

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON HUMAN SERVICES

Thursday and Friday, April 4-5, 2002

Northeast Human Service Center, North Dakota Vision Services - School for the Blind, and
Mill and Elevator
Grand Forks, North Dakota

Representative Amy Warnke, Chairman, called the meeting to order at 1:00 p.m. at the Northeast Human Service Center.

Members present: Representatives Amy Warnke, Audrey B. Cleary, Jeff Delzer, Pat Galvin, Bob Hunsakor, James Kerzman, Ralph Metcalf, Chet Pollert, Todd Porter, Clara Sue Price, Dale C. Severson, Wayne W. Tieman; Senators Robert S. Erbele, Thomas Fischer, Judy Lee

Members absent: Representative Ken Svedjan; Senators Kenneth Kroeplin, Michael Polovitz

Others present: See attached appendix

It was moved by Representative Cleary, seconded by Representative Pollert, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.

BUDGET TOUR

Mr. Bob Sanderson, Director, Northeast Human Service Center, presented a report on the status of the Northeast Human Service Center budget for the 2001-03 biennium. Mr. Sanderson said the center's budget for the 2001-03 biennium totals \$18.8 million, of which \$7.6 million is from the general fund. He said the Legislative Assembly made an undesignated general fund reduction of \$175,000 to the Governor's recommended appropriation level and provided legislative intent that the reduction not impact funding for contracted service providers. He said the center is providing for this budget reduction through salaries and wages savings resulting from position vacancies and employee turnover. Compared to the 1999-2001 appropriation for the center, the 2001-03 appropriation is an increase of \$1.4 million, of which \$800,000 is from the general fund.

Mr. Sanderson said the center contracts with a number of vendors to provide services, including Prairie Harvest Human Service Foundation, Mental Health Association in North Dakota, Centre, Inc., Altru Hospital, Grand Forks Public Schools, Lutheran Social Services, and Community Violence Intervention Center.

Mr. Sanderson said the Northeast Human Service Center has several locations, including a satellite clinic in Grafton; an outreach office in Cavalier; and the main office, Ruth Meiers Adolescent Treatment

Center, Duane R. Dornheim Transitional Living Facility, and Cornerstone Chemical Dependency Halfway House in Grand Forks.

Mr. Sanderson said his concerns regarding the development of the Northeast Human Service Center 2003-05 budget request include:

1. Sustaining the salary increases provided by the Legislative Assembly for the second year of the 2001-03 biennium for the entire 2003-05 biennium. This will require an additional \$125,000 of funding in the 2003-05 biennium budget.
2. Replacing \$894,000 of carryover funding available in the 2001-03 biennium that will not be available in the 2003-05 biennium.
3. Replacing \$75,000 of funding from the Children's Services Coordinating Committee for the partnership program in the 2001-03 biennium that will not be available for the 2003-05 biennium.

A copy of Mr. Sanderson's report is on file in the Legislative Council office.

Ms. Carol Brakel, Regional Developmental Disabilities Program Administrator, Northeast Human Service Center, commented on the services provided by the Developmental Disabilities Unit. She said the unit's goal is to provide support for eligible people with disabilities to allow them to live safely and productively in the least restrictive, appropriate setting and to attain employment and independence. She said the unit provides management services, family support services, and behavioral intervention services. Regarding the number of clients currently being served, Ms. Brakel said 569 clients receive case management services, 94 live in group home settings, 158 receive day support services, and 62 receive extended services. She said 112 children are receiving or have received family support services in the past year and 101 families are receiving a family subsidy to assist them with expenses relating to their child's disability. A copy of the report is on file in the Legislative Council office.

Ms. Betty Hellerud, Clinical Services Unit Director, Northeast Human Service Center, discussed programs of the clinical services unit. Ms. Hellerud said the unit provides adult and family services,

extended care services, family preservation services, alcohol and drug services, and services to persons with a dual diagnosis.

