

BUDGET COMMITTEE ON GOVERNMENT SERVICES

The Budget Committee on Government Services was assigned responsibilities in four areas. Senate Concurrent Resolution No. 4001 directed the Legislative Council to monitor mental health and foster care services, including changes in the role of the State Hospital, psychosocial rehabilitation centers, and clubhouse projects; the effect of welfare reform on the delivery of mental health and foster care services; methods used to place children in the custody of the Division of Juvenile Services; methods used to place children in residential child care facilities and residential treatment centers; methods of setting and levels of reimbursements for residential child care facilities and residential treatment centers; and items of legislative intent regarding mental health and foster care services. Section 7 of House Bill No. 1012 provided that the Legislative Council receive a report from the Department of Human Services on any hiring of full-time equivalent positions at the human service centers, the State Hospital, and the Developmental Center at Westwood Park, Grafton, in addition to those authorized by the Legislative Assembly for the 1997-99 biennium. Section 17 of House Bill No. 1015 provided that the Legislative Council receive a report from the Office of Management and Budget on state employee compensation issues. North Dakota Century Code (NDCC) Section 54-40-01 provides that an agency may enter into an agreement with the state of South Dakota to form a bistate authority to jointly exercise any function that the entity is authorized to perform by law. The proposed agreement must be submitted for approval to the Legislative Assembly or a committee of the Legislative Council if the Legislative Assembly is not in session.

Committee members were Representatives Janet Wentz (Chairman), James O. Coats, Jeff W. Delzer, April Fairfield, James A. Kerzman, Amy N. Kliniske, Richard Kunkel, Edward H. Lloyd, Jon O. Nelson, Carol A. Niemeier, Al Soukup, and Elwood Thorpe and Senators Elroy N. Lindaas and Rolland W. Redlin. Representative Bob Martinson was also a member of the committee until he resigned from the Legislative Assembly on October 14, 1997.

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.

MONITORING MENTAL HEALTH AND FOSTER CARE SERVICES

Senate Concurrent Resolution No. 4001 directed the Legislative Council to monitor mental health and foster care services, including changes in the role of the State Hospital, psychosocial rehabilitation centers, and clubhouse projects; the effect of welfare reform on the delivery of mental health and foster care services; methods used to place children in the custody of the Division of Juvenile Services; methods used to place children in residential child care facilities and residential treatment centers; methods of setting and levels of reimbursements for residential child care facilities and residential treatment centers; and items of legislative intent regarding mental health and foster care services.

Foster Care Services Background

The committee reviewed the types of foster care placements as follows:

1. Foster care family - A family providing for the child's care. Children placed with a foster care family are generally younger and have been deprived, neglected, or abused.
2. Therapeutic foster care family - A family providing for the child's care. Children placed with a therapeutic foster care family generally have been diagnosed with a psychiatric disorder and are often in transition from a residential treatment center placement.
3. Residential child care facilities and group homes - Children placed in these types of facilities are generally adolescents who have been deprived or abused, involved in a parent/child conflict, or have character disorders.
4. Residential treatment centers - Children placed in these types of facilities are generally adolescents who have been diagnosed with psychiatric disorders.

The licensed group homes, residential child care facilities, and residential treatment centers in North Dakota and the number of licensed beds for each as of September 30, 1998, include:

	Location	Number of Beds
Group/Residential Child Care Facilities		
Charles Hall Youth Services	Bismarck	24
Dakota Boys Ranch	Minot	39
Dakota Boys Ranch	Fargo	10

Dakota Boys Ranch - Transitional Living	Minot	10
Eckert Youth Homes	Williston	16
Harmony House	Devils Lake	7
Home on the Range	Sentinel Butte	79
Lake Oahe Group Home	Fort Yates	8
Prairie Learning Center	Raleigh	50
New Outlooks	Devils Lake	10
Red River Victory Ranch	Fargo	12
Southwest Key	Mandan	24
Residential Treatment Centers		
Dakota Boys Ranch	Minot	16
Luther Hall	Fargo	16
Manchester House	Bismarck	10
Ruth Meiers Adolescent Center	Grand Forks	12
Southwest Key	Mandan	16

Foster care reimbursement rates for foster care families and facilities are listed below:

Reimbursement Rates Per Child (September 1998)		
	Maintenance Rate	Service Rates
Family foster care		
• Up to 4 years old	\$317/month	N/A
• 5-12 years old	\$359/month	
• 13 years old and over	\$469/month	
Therapeutic foster care	\$591/month	Actual costs - Billed to Medicaid program
Group and residential child care facilities	\$2,548/month average rate	\$300/month maximum - Billed to Medicaid program
Residential treatment centers	\$1,694/month average rate ¹	Actual costs - Billed to Medicaid program
NOTE: For children placed in out-of-state facilities, the department pays the out-of-state rate that has been approved for that facility by that state's Department of Human Services.		
¹ This is only the foster care portion of the payment. Certain staff and other costs of residential treatment centers are eligible for Medicaid reimbursement. These amounts are not shown here.		

The committee reviewed funding for foster care services for the 1997-99 biennium. The schedule below presents the Department of Human Services estimate of foster care costs for the 1997-99 biennium.

1997-99 Estimated Costs				
	General Fund	Federal Funds	Other Funds	Total

Room and Board - In State				
Family foster care homes	\$3,123,026	\$3,626,639	\$854,414	\$7,604,079
Therapeutic foster care homes - Room and board amounts reflected under family foster care homes				
Residential child care facilities - In state	3,971,657	9,181,460	3,039,844	16,192,961
Residential treatment centers - Room and board amounts reflected under residential child care facilities				
Total room and board	\$7,094,683	\$12,808,099	\$3,894,258	\$23,797,040
Treatment and Service Payments - In State				
Family foster care homes - Not applicable				
Therapeutic foster care homes	\$1,364,961	\$3,669,466	\$205,957	\$5,240,384
Residential child care facilities	401,360	1,079,161	60,561	1,541,082
Residential treatment centers	1,082,384	2,618,000	38,363	3,738,747
Total treatment services	\$2,848,705	\$7,366,627	\$304,881	\$10,520,213
Combined Room and Board and Treatment and Service Payments - Out-of-State Facilities	\$1,268,212	\$2,937,878	\$929,086	\$5,135,176
Other Services				
Shelter care	\$125,000			\$125,000
Independent living	114,515	\$163,432		277,947
Total other services	\$239,515	\$163,432	\$0	\$402,947
Total Department of Human Services foster carerelated expenses	\$11,451,115	\$23,276,036	\$5,128,225	\$39,855,376

