

# Bulletin

August 2, 2006

Minnesota Department of Human Services □ P.O. Box 64981 □ St. Paul, MN 55164-0981

**OF INTEREST TO**

- County Directors
- Social Services Supervisors and Staff
- Community MH Centers
- Adult MH Initiatives
- Local MH Advisory Council Chairs
- County Fiscal Supervisors and Staff

**ACTION/DUE DATE**

Counties need to consider this new MOE as they develop their budgets for 2007.

Free copies of the DVD from the August 14th ITV informational session are available by contacting 651-431-2225.

**EXPIRATION DATE**

The statute described in this bulletin has no expiration date. DHS will update the implementation procedures in this bulletin by July 1, 2007.

## New Mental Health Maintenance of Effort (MOE) for Counties

**TOPIC**

The 2006 Legislature passed a new maintenance of effort (MOE) requirement for county mental health expenditures. The new requirement replaces previous mental health MOEs.

**PURPOSE**

To inform counties about the new requirement and answer implementation questions.

**CONTACT**

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## Background

Before July 1, 2006, counties were subject to three separate requirements to maintain a certain level of spending on mental health services. Such requirements are usually referred to as maintenance of effort, or MOE. These requirements applied to: 1) adult and children's mental health targeted case management, 2) adult mental health rehab services, and 3) children's Rule 5 residential treatment. Counties in Regional Treatment Center (RTC) restructuring areas were also subject to a fourth MOE relating to the county share of RTCs.

The 2006 State Legislature repealed the above MOEs and replaced them with a new, more comprehensive MOE. This MOE was requested by the Governor in the context of the new mental health funding proposed in the Governor's Mental Health Initiative. The key intention was to assure that new funds would actually be used for service expansion and improvement, and not to replace existing county funding.

## Legal References

Laws of 2006, Chapter 282, Article 16, Section 4. [245.4835] COUNTY MAINTENANCE OF EFFORT.

Subdivision 1. **Required expenditures.** Counties must maintain a level of expenditures for mental health services under sections 245.461 to 245.484 and 245.487 to 245.4887 so that each year's county expenditures are at least equal to that county's average expenditures for those services for calendar years 2004 and 2005. The commissioner will adjust each county's base level for minimum expenditures in each year by the amount of any increase or decrease in that county's state grants or other noncounty revenues for mental health services under sections 245.461 to 245.484 and 245.487 to 245.4887.

Subd. 2. **Failure to maintain expenditures.** If a county does not comply with subdivision 1, the commissioner shall require the county to develop a corrective action plan according to a format and timeline established by the commissioner. If the commissioner determines that a county has not developed an acceptable corrective action plan within the required timeline, or that the county is not in compliance with an approved corrective action plan, the protections provided to that county under section 245.485 do not apply.

Laws of Minnesota 2005, First Special Session, chapter 4, article 9, section 2.

[APPROPRIATION LIMITATION.] No part of the appropriation in this article to the commissioner for mental health treatment services at the regional treatment centers shall be used for the Minnesota sex offender program.

### **Action Requested**

Counties need to consider this new MOE as they develop their budgets for 2007.

### **MOE Key Provisions**

- Includes all children's and adult mental health expenditures except county share of State Operated Services sex offender holds and treatment
- The base period is the average of calendar 2004 and 2005 (see Attachment A)
- Replaces previous county mental health MOEs
- Takes effect January 1, 2007
- MOE is adjusted for changes in non-county revenues for mental health services
  - Counties must spend more if non-county revenues go up
  - Counties may spend less if non-county revenues go down
- DHS will monitor county Social Service Expenditure and Grant Reconciliation (SEAGR) reports to determine compliance
- Counties spending less than their MOE will need to develop a corrective action plan
- Non-compliant counties without an approved corrective action plan will lose the protection of Mental Health Act provisions which limit client lawsuits regarding mandated services

### **Explanation of New MOE Base**

The data used in calculating each county's MOE is from the information reported by counties to DHS through SEAGR. The following is an explanation of each component of the new MOE base calculations as delineated in Attachment A.

#### **Column (1): MOE Base Mental Health Expenditures excluding Sex Offender Holds and Treatment**

The base expenditures listed in Column 1 are arrived at by reducing all expenditures reported by the county in the 400 series of BRASS codes on the SEAGR reports for calendar years 2004 and 2005 by the amount of sex offender holds and treatment costs reported by DHS' State Operated Services for the same period. (See Bulletins #06-32-02 and 05-32-14 for more information about SEAGR and BRASS codes.) All numbers for calendar years 2004 and 2005 are combined and then divided by two to arrive at an average.

