

BUDGET COMMITTEE ON HUMAN SERVICES

The Budget Committee on Human Services was assigned study responsibilities in five areas.

The committee was assigned the responsibility to monitor the Department of Human Services implementation of the recommended changes to improve the department's administrative structure and to enhance its budget presentation methods contained in Senate Concurrent Resolution No. 4003.

Section 28 of 1999 Senate Bill No. 2012 directed a study of the services provided by the Department of Human Services regional human service centers, including the appropriateness of and justification for continuing human service center programs, the costs and benefits of human service programs, methods for evaluating the effectiveness and outcomes of human service center programs, and the need to establish priorities relating to human service center programs.

The Legislative Council assigned the committee the responsibility to receive reports from the Department of Human Services pursuant to Section 25 of 1999 Senate Bill No. 2012 regarding the department's review of program funding issues, including the appropriateness of maximizing the use of federal funds and replacing reductions in federal funds with state funds, opportunities to reduce general fund program expenditures, the coordination of programs to avoid duplication, and the cost and benefits of programs.

Section 4 of 1999 Senate Bill No. 2114 directed a study of the implementation of the temporary assistance for needy families (TANF) program. In addition, the committee was assigned the following related responsibilities required by law to be conducted by the Legislative Council or a committee designated by the Legislative Council:

- Approve termination of any waiver obtained by the Department of Human Services for the training, education, employment, and management (TEEM) program (North Dakota Century Code (NDCC) Section 50-06-01.8).
- Approve revised administration of the TANF program (NDCC Section 50-09-29).
- Receive reports from the Department of Human Services on the progress in its efforts to determine the most reliable current data concerning the proportion of unemployed adults living in Indian country (Section 5 of 1999 Senate Bill No. 2114).
- Receive reports from the Department of Human Services on the progress in implementing child support income withholding through the state disbursement unit (Section 4 of 1999 House Bill No. 1121).

Senate Concurrent Resolution No. 4036 directed a study of the operation of TANF in North Dakota as it relates to the relationship between the state and the federally recognized Indian tribes in the state. In addition, Section 3 of 1999 Senate Bill No. 2114 required the Legislative Council to receive reports from the Department of Human Services regarding the progress of any negotiation with any tribal government to establish a pilot project for administration of a tribal family assistance grant.

Committee members were Representatives Jeff Delzer (Chairman), Ron Carlisle, Audrey Cleary, Pat Galvin, Lyle Hanson, Roxanne Jensen, Carol A. Niemeier, Todd Porter, Clara Sue Price, Sally M. Sandvig, Ken Svedjan, and Robin Weisz and Senators Dennis Bercier, Judy L. DeMers, Tom Fischer, Judy Lee, Marv Mutzenberger, David O'Connell, and Russell T. Thane.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 2000. The Council accepted the report for submission to the 57th Legislative Assembly.

MONITORING OF DEPARTMENT OF HUMAN SERVICES IMPLEMENTATION OF RECOMMENDED CHANGES

Senate Concurrent Resolution No. 4003 urged the Department of Human Services to implement recommendations to improve its administrative structure and to enhance its budget presentation methods, and the committee was assigned the responsibility to monitor the Department of Human Services implementation of these recommendations.

Background

The 1997-98 interim Budget Committee on Human Services conducted a study of the Department of Human Services in which Public Administration Services (PAS) was selected to study the department's organizational structure. The PAS study identified opportunities for improvements for the department and provided 18 recommendations relating to the Department of Human Services administrative structure and budget presentation methods. The 1997-98 interim committee recommended 1999 Senate Concurrent Resolution No. 4003, which urged the Department of Human Services to implement the recommendations

resulting from the PAS study.

Department of Human Services Implementation Status Reports

The committee received status reports from representatives of the Department of Human Services on the department's implementation of the recommendations resulting from the PAS study. The following is a summary of the recommendations from the PAS study and the department's progress toward implementation of the recommendations.

| | Recommendation | Department Action |
|----|---|---|
| 1. | Adopt an organizational structure that reduces the executive director's span of control and improves coordination, communications, and control of staff and field services. | The department reviewed and reorganized its organizational structure so the position of policy director of economic assistance supervises Medicaid, food stamps, low income home energy assistance program (LIHEAP), and TANF. |
| 2. | Improve the budget presentation to the Legislative Assembly by using "Budget in Brief" technology-assisted presentations, maximum use of available software, and information on an Internet web site which includes a review of the Governor's budget guidelines, identification of departmental goals and significant changes from the previous biennium, trend and projection analysis, executive summary of expenditures and revenues, and identification of specific initiatives, new programs and major modifications to existing programs, and programs and services recommended for elimination. | <p>The department proposed a budget presentation format based on the following budget objectives:</p> <ul style="list-style-type: none"> ● Provide a basic standard of living. ● Support people with disabilities. ● Support older adults. ● Assist people with mental health and substance abuse issues. ● Promote health. ● Promote a safe living environment for children. <p>The committee learned proposed changes to the budget presentation method would require approval by the Budget Section pursuant to NDCC Section 54-44.1-07. The department did not request approval for the change and as a result the department's appropriations bill for the 2001-03 biennium will continue to appropriate to specific divisions and entities, including the State Hospital, the Developmental Center, and the eight regional human service centers. Committee members expressed a concern that the budget presentation information correspond with the appropriations bill and the statewide integrated budget and reporting (SIBR) system.</p> |
| 3. | Develop and use an executive decision system that provides summary information to management and policymakers, allowing access to the information from an Internet web site or data warehousing. | The department made no plans for implementation of the recommendation. |
| 4. | Identify core and essential services, inform legislative committees, and disseminate this information to the public. | As part of the department's strategic planning process, the department completed program purpose statements and developed a listing of services provided by the department. Currently, the department has made no plans to share the department's strategic plan with the public. |
| 5. | Improve county and private sector collaboration by emphasizing and searching for ways to involve the counties and the private sector in planning and implementing programs. | <p>The department participated in the following collaborative efforts:</p> <ul style="list-style-type: none"> ● Ongoing meetings with providers and provider organizations. ● Monthly meetings of the North Dakota Association of County Social Service Directors. ● Joint subcommittees in the areas of children and family services, technology, aging, and finance. |

