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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

Human Services Administration

JANUARY 2007

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

January 2007

Members of the Legislative Audit Commission:

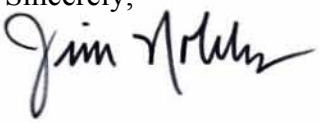
The Office the Legislative Auditor (OLA) has evaluated the administrative framework for Minnesota's large and complex human services system. The system—which spends several billion dollars each year—relies on close coordination between the state's Department of Human Services (DHS) and Minnesota's 87 counties.

The current state-county human services partnership has strengths but also significant challenges. Counties differ widely in their capacity to fund and administer human services, and DHS often struggles to implement statewide programs and policies. The result is wide variations in service availability, costs, and outcomes across the state.

Many of the improvements we recommend will have to come from DHS and counties, but the Legislature also has an important role. For example, we recommend that the Legislature simplify some eligibility requirements and address inequities in human services funding. In addition, the Legislature should strongly encourage the formation of more multi-county human services agencies and authorize pilot projects that would test the viability of transferring some county duties to DHS.

This report was researched and written by Joel Alter and Deborah Parker Junod (project managers), Valerie Bombach, and Catherine Dvoracek. During the evaluation, we received full cooperation from the Minnesota Department of Human Services, Association of Minnesota Counties, Minnesota Association of County Social Service Administrators, and various county officials.

Sincerely,



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Summary

Minnesota's state-county human services system needs administrative reform.

Major Findings:

- Minnesota's human services system has challenges and performance problems that are not being adequately addressed by the state or counties (p. 16).
- Human services access, cost, and outcomes vary significantly around the state (pp. 17-19).
- Some counties—typically ones with very small populations—consistently fall behind others on measures of the human services system's performance (pp. 20-21).
- Minnesota's approach to funding human services contributes to inconsistencies in local tax burdens and services (pp. 24-26).
- Complexity in laws and administrative requirements has made service administration more burdensome, especially for small counties (pp. 22-24).
- More use of multi-county human services agencies could improve cost-effectiveness and consistency (pp. 70-74).
- Transferring certain human services duties to the state could improve effectiveness and administrative efficiency, but a transfer of *all* human services responsibilities to the state would be impractical and undesirable (pp. 76-82).

Key Recommendations:

- The Legislature should establish working groups to (1) streamline human services program requirements, and (2) consider changes in human services funding policy (pp. 24, 32).
- The Legislature should grant the Department of Human Services (DHS) additional authority to act when counties do not meet performance benchmarks (p. 45).
- The Legislature should clarify the statutes that define local human services governance duties (p. 51).
- Through statutes or financial incentives, the Legislature should more strongly encourage smaller counties to jointly administer their human services agencies (p. 72).
- The Legislature should authorize pilot projects in which DHS assumes responsibility for some county duties (p. 80).
- DHS should develop better performance information and share it regularly with county officials (p. 45).
- DHS should focus more oversight and assistance on counties struggling to deliver the full range of human services (p. 45).
- County boards should improve their oversight of local human services agencies (p. 49).

Report Summary

Complex program requirements have reduced administrative efficiency and increased the risk of noncompliance.

The federal and state governments set major policies for income support, health care, and social services for needy Minnesotans, and they pay for a large majority of costs. Counties have front-line administrative authority for these services—determining client eligibility, contracting with local service providers, and referring clients to services. Minnesota's human services system is often described as "state-supervised, county-administered," reflecting this division of responsibilities. However, in our view, the state and counties are not adequately addressing significant challenges facing the human services system.

Inconsistencies in quality, cost, and access weaken Minnesota's human services system.

State and county officials agree that the array and quality of human services should be reasonably consistent around the state. But past Office of the Legislative Auditor reports and an analysis of statewide performance data indicate that there have been significant differences in program implementation. This has contributed to inconsistencies in program quality, cost, and access.

Some small counties are struggling to provide adequate services across multiple programs.

For example, participation in the food support program by eligible residents ranges from 20 percent in one county to 97 percent in another. Similarly, there is wide variation among counties in child support dollars collected per dollar of program spending—from $1.70 to $9.35. Many factors account for differences in program performance, some within counties' control and some not. While there are not always clear benchmarks for judging whether service quality, cost, and access are acceptable, wide variations in program implementation raise important questions.

A county's low ranking (relative to other counties) on one indicator may be a cause for concern, but low rankings across multiple programs may indicate systemic problems that need special attention. The performance of the human services system in some counties—including a disproportionate number of counties with small populations—consistently ranks behind others on program costs, outcomes, and service levels.

Program complexity and funding need the Legislature's attention.

To improve performance and reduce inconsistencies, policymakers should address the challenges facing the human services system. For example, the complexity of Minnesota's human services programs—caused largely by requirements imposed by the Legislature—has reduced administrative efficiency and increased the risk of noncompliance.

Counties of all sizes are concerned about program complexity. For example, 85 percent of county human services directors said that state health care eligibility requirements could be simplified without harming program integrity. Complex requirements often place particular burdens on small agencies, which typically do not have specialized staff to monitor frequent changes in laws and rules.

In addition, Minnesota's human services funding system contributes to inconsistencies in local tax burdens and services. For example, statutory requirements for counties to pay for certain shares of human services rarely take into account differences in counties' spending needs or ability to raise local revenues. Also, in one major program area (child welfare services), a Department of Human Services (DHS) task force recently concluded that Minnesota's heavy reliance on local funding results in widely varied service outcomes among counties.

Simplifying the human services system and ensuring adequate, equitable funding are important goals that require additional discussion by

state and local officials. The Legislature should establish an ongoing work group that annually identifies ways to streamline existing requirements, and it should require DHS to comprehensively assess options for improving the human services financing structure.

DHS and county governing boards should enhance oversight.

DHS is ultimately accountable for the statewide delivery of human services. However, DHS's supervision of counties' performance has been inadequate. The department has developed useful performance measures, benchmarks, and program review procedures for some programs but not for others. Also, DHS rarely examines performance of the human services system across multiple programs for the purpose of flagging counties that need special attention, and it has not provided enough county-specific data to local agencies and their governing boards. In addition, DHS has limited means of influencing county actions when it identifies performance problems.

Strengthening accountability in the human services system will require actions by the Department of Human Services, county boards, and the Legislature.

County governing boards should also play a key role in overseeing the performance of local human services agencies. However, most county human services directors said that their boards do little human services performance monitoring or goal setting. This may partly reflect the boards' lack of sufficient data for comparing performance among counties.

Improving the human services accountability system will require actions by DHS, county boards, and the Legislature. DHS should develop better performance measures, distribute more performance information to counties and the Legislature, and improve its technical assistance to counties. DHS and county boards should hold local human services agencies more directly accountable for those aspects of service delivery within the agencies' control. The Legislature should also provide DHS with additional authority to act when counties are unable to meet standards.

DHS and counties should also pay additional attention to contracting practices to better ensure accountability of private organizations that provide many types of human services. For example, there is room to improve the quality and public availability of data on managed care organizations' performance. Also, most county human services directors said they need more assistance with contract management.

More counties should manage human services through multi-county agencies.

The 1973 Legislature passed the Human Services Act partly to encourage voluntary development of multi-county administrative agencies in small counties. Since then, many of Minnesota's smallest counties have lost population. But today, Minnesota has only two multi-county human services administrative agencies, serving 5 of the state's 87 counties. A variety of reasons explain why other counties have not consolidated: lack of requirements or financial incentives to do so; lack of information about local experiences with mergers; and the difficult administrative and governance choices that may be required by mergers.

However, past experience with multi-county agencies in the human services, community corrections, and public health fields has been mostly favorable. Carefully-implemented agency consolidations could improve the human services system's effectiveness, consistency, and administrative efficiency. For example, consolidations have enabled small counties to develop specialized expertise in certain program areas and expand the services they offer.

The Legislature should more strongly encourage small counties to merge

their human services agencies by (1) specifying minimum population thresholds for agencies seeking state funding, (2) authorizing consequences (including consolidation, in some circumstances) for counties failing to meet minimum levels of performance, or (3) appropriating funding for local studies of merger feasibility.

DHS and counties need to realign some responsibilities and have a more collaborative working relationship.

Minnesota is among a minority of states that rely significantly on counties to administer human services, but there is no evidence that a completely state-run system would be better.