This is the base amount of expenditure counties must maintain before any adjustments for changes in revenue are applied. DHS will monitor changes in the revenues that fund mental health services and modify the Base Expenditures by the change in revenue to determine if counties have met their MOE requirement.

Columns (2) through (4): Federal, Miscellaneous and State Revenues

The revenues reported in these columns are based on revenues reported to DHS through SEAGR for calendar years 2004 and 2005. They represent only the portion that has been allocated to fund the 400 series BRASS code expenditures. DHS uses a formula to distribute revenues to BRASS codes based on which codes the revenues are eligible to fund and the amount of expenditures reported in those codes. For revenues that also fund services outside of mental health, such as Child Welfare Targeted Case Management (CW-TCM) and Title XX, the revenues on the table represent only that part that is allocated to Mental Health.

Column (5): County Mental Health Dollars Excluding Sex Offender Costs

This is a representative number of the amount of county funds used to fund services. This is a number derived based on assumptions made within the revenue allocation formula (see columns 2 – 4 above). The actual amount of county funds for an individual county may differ somewhat from this number based on a county's actual usage of revenues that may fund activities both within and outside of mental health, such as CW-TCM and Title XX.

**Implementation Timeline**

<b>Date</b>	<b>Action</b>
July 18, 2006	DHS (through AMC) provides counties with draft MOE base data and draft Questions & Answers to assist in budget planning.
June – November 2006	Counties establish budgets for 2007.
June 2007	DHS provides counties and others with first quarterly county MOE status report, based on county SEAGR reports for January – March 2007. DHS updates this bulletin.
September and December 2007	Second and third quarterly status reports are provided to counties (these quarterly reports continue in future years).
March 2008	DHS determines which counties are required to develop a corrective action plan due to insufficient expenditures for Calendar Year 07.
May 2008	Counties designated above file corrective action plans for CY08 and 09.
June 2008	DHS publishes list of counties which do not have an approved corrective action plan and which did not comply with MOE for CY07.

**Questions and Answers**

1. How did DHS determine the MOE base?

*See "Explanation of Table" above.*

2. In Ramsey County (and possibly others), all TCM money is used as general revenue to the human services department. Specifically, AMH, CMH and CW-TCM are all used as one

source of funding to support all parts of the agency. If CW-TCM is lost/cut, the county will cut services throughout the agency – including mental health. Therefore, if CW-TCM is cut, would this be viewed as a change in “non-county revenue” and thus result in a recalculation of the MOE base?

*The DHS SEAGR revenue allocation process currently allocates CW-TCM revenues across general children, children’s mental health and DD case management. So reductions in CW-TCM will automatically be reflected as mental health revenue adjustments, to the extent that some CW-TCM revenue is already allocated to mental health. If a county allocated a larger share of CW-TCM revenue to mental health during 2004-2005 than is indicated through the standard SEAGR process, a county can submit documentation to DHS as part of its corrective action plan (if and when such a plan is required). The expectation is that the county would continue to use the same allocation process for future expenditure reports as it did during 2004-2005.*

3. Does the above answer mean that counties can reduce mental health expenditures to offset reductions in child welfare revenues?

*Only to the extent that child welfare revenues were used to fund mental health expenditures in the base period. The MOE does not allow counties to shift funds that had been used for mental health into non-mental health areas. In other words, the MOE does not allow counties to cut mental health to mitigate the impact of CW-TCM on child welfare expenditures.*

4. What will happen to counties that have already budgeted at a lesser amount than the MOE dictates?

*The MOE does not apply to CY2006. For CY2007 and beyond, the statute provides specific consequences for non-compliance.*

5. Washington County accessed Foundation funds for children’s mental health crisis services in 04/05. Will these dollars get excluded from the MOE base calculation?

*Foundation funds are treated the same as any other non-county revenues. Basically, if non-county revenues for mental health services go up, county expenditures must increase in an amount at least equal to the increase in revenues. If non-county revenues go down, counties may, but are not required to, spend less.*

6. Itasca County had high use (therefore high cost) of Rule 5 facilities in 04/05 – will this “over-inflate” their MOE base?

