

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON HUMAN SERVICES

Tuesday and Wednesday, March 17-18, 1998
Dakota Lounge, Memorial Union, University of North Dakota, and
Northeast Human Service Center
Grand Forks, North Dakota

Senator Tim Mathern, Chairman, called the meeting to order at 1:00 p.m.

Members present: Senators Tim Mathern, Tom Fischer, Judy Lee, Rod St. Aubyn; Representatives Roxanne Jensen, Connie Johnsen, Clara Sue Price, Wanda Rose, Gerald O. Sveen, Janet Wentz

Members absent: Senators Bill L. Bowman, Jerome Kelsh, Russell T. Thane; Representatives Leonard J. Jacobs, James A. Kerzman, Ken Svedjan

Others present: See attached appendix

Chairman Mathern called on Father Fred Kammer, President, Catholic Charities USA, who provided information regarding Catholic Charities USA, a copy of which is on file in the Legislative Council office. Father Kammer discussed the services provided by Catholic Charities USA, an organization of 46,000 staff and 236,000 volunteers and board members nationwide. Father Kammer discussed trends in service provision by Catholic Charities USA, which are affected by constraints on resources, changes in federal assistance, changes in demographics, changes in family structure, and more women in the work force. He said there is a competition between profit and nonprofit service providers which impacts nonprofit managers and requires them to clearly define an agency's mission, to understand the "market," and to address personnel challenges. He said Catholic Charities USA has recently undergone a three-year planning process to update its mission. He said the organization is committed to providing quality services, addressing income inequalities, and addressing deep societal divisions such as racism. He said in recent years one-fifth of the nation's population

has realized a growth in income of 33 percent while the lowest one-fifth has seen a reduction of 21 percent of income. He said charities must address these long-term systemic problems, otherwise the population served will increase and require additional resources.

DEPARTMENT OF HUMAN SERVICES STUDY

Chairman Mathern called on Mr. George Hubler and Mr. Robert Hoffman, Public Administration Service, McLean, Virginia, for a presentation of the first draft of the Public Administration Service report on its study of the Department of Human Services. A copy of the first draft and a summary of the Public Administration Service overhead presentation are on file in the Legislative Council office. Mr. Hubler discussed the executive summary contained in the report and the report recommendations; the environment of the study; the results of agency surveys; the examination of the department's organizational structure; agency relationships, communications, and executive director qualifications; performance management; and innovative practices. Mr. Hoffman presented information regarding the budgeting, policymaking, and research aspects of the Public Administration Service recommendations.

Public Administration Service Recommendations

The following is a summary of the recommendations contained in the first draft of the Public Administration Service report regarding the study of the Department of Human Services.

Recommendation	Implementation Year	Cost or Other Impact
Chapter II - Study Environment		
Strategic business plan - The department develop a plan for a three-year period considering the environment in which the department is operating.	1	Up to \$85,000