Only 11 states (including Minnesota) rely to a large degree on county agencies to administer human services. While Minnesota's county-administered system has contributed to service inconsistencies around the state, there is no strong evidence that an entirely state-administered system would be better. Reassigning all administrative duties to DHS would require the state to assume hundreds of millions of dollars in additional costs, and a transition from county to state administration in a large number of programs would require extensive planning. Also, such a change would eliminate the role of local elected officials in human services decision making and oversight.

It would be more realistic and desirable to consider smaller changes in administrative responsibilities. Many local officials said that certain programs now administered by counties—such as adoption services, child support enforcement, or child care licensing—might be good candidates for DHS to administer directly, in whole or in part. To test the merits of such realignments, the Legislature should authorize pilot projects in which DHS assumes responsibility for certain duties, perhaps in a limited number of counties.

The state-county working relationship in Minnesota's human services system must be improved. DHS and the counties share responsibility for improving the relationship, but DHS should play a leading role in establishing better channels of communication.

In addition, DHS should help the Legislature better understand the impact that human services policy changes may have on counties. Most county human services directors said that DHS has not adequately solicited county views before proposing legislation. Also, DHS typically has not presented legislators with information on county-level fiscal impacts when analyzing proposed legislation.

Introduction

Minnesota's human services system has widespread impacts on the well-being of the state's residents. This system helps to ensure that needy residents receive income support, social services, and health care.

Minnesota's system relies on the Legislature and the Minnesota Department of Human Services (DHS) to provide overall direction, while local governing boards and county human services agencies administer programs to clients. Some policymakers have questioned whether Minnesota's complicated, decentralized administrative structure contributes to inconsistent service delivery and program performance problems. In April 2006, the Legislative Audit Commission directed our office to evaluate the administration of Minnesota's human services system. Our evaluation addressed the following questions:

- **How well is Minnesota's state-supervised, county-administered human services system functioning?**
- **What are the main administrative challenges this system faces, and how could these challenges be addressed within the system's existing structure?**
- **Should Minnesota make structural changes to its human services system, such as increasing the use of multi-county agencies or realigning state and local responsibilities?**

To answer these questions, we interviewed executives and managers from DHS, a large number of county administrative staff (mostly from county human services departments), and representatives of county associations. In addition, we conducted statewide opinion surveys of: (1) county human services directors, and (2) a sample of members of county boards of commissioners.[1]

For a variety of human services programs, we obtained statewide data related to service availability, use, cost, effectiveness, and efficiency. The purpose of our evaluation was to examine the challenges facing Minnesota's human services system as a whole, rather than focusing on any single program. Thus, we looked at county rankings on an array of measures to help us better understand (1) the extent of variation among counties on individual measures of performance, and (2) patterns of performance across all programs, such as counties that tended to

[1] In August 2006, we sent surveys to the directors of Minnesota's 84 county human services agencies; we received responses from 100 percent. In September 2006, we sent surveys to a sample of 87 county board members. Specifically, we sent the survey to a board member from each county who served on the Association of Minnesota Counties' Human Services Policy Committee. In counties without members on this committee, we sent the survey to a board member identified by the county's top administrator as being knowledgeable about human services issues. We received completed surveys from 74 percent of the board member sample.

rank low or high on a large number of measures. There is no established "model" for examining performance across all human services programs. We incorporated measures regularly used by DHS or the federal government to monitor performance, and we included other indicators that provided greater breadth or balance to our "basket" of measures.

We reviewed state laws to better understand the statutory basis for the assignment of program responsibilities to state and county agencies. In addition, we reviewed DHS policy manuals, program descriptions, correspondence with counties, training information, and policy proposals. We examined previous reports by our office and others to catalog concerns that have been raised in reviews of individual programs. We also reviewed documents that summarized the history of Minnesota's human services system. We relied on previous reports and phone interviews to help us compare Minnesota's human services structure with that of other states, but we found insufficient information to compare the overall efficiency, effectiveness, and funding of various state systems.

We focused our work on DHS and county administrative activities and how well, overall, Minnesota's human services system functions. We did not evaluate individual human services programs, nor did we assess the administration of state-operated human services (such as the Minnesota Security Hospital in St. Peter). We did not evaluate the adequacy of DHS's licensure of service providers or its case management standards for various services. We also did not evaluate in detail the information systems administered by DHS, although we discussed the functionality of these systems with DHS and county officials. Some of our report's recommendations for DHS might require additional resources or reallocations of existing DHS resources, but we did not systematically assess the best way to implement these recommendations. In addition, we did not directly examine clients' experiences when applying for or receiving services.

Chapter 1 provides background information on Minnesota's human services system, including its programs, division of responsibilities, and funding. Chapter 2 discusses challenges facing the system, including service inconsistencies, growing complexity, funding issues, and the need for improved assistance and accountability. Chapter 3 examines whether there is a need for structural changes in Minnesota's state-supervised, county-administered human services system.

1 Background

SUMMARY

Collectively, public human services programs are aimed at helping the state's most vulnerable residents, including children, the elderly, and the disabled. Human services include three broad program areas: income support, health care, and social services. Most states have a state-administered human services system, but Minnesota allocates responsibility for providing human services among the state and Minnesota's 87 counties. County human services staff determine eligibility for public programs, investigate allegations of child and adult maltreatment, and connect clients to necessary services in the community, among other tasks. The federal and state governments are primarily responsible for policies regarding development and implementation of human services. The federal and state governments also provide most of the funding for human services, although counties contribute significant local funding to certain program areas, including child welfare services.

Minnesota has a long tradition of providing publicly-funded assistance for people who cannot adequately provide for themselves. Policymakers at the federal, state, and local levels have established a variety of human services programs for needy individuals, and our report examines challenges facing the human services delivery system in Minnesota. As background for our evaluation, this chapter addresses the following questions:

- **What types of human services does Minnesota provide?**
- **How are administrative authority and funding responsibilities allocated among the federal government, the state, and Minnesota counties?**

To answer these questions, we reviewed state laws, legislative research reports, and Department of Human Services (DHS) publications describing Minnesota human services. We interviewed officials from DHS and county human services agencies and analyzed DHS program enrollment and funding data.

TYPES OF HUMAN SERVICES

In general, human services include three broad program areas: economic support, health care, and social services.[1] Major human services programs within each of these areas are listed in Table 1.1, and a more complete description of

[1] The state directly provides a number of human services, including operation of state hospitals and services to the deaf and blind. However, because our evaluation focused on the relationship between the state and counties, we do not include these predominantly state-run programs in our discussion.

Human services include three broad program areas: economic support, health care, and social services.

Table 1.1: Human Services Programs

Economic Support Programs

- Child Care Assistance
- Child Support Enforcement
- Diversionary Work Program
- Food Support
- General Assistance
- Group Residential Housing
- Minnesota Family Investment Program
- Minnesota Supplemental Aid

Health Care Programs

- General Assistance Medical Care
- Medical Assistance
- MinnesotaCare

Social Services

- Adult Protection
- Adult Mental Health[a]
- Aging Services
- Chemical Health[a]
- Children's Mental Health[a]
- Children's Services
  - Adoption Assistance
  - Child Protection
  - Juvenile Out-of-Home Placement
- Disability Services

[a]Although counties have traditionally viewed chemical and mental health services as social services, DHS now considers them to be part of the health care delivery system.

SOURCE: Office of the Legislative Auditor compilation from Department of Human Services program descriptions.

each is in Appendix A. For the most part, the federal government and the State of Minnesota set policies governing these programs.

Economic support programs provide resources to promote financial stability among low-income Minnesotans. Minnesota has a number of assistance programs that supplement economic resources through cash grants, food support, employment services, child care assistance, and child support enforcement.[2] The Minnesota Family Investment Program (MFIP) is the state's primary "welfare" program serving families with children. It includes cash assistance, food support, and child care assistance and requires most parents or caretakers to seek employment. Child support enforcement supports economic stability by facilitating timely child support payments from non-custodial to custodial parents. Other programs, like Minnesota Supplemental Aid, Group Residential Housing, and General Assistance, serve adults without children, the aged, or the disabled. All of these programs have unique eligibility rules that take into account income, assets, residency, citizenship, and other individual and family circumstances.