*The average of a two-year period was chosen as the base to help even out unusual fluctuations. As part of the corrective action plan process allowed under the statute, DHS may be able to address other unusual fluctuations that are specific to mental health.*

*Since the MOE process includes an adjustment for non-county revenues, and since Rule 5 costs are often reimbursed by non-county revenues, it is possible that many Rule 5 fluctuations will be addressed through the non-county revenue adjustment.*

7. Carver County has a county operated Rule 29 Mental Health Center. Not only does the county provide outpatient mental health services to the un-insured and under-insured but a significant number of MA and privately insured clients are also served. The Center has the only psychiatrists in the county. Because the county serves a broader population, there is great concern that Carver County's MOE will be higher for going "above and beyond" in this service.

*Many counties have gone "above and beyond" in their provision of mental health services. The basic nature of an MOE is that it locks each county into spending at least what they did during a base period. The pros and cons of the MOE were discussed at the legislature and the decision was made to establish an MOE based on each county's expenditures during 2004 and 2005.*

8. Will the mental health MOE increase in future years?.

*The only adjustments relate to changes in non-county revenues (see #5 above). The share which is funded by the county's own funds is not required to increase.*

9. Why is DHS excluding sex offender costs from the MOE? Our sex offender costs are rising and we feel we should be able to cut mental health services to fund those costs.

*DHS is subject to an appropriations rider which requires State Operated Services (SOS) appropriations for sex offender treatment to be kept separate from all other mental health appropriations. Omitting sex offender treatment costs from mental health expenditures in the mental health MOE honors the intent of state law to treat these as separate expenditure categories.*

*DHS shares county concerns regarding rising sex offender costs and is taking a number of steps to reduce those costs.*

10. Our county provides case management and outpatient treatment for sex offenders and includes those costs as part of our mental health expenditures. Will those types of sex offender costs have to be split out from the MOE?

*No, only county costs for State Operated Services sex offender hold orders and treatment will be excluded from the MOE.*

11. Sometimes revenue changes are unpredictable, both up and down. How quickly are counties expected to reflect those changes in their expenditures?

*Counties will be expected to spend increased revenues no later than the calendar year following the receipt of the revenue. Counties may take immediate action to change expenditures based on actual or anticipated changes in revenues.*

12. Does this new MOE replace all other mental health MOEs?

*Yes. The statute specifically repealed MOEs relating to MH-TCM, Adult MH Rehab Services and Rule 5. In addition, counties affected by movement of RTC services from campuses to CBHHs were expected to reinvest savings from those changes as a condition of their RTC restructuring grants. All of those MOEs are replaced by this new MOE. The basic effect is the same, but counties have more flexibility because the new MOE is one total covering all types of adult and children's mental health services (other than SOS sex offender hold orders and treatment).*

13. Our county has restructured so that some services that were part of mental health in 2004-05 are now outside of Social Services. Can we exclude that from our base?

*If a county should fall below the required expenditure level due to a restructuring, DHS will follow an "apples-to-apples" principle in determining the appropriateness of corrective action plans. The basic expectation is that revenues and expenditures in future years will be counted in a manner that is comparable to the base period.*

14. Sometime counties receive revenues in a different year than the associated expenditures. Can this be recognized in the MOE?

*Counties are on a cash basis of accounting for purposes of reporting expenditures and revenues to the state, and this can sometimes result in mismatches of revenues and expenditures in any given year. Adjustments which appropriately match revenues and expenditures will be accepted as part of any required corrective action plan.*

15. How will multi-county grants be affected by the MOE?

*Multi-county grants will not be affected by the MOE any differently than any other grants. As long as the county receiving the grant spends it (or transfers it to other counties) within the year the grant is received, there will be no impact on MOE.*

16. Are expenditures for children's mental health collaboratives included in the MOE?

*Currently, most counties report their children's collaborative expenditures in BRASS code 197, which is outside the mental health area and thus not included in the MOE. DHS recommends that counties continue this practice, at least for the non-county revenues which constitute the majority of collaborative expenditures. If a county contributes its own funds to a children's mental health collaborative, it can contact David Hanson at 651-431-3737 ([David.M.Hanson@state.mn.us](mailto:David.M.Hanson@state.mn.us)) regarding ways to include these funds in the MOE base and in future reporting.*

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**Special Needs**

This information is available in other forms to people with disabilities by contacting us at 651-431-2225, or through the Minnesota Relay Service at 1-800-627-3529 (TDD), 7-1-1 or 1-877-627-3848 (speech to speech relay service).