| | | |
|-----|--|---|
| | | In addition, each of the human service centers held meetings with the counties in their regions to discuss the strategic planning process. |
| 6. | Improve private provider relations by requiring department staff to explain payment rate calculations and audit findings to providers and by providing basic information and new rules on the department's Internet web site. | The department has made explanations of ratesetting and audit findings available to providers but has no plans to provide basic information and department rules on the Internet. |
| 7. | Review inspection and licensing requirements for programs and facilities to provide for consistent administration of programs, decentralizing of inspections, and retaining centralized standard setting and quality control authority. | The department began the process of reviewing inspection and licensing requirements for programs and facilities with an emphasis on assuring that licensing standards are consistent across programs and provide a baseline for program operation. |
| 8. | <p>Implement a strategic planning, evaluation, and review capability that may include:</p> <ul style="list-style-type: none"> a. A budgeting, planning, and evaluation division, under the control of a newly created assistant director position, which includes quality control and research and statistics functions and provides through a new position that could be filled on a temporary basis from university personnel long-range vision and strategic planning; b. An ombudsman/troubleshooter position and an enhanced public information function to provide information regarding department programs and serve as an informal appeals and complaint resolution function; and c. An information resource management unit, which includes the technical eligibility computer system, to improve the quality of public and internal information. | The department implemented an ongoing strategic-planning process, but no separate planning division was created since planning is seen as an integral part of each manager's job. The department transferred budget functions previously performed by the Research and Statistics Division to the Fiscal Administration Division and instructed the Research and Statistics Division to place a greater emphasis on program evaluation. |
| 9. | Develop an information technology master plan that supports department goals and objectives and the systematic planning process and prioritizes technology needs. | The department completed an information technology plan in accordance with NDCC Section 54-59-11. |
| 10. | Improve client satisfaction survey methodology and encourage counties and private providers to conduct client satisfaction surveys. | The human service centers are in the process of testing other methods of determining client satisfaction. The Mental Health Statistical Improvement Project, which provides assessment of client progress and client satisfaction, is a pilot at the Badlands Human Service Center and is expected to be extended statewide. |
| 11. | Consider the consolidation of the Medical Services and Public Assistance Divisions, including the training, education, employment, and management function, into a Financial and Medical Assistance Division and the consolidation of Finance and Office Services and centralized collections in a Management Support Division. | The policy director position incorporates medical and public assistance policy and the Fiscal Administration Division incorporates finance, audit resolution, office services, and centralized collections. |
| 12. | Consider merging children's special health services into the Children and Family Services Division. | The department has not considered this recommendation. |
| 13. | Address key person succession planning by developing department staff through the possible use of "career ladders," training incentives, and performance bonuses or obtaining executives "on detail" from the private sector and universities. | The department has assigned the responsibility of addressing key person succession to the Human Resources Division. |
| | Review and make recommendations for implementation of | The department plans to continue its practice of conducting ongoing reviews of other states' innovative methods of service through associations with national |

| | | |
|-----|--|---|
| 14. | other states' innovative methods of service provision. | organizations. In addition, at the invitation of the State Auditor's office, the department participated in a performance audit of the Child Support Enforcement Division. |
| 15. | Review and make recommendations regarding the Medicaid spending reduction techniques identified by the consultant and their applicability to North Dakota. | The department implemented an intergovernmental transfer program and established a health care trust fund to provide funding for providers to transition from traditional nursing facilities to other less-restrictive care facilities pursuant to 1999 Senate Bill No. 2168. The department has received approximately \$43 million through the program, funded 22 feasibility studies, and awarded grant funds to three projects. The department also funded a portion of the service payments for the elderly and disabled (SPED) program from the health care trust fund. |
| 16. | Consider child protection fund shift initiatives that are based upon shifting eligible "kinship" foster care from TANF child-only grants to foster care payments. | The department considered implementing child protection fund shift initiatives but decided against it because implementation would require additional state funds. The department plans to continue its ongoing analysis of the use of foster care and TANF funding. |
| 17. | Consider providing incentives for public/private collaborative operation of integrated service centers at the district level, incorporating managed care techniques, and including a pilot project with performance goals. | The department reported an increase in public/private collaboration especially in regard to State Hospital alternative projects. The department plans to explore a managed care waiver for children's mental health services. |
| 18. | Consider supporting and assisting in the implementation of a performance management system that includes measurement criteria that assist in setting departmental goals, allocate and prioritize resources, and provide for reporting on the success in meeting goals. | The department implemented an ongoing strategic planning process that centers around the concept of managing for results. |

Department of Human Services Strategic Planning Process

Senate Concurrent Resolution No. 4003 also urged the Department of Human Services to develop a strategic business plan that identifies departmental goals and objectives, client service needs, and strategies for service delivery, monitors performance, and adjusts service delivery to provide priority client services in a cost-effective and efficient manner. The committee was assigned the responsibility of monitoring the department's progress in implementing this strategic plan.