Minnesota has three major public health care programs: Medical Assistance, MinnesotaCare, and General Assistance Medical Care. By federal law, all states are required to have a "Medicaid" program that serves low-income families with children and aged, blind, and disabled individuals. Minnesota's Medicaid program is called Medical Assistance (MA). General Assistance Medical Care

[2] We include child support enforcement as an economic support program because its purpose is to ensure that custodial parents receive support payments. However, child support enforcement is sometimes grouped with social services.

(GAMC) is a smaller, state-funded program that provides health care to certain very low-income adults who are not eligible for MA. MinnesotaCare is a public insurance program in which enrollees pay monthly premiums according to an income-based sliding scale. It serves adults without children and families who may have income higher than what is allowed for MA and GAMC. As with the other health care programs, MinnesotaCare eligibility is linked to income and assets, but its enrollees also must meet eligibility requirements related to availability of other health insurance coverage, such as employer-subsidized insurance.

Social services cover a wide array of programs and services to help vulnerable families, adults, and children. These programs include adoption assistance and child and adult protection. Social services typically involve ongoing interactions with individuals and families. Many social services are closely intertwined with health care program benefits. For example, many of the community-based services that allow the elderly and disabled to live at home are available as MA benefits. Similarly, although counties have traditionally viewed chemical and mental health services as social services, DHS now considers them to be part of the health care delivery system.[3]

The federal government mandates many human services programs and policies that Minnesota must implement.

The federal government mandates many of the human services that states provide. Federal law and regulation influence how those programs are administered, although the extent of federal control varies by program. For example, as shown in Table 1.2, federal influence is very strong in the design and administration of major income support programs, such as MFIP and Food Support. Also, through its control of Medicaid policy and funding, the federal government strongly influences how Minnesota implements Medical Assistance, MinnesotaCare, and programs for the elderly and disabled. Minnesota's policy influence is strongest for programs that are entirely or predominantly state-funded, such as General Assistance and adult protection.

ADMINISTRATION OF HUMAN SERVICES

Although federal and state law largely define which services should be provided in Minnesota and to whom, the federal government, Minnesota state government, and Minnesota counties share responsibility for human services administration. Each level of government plays a distinct role.

Administrative Authority

The U.S. Department of Health and Human Services is the federal government's primary human services administrative agency. It oversees state implementation of federally-driven human services—for example, by issuing regulations, entering into contracts with states, approving states' plans for implementing federal programs, and monitoring compliance with federal laws and regulations.

[3] The state has proposed more direct integration of mental health services into the state's health care system. For the 2006 legislative session, the Governor introduced a mental health policy initiative that would have mandated a standard mental health benefit set across all public health care programs, including fee-for-service and managed care.

Table 1.2: Federal and State Policy Control Over Human Services

Defined predominantly in federal law and regulation

- Child Support Enforcement
- Food Support
- Juvenile Out-of-Home Placement – when child is in need of protective services

Strong federal influence but significant flexibility for state policy-setting

- Aging Services that are federally funded[a]
- Child Care Assistance
- Child Protection
- Disability Services
- Diversionary Work Program
- Medical Assistance
- MinnesotaCare
- Minnesota Family Investment Program
- Minnesota Supplemental Aid

Defined predominantly in state law and rule

- Adult Mental Health
- Adult Protection
- Aging Services that are primarily state-funded
- Adoption Assistance
- Chemical Health
- Children's Mental Health
- General Assistance
- General Assistance Medical Care
- Group Residential Housing
- Juvenile Out-of-Home Placement – in cases of delinquency or need for chemical/mental health treatment

[a] Many home- and community-based services for the elderly are funded by Medical Assistance; hence, federal control over these services is strong.

SOURCES: Office of the Legislative Auditor review of program statutes and interviews with Department of Human Services program managers.

The Minnesota Legislature and Department of Human Services set state policy and oversee the human services system.

State law establishes DHS as the state agency responsible for administering and supervising the efficient and effective delivery of human services. The law states that "administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of services, and quality program management."[4] State law also authorizes the Commissioner of Human Services to "monitor, on an ongoing basis, the performance of county agencies in the operation and administration of human services, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote

[4] *Minnesota Statutes* 2006, 256.01, subd. 2(a). Other state statutes confer program-specific powers and duties on the Commissioner of Human Services.

excellence of administration and program operation."[5] As shown in Table 1.3, the department's administrative and supervisory authority has a number of different elements.[6]

Table 1.3: Department of Human Services' Responsibilities

	Examples
Policy development and leadership	• Identify gaps in access to basic services • Propose legislative and policy changes • Represent front-line human service delivery perspectives to the Legislature • Assess funding needs and available resources • Leverage federal resources to the fullest extent possible
Policy implementation and standard-setting	• Interpret state and federal law • Issue rules and policy guidelines • Establish performance standards • Streamline rules and regulations
Training and technical assistance	• Assess staff knowledge and skills • Develop and deliver training • Facilitate access to expertise and resources
Information systems	• Develop statewide information systems for human services programs
Oversight and monitoring	• Implement quality review programs to assess program performance and accuracy of eligibility determinations • Use information systems to track staff actions and ensure that basic services are being delivered • Provide data, analysis, and feedback to counties to inform and improve county decision making • Implement fraud detection programs

SOURCES: *Minnesota Statutes* 2006, 256.01, and Office of the Legislative Auditor analysis of Department of Human Services activities.

Minnesota's 87 counties deliver human services at the local level.

Counties have front-line administrative authority for many of Minnesota's human services programs.[7] For example, counties often determine client eligibility, contract with local service providers, and refer clients to services. Minnesota's Constitution does not grant specific authority to counties or other local government units, so local governments have only those powers that "are

[5] *Minnesota Statutes* 2006, 256.01, subd. 2(a)(2).

[6] The state is involved in some aspects of direct delivery of human services. For example, it operates statewide information systems used in eligibility determination and payment of benefits.

[7] Our evaluation focused on the administrative roles played by DHS and the counties, but American Indian tribes also play key roles in the delivery of human services. Some tribes administer health care, welfare programs, and chemical health services in their communities.

Local governing boards oversee human services in Minnesota counties.

expressly conferred by statute or are implied as necessary in aid of those powers which are expressly conferred."[8] As shown in Table 1.4, state law authorizes three types of governing boards to oversee human services in Minnesota counties. In addition, among Minnesota's 87 counties, there are 84 local agencies in which county employees administer services to clients. Two of these agencies serve more than one county (one agency serves Lincoln, Lyon, and Murray counties and another serves Faribault and Martin counties). Each of the other 82 counties has its own administrative agency for human services.

Table 1.4: Types of Local Governing Boards for Human Services

Type of Board	Authorizing Chapter in *Minnesota Statutes* 2006	Typical Composition of Board	Counties That Use This Type of Board
County "welfare board"[a]	Chapter 393	Three or five members of the county board of commissioners, plus two "citizen members" appointed by DHS.	17 counties[b]
Human services board	Chapter 402	Typically consists of the members of the county board. Four counties also have one or two citizen members (optional in the law).	17 counties
County board of commissioners	Chapters 375 and 256M	Five or seven elected members.	53 counties[c]

[a] The term "welfare board" no longer appears in statute, although this term is commonly used by human services officials to describe boards authorized by *Minnesota Statutes* 2006, chapter 393. The statute now refers to this type of board as a "local social services agency."

[b] Statutes specify that the welfare board in Hennepin and St. Louis counties shall be the same as the county board of commissioners. We classified these counties as "welfare board" counties because they appear to be subject to the requirements of *Minnesota Statutes* 2006, chapter 393.

[c] Includes Ramsey County. *Minnesota Statutes* 2006, 383A.40, specifies that the Ramsey County board of commissioners is the county's "local social services agency."

SOURCES: Office of the Legislative Auditor review of Minnesota statutes and data provided by the Department of Human Services, plus interviews with selected counties.

Complexity in Service Delivery

Minnesota's human services administrative structure is often described as "state-supervised, county-administered," reflecting the key administrative roles played by state and county human service agencies. However, Minnesota's human

[8] Minnesota House of Representatives Research, *State-Local Relations* (St. Paul, October 2002), 1. Pursuant to state statutes, one county (Ramsey) has established a "home rule charter" that spells out duties and responsibilities for the county government.