Recommendation	Implementation Year	Cost or Other Impact
Information technology master plan - The department develop an information technology master plan that supports its strategic plan and goals and objectives.	1	Do in-house
Social service districts - The Legislative Assembly consider social service districts to bring counties together to share resources.	1	Future cost avoidance
Departmental information distribution - The department develop and utilize an executive decision system to provide summary information to management and policymakers (preferably allow access to the information from a web site or through data warehousing).	2 to 3	Improve efficiency web page cost - \$5,000; data warehousing - \$125,000
Chapter III - Survey Results		
Client satisfaction surveys - The department change survey methodology to improve the rate of return of human service center client surveys.	1	Provide a more representative sample
Other client satisfaction surveys - The department encourage counties and private providers to conduct client satisfaction surveys, consider making the surveying a requirement for grant funding and a part of other county and private provider reporting.	1	Improve service
Strategic planning, evaluation, and review - The department implement a strategic planning, evaluation, and review capability.	1	Improve efficiency, no additional cost
Private provider relations - The department inform private providers that provider audit and others in the department will explain in detail rate calculations and audit findings, and basic information and new rules or regulations be summarized on a departmental web site.	1	Improve relationships
Core and essential services - The department identify core and essential services, inform legislative committees, and disseminate and use the criteria.	1	Future cost avoidance, improve client service
Human services legislation web site - The Legislative Assembly provide comprehensive web site information on human services legislation and the department place information on a web site that includes a description of department functions, directory of services, basic eligibility information, and allows citizen access to service.	2	Improve relationships
Public/private legislative committee - The Legislative Assembly appoint a public/private committee of citizens, academics, private providers, and departmental management to consider approaches to improving the sharing of information and collaboration.	2	Improve relationships
Inspecting and licensing requirements - The department review inspection and licensing requirements for programs and facilities to provide for the consistent administration of programs, the decentralizing of inspections, and retaining centralized standard setting and quality control authority.	2	Improve efficiency
County and private sector collaboration - The department emphasize and search for ways to foster collaboration with the counties and private sector in planning and implementing programs.	1	Improve relationships and future cost avoidance
Chapter IV - Departmental Organization		
Organizational structure changes - The department, as a high priority, adopt organizational alternative A which reduces the executive director span of control; improves coordination, communications, and control of staff and field services; and provides a budgeting, planning, evaluation, and research unit, an ombudsman/troubleshooter, an enhanced public information function, and an information resource management unit to improve quality of public and internal information.	1	Do with existing FTE positions
Financial and Medical Assistance Division - The department consolidate the medical services and public assistance divisions into a Financial and Medical Assistance Division.	1	Savings up to \$85,000; funds to be reinvested in the department

Recommendation	Implementation Year	Cost or Other Impact
<p>Centralized collections and finance consolidation - Consolidation of Finance and Office Services and of centralized collections in Management Support Division.</p>	1	Possible reduction of one FTE; savings of \$15,000 to \$18,000 per year to be reinvested in department
<p>Key person succession planning - The department address the large number of retirement-eligible people in key positions by having the human resources management team review and make recommendations on coping with the problem, including career ladders, training incentives, performance bonuses, and obtaining executives "on detail."</p>	1	Conduct in-house
<p>Chapter V - Relationships, Communications, Budget, and Executive Director Qualifications</p>		
<p>"Budget in Brief" technology-assisted presentations - The department improve budget presentation to the Legislative Assembly by using "Budget in Brief" technology-assisted presentations, including a review of the Governor's budget guidelines, identification of departmental goals and significant changes from the previous biennium, trend and projection analysis, high level summary of expenditures and revenue, identification of specific initiatives, identification of new programs/major modifications to existing programs, identification of programs and services recommended for elimination, and rhetorical questions and answers and methods for legislators to obtain additional information. Maximum use of available software should be used in the presentations, also available on a web site, with followup detail provided in electronic format also on the web site. The verbal presentation should not be testimony format bound but should allow an open discussion or sharing of information with the Appropriations Committees.</p>	1	Complete in-house
<p>Executive director qualification standards - The Legislative Assembly by statute should identify qualification standards that the Governor "may" consider in selecting future executive directors.</p>	1	No cost impact
<p>Chapter VI - Performance Management</p>		
<p>Performance management system - The Legislative Assembly should emphasize the importance of and implement a performance management system.</p>	1 to 3	Federal bonuses for effective systems and improvement of public and legislative oversight
<p>Chapter VII - Innovative Practices</p>		
<p>Social service districts - Financial incentives - Similar to the recommendation in Chapter II, the Legislative Assembly should consider social service districts, including providing financial incentives for counties to voluntarily come together within the next two years with mandatory social service districts for the subsequent biennium.</p>	1 to 2	Cost avoidance
<p>Other states' innovations - The department should comment to and make recommendations for implementation on innovations in other states, including North Carolina's decentralization of eligibility and benefit criteria, New York's decentralization of child welfare programs, Ohio's requirement that counties share in risk taking and program design, Iowa's innovation zones, and Texas' privatization efforts.</p>	1 to 3	Cost impact cannot be predicted
<p>Medicaid spending reduction techniques - The department should comment to and make recommendations regarding the Medicaid spending reduction techniques identified in the report and their applicability in North Dakota.</p>	1 to 2	Establish a goal to reduce Medicaid spending using selected techniques
<p>Child protection funding shifts - The department should consider child protection fund shifting initiatives based upon shifting eligibility kinship foster care from TANF child only grants to foster care payment.</p>	1 to 2	Establish a goal of saving 10 percent