The committee learned all divisions of the Department of Human Services, including the human service centers, the State Hospital, and the Developmental Center, completed strategic plans that were reviewed and approved by the department's executive office. Each plan contained a program purpose statement that clearly identified the major services provided, immediate customers served, the intended benefits to those customers, and performance measures for results, demand, output, and efficiency. Each of the human service centers met with the county directors in the respective regions and reviewed the department's overall plan and the human service center's plan.

As part of the strategic planning process, the Department of Human Services is linking the strategic plan performance measures to employees' critical job elements, which are work plans to be used to evaluate employees. This will allow employees to identify how they contribute to each program and the department as a whole. The department has completed the process of rewriting senior managers' critical job elements to include performance measures from the strategic plan and plans to complete the process for all employees by the end of the 1999-2001 biennium.

The Department of Human Services plans to continue the strategic planning process by conducting an external environmental scanning and forecasting effort to establish the base for strategic results measures for the 2001-03 biennium.

Committee Conclusion

The committee does not make any recommendations regarding its monitoring of the Department of Human Services implementation of recommended administrative and budget presentation method changes. However, the committee commends the Department of Human Services on that agency's development and implementation of a strategic planning

process.

STUDY OF HUMAN SERVICE CENTER SERVICES

Section 28 of 1999 Senate Bill No. 2012 directed a study of the services provided by the Department of Human Services regional human service centers, including the appropriateness of and justification for continuing human service center programs, the costs and benefits of human service programs, methods for evaluating the effectiveness and outcomes of human service center programs, and the need to establish priorities relating to human service center programs.

Background

The Department of Human Services provides direct delivery of services to individuals and families through its eight human service centers--Northwest Human Service Center in Williston, North Central Human Service Center in Minot, Lake Region Human Service Center in Devils Lake, Northeast Human Service Center in Grand Forks, Southeast Human Service Center in Fargo, South Central Human Service Center in Jamestown, West Central Human Service Center in Bismarck, and Badlands Human Service Center in Dickinson. Total spending provided by the 1999 Legislative Assembly for the human service centers was \$101,498,915, of which \$46,666,746 was from the state general fund. The legislative appropriations for the eight human service centers include authorization for 883.80 full-time equivalent (FTE) positions for the 1999-2001 biennium.

The following schedule provides information regarding the 1999-2001 biennium appropriation and authorized FTE levels for each human service center:

| | 1999-2001 Biennium Appropriation | | | FTE |
|------------------------------------|----------------------------------|--------------|---------------|--------|
| | General Fund | Other Funds | Total | |
| Northwest Human Service Center | \$4,102,011 | \$3,554,087 | \$7,656,098 | 67.00 |
| North Central Human Service Center | 7,321,844 | 7,030,328 | 14,352,172 | 110.75 |
| Lake Region Human Service Center | 4,296,195 | 3,086,833 | 7,383,028 | 66.00 |
| Northeast Human Service Center | 6,675,924 | 10,589,332 | 17,265,256 | 157.65 |
| Southeast Human Service Center | 7,714,051 | 10,922,681 | 18,636,732 | 181.75 |
| South Central Human Service Center | 5,045,074 | 4,341,654 | 9,386,728 | 79.00 |
| West Central Human Service Center | 7,237,801 | 10,680,615 | 17,918,416 | 131.15 |
| Badlands Human Service Center | 4,273,846 | 4,626,639 | 8,900,485 | 90.50 |
| Total | \$46,666,746 | \$54,832,169 | \$101,498,915 | 883.80 |

Human Service Center Services

The committee learned each human service center is structured in a similar manner with the following divisions:

1. Acute care.
2. Extended care.
3. Alcohol and drugs.
4. Developmental disabilities.
5. Aging services.
6. Vocational rehabilitation.
7. Supervision of county social service programs.
8. Children's services.

The committee learned the human service centers provide services in the following program areas:

1. Clinical.
2. Substance abuse.
3. Developmental disabilities.

4. Mentally ill.
5. Vocational rehabilitation.
6. Physically disabled.
7. Emotionally disturbed.

Human Service Center Caseloads

The committee learned for fiscal year 2000, the unduplicated count of clients receiving services from the eight human service centers was 27,659, and the statewide adult and adolescent caseloads were 33,958 and 8,140, respectively. The total caseload of 42,098 was greater than the unduplicated client count since clients can receive multiple services and are counted as a part of the caseload for each of the programs.

The following schedule provides information regarding the unduplicated count of clients and adult and adolescent caseloads for fiscal years 1998-2000:

| Fiscal Year | Unduplicated Clients | Adult Caseload | Adolescent Caseload | Total Caseload |
|-------------|----------------------|----------------|---------------------|----------------|
| 1998 | 25,990 | 31,314 | 8,031 | 39,345 |
| 1999 | 26,833 | 32,379 | 8,269 | 40,648 |
| 2000 | 27,659 | 33,958 | 8,140 | 42,098 |

The committee learned the type and duration of service provided to a client is determined by the human service center multidisciplinary team and is specified on the comprehensive treatment plan as required by licensure standards. For fiscal year 1999, the eight human service centers provided 3,071,938 units of service which were 15 minutes in duration, 157,426 residential units of service which were 24 hours in duration, and 70,387 medication administration and review units of service.

Human Service Center Contracts for Services

The committee reviewed information regarding human service center contracts for services and learned contract expenditures for the 1997-99 biennium for all human service centers were \$18,613,549. When reviewed early in the biennium, human service centers' contracts issued to date for the 1999-2001 biennium were \$16,282,516.

