individuals

¹ Minnesota Interagency Council on Homelessness, "Racial and Ethnic Disparities Among People Experiencing Homelessness in Minnesota." <https://mich.mn.gov/resources>.

² Wilder Research. <https://www.wilder.org/mnhomeless/results>.

who have experienced racism, trauma, and oppression through the homeless and housing systems by transitioning them toward housing stability.

Homeless Youth Act (HYA):

According to 2018 Minnesota Homeless Study, an estimated 13,300 youth (7,500 ages 18-24, and 5,800 age 17 or younger) who are on their own, experienced homelessness at least once over the course of a full year.³ Wilder also estimates that on any given night in Minnesota there is an estimated 4,876 youth experiencing homelessness. This includes an estimated 1,659 minors aged 17 and under and 3,217 young adults ages 18 through 24.

A national study newly released by Chapin Hall and Howard University state that, *“Young Adults reported alarming levels of housing insecurity during the pandemic, with greatest hardships experienced by Black and Hispanic young people.”*⁴

While HYA currently funds prevention activities within the context of outreach and drop-in programs, the pandemic increased the need for focusing on robust prevention efforts. One of the six recommendations that came from the Chapin Hall and Howard University report was to *prioritize youth homelessness prevention*. The report concludes, *“Without adequate investments in prevention, high rates of young adults face housing insecurity...have the potential to lead to growing levels of young adult homelessness.”* Prevention efforts are the most impactful when they are available during the onset of need coupled with flexibility and people-centered supportive services. HYA funds are flexible in nature, and grantees receiving these funds are youth providers who specialize in working with youth and are well positioned to support youth needing homelessness intervention services and prevention support.

The data gathered from HYA-funded providers shows that youth in HYA funded supportive housing programs had favorable outcomes in terms of housing stability as well as employment. However, the need for youth specific housing continues to grow, and an increase in HYA funding would allow for additional low barrier youth housing units, youth-centered homelessness prevention efforts, and supportive services.

Safe Harbor Shelter and Housing:

Current Safe Harbor Shelter and Housing funding does not fully meet the shelter and housing needs of youth who have experienced sexual exploitation or trafficking across our state. Several gaps exist, including but not limited to sufficient shelter and housing for male-identified youth, transgender and nonbinary youth, youth with dependent children, and culturally specific shelter and housing to meet the cultural needs of overrepresented groups, such as American Indians. Increased funds could also go to supporting greater geographic distribution and continued growth in the variety of shelter and housing program models to meet various individualized needs of this population.

During the 2022 legislative session, the Youth Services Network (YSN) proposed a significant increase to Safe Harbor Shelter and Housing funding, indicating the unmet needs for additional services for this population. The legislatively mandated Safe Harbor evaluation report continues to identify gaps in our Safe Harbor network of services, with housing consistently identified as one of the greatest needs of victims of sexual exploitation. During the 2022 legislative session, both the House and Senate proposed increases to the Safe Harbor Shelter and Housing grant program.

Statutory Changes to Shelter Statutes

Revisions need to be made to the statute governing HYA Provider Repair and Improvement grants, which were approved by the legislature during the 2022 session (256K.45, subd. 7). The current statute is overly restrictive

³ Wilder Research. https://www.wilder.org/sites/default/files/imports/2018_HomelessnessInMinnesota_3-20.pdf.

⁴ Chapin Hall. <https://www.chapinhall.org/wp-content/uploads/Untold-Stories-Final-Report.pdf>.

regarding which providers can apply for the program and the size of grant awards. Revising the statute would permit more providers to apply and give more flexibility to the types of projects funded.

Finally, the Safer Harbor Shelter and Housing grant program should be codified into statute. Currently, language for the program, which has permanent base funding, only exists in session law. Putting language into statute would codify the purpose of the program and the eligible uses of grant funding.

Proposal:

This proposal increases base funding for the Emergency Services Program (ESP), Transitional Housing Program (THP), Homeless Youth Act (HYA) and Safe Harbor (SH). All funding increases in this recommendation would be distributed as grants through a competitive Request for Proposals process.

Emergency Services Program (ESP) Increase:

This proposal includes \$35 million in FY 2024-2025 and \$70 million in FY 2026-2027 to increase base funding for ESP. The additional increase beginning in the FY 2026-2027 biennium represents the funding that would be needed for services to accommodate the new or expanded emergency shelters that would be created under the governor's capital request for emergency shelter facilities.