Counties coordinate with many state and local organizations to administer human services.

services delivery system also includes a network of other formal and informal collaborative relationships. For example, county agencies work with many other organizations to operate human services programs, including American Indian tribes, nonprofit agencies, for-profit service providers, school districts, and other local government agencies. To illustrate the complexity in the human services system, Table 1.5 highlights one county's working relationships for service delivery with state and local entities. Often, a county's collaborative

Table 1.5: Aitkin County Health and Human Services Working Relationships

Aitkin County Divisions	State-Level Working Relationships	Local-Level Working Relationships	County Collaborations
Child Support	• Department of Human Services • Court Administration	• Law Enforcement • County Attorney • Court Administration • Judges	
Children's Services	• Departments of: o Human Services o Education o Employment and Economic Development • Court Administration	• Law Enforcement • County Attorney • Court Administration • Tribal Services • Multiple Service Providers	• Tri-County Corrections—Morrison and Crow Wing
Adult Services	• Departments of: o Human Services o Health o Employment and Economic Development o Corrections	• Law Enforcement • County Attorney • Court Administration • Tribal Services • Multiple Service Providers	• Regional Mental Health Initiative—Morrison, Crow Wing, Wadena, Todd, and Cass
Income Maintenance	• Departments of: o Human Services o Education o Employment and Economic Development	• Law Enforcement • County Attorney • Corrections • Employers • Employment Service Agencies	• 7-county MFIP Plan—Itasca, Koochiching, Lake, Cook, St. Louis, and Carlton
Public Health	• Departments of: o Human Services o Health o Natural Resources o Agriculture • Animal Board of Health	• Law Enforcement • Court Administration • Emergency Medical Services • Fire Department • Environmental Services • Schools • Health Care Providers	• Tri-County Community Health Services—Itasca and Koochiching

NOTE: Aitkin County is one of 17 counties where a single county agency administers both public health and human services.

SOURCE: Office of the Legislative Auditor correspondence with Aitkin County Human Services.

relationships vary by program. For example, a county human services agency may share staff with another county for child welfare programs, but it may partner with a different county for disability services. We discuss some implications of this complexity in Chapters 2 and 3.

Private service providers are an integral part of Minnesota's human services system.

The state and counties often contract with private organizations and vendors to deliver services. For example, in 2005, DHS made payments of $697 million to nonprofit organizations.[9] In addition, counties spent about $770 million on purchased services, which was about 64 percent of county social services spending in 2005. Counties' reliance on purchased services depends partly on the availability of outside service providers; some counties rely more on county staff, and others rely more on contracted services. In 2005, the percentage of county social services spending for purchased services ranged from 40 percent in one county to 78 percent in another.[10] While counties often purchase services from private vendors, private organizations sometimes purchase services from county human services agencies. For example, private health plans that deliver services for public health care programs contract with many counties to provide case management services for seniors.

Other States

Minnesota is among a minority of states in which local governments play a key role in administering human services. Of the 50 states, 39 have state-administered human services systems, in which state employees directly administer health care, economic support, and social services. Nine states (including Minnesota) rely primarily on county employees to administer services, although state employees also play significant administrative and oversight roles in these states. Two states have mixed service delivery systems, with a combination of state and county employees providing "front-line" services.[11]

Organizationally, however, both state-administered and county-administered systems rely considerably on delivery of services through local offices. Each of Minnesota's 87 counties has at least one human services office where clients can apply for services. Similarly, state-administered human services systems typically have a large number of local offices. For example, Georgia has a state system and administers services through 159 county offices.

Some state-administered and county-administered human services systems also have regional offices that oversee services for multiple local administrative offices. For example, the delivery of social services in Wisconsin's 72 county-

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[9] This amount excludes most DHS payments to hospitals, health care systems, health plans, medical groups, hospice organizations, nursing homes, assisted living facilities, and ambulance services. With these services included, DHS payments to vendors total about $3.2 billion.

[10] The data on county spending do not include centralized payments by DHS to individuals or vendors.

[11] We categorized states based on reviews of documents from the American Public Human Services Association, National Conference of State Legislatures, and other sources, as well as contacts with selected states. The state-supervised, county-administered systems are in California, Colorado, Minnesota, New York, North Carolina, North Dakota, Ohio, Pennsylvania, and Wisconsin. Maryland and Virginia have service delivery systems that we categorized as "mixed."

administered human services agencies is supervised by state employees in five regional offices. Iowa's state-administered human services system has eight "service area" managers who each serve as the lead administrator in multiple county human services offices. Minnesota's Department of Human Services does not have regional offices, though some of its central office staff are assigned to supervise and assist specific groups of counties.

ENROLLMENT AND FUNDING

Most funding for human services comes from the state and federal governments.

In 2005, Minnesota human services programs served hundreds of thousands of Minnesotans at a cost of over $8 billion, as shown in Table 1.6. Minnesota health care programs accounted for more than half of total spending and served the greatest number of Minnesotans. MFIP and food support accounted for most economic support spending, but expenditures for several social services programs—particularly those for the disabled, elderly, and children—were significantly higher. Overall, Minnesota's total human services expenditures, when adjusted for inflation, increased by 24 percent between fiscal years 1996 and 2005, although spending stayed relatively unchanged from fiscal years 2002 to 2005.

Both the state and counties spend a large portion of their total budgets on human services. The state's human services spending accounts for about 25 percent of state operating expenditures, second only to education. Also, while counties pay for a relatively small share of Minnesota's total human services costs, the most recent statewide data (2004) indicated that 38 percent of counties' total operating expenditures were for human services.

Spending for human services varies widely among counties. In 2005, gross human services spending (from all revenue sources) ranged from $661 per resident in Scott County to nearly $3,232 per resident in Mahnomen County.[12] Differences in overall spending levels per capita partly reflect differences in the underlying service needs of county residents. For example, there is a moderately strong correlation between counties' gross human services spending per capita and their number of welfare cases per capita.[13] Some of the differences in county spending levels reflect differences in local economic conditions and the demographic characteristics of county residents. Differences may also reflect a county's spending priorities and preferences for the types of human services it wants to provide.

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[12] Based on Office of the Legislative Auditor analysis of data from Minnesota Department of Human Services, *Minnesota County Human Service Cost Report for Calendar Year 2005* (St. Paul, 2006) and population data from the state demographer. The cost data include county spending for personnel, non-personnel, and purchased services, and they also include "centralized" expenditures made by DHS in the form of direct payments to vendors or clients.

[13] We examined the relationship between counties' average annual number of Minnesota Family Investment Program and Diversionary Work Program cases per capita in 2004-05 and their gross human services spending per capita in 2005; the correlation coefficient was +0.68 on a scale where +1.0 indicates a perfect positive correlation between two variables.

Table 1.6: Human Services Enrollment and Spending, 2005

	Enrollment	Expenditures
Economic Support		
Minnesota Family Investment Program	159,248	$317,874,231
Food Support	330,078	212,767,888
Child Support Enforcement	249,346[a]	100,046,798
Group Residential Housing	23,173	77,698,870
General Assistance	27,785	42,636,113
Minnesota Supplemental Aid	34,531	32,961,473
Subtotal	453,658[b]	$783,985,374
Health Care		
Medical Assistance	628,836	$4,182,167,682
MinnesotaCare	175,310	409,086,565
General Assistance Medical Care	71,441	273,299,827
Subtotal	862,437[c]	$4,864,554,074
Social Services[d]		
Disability Services	30,468	$979,014,134
Aging and Adult Services	58,013	482,884,578
Children's Services	120,275	450,259,586
Mental Health	45,246	374,989,925
Child Care Assistance	37,078	252,467,430
Chemical Health	35,421	124,333,492
Subtotal	n/a[e]	$2,663,949,145
Total		$8,312,488,593

NOTE: The program categories in this table do not directly align with those used earlier in the chapter because of the way counties report expenditure and enrollment data. Expenditure data include funding from all revenue sources and are for fiscal year 2005. Enrollment data are for calendar year 2005.

[a] Number of open child support cases, not individuals.

[b] Subtotal represents the unduplicated count of clients served in economic support programs in calendar year 2005 but excludes the 249,346 child support enforcement cases.

[c] Subtotal represents the unduplicated count of clients served in health care programs in calendar year 2005.