Recommendation	Implementation Year	Cost or Other Impact
Public/private collaboration efforts - The state, as part of social service districts, should consider providing incentives for public/private collaboration operation of integrated service centers at the district level incorporating managed care techniques, and including a pilot project with performance goals.	1 to 2	Bolster public/private relationships

In response to a question from Representative Jensen, Mr. Hubler said the consultants considered but do not support an internal audit function within the Department of Human Services because other audits are adequate.

In response to a question from Senator St. Aubyn, Mr. Hubler said the department's client surveys were evaluated by the consultants, but clients were not surveyed directly. He said he is concerned with the return rate of client surveys and the recommendations address these concerns. Chairman Mathern asked that the Public Administration Service elaborate on client satisfaction survey recommendations in the final report. In response to a question from Senator St. Aubyn, Mr. Hubler said an appropriate return rate would be between 35 to 40 percent.

In response to questions from Representative Johnsen regarding the provision of children's services programs, Mr. Hubler said the proposed organizational structure would encourage the placement of related children's services in a single division.

Mr. Hoffman presented examples of Prince William County's outcome measurements for human service programs. A copy of some of the documents is on file in the Legislative Council office.

Chairman Mathern suggested that the consultants include the identification of the objectives of a strategic business plan and action necessary to implement a plan in the final report.

In response to a question from Senator St. Aubyn regarding providing information on a web site regarding human services legislation, Mr. Hubler said he will provide information regarding the "Philippine plan" providing similar web site information.

Representative Price suggested that the final report include a cross-reference in the executive summary to the pages in the body of the report that support the recommendation.

In response to a question from Senator St. Aubyn, Mr. Hubler said savings indicated in the executive summary are annual savings and will be identified as such in the final report. Senator St. Aubyn said he is concerned with including in the statutes language allowing the

Governor to consider certain qualifications in the appointment of the executive director of the department. He said regarding performance measurements, many members of the Legislative Assembly are not convinced that the current pilot agencies are a success. He said the concerns include whether the process can develop satisfactory outcome measurements. Mr. Hubler said he will include in the final report examples of human service outcome measurements.

Representative Jensen said the consultant should in the final report focus on removing misspellings from the report and indicate if savings identified in the final report will be used to fund other recommended changes.

Chairman Mathern said the final report will be presented by the consultants at the committee's June 23-24, 1998, meeting in Minot and could be made available on a web site prior to the 1999 Legislative Assembly. He said committee members should make any comments to the consultants within the next month for the consultants' consideration in the final report. Chairman Mathern said any comments by committee members should be provided to the Legislative Council staff who will provide the comments to Mr. Hubler.

Mr. Chester E. Nelson, Jr., Legislative Budget Analyst and Auditor, said legislators have supported performance budgeting concepts for a number of years, but they also need current information in addition to past indicators of performance.

Chairman Mathern invited Ms. Carol K. Olson, Executive Director, Department of Human Services, to provide testimony regarding the Public Administration Service study. A copy of her testimony is on file in the Legislative Council office. She said the department has issued a request for proposals for a strategic business plan that will address demographic trends in North Dakota and reflect actual needs. She said in the strategic planning process the department will seek to clarify the outcomes expected in serving the various groups at the human service centers. She said based upon the identification of expected outcomes, regional human service center staff will define the manner in which outcomes can most

effectively and efficiently be obtained given the centers' specific environments. She said the recommendations for budget process and presentation to the Legislative Assembly are timely as the department moves into budget preparation for the 1999-2001 biennium. She said the department is in the process of developing an improved web site which will contain up-to-date program and policy information. Regarding customer satisfaction surveys, she said, the department is attempting to improve the response rate in order to increase the reliability of the information. She said the survey instrument will be expanded to include customer satisfaction input from clients who are still receiving services. Regarding departmental structure, Ms. Olson detailed the departmental efforts to obtain input from county social service directors, advocacy groups, and provider associations. She said the department is planning to hire a tribal liaison employee.

In response to questions from Representative Jensen, Ms. Olson said the department may provide a tiered response to providing legislators information, as some legislators are interested in more detail than others. She said the possibility of an ombudsman and research and development functions within the department are intriguing, but it is too early to indicate support because of the Governor's request for a 95 percent budget. She said in the area of research perhaps the data that has been accumulated has not been used as much as it could have been.

In response to a question from Senator St. Aubyn, Ms. Olson said the department has not considered contracting for client surveys, but it will be considered.

Ms. Betty Keegan, Director, Rolette County Social Service Board, Rolla, representing the North Dakota Association of County Social Service Board Directors, provided comments regarding the committee's study of the Department of Human Services. She said demographic changes in North Dakota should be given careful consideration in the social service system design and she said she hopes that the ultimate result is not to only have eight social service districts in North Dakota. She said many elderly North Dakota citizens live in rural areas, do not have the family support as their children have moved out of state, and require in-home services. She said the committee and the consultants should be aware that counties are sharing significantly more services now than they were in 1991.

In response to a question from Senator Mathern, Ms. Keegan said she will provide a written summary of shared social services at the county

level to the committee and the Public Administration Service.

Mr. Tim Huseh, President, North Dakota Association of Community Facilities, Harvey, provided testimony regarding the organizational structure of the Department of Human Services, a copy of which is on file in the Legislative Council office. He said the developmental disability reimbursement regulations are complex, applied inconsistently, and audits are interpreted differently from year to year. He said a system is needed that is simplified, less controlling, and more consistently applied. He suggested the budgets of the Developmental Center at Grafton and the Developmental Disabilities Division be combined to allow a better overall use of funding. He said the association supports the development and implementation of a developmental disability advisory committee whose purpose is to gather information, improve services to people with disabilities, and advise the director of the Developmental Disabilities Division.

The committee then discussed the Public Administration Service report. Mr. Hubler asked that county directors include in the information to be provided regarding shared services which arrangements were done by written agreement and if they were done because the previous director may have left. He said the consultants are interested in knowing the reasons for the shared county arrangements. He said the consultants will consider the concerns expressed by the representatives of the North Dakota Association of Community Facilities and private providers' input.

Senator St. Aubyn said a statutory provision for the qualifications of an executive director of the Department of Human Services that is only permissive may not serve any useful purpose. He said it seems it would only result in disagreements. He said any individual who is appointed to the position will be held accountable.

STUDY OF SOCIAL SERVICE AGENCY RESPONSIBILITIES

The Legislative Council distributed a bill draft to amend the North Dakota Century Code to provide that assistance for adopted children with special needs would be a state, rather than county, administrative and financial responsibility.

Ms. Linda Schell, Director, Children and Family Services Division, Department of Human Services, provided testimony regarding the bill draft. She said the bill draft provides for the state to assume administrative and financial responsibility for the

nonfederal costs of the subsidized adoption program. She said the additional fiscal impact to the state would be between \$420,000 to \$450,000 per biennium.

Chairman Mathern asked that the Department of Human Services provide detailed fiscal information regarding the proposed bill draft at the committee's June 23-24, 1998, meeting, including current and proposed federal, state, and county fiscal responsibilities for administrative and grant costs.

Ms. Kathy Hogan, Director, Cass County Social Services, testified on the bill draft and stated that subsidized adoption occurs after parental rights have been terminated and custody is provided to the Department of Human Services. She suggested the reference to the county social service board on page 2, lines 19 and 20, be removed. Ms. Schell suggested the language should be replaced with "or a licensed child-placing agency."

The committee recessed at 4:30 p.m. and reconvened at 8:30 a.m. on March 18, 1998, at the Northeast Human Service Center.

BUDGET TOUR RESPONSIBILITIES

Mr. Bob Sanderson, Director, Northeast Human Service Center, provided testimony regarding the center, a copy of which is on file in the Legislative Council office. Mr. Sanderson discussed the goals of the human service center which include providing community-based services to a wide array of clients in the most cost-effective and clinically sound manner possible. Mr. Sanderson discussed the medical services unit, including 2.5 FTE physician positions, and informed the committee the center will lose its medical director soon. He discussed the indigent medication program that allows the center to access free medications for patients. He said total savings were approximately \$48,000 during the last year. He said the center is reviewing the possibility of developing a hospital alternative program for seriously mentally ill persons in a residential setting rather than in a hospital. He said the center plans to work with the North Dakota State Hospital to obtain funding and/or positions making the project budget neutral.