Ms. Hellerud said adult and family services focus on providing assessment, therapy, and case management for children and families with issues related to child abuse or neglect. She said the primary focus of the extended care services program is to provide case management, medication monitoring, supportive therapy, and referral services that assist adults with serious mental illness in remaining in the community. She said family preservation services provide intensive in-home services to families experiencing significant disruption when there is a risk of out-of-home placement for the children. Alcohol and drug services focus on providing assessment, treatment, and referral for adults and adolescents experiencing problems with the use of mood-altering chemicals. She said the primary focus of the dual-diagnosis program is to provide a structured daily treatment program for individuals diagnosed with a developmental disability and a serious mental illness. A copy of the report is on file in the Legislative Council office.

Ms. Jan Haas, Vocational and Rehabilitation Regional Administrator, Northeast Human Service Center, presented information on vocational rehabilitation services provided by the Northeast Human Service Center. Ms. Haas said vocational rehabilitation focuses on assisting eligible individuals with disabilities to obtain and maintain employment that is consistent with their needs, abilities, and interests. She said the vocational rehabilitation program at the Northeast Human Service Center consists of seven counselors and a vision rehabilitation specialist. She said for the federal fiscal year ending September 30, 2001, the center served 1,217 clients and had a 96.2 percent client satisfaction rate. A copy of the report is on file in the Legislative Council office.

Mr. Bryon Novotny, Ruth Meiers Adolescent Residential Treatment Center Director, Northeast Human Service Center, commented on the treatment services provided to seriously emotionally disturbed adolescents at the Ruth Meiers Adolescent Residential Treatment Center. Mr. Novotny said in calendar year 2001, 21 adolescents were admitted to the center. Of these, 14 were referred by county social services, 6 by the Division of Juvenile Services, and 1 directly by the parent. He said the average length of placement for a child at the center is 179 days. During 2001, he said all but one resident was discharged to a less restrictive setting.

In response to questions from Representative Delzer, Mr. Novotny said the center is licensed for 12 beds and charges \$220 per day. Of the \$220, \$170 relates to rehabilitation services and \$50 to room and board. A copy of the report is on file in the Legislative Council office.

Mr. Sanderson provided testimony on behalf of Ms. Kate Kenna, Social Services Program Regional

Representative, Northeast Human Service Center. Mr. Sanderson said the region had a total of 1,170 reports of child abuse or neglect in calendar year 2001. He said the region currently has 50 children in group care, the majority of which are under the case management of the Division of Juvenile Services, and 83 children in family foster care.

Mr. Sanderson said the center cooperatively operates a safe home with Prairie Harvest Human Service Foundation and county social service agencies in the region. Since opening in February 2001, he said the safe home has served 73 children. He said the safe home enables the center to provide more intensive services to families, allowing children to return home more quickly. Mr. Sanderson expressed the need for additional foster care homes in the northeast region. He said a coalition with representatives of foster care and adoption agencies is focusing on increasing the number of foster homes in the region.

During calendar year 2001, in cooperation with Lutheran Social Services, the Village, and Catholic Family Services, Mr. Sanderson said 23 children were placed in adoptive homes. He said 87 percent of these children were subsequently adopted by their foster parents. A copy of the report is on file in the Legislative Council office.

LONG-TERM CARE NEEDS STUDY

Mr. David Zentner, Medical Services Director, Department of Human Services, reported on the status of the department's long-term care needs assessment and nursing facility payment system study, spending for long-term care services under the medical assistance and basic care assistance programs, and payments made under the nursing facility bed reduction incentive program.

Mr. Zentner said the long-term care needs assessment is currently in the analysis stage. He said a total of 112 surveys have been received from administrators of nursing homes, basic care, and assisted living facilities. He said 4,260 nursing facility staff surveys have been received and 1,500 telephone surveys of North Dakota residents over 50 years of age have been completed.

Regarding the facility payment system portion of this study, Mr. Zentner said the consultants have met with representatives of the department and the Long Term Care Association and have reviewed current payment policies and cost, rate, and case mix information for the last three reporting years.

Mr. Zentner said the consultants anticipate having preliminary recommendations available between June and September of this year with the final report submitted by September 24, 2002.

Mr. Zentner reported on the status of long-term care expenditures. Mr. Zentner said through March 2002, the department has spent \$92.7 million, of which \$27.9 million is from the general fund, for nursing facility services.