Statistics

The committee reviewed statistics and trends regarding foster care in North Dakota as listed on the following schedules:

Year	Number of Children in Foster Care (Unduplicated)	Monthly Average Number of Children	Average Number of Months in Care	Recidivism Percentage
1991	1,271	648	14.0	22.3%
1992	1,331	705	15.0	22.5%
1993	1,513	756	14.1	23.3%
1994	1,556	810	13.7	22.8%
1995	1,654	861	13.9	23.8%
1996	1,663	879	14.9	24.2%
1997	1,721	922	13.9	25.0%
1998	1,728	945	15.5	25.7%

Year	Number of Children Placed in Family Homes	Number of Children Placed in RCCF/GH	Total	Number of Children Placed	Percentage of Children in Foster Care Placed
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	(Unduplicated)	(Unduplicated) ¹		Out of State (Unduplicated) ²	Out of State
1991	883	388	1,271	32	2.5%
1992	946	385	1,331	33	2.5%
1993	1,065	448	1,513	48	3.2%
1994	1,064	492	1,556	61	3.9%
1995	1,125	529	1,654	70	4.2%
1996	1,128	535	1,663	67	4.0%
1997	1,162	559	1,721	85	4.9%
1998	1,121	607	1,728	61	3.5%

¹ RCCF/GH means residential child care facility and group homes.

² Because children placed out of state may be placed in either a family home or a facility, these numbers are also reflected in the columns titled "Number of Children Placed in Family Homes" and "Number of Children Placed in RCCF/GH" on this schedule.

Children in North Dakota Ages 0-18 ¹			Children in Foster Care 1991-96 ²		
Region	Number	Percentage of Total	Number	Percentage of Total	Percentage of Children in Region
1	9,490	5.1%	99	6.6%	1.04%
2	26,436	14.3%	167	11.1%	.63%
3	14,718	8.0%	237	15.8%	1.61%
4	27,414	14.9%	177	11.8%	.65%
5	38,332	20.8%	299	20.0%	.78%
6	17,727	9.6%	97	6.5%	0.55%
7	37,887	20.5%	342	22.8%	0.90%
8	12,550	6.8%	81	5.4%	0.65%
Total	184,554	100.0%	1,499	100%	0.81%

¹ Based on 1990 census.

² The average number of children in foster care during fiscal years 1991-96.

Placements

The committee reviewed procedures involved in child placements. The committee learned that child custody transfers are the decision of North Dakota courts. Custody is transferred from a child's parents to either county or tribal social services, the Department of Human Services, or the Division of Juvenile Services. County social services can place a child directly in a family foster care home; however, a more restrictive placement of a child under the custody of county social services must be reviewed and approved by the regional permanency planning team. The Division of Juvenile Services may directly place a child at the Youth Correctional Center; however, any other placement of the Division of Juvenile Services must be reviewed and approved by the regional permanency planning team.

Members on regional permanency planning teams vary depending on each child's history and circumstances but may include a county social services worker, Division of Juvenile Services caseworker, regional supervisor of county social services, juvenile court representative, school district representative, special education district representative, treatment services personnel, parents, foster family, and representatives of facilities the child may have been placed in.

The committee learned that approximately 25 percent of children in foster care are under the legal custody of the Division of

Juvenile Services, 25 percent are under the legal custody of tribal social services, and 50 percent are under the custody of county social services or the Department of Human Services. The initial court order transferring custody of a child can be for no longer than 18 months and any subsequent order can be for no longer than 12 months.

North Dakota law requires a permanency planning committee meeting within 30 days of a child's initial placement and every three months thereafter unless a child has been in care for longer than two years, and then the meeting can be every six months. In determining the level of care in which a child will be placed, the permanency planning committee considers the needs of the child as well as negative behaviors being exhibited and may also depend on the resources available at the time the placement is made. Consideration is given to the most appropriate and least restrictive environment to place the child and to keeping the child as close to the child's home community as possible. Out-of-state placement decisions are made for a number of reasons, including that in-state facilities may not believe the child is appropriate for their programs, no beds may be available for an extended period of time, or the programs cannot provide the needed treatment.

Once a child is released from a foster care home or facility, the child is generally monitored for a few months by the Division of Juvenile Services or a county social service agency as the child transitions back to the child's family.

Of the 993 foster care cases closed in fiscal year 1996, the committee learned that 659 children were returned to parents, 94 were placed with relatives, 57 were living independently, 45 were placed in a state institution, 33 were adopted, and 105 were closed for other reasons.

Out-of-State Placements

The committee reviewed information on the following schedule relating to the average number of children placed in out-of-state facilities for treatment services and the cost of those services:

Fiscal Year	Average Number of Children Per Month	Average Cost Per Month	Unduplicated Number of Children	Annual Cost
1991	12	\$33,523	32	\$402,276
1992	14	\$24,447	33	\$293,359
1993	26	\$47,338	48	\$520,713
1994	29	\$50,241	61	\$602,888
1995	34	\$92,081	70	\$1,104,974
1996	37	\$147,319	67	\$1,767,828

The following schedule presents the number of children placed out of state during the 1997-98 interim:

Date	Number of Children
July 1997	62
August 1997	65
September 1997	67
October 1997	64
November 1997	65
December 1997	59
January 1998	49
February 1998	50
March 1998	42
April 1998	38

May 1998	35
June 1998	32
July 1998	28
August 1998	26

The committee learned that the reason the number of children placed out of state has declined during the past year results from:

1. The Department of Human Services changing its policy relating to out-of-state placements. The department now requests custodians to review each child's case plan and make appropriate and renewed efforts to serve the child in North Dakota.
2. The Manchester House now reviews cases involving children under 14 years of age who appear to be potentials for out-of-state placements to determine whether the children's needs can be met through their services or elsewhere in North Dakota.
3. The number of residential beds within North Dakota increased during 1998. The number of beds increased from 339 in December 1997 to 359 in September 1998.