Currently, DHS funds 53 local units of government, Tribal Nations, and non-profit organizations statewide with state ESP appropriations of \$13,688,000 per biennium. The average grant award is approximately \$258,000. Increased funding for ESP will provide needed operational support for emergency shelters across the state that are under significant financial strain and allow providers to expand and improve services for people experiencing homelessness. In addition to supporting the operating and essential services costs of shelters, this increase will support innovative and effective approaches to unsheltered homelessness and enhanced collaboration around homeless encampments between state and local governments, Tribal Nations, and community-based organizations.

Transitional Housing Program (THP) Increase:

This proposal includes \$6 million in FY 2024-2025 and \$6 million in FY 2026-2027 to increase base funding for THP. Forty-three (43) Grantees were funded for the 2022-2023 biennium, with an average award of \$148,000. Grantees include non-profits, local units of government, and Tribal Nations. During the 2020-2021 biennium, 2,212 individuals in 884 households received transitional housing in programs funded by THP.

This proposal will compliment, as well as increase and improve, the work that is currently being implemented by THP grantees. The increased THP funds would:

- Respond to the rate of inflation among rents and new requirements from property managers, such as paying double or triple damage deposit or having funds available to mitigate property damage.
- Allow grantees to increase wages of staff to be a competitive employer and retain employees, which would provide consistency to participants and their goals and ultimately prevent and end homelessness.
- Compliment the recent legislative change that increased THP enrollment from 24 months to 36 months.
- Expand supportive services to prevent on-going generational homelessness through increased focus on supporting Whole Family Programming. Whole Family Programming would develop services for adults and young children by increasing opportunities to address the needs of early childhood development in children and developing partnerships with existing early childhood programs located in the community.
- Increase culturally specific transitional housing units and programming/services. Culturally specific housing units and services would begin to address the racial disparities among those who are homeless, including improving access to housing and engagement in support services.

Homeless Youth Act Program (HYA) Increase:

This proposal includes \$11.238 million in FY 2024-2025 and \$11.238 million in FY 2026-2027 to increase base funding for HYA. For the 2022-2023 biennium, 38 Grantees were awarded HYA funds with an average award of

\$290,105. Grantees include non-profits, local units of government, and Tribal Nations. HYA funds are highly flexible, and this proposal would complement the work that is already taking place to support youth experiencing homelessness in the continuum of services provided.

In March 2021, DHS published a Request for Proposals (RFP) to provide services through the Homeless Assistance Grants, which included funding for HYA. As a result, DHS received 68 applications from non-profits, local units of government, and Tribal Nations from around the State. There was over \$30 million in financial requests for HYA funds, and a total of \$11.024 million was distributed. This highlights a gap of over \$19 million in funding, based on applications received for the 2022-2023 biennium.

Considering this gap, the proposed HYA increase would enhance the support provided to youth and young adults in the following ways:

- Provide low barrier and flexible prevention support for youth and youth households needing assistance.
- Support the Youth Provider community in increasing wages for youth workers to livable wages so youth workers receive adequate compensation for the important work that they do.

Safe Harbor Shelter and Housing Increase

This proposal includes \$2.5 million in FY 2024-2025 and \$2.5 million in FY 2026-2027 to increase base funding for Safe Harbor Shelter and Housing to fill in services gaps.

The Safe Harbor Shelter and Housing grant is an existing grant program that funds the activities of shelter, housing and outreach services specially designed to reach and serve the population of sexually exploited youth. For the 2022-2023 biennium, 17 grantees were awarded funds with an average award of \$417,650/biennium. The increase of \$2.5 million is estimated to support five additional grantees with an average grant size of \$500,000/biennium. The proposed increase would complement work that is already taking place to support youth experiencing sexual exploitation in their shelter, housing and outreach needs. Goals of the increased funding include but are not limited to reaching new geographic areas as well as enhancing services to underserved populations including male victims of sexual exploitation, transgender and non-binary youth, youth with dependent children, and specific cultural groups such as American Indians.

Updates to Shelter Statutes

This recommendation amends the HYA statute to provide additional flexibility to the Provider Repair and Improvement grant program, which the legislature approved during the 2022 session (256K.45, subd. 7). The changes will allow providers to receive a grant of up to \$500,000 (rather than the current \$200,000 limit), permit grantees to receive grants for two consecutive years, and ensure that providers do not currently need to be HYA grantees to receive a grant under the provider repair and improvement program.