[d] Social service enrollment numbers may be underreported because of county reporting practices.

[e] The unduplicated count of clients served in social services programs was not available.

SOURCE: Office of the Legislative Auditor analysis of Department of Human Services expenditure and enrollment data.

Counties provided 18 percent of total funding for social services in fiscal year 2005.

Most funding for human services comes from the state and federal governments, but counties provide a significant share for some human services programs. As shown in Table 1.7, the state and the federal governments each provided a little less than half of total funding in 2005, counties provided about 7 percent, and the remainder came from other sources (such as MinnesotaCare enrollee premiums and child support recoveries). Counties provided 18 percent of funding for social services, and most of this spending was concentrated in services for children, particularly juvenile out-of-home placement.

Table 1.7: Human Services Funding, by Source, FY 2005

	Expenditures (in millions)	Percentage of Funding Provided			
		Federal	State	County	Other[a]
Economic Support	$784	65%	16%	11%	9%
Health Care	4,865	46	52	1	1
Social Services	2,664	40	40	18	2
Total	$8,312	46%	45%	7%	2%

[a] Other funding sources include MinnesotaCare enrollee premiums and recapture of child support payments for Minnesota Family Investment Program participants.

SOURCE: Office of the Legislative Auditor analysis of Department of Human Services data.

2 Challenges

SUMMARY

While some parts of Minnesota's state-supervised, county-administered human services system appear to be working well, the system faces several important challenges. Service delivery is inconsistent around the state, with significant differences among counties in service access, costs, and outcomes. In addition, some counties—typically very small ones—consistently fall behind most others on various indicators of the human services system's performance. To improve performance and strengthen Minnesota's human services system, several key issues need to be addressed. These include: (1) finding ways to reduce unnecessary complexity in program requirements, (2) ensuring that programs are adequately and equitably funded, (3) providing counties with sufficient training and technical assistance to administer programs, (4) ensuring adequate accountability for performance at the state and county levels, and (5) fostering constructive working relationships between DHS and the counties.

A state's human services system can be judged by (1) the policies that determine the nature and scope of services the state will provide to its residents, and (2) the way those services are delivered. Our evaluation did not examine the adequacy of Minnesota's human services policies. For example, we did not examine whether policymakers have established reasonable welfare benefits or reasonable eligibility criteria for publicly-funded health care. Instead, we focused on whether this system is able to deliver consistent, cost-effective services to people who are eligible to receive them. This chapter addresses the following questions:

- **To what extent do the availability, cost, and outcomes of human services vary across Minnesota?**
- **What aspects of the human services system contribute to inconsistencies?**
- **How can key challenges be addressed without changing Minnesota's state-supervised, county-administered structure?**

To answer these questions, we reviewed state statutes; Department of Human Services (DHS) policy manuals, program descriptions, correspondence with counties, training information, and policy proposals; and federal and state evaluations of Minnesota human services programs. We synthesized the results of previous Office of the Legislative Auditor evaluations of human services programs. In addition, we interviewed over 100 DHS and county human services officials, met with various committees of the Minnesota Association of County Social Service Administrators and officials from the Association of Minnesota Counties, and discussed human services administration with a variety of client

advocacy organizations. We also surveyed the directors of county human services agencies and a member of each county's board of commissioners.

To help us assess performance of the state's human services system, we examined existing DHS and federal performance measures of counties' program activities, along with related benchmarks. We supplemented these measures by analyzing additional data on counties' client populations, costs, service availability, and program outcomes. In counties where performance indicators consistently ranked behind most other counties, we interviewed human services directors about the challenges faced by their service delivery systems.

Parts of Minnesota's human services system are working well, but the state and counties need to address some significant problems.

Overall, it appears to us that some parts of Minnesota's human services system are working well. For example, in all fiscal years but one since 1999, Minnesota has received a federal high performance bonus for the Minnesota Family Investment Program. Also, Minnesota's child support system ranks in the top 16 states on four of the federal government's five main performance measures. In addition, it is clear to us that Minnesota's human services system contains many dedicated professionals at both the state and county levels. In interviews and site visits, we encountered many staff with extensive expertise, good understanding of local resources, and a strong desire to provide quality services. Also, although county human services directors and county board members expressed important concerns about Minnesota's human services system, most reported that, overall, their county agencies are meeting the needs of residents more effectively today than they were five years ago.[1]

Nevertheless, this chapter focuses on ways to improve Minnesota's human services system. In our view,

- **Minnesota's human services system has several significant challenges and performance problems that the state and counties are not adequately addressing.**

The following sections describe these challenges in more detail. We begin by discussing variation around the state in many aspects of the human services system's performance. Addressing these performance variations will require the state and counties to confront other issues: program complexity; the adequacy of funding, technical assistance to counties, and accountability systems; and working relationships between DHS and the counties. This chapter offers recommendations to address the human services system's administrative challenges without changing the state-county system structure; we address possible structural changes in Chapter 3.

[1] In our 2006 surveys, 80 percent of county human services directors and 70 percent of a sample of county board members said that their county's human services agency meets the needs of county residents more effectively today than it did five years ago.

INCONSISTENT SERVICES

Minnesota relies on 84 county agencies to administer a wide array of human services programs. One of the challenges facing a county-administered human services system is ensuring that services are delivered in a reasonably consistent fashion from one county to the next. However, we found that:

- **Human services access, cost, and outcomes vary significantly around Minnesota.**

In many program areas, previous Office of the Legislative Auditor reports have identified inconsistent access to quality human services as a problem.

As illustrated in Table 2.1, previous Office of the Legislative Auditor (OLA) reports have identified a variety of problems with human services administration, including considerable variation among counties in delivery of services.[2] For example, in spite of statewide standards, access to publicly-funded substance abuse treatment has varied around the state, and the type of care that individuals receive has depended a great deal on which county makes the placement. Also, despite the fact that Minnesota performs quite well, overall, on federal child support enforcement standards, the thoroughness of child support enforcement activities has varied around the state—counties have pursued modifications of child support orders at very different rates; some counties have pursued child support collection more aggressively than others; and counties have had inconsistent policies regarding treatment of payors in arrears. Some programs, such as consumer-directed services for the developmentally disabled, allow flexibility to foster individualized service, but we found that some services allowed in one county were disallowed in others. Finally, for various programs, previous OLA reports have identified inconsistencies in administrative practices (determining program eligibility, assessing clients' needs, developing individual service plans, processing cases, overseeing services provided by vendors, and others).[3]

DHS and county staff interviewed for this evaluation are also concerned about inequitable access to human services around the state. In the disability services area, for example, staff cited concerns regarding timely access to services, quality of case management, and access to home- and community-based services. Others noted that reliance on county funding is a key factor in variation of services offered (a factor discussed later in this chapter). For example, counties operate children's services within budgets that are significantly constrained by each county's property tax revenues. As a result, counties have different standards and make different choices about the level of assistance to provide. In addition, juvenile out-of-home placements (such as foster care) account for a large share of county costs; thus, a county's use of out-of-home placement affects resources available for other county-funded services.

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[2] See Appendix C for a list of recent OLA reports related to human services.

[3] According to DHS, the department has responded to many of OLA's recommendations to address identified problems. However, we did not assess the extent to which DHS's corrective actions have resulted in more consistency among counties or other program improvements.

Table 2.1: Problems Identified in Previous Office of the Legislative Auditor Reports

Area of Deficiency	Examples
Consistency Among Counties	• Consistency, timeliness, and thoroughness of chemical dependency assessments varied • Uneven access to publicly-funded substance abuse treatment around the state • Variation in pursuit of child support modifications and collection of overdue payments • Significant variation in allowable uses of consumer-directed community supports for persons with mental retardation and related conditions • Wide variation in the percentage of child maltreatment allegations investigated and the extent to which protective services were ordered
Eligibility Determination	• High error rate in assessing eligibility criteria for noncitizens applying for public health care programs • Income-related eligibility determinations for MinnesotaCare applicants were frequently incorrect, resulting in incorrect premiums for many enrollees
Policy-Setting and Implementation	• Health Care program manual contained errors related to noncitizen eligibility and MinnesotaCare eligibility • No clear definition of which persons must be assessed for chemical dependency problems • DHS procedures for determining child care reimbursement rates led to inappropriate maximum rates being set in some parts of the state
Oversight and Monitoring	• Insufficient oversight of county practices for placing clients in substance abuse treatment and weaknesses in monitoring compliance with laws and rules • Little direct oversight of compliance with case administration rules for developmentally disabled persons receiving community-based services
Training and Technical Assistance	• Insufficient sharing of best practices regarding substance abuse treatment • No DHS specialist assigned to answer county questions regarding eligibility policy for noncitizens
Information Systems	• Child support case management and online information systems difficult and time consuming to use • No statewide information system for child care assistance

SOURCES: Minnesota Office of the Legislative Auditor program evaluation reports available at www.auditor.leg.state.mn.us: *Public Health Care Eligibility Determination for Noncitizens* (2006), *Child Support Enforcement* (2006), *Substance Abuse Treatment* (2006), *Child Care Reimbursement Rates* (2005), *Medicaid Home and Community-Based Waiver Services for Persons With Mental Retardation or Related Conditions* (2004), *MinnesotaCare* (2003), *Juvenile Out-of-Home Placement* (1999), and *Child Protective Services* (1998).

