

## Minnesota Community Action Statute and Regulations Addressing CAA Mergers

Following are provisions of Minnesota's Community Action statute and regulations that address CAA mergers.

Minnesota's Community Action statute contains a section enacted in 2014 (highlighted below) addressing the problem of two CAAs merging and the resulting merged CAA receiving a lower amount of CSBG funding than the combined amount of CSBG funds that each of the merging CAAs had received prior to the merger. The statute specifies that, generally, when two Community Action Agencies (CAAs) merge, the merged entity will receive a base funding amount equal to the sum of the base funding amounts each of the merging CAAs had received before the merger.

The Minnesota Community Action regulations contain two sections (highlighted below) that detail the process to be followed in obtaining approval of the proposed merger from the state CSBG office.

### Minnesota Statute

#### **Minnesota Statutes Section 256E.30: Financial Assistance for Community Action Agencies**

Subdivision 1. *Authorization.* --The commissioner of human services may provide financial assistance for community action agencies, Indian reservations, and migrant and seasonal farmworker organizations to carry out community action programs as described in section 256E.32 in accordance with the Omnibus Reconciliation Act of 1981, Public Law 97-35, as amended in 1984, Public Law 98-558, state law, and federal law and regulation.

Subd. 2. *Allocation of money.*

(a) State money appropriated and community service block grant money allotted to the state and all money transferred to the community service block grant from other block grants shall be allocated annually to community action agencies and Indian reservation governments under clauses (b) and (c), and to migrant and seasonal farm worker organizations under clause (d).

(b) The available annual money will provide base funding to all community action agencies and the Indian reservations. Base funding amounts per agency are as follows: for agencies with low income populations up to 3,999, \$ 25,000; 4,000 to 23,999, \$ 50,000; and 24,000 or more, \$ 100,000.

(c) All remaining money of the annual money available after the base funding has been determined must be allocated to each agency and reservation in proportion to the size of the poverty level population in the agency's service area compared to the size of the poverty level population in the state.

(d) Allocation of money to migrant and seasonal farm worker organizations must not exceed three percent of the total annual money available. Base funding allocations must be made for all community action agencies and Indian reservations that received money under this subdivision, in fiscal year 1984, and for community action agencies designated under this section with a service area population of 35,000 or greater.

Subd. 2a. *Merger.* --In the case of a merger between community action agencies, the newly created agency receives a base funding amount equal to the sum of the merged agencies' base funding amounts at the point of the merger as described in subdivision 2, paragraph (b), unless the commissioner

determines the funding amount should be less than the sum of the merged agencies' base funding amount due to savings resulting from fewer redundancies and duplicative services.

Subd. 3. *Reports.* --Each community action agency receiving funds under this section shall report annually to the commissioner concerning the use of the funds.

Subd. 4. *Definition.* --For the purposes of sections 256E.30 to 256E.32, "poverty level population" means the number of people whose household income is at or below the poverty line established by the United States Office of Management and Budget in accordance with the most recent state population figures established by the United States Department of Commerce, Bureau of the Census.

## **Minnesota Regulations**

### **Minnesota Administrative Code Section 9571.0040: Recognition of Community Action Agencies**

Subpart 1. **Provisional recognition.** The department will provisionally recognize a designation if the department establishes compliance with applicable state law, federal law, all the designation requirements of part 9571.0030, and, where applicable, with the change of designation requirements of part 9571.0050. Provisional recognition may occur within 60 calendar days of the department's receipt of the documents required in part 9571.0030, subpart 8, an approved transition plan, where applicable, as specified in part 9571.0050, subpart 4, and the most current copies of the following:

- A. articles of incorporation and bylaws;
- B. Internal Revenue Service certificate of 501(c)(3) tax exempt status and Minnesota Department of Revenue certificate of tax exempt status where applicable to nonprofit community action agencies; and
- C. list of board of directors, including their addresses and telephone numbers, that indicates officers and committee memberships, and the sector each director represents.  
If the department finds noncompliance it must inform both the governing body and the designee within the 60-day period and, if possible, offer remedies for achieving compliance.

Subp. 2. **Governor's recognition.** After the requirements in subpart 1 have been met and the department has provisionally recognized a designation, the department will request recognition by the governor.

Subp. 3. **Maintenance of recognition records.** To maintain recognition, a community action agency must maintain the following records and make current copies available to the department as requested:

- A. articles of incorporation with any amendments and bylaws with any amendments;
- B. Internal Revenue Service certificate of 501(c)(3) tax exempt status and Minnesota Department of Revenue certificate of tax exempt status where applicable to nonprofit community action agencies;
- C. list of board of directors, including their addresses and telephone numbers, that indicates officers and committee memberships, tenure on the board, and the sector each director represents as required by the act;

D. board minutes of the past year and latest annual corporate report;

E. organizational chart, personnel policies, data privacy policies, affirmative action plan, voter registration plan, and client service appeals policy; and

F. the planning and evaluation processes described in parts 9571.0120 and 9571.0130.

**Subp. 4. Merging of designated and recognized community action agencies.** Two or more community action agencies previously designated by one or more governing bodies and recognized by the state may seek approval to merge their organizations. The boards of directors of the community action agencies seeking to merge must:

A. notify the department of their intent to merge;

B. submit to the department a transition plan for the composition of the board of directors, the leadership and staffing of the merged agency, and the uninterrupted continuation of services; and

C. provide documentation showing that the board of directors of each community action agency involved in the proposed merger supports the merger.

**Subp. 5. Review and approval of merger transition plan.** The department has 60 days from the date of receipt of the transition plan to either approve or disapprove the plan. The department may request additional information and meetings with the boards of directors or their representatives and with the leadership of the agencies. The department will consider the proximity of the service areas and the priorities listed in part 9571.0050, subpart 2, when it reviews proposed merger plans. If the transition plan is not approved, the department must provide written comments and the options for remedy of the department's concerns. The boards of directors may submit a subsequent transition plan consistent with the department's comments.