This recommendation also codifies the Safe Harbor Shelter and Housing program into state statute. Currently, the program only exists in session law. The new statute, along with an accompanying change to the Minnesota Department of Health (MDH) Safe Harbor statute, was developed in collaboration with MDH staff.

Staff for DHS

This proposal includes 9 FTEs at DHS to administer the additional grants, manage contracts, ensure fiscal oversight, and provide technical assistance to grantees. Investments of this size require sufficient administrative resources to ensure that public dollars are managed efficiently, effectively, and with the oversight needed to maintain program integrity.

Impact on Children and Families:

While there is a growing awareness of family homelessness in Minnesota, most people still imagine emergency shelters as places where single adults escape from the cold. Despite this, children and youth continue to make up

over a third of the homeless population in the state, making it essential that we invest in providing the most supportive, trauma-informed shelter possible while staff work to connect families with permanent housing.

Family shelters strive to provide as much stability and whole family services as staffing and funding allow, including social and emotional education, enrichment activities, care coordination and connection with early childhood and other educational supports. When combined with employment and housing search, these efforts can have a huge positive impact on a family's trajectory as they regain housing stability, but they require significant investments of staff time and low family to staff ratios.

Both HYA and THP target support for families, children and youth needing shelter and transitional housing. ESP funds can be used to support emergency shelters for families experiencing homelessness.

Equity and Inclusion:

Homelessness results from the intersectionality of multiple, systemic shortcomings marginalizing subsets of the population. Socioeconomic disparities and discrimination based on racial and ethnic identity, sexual orientation and/or gender identity, and ability status impact the composition of the state's homeless population. The impact of disparate treatment and access to opportunities manifests in many ways—one being the experience of homelessness. Indigenous communities and people of color remain vastly over-represented among those experiencing homelessness. Most people experiencing homelessness (62 percent) statewide in 2020 identified as Black, Indigenous, or people of color. Systematic racist policies and practices created and continue to fuel the inequities in those who experience homelessness. The transformational and targeted investments in this proposal will cement the state's commitment to housing, racial, and health justice for people experiencing homelessness.

As detailed in the most recent Wilder Research report, racial and ethnic disparities remain persistent across Minnesota—most notably among the African American and American Indian populations. African Americans make up 37% of homeless adults, despite being only 6% of the overall state population. American Indians make up 12% of homeless adults, despite being only 1% of the statewide population. Statewide statistics also highlight the representation of individuals identifying as LGBTQ+ among those experiencing homelessness. Indeed, 11% of homeless adults and 22% of young adults (age 18-24) self-identified as LGBTQ. Finally, while older adults (age 55+) constitute the smallest age cohort of those experiencing homelessness (10%), data suggest that homelessness among older adults is on the rise; homelessness among this age group increased 25% between 2015 and 2018 – a larger increase than any other age cohort. In addition, people of color, Native Americans, people with disabilities, and the LGBTQ+ populations are all over-represented in those who experience sexual exploitation.

Having communities and dedicated staff engaging with people where they're at – in the field – on a person-to-person level is key to addressing the racial and ethnic disparities in the state's homeless population.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Tribal Nations are eligible entities to apply for all funding included in this proposal. This proposal will only require additional work to Tribal Nations who apply and are funded through the RFP. The THP funding increase specifically targets culturally specific organizations and programs, which includes Tribal Nations and non-profit organizations that serve the Native American population.

Currently, the Safe Harbor Shelter and Housing Program does not fund any American Indian Tribes, but funding Tribes is allowable with these grant funds and in a past funding cycle the Leech Lake Tribe was funded with this grant to go through a planning process with the goal of developing shelter or housing services for sexually

exploited youth. DHS has a goal of funding more services specific to the American Indian population with an increase in grant funds.

Impacts to Counties:

Counties are eligible entities to apply for all funding included in this proposal. This proposal will only require additional work to counties who apply and are funded through the RFP. Geographic distribution of funding is a strong consideration in allocating these funds in order to distribute impact statewide.

IT Costs:

Not applicable.