Costs and outcomes vary significantly among Minnesota counties.

Similar to the findings of previous OLA reports listed in Table 2.1, our analysis of 2004-05 DHS data shows that counties' costs, service levels, and program outcomes often varied considerably. We examined county-specific data on 33 indicators, representing a range of human services programs. In some cases, variation on these indicators suggests that clients in individual programs may receive significantly different services, depending on their county of residence. For example, participation in food support programs by eligible residents ranged from 20 percent in one county to 97 percent in another county. Also, counties' health care screening rates for eligible children ranged from 39 percent to 70 percent.

Counties also vary in the cost of the services they provide to clients. For example, some counties' child support enforcement programs are much more cost-effective than others; the ratio of child support dollars collected per dollar of program spending ranged from $1.70 to $9.35 among counties. There are also large differences in counties' cost per client; for instance, the county cost per client of providing income support programs varied from $99 to $263.

There are also important differences among counties in program outcomes. For example, the state's goal in several program areas has been to reduce the use of institutional care settings, where appropriate, by relying more on community-based care. However, the percentage of elderly people in publicly-funded long-term care who received community-based services ranged among counties from 28 percent to 67 percent. In addition, the percentage of long-term care spending for elderly people in institutional care ranged from 67 percent to 95 percent.

Understanding the reasons for this variation—such as the availability of local service providers—is important.

Without further exploration, it is difficult to know the specific reasons for a particular county's rankings, relative to other counties, on a given measure. We draw no conclusions about whether individual counties are providing the "appropriate" level of service, and some variation in services is to be expected in a system administered by 84 counties. However, understanding the reasons for the variation is important for assessing the state's human services structure and policies. A county's ranking on a measure could be affected by the performance of county staff, the adequacy of training and assistance the county receives from DHS, the availability of service providers in the region, the employment climate in the county, unique client characteristics that pose special challenges, or other factors.[4]

In addition to examining data on individual program measures, we analyzed data by county *across* a variety of programs. While a county's relatively low ranking in one program may be a cause for concern, its low ranking in multiple programs may indicate that the county faces fundamental problems related to the design or implementation of the human services system.

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[4] For Minnesota's main welfare program (the Minnesota Family Investment Program), DHS sets county-specific performance targets that adjust for individual county circumstances, which may affect performance, such as county unemployment rates or clients' educational backgrounds.

We found that:

- **Several counties—and a disproportionately large number of counties with small populations—consistently rank low on various state performance measures of efficiency, service levels, and outcomes.**

Some counties are struggling to provide the full range of human services required.

We identified 15 counties that had the lowest cumulative rankings among counties on 33 indicators that covered a range of human services programs.[5] Nearly all of the low-ranking counties had fewer than 20,000 residents in 2005, compared with 44 percent of all Minnesota counties that had fewer than 20,000 residents. In addition to having small populations, 67 percent of these low-ranking counties had decreasing populations between 1990 and 2005, compared with 31 percent of counties statewide.[6] Many of the struggling counties are also both geographically large and sparsely populated, and 73 percent are located along Minnesota's border (compared with 40 percent of all Minnesota counties).[7] Several human services directors in sparsely-populated counties directly attributed their counties' low rankings to (1) difficulties accessing appropriate services in their geographic areas, and (2) small or unique caseloads, such as relatively high proportions of non-English speakers.[8] In addition, the 15 low-ranking counties had median county human services costs per capita that were 25 percent higher than the median for the other counties.[9] Some of the human services directors in these counties said their costs are higher partly because there are a limited number of service providers in their regions of the state and, therefore, they pay higher prices for services for their relatively small caseloads. Some directors also said that the state's funding policies do not ensure sufficient access to basic human services in sparsely-populated counties.

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[5] We determined performance thresholds for each indicator—for example, by using benchmarks previously established by the federal government or DHS, or by distinguishing counties with performance among the upper two-thirds of the 84 county agencies from those among the lower one-third. To aggregate our analysis across the indicators, we determined the number of measures for which each county met a benchmark or ranked relatively high compared with other counties. This approach to assessing county performance had some limitations. For most of our analysis, we relied on existing data from DHS, and the quality and availability of data varied by program. For example, we did not incorporate any indicators of protection of vulnerable adults into our analysis because the performance data were inadequate. In programs such as health care and chemical health, we used selected indicators but considered the data more limited than we would have preferred. In addition, some of the established state and federal indicators may not be statistically valid for very small counties, so we substituted a more lenient threshold in our analysis of some measures.

[6] The 15 counties' populations decreased by a median of 7 percent over the last 15 years, compared with a 17 percent increase statewide.

[7] For these 15 counties, the median population per square mile was 10, compared with a statewide median of 25.

[8] Other factors may affect county performance. For example, previous OLA studies found that some variations in services are related to county staffing levels and staff expertise.

[9] For this analysis, we focused primarily on counties' share of total costs for 2004 and 2005 as reported in Department of Human Services, *Minnesota County Human Service Cost Report*. We included counties' personnel costs (staffing), non-personnel costs (operating and capital), services purchased from private vendors, and local county aid to clients. We excluded mental health and child care costs because of inconsistencies in the way counties reported these costs to DHS. County costs also exclude DHS operating costs and the state's share of payments to vendors and clients.

While most of the counties with low cumulative rankings across programs had small populations, Minnesota's most populous county (Hennepin) is also among those struggling to provide cost-effective services. In 2005, Hennepin County accounted for 27 percent of Minnesota's human services spending.[10] As with other counties, the reasons for Hennepin's relatively low rankings on various measures deserve further investigation. Hennepin's experience may reflect unique client challenges or the higher cost of certain services that other counties do not provide (such as specialized programs for HIV/AIDS clients and heroin addicts).[11] However, some client advocates, county officials, and state officials also suggested that the size, complexity, and fragmentation of Hennepin County's human services agency may hinder effective service delivery.

The state and counties should take stronger measures to ensure more consistency.

Overall, we think it is important for state and local officials to identify ways to improve the consistency of services around Minnesota. We recognize that it is not possible to achieve complete uniformity across Minnesota in human services costs, access, and outcomes. However, inconsistencies result partly because Minnesota policymakers have adopted a county-administered human services system.[12] We think there should be stronger measures to ensure more consistent service delivery across counties. There is no single solution to this issue, and the remainder of this chapter offers a variety of recommendations. Depending on the nature of the problem, it may be possible to address service inconsistencies by: simplifying burdensome program requirements; increasing the number of service providers in some parts of the state; improving staff training and technical assistance from DHS (to address special challenges faced by certain counties or regions of the state); providing more adequate or equitable state funding; clarifying performance expectations; distributing additional data to counties on program performance levels; or implementing more serious consequences for continued inability to meet state or federal standards.

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[10] The other 14 struggling counties (as a group) accounted for about 3 percent of Minnesota's human services spending.

[11] In 2004-05, Hennepin County received a disproportionate share of requests for interpreter services, handling about 87 requests per 1,000 population in poverty compared with a median of 11 requests per 1,000 population in poverty for all counties.

[12] Service inconsistency at the local level can be an issue in state-administered human services systems, too—for example, services may be weaker in parts of these states that have limited numbers of service providers.

