

## ECONOMIC ASSISTANCE PROGRAM RESPONSIBILITIES OF THE STATE AND COUNTIES - BACKGROUND MEMORANDUM

Section 18 of Senate Bill No. 2205, approved by the 2007 Legislative Assembly and attached as [Appendix A](#), provides for a Legislative Council study of the success and effects of the laws enacted by the 55<sup>th</sup> Legislative Assembly in 1997 House Bill No. 1041 ([Appendix B](#)) and 1997 Senate Bill No. 2052, the "swap proposal," which required counties to pay the entire cost of the local administration of Medicaid, energy assistance, basic care assistance, child care assistance, and temporary assistance for needy families (TANF) in exchange for the state's assumption of the full responsibility for the grant costs associated with those programs. The study is to also include a review of North Dakota Century Code (NDCC) Sections 50-01.2-00.1, 50-01.2-03.1, 50-01.2-03.2, 50-01.2-06 (these sections are included in [Appendix C](#)), 50-03-00.1, 50-03-08, 50-03-09, 50-03-10 (these sections are included in [Appendix D](#)), 50-06-05.1(28) ([Appendix E](#)), 50-06-20 ([Appendix F](#)), 50-24.1-14 ([Appendix G](#)), and 50-24.5-08 ([Appendix H](#)) to determine if those provisions have created a more understandable and sustainable division of responsibility between the state and counties in the delivery and financing of these economic assistance programs.

### PREVIOUS STUDIES

The **2001-02 interim Budget Committee on Human Services** studied, pursuant to Section 14 of Senate Bill No. 2012, administrative costs of human services programs, including a review of the effects of the 1997 "swap" legislation on state and county human services program costs. The committee reviewed information on the grant costs of economic assistance programs included in the "swap" agreement by funding source for each biennium since 1995-97 and welfare reform-related computer systems costs paid by the Department of Human Services since the 1995-97 biennium. The following schedule, prepared by the Department of Human Services summarized the effects of the "swap" agreement on the county and state share of funding for economic assistance programs:

	1999-2001 Biennium	2001-03 Biennium	Estimated 2003-05 Biennium
Grant costs in excess of administrative reimbursement	\$872,295	\$3,686,972	\$7,700,992
Additional costs of countywide cost allocation plan	232,880	71,828	

Additional computer costs in excess of fiscal year 1995 costs inflated at consumer price index	893,828	1,648,387	1,675,766
Additional Indian county funds provided in excess of \$440,000	1,336,421	2,040,976	2,309,176
Avoided county expenditures and corresponding additional state costs	\$3,335,424	\$7,448,163	\$11,685,934

The committee did not make any recommendations specific to its review of the "swap" agreement.

The **1997-98 interim Welfare Reform Committee** studied, pursuant to Section 31 of House Bill No. 1012, North Dakota's welfare reform implementation efforts to determine the effectiveness of welfare reform and, pursuant to NDCC Section 50-09-29, monitor responsibilities relating to revised administration of the TANF program. The committee did not make any recommendations regarding its welfare reform studies and responsibilities.

The **1995-96 interim Budget Committee on Human Services** studied, pursuant to House Concurrent Resolution No. 3045, the responsibilities of county social service agencies, regional human service centers, and the Department of Human Services. The committee recommended House Bill No. 1041, approved by the 1997 Legislative Assembly, that required counties, effective January 1, 1998, to assume financial responsibility for the cost of administering selected economic assistance programs and in return, the state to assume complete financial responsibilities for the grant costs of medical assistance and basic care assistance and to contribute additional support for the administrative costs of counties with Indian land. Provisions of the bill were referred to as the "swap" agreement.

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

1. About 65 percent of the counties experienced costs in excess of the statewide weighted average for the administrative costs of economic assistance programs.

2. Nearly 86 percent of the eligible economic assistance recipients lived in 23 North Dakota counties.
3. The trade areas for North Dakota's 24 largest cities contained about 88 percent of the unduplicated economic assistance cases in 1994.
4. Any federal reform of economic assistance programs will likely require statewide application for uniform eligibility, benefits, and program operations.
5. Counties with large Indian populations will continue to require state financial assistance to defray a substantial portion of the local costs of administering assistance programs.