Mr. Sanderson said the human service center has been working with the State Developmental Center to assist more developmentally disabled persons to move into the community and live in the least restrictive setting possible. He said the number of vocational rehabilitation clients served during fiscal year 1997 was 1,059 and 1,200 are projected for fiscal year 1998. He said vocational

rehabilitation services in the northeast region allowed clients on average to increase their work from 6.9 hours to 31.9 hours per week and to increase weekly wages to \$267.47 from \$43.18 prior to receiving services. He said the center is working with other community entities to review the possibility of developing residential-based treatment for chemically dependent adolescents. He said the number of center clients with a severe mental illness has increased from 638 in 1993 to 1,456 in 1997. He also discussed the contract with Altru Health Plan to provide managed health care to part of the medical assistance recipients in Grand Forks County.

Mr. Sanderson said the Ruth Meiers Adolescent Center, a residential treatment facility for severely emotionally disturbed adolescents, was flood-damaged and recently reopened in February 1998. He said it is difficult to evaluate the block grant method of funding human service centers because of its newness and the flood impact on the center. He said the center has experienced cash flow difficulties because the 1997 flood increased the salary market and resulted in a rent increase for the center.

Mr. Sanderson discussed the county commission and state negotiations regarding the human service center locating in a combined social service county service downtown Grand Forks building. He said in the near future the center will learn if the city has made \$700,000 of funding available for the building that would limit the biennial increase in human service center rent to \$100,000 from the general fund. He said the building will contain the Grand Forks County Social Service Board staff, city services, and other county offices in a six-story building. He said the human service center, if it is located in the building, will have the top two stories. He said the advantages of the collocation are that most provider agencies are located downtown and it provides an opportunity to coordinate service delivery and reduce travel time between downtown offices and the human service center. He said the building would be completed by October 1999.

In response to questions from committee members, Mr. Sanderson said the human service center has been located in the existing building since the mid to late 1970s. He said the state would lease the two floors of the downtown building and have the option for three bienniums to purchase that area.

Senator St. Aubyn said the changes that have resulted in the state's increased rental costs being reduced from approximately \$400,000 to \$100,000 per biennium are positive. He said he

is concerned that approximately \$700,000 of federal grant moneys will be diverted from other uses for construction of the facility. Mr. Keith Berger, Grand Forks County Commissioner, also discussed the proposed downtown office facility. He said as part of the pending agreement, the county would give its existing office building to a nonprofit entity to be used by providers. He said this is a Federal Emergency Management Agency (FEMA) requirement.

In response to a question from Senator St. Aubyn, Mr. Berger said if bids are higher than preliminary estimates, negotiations would need to continue.

Mr. Robert Peterson, Grand Forks, an owner of the existing human service center building, provided information relating to the state purchasing the existing human service center building. He said the state could purchase the facility for \$895,000 which would result in biennial savings of approximately \$960,000. He said if the proposed downtown office building is constructed, the city of Grand Forks would have an overabundance of office space. A copy of Mr. Peterson's presentation is on file in the Legislative Council office.

Dr. Debra Kirsch, Medical Director, Northeast Human Service Center, provided testimony regarding the current programs provided by the human service center. She discussed the professional work experiences she has had in other states and said the team approach in Grand Forks works well in decreasing hospital stays, achieving cost savings, and providing quality services. She said hospital care should be avoided wherever possible and the multidisciplinary intervention in Grand Forks is effective in keeping people out of hospitals. She said she is leaving the state because her husband is a professor at the University of North Dakota and is relocating for career reasons.

In response to a question from Representative Wentz regarding her concerns with general fund turnback at the conclusion of a biennium, Mr. Sanderson said in the past the center has had a goal to generate general fund turnback but does not have such a goal this biennium.