Reimbursement System for Residential Child Care Facilities and Group Homes

The committee reviewed Department of Human Services procedures that are involved in developing reimbursement rates for residential child care facilities and group homes. The committee learned that the Department of Human Services, through its administrative rulemaking authority, develops procedures for reimbursing providers of services to children in group homes and residential child care facilities. After the close of each fiscal year, each facility prepares a cost report based on its costs for the previous fiscal year and cost projections for the subsequent fiscal year which are submitted to the Department of Human Services. The cost reports are used to develop each facility's foster care reimbursement rate for maintenance (room and board) and service functions. Subsequent to the submission of the cost reports, the Department of Human Services' provider audit section audits the cost report information to adjust or confirm the new rates that become effective when the audit is complete. Costs of the facilities are categorized into administration, maintenance (room and board), service, nonallowable costs, and nonfoster care program costs. North Dakota Administrative Code provisions detail the type of cost allocations that may be included in the various categories. Major components of the cost report include:

1. Annual costs are categorized as administration, maintenance, service, nonallowable, and nonfoster care costs.
2. Allowable costs for maintenance and service functions of a facility are increased by the consumer price index for salary and other costs.
3. The administrative cost allocation is added to the maintenance cost but limited to 20 percent of the adjusted total maintenance and service costs for the year.
4. Based on the total allocated costs for maintenance and service and the annual census of the facility, the daily maintenance rate and service rate are developed for the facility. The service rate is the lesser of the actual calculated monthly rate or \$300 per month.

The committee learned that based on fiscal year 1996 financial information provided by five of the group homes and residential child care facilities in North Dakota, income from foster care payments for maintenance and service provided the following percentages of costs during this year:

1. 46.5 percent of the facilities' total costs. This percentage is based on the total cost of these facilities which may include costs relating to educational programs, out-of-state facilities, religious programs, work programs, and other unallowable programs or services.
2. 69.9 percent of costs allocated to administration, maintenance (room and board), and service.
3. 85.1 percent of costs allocated to maintenance (room and board) and service.

The committee learned that the Department of Human Services is in the process of changing the administrative rule provisions relating to the residential child care facility and group home reimbursement system. The committee learned that the majority of the current administrative rules were developed in 1987 and the department began revising the rules in 1994. The department has held public hearings and met with providers regarding the proposed rule changes.

Major rule changes being considered include:

1. Changing salary projections from using the facility's budget with a consumer price index limit to using the consumer price index as an inflator.
2. Providing that the new rate for maintenance and service would be effective the first day of the seventh month after the

close of the fiscal year rather than when the rate is finalized after the audit or rate resolution process.

3. Changing administrative cost allocations from being limited to 20 percent of allowable maintenance and service costs to a level consistent with the budget approved by the Legislative Assembly.
4. Providing for a two-year rather than a one-year licensing cycle.
5. Establishing certain criminal convictions that have a direct bearing on an individual's ability to serve the public or a resident of a facility.
6. Establishing staffing requirements for daytime "core programming time" and staffing requirements for sleeping hours.
7. Allowing the use and setting conditions for the use of mechanical restraints when transporting a child from a facility.
8. Making changes regarding confidentiality and setting specific timeframes during which written consents are valid.
9. Requiring income from grants or donations to be offset against appropriate costs paid for with the grant or donation income.
10. Allowing for startup costs of a new facility. The proposed rule provides that costs incurred prior to the admission of the first client would be capitalized and recovered over the next 60 months.
11. Changing the depreciation policy to provide that equipment may be depreciated over 10 years, vehicles over four years, and buildings over the greater of 25 years or the life of the mortgage.
12. Allowing for reconsideration of rate adjustments before an actual appeal is filed.
13. Capitalizing repair expenditures at \$5,000 rather than \$1,000.

The committee reviewed income of residential child care facilities and the estimated effect on the facilities' income as a result of the proposed administrative rule changes. The following schedule presents the combined sources of income for three of the residential child care facilities in fiscal year 1997:

Revenue Source	Combined Fiscal Year 1997 Income	Percentage
Department of Human Services	\$5,938,602	57.3%
Fundraising/donations	1,690,601	16.3%
Department of Public Instruction/schools (education or school lunch)	1,485,062	14.3%
Private/third-party payers	545,537	5.3%
Other states	479,754	4.6%
Other sources	219,709	2.2%
Total	\$10,359,265	100.0%

The committee heard testimony from representatives of the residential child care facilities. The following are the major concerns expressed regarding the current reimbursement system and the proposed administrative rule changes:

1. Rate adjustments are often delayed due to the provider audit section of the Department of Human Services being unable to complete the cost report audit timely.
2. The reimbursement formula limits payroll projections that are eligible for reimbursement by the consumer price index. This limiting factor results in facilities needing to rely on fundraising to support staff salaries and benefits.
3. The limit on administrative costs eligible for reimbursement to the lesser of actual costs or 20 percent of allowable maintenance and service costs results in facilities needing to raise funds for a portion of their administrative costs.
4. The reimbursement formula provides for a maximum monthly reimbursement rate for social service costs of \$300 per child per month. Because most facilities' costs for social service related activities exceed the \$300 maximum, facilities must rely on fundraising to support these activities at an appropriate level.
5. Current administrative rule provisions include due process and an appeal process for facilities that question departmental decisions. These provisions have been excluded from the proposed rules.
6. The proposed rule requiring that income received from organizations or foundations and income received from individuals which is designated for a specific purpose be offset to the appropriate costs in the year received would jeopardize facilities' ability to raise funds. If this proposed change is approved, expenses associated with these types of grants may not be included in the facility's reimbursement formula for the year the grant is received. Subsequently, in the year following receipt of the grant, funding would not be provided by the state to pay for the expenses that were previously paid for by the grant income; therefore, the facility would need to rely on additional fundraising or other income to pay for these expenses.
7. The proposed rule using the consumer price index as an inflator rather than as a limit on salary projections would positively affect a facility that has a decrease or a very small increase in projected salaries; however, this rarely occurs

and therefore, would have a minimal effect on a facility's income.

8. The proposed rule imposing a financial penalty on a facility that does not file its cost report within a certain time could result in a substantial cost for a facility.
9. The proposed rule changing confidentiality regulations and limiting the use of consent forms signed by parents and residents will make it difficult to use children's photos in facility publications. Pictures of residents are also an important part of fundraising activities for these facilities.

The committee received periodic updates from the department on the status of the proposed administrative rule changes. At the committee's final meeting, it learned that the department does not anticipate finalizing the revised administrative rules prior to the 1999 legislation session.