PROGRAM COMPLEXITY

As discussed in Chapter 1, most human services policies are established in state and federal law. Over the years, both the number of human services programs that must be provided in Minnesota and the policies and procedures that govern them have grown. We found that:

- **Program complexity has reduced administrative efficiency and increased the risk of noncompliance.**

DHS program managers said that complexity has significantly hindered counties' ability to deliver services. Complexity in state and federal laws adds to the cost and time involved in processing applications and documenting casework, adds to clients' burden during the application process, and makes it more difficult for applicants and clients to understand their rights and obligations. As program eligibility requirements become more complex, opportunities to make mistakes grow as well, increasing the chances of noncompliance.

The amount of laws, rules, and guidelines that counties must monitor has increased significantly over the last 20 years.

The amount of laws, administrative rules, and guidelines that counties must monitor has increased significantly over the last 20 years. For example, since 1985, the volume of Minnesota's state human services statutes more than tripled, and the volume of state administrative rules for human services doubled. In addition, the Department of Human Services regularly issues policy and procedure program bulletins, and county staff are responsible for ensuring that they refer only to the most recent guidelines. Small human services agencies have a difficult time keeping abreast of current laws, policies, and procedures, particularly if the agencies do not have staff that specialize in particular program areas. As one county human services director said: "One of the challenges that small counties have is that workers administer multiple programs. They have to learn [rules and regulations] for multiple programs, which is confusing."

Some of the most burdensome program requirements in Minnesota are created by the Legislature.

Although federal laws and regulations certainly contribute to complexity, some of the most burdensome program provisions arise from state laws. The Minnesota Legislature, over time, has created many statutory provisions that apply to certain subpopulations. One human services director suggested that the Legislature should reverse its "overly prescriptive laws (compared to other states) which overemphasize process and underemphasize results." DHS and counties provided the following examples of highly complex areas of human services law: group residential housing eligibility; Medical Assistance long-term care eligibility rules regarding assets; inconsistent definitions of assets and income for cash, food, and health care programs; exceptions to the Minnesota Family Investment Program rule that no family may receive benefits for more than 60 months; and special health care eligibility rules for MinnesotaCare enrollees who are members of the military. The Legislature adopted these rules for a variety of reasons, such as limiting eligibility or services to reduce spending; wanting stricter eligibility standards for certain groups, such as felons; or responding to advocates' concerns regarding treatment of certain client groups. One county human services director said that Minnesota should eliminate exceptions to income maintenance program rules because "these programs have become unmanageable due to the influence of lobbyists, advocates, and special interest groups. Minnesota needs to get back to the basic programs."

While these statutory changes are well-intended, their individual and cumulative impact creates serious concerns for DHS and county administrators. For example, the new rules regarding MinnesotaCare eligibility for military personnel require all health care program applicants to answer additional questions related to military service. Also, in our statewide survey of county human services administrators, about 85 percent of directors said that state cash and food assistance eligibility requirements could be simplified without harming program integrity, and 85 percent said the same for state health care eligibility requirements. For example, one human services director said:

> Income is counted differently for almost every program. Sometimes certain income counts or partially counts, such as adoption assistance income, income from ineligible household members, income from sponsors of immigrants, and income in programs for relatives. . . . Self-employment income is also treated differently for Medical Assistance, MinnesotaCare, MFIP and food support; and the deductions allowed against self-employment income also vary, and the rules are, again, very complex.
>
> Household composition rules are also complex, error prone, and inconsistent. For some cash programs, to be included in the household you must be under age 18, for food support it's under 22, and for health care it's under 21, with all kinds of exceptions.
>
> The rules around the MFIP sanction policies are abhorrently complex and work intensive. . . . Certain cases (like those that have been granted extensions or those with child support sanctions) are treated differently, with varying timeframes and requirements. . . . Timeframes for 'curing' sanctions vary and treat various clients in non-uniform ways. In some instances, the sanction may be cured up to the last date of the month allowing reinstatement of the grant and in other cases the 'cure' must be made by the 10-day computer cut off. The difference means some won't get their full benefit reinstated for thirty or more days and others will comply and get their benefit without interruption.

Some program eligibility rules are too complex to automate, creating more opportunity for error.

Some eligibility rules are too complex to automate, limiting the effectiveness of the state's human services information systems as a tool to improve consistency and accuracy.[13] For example, one human services director reported that in Medical Assistance "asset limits…vary depending on the eligibility group, for example there is no asset limit for pregnant women or children under 21 and others are allowed $1,000, $3,000, or $10,0000 per household." There are also separate asset standards for MinnesotaCare eligibility. Asset eligibility decisions are handled as a manual process by county staff. According to DHS, the

[13] Overall, implementation of statewide information systems has improved human services program integrity in Minnesota and helped ensure more consistent application of program rules. These systems identify data entries that are inconsistent with eligibility rules and automate application of program rules, thus reducing errors and variability in applying policy.

department has similar problems trying to automate certain criteria for Minnesota Family Investment Program sanctions and exceptions to the 60-month limit on benefits.

The state needs to engage in an ongoing effort to simplify human services laws and administrative procedures.

Each year, DHS presents to the Legislature policy proposals and requests for technical changes in state law, and the department can use these proposals to suggest ways to reduce complexity. However, the department does not have an ongoing effort specifically focused on simplification of state human services laws, rules, and policies.

RECOMMENDATION

The Legislature should require the Department of Human Services to establish an ongoing working group of department and county officials to identify ways to simplify and streamline human services laws and administrative requirements. This group should annually make recommendations to the Legislature and Commissioner of Human Services.

Just as complexity in human services law and policy increases incrementally, simplification will likely only happen in increments as well. We think it makes sense for DHS, counties, and the Legislature to maintain an ongoing effort to identify burdensome administrative and legal requirements that could be streamlined or eliminated. Such an effort should look at ways to streamline requirements across the boundaries of individual programs. Some efforts to simplify human services programs may result in certain clients losing their eligibility for services or receiving fewer benefits, but the Legislature needs to weigh these costs against the overall benefits associated with a more efficient and effective human services system.

FUNDING

One of the challenges facing any human services system is the need for adequate and equitable funding. But this is a particular challenge for Minnesota's county-administered system in which many federal and state aids are allocated through funding formulas to 84 local administrative units, and county property taxes pay for a significant share of certain services. We found that:

- **Minnesota's approach to funding human services contributes to inconsistencies in local tax burdens and services.**

In this section, we discuss (1) differences in counties' local tax burdens for human services, (2) the high proportion of child welfare costs that are funded by local revenues, (3) recent funding reductions by the state and federal governments, and (4) the extent to which the Legislature considers local fiscal impacts of state policy.

Differences in County Tax Burdens for Human Services

In Chapter 1, we noted that federal and state revenues pay for a large majority of Minnesota's overall human services costs. Many of the programs that rely the most on federal and state revenues—such as cash assistance, food support, and health care—have statewide eligibility criteria that specify which individuals are "entitled" to receive services, regardless of the counties in which they live.

But counties pay for a sizable share of other human services programs from local property taxes, particularly in the area of social services. In social services, counties have some latitude to determine who will receive services and the types of services they will receive. We found that:

- **Differences in counties' human services spending levels and property tax bases contribute to inconsistencies in the cost of human services to property taxpayers.**

A county's locally-funded spending for human services depends on its residents' needs, its county board's preferences, and the availability of revenues from other sources.

We used cost data from DHS to analyze the portions of human services expenditures funded by county revenues.[14] We found that county-funded human services expenditures per capita varied widely around the state, from $16 (Lac qui Parle County) to $144 (Hennepin County).[15] Variation may reflect differences among counties in (1) the service needs of their populations, (2) their county boards' preferences for service levels, or (3) the amount of federal or state funding they receive (which may reduce their need to use local revenue sources to pay for human services).

Counties' ability to raise revenues from local property taxes varies widely around the state. We examined one measure of county revenue-raising potential, referred to as "net tax capacity."[16] Net tax capacity per capita in 2005 ranged from $483 in Roseau County to $2,402 in Cook County, indicating that some counties had much more limited tax bases than others.[17] It is debatable whether

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[14] We used data from Minnesota Department of Human Services, *Minnesota County Human Service Cost Report for Calendar Year 2005* (St. Paul, 2006). Our analysis of human services spending from local revenue sources excluded spending paid for by federal and state revenues earmarked for human services and by general purpose state aid to counties.

