

DEPARTMENT OF HUMAN SERVICES - SUMMARY

DEPARTMENTWIDE

Total funding - The chart below provides a comparison of legislative appropriations for the department for the 2005-07 biennium compared to the 2003-05 biennium.

| Biennium | General Fund | Other Funds | Total |
|---------------------|---------------|-----------------|-----------------|
| 2005-07 | \$484,421,474 | \$1,195,640,833 | \$1,680,062,307 |
| 2003-05 | 411,081,823 | 1,097,801,932 | 1,508,883,755 |
| Increase (decrease) | \$73,339,651 | \$97,838,901 | \$171,178,552 |

FTE positions - The Department of Human Services is authorized a total of 2,047.43 full-time equivalent (FTE) positions for the 2005-07 biennium, a decrease of 1 FTE compared to the executive budget and a decrease of 3.99 compared to the 2003-05 biennium. The Legislative Assembly authorized the department to hire additional FTE positions for Medicaid program eligibility and payment reviews and up to 21 additional FTE positions for providing substance abuse treatment services at the State Hospital in accordance with provisions of Senate Bill No. 2373. Prior to hiring any additional FTE positions, the department must receive Emergency Commission and Budget Section approval.

Salary savings - The Legislative Assembly did not change the executive recommendation which reduced salaries and wages funding from the general fund at the State Hospital and Developmental Center in anticipation of savings from vacant positions and employee turnover during the 2005-07 biennium. In addition, the Legislative Assembly reduced salaries and wages funding from the general fund in the program and policy subdivision and at the human service centers in anticipation of savings from vacant positions and employee turnover. The reductions made are:

| | |
|------------------------------|-------------|
| Program and policy | \$140,000 |
| State Hospital | 657,288 |
| Developmental Center | 724,930 |
| Human service centers | |
| Northwest | 20,000 |
| North Central | 57,120 |
| Lake Region | 38,052 |
| Northeast | 97,692 |
| Southeast | 137,046 |
| South Central | 20,000 |
| West Central | 69,804 |
| Badlands | 20,286 |
| Total general fund reduction | \$1,982,218 |

Funding flexibility - The Legislative Assembly authorized the department to transfer appropriation authority between line items within each subdivision of the department and between subdivisions of the department for the 2005-07 biennium. The department is to report to the Budget Section after June 30, 2006, on any transfers made in excess of \$50,000 and to the Appropriations Committees of the 2007 Legislative Assembly regarding any transfers made.

FMAP - The federal medical assistance percentage (FMAP) determines the state and federal share of Medicaid, foster care, and other program costs within the department. The schedule below presents recent and projected FMAPs for North Dakota. The executive budget provided \$32 million of additional general fund support as a result of North Dakota's FMAP reductions projected for the 2005-07 biennium and the Legislative Assembly based on April 2005 revised estimates, provided an additional \$3.1 million, for a total of \$35.1 million from the general fund to provide for the FMAP reductions. In April 2005 the Legislative Assembly received the revised estimate of the federal fiscal year 2007 FMAP. As a result, the department estimated an additional \$3.9 million of state matching funds would be needed for the 2005-07 biennium. The Legislative Assembly provided \$3.1 million of the estimated \$3.9 million.

| Federal Fiscal Year | October 2004 FMAP Estimates Used in Executive Budget | April 2005 FMAP Estimates Used by Legislative Assembly |
|------------------------------------|---|---|
| 2002 | 69.87 | 69.87 |
| 2003 | 72.82 | 72.82 |
| 2004 | 71.31 | 71.31 |
| 2005 | 67.49 | 67.49 |
| 2006 | 65.85 | 65.85 |
| 2007 (estimate) | 63.23 | 62.37 |

MANAGEMENT

MMIS project - The executive budget recommended and the Legislative Assembly approved the department's request for \$29,188,859 to rewrite the Medicaid management information system (MMIS) computer application and related Vision eligibility computer system changes. Of the total, \$3,667,820 is state matching funds which the governor recommended be from the general fund; however, the Legislative Assembly provided the one-time matching funds from the permanent oil tax trust fund. Estimated project costs include:

| | State Match | Federal Funds | Total |
|--------------------|--------------------|----------------------|--------------|
| MMIS | \$2,731,653 | \$24,584,872 | \$27,316,525 |
| Vision eligibility | 936,167 | 936,167 | 1,872,334 |
| Total | \$3,667,820 | \$25,521,039 | \$29,188,859 |

DD facility loan repayments - The Legislative Assembly did not change the executive recommendation which removed funding of \$3.3 million from the lands and minerals trust fund for making developmental disability loan payments to the common schools trust fund. A continuing appropriation was provided to the Land Department in Senate Bill No. 2013 for making these loan payments.