Partnership Project

The committee received information on the partnership project. The committee learned that North Dakota received a federal grant in 1994 to develop community-based services for children with serious emotional and behavioral disorders and their families in three human service regions⁵²: North Central, Southeast, and West Central. The mission of the project is to support children with emotional and behavioral disorders in their home or community by using a family-based, collaborative, cost-effective community-based system of individualized care that is unconditional, ongoing, and culturally relevant. Approximately 300 children and their families have received services through the partnership project in the Minot, Fargo, and Bismarck regions.

For the 1997-99 biennium, the project budget totals \$12.1 million, \$1 million of which is from the general fund, \$5.8 million of federal funds, \$400,000 of local funds, and \$4.9 million of in-kind match being provided by the regional children's services coordinating committees.

The committee received information on the accomplishments of the partnership project including:

1. For 129 youth served by the partnership project, 60 had been hospitalized in a psychiatric hospital at least once during the year prior to enrollment. During the year after enrollment, only 30 were hospitalized at least once in a psychiatric hospital. As a result, the total number of psychiatric inpatient days decreased by 62 percent, which at a rate of \$800 per day amounts to reduced hospital costs of \$732,000 for these 129 youth in one year.
2. The percentage of children who attended school regularly after involvement in the partnership project increased by 18.3 percent.
3. The number of children who had no encounters with the law increased from 59.2 percent during the year prior to intake to 72.8 percent during the year after intake.
4. Children having two or more encounters with law enforcement decreased from 22.3 percent during the year prior to intake to 12.6 percent during the year after intake.

The committee learned that the department's 1999-2001 budget request does not include a general fund increase for the project and that the three human service centers involved have included the following anticipated unspent federal funds from the fifth year of the project in their 1999-2001 budget requests:

North Central Human Service Center	\$943,960
Southeast Human Service Center	943,960
West Central Human Service Center	1,678,114
Total	\$3,566,034

Adoption and Safe Families Act

The committee received information on the effect the federal Adoption and Safe Families Act of 1997 will have on foster care services provided in North Dakota. The committee learned that the law became effective in November 1997; however, the Act provides that if state legislation is necessary to implement the Act, it may be implemented during the first federal quarter following the close of the next state legislative session, which for North Dakota is August 1999.

The emphasis of the Act is on the safety, permanence, and well-being of children. The Act views foster care as a short-term solution for the safety of children. It stresses that foster care is not the place for a child to grow up. To achieve this, the law requires child welfare staff to concurrently consider options for the child's future permanence from the first day the child enters the foster care system. Plans may include returning home to parents, residing with extended family, being cared for in a guardian arrangement, or being placed for adoption. Timeframes will be closely monitored and parents will be informed that a

limited time is available for the child to return home making goal planning and decisionmaking keys to outcome. Emphasis will be placed on involving parents, extended family, and significant other persons in an immediate planning and decisionmaking process.

The committee learned that the Children and Family Services Division of the Department of Human Services has begun planning for implementation of the Act by convening a work group that includes child welfare professionals, legal advisory staff, and the court system. Based on work group discussions, the department is drafting legislation to be considered by the 1999 Legislative Assembly.

The committee also learned that the Department of Human Services and the Supreme Court may request funding to jointly hire a staff position for the court improvement project and to assist in the implementation of the Adoption and Safe Families Act.

Welfare Reform

The committee received information from the Department of Human Services on the impact of welfare reform on foster care services in the state. The committee learned that:

1. Because of the lifetime limit for receiving temporary assistance for needy families (TANF) grants, there is a concern that when individuals meet their lifetime limit the families may not have adequate resources to provide for their children which will result in more children being placed in foster care.
2. Children receiving TANF grants and not living with their parents may have multiple placements with relatives or other caretakers and lack a permanency plan needed to provide stability for the child.

Other Information and Committee Activities

Other foster care information received by the committee and activities of the committee include:

1. Information was received from representatives of foster care facilities regarding the application process for being licensed as a residential child care facility or residential treatment center and perceived limits on the number of licensed beds allowed. Subsequently, the committee reviewed whether any limits exist on the number of beds that a residential child care facility or residential treatment center for children may have. The committee learned that no limits exist, either by federal or state statute, or rule, on the number of beds that residential child care facilities may have. The committee learned that no limits exist in the North Dakota Century Code or North Dakota Administrative Code regarding the number of beds that a residential treatment center may have; however, a Medicaid provision limits the number of residential treatment center beds to 16 for institutions that are eligible for Medicaid funding. An institution with more than 16 beds is considered an institution for mental diseases and must be accredited as a medical facility to be eligible for Medicaid funding. Although there are several residential treatment centers in the state, only the Rivers Edge Treatment Center in Fargo and the James River Adolescent Center in Jamestown are licensed and accredited as institutions for mental diseases and therefore are allowed more than 16 beds.
2. Information was received on the application of Southwest Key, a corporation based in Texas, to begin operating a residential child care facility and residential treatment center in Mandan. After committee discussion on department licensing procedures and the impact that increasing the number of beds may have on existing foster care facilities, the committee in September 1997, took the position that the Southwest Key application process be delayed until these items are addressed. The Department of Human Services approved the Southwest Key application in January 1998 for the Southwest Key program to operate a 24-bed residential child care facility in Mandan. Southwest Key also operates a 16-bed residential treatment center in the same facility.
3. Information was received from the Department of Human Services and representatives of Little Flower Freedom Center in Minnewaukan regarding the license revocation process as it relates to the revocation of Little Flower Freedom Center's license. The department initiated the revocation process in 1997, the facility appealed, and the hearings officer upheld the department's decision to revoke the license in the summer of 1998.
4. The committee conducted tours and received information on the programs and services of the Dakota Boys Ranch in Minot and the Prairie Learning Center in Raleigh.
5. Information was received on the status of foster care services in the south central region, the north central region, and the Badlands region.

Recommendations

The committee recommends that the Legislative Assembly, through its Appropriations Committees, review the status of administrative rule changes affecting residential child care facility cost reimbursements and evaluate the following components of the reimbursement system:

1. The limit on social service rate reimbursement.

2. The limit on salaries eligible for reimbursement.
3. The limit on administrative costs eligible for reimbursement.
4. The ineligibility for reimbursement of expenditures made with donated or grant income.