Human Service Center Administrative Costs

The committee reviewed information regarding administrative costs at each of the human service centers and learned the total administrative budget for the human service centers for the 1999-2001 biennium was \$13,519,477.

The following schedule provides information regarding the 1999-2001 biennium administrative cost budget for each human service center:

| | 1999-2001 Biennium Administrative Budget | Percentage of the Total 1999-2001 Biennium Administrative Budget |
|------------------------------------|--|--|
| Northwest Human Service Center | \$1,409,607 | 10.4% |
| North Central Human Service Center | 1,959,301 | 14.5% |
| Lake Region Human Service Center | 1,289,568 | 9.5% |
| Northeast Human Service Center | 1,852,994 | 13.7% |
| Southeast Human Service Center | 2,065,828 | 15.3% |
| | | |

| | | |
|------------------------------------|--------------|-------|
| South Central Human Service Center | 1,426,942 | 10.6% |
| West Central Human Service Center | 2,033,082 | 15% |
| Badlands Human Service Center | 1,482,155 | 11% |
| Total | \$13,519,477 | 100% |

Program Evaluation

The committee learned all human service centers reviewed intended outcomes and effectiveness of programs during the department's strategic planning process. A pilot program evaluation project, Mental Health Statistical Improvement Project, was implemented by the Badlands Human Service Center. The project provides detailed assessment of client progress and satisfaction and is expected to be implemented by other human service centers. The West Central Human Service Center plans to implement new program evaluation methods such as a referral source survey that would provide information regarding recipients' reactions relating to appropriateness and timeliness of services provided.

Mental Health Case Aide Pilot Program

The committee learned the West Central Human Service Center implemented a mental health case aide pilot program by developing a case aide certified care provider training curriculum available through Bismarck State College which consists of seven core modules and 44 hours of training. At the human service center, the case aides were assigned to provide assistance to the mental health case managers, which allowed the case managers to have an increased caseload and provide more direct contact with recipients. The use of case aides also allowed the human service center to reduce psychiatric admissions to the State Hospital, to reduce the average overall cost per client, and to provide additional services within the community. The pilot program was monitored and also implemented at the Southeast Human Service Center and the South Central Human Service Center.

Adult Protection Services

The committee received information relating to adult protection services provided by the human service centers. The committee learned approximately \$110,000 of federal Older Americans Act funds were received by the human service centers in the last months of the 1997-99 biennium. The human service centers used the funding to explore options for working with other agencies to carry out elderly abuse prevention activities. The activities developed were limited because the funds will not be available beyond the 1999-2001 biennium.

Vocational Rehabilitation Program

The committee received information relating to the vocational rehabilitation program. The committee learned the total number of clients served in federal fiscal year 1999 was 6,969, of which 904 were rehabilitated and employed. The program's rehabilitation rate for federal fiscal year 1999 was 66 percent as determined by comparing the number of clients employed during the federal fiscal year of 904 to the number of cases closed during the federal fiscal year of 1,379.

North Dakota Association of County Social Service Directors Testimony

Representatives of the North Dakota Association of County Social Service Directors informed the committee that the Department of Human Services completed an assessment of the Northwest Human Service Center in relation to the service needs for the region, the best ways to meet those needs, and identification of the appropriate delivery and administrative structure. Representatives of the association are concerned there are areas within the Department of Human Services in which there are not adequate staff and resources available to meet all the program delivery needs.

Committee Conclusion

The committee does not make any recommendations regarding its study of human service center services.

DEPARTMENT OF HUMAN SERVICES PROGRAM FUNDING REVIEW

Section 25 of 1999 Senate Bill No. 2012 required the Department of Human Services to review departmental program funding issues during the 1999-2000 interim including:

- The appropriateness of maximizing the use of federal funds;
- The opportunities to reduce general fund program expenditures;
- The appropriate methods to provide detailed justification prior to the expansion of programs;
- The appropriateness of the state replacing reductions in federal funds with state funds;
- The coordination of programs to avoid duplication in program delivery; and
- The cost and benefit of programs.

Department of Human Services Program Funding Issues

The committee received the following information from the Department of Human Services on the department's review of program funding issues:

- To maximize the use of federal funds, the department scrutinizes program expenditures and contributes the appropriate amount of general fund moneys to ensure the necessary federal funds are accessed.
- To reduce general fund expenditures, the department requires entities contracted with to provide a portion of the matching funds to enable the department to access federal funds without increasing department general fund requirements. The department also accesses additional federal moneys for administrative costs through the use of a federally approved cost allocation plan.
- To provide detailed justification prior to the expansion of programs, the department's program administrators review the number of individuals to be served, the length of waiting lists in the program, the statutory requirements of the department to provide the service, and the availability of funding to provide the service.
- To determine the appropriateness of the state replacing reductions in federal funds with state resources, the department reviews the general fund requirements to access the federal funds and the duration of the federal program before applying for new federal funds.
- To coordinate programs to avoid duplication in program delivery, the department attempts to ensure programs are not duplicated by establishing open communication within the department through biweekly senior management meetings, monthly meetings with the human service centers and institutions, and monthly meetings with county social service agencies.
- To determine the cost and benefit of programs, the department analyzes the cost of each program or service, the expected benefits or outcomes, whether or not the program aligns with the mission of the department, and whether or not the department is statutorily required to provide the service prior to establishing a program.