PROGRAM AND POLICY

PERM - The Legislative Assembly did not change the executive recommendation which provided \$1,230,000, of which \$615,000 is from the general fund for payment error rate measurement (PERM) reviews to comply with proposed federal Medicaid and children's health insurance program regulations that, if approved, will become effective October 1, 2005. The executive budget and the Legislative Assembly anticipates that the department will contract for these reviews; however, if the department is unable to contract for this, Section 4 of the bill allows the department to hire additional FTE positions for conducting these reviews. The Legislative Assembly also added Section 5 of the bill which precludes the department from spending this funding if the federal government does not require these reviews.

TANF - Funding for temporary assistance for needy families (TANF) benefits is provided at \$24,480,000 of federal funds, the same as the executive budget and \$5,027,940 less than the 2003-05 legislative appropriation of \$29,507,940.

Indian county allocation - Subsection 3 of North Dakota Century Code Section 50-01.2-03.2 provides for grant payments to Indian counties for their economic assistance program administrative costs that are in excess of the statewide average. The section, as amended by 2005 Senate Bill No. 2301, provides that the grants be distributed at 100 percent of the excess costs rather than 90 percent as was required under the previous statutory provisions. The Legislative Assembly provided \$3,111,781 for these grants, of which \$1,147,174 is from the general fund and \$1,964,607 is from "retained funds," \$311,178 more than the executive budget and \$497,615 more than the 2003-05 biennium appropriation. All changes to the funding were made to the general fund. "Retained funds" provided in 2003-05, the executive budget, and the 2005-07 appropriation were \$1,964,607.

Basic care assistance - The schedule below provides a comparison of funding for basic care assistance. The Legislative Assembly provided a 2.65 percent annual inflationary increase for each year of the biennium for basic care assistance providers rather than 1.5 percent recommended in the executive budget. The Legislative Assembly, in House Bill No. 1252, added a statutory provision that basic care payment rates be increased by inflationary factors as determined by the Legislative Assembly.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|------------------------------------|---------------------|-----------------------------|---|--|--|
| Total basic care assistance | \$8,395,725 | \$12,812,722 | \$13,301,971 | \$489,249 | \$4,906,246 |
| General fund | \$747,857 | \$5,188,369 | \$5,350,420 | \$162,051 | \$4,602,563 |
| Health care trust fund | | | \$158,095 | \$158,095 | \$158,095 |
| "Retained funds" | \$2,284,362 | \$2,284,362 | \$2,284,362 | \$0 | \$0 |
| Federal funds | \$5,363,506 | \$5,339,991 | \$5,509,094 | \$169,103 | \$145,588 |

Medical assistance - The schedule below provides a comparison of funding for medical assistance, excluding funding relating to nursing facility care and other long-term care services, the intergovernmental transfer program, developmental disabilities grants, and Healthy Steps program. The Legislative Assembly made a number of adjustments to the funding for medical assistance grants, including:

- Adding funds to reflect the anticipated funding needed for services under the program, for increasing payment rates for ambulance services, and to provide for annual inflationary increases of 2.65 percent rather than 2 percent recommended by the Governor.
- Reducing funds to reflect provisions of House Bill No. 1459 relating to management of the program and House Bill No. 1181 which reduces the funeral set-aside for medical assistance recipients from \$5,500, as recommended by the Governor, to \$5,000. Previous statutory provisions allowed a \$3,000 set-aside.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|---------------------------------|---------------------|-----------------------------|--------------------------------------|--|--|
| Total medical assistance | \$333,037,746 | \$381,129,213 | \$385,558,542 | \$4,429,329 | \$52,520,796 |
| General fund | \$84,865,315 | \$101,475,540 | \$101,957,105 | \$481,565 | \$17,091,790 |
| Federal funds | \$235,587,631 | \$254,223,582 | \$257,324,634 | \$3,101,052 | \$21,737,003 |
| Health care trust fund | | | \$846,712 | \$846,712 | \$846,712 |
| Community health trust fund | \$114,755 | \$254,356 | \$254,356 | \$0 | \$139,601 |
| Estate collections | \$1,818,408 | \$4,003,032 | \$4,003,032 | \$0 | \$2,184,624 |
| Other funds | \$10,651,637 | \$21,172,703 | \$21,172,703 | \$0 | \$10,521,066 |

Intergovernmental transfer program - The federal government adopted rules eliminating the intergovernmental transfer program. As a result, North Dakota received its final intergovernmental transfer payment in July 2004. The 2003-05 biennium legislative appropriation for the intergovernmental transfer program was \$27,495,655, of which \$8,682,211 was from the general fund. The 2005 Legislative Assembly did not appropriate any funding for intergovernmental transfer payments; however, the 2005 Legislative Assembly approved House Bill No. 1204 which removed the statutory provisions relating to the program and authorized the department to continue to access the program if permitted by the federal government and if beneficial to the state.