**Summary Data for New MOE Base (Average of CY 2004 and CY 2005)****For Total Combined Adult and Children's Mental Health**

	(1)	(2)	(3)	(4)	(5)
	<b>MOE Base Expenditure* excl Sex Offender Holds and Treatment</b>	<b>Total Federal Revenues</b>	<b>Total Misc Revenues</b>	<b>Total State Revenues</b>	<b>County MH Dollars Excl Sex Offender Costs</b>
<b>COUNTY</b>					
<b>Aitkin</b>	579,220	167,867	13,638	141,395	256,320
<b>Anoka</b>	8,746,622	1,580,515	216,035	2,144,183	4,805,889
<b>Becker</b>	1,848,032	302,170	19,006	384,342	1,142,514
<b>Beltrami</b>	1,297,154	208,291	171	599,195	489,497
<b>Benton</b>	1,486,440	327,945	2,990	607,760	547,745
<b>Big Stone</b>	433,041	102,749	3,670	141,206	185,416
<b>Blue Earth</b>	4,497,592	1,126,398	561,559	1,579,364	1,230,271
<b>Brown</b>	1,232,552	342,541	76,618	428,163	385,230
<b>Carlton</b>	1,608,271	451,128	30,382	861,359	265,402
<b>Carver</b>	4,278,499	773,622	814,584	742,143	1,948,150
<b>Cass</b>	1,476,403	369,986	3,382	294,537	808,498
<b>Chippewa</b>	619,015	128,667	10,789	183,595	295,964
<b>Chisago</b>	2,107,118	296,897	203,554	499,484	1,107,183
<b>Clay</b>	2,893,434	385,665	28,406	912,339	1,567,024
<b>Clearwater</b>	206,198	61,346	62,822	94,122	-12,092
<b>Cook</b>	249,480	45,037	16,682	108,439	79,322
<b>Cottonwood</b>	1,963,687	356,111	34,537	1,364,165	208,874
<b>Crow Wing</b>	2,602,630	412,753	159,157	1,238,993	791,727
<b>Dakota</b>	10,079,181	1,457,477	367,447	2,433,853	5,820,404
<b>Dodge</b>	221,775	31,779	0	47,820	142,176
<b>Douglas</b>	1,628,986	374,210	15,091	416,706	822,979
<b>(faribault)</b>					
<b>(see Martin)</b>	0	0	0	0	0
<b>Fillmore</b>	443,518	118,127	15,888	171,313	138,190
<b>Freeborn</b>	2,281,618	431,436	341,412	373,215	1,135,555
<b>Goodhue</b>	1,679,429	375,230	309,223	588,314	406,662
<b>Grant</b>	749,138	104,910	10,885	494,858	138,485
<b>Hennepin</b>	59,290,811	7,763,548	1,271,232	15,247,517	35,008,514
<b>Houston</b>	446,581	39,796	80,940	242,157	83,688
<b>Hubbard</b>	918,923	103,598	19,876	411,479	383,970
<b>Isanti</b>	2,524,178	375,069	90,139	1,350,748	708,222
<b>Itasca</b>	3,554,837	377,079	525,643	1,343,830	1,308,285
<b>Jackson</b>	881,087	180,195	73,853	152,508	474,531
<b>Kanabec</b>	681,697	128,567	23,016	221,011	309,103
<b>Kandiyohi</b>	2,753,422	506,268	6,503	980,986	1,259,665
<b>Kittson</b>	164,775	48,601	206	46,507	69,461
<b>Koochiching</b>	964,971	242,580	113,187	300,805	308,399

**Summary Data for New MOE Base (Average of CY 2004 and CY 2005)**  
**For Total Combined Adult and Children's Mental Health**