Strategic Planning Impact

The committee learned the Department of Human Services addressed program funding issues during the department's strategic planning process with special emphasis on the coordination of programs to reduce duplicative program delivery efforts and to determine the cost and benefit of programs. One of the main purposes of the strategic planning process is to identify department goals and objectives with methods to measure the department's effectiveness. The practice of reviewing the general fund and federal fund cost of a program is determined to be one measure of the effectiveness and efficiency of a program.

Department of Human Services Comments

The committee received information from a representative of the Department of Human Services regarding a federal reimbursement study conducted during the 1993-95 biennium. The committee learned that in 1993 the state was contacted by Maximus with a proposal to conduct a study to identify ways for the Department of Human Services to increase federal reimbursement funding. After conducting a preliminary analysis, Maximus concluded the Department of Human Services was maximizing federal funding available, and no significant additional opportunities existed to obtain additional federal reimbursement.

Committee Conclusion

The committee does not make any recommendations regarding its study of the department of human services program funding review.

STUDY OF THE IMPLEMENTATION OF THE TEMPORARY ASSISTANCE FOR NEEDY

FAMILIES PROGRAM

The committee was assigned:

- A study of the implementation of the temporary assistance for needy families (TANF) program. (Section 4 of 1999 Senate Bill No. 2114)
- Authority to approve termination of any waiver obtained by the Department of Human Services for the TEEM program. (NDCC Section 50-06-01.8)
- Authority to approve revised administration of the TANF program. (NDCC Section 50-09-29)
- Responsibility to receive reports on efforts to determine the most reliable data on the proportion of unemployed adults living in Indian country. (Section 5 of 1999 Senate Bill No. 2114)
- Responsibility to receive reports on the progress in implementing child support income withholding through the state disbursement unit. (Section 4 of 1999 House Bill No. 1121)

Background

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 became law in August 1996. The Act provided for substantial welfare reform, including a TANF block grant.

The TANF block grant replaces the aid to families with dependent children (AFDC) program, allows the state to develop its assistance program, and provides North Dakota approximately \$26.4 million annually. The block grant:

- Includes a 15 percent cap on state administrative costs.
- Requires that the Legislative Assembly appropriate the state's block grant funds.
- Requires an 80 percent maintenance of effort based on state spending for fiscal year 1994.
- Allows transfers of block grant moneys up to 30 percent to the social services block grant and up to 10 percent to the child care block grant.
- Requires client work participation.
- Provides for sanctions and penalties against states for failing to meet work participation rates.
- Requires states to implement child support enforcement requirements.
- Limits individual receipt of welfare benefits to a five-year time period.

The Act requires the state to meet the following work participation requirements for recipients on assistance:

| | |
|-----------------------------|-----|
| Fiscal year 1997 | 25% |
| Fiscal year 1998 | 30% |
| Fiscal year 1999 | 35% |
| Fiscal year 2000 | 40% |
| Fiscal year 2001 | 45% |
| Fiscal year 2002 and beyond | 50% |

The Act requires participants to work a minimum number of hours per week to count in meeting the state's work participation rate. The minimum number of work hours required is 20 hours per week for fiscal years 1997 and 1998, 25 hours per week for fiscal year 1999, and 30 hours per week for fiscal year 2000 and beyond. These work participation requirements can be reduced if the state experiences a significant caseload reduction.

States will be sanctioned by a grant reduction of five percent the first year it fails to meet the work participation rates, and if the state continues to fail to meet the requirements, penalties increase by two percent each year to a maximum of 21 percent of the grant. Penalties can be reduced for good cause, such as an economic recession.

TANF Assistance Appropriation

The 1999 Legislative Assembly appropriated \$25 million, \$18.6 million in federal funds and \$6.4 million of other funds, for TANF program cash assistance payments for the 1999-2001 biennium. In October 1999 due to a TANF regulation that

requires state funds to be spent on cash assistance under the TANF program in order to meet the state's maintenance of effort requirements, the Emergency Commission and the Budget Section approved the transfer of \$5.5 million of general fund moneys from the foster care program to the TANF program and \$5.5 million of federal funds from the TANF program to the foster care program. As adjusted, funding for TANF program cash assistance payments for the 1999-2001 biennium includes \$5.5 million from the general fund, \$13.1 million of federal funds, and \$6.4 million of other funds.

TANF Federal Funding

The state received a one-time "high performance" bonus of \$887,213 due to North Dakota's high ranking for the percentage of TANF recipients becoming employed. This is in addition to the \$26.4 million of federal TANF funds the state receives annually. The department plans to use the "high performance" bonus funds in the same manner as other federal TANF funds. The department plans to have \$10.9 million of TANF funds carryover available for the 2001-03 biennium.

TANF Caseloads

The committee received reports from the Department of Human Services on the status of TANF caseloads. The department anticipated the TANF caseload to be 2,824 families for July 1999 and to decline slightly to 2,721 families in June 2001. As of July 2000, the TANF caseload was 2,790 families compared to the estimate used in the 1999-2001 appropriation for that month of 2,742.

Maintenance of Effort and Work Participation Requirements

The TANF block grant requires the state to spend each year at least 80 percent of state spending in federal fiscal year 1994, or 75 percent if the state meets work participation requirements on qualified state expenditures as its maintenance of effort. The work participation requirement for fiscal year 1999 was 35 percent. However, due to the state's decrease in TANF caseloads the state received a credit of 34.2 percent to adjust the rate to 0.8 percent. North Dakota achieved a work participation rate of 31.7 percent for fiscal year 1999 and, therefore, received a reduction in the 1999-2001 biennium maintenance of effort requirement from \$19.4 million to \$18 million. North Dakota projects spending approximately \$18.1 million on TANF grants, work activities, and administration to meet maintenance of effort requirements.

National Conference of State Legislatures Testimony

The committee received information from a representative of the National Conference of State Legislatures on welfare reform and learned all TANF program expenditures must meet one of the following purposes:

- Provide assistance to needy families;
- End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies; or
- Encourage the formation and maintenance of two-parent families.

The committee also learned:

- The state may transfer up to 30 percent of TANF funds each fiscal year to the child care development fund and to the social services block grant program. No more than 10 percent of the grant amount for a fiscal year may be transferred to the social services block grant, and if transferred, up to 20 percent of the annual grant could be transferred to the child care development fund. Once a state transfers funds to either program, it must use the funds in accordance with the rules of that program.
- The state may use TANF funds for traditional assistance benefits or for benefits not considered to be traditional assistance. Traditional assistance benefits include benefits directed at basic needs such as food, clothing, shelter, utilities, household goods, and personal care items. Nontraditional assistance benefits are short-term, nonrecurring benefits (up to four months) or any benefit that meets one of the four TANF purposes and is not for ongoing basic needs. The definition of "assistance" is significant because families receiving TANF assistance must meet time limit, work participation, child support assignment, and reporting requirements, and nontraditional assistance benefits are not subject to those requirements. In addition, unobligated TANF balances from prior years or carryover TANF funds may only be spent on "assistance."
- The state may spend its maintenance of effort funds in one of three ways:

Commingled with federal funds and spent in the TANF program. These expenditures are the least flexible because they are subject to federal funding restrictions, TANF requirements, and maintenance of effort limitations.

Segregated from federal funds but spent in the TANF program. These expenditures are subject to many TANF requirements, including work participation, child support assignment, and reporting requirements. However, time limits and federal funding restrictions do not apply.

Operated outside of the TANF program in separate state programs. These expenditures are very flexible and are not subject to the general TANF requirements. However, they must be consistent with the goals of the TANF law and other maintenance of effort requirements.

- The state is required to use federal TANF funds on nonmedical services such as screening services, assessments, or services by nonmedical professionals and may use state maintenance of effort funds on medical services that are considered to be services received in a hospital, treatment by a doctor, or health insurance.
- Many states use federal TANF funds for benefits with time requirements and state maintenance of effort funds for more flexible programs.

Department of Human Services Statutory Changes Under Consideration

The committee learned the Department of Human Services is considering introducing a bill during the 2001 Legislative Assembly to make the following statutory changes to the TANF program:

- Replace all references to TEEM and the TEEM waiver with TANF.
- Remove unnecessary provisions detailing the transition of AFDC to TANF and associated deadlines for changes because the transition has been completed and the deadlines have past.
- Remove provisions intended to discourage people from moving into North Dakota from a state with a shorter lifetime limit. The United States Supreme Court found similar language to be unconstitutional. North Dakota has never applied the law, and the department believes the language should be removed.
- Revise provisions complying with the federal child support assignment provisions.

Data Relating to Unemployment Rates in Indian Country

The committee received reports from the Department of Human Services regarding unemployment rates in Indian country. The committee learned the federal TANF regulations require states to exempt the months of assistance received by all adults living within Indian country from the TANF 60-month benefit limit when the unemployment rate is at least 50 percent. The Turtle Mountain Reservation had an unemployment rate greater than 50 percent for all months to date of the 1999-2001 biennium. The Spirit Lake Reservation had unemployment above 50 percent for several months, but the rate dropped below 50 percent for April 2000 and subsequent months. The Standing Rock and Three Affiliated Tribes Reservations had unemployment below 50 percent for all months to date.

The committee learned NDCC Section 50-09-29 requires the department to use the unemployment data provided by Job Service North Dakota to determine the unemployment rate of adults living in Indian country. The unemployment data provided by the Bureau of Indian Affairs cannot be used because it does not comply with the federal TANF regulations that require unemployment data to be collected every month and to include all adults living in Indian country. The Bureau of Indian Affairs unemployment data is collected only every two years and is collected for only American Indian people.

Training, Education, Employment, and Management Pilot Project

The committee received information from a representative of the Department of Human Services regarding a pilot training, education, employment, and management (TEEM) project in Rolette County. The committee learned the goal of this "Fresh Start Project" is to provide TEEM recipients employment readiness training through assessments, job coaches, and mentors. For the program's first year of operation, 13 of the 21 individuals enrolled in the classroom component completed the coursework and graduated. There were 12 individuals enrolled in the program's work activity component of which seven obtained paid employment, three are participating in work experience, and two are completing general equivalency diploma programs. For the program's second year of operation which began in the fall of 2000, the department is considering providing financial incentives to participants who receive a general equivalency diploma, maintain full-time employment for six months, and successfully complete the 15-week session.

In response to a reduction in TANF caseloads and the increasing proportion of the caseload having significant barriers to self-sufficiency, the department plans on implementing other demonstration projects in the Fargo, Grand Forks, and Williston areas.

Family Violence Option

The committee received information from a representative of the North Dakota Council on Abused Women's Services regarding the following issues, concerns, and suggestions relating to domestic violence issues and TANF:

- The family violence option that waives the work requirements for victims of domestic violence for a limited time until they are able to find safe, affordable housing and dependable child care and to resolve legal problems has been available in North Dakota since the state's TANF legislation was passed but has not been utilized.
- The TANF program's work requirements and 60-month eligibility requirement should be waived for as long as necessary for past or present victims of domestic violence or those at risk of further violence.
- The Department of Human Services screening and referral procedures should be clarified to provide for universal notification of the family violence option and to ensure referral to local domestic violence organizations for assessment and supportive services.
- The statute relating to the administration of the TANF program should be clarified to ensure that all applicants have been properly notified of the rights available to them under the family violence option.

Individual Development Accounts

The committee received information from a representative of the Department of Human Services regarding individual development accounts (IDA). An IDA is a special savings account in which a welfare recipient may accumulate earned income. The committee learned the state did not implement rules for the development of IDAs at the time of welfare reform implementation because higher asset limits allowed TANF recipients the ability to build savings without being penalized, and moneys in IDAs may only be used for tuition, purchase of a new home, or business capitalization.

A representative of the North Dakota Council on Abused Women's Services informed the committee the implementation of IDAs would encourage TANF recipient savings and could allow the recipients to receive a match from the state, local, or nonprofit sectors.

Teenage Pregnancy and Abstinence Programs

The committee received information from a representative of the North Dakota State Department of Health regarding teenage pregnancy and abstinence programs. The committee learned the State Department of Health coordinates the abstinence education grant program with the state's eight regional and four tribal children's services coordinating committees. The annual funding for the program totals \$221,429, which includes \$126,220 in federal funds and \$95,219 in matching state and local funds, and the regional and tribal children's services coordinating committees are responsible for selecting programs within the region to carry out the abstinence education.

North Dakota Association of County Social Service Directors Testimony

Representatives of the North Dakota Association of County Social Service Directors expressed concerns regarding welfare reform. The committee learned counties believe the TANF assessment process needs to be evaluated as clients are "working" the assessment process so that job referrals are not being generated. The counties are also concerned that families who have not attained self-sufficiency at the end of the five years or 60-month limit on assistance payments will either become a county responsibility or a state general assistance program responsibility or be left to fend for themselves.

Child Support Income Withholding

Section 4 of 1999 House Bill No. 1121 provided for the following statutory changes:

- Section 14-09-08.1 was amended to provide that effective July 1, 1999, the clerk of court rather than the state disbursement unit is to send notice of arrears whenever there is failure to make child support payments.
- Section 14-09-09.29 was amended to provide that the clerks of court maintain responsibility for the administration of income withholding for other than Title IV-D cases. The change is effective through January 15, 2001, and after that date, the state assumes responsibility for administration of income withholding for all child support cases.

The committee received information from a representative of the Department of Human Services regarding child support income withholding. The committee learned the department anticipates the transfer of the responsibility of administration of income withholding for other than Title IV-D cases from the clerks of court to the department to occur on schedule. The department is considering entering into a contract with an entity, such as a clerks of court office or a regional child care

enforcement unit, experienced in the administration of income withholding rather than performing the task in-house because the department lacks staff, space, and experience.

Committee Recommendations

The committee recommends [House Bill No. 1037](#) to implement the family violence option by amending NDCC Section 50-09-29 relating to the administration of the TANF program to provide that parents who are victims of domestic violence be included in the 20 percent of the TANF caseload exempt from the 60-month benefit limit and be excluded from the TANF program's work activity requirements.

At the committee's last meeting in response to testimony regarding abstinence program funding, the committee recognized that there is a minimal amount of funds provided by the state for the abstinence education grant program and recommends [Senate Bill No. 2030](#) to provide additional funding of \$150,000 from the general fund for the 2001-03 biennium to the State Department of Health for state support of the sexual abstinence education grant program.

STUDY OF TRIBAL TANF ISSUES

Senate Concurrent Resolution No. 4036 directed a study of the operation of the TANF program in North Dakota as it relates to the relationship between the state and the federally recognized Indian tribes in the state. Section 3 of 1999 Senate Bill No. 2114 required the Department of Human Services to report to the Legislative Council regarding the progress of any negotiation with any tribal government to establish a pilot project for administration of a tribal family assistance grant. The committee was assigned this responsibility.

Background

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 allows Indian tribes with a federally approved tribal assistance plan to directly receive and administer the TANF block grant funds for a tribal welfare program. Each tribe's share is based on the federal portion of AFDC money spent in federal fiscal year 1994 for Indian families in the service area described. The state's TANF block grant is to be reduced by any amount provided directly to a tribe, and the state's maintenance of effort requirement is also to be reduced appropriately. The state's contribution for a pilot tribal TANF program is limited to the state per client welfare cost in federal fiscal year 1994 times the tribe's number of welfare clients in April 1999.

The following schedule is the Department of Human Services estimate of the annual federal funds available to each tribe in North Dakota for administering a tribal TANF program and the corresponding decrease in the state's maintenance of efforts spending requirements:

| Tribe | Federal Funds Available | Reduction in State Maintenance of Effort |
|-------------------------|-------------------------|--|
| Standing Rock | \$747,878 | \$216,768 |
| Three Affiliated Tribes | \$601,067 | \$192,930 |
| Spirit Lake | \$820,316 | \$248,590 |
| Turtle Mountain | \$3,002,353 | \$883,854 |

United States Department of Health and Human Services Testimony

The committee received testimony from a representative of the Division of Tribal Services, United States Department of Health and Human Services stating that:

- The TANF program ended 60 years of welfare entitlement and provides tribes with the opportunity to administer welfare programs resulting in the need for tribes to reexamine and analyze their tribal governmental and community infrastructures.
- As states have been engaged in the administration of welfare programs for over 60 years, tribes cannot be expected to immediately step in and administer welfare programs without problems, and ongoing state and federal assistance, communication, collaboration, and technical and financial support is necessary.

