

BUDGET COMMITTEE ON HUMAN SERVICES

The Budget Committee on Human Services was assigned three study responsibilities.

House Concurrent Resolution No. 3042 directed a study of the Department of Human Services, including the appropriateness of a consolidated Department of Human Services in light of significant federal funding, society, and technology changes and of the changes necessary to enhance program effectiveness, legislative understanding, appropriation analysis and development, and oversight of the Department of Human Services.

Section 34 of 1997 House Bill No. 1012 provided that if the Legislative Council studied the Department of Human Services, the study should also review the block grant method of appropriating funds to regional human service centers, including incentives, accountability, and budgeting processes.

House Concurrent Resolution No. 3032 directed a study of the responsibilities of county social service agencies as they are distinguished from the responsibilities of regional human service centers and the Department of Human Services when providing services to children and their families and persons with disabilities, including the elderly.

Committee members were Senators Tim Mathern (Chairman), Bill L. Bowman, Tom Fischer, Jerome Kelsh, Judy Lee, Rod St. Aubyn, and Russell T. Thane and Representatives Leonard J. Jacobs, Roxanne Jensen, Connie Johnsen, James A. Kerzman, Clara Sue Price, Wanda Rose, Ken Svedjan, Gerald O. Sveen, and Janet Wentz.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 1998. The Council accepted the report for submission to the 56th Legislative Assembly.

DEPARTMENT OF HUMAN SERVICES STUDY

House Concurrent Resolution No. 3042 and Section 34 of 1997 House Bill No. 1012 directed a study of:

- The appropriateness of a consolidated Department of Human Services in light of significant federal funding, society, and technology changes.
- The changes necessary to enhance program effectiveness, legislative understanding, appropriation analysis and development, and oversight of the department.
- The block grant method of appropriating funds to regional human service centers, including the incentives, accountability, and budgeting processes.

The committee, in addition to meetings in Bismarck, held meetings in Fargo, Grand Forks, and Minot to receive testimony from county officials, human service center personnel, and other interested persons regarding the study of the Department of Human Services and of the block grant method of appropriating funds to regional human service centers.

Status Report - Dawes Recommendations

The committee received a status report from representatives of the Department of Human Services on the department's implementation of the 1987 and 1991 recommendations of Dr. Kenneth Dawes and learned:

- In most areas the department has made an effort to implement the recommendations, although more could be done in several areas. As examples, the department had no formalized agencywide strategic planning, agencywide caseload standards have not been developed, and a formal needs assessment process has not been developed on a systemwide basis.
- The essential services document, which is being reviewed by the department, provides for the identification of services to be available at the human service centers, and the centers are provided broad parameters for service delivery with the flexibility to implement services to the extent considered necessary in the region.
- Many of the recommendations were to have been addressed by a previous administration's emphasis on total quality management training. Total quality management is a process-oriented effort and many department staff now believe that too much time was spent on the process. Some parts of total quality management are valuable and have been retained, including getting input, identifying problems, and providing followup on decisions that are made.

Public Administration Services Study

At the committee's September 1997 meeting, Public Administration Service (PAS), McLean, Virginia, was selected to conduct a study of the organizational structure of the Department of Human Services.

The committee held several meetings during the early portion of the consultant's study to provide committee input for the study and to solicit input from the Department of Human Services, county social service agencies, and social service providers.

The committee provided direction to the consultant by expressing by motion that it anticipated that major human service program changes may take place in the future. Consequently, the Public Administration Service, in its study of the Department of Human Services, was asked to include in its report any recommendations necessary for the state to have a Department of Human Services that is best poised for the future to be effective, responsive, and efficient and that the recommendations, unless meeting these goals, not be to "polish" the existing structure of the state's human services delivery system on the state, regional, and local levels.

The study methodology of PAS included completing basic document collection, interviewing key personnel in the Department of Human Services, conducting field interviews or surveys with human service center employees and county social service directors, developing a management questionnaire, reviewing research and statistical data bases, reviewing the department information technology planning process and the new organizational design, and reviewing programs in human service departments in adjoining states. The consultant presented the final report to the committee in June 1998.

Department of Human Services Strengths

The consultant's report identified the following Department of Human Services strengths:

- Programs are delivered and administered by caring professionals.
- The Developmental Center ranks within the top five percent of similar facilities throughout the country.
- The State Hospital provides quality, integrated psychiatric and chemical dependency treatment services.
- The tiered structure of the department has the potential to be effective.
- Human service centers provide a wide variety of services that are highly rated by clients.
- The department has been effective in obtaining federal grants.
- County social service agencies administer programs effectively and efficiently.
- The department has recently initiated an information systems strategic planning process.
- The department effectively plans for and provides children and family services.
- The July 1997 reorganization of the Department of Human Services has resulted in an opportunity for improved communications.