Mental Health Services Funding and Clients

The 1997 Legislative Assembly provided funding to the human service centers and the State Hospital in the form of block grants. A section included in the Department of Human Services appropriation bill provides that while the Legislative Assembly is allowing the human service centers and the State Hospital more flexibility by providing funds in the form of a block grant, the human service centers and the State Hospital are expected to:

1. Continue to use standards, guidelines, practices, and core services in effect on March 1, 1997, for providing human services pursuant to NDCC Section 50-06-05.3(2).
2. Continue to strive toward improving the quality of services and monitor and strive to achieve successful client outcomes.
3. Maximize available federal or other funds to provide services and service enhancements in consultation with the central office.
4. Utilize innovative and effective methods of service delivery in order to achieve cost savings or to enhance the level of service provided to clients.

In addition, the human service centers are to provide appropriate community services to continue the trend of fewer State Hospital and Developmental Center admissions in order to serve clients, to the extent possible, in a least restrictive environment.

The following schedule presents a historical comparison of funding provided for mental health services of the Department of Human Services, including the Mental Health Division, the State Hospital, and human service centers:

	Biennium			
	1991-93	1993-95	1995-97	1997-99
Mental Health Services Programs				
Mental Health Division	\$3,760,322	\$2,437,473	\$7,251,006	\$7,314,091
Human service centers	17,068,938	23,427,699	28,240,602	32,121,374 ¹
Total all funds	\$20,829,260	\$25,865,172	\$35,491,608	\$39,435,465
Less estimated income	9,011,476	12,308,132	22,873,316	25,292,646
Total general fund	\$11,817,784	\$13,557,040	\$12,618,292	\$14,142,819
State Hospital²				
Total all funds	\$53,976,393	\$50,838,353 ³	\$52,697,738	\$56,520,007
Less estimated income	14,377,516	15,795,954	16,280,379	18,626,024
Total general fund	\$39,598,877	\$35,042,399 ³	\$36,417,359	\$37,893,983
State Hospital staff	717.2	659.2	628.6	622.6
State Hospital residents	272	224	224	225
Total State Hospital and Mental Health Services Programs				
Total all funds	\$74,805,653	\$76,703,525	\$88,189,346	\$95,955,472
Less estimated income	23,388,992	28,104,086	39,153,695	43,918,670
Total general fund	\$51,416,661	\$48,599,439	\$49,035,651	\$52,036,802
¹ The 1997 Legislative Assembly appropriated funding to the human service centers using a block grant concept. As a result, the department allocated the funding to the various human service center programs, including mental health services. The amount shown is the funding allocated by the department for mental health services for the 1997-99 biennium.				
² Legislative appropriations.				

³ Includes \$1,880,000 of the \$2 million appropriated from the general fund in a State Hospital downsizing funding pool for the 1993-95 biennium. The remaining \$120,000 was retained as part of the Department of Human Services targeted savings.

The following schedule presents a historical comparison as of October 1998 of the number of persons served with serious mental illness or serious emotional disorders at the regional human service centers:

Regional Human Service Center	1991-93	1993-95	1995-97	Estimated 1997-99
Adults				
Northwest	317	324	323	302
North Central	400	441	574	677
Lake Region	184	210	238	266
Northeast	529	702	1,103	1,334
Southeast	800	913	1,069	1,323
South Central	488	518	503	531
West Central	459	520	721	963
Badlands	246	311	406	433
Total	3,423	3,939	4,937	5,829
Children				
Northwest		376	396	398
North Central		369	597	535
Lake Region		399	417	446
Northeast		260	354	469
Southeast		239	405	412
South Central		460	531	564
West Central		415	588	672
Badlands		332	382	528
Total		2,850	3,670	4,024

State Hospital Review

The 1997 Legislative Assembly appropriated \$56.5 million to the State Hospital for the 1997-99 biennium, \$37.9 million of which is from the general fund. The State Hospital is authorized 622.6 FTE positions, six fewer FTE positions than the 628.6 FTE positions authorized for the 1995-97 biennium. The State Hospital anticipates serving an average of 225 patients throughout the biennium.

The following schedule presents a historical comparison of State Hospital admissions:

State Hospital Admissions	
Fiscal Year	Admissions
1990	2,304
1991	1,791

1992	1,677
1993	1,614
1994	1,610
1995	1,620
1996	1,679
1997	1,671

The following schedule presents 1997-98 State Hospital admissions by program:

Chemical dependency services	46%
Adult psychiatric services	41%
Adolescent services	8%
Forensic services	5%
Total	100%

The committee received information from representatives of the State Hospital on the various types of mental illness and on State Hospital populations, programs, concerns, and needs. Major items include:

1. Within the child and adolescent service unit, the State Hospital has begun operating an eight-bed long-term residential center for the state's most difficult to treat children.
2. Of the persons served in the chemical dependency unit, 40 percent suffer from both a psychiatric and a chemical dependency disorder.
3. Approximately 85 percent of the inmates in the State Penitentiary have substance abuse problems.
4. Individuals suffering from dementia and Alzheimer's who are too difficult to care for in the community receive services in the geriatric psychiatric program at the State Hospital.
5. The State Hospital plans to focus on the development and implementation of specialty services for populations needing longer term treatment, including adolescents, chronic chemically dependent individuals, adults needing specialized outpatient transitional living services, geriatric and psychiatric patients, trauma patients, and sexual offenders. Representatives of the State Hospital believe these types of services are most effectively and economically provided in one setting such as the State Hospital rather than at multiple sites throughout the state.
6. In an effort to reduce admissions, the State Hospital:
 - a. Has developed criteria for admission, continued stay, and discharge at the State Hospital. These criteria will be used by hospital staff to determine appropriateness of admission for patients, what constitutes a proper length of stay, and procedures for prompt discharge of patients once they have completed their treatment.
 - b. Is developing an admission process to review and approve admissions to the State Hospital 24 hours per day.
 - c. Is evaluating patients within statutory time limits and, whenever possible, referring the patient to community programs.
 - d. Is renting crisis beds from the South Central Human Service Center for the observation of patients not appropriate for hospital admission but requiring short-term observation prior to returning to the community.
 - e. Is requiring all services of the hospital to uniformly follow the hospital's admission, continued stay, and discharge criteria.
7. The State Hospital sold the ET (extended treatment) Building, amusement hall, and forensic building to the Department of Corrections and Rehabilitation for \$1,295,000 to be used as a medium security prison. As a result of the prison moving to the State Hospital grounds, renovations are being made to three existing buildings to house patients and services that were moved from the buildings sold. State Hospital programs will be concentrated in four buildings on the grounds, the LaHaug Building, the child and adolescent services unit building, the chemical dependency unit building, and the learning resource center. The estimated cost of the remodeling project totals approximately \$2.4 million.

Community Services

The committee reviewed the mental health services funding allocated to each human service center from the human service center block grants provided by the 1997 Legislative Assembly as follows:

	1997-99 Biennium			
Regional Human Service Center	General Fund	Federal Funds	Other Funds	Total
Northwest	\$901,785	\$1,467,568	\$109,394	\$2,478,747
North Central ¹	1,535,940	3,180,740	204,078	4,920,758
Lake Region	752,148	416,301	119,426	1,287,875
Northeast	2,633,129	2,580,584	156,008	5,369,721
Southeast	1,555,784	4,042,527	142,492	5,740,803
South Central	1,593,780	1,418,769	111,826	3,124,375
West Central ¹	2,153,886	4,631,921	118,680	6,904,487
Badlands	1,615,997	678,611	0	2,294,608
Total	\$12,742,449	\$18,417,021	\$961,904	\$32,121,374
¹ The Emergency Commission, at its October 1997 meeting, approved additional federal authority for the mental health partnership programs at the North Central Human Service Center - \$339,000 and the West Central Human Service Center - \$1,879,130.				

The committee learned that the key components of community mental health services include:

1. Crisis stabilization and resolution.
2. Inpatient services.
3. Medication and other health service management.
4. Partial care/day treatment.
5. Social, residential, and support services.
6. Vocational, educational, and supported employment services.
7. Opportunity for social and leisure activities.
8. Case management.
9. Regional intervention services.
10. Extended care services.
11. Outreach.

The committee learned that State Hospital admissions are continuing to decline primarily as the result of:

1. Regional human service centers screening individuals in their respective regions to assure that appropriate treatment is provided locally and inappropriate use of the State Hospital is reduced.
2. All voluntary admissions to the State Hospital require screening and approval for admission from a regional human service center.
3. All regions operate regional intervention service teams to divert patients from inappropriate use of the State Hospital.
4. A cooperative partnership between the Division of Mental Health, State Hospital, and the human service centers has been established in the areas of admission planning, discharge planning, and aftercare coordination.

The committee reviewed the following community initiatives that are currently in place or being developed:

1. The North Central Human Service Center is beginning a one-year pilot program to treat involuntary admissions from its region in the Minot community rather than the State Hospital.
2. The West Central Human Service Center is beginning a community program to divert admissions from the State Hospital to community short-term inpatient hospitalization and to regional intervention services.
3. The State Hospital began a pilot program in the adult psychiatric service unit utilizing the hospital's admissions, continued stay, and discharge criteria to determine appropriateness of admission.
4. The State Hospital has provided funding for a full-time case manager at the Northeast Human Service Center to work exclusively with individuals with serious mental illness.
5. The Sheyenne Care Center, a skilled nursing facility in Valley City, has presented a proposal to the State Hospital and the Department of Human Services for a geropsychiatric unit for 15 State Hospital patients.
6. The Southeast Human Service Center and State Hospital may implement a cooperative program with MeritCare Health

Systems in Fargo to treat more individuals in the community rather than the State Hospital.

7. The Badlands Human Service Center, the State Hospital, and St. Joseph's Hospital and Health Center in Dickinson have entered into a contract to provide local services as an alternative to State Hospital admissions.

The committee reviewed the average caseloads of case managers at human service centers whose major responsibility is to provide case management services for individuals with serious mental illness. The following schedule presents the information based on October 1997 caseload information:

Human Service Center	Number of Case Managers	Average Caseload
Northwest	4	25
North Central	8	24
Lake Region	3	30
Northeast	6	27
Southeast	10	20
South Central	10	20
West Central	10	30
Badlands	4	24

Welfare Reform

The committee received information from the Department of Human Services on the impact of welfare reform on mental health services. The committee learned that case managers, when working with individuals receiving TANF grants who are suffering from a mental health disorder or who are experiencing substance abuse problems, will need to quickly refer the individuals to the mental health or substance abuse service system. Once in the system, the individuals will need to be treated quickly in order to allow the individuals to gain employment before becoming ineligible for TANF grant limits.

Tour Groups

During the interim, the Budget Committee on Government Services functioned as a budget tour group of the Budget Section and visited or received reports on the South Central Human Service Center, State Hospital, James River Correctional Center, International Peace Garden, Minot State University - Bottineau, Forest Service, Minot State University, North Central Research Extension Center, State Fair, North Central Human Service Center, Dakota Boys Ranch, Prairie Learning Center, Badlands Human Service Center, Dickinson State University, and the Dickinson Research Extension Center. The committee heard about facility programs, institutional needs for major improvements, and problems institutions or other facilities 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 session.

Other Mental Health Information

The committee received other information and testimony regarding mental health services and issues including:

1. Mental Health Association recommendations providing that:
 - a. The Department of Human Services provide a forum for consultation with the Mental Health Association and other advocacy organizations when major policy changes are being considered which affect individuals with mental illness and their families.
 - b. The clubhouse model of prevocational training and transitional employment, now existing in Region IV - Grand Forks, and Region II - Minot, be extended to other regions of the state.
 - c. The partnership projects now operating in the north central, southeast, and south central regions be expanded statewide.
 - d. A plan for continued downsizing of the number of patients at the State Hospital, with timelines, be created to return the hospital's patients to their respective communities, and a plan be implemented to redirect the resources presently spent on hospital care into the development of a full continuum of community-based services required to adequately treat persons with mental illnesses.
2. Program areas identified by the Department of Human Services needing to be addressed include:
 - a. The State Hospital, regional human service centers, and the Division of Mental Health and Substance Abuse Services must continue to collaborate to improve the system of mental health care and to provide the best possible

- client services and outcomes.
 - b. Consumers and family members should be included in all levels of planning, discussion, and policy development.
 - c. Appropriate children's mental health services at the community level should continue to be enhanced.
3. The committee heard testimony from representatives of the North Dakota Public Employees Association stressing the need to continue to provide adequate staffing and training for state agencies providing mental health services.