[15] For this analysis, we excluded mental health and child care costs because of inconsistencies in the way counties reported these costs to DHS.

[16] A county's net tax capacity is determined by multiplying the value of its taxable property by the tax rates for each type of property. We analyzed each county's net tax capacity per capita, using "adjusted" tax capacity data from the Minnesota Department of Revenue and population data from the state demographer. (To calculate "adjusted net tax capacity," the value of taxable property is adjusted for each county based on the Minnesota Department of Revenue's comparison of assessed values to actual sale prices.)

[17] There was considerable variation in the net tax capacity per capita of outstate counties, while counties in the seven-county Twin Cities region had less variation (ranging from $980 in Anoka County to $1,289 in Hennepin County).

net tax capacity is the best measure of counties' ability to pay for human services, but it is a useful starting point.[18]

Local tax capacities and burdens for human services vary widely.

To better understand the combined impact of spending and tax base differences on local taxpayers, we calculated each county's human services spending from local revenues per $1,000 of adjusted net tax capacity.[19] This is one way of measuring local tax burdens for human services. Across Minnesota, locally-funded human services spending per $1,000 of adjusted net tax capacity varied widely—from $17 (Lac qui Parle County) to $163 (Mahnomen County). Based on this measure, we observed that counties with the highest local burdens tended to have a combination of relatively high spending per capita for human services and relatively low tax capacity. Meanwhile, counties with the lowest tax burdens tended to have relatively low spending per capita plus relatively high property wealth.

Perhaps some of the differences in local tax burdens are due to program-specific statutory provisions that require a "local share" of funding. For many programs, counties must pay for at least a specified portion of program costs with local revenues to qualify for the maximum available amounts of federal and state funding. However,

- **Statutes requiring counties to pay for certain shares of human services funding rarely take into account differences in counties' spending needs or ability to raise local revenues.**

These "local share" requirements take various forms in federal and state laws. The laws for some programs contain "maintenance of effort" provisions that require counties to maintain a certain base level of spending to qualify for state or federal revenues.[20] In areas such as child care assistance, mental health, and chemical health, Minnesota law bases "maintenance of effort" requirements on county spending levels in a designated base year.[21] Sometimes the base year is not a recent one—for example, the statutes tie state allocations for chemical dependency treatment to counties' spending levels in the 1980s.[22] Another type of "local share" requirement specifies in state law the percentage of total program costs that must be paid by counties. For instance, a state law that took effect in 2003 required counties to pay 20 percent of Medical Assistance costs not paid by

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[18] Net tax capacity measures property wealth, an important component of counties' ability to pay for services. However, counties with large amounts of valuable property could also have below-average levels of personal income, and income levels could be a factor in local ability to pay for services.

[19] Our measure of county revenues for human services excluded each county's "state shared revenue" (i.e., general purpose aid) devoted to human services, as reported by counties to DHS.

[20] Similarly, there are often statutory requirements that counties not use funding from one source to supplant revenues from other sources. Such provisions are usually intended to ensure that federal or state funds are used by counties to expand services, not to reduce spending from local tax revenues.

[21] *Minnesota Statutes* 2006, 119B.11 (basic sliding fee child care), 245.4835 (mental health), and 254B.02 and 254B.03 (chemical health).

[22] Office of the Legislative Auditor, *Substance Abuse Treatment* (St. Paul, 2006), 66, said that this local share requirement was of "questionable relevance" today.

the federal government for disabled residents under age 65 who have lived in nursing facilities for more than 90 days.[23]

Counties with high service needs and limited tax capacity face special funding challenges.

Statutory "local share" requirements typically do not incorporate adjustments to reflect unique county characteristics, such as counties' tax bases or population characteristics.[24] Similarly, most of the statutory provisions that govern the allocation of federal or state human services funds do not require these types of adjustments. This creates the possibility that local share requirements (and procedures for allocating federal or state funds) could cumulatively place undue local tax burdens on counties that have high service needs and limited ability to raise local revenues. In addition, some county officials believe that local share requirements have weakened the ability of counties to set spending priorities. As one county administrator said:

> Our concern is that [programs with statutory local share requirements] receive an unnecessary and inequitable funding advantage over other essential services such as child protection or public safety where no [such requirements] exist. They also take the decision-making authority for funding these programs out of the hands of the local elected officials who are responsible for establishing the annual budget and approving the annual property taxes.

In our view, the wide variation in local human services tax burdens deserves further discussion. Some counties may have relatively high tax burdens because of factors within their control (such as service inefficiencies or decisions to provide higher levels of service). Others may have high tax burdens because of factors outside their control (such as limited tax bases or high service needs). Later, we recommend establishing a statewide task force to examine human services funding issues, including the need for changes in state funding formulas or statutory provisions regarding local funding shares.

Funding for Child Welfare Services

Statewide, county revenues paid for about 7 percent of Minnesota's total human services costs in 2005. But, as shown in Figure 2.1, some social services programs rely much more on local revenues than others.

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[23] *Laws of Minnesota* 2002, chapter 220, article 14, section 7.

[24] For example, sparsely-populated counties might bear relatively high costs per client for human services-related transportation assistance, but state and federal funding earmarked for transportation services is available only in certain program areas. Similarly, counties with relatively high caseloads of non-English speakers may have to devote a disproportionate share of program funds to support interpreter services for these clients. For some programs, federal or state law explicitly authorizes (but does not require) adjustments for unique county characteristics. *Minnesota Statutes* 2006, 256F.13, authorizes the DHS Commissioner to reduce, suspend, or eliminate a family services collaborative's obligations to continue its base level of spending due to factors such as reduction in net tax capacity or reduction in the number of children in the service area. In addition, federal law allows states to adjust for county population and caseload characteristics when distributing federal performance funding for child support enforcement, although Minnesota has not done so.

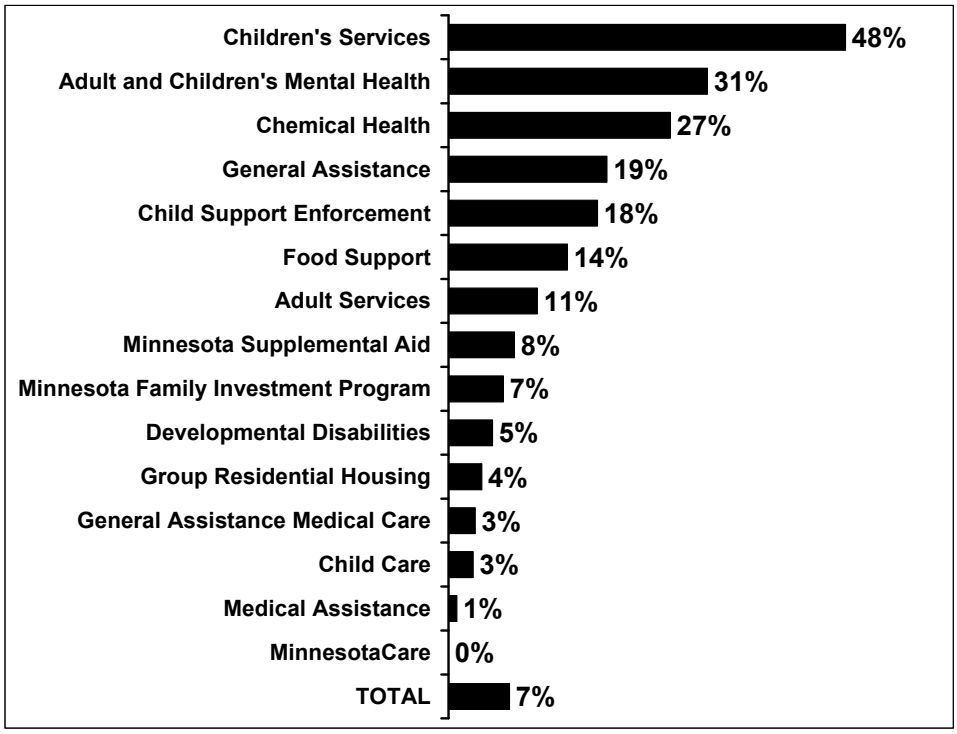
Of particular note,

- **County revenues pay for nearly half of Minnesota's children's services, and this leads to inconsistencies in child welfare services.**

Minnesota counