

August 2003

## HUMAN SERVICES ADMINISTRATIVE COSTS - BACKGROUND MEMORANDUM

Section 14 of Senate Bill No. 2012, attached as Appendix A, provides for a Legislative Council study of the administrative costs of human services programs, including costs incurred by the central office of the Department of Human Services, human service centers, and county social services. The study is to include a review of the effects of the 1997 "swap" legislation on state and county human services program costs.

### PREVIOUS STUDIES

The 1999-2000 Budget Committee on Human Services studied, pursuant to Section 28 of 1999 Senate Bill No. 2012, the services provided by the Department of Human Services regional human service centers. The study included a review of the administrative costs of the human service centers. Administrative costs averaged 13.3 percent of the total budget for the human service centers for the 1999-2001 biennium. The committee did not make any recommendations as a result of its study.

The 1997-98 interim Welfare Reform Committee studied, pursuant to Section 31 of 1997 House Bill No. 1012, North Dakota's welfare reform implementation efforts to determine the effectiveness of welfare reform and, pursuant to North Dakota Century Code (NDCC) Section 50-09-29, monitored responsibilities relating to the revised administration of the temporary assistance for needy families (TANF) program. The committee did not make recommendations regarding its welfare reform studies and responsibilities.

The 1995-96 interim Budget Committee on Human Services studied, pursuant to House Concurrent Resolution No. 3045, the responsibilities of county social service agencies, regional human service centers, and the Department of Human Services. The committee recommended House Bill No. 1041, approved by the 1997 Legislative Assembly that required counties, effective January 1, 1998, to assume the financial responsibility for the costs of administering the following economic assistance programs:

1. Aid to families with dependent children (AFDC).
2. Job opportunities and basic skills (JOBS) program.
3. Child care block grant.
4. IV-A at-risk child care.
5. Food stamps.
6. Medical assistance.
7. Low-income home energy assistance program (LIHEAP).
8. Refugee assistance.
9. Basic care.

In return, the bill required the state to assume complete financial responsibility for the grant costs of medical assistance and basic care assistance and to contribute additional support for the administrative costs of counties with Indian land. The bill was expected to result in additional general fund costs of \$2.2 million per year based on actual program costs for calendar year 1995. The estimated additional cost to the general fund for the 1997-99 biennium, based on the January 1, 1998, effective date, was \$3.3 million.

Provisions of the bill were referred to as the "swap" agreement. The "swap" agreement proposal resulted from the Department of Human Services, the North Dakota Association of Counties, and the North Dakota Association of Counties Social Service Board Directors meeting and discussing alternative methods of delivery and funding of the administrative costs of economic assistance programs. The following observations were reported to the interim committee:

1. About 65 percent of the counties experienced costs in excess of the statewide weighted average for the administrative costs of economic assistance programs.
2. Nearly 86 percent of the eligible economic assistance recipients lived in 23 North Dakota counties.
3. The trade areas for North Dakota's 24 largest cities contained about 88 percent of the unduplicated economic assistance cases in 1994.

4. Any federal reform of economic assistance programs will likely require statewide application for uniform eligibility, benefits, and program operations.
5. Counties with large Indian populations will continue to require state financial assistance to defray a substantial portion of the local costs of administering assistance programs.

Other testimony provided to the committee included:

1. County commissions are required to levy property taxes to fund the county share of between 30 and 40 separate federal, state, and local social service programs but have very little authority concerning who can receive services, the types of services and benefits delivered, program administration, or salary levels of county social service staff.
2. Funding formulas for some economic assistance programs are based on a formula developed in 1983, allocating costs to individual counties, and subsequent population changes have resulted in a wide variation in the per capita county costs with the highest per capita cost of medical assistance being \$36.54 per year for Sheridan County.

The 1989-90 interim Budget Committee on Long-Term Care and Budget Committee on Human Services conducted a joint review of alternatives for restructuring the human service delivery system in North Dakota at the request of the Legislative Council chairman.

The committee reviewed human service delivery systems in Minnesota, Montana, South Dakota, and Iowa. The committee learned that the delivery systems varied among the states but found that all the states reviewed have a social service director appointed by the Governor, all except Minnesota have a social services advisory board, and all have regional facilities or institutions under the social service agency. In addition, all the states reviewed have county welfare offices, except that South Dakota's county offices are staffed by state employees, and in Montana, 12 of the 56 counties have state-administered offices.

### “SWAP” LEGISLATION

As discussed earlier, 1997 House Bill No. 1041 required counties, effective January 1, 1998, to assume the financial responsibility for the costs of administering certain economic assistance programs and required the state to assume complete financial responsibility for grant programs, including TANF, basic care, child care assistance, and medical assistance. In addition, the state agreed to provide additional support for administrative costs of counties with Indian land. Statutory provisions relating to these programs are contained in NDCC Title 50, and select sections are attached as Appendix B.

North Dakota Century Code Section 50-01.2-03.2(3) provides for grant payments to Indian counties for their economic assistance program administrative costs that are in excess of the statewide average. This section provides that the grants be distributed at 90 percent of the excess costs.

The schedule below presents legislative appropriations for TANF, basic care assistance, child care assistance, medical assistance, and grants to Indian counties since the 1997-99 biennium:

	1997-99	1999-2001	2001-03	2003-05
<b>TANF</b>				
General fund	\$5,700,000	\$5,500,000	\$3,950,382	\$3,950,382
Special funds	4,000,000	6,397,947	10,525,123	12,215,691
Federal funds	31,200,000	13,110,930	11,150,551	13,341,867
Total	\$40,900,000	\$25,008,877	\$25,626,056	\$29,507,940
<b>Child care assistance</b>				
General fund				\$5,726,109
Special funds	\$3,528,016	\$3,675,262	\$4,013,314	
Federal funds	14,749,420	12,832,634	17,233,719	21,335,096
Total	\$18,277,436	\$16,507,896	\$21,247,033	\$27,061,205
<b>Basic care assistance</b>				
General fund	\$1,654,727			\$747,857
Special funds	4,473,987	\$7,690,647	\$2,783,072	2,284,362
Federal funds			6,081,186	5,363,506
Total	\$6,128,714	\$7,690,647	\$8,864,258	\$8,395,725
<b>Medical assistance<sup>1</sup></b>				
General fund	\$180,467,562	\$195,469,683	\$217,096,629	\$259,872,239
Special funds	7,206,368	8,035,112	36,388,827 <sup>2</sup>	12,584,800
Federal funds	422,301,922	471,880,515	550,022,159	596,320,683

	1997-99	1999-2001	2001-03	2003-05
Total	\$609,975,852	\$675,385,310	\$803,507,615 <sup>2</sup>	\$868,777,722
<b>Grants to Indian counties</b>				
General fund		\$121,766	\$456,993	\$649,559
Special funds	\$1,059,000	1,654,654	2,068,007	1,964,607
Total	\$1,059,000	\$1,776,420	\$2,525,000	\$2,614,166
<b>Total</b>				
General fund	\$187,822,289	\$201,091,449	\$221,504,004	\$270,946,146
Special funds	\$20,267,371	\$27,453,622	\$55,778,343	\$29,049,460
Federal funds	\$468,251,342	\$497,824,079	\$584,487,615	\$636,361,152
Total	\$676,341,002	\$726,369,150	\$861,769,962	\$936,356,758
<sup>1</sup> Includes nursing facilities, intergovernmental transfer payments, and developmental disabilities services grants, but excludes Healthy Steps.				
<sup>2</sup> Includes \$16.3 million special funds deficiency appropriation approved by the 2003 Legislative Assembly.				

### DEPARTMENT OF HUMAN SERVICES ADMINISTRATIVE COSTS

The 2003 Legislative Assembly appropriated \$47,847,723, of which \$13,717,616 is from the general fund for the administration, support, and information technology programs of the central office of the Department of Human Services. These programs were authorized 113.8 full-time equivalent positions. Administrative costs are also included at the State Hospital, Developmental Center, and the eight regional human service centers. However, funding for these costs are appropriated as part of the "lump sum" appropriation provided to each entity.

### STUDY PLAN

The committee may wish to proceed with this study as follows:

1. Receive information from the Department of Human Services regarding administrative costs of the central office, State Hospital, Developmental Center, and human service centers.
2. Receive information from the Department of Human Services regarding grant cost changes resulting from the "swap" agreement since 1997.
3. Receive information from the North Dakota County Social Services Directors Association regarding administrative cost changes of county social service agencies since 1997.
4. Receive information from the Department of Human Services and county social service agencies analyzing administrative cost increases incurred by county social service agencies for select economic assistance programs since 1997-99 and the grant cost increases paid by the state for economic assistance programs since 1997-99.
5. Review administrative cost levels of human service programs in other states.
6. Receive testimony from other interested persons regarding administrative costs of the Department of Human Services and county social service agencies.
7. Develop recommendations and prepare any legislation necessary to implement the recommendations.
8. Prepare a final report for submission to the Legislative Council.

ATTACH:2