Results:

Emergency Services Program (ESP)

ESP data is collected from grantees through grantee reports and the Homelessness Management Information System (HMIS). 53 entities (non-profit organizations, local units of government, and Tribal governments) received ESP grants for the SFY22-23 biennium, with an average grant size of \$129,000/year. Data below is from ESP-funded emergency overnight shelter, day shelter, and outreach programs from the period of July 1, 2021-June 30, 2022. Data was gathered through HMIS and supplemental grantee reports:

- Nearly 2,000 individuals were served in outreach programs.
- Over 7,700 individuals were served in emergency overnight and day shelters.
 - 247 (5%) of head of households served were veterans.
 - 3,500 (68%) reported a disability of long duration.
- Of the 1700 individuals for whom exit information was captured, 617 people exited into permanent housing. This includes:
 - 474 individuals qualifying as chronically or long-term homeless.
 - 314 victims of domestic violence.
- 42% of shelter guests in the state of Minnesota stayed at an ESP-funded overnight emergency shelter.

With additional state investment in ESP, new shelter beds will be created, the safety of existing shelters will be improved, and enhanced services and staffing levels will result in improved housing outcomes for people entering and exiting shelters.

Transitional Housing Program (THP)

Most grantees are required to submit a HMIS report that measure a grantee's performance. The report is the MN Core Homeless Programs report. The MN Core Homeless report provides demographics, outcome summaries, and income details on those served by THP.

The data below represents participants served by 47 THP Grantees during the SFY2020-2021 from July 1, 2019 to June 30, 2021:

- THP serves Singles and Families; 35% of THP participants were 25 years old or older; 11% of THP participants were ages 18-24; and 53% of THP participants were under 18 years old.
- 37% of THP participants identify as 36% Black or African American, 10% American Indian, 15% Multiple Races, less than 1% Asian and Native Hawaiian or Other Pacific Islander; and 11% Hispanic/Latino.
- 54% of the Adults/Head of Households enrolled in THP report having a serious mental illness disability and 18% of the Adults/Head of Households enrolled in THP report having a substance abuse disorder.
- Among Head of Households who identify as White, 15% exited to Temporary Destinations, 77% exited to Permanent Destinations, and 8% exited to Other Destinations. Among participants who identify as Black, American Indian, or a Person of Color, 20% exited to Temporary Destinations, 72% exited to Permanent Destinations, and 7% exited to Other Destinations.

Based on the data above, THP effectively supports single adults and families who have experienced homelessness with obtaining and maintaining housing as well as transitioning to permanent housing, which achieves the program's goal of ending and preventing homelessness. Additional investments in THP will further this goal.

Homeless Youth Act (HYA)

HYA data is collected through semi-annual and annual report submissions by grantees of Homeless Youth Act funding. Aggregated data on drop-in center and outreach program activities is collected via Excel spreadsheets, and data on housing and shelter activities is collected through reports generated from the Homeless Management Information System (HMIS). The Institute on Community Alliances (ICA) is the statewide HMIS administrator and produces the aggregate HYA reports for DHS. The HMIS reports include demographics, exits and outcomes.

Data below is from HYA funded shelter and housing programs from the period of July 1, 2019-June 30, 2021.

- 1,736 unduplicated youth heads of household were served in housing.
- 1,136 unduplicated youth were served in shelter.
- 536 youth served in shelter were connected to education-related support services, and 573 connected to employment-related support services.
- 610 youth served in shelter were assisted in connecting and building a relationship with a family member or other positive, supportive adult.
- 1,351 youth served in youth supportive housing programs were connected to education-related support services and 1,595 connected with employment-related support services.
- 815 youth served in youth supportive housing programs were assisted in connecting and building a relationship with a family member or other positive, supportive adult.
- 14,608 youth were served with drop-in and outreach activities
- 9,743 youth were served in drop-in centers
- 6,679 youth were served with outreach activities

From the data above, it is evident that HYA funding supports youth experiencing homeless in meaningful ways through a continuum of services that are holistic and youth centered. Increased funding for HYA will allow providers to enhance prevention support for youth and youth households needing assistance, further enhancing the low barrier and flexible continuum of services provided to youth throughout the state.

Safe Harbor Shelter and Housing (SH)

Safe Harbor Shelter and Housing data is collected through grantees entering data on a quarterly basis through the REDCap database system administered out of the department of Health. Implementation and use of the REDCap system is new to the Safe Harbor network, and previously the Apricot data system was used. Grantees report data on individuals served by their program, number of services provided, groups provided, trainings staff attended, as well as answering narrative questions regarding program successes and challenges. Since use of the REDCap database is new and some grantees are still being oriented to using the system, not all data is available at this time. We were able to pull the number of youth served under the Safe Harbor Shelter and Housing grant from July 1, 2021-June 30, 2022, which was 200 unduplicated youth.