Conclusion

The committee chose not to make any recommendations as a result of its monitoring of mental health services during the 1997-98 interim.

DEPARTMENT OF HUMAN SERVICES FTE REPORT

Section 7 of House Bill No. 1012 provided that the human service centers, State Hospital, and the Developmental Center report to the Budget Section and a committee of the Legislative Council on the hiring of any full-time equivalent (FTE) positions in addition to those authorized by the Legislative Assembly for the 1997-99 biennium. The committee was assigned this responsibility and received reports from the Department of Human Services indicating that the department hired 26.25 FTE positions in addition to those authorized by the Legislative Assembly. The estimated biennial cost of these positions totals \$1.9 million. The funding for these positions during the 1997-99 biennium was made available from a variety of sources, including additional federal or other funds, budget reallocations, or transfers of appropriation authority from the State Hospital to the human service centers. The positions added include:

- 1 FTE computer technology services specialist at the Northwest Human Service Center.
- .5 FTE administrative support position at the Northwest Human Service Center.
- 1 FTE vocational counselor position at the North Central Human Service Center.
- 1 FTE vocational rehabilitation counselor position at the North Central Human Service Center.
- 1 FTE psychiatrist position at the North Central Human Service Center.
- 1 FTE human service program administrator IV at the North Central Human Service Center.
- .25 FTE administrative support position at the Lake Region Human Service Center.
- 1 FTE SMI case management position at the Northeast Human Service Center.
- .5 FTE human service program specialist at the Northeast Human Service Center.
- 1 FTE psychiatrist position at the Northeast Human Service Center.
- .5 FTE child care licensing and quality improvement position at the Northeast Human Service Center.
- 1 FTE flood disaster program position at the Northeast Human Service Center.
- 1 FTE administrative secretary position at the Northeast Human Service Center.
- 2 FTE family preservation unit case managers at the Northeast Human Service Center.
- 1 FTE DD behavior analyst at the Southeast Human Service Center.
- 2 FTE child care licensing and quality improvement positions at the Southeast Human Service Center.
- 3 FTE partnership project administrative positions at the Southeast Human Service Center.
- 1 FTE activity assistant position at the Southeast Human Service Center.
- 1 FTE activity therapist at the Southeast Human Service Center.
- 1 FTE registered nurse at the West Central Human Service Center.
- 1 FTE child care licensing and quality improvement position at the West Central Human Service Center.
- 1 FTE human relations counselor at the Badlands Human Service Center.
- 1 FTE vocational rehabilitation counselor position at the Badlands Human Service Center.
- 1.5 FTE child care licensing and quality improvement positions at the Badlands Human Service Center.

STATE EMPLOYEE COMPENSATION REPORT

Section 17 of House Bill No. 1015 provided that the Office of Management and Budget report to an interim Legislative Council committee on state employee compensation issues. The report was to focus on compression problems, market comparisons, and other compensation issues and include the effects of all benefits, including health insurance, on the employment relationship. The report was to include detailed information on the impact of salary compression and estimates of the dollar amount to correct salary compression problems. In addition, the Office of Management and Budget was to develop and present a plan to compensate state employees in a fair and adequate manner. The Budget Committee on Government Services was assigned this responsibility.

State Employee Salaries and Benefits

The committee reviewed state employee salary increases since 1991 as follows:

Year	Salary Increase Approved by the Legislative Assembly
1991	4%, with a minimum of \$50 per month
1992	\$40 per month
1993	\$60 per month
1994	3% (to the extent available from agency savings)
1995	2%
1996	3% (includes 1% for salary and equity adjustment and merit increase)
1997	3% (minimum of \$30 per month, any additional increases based on merit and equity)
1998	3% (minimum of \$30 per month, any additional increases based on merit and equity)

The committee reviewed fringe benefits provided to state employees which include:

1. Single or family health insurance policy paid for by the state.
2. Social Security benefits - 7.65 percent provided by the employee and 7.65 percent provided by the state.
3. Retirement - 9.12 percent (5.12 percent contributed by the state, four percent employee contribution paid by the state in lieu of salary increases in 1983 and 1984).
4. \$1,300 life insurance policy.
5. Annual leave, sick leave, family leave, funeral leave, and holiday leave.
6. Workers' compensation.
7. Unemployment insurance.

The committee reviewed state employee pay schedules, average salary information, and fringe benefits provided to state employees in North Dakota, Minnesota, Montana, South Dakota, and Wyoming. The committee learned that North Dakota and Wyoming utilize one pay schedule for classified employees, Montana utilizes two range structures, South Dakota uses five range structures, and Minnesota utilizes 24 range structures.

The committee reviewed the following schedule comparing sample job titles and the average salary for each title among the various states.

Position Title	North Dakota	Minnesota	Montana	South Dakota	Wyoming	4-State Average ¹	10-State Average ²
Programmer II	\$1,883	\$3,155	\$2,258	\$2,483	\$2,439	\$2,584	\$2,582
Data processing coordinator II	\$2,305	\$2,613	\$2,255	\$2,014	\$2,439	\$2,330	\$3,101
Auditor I	\$1,855	\$2,690	\$1,987	\$2,179	\$1,534	\$2,303	\$2,138
Attorney II	\$2,962	\$4,261	\$3,196	\$3,165	\$3,626	\$3,562	\$3,625
Librarian I	\$1,770	\$3,431	\$2,081	\$2,194	\$2,373	\$2,520	\$2,636
Transportation engineer III	\$3,163	\$4,091	\$2,879	\$3,034	\$2,664	\$3,167	\$3,565
Registered nurse I	\$2,391	\$3,459	\$2,091	\$2,523	\$2,104	\$2,544	\$2,643
Addiction counselor II	\$2,324	\$2,382	\$1,929	\$1,998	N/A	\$2,103	\$2,285
Social worker II	\$2,164	\$3,101	\$2,196	\$2,100	\$2,118	\$2,379	\$2,545
Highway patrol officer	\$2,612	\$3,179	\$2,445	\$2,368	\$2,250	\$2,560	\$2,703
Park ranger	\$1,879	N/A	\$1,597	\$2,027	N/A	\$1,812	\$2,476
Physical plant director III	\$3,346	\$4,536	\$2,819	\$2,954	\$2,837	\$3,287	\$3,290

Plumber II	\$2,220	\$2,968	\$2,464	\$2,018	\$1,770	\$2,305	\$2,275
Electrician II	\$2,312	\$2,961	\$2,421	\$1,874	\$1,950	\$2,302	\$2,281
¹ The 4-state average includes Minnesota, Montana, South Dakota, and Wyoming.							
² The 10-state average includes Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, South Dakota, and Wyoming.							