Mr. Zentner said the department anticipates total nursing facility expenditures of \$293.4 million, which is \$5.8 million less than the \$299.2 million appropriated; however, general fund expenditures are anticipated to be \$81.1 million, which is \$100,000 more than the \$81 million appropriated. Mr. Zentner said general fund expenditures are projected to increase due to a 1.51 percent reduction in the federal financial participation rate for the last nine months of the biennium.

Mr. Zentner said for basic care services, the department anticipates actual expenditures for the biennium to be approximately the same as the \$8.9 million that was appropriated.

Mr. Zentner reported on payments made under the nursing facility bed reduction incentive program.

Mr. Zentner said the Legislative Assembly appropriated \$4 million from the health care trust fund for the program. He said through March 2002, the department has spent \$3.1 million to delicense 256 nursing facility beds. He said the department currently has outstanding offers of \$202,000 to delicense 17 beds. He said uncommitted funds of \$702,000 remain. A copy of the report is on file in the Legislative Council office.

Representative Delzer asked for the status of the health care trust fund. Mr. Zentner said the Legislative Assembly anticipated investment income to the fund for this biennium of \$6.8 million; however, he said, the department currently anticipates investment income of only \$3 million for this biennium. Mr. Zentner said based on Medicare rates, the July 2002 intergovernmental transfer payment may be \$6 million to \$9 million more than the \$11.8 million anticipated at the close of the 2001 legislative session.

DEVELOPMENTAL DISABILITIES SERVICES REIMBURSEMENT SYSTEM

Mr. Zentner reported on the status of the development of a new reimbursement system for developmental disabilities services providers. Mr. Zentner said the work group that has been formed to develop recommendations for the reimbursement system is continuing to analyze and evaluate various proposals. He said the work group will be meeting in the near future to discuss and consider the proposals. A copy of the report is on file in the Legislative Council office.

Mr. John Johnson, Options Independent Living Center, Grand Forks, commented on the need to provide additional home-based services to the elderly as an alternative to long-term care services. He said in the near future the baby boom generation will be reaching the age when assistance may be needed. He said the state needs to be prepared for the increased number of elderly who will be seeking services to allow them to remain in their own home. He suggested the committee consider recommending a reallocation of the funds available to provide for

additional in-home care services. A copy of the report is on file in the Legislative Council office.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Mr. John Hougen, Public Assistance Director, Department of Human Services, reported on the status of the reauthorization of the federal temporary assistance for needy families (TANF) program by Congress and on the status of caseloads and expenditures of the TANF program.

Mr. Hougen said although TANF caseloads have exceeded estimates prepared during the legislative session, the number of cases decreased slightly in January, February, and March 2002.

Mr. Hougen commented on TANF reauthorization. He said it is still early to anticipate what will be approved by Congress. He said two bills are under consideration as well as the President's proposal. The current TANF program is effective through September 30, 2002. A copy of the report is on file in the Legislative Council office.

ALTERNATIVES-TO-ABORTION SERVICES STUDY

Ms. Betty Zimmerman, Director, Richland County Family Planning, Wahpeton, presented information on the Title X services provided by Richland County Family Planning.

Ms. Zimmerman said Richland County Family Planning provides services to people in Richland, Ransom, and Sargent Counties. She said the program operates a satellite clinic in Ransom County. In 2000, she said, 109 clients requested a pregnancy test, 11 of which were positive. Of the positive tests, she said, six individuals were given information on prenatal care and services available to pregnant women and five clients were given information on all options. Of the five clients given information on all options, three proceeded with prenatal care and kept the baby, one was undecided, and one proceeded with an abortion. A copy of the report is on file in the Legislative Council office.

Ms. Theresa Knox, Executive Director, Valley Health and WIC, Grand Forks, presented information on the Title X services provided by Valley Health. Ms. Knox said Valley Health serves the counties of Grand Forks, Nelson, Pembina, Steele, and Walsh. She said in calendar year 2000, 484 clients of Valley Health requested pregnancy tests, of which 99 were positive. She said of the 99 positive pregnancy tests, 65 birth outcomes were unknown, 14 continued the pregnancy, 7 miscarried, and 13 had an abortion.