Department of Human Services Opportunities for Improvement

The consultant's report identified the following Department of Human Services opportunities for improvement:

- The July 1997 organizational structure makes it necessary to reduce the span of control of the executive director and provide for an intermediate level of supervision.
- There needs to be agreement on what core or essential services are being provided and should be provided.
- Service integration needs to be improved so the department can provide a continuum of integrated services.
- The department needs to develop an overall strategic plan.
- A systematic approach to program evaluation is necessary.
- The budgeting process should be changed to connect the department's goals and objectives with the funds necessary to support them.
- The role of the department's central staff needs to be more clearly defined.
- The department needs to implement a system of program review.
- The department needs to develop a business plan.
- The department needs to develop an information system strategic plan.
- The department needs to define the roles of each level of the service delivery system.

Other PAS Observations

The consultant reviewed the opportunity for managed care in the delivery of services by the department and informed the committee the only area within the Department of Human Services in which a managed care aspect could possibly be used is the mental health area. For a managed care concept to be implemented, unit costs need to be established through an effort such as the diagnostic-related groups used in hospital health care.

The consultant indicated that overall it appears the Department of Human Services has met the tests of a successful combined human service agency as identified by Dr. Dawes in the 1987 study, which included increasing the availability of services, providing services on a cost-effective basis, eliminating gaps in services, providing for continuity of services in an effective manner, and providing for the coordination of service delivery.

Department of Human Services Comments Regarding the PAS Study

Comments by representatives of the Department of Human Services on the PAS study included:

- Regarding the recommended departmental "business plan," the department is in the early stages of developing a strategic plan.
- Regarding the department's human resource function and its slowness in filling departmental positions, the concern is noted and the department probably proceeds cautiously because of the many rules affecting hiring.
- Regarding a needs assessment, a departmental committee has been formed and is working to develop "core services" and identify duplication and unmet service needs.
- Regarding the department/county relationship, the department is working to improve the relationship. Currently, the county social service directors meet two days each month in Bismarck and the agenda often includes departmental personnel discussing specific issues.
- Regarding the budgeting process, the department is seeking input from legislators as to how the department's communication and budgeting process can be improved.
- Regarding a departmental newsletter, a formal newsletter will be distributed in the near future.
- Regarding the department's biennial report, the department's report is being printed and reflects format changes.
- Regarding the future direction of the Department of Human Services, the department's focus is not on the status quo, and the department must change because of federal changes and changes resulting from the "swap" of county and state economic assistance responsibilities.

PAS Recommendations

The following is a summary of the recommendations contained in the PAS report regarding the study of the Department of Human Services:

Recommendation	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.	Doing in-house
Information technology master plan - The department develop an information technology master plan that supports its strategic plan and goals and objectives.	Doing in-house
Social service districts - The Legislative Assembly consider social service districts to bring counties together to share resources.	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).	Improve efficiency web site cost - \$5,000; data warehousing - \$250,000
Chapter III - Survey Results	
Client satisfaction surveys - The department change survey methodology to improve the rate of return of human service center client surveys.	Provide a more representative sample
Other client satisfaction surveys - The department encourage counties and private providers to conduct client satisfaction surveys, consider making the survey a requirement for grant funding and a part of other county and private provider reporting.	Improve service

Strategic planning, evaluation, and review - The department implement a strategic planning, evaluation, and review capability.	Improve efficiency, no additional cost
Private provider relations - The department inform private providers that the 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.	Improve relationships
Core and essential services - The department identify core and essential services, inform legislative committees, and disseminate and use the criteria.	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.	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.	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.	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.	Improve relationships and future cost avoidance
Chapter IV - Departmental Organization	
Organizational structure changes - The department, as a high priority, adopt the recommended organizational structure 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.	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.	Savings up to \$125,000; funds to be reinvested in the department
Centralized collections and finance consolidation - Consolidation of Finance and Office Services and of centralized collections into the Management Support Division.	Possible reduction of one FTE; savings of \$15,000 to \$18,000 per year to be reinvested in department
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."	Conduct in-house
Chapter V - Relationships, Communications, Budget, and Executive Director Qualifications	
"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.	Complete in-house
Executive director qualification standards - The Legislative Assembly by statute should	

identify qualification standards that the Governor "may" consider in selecting future executive directors.	No cost impact
Chapter VI - Performance Management	
Performance management system - The Legislative Assembly should emphasize the importance of and implement a performance management system.	Federal bonuses for effective systems and improvement of public and legislative oversight
Chapter VII - Innovative Practices	
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.	Cost avoidance
Other states' innovations - The department should comment to and make recommendations for implementation of 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.	Cost impact cannot be predicted
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.	Establish a goal to reduce Medicaid spending using selected techniques
Child protection funding shifts - The department should consider child protection fund shifting initiatives based upon shifting eligible "kinship" foster care from temporary assistance for needy families (TANF) child-only grants to foster care payment.	Establish a goal of saving 10 percent
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.	Bolster public/private relationships

Department of Human Services Strategic Planning Process

The committee learned the department began a strategic planning process in July 1998 that includes the identification of the following "taxonomies" or core areas selected for review:

- Political.
- Demographics.
- Technology.
- Service delivery.
- Business/economic/labor.
- Education/work force.
- Culture/social values.
- Revenue.
- Relationships.

