A bill for an act

relating to taxation; increasing the tax on alcoholic beverages; dedicating the proceeds of the increase to provide grants to counties to provide probation supervision and treatment services for certain offenders; appropriating money; amending Minnesota Statutes 2006, sections 254B.01, subdivisions 1, 3; 254B.02, subdivisions 1, 4; 254B.03, subdivisions 1, 2, 5; 254B.04, subdivision 1; 297G.03, subdivisions 1, 2; 297G.04, subdivisions 1, 2; 297G.10; 297G.12, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 254B; 401; repealing Minnesota Statutes 2006, sections 254B.02, subdivisions 2, 3; 254B.03, subdivision 4.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 254B.01, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The definitions in this section apply to ~~Laws 1986, chapter 394, sections 8 to 20~~ sections 254B.01 to 254B.11.

Sec. 2. Minnesota Statutes 2006, section 254B.01, subdivision 3, is amended to read:

Subd. 3. **Chemical dependency services.** "Chemical dependency services" means a planned program of care for the treatment of chemical dependency or chemical abuse to minimize or prevent further chemical abuse by the person. ~~Diagnostic, evaluation, prevention, referral, detoxification, and aftercare services that are not part of a program of care licensable as a residential or nonresidential chemical dependency treatment program are not chemical dependency services for purposes of this section.~~ For pregnant and postpartum women, chemical dependency services include halfway house services, aftercare services, psychological services, and case management.

Sec. 3. Minnesota Statutes 2006, section 254B.02, subdivision 1, is amended to read:

Subdivision 1. **Chemical dependency treatment allocation.** The chemical dependency funds appropriated for allocation shall be placed in a special revenue account. The commissioner shall annually transfer funds from the chemical dependency fund to pay for operation of the drug and alcohol abuse normative evaluation system ~~and to pay for all costs incurred by adding two positions for licensing of chemical dependency treatment and rehabilitation programs located in hospitals for which funds are not otherwise appropriated. For each year of the biennium ending June 30, 1999, the commissioner shall allocate funds to the American Indian chemical dependency tribal account for treatment of American Indians by eligible vendors under section 254B.05, equal to the amount allocated in fiscal year 1997~~. The commissioner shall annually divide the money available in the chemical dependency fund that is not ~~held in reserve by counties from a previous allocation, or~~ allocated to the American Indian chemical dependency tribal account. Six percent of the remaining money must be reserved for the nonreservation American Indian chemical dependency allocation for treatment of American Indians by eligible vendors under section 254B.05, subdivision 1. The remainder of the money must be allocated among the counties according to the following formula, using state demographer data and other data sources determined by the commissioner:

(a) For purposes of this formula, American Indians and children under age 14 are subtracted from the population of each county to determine the restricted population.

(b) The amount of chemical dependency fund expenditures for entitled persons for services not covered by prepaid plans governed by section 256B.69 in the previous year is divided by the amount of chemical dependency fund expenditures for entitled persons for all services to determine the proportion of exempt service expenditures for each county.

(c) The prepaid plan months of eligibility is multiplied by the proportion of exempt service expenditures to determine the adjusted prepaid plan months of eligibility for each county.

(d) The adjusted prepaid plan months of eligibility is added to the number of restricted population fee for service months of eligibility for the Minnesota family investment program, general assistance, and medical assistance and divided by the county restricted population to determine county per capita months of covered service eligibility.

(e) The number of adjusted prepaid plan months of eligibility for the state is added to the number of fee for service months of eligibility for the Minnesota family investment program, general assistance, and medical assistance for the state restricted population and divided by the state restricted population to determine state per capita months of covered service eligibility.

(f) The county per capita months of covered service eligibility is divided by the state per capita months of covered service eligibility to determine the county welfare caseload factor.

(g) The median married couple income for the most recent three-year period available for the state is divided by the median married couple income for the same period for each county to determine the income factor for each county.

(h) The county restricted population is multiplied by the sum of the county welfare caseload factor and the county income factor to determine the adjusted population.

(i) $15,000 shall be allocated to each county.

(j) The remaining funds shall be allocated proportional to the county adjusted population.

Sec. 4. Minnesota Statutes 2006, section 254B.02, subdivision 4, is amended to read:

Subd. 4. ~~**Allocation spending limits**~~ **Reallocation of unspent funds.** Money allocated according to subdivision 1 and section 254B.09, subdivision 4, is available for payments for up to two years. ~~The commissioner shall deduct payments from the most recent year allocation in which money is available.~~ Allocations under this section that are not used within two years ~~must~~ may be reallocated to ~~the reserve account for payments under subdivision 3. Allocations under section 254B.09, subdivision 4, that are not used within two years must be reallocated for payments under section 254B.09, subdivision 5~~ other counties under subdivision 1.

Sec. 5. Minnesota Statutes 2006, section 254B.03, subdivision 1, is amended to read:

Subdivision 1. **Local agency duties.** (a) Every local agency shall provide chemical dependency services to persons residing within its jurisdiction who meet the criteria established by the commissioner for ~~placement in a~~ chemical dependency ~~residential or nonresidential treatment service~~ services. Chemical dependency money must be administered by the local agencies according to law and rules adopted by the commissioner under sections 14.001 to 14.69.

(b) In order to contain costs, the county board shall, with the approval of the commissioner of human services, select eligible vendors of chemical dependency services who can provide economical and appropriate treatment. Unless the local agency is a social services department directly administered by a county or human services board, the local agency shall not be an eligible vendor under section 254B.05. The commissioner may approve proposals from county boards to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. If a county implements a demonstration or experimental medical services funding plan, the commissioner shall transfer the money as appropriate. If a county selects a vendor located in another state, the county shall ensure that the vendor is in compliance with the rules governing licensure of programs located in the state.

(c) The calendar year 2002 rate for vendors may not increase more than three percent above the rate approved in effect on January 1, 2001. The calendar year 2003 rate for vendors may not increase more than three percent above the rate in effect on January 1, 2002. The calendar years 2004 and 2005 rates may not exceed the rate in effect on January 1, 2003.

(d) A culturally specific vendor that provides assessments under a variance under Minnesota Rules, part 9530.6610, shall be allowed to provide assessment services to persons not covered by the variance.

Sec. 6. Minnesota Statutes 2006, section 254B.03, subdivision 2, is amended to read:

Subd. 2. **Chemical dependency fund payment.** (a) Payment from the chemical dependency fund is limited to payments for services ~~other than detoxification~~ that, if located outside of federally recognized tribal lands, would be required to be licensed by the commissioner as a chemical dependency treatment or rehabilitation program under sections 245A.01 to 245A.16, and services ~~other than detoxification~~ provided in another state that would be required to be licensed as a chemical dependency program if the program were in the state. Out of state vendors must also provide the commissioner with assurances that the program complies substantially with state licensing requirements and possesses all licenses and certifications required by the host state to provide chemical dependency treatment. Except for chemical dependency transitional rehabilitation programs, vendors receiving payments from the chemical dependency fund must not require co-payment from a recipient of benefits for services provided under this subdivision. Payment from the chemical dependency fund shall be made for necessary room and board costs provided by vendors certified according to section 254B.05, or in a community hospital licensed by the commissioner of health according to sections 144.50 to 144.56 to a client who is:

(1) determined to meet the criteria for placement in a residential chemical dependency treatment program according to rules adopted under section 254A.03, subdivision 3; and

(2) concurrently receiving a chemical dependency treatment service in a program licensed by the commissioner and reimbursed by the chemical dependency fund.

(b) A county may, from its own resources, provide chemical dependency services for which state payments are not made. A county may elect to use the same invoice procedures and obtain the same state payment services as are used for chemical dependency services for which state payments are made under this section if county payments are made to the state in advance of state payments to vendors. When a county uses the state system for payment, the commissioner shall make monthly billings to the county using the most recent available information to determine the anticipated services for which payments will be made in the coming month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month.

(c) The commissioner shall coordinate chemical dependency services and determine whether there is a need for any proposed expansion of chemical dependency treatment services. The commissioner shall deny vendor certification to any provider that has not received prior approval from the commissioner for the creation of new programs or the expansion of existing program capacity. The commissioner shall consider the provider's capacity to obtain clients from outside the state based on plans, agreements, and previous utilization history, when determining the need for new treatment services.

Sec. 7. Minnesota Statutes 2006, section 254B.03, subdivision 5, is amended to read:

Subd. 5. **Rules; appeal.** The commissioner shall adopt rules as necessary to implement ~~Laws 1986, chapter 394, sections 8 to 20. The commissioner shall ensure that the rules are effective on July 1, 1987~~ <u>sections 254B.02 to 254B.11</u>. The commissioner shall establish an appeals process for use by recipients when services certified by the county are disputed. The commissioner shall adopt rules and standards for the appeal process to assure adequate redress for persons referred to inappropriate services.

Sec. 8. Minnesota Statutes 2006, section 254B.04, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** (a) Persons eligible for <u>Tier I</u> benefits under Code of Federal Regulations, title 25, part 20, persons eligible for medical assistance benefits under sections 256B.055, 256B.056, and 256B.057, subdivisions 1, 2, 5, and 6, or who meet the income standards of section 256B.056, subdivision 4, and persons eligible for general assistance medical care under section 256D.03, subdivision 3, are entitled to chemical dependency fund services. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

Persons with dependent children who are determined to be in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212, shall be assisted by the local agency to access needed treatment services. Treatment services must be appropriate for the individual or family, which may include long-term care treatment or treatment in a facility that allows the dependent children to stay in the treatment facility. The county shall pay for out-of-home placement costs, if applicable.

(b) A person not entitled to services under paragraph (a), but with family income that is less than 215 percent of the federal poverty guidelines for the applicable family size, shall be eligible to receive Tier II chemical dependency fund services within the limit of funds appropriated for this group for the fiscal year. If notified by the state agency of limited funds, a county must give preferential treatment to persons with dependent children who are in need of chemical dependency treatment pursuant to an assessment under section 626.556, subdivision 10, or a case plan under section 260C.201, subdivision 6, or 260C.212. A county may spend money from its own sources to serve persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

(c) Persons whose income is between 215 percent and 412 percent of the federal poverty guidelines for the applicable family size shall be eligible for Tier III chemical dependency services on a sliding fee basis, within the limit of funds appropriated for this group for the fiscal year. Persons eligible under this paragraph must contribute to the cost of services according to the sliding fee scale established under subdivision 3. A county may spend money from its own sources to provide services to persons under this paragraph. State money appropriated for this paragraph must be placed in a separate account established for this purpose.

Sec. 9. **[254B.11] TREATMENT SERVICES.**

Subdivision 1. **Distribution of appropriated funds.** Funds appropriated to the commissioners of human services, health, and public safety under section 297G.11 must be distributed as provided in subdivisions 2 to 6.

Subd. 2. **Treatment services.** Sixty-two percent must be deposited in the chemical dependency fund under section 254B.02 for allocation and distribution by the commissioner of human services to counties under the formula provided in section 254B.02, subdivision 1. Notwithstanding any other law, funds distributed under this section must be used by the counties to fund Tier I and Tier II benefits under section 254B.04, subdivision 1, paragraphs (a) and (b), for treatment of alcohol and all controlled substances dependencies, including detoxification and long-term treatments, including inpatient treatment for longer than 28 days, when necessary for successful treatment. No county maintenance effort is required to receive funding under this subdivision.

Subd. 3. **Treatment support services.** 18 percent is appropriated to the commissioner of human services to make grants to counties for treatment support including local relapse programs and supportive housing and transportation initiatives for alcohol or controlled substances offenders.

Subd. 4. **Detoxification.** Sixteen percent is appropriated to the commissioner of human services to make grants to counties for detoxification services, including transportation. To receive a grant under this section, a county must contribute funding of at least 50 percent of the grant for the same purposes.

Subd. 5. **Health assessments.** (a) .5 percent is appropriated to the commissioner of health for grants to local community health boards to provide health assessments and supportive services to children and vulnerable adults who reside or are otherwise subjected to health risks at the site where methamphetamine is manufactured or used.

(b) 2.0 percent is appropriated to the commissioner of health for the Youth Risk Behavior Account.

Subd. 6. **DWI education.** 1.5 percent is appropriated to the commissioner of public safety for DWI education.

Sec. 10. Minnesota Statutes 2006, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	$ ~~5.03~~ 11.36 per gallon	$ ~~1.33~~ 3.03 per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	$ ~~.30~~ 1.35 per gallon	$ ~~.08~~ .36 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	$ ~~.95~~ 1.98 per gallon	$ ~~.25~~ .53 per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	$ ~~1.82~~ 2.85 per gallon	$ ~~.48~~ .76 per liter
(e) Wine containing more than 24 percent alcohol by volume	$ ~~3.52~~ 4.54 per gallon	$ ~~.93~~ 1.21 per liter

(f) Natural and artificial sparkling wines containing alcohol	$ ~~1.82~~ 2.85 per gallon	$ ~~.48~~ .76 per liter
(g) Cider as defined in section 297G.01, subdivision 3a	$ ~~.15~~ 1.20 per gallon	$ ~~.04~~ .32 per liter
(h) Low alcohol dairy cocktails	$ .08 per gallon	$ .02 per liter

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

Sec. 11. Minnesota Statutes 2006, section 297G.03, subdivision 2, is amended to read:

Subd. 2. **Tax on miniatures; distilled spirits.** The tax on miniatures is ~~14~~ 19 cents per bottle.

Sec. 12. Minnesota Statutes 2006, section 297G.04, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, ~~$2.40~~ $18.86 per 31-gallon barrel; and

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, ~~$4.60~~ $21.06 per 31-gallon barrel.

For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

Sec. 13. Minnesota Statutes 2006, section 297G.04, subdivision 2, is amended to read:

Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~$4.60~~ $21.06 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) $115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

Sec. 14. Minnesota Statutes 2006, section 297G.10, is amended to read:

297G.10 DEPOSIT OF PROCEEDS.

Subdivision 1. **General fund.** All tax revenues and other receipts payable to the state under this chapter must be paid into the state treasury and credited to the general fund. The increase in taxes under 2976.03, subdivisions 1 and 2; and 297G.04, subdivisions 1 and 2, must be deposited in the county alcohol and chemical dependency costs account in the general fund for the purposes specified in subdivision 2.

Subd. 2. **Alcohol and chemical dependency account; appropriation.** A county alcohol and chemical dependency costs account is created in the general fund. The account consists of liquor tax proceeds deposited in it under subdivision 1. Funds in the account are annually appropriated as follows: 30 percent to the commissioner of corrections for the purposes of section 401.25, and 70 percent to the commissioners of human services and health as provided in section 254B.11.

Sec. 15. Minnesota Statutes 2006, section 297G.12, subdivision 7, is amended to read:

Subd. 7. **Source of refund.** There is appropriated annually from the general fund to the commissioner the sums necessary to make the refunds provided by this section. Refunds are appropriated from accounts in the general fund in the same proportions as they are deposited to it.

Sec. 16. **[401.25] COUNTY PROBATION SERVICES GRANTS.**

Subdivision 1. **Use of funds.** Funds appropriated to the commissioner of corrections under section 297G.10, subdivision 2, must be used to make grants to counties to increase probation supervision of all offenders whose offenses involved alcohol or controlled substance abuse or dependency, including:

(1) development of case plans based on assessments and risk/needs instruments;

(2) development of continuums of probation supervision levels, including intensive supervision programs;

(3) expansion of electronic home alcohol monitoring for both presentencing and postsentencing;

(4) support of local cognitive restructuring programs; and

(5) provision of treatment support services as part of the case plan for probation supervision.

Subd. 2. **Distribution of funds.** To determine the amount of the grant to be paid to each qualifying county, the commissioner of corrections shall apply the formula contained in section 401.10, subdivision 1, except that each county's "base funding amount" under section 401.10, subdivision 1, clause (8), and the "aggregate base funding amount" under section 401.10, subdivision 1, clause (9), must be determined using fiscal year 2006. For purposes of section 401.10, subdivision 1, clause (8), "fiscal year 2008" must be used instead of "fiscal year 1997."

Subd. 3. **Requirements for grant.** To be eligible to receive a grant under this section, the county must develop and submit to the commissioner a plan for use of the funds based on the purposes for which funds may be used under subdivision 1 and their local needs. The plan must incorporate best correctional practices. The plan must include the planned expenditures. No county may receive a grant unless its plan has been determined to be in compliance with this section and approved by the commissioner.

Subd. 4. **Review and approval by commissioner.** The commissioner shall annually review the plans submitted by the counties before allocating the grants. The review must determine whether the plan and the planned expenditures comply with the requirements of this section. The commissioner may require changes or adjustments to the plan and to the planned expenditures implementing the plan before approving an annual grant to the county.

Subd. 5. **Payment of grants.** The commissioner of corrections shall make payments of grants in installments, and may make payment adjustments, as provided in sections 401.14, subdivisions 2 and 3, and 401.15.

In counties where the probation services under the plan will be provided by both county and Department of Corrections employees, a collaborative plan must be developed. The commissioner of corrections shall specify the manner in which the grant money allocated to the county shall be distributed between the county and Department of Corrections providers.

Sec. 17. **REPEALER.**

Minnesota Statutes 2006, sections 254B.02, subdivisions 2 and 3; and 254B.03, subdivision 4, are repealed.