Other testimony provided to the committee included:

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

## "SWAP" LEGISLATION

As discussed above, House Bill No. 1041, approved by the 1997 Legislative Assembly, required counties, effective January 1, 1998, to assume the financial responsibility for the cost of administering the following economic assistance programs:

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

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

## STATE APPROPRIATIONS FOR ECONOMIC ASSISTANCE PROGRAMS

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

	1997-99	1999-2001	2001-03	2003-05	2005-07	2007-09
<b>TANF</b>						
General fund	\$5,700,000	\$5,500,000	\$3,950,382	\$3,950,382	\$3,938,442	\$4,314,942
Special funds	4,000,000	6,397,947	10,525,123	12,215,691	12,166,206	11,303,716
Federal funds	31,200,000	13,110,930	11,150,551	13,341,867	8,155,352	6,821,322
Total	\$40,900,000	\$25,008,877	\$25,626,056	\$29,507,940	\$24,260,000	\$22,439,980
<b>Child care assistance</b>						
General fund				\$5,726,109		
Special funds	\$3,528,016	\$3,675,262	\$4,013,314		\$4,226,895	\$5,225,819
Federal funds	14,749,420	12,832,634	17,233,719	21,335,096	17,736,229	17,401,999
Total	\$18,277,436	\$16,507,896	\$21,247,033	\$27,061,205	\$21,963,124	\$22,627,818
<b>Basic care assistance</b>						
General fund	\$1,654,727			\$747,857	\$5,374,918	\$6,097,305
Special funds	4,473,987	\$7,690,647	\$2,783,072	2,284,362	2,442,457	2,284,362
Federal funds			6,081,186	5,363,506	5,484,596	5,701,454
Total	\$6,128,714	\$7,690,647	\$8,864,258	\$8,395,725	\$13,301,971	\$14,083,121
<b>Medical assistance<sup>1</sup></b>						
General fund	\$180,467,562	\$195,469,683	\$217,096,629	\$259,872,239	\$305,282,957	\$367,900,585
Special funds	7,206,368	8,035,112	36,388,827 <sup>2</sup>	12,584,800	29,940,507	36,772,356
Federal funds	422,301,922	471,880,515	550,022,159	596,320,683	637,259,645	711,393,360
Total	\$609,975,852	\$675,385,310	\$803,507,615 <sup>2</sup>	\$868,777,722	\$972,483,109	\$1,116,066,301

	1997-99	1999-2001	2001-03	2003-05	2005-07	2007-09
<b>Grants to Indian Counties</b>						
General fund		\$121,766	\$456,993	\$649,559	\$1,147,174	\$955,124
Special funds	\$1,059,000	1,654,654	2,068,007	1,964,607	1,964,607	1,964,607
Total	\$1,059,000	\$1,776,420	\$2,525,000	\$2,614,166	\$3,111,781	\$2,919,731
<b>Total</b>						
General fund	\$187,822,289	\$201,091,449	\$221,504,004	\$270,946,146	\$315,743,491	\$379,267,956
Special funds	20,267,371	27,453,622	55,778,343	29,049,460	50,740,672	57,550,860
Federal funds	468,251,342	497,824,079	584,487,615	636,361,152	668,635,822	741,318,135
Total	\$676,341,002	\$726,369,150	\$861,769,962	\$936,356,758	\$1,035,119,985	\$1,178,136,951

<sup>1</sup>Includes nursing facilities, intergovernmental transfer payments, developmental disabilities services grants, and Medicare Part D "clawback" payments, but excludes Healthy Steps.

<sup>2</sup>Includes the \$16.3 million special funds deficiency appropriation from the health care trust fund and the permanent oil tax trust fund approved by the 2003 Legislative Assembly.

## STUDY PLAN

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

1. Review statutory provisions relating to the division of responsibility between the state and counties in the delivery and financing of economic assistance programs.
2. Receive information from the Department of Human Services regarding grant cost changes and county administrative costs for economic assistance programs resulting from the "swap" agreement since 1997.
3. Receive information from the North Dakota County Social Services Directors Association regarding administrative costs of county social service agencies since 1997.
4. Receive information from the Department of Human Services and county social service

agencies analyzing administrative cost increases incurred by county social service agencies for economic assistance programs since 1997-99 and grant cost increases paid by the state for economic assistance programs since 1997-99.

5. Receive testimony from other interested persons regarding responsibilities of the state and counties regarding economic assistance programs.
6. Develop recommendations and prepare any legislation necessary to implement the recommendations.
7. Prepare a final report for submission to the Legislative Council.

ATTACH:8