- As of September 1999, there were 21 approved Indian TANF plans in the United States serving approximately 4,460 families and an estimated 15,600 members. The tribal plans are located in 12 states, and the majority of those states are continuing to provide the same percentage of state matching funds to the tribal grants that they were providing in state administered programs.
- A policy to provide incentives for tribal members to relocate off the reservation would not be successful because tribal members do not want to leave their homes and families.

National Conference of State Legislatures Testimony

The committee received information from a representative of the National Conference of State Legislatures on tribal TANF programs. The committee learned federal regulations allow tribes to design their own TANF programs with flexibility similar to what is found in state TANF programs. The first step for developing a tribal TANF program is for the tribe to file a letter of intent with the United States Department of Health and Human Services followed up by a detailed implementation plan. In structuring a welfare program, the tribe has the flexibility to establish its own benefits, eligibility requirements, work participation rates, time limits, and definitions of work and family. The tribe may receive federal funding for all welfare eligible families in the tribe's defined service area but may develop a tribal TANF program that serves only a portion of the families. Therefore, the state may have an obligation to continue to provide services to members of tribes operating a tribal TANF program based on the tribal TANF service plan. If the plan is accepted, the tribe is required to give the state a 30-day notice of its withdrawal from the state TANF program.

Tribal Negotiations

The committee learned the Department of Human Services sent a letter to all tribal chairs to encourage tribes to participate in a tribal TANF program. Representatives from the Turtle Mountain Band of Chippewa informally notified the Department of Human Services that they do not wish to pursue a tribal TANF program until after federal reauthorization of TANF in 2002.

Representatives of the Three Affiliated Tribes notified the department that the federal funds available are not sufficient to operate a tribal TANF program for 100 percent of the reservation caseload, but the tribe is actively pursuing administering a limited tribal TANF program. The committee learned the Three Affiliated Tribes' proposed tribal TANF program would use the federal funds available to provide case management services concentrating on education for all tribally enrolled members in the five counties that contain the reservation. The proposed tribal TANF program would allow the tribe to determine appropriate work activities and work performance levels and use tribal data to calculate the unemployment rate. The tribal TANF proposal does not include tribal payment of TANF assistance grants, and as a result the state would be responsible for these grants. The tribe would coordinate with the state to continue to use the state's administrative infrastructure for eligibility determination and grant payments. The tribal TANF proposal includes a provision that would provide that any unused federal funds would be provided to the state to assist with the payment of TANF assistance grants. The committee learned the department is not aware of any approved tribal TANF programs that only provide case management services to tribal TANF recipients.

Committee Conclusions

The committee does not make any recommendations regarding its study of tribal temporary aid for needy families issues.

OTHER INFORMATION

Status of Medicaid Drug Expenditures

The committee received information from a representative of the Department of Human Services regarding the status of Medicaid drug expenditures and the department's plans to deal with a potential shortfall. The committee learned the department anticipates exceeding the 1999-2001 biennium appropriation for drug expenditures of \$50.3 million by \$13 million due to increasing cost of generic drugs and the introduction of new, more expensive drugs as an alternative to older, less expensive drugs. The department expects to absorb the shortfall of funds with savings in other areas such as nursing facilities and is considering legislation to implement a cost-saving prior authorization process for a selected class of drugs which would require the use of generic or over-the-counter products prior to a more expensive brand name drug being prescribed.

Health Insurance Portability and Accountability Act

The committee received information from the Department of Human Services regarding the potential impact to the state of the requirements of the Health Insurance Portability and Accountability Act (HIPAA). The goal of the Act is to reduce the cost

and administrative burdens of health care by standardizing electronic transmission of health care data. The Act contains nine regulations that are centered around transactions, identifiers, security, and confidentiality. The regulations require compliance within two years and 60 days from the date of each final regulation. The Health Care Financing Administration finalized the regulations for electronic transactions on August 17, 2000. Therefore, compliance is required by October 16, 2002. The regulations for provider identifier, employer identifier, security and electronic signature, and privacy are expected to be finalized by the end of 2000. The department has prepared an optional adjustment budget request to the 2001-03 biennium budget of \$25 million of which \$7.75 million is from the general fund to cover the estimated cost to implement the regulations.

Child Support Program Update

The committee received information from a representative of the Department of Human Services regarding the department's child support computer system and the implementation of the state disbursement unit for child support payments. The committee learned the department received conditional certification of its child support computer system in May 2000 and plans to achieve full certification by the end of December 2000. The state disbursement unit is operational and on the average is receiving about \$6 million per month from about 20,000 payments and sending out approximately 30,000 payments to custodial parents.

Study of Gaming Addiction Problems

The committee received information from a representative of the Governor's office regarding the study of gaming addiction problems required by the Indian gaming compact. Gemini Research Limited and the University of North Dakota Social Science Research Institute were selected to complete a gaming addiction study required by gaming compacts signed by the Governor and representatives of the tribal governments. The designated objectives of the study that is estimated to cost \$100,000 are to identify the demographics of those participating in gaming activities in North Dakota, where gaming is occurring in North Dakota, gaming activities residents of North Dakota are participating in which are outside North Dakota, and the impact gaming activities are having on individuals. The study, funded equally by the state and the tribes, is scheduled to be completed before the start of the 2001 Legislative Assembly.

BUDGET TOUR

While conducting a meeting in Bismarck, the committee conducted a budget tour of the West Central Human Service Center. On the tour, the committee heard of center needs and problems the entity may be encountering during the interim. The tour group minutes are available in the Legislative Council office and will be submitted in report form to the Appropriations Committees during the 2001 Legislative Assembly.