<b>COUNTY</b>	<b>(1) MOE Base Expenditure* excl Sex Offender Holds and Treatment</b>	<b>(2) Total Federal Revenues</b>	<b>(3) Total Misc Revenues</b>	<b>(4) Total State Revenues</b>	<b>(5) County MH Dollars Excl Sex Offender Costs</b>
<b>Lac Qui Parle</b>	495,562	126,067	7,839	152,538	209,118
<b>Lake</b>	613,710	61,165	8,773	345,880	197,892
<b>Lake of the Woods</b>	225,813	56,175	21,094	88,011	60,533
<b>Le Sueur</b>	1,501,391	398,688	43,602	304,541	754,560
<b>(lincoln) (see below)</b>	0	0	0	0	0
<b>Lincoln, Lyon &amp; Murray</b>	2,325,460	453,044	22,599	672,461	1,177,356
<b>McLeod</b>	1,278,904	138,941	387	248,847	890,729
<b>Mahnomen</b>	190,213	150,548	69,704	46,704	-76,743
<b>Marshall</b>	149,118	56,498	3,500	48,314	40,806
<b>Faribault-Martin</b>	1,458,456	365,329	3,547	360,271	729,309
<b>Meeker</b>	1,117,802	236,282	38,495	370,957	472,068
<b>Mille Lacs</b>	849,095	139,458	15,015	295,243	399,379
<b>Morrison</b>	1,354,601	210,444	14,728	507,194	622,235
<b>Mower</b>	909,852	90,391	9,641	600,311	209,509
<b>(murray) (see Lincoln)</b>	0	0	0	0	0
<b>Nicollet</b>	1,474,744	375,889	20,914	229,023	848,918
<b>Nobles</b>	975,695	219,268	21,902	381,055	353,470
<b>Norman</b>	198,327	101,392	17	48,604	48,314
<b>Olmsted</b>	9,974,000	1,378,570	1,995,089	2,208,297	4,392,044
<b>Otter Tail</b>	3,166,756	410,925	125,489	1,243,755	1,386,587
<b>Pennington</b>	711,114	115,346	74,993	332,773	188,002
<b>Pine</b>	949,123	134,137	263,544	376,273	175,169
<b>Pipestone</b>	613,556	69,230	31,348	93,990	418,988
<b>Polk</b>	2,462,299	593,945	77,309	1,204,641	586,404
<b>Pope</b>	604,266	141,026	681	115,156	347,403
<b>Ramsey</b>	35,404,462	5,568,479	2,966,616	11,945,424	14,923,943
<b>Red Lake</b>	132,688	67,354	683	34,971	29,680
<b>Redwood</b>	667,478	142,272	0	73,924	451,282
<b>Renville</b>	1,176,287	246,823	118	193,125	736,221
<b>Rice</b>	1,656,428	392,401	42,662	397,647	823,718

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<b>COUNTY</b>					
<b>Rock</b>	277,174	48,325	9,494	104,930	114,425
<b>Roseau</b>	497,986	115,939	18,095	115,995	247,957
<b>St. Louis</b>	8,403,806	1,387,688	117,914	4,705,217	2,192,987
<b>Scott</b>	2,517,511	455,320	129,779	686,717	1,245,695
<b>Sherburne</b>	1,262,028	242,657	9,099	400,045	610,227
<b>Sibley</b>	739,518	149,389	7,755	155,299	427,075
<b>Stearns</b>	4,174,222	912,316	83,873	900,811	2,277,222
<b>Steele</b>	886,328	71,151	1,412	618,385	195,380
<b>Stevens</b>	448,401	120,518	1,559	105,843	220,481
<b>Swift</b>	493,321	104,514	4,854	121,794	262,159
<b>Todd</b>	770,422	114,965	18,872	222,364	414,221
<b>Traverse</b>	208,985	34,732	1,315	81,771	91,167
<b>Wabasha</b>	647,993	118,027	78,314	161,585	290,067
<b>Wadena</b>	704,403	252,152	46,459	244,409	161,383
<b>Waseca</b>	558,090	83,385	10,021	152,990	311,694
<b>Washington</b>	6,207,422	1,051,154	281,324	1,437,366	3,437,578
<b>Watonwan</b>	883,631	161,131	88,788	132,851	500,861
<b>Wilkin</b>	381,791	29,863	6,925	120,520	224,483
<b>Winona</b>	2,199,987	285,239	55,145	1,142,265	717,338
<b>Wright</b>	2,902,780	802,182	220,523	836,751	1,043,324
<b>Yellow Medicine</b>	601,190	148,949	18,182	76,136	357,923
<b>TOTALS</b>	235,794,504	39,227,841	12,612,514	72,592,385	111,361,764

\* If there are no changes in non-county revenues, this is the minimum amount that counties are required to continue spending each year for adult and children's mental health services, excluding holds and treatment for sex offenders.

This amount is the average of county-reported social service expenditures for mental health services for calendar years 2004 - 2005.