Healthy Steps - The Legislative Assembly provided funding of \$12,075,542, of which \$2,895,233 is from the general fund and \$9,180,309 is federal funds for Healthy Steps (children's health insurance program). The amount provided is \$2,036,318, of which \$428,425 is from the general fund, more than the executive budget. Compared to the 2003-05 legislative appropriation, the funding provided is a \$2,589,158 increase, \$768,071 of which is from the general fund and \$1,821,087 of federal funds. The Legislative Assembly continued eligibility requirements for the program at 140 percent of poverty and anticipated an insurance

premium rate of \$181.87 per child per month, an increase of 17.5 percent compared to the 2003-05 premium rate of \$154.78. The Legislative Assembly added funding in anticipation of additional children enrolling in the program. The executive budget provided funding to serve an average of 2,300 children per month and the Legislative Assembly increased the number to an average of 2,971 per month.

Developmental disabilities grants - The schedule below provides a comparison of funding for developmental disabilities (DD) grants. The Legislative Assembly approved Senate Bill No. 2342 providing in statute, that the department determine payment rates for developmental disabilities service providers by using the inflationary rates used by the Legislative Assembly in determining the biennial appropriation for the department. The Legislative Assembly added \$2,163,480, of which \$777,260 is from the health care trust fund and \$1,386,220 of federal funds for **increasing the inflationary rate** from 2 percent for each year of the biennium as recommended by the Governor to **2.65 percent for each year**. In addition, the Legislative Assembly added \$4,156,499, of which \$1,277,262 is from the general fund, \$198,148 is from the health care trust fund, and \$2,681,089 is from federal funds for **increasing the average wage** for employees of developmental disabilities service providers by **15 cents per hour** for the first year of the biennium and by an additional **20 cents per hour** for the second year.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|------------------------|------------------|--------------------------|-----------------------------------|---|--|
| Total DD grants | \$190,556,127 | \$206,232,292 | \$211,597,570 | \$5,365,278 | \$21,041,443 |
| General fund | \$61,852,208 | \$73,214,645 | \$74,091,907 | \$877,262 | \$12,239,699 |
| Health care trust fund | | | \$975,408 | \$975,408 | \$975,408 |
| Federal funds | \$128,703,919 | \$133,017,647 | \$136,530,255 | \$3,512,608 | \$7,826,336 |

Nursing facilities - The schedule below provides a comparison of the funding provided for nursing facility payments under the medical assistance program. The Legislative Assembly reduced funding to provide for an average of 3,600 beds for medical assistance recipients rather than 3,631 as included in the executive budget. The Legislative Assembly, in House Bill No. 1252, changed the statutory provisions relating to determining inflationary increases for nursing facility payments. The new language provides that the department calculate inflationary increases for nursing facility payment rates using the same inflationary increases specified by the Legislative Assembly in developing the department's biennial appropriation for nursing facilities. The Legislative Assembly specified a 2.65 percent annual inflationary rate for each year of the 2005-07 biennium for nursing facilities, which is a reduction from the 3.52 percent and 3.92 percent that were recommended in the executive budget based on the previous statutory provisions which based the rates on the average of the Data Resources, Inc. (DRI) index and the consumer price index (CPI). House Bill No. 1252 also included provisions changing the method of calculating nursing home payment limits from the "percentile" method to a "median plus" method and providing that the department rebase nursing home rates every four years. The 2005 Legislative Assembly provided funding as recommended in the executive budget to utilize the "median plus" method for determining payment limits and to rebase nursing home rates to 2003. Previously, rates were based on the 1999 rate year.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|---------------------------------|------------------|--------------------------|-----------------------------------|---|--|
| Total nursing facilities | \$318,444,621 | \$348,777,523 | \$343,013,040 | (\$5,764,483) | \$24,568,419 |
| General fund | \$102,073,218 | \$122,590,332 | \$119,809,111 | (\$2,781,221) | \$17,735,893 |
| Health care trust fund | | | \$736,598 | \$736,598 | \$736,598 |
| Federal funds | \$216,371,403 | \$226,187,191 | \$222,467,331 | (\$3,719,860) | \$6,095,928 |

SPED - The schedule below provides a comparison of funding for service payments for elderly and disabled (SPED). The Legislative Assembly added funding to increase the inflationary rate for SPED from 2 percent for each year of the biennium as recommended in the executive budget to 2.65 percent for each year. This change resulted in additional funding of \$147,825, of which \$140,431 is from the health care trust fund and \$7,394 is county funds. Due to reprojections made by the department which indicated a reduction in the anticipated need for SPED services during the 2005-07 biennium, the Legislative Assembly reduced funding for SPED by \$1,740,592, of which \$1,653,555 is from the general fund and \$87,037 is county funds. The Legislative Assembly added \$190,800, of which