Safe Harbor system and program performance is also measured through a biannual evaluation report mandated by the legislature.⁵ The next Safe Harbor evaluation report is in the final review stages and will be publically available soon.

⁵ Wilder Research. <https://www.wilder.org/wilder-research/research-library/evaluation-safe-harbor-initiative-minnesota-phase-3-evaluation>.

Evidenced Based Practice	Source
<p>Permanent Supported Housing: Long-term housing supports with community outreach and transportation assistance, education, skills development, crisis assistance, resource development and coordination, case management, and medical and psychiatric coordination. Housing First and Bridges are two examples of this service.</p> <p>Rapid Re-Housing: Rapid re-housing programs provide support services to move families or individuals experiencing homelessness into permanent housing, usually within 30 days.</p>	<p>Source: WSIPP; What Works for Health, http://www.wsipp.wa.gov/BenefitCost/Program/284; https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/rapid-re-housing-programs</p>

Fiscal Detail:

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 27-28
General Fund			25,688	30,816	56,504	45,816	45,816	91,633
HCAF					-			-
Federal TANF					-			-
Other Fund					-			-
Total All Funds			25,688	30,816	56,504	45,816	45,816	91,633
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund	47	Emergency Services Program	15,000	20,000	35,000	35,000	35,000	70,000
General Fund	47	Transitional Housing Program	3,000	3,000	6,000	3,000	3,000	6,000
General Fund	47	Homeless Youth Act	5,619	5,619	11,238	5,619	5,619	11,238
General Fund	47	Safe Harbor Shelter and Housing	1,250	1,250	2,500	1,250	1,250	2,500
General Fund	12	Children and Family Services Admin (9)	1,204	1,393	2,597	1,393	1,393	2,786
General Fund	REV1	Admin FFP @ 32%	(385)	(446)	(831)	(446)	(446)	(891)
Requested FTE's								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund	12	Children and Family Services Admin (9)	9	9	9	9	9	9

Statutory Change(s)

Minnesota Statute, 145.4716

Minnesota Statute, 256K.45

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Permanent Reprioritization of the Child Care Assistance Program Basic Sliding Fee

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Federal Funds				
Expenditures	0	7,363	8,406	8,809
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	7,363	8,406	8,809
FTEs	0	0	0	0

Recommendation:

The Governor recommends investing \$7.4 million in the FY 2024-2025 biennium and \$17.2 million in the FY 2026-2027 biennium from the federal Child Care Development Fund (CCDF) for changes to the Child Care Assistance Program (CCAP) to permanently reprioritize Basic Sliding Fee (BSF) child care.

Basic Sliding Fee child care was temporarily reprioritized during the 2021 Legislative Session and is currently set to revert to the previous prioritization order after May 31, 2024. This proposal would make the temporary reprioritization changes permanent.

Rationale/Background:

Basic Sliding Fee (BSF) child care helps families pay for child care while they look for work, go to work, or attend training to prepare for work. This program helps make quality child care affordable for families with lower incomes and can boost the workforce participation rate by making child care more affordable and accessible. Counties and two Tribal Nations receive a capped allotment of money to use each year and BSF child care is provided on a first come-first served basis until funds are allocated fully. A waiting list is established in those counties or Tribal programs where the demand for BSF exceeds the amount of funding available.

The MFIP portion of CCAP is forecasted. Families who have participated in MFIP or DWP in the past year are served through Transition Year (TY) child care for the first year and then through Transition Year Extension (TYE) child care until BSF funds are available. These families do not have to wait to receive child care assistance.

State statute requires counties to prioritize BSF funding for families exiting MFIP.¹ However, these families already receive child care through TY and TYE child care (part of the forecasted MFIP child care), which does not use limited BSF funds. In 2021, a temporary reprioritization of the BSF wait list was enacted.² The temporary reprioritization allows families to continue receiving TY or TYE child care so other families on the wait list can access BSF. This change has allowed scarce BSF funds to be spent on families who are not eligible for TY or TYE, permitting more children to receive care and more families to receive child care assistance. Permanent reprioritization of the BSF wait list will increase and extend these good results.

¹ [Sec. 119B.03 MN Statutes](#)

² Temporary reprioritization is effective from July 1, 2021 to May 31, 2024