Ms. Knox said 10 to 20 percent of Valley Health's revenue is provided by federal Title X funds. Other sources of revenue include client fees; donations; women, infants, and children (WIC) funding; medical assistance; and other insurance providers. A copy of the report is on file in the Legislative Council office.

Ms. Mary Kay Herrmann, Director, Fargo-Cass Public Health and Family Planning Clinic, presented information on the Title X services provided by the Fargo Family Planning Clinic.

Ms. Herrmann said in calendar year 2000, 413 clients requested a pregnancy test, 85 of which were positive. Of the 85 positive tests, she said, 19 were planned pregnancies and 66 were unintended. Of the 66 unintended pregnancies, she said, outcome data is available on only 16. Of those 16, 7 continued the pregnancy, 2 miscarried, and 7 terminated the pregnancy. A copy of the report is on file in the Legislative Council office.

Written testimony was distributed from Mr. Christopher Dodson, Executive Director, North Dakota Catholic Conference, regarding the reauthorization of the TANF program. A copy of the information is on file in the Legislative Council office.

BUDGET TOUR

The committee conducted a tour of the Northeast Human Service Center. The committee recessed at 4:45 p.m. and reconvened at 8:30 a.m. on Friday, April 5, at the North Dakota Vision Services - School for the Blind.

Ms. Carmen Suminski, Superintendent, North Dakota Vision Services - School for the Blind, discussed the history of the school. She said in 1994 the school closed its residential program. Since then, she said its services have become very vision-specific. She said the school no longer provides instruction in general education subjects because blind students receive these courses in their local school systems. She said the school is authorized 29 FTE positions. She said the majority of the employees are located at the Grand Forks facility; however, one employee is located in Minot, one in Fargo, one in Bismarck, and two in Jamestown.

Representative Delzer asked for information on the salary increases provided to teachers at the school. The legislative budget analyst and auditor said the Legislative Council staff would provide information to the committee at its next meeting on salary increase funding provided for teachers' salaries at the School for the Blind.

Ms. Suminski presented a report on the status of the school's 2001-03 biennium budget. Regarding projected revenues, Ms. Suminski said although fewer clients are being referred to the school on a fee-for-service basis, special funds revenues are projected to exceed original estimates by \$69,000 for the biennium due primarily to more than estimated special funds being carried over from the 1999-2001 biennium.

Ms. Suminski said the school receives income from renting space to Grand Forks Public Schools, the Child Care Resource and Referral Center, and the Higher Education Computer Network. In addition, she said the school leases land to the University of North Dakota for use as a parking lot. Ms. Suminski said

total income from these leases is projected to be \$336,000 for the biennium.

Ms. Suminski said the school receives approximately \$54,000 of federal funds from the Department of Human Services from an interagency program for assistive technology (IPAT) grant. She said this funding supports a .75 FTE position involved in shipping adaptive equipment to residents of North Dakota.

Regarding expenditures, Ms. Suminski said salaries and wages are approximately \$66,000 less than anticipated due to staff turnover and not filling the new technology specialist position authorized by the 2001 Legislative Assembly for serving the western part of the state. She said funding for this position is from special funds that needs to be raised by the school. She said the school anticipates filling the position during the second year of the 2001-03 biennium.

Ms. Suminski said operating expenses are approximately \$37,000 less than projected due primarily to savings in utilities and data processing.

Ms. Suminski said the school will be requesting a \$12,300 line item transfer from operating expenses to capital improvements to provide additional funding for replacing carpet that was incorrectly installed in 1995. She said with assistance of the Attorney General's office, a claim was made against the company that installed the carpet. She said a settlement for \$12,700 was reached in January 2002. She said the new carpet will be installed in July 2002 at an estimated cost of \$25,000.

Regarding the school's 2003-05 biennium budget request, Ms. Suminski said although the budget has not yet been developed, the school plans to focus on enhancing its programs across the state for the 2003-05 biennium. She said anticipated capital improvement needs include installing an elevator for improving access to the second floor of the building at an estimated cost of \$60,000, installing air-conditioning for the second floor and the gymnasium for \$38,000, and providing additional storage space in the gymnasium for \$15,000.