\$181,260 is from the general fund and \$9,540 is county funds to increase the maximum amount of homemaker services an individual may receive under the program from \$135 to \$185 per month.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|------------------------|------------------|--------------------------|-----------------------------------|---|--|
| Total SPED | \$14,703,198 | \$14,423,230 | \$13,021,263 | (\$1,401,967) | (\$1,681,935) |
| General fund | \$13,749,820 | \$13,487,628 | \$12,015,333 | (\$1,472,295) | (\$1,734,487) |
| Health care trust fund | | | \$140,431 | \$140,431 | \$140,431 |
| County funds | \$727,658 | \$709,882 | \$639,779 | (\$70,103) | (\$87,879) |
| Federal funds | \$225,720 | \$225,720 | \$225,720 | \$0 | \$0 |

Expanded SPED - The schedule below provides a comparison of funding for expanded SPED. The Legislative Assembly increased funding for expanded SPED by \$14,200 from the general fund to increase the inflationary rate from 2 percent for each year of the biennium as recommended in the executive budget to 2.65 percent for each year. Due to reprojections made by the department which indicated a reduction in the anticipated need for expanded SPED services during the 2005-07 biennium, the Legislative Assembly reduced funding by \$401,052 from the general fund. The Legislative Assembly added \$36,000 from the general fund to increase the maximum amount of homemaker services an individual may receive under the program from \$135 to \$185 per month.

| | 2003-05 Biennium | 2005-07 Executive Budget | 2005-07 Legislative Appropriation | 2005-07 Legislative Increase (Decrease) to 2005-07 Executive Budget | 2005-07 Legislative Increase (Decrease) to 2003-05 |
|----------------------------|------------------|--------------------------|-----------------------------------|---|--|
| Total expanded SPED | \$834,541 | \$1,188,889 | \$838,037 | (\$350,852) | \$3,496 |
| General fund | \$834,541 | \$1,188,889 | \$823,837 | (\$365,052) | (\$10,704) |
| Health care trust fund | | | \$14,200 | \$14,200 | \$14,200 |

Senior citizen mill levy match - The Legislative Assembly removed funding of \$1,662,945 from the general fund for the senior citizen mill levy matching grant program, in accordance with provisions of Senate Bill No. 2267 which removes the program from the department and provides a continuing appropriation to the State Treasurer for providing senior citizen mill levy matching grants to counties equal to two-thirds of the first mill levied by the county for senior citizen programs. Funding for the grants is provided by allocating each year an amount equivalent to two-thirds of one mill levied statewide from sales and use tax and motor vehicle excise tax collections to the senior citizens and programs fund.

Substance abuse treatment pilot project - The Legislative Assembly approved Senate Bill No. 2373 which appropriates \$1.3 million, of which \$500,000 is from the general fund to the department for establishing a pilot program at either the State Hospital or at a private facility for the treatment of individuals who are chemically dependent on methamphetamine or other controlled substances. House Bill No. 1015, the Office of Management and Budget appropriations bill, included a section authorizing the State Hospital up to 21 FTE positions if the department establishes the pilot program at the State Hospital.

Independent living center grants - The Legislative Assembly provided \$1,094,539, of which \$292,345 is from the general fund and \$802,194 is federal funds for independent living center grants, the same as the executive recommendation and the 2003-05 biennium appropriation.

STATE HOSPITAL

Secure services - The Legislative Assembly did not change the executive recommendation to provide an additional \$3.1 million from the general fund and to authorize an additional 29.85 new FTE positions to expand the secure services unit (sexual offender treatment services and services to individuals that are mentally ill and dangerous) at the State Hospital from a 22-bed to a 42-bed unit.

Capital improvements - The Legislative Assembly appropriated \$110,000 from the general fund for repairing and painting the State Hospital water tower. The executive recommendation included \$215,000 of bond proceeds for this project and for replacing an electrical transformer (\$40,000) and repairing a roof (\$65,000).

DEVELOPMENTAL CENTER

Drug treatment pilot program - The Legislative Assembly approved Senate Bill No. 2341 which appropriates \$448,471 of federal funds to the department for establishing a mandatory drug treatment pilot program for convicted drug offenders involving the Department of Corrections and Rehabilitation and the Developmental Center. The Developmental Center will provide inpatient drug treatment services to selected individuals under this program.

HUMAN SERVICE CENTERS

Operating budget reductions - The Legislative Assembly reduced human service center operating budgets by a total of \$400,000 from the general fund as follows:

| Human Service Center | Reduction Amount |
|-----------------------------|-------------------------|
| Northwest | \$20,619 |
| North Central | 53,566 |
| Lake Region | 31,169 |
| Northeast | 52,629 |
| Southeast | 87,554 |
| South Central | 46,123 |
| West Central | 75,891 |
| Badlands | 32,449 |
| Total | \$400,000 |