The strategic planning "scanning and forecasting" effort, which involves interviews and information gathering, was planned to be completed by October 15, 1998, and will allow for the development of a departmental mission statement based on "core trends." This mission statement will include new goals that support and give action to the mission statement and will allow each unit within the department to develop the unit's mission and goals.

The external environmental scanning and forecasting will allow the Department of Human Services to determine where the department is now; where it is going; where it should go to serve its clients, communities, and the state; and what the department needs to change to get where it needs and wants to go.

The planning is being done primarily "in-house," and the department has a contract with Bismarck State College for limited assistance at an estimated cost of \$20,000.

Committee Consideration and Recommendations - Department of Human Services Study

The committee considered but does not recommend a bill draft that would have provided that the Governor may consider certain professional qualifications in the appointment of the executive director of the Department of Human Services.

The committee recommends [Senate Concurrent Resolution No. 4002](#) to urge the continued cooperation and coordination among county social service agencies to provide for the delivery and administration of social services in a cost-effective and efficient manner. The resolution also encourages the Department of Human Services to assist county social service agency efforts in voluntary consolidation and in developing efficiencies in the delivery of county social services and provides for reports to the Legislative Council.

The committee considered a resolution to implement the recommendations of the PAS regarding changes to the organizational structure of the Department of Human Services. The committee recommends [Senate Concurrent Resolution No. 4003](#) to urge the Department of Human Services to develop a strategic business plan that includes the identification of departmental goals and objectives, client service needs, and strategies for service delivery, monitors performance, adjusts service delivery to provide priority client services in a cost-effective and efficient manner, and includes the consideration of the following recommendations:

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;
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;
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;
4. Identify core and essential services, inform legislative committees, and disseminate this information to 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;
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;
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;
8. Implement a strategic planning, evaluation, and review capability that may include:
 - 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;
9. Develop an information technology master plan that supports department goals and objectives and the systematic planning process and prioritizes technology needs;
10. Improve client satisfaction survey methodology and encourage counties and private providers to conduct client satisfaction surveys;
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;
12. Consider merging children's special health services into the Children and Family Services Division;
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;
14. Review and make recommendations for implementation of other states' innovative methods of service provision;
15. Review and make recommendations regarding the Medicaid spending reduction techniques identified by the consultant and their applicability to North Dakota;
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;
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; and
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 resolution also provides that the Department of Human Services be requested to report to the Legislative Council during the 1999-2000 interim on the department's progress in implementing the recommendations, that an interim legislative committee monitor the progress of the department in this regard, and the Legislative Council report its findings and recommendations, together with any legislation required to implement the recommendations, to the 57th Legislative Assembly.

STUDY OF SOCIAL SERVICE AGENCY RESPONSIBILITIES

House Concurrent Resolution No. 3032 directed a study of the responsibilities of county social service agencies as they are distinguished from the responsibilities of regional human service centers and the Department of Human Services when providing services to children and their families and persons with disabilities, including the elderly.

North Dakota Association of County Social Service Board Directors and Department of Human Services Study

Representatives of the county social service boards and the Children and Family Services Division of the Department of Human Services formed a committee and conducted meetings to develop recommendations on a children and family services "swap" proposal, relating to the administrative and grant responsibilities of county social services and the Department of Human Services.

1. The committee learned the county social service agencies began a time study on July 1, 1997, to help the counties identify what services are primarily provided by county agencies and the related cost. The time study will enable each county to determine what services are the most widely used and at what cost to the agency. All personnel within a social service agency will complete the time study, with the information compiled by the Department of Human Services.
2. The joint committee reviewing the "swap" proposal for children and family services developed a preliminary consensus regarding mandated or core services to be available in each county. Core services would be funded at a cost of 25 percent of the total to the county and include child protection assessments, foster care recruitment and licensing, foster care case management, early childhood licensing, and family social work. The department, under the concept, would contract with counties for delivery of these services, and counties would meet policy and staffing requirements.
3. Voluntary services, such as parent aide and intensive in-home services, would be available on a contract basis between the department and the counties with the primary purposes to prevent out-of-home care and to reunite children with their parents.
4. At the last committee meeting the committee was informed the Children and Family Services Division will continue to research and look at alternatives for reimbursement to counties for children and family services programs that would include a simplification of the state/county funding responsibilities to assist both the state and the counties in budget planning and administration.
5. The joint committee recommended that subsidized adoption programs be totally administered by the state with no county involvement or participation.