Ms. Suminski presented the following schedule showing the number of individuals served in recent years:

	Clients Served (Unduplicated)		
	Students	Adults	Total
Fiscal year 1999	256	87	343
Fiscal year 2000	220	91	311
Fiscal year 2001	263	112	375
July 2001-February 2002	231	103	334

A copy of the report is on file in the Legislative Council office.

Senator Lee asked for the status of the federal IPAT grant. Ms. Suminski said North Dakota will not be receiving the IPAT grant in the 2003-05 biennium; therefore, the School for the Blind will lose approximately \$58,000 of federal funds during the 2003-05 biennium for the assistive technology program, including the .75 FTE position. She said the school

hopes to obtain funding from other sources to continue the position during the next biennium.

The committee conducted a tour of the School for the Blind, including the east wing, music center, Braille access center, outreach offices, vision resource center, daily living skill center, technology center, vocational center, and the gymnasium.

The committee traveled to the Mill and Elevator.

Mr. Vance Taylor, President and General Manager, Mill and Elevator, presented the mill's mission statement, strategic plan, and statistics. Mr. Taylor said the mill can store 4.3 million bushels of grain. He said the mill uses 62,000 bushels of wheat per day to produce 27,000 hundredweight of flour per day. He said the North Dakota mill is the second largest mill in the United States.

Mr. Taylor reviewed the status of the mill's current budget. Mr. Taylor said the mill was appropriated \$21.7 million in special funds for the 2001-03 biennium. Concerns regarding the current appropriation include:

1. A significant increase in property insurance costs since the events of September 11, 2001. Mr. Taylor said the annual property insurance premium for the mill which is purchased through a private insurance company increased from \$270,000 per year to \$800,000 per year.
2. Because the mill's profits in fiscal year 2000 were less than anticipated, the mill has borrowed approximately \$7 million from the Bank of North Dakota, \$2 million more than anticipated. As a result, interest expense is approximately \$200,000 per year more than anticipated.

Mr. Taylor said the mill will be requesting Emergency Commission approval to increase its appropriation to provide for these increased costs. He said the request would not be made until after June 30, 2002, to more accurately estimate the additional funds needed.

Mr. Taylor said during the 30-year period 1971-2001, the mill produced profits of \$77.2 million, of which \$41.5 million was transferred to the general fund.

Mr. Taylor reviewed recent Mill and Elevator profits as follows:

Fiscal year 2000	\$1,900,000
Fiscal year 2001	\$330,000
For the eight-month period ending February 2002	\$1,200,000

Mr. Taylor said the mill currently anticipates profits of \$2 million for fiscal year 2002. Mr. Taylor anticipates the mill having adequate funds to transfer the \$6 million to the general fund by June 30, 2003, as directed by the 2001 Legislative Assembly.

Mr. Taylor said as a result of the mill's upgrade and expansion project completed during the previous biennium, the mill has reduced its cost of producing 100 pounds of flour from \$1.68 in June 2000 to \$1.56 in June 2001 and \$1.38 for the eight-month period ending February 2002. He said the mill will grind 18 million bushels of wheat in one year.

Representative Pollert asked for the percentage of wheat that the Mill and Elevator purchases from elevators compared to producers. Mr. Taylor said approximately 50 percent of the wheat purchased is from elevators and approximately 50 percent from producers.

Representative Porter asked what percentage of the wheat purchased is from North Dakota. Mr. Taylor said 95 percent of the wheat purchased by the mill is from North Dakota and the remaining 5 percent from surrounding states. He said no wheat is purchased from Canada.

The committee conducted a tour of the Mill and Elevator.

Chairman Warnke announced the next committee meeting is tentatively scheduled for Wednesday and Thursday, September 4-5, 2002, in Grafton and Devils Lake.

The committee adjourned subject to the call of the chair at 1:30 p.m.

Jim W. Smith
Legislative Budget Analyst and Auditor

Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

ATTACH:1