Mr. Nelson said it would appear there are two types of general fund turnback--one which is incidental and a result of employees leaving toward the end of a biennium and a second which is a planned turnback where positions are left vacant for long periods of time.

In response to a question from Mr. Nelson, Dr. Kirsch said outcome measurements in the mental health area are a fairly new development. She said client surveys are a difficult but

necessary first step in the outcome measurement process.

Mr. Sanderson said the state should invest some money in evaluative research that would include longitudinal studies over a longer period of time in all regions of the state.

In response to a question from Representative Johnsen, Mr. Sanderson said he does not believe the department has ever requested evaluative research funding.

STUDY OF SOCIAL SERVICE AGENCY RESPONSIBILITIES

Ms. Schell provided information regarding the Children and Family Services/County Social Service Directors Committee study of the funding and administrative responsibilities for children and family services. She said in reviewing that committee's pending recommendations it appears that the only statutory changes necessary are those contained in the bill draft presented regarding the subsidized adoption program. She said additional work needs to be completed by that committee, including refining the recommendations and attaching fiscal impact projections to the proposed changes in administrative and financial responsibilities. A copy of her presentation is on file in the Legislative Council office.

Ms. Schell also distributed testimony from Mr. Larry Bernhardt, Cochair of the Children and Family Services Committee, a copy of which is on file in the Legislative Council office. Ms. Schell also distributed information summarizing the Adoption and Safe Families Act of 1997, which is also on file in the Legislative Council office.

Chairman Mathern asked that the Department of Human Services provide information detailing the fiscal impact of the bill draft regarding subsidized adoption services, including changes to state, federal, and county funding responsibilities for administration and grant payments.

In response to questions from Senator St. Aubyn regarding the county responsibilities, Ms. Keegan said the current process has a risk of losing federal dollars because counties that do not frequently determine subsidized adoption eligibility may make mistakes that could result in losing federal funding. She said the bill draft could avoid this as the state would determine eligibility and make grant payments.

In response to a question from Representative Price, Ms. Schell said she would provide the committee with a one-page summary of the current and proposed federal, state, and county funding of children and family services.

Ms. Schell commented on the committee's study of the Department of Human Services and said the department does have some very innovative programs, especially in the area of child abuse and neglect, provides for significant privatization through contracts with service providers, has evaluative methods in place through the Research and Statistics Division, and has strong state/tribal relationships in the area of children's services.

Mr. David Braaten, Director, Grand Forks County Social Service Board, testified in support of the bill draft transferring subsidized adoption responsibilities. He said counties are anxious to no longer have the program because the program's clients, foster parents, are not normally dealt with by client workers. He said of the 34 cases Grand Forks County has, many are located out of Grand Forks County and some are out of state.

Ms. Keegan presented written testimony of Mr. Clarence Daniel, Cochair of the Adult Services Task Force formed by the counties and the Aging Services Division of the Department of Human Services, a copy of which is on file in the Legislative Council office. She said the task force is reviewing adult services and will be identifying the core services that should be available everywhere, who should provide them, and where the funding should come from.

The committee discussed its next meeting to be held June 23-24, 1998, in Minot. Chairman Mathern said the Public Administration Service would present its final report reflecting changes as a result of this meeting and other committee input.

It was moved by Representative Jensen, seconded by Senator St. Aubyn, and carried on a

voice vote that the Legislative Council staff prepare any resolutions or bill drafts necessary to address the Public Administration Service recommendations.

It was moved by Senator St. Aubyn, seconded by Representative Jensen, and carried on a voice vote that a resolution be prepared for an interim Legislative Council committee to monitor the implementation of the recommendations during the 1999-2000 interim.

In response to a question from Senator Lee regarding the state's implementation of the Adoption and Safe Families Act, Chairman Mathern invited representatives of the Department of Human Services to brief the committee at its future meetings regarding statutory changes they plan to introduce during the 1999 Legislative Assembly to implement the federal law. He said the committee does not have specific authority to review the department's implementation of this Act.

The committee adjourned at 12:18 p.m. subject to the call of the chair.

Jim W. Smith
Assistant Legislative Budget
Analyst and Auditor

Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:1