The committee reviewed the following schedule comparing fringe benefits provided to state employees among various states:

Fringe Benefit	North Dakota	Minnesota	Montana	South Dakota	Wyoming
Annual leave - Days per year					
3 years of service	12	13	15	15	12
8 years of service	15	16.3	15	15	15
12 years of service	18	22.8	18	15	18
24 years of service	24	26	21	20	24
Sick leave - Days per year	12	13	12	14	12
Holidays per year	10.5	11	10.5	10	9
Life insurance - death benefit	\$1,250	1 x salary	\$10,000	1 x salary	\$46,000
Health insurance - Family coverage					
Employer cost	\$309	\$324	\$209	\$152	\$175
Employee cost	\$0	\$85	\$75	\$158	\$200
Dental insurance - Family coverage					
Employer cost	No coverage	\$35	\$14	\$0	\$6
Employee cost	No coverage	\$17	\$18	\$39	\$17
Retirement					
Employer contribution	4.12%	4.20%	6.70%	5.00%	11.25%
Employee contribution	4.00% ¹	4.07%	6.70%	5.00%	0.00%
¹ Paid by the state on behalf of the employee, in lieu of salary increases in 1983 and 1984.					

Compensation Report

The committee received the state employee compensation report of the Central Personnel Division. The committee learned that "compression" occurs when long-term employees and new employees in the same salary range are both paid salaries in the low end of the range. It results from agencies being unable to provide salary increases to their long-term employees in excess of the across-the-board increases provided by the Legislative Assembly. As a result, the salary range increases at the same rate as the employee's salary so the employee never moves up in the salary range. As new employees are hired and paid in the same salary range, their pay begins at a similar level to the employee with a number of years of service. The report identified "compression" among state employees as a continuing problem; however, the situation is improving. In 1994, 38.1 percent of employees were paid within the first quartile of their salary range, while in 1998, 26 percent of employees are paid within the first quartile of their range.

The report included a comparison of state employee salaries to market salaries. North Dakota state employees in grades 5 through 20 are paid from seven to 13 percent less than market pay in North Dakota. In grades 21 through 42, North Dakota state employees salaries range from 19 percent behind the market to two percent ahead of market compared to the average salaries in 10 midwestern state governments. Currently, North Dakota's salary range midpoints are as much as 12.5 percent

behind market pay.

The report included a comparison of the cost of fringe benefits provided to state employees to other markets. North Dakota state employee fringe benefits were calculated at 42.2 percent of payroll compared to fringe benefits costing 39.9 percent of payroll for other North Dakota employers with more than 15 employees and costing 42.9 percent of payroll for fringe benefits provided to employees within the 10 midwestern state governments.

The report included a proposed compensation system to correct "compression" problems. The proposal provided that employees would be paid at the midpoint of their assigned salary range after 10 years of service. The proposal would result in over 46 percent of state classified employees requiring a salary increase to reach their respective target position in the salary range and the cost of the proposal would be approximately \$400,000 per month. Due to its high cost, the Central Personnel Division did not recommend this proposal.

The report indicated that the current pay system does not require major changes in order to provide fair and adequate compensation. The Central Personnel Division is proposing that the state continue and enhance a number of practices currently in place. The division's recommendation includes:

1. Recalculating all salary ranges to place the midpoint at 95 percent of the market rate.
2. Expanding the ranges from the current level of 53 to 63 percent to 66 percent.
3. Reducing the number of ranges from 39 to 20 but increase the space between each range to improve the differentiation between grade levels.
4. Continuing to split appropriations by directing some general salary increases across the board with additional appropriations focusing on equity and performance.

The estimated cost of implementing the recommendation would be approximately \$25,000 per month based on current salaries.

Other Testimony

Other testimony received from representatives of employee organizations expressed concern regarding the lack of employee input into salary policy and that some state employees in lower paying jobs are eligible for and receiving food stamps and fuel assistance.

Recommendations

The committee recognizes that "compression" within pay grades is a problem, believes that salary increases based upon performance will help to address the "compression" problem, and recommends that the Legislative Assembly provide, to the extent possible, that a portion of salary increase funding approved by the Legislative Assembly be distributed to employees based on performance.

The committee recognizes that some employees in lower pay grades are not receiving adequate salaries and that although the state health insurance plan is an important benefit for state employees, the levels of deductibles and coinsurance can be a burden for these lower paid employees. The committee recommends that the Legislative Assembly, through its standing committees during the legislative session, consider options for increasing the salary levels for lower-paid employees and lowering health insurance deductibles and coinsurance percentages in the state health insurance contract.

AGREEMENTS BETWEEN NORTH DAKOTA AND SOUTH DAKOTA

North Dakota Century Code Section 54-40-01, provides that an agency, department, or institution may enter into an agreement with the state of South Dakota to form a bistate authority to jointly exercise any function that the entity is authorized to perform by law. Any proposed agreement must be submitted to the Legislative Assembly or, if the Legislative Assembly is not in session, to the Legislative Council or a committee designated by the Legislative Council, for approval or rejection. The agreement may not become effective until approved by the Legislative Assembly or the Legislative Council. The Budget Committee on Government Services was assigned this responsibility for the 1997-98 interim.

The committee reviewed legislative action in North Dakota and South Dakota regarding bistate agreements. The committee learned that the authority to form a bistate agreement in North Dakota resulted from recommendations of the 1995-96 North Dakota/South Dakota Commission interim study.

In South Dakota, three bills were introduced but none were approved. The bills would have provided:

1. That a state agency may enter into an agreement with another state to form a multistate authority.

2. That the Department of Transportation may enter into agreements with North Dakota for highway construction and maintenance activities and services in counties in either state that are adjacent to the boundary.
3. That the South Dakota Board of Regents may enter into cooperative purchasing agreements with the North Dakota State Board of Higher Education.

Although the agreements between the states to form bistate authorities must be approved before becoming effective, agencies of North Dakota and South Dakota may cooperate and share information, services, and activities without forming a bistate authority.

During the interim, no proposed agreements were submitted to the committee for approval to form a bistate authority with the state of South Dakota.