North Dakota Association of Counties Testimony

The 1997 Legislative Assembly passed House Bill No. 1041, the "swap" legislation, that exchanged state and county administrative and funding responsibilities for economic assistance programs effective January 1, 1998.

The committee received testimony from the North Dakota Association of Counties regarding the impact of the legislation including:

- At the conclusion of the 1997 Legislative Assembly an analysis suggested a statewide net savings for counties of \$2.5 million as a result of "swap." A recent analysis indicates the savings has eroded to less than \$1.5 million, with a number of counties reporting significant property tax increases for fiscal year 1998 to cover increased costs.
- Counties as well as the Department of Human Services are extremely concerned with the impact of "swap" and at least two factors are responsible for the cost shift the counties' handling of November and December 1997 costs as calendar year 1998 budget items that were not anticipated in the earlier analysis and the counties' administrative costs of child support.
- Welfare reform changes require counties to hire, by July 1, 1999, an additional 24.75 FTE positions relating to the child support program an increase of 25 percent.
- The impact of welfare reform on counties with Indian reservations is more costly than anticipated, with Benson, Sioux, and Rolette Counties anticipating property tax increases in the 15- to 20-mill range. The increased state funds dedicated to these counties appears to be insufficient to meet the increased administrative burden.

Joint Meeting - Department of Human Services-Related Issues

The committee met in October 1997 with the Budget Committee on Long-Term Care and the Welfare Reform Committee to receive input from tribal members and to discuss tribal human service issues.

The committees received testimony from representatives of the Department of Human Services regarding:

- The relationship of the state office and the human service centers with tribal governments and observations to improve that relationship.
- The services provided in the Lake Region, West Central, and North Central Human Service Centers, the Division of Mental Health and Substance Abuse, and the Aging Services Division for tribal members.
- Continued efforts to improve the relationship between the department and tribal governments.
- The disproportionate number of American Indians receiving services offered through the department.
- Past efforts that have demonstrated success in providing services on the reservations hinges upon focusing on assisting tribal members to develop and operate their own programs.
- The need for the department and tribal governments to work together to identify the various unmet needs and remove barriers to effective services.
- The number of American Indian children in foster care during fiscal year 1997 totals approximately 33 percent, compared to seven percent of the state's population under age 18.
- The belief that the most effective child welfare programs on the reservations are those that the tribes run themselves. The department several years ago began providing technical assistance to tribes in the development of their infrastructure for the delivery of child welfare services on reservations.
- The tribal children's services coordinating committees development of five-year plans for the provision of child welfare services to children at risk, and tribes are eligible to receive their own child care development block grant moneys.
- The tribes' process of developing, with the assistance of the Children and Family Services Division, other unique child welfare services, including a special needs adoption program for American Indian children, specialized tribal therapeutic foster care, and independent living programs for American Indians.

Adoption and Safe Families Act of 1997

The committee, although it did not have any specific responsibility to monitor the Act, learned that the federal Adoption and Safe Families Act of 1997 will have an impact on foster care, adoption services, family preservation, and independent living. States are encouraged to "fast track" the placement of children from foster care into adoption situations. The state's responsibility regarding custody and care of children placed in foster care will change as a result of the federal legislation. Regarding the plans for implementation of the Adoption and Safe Families Act of 1997, the department has formed a task force to develop the necessary legislation to be presented to the 1999 Legislative Assembly for the state's implementation of the Act, to provide information to the public regarding the Act's requirements, and to develop the necessary training efforts.

Committee Recommendation - Social Service Agency Responsibilities

As a result of its review of county and state responsibilities relating to services for children and their families and the elderly, the committee does not make any recommendations in areas other than subsidized adoption.

In the area of subsidized adoption, the committee recommends [Senate Bill No. 2032](#) to require the Department of Human Services to pay the cost, in excess of the federal share, of assistance provided adopted children with special needs and related administrative costs.

The Department of Human Services estimates the fiscal impact of the bill draft to be \$588,306 to the state general fund for the 1999-2001 biennium. Funding is not included in the department's budget request. Counties are concerned with the increasing cost of adoption subsidy grants. County social service directors suggested, as an alternative, that the state take responsibility for the administrative functions of the program, including eligibility determination, annual reviews, and payment processing. The Department of Human Services is concerned with the related fiscal impact and informed the committee the discussions with the county representatives will continue and the department will attempt to reduce the budgetary impact of the bill draft.

BUDGET TOURS

While conducting meetings in Fargo and Grand Forks, the committee conducted a budget tour of the Southeast Human Service Center and the Northeast Human Service Center. On the tours, the committee heard of institutional needs for capital improvements and programs and of any problems the entities 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 1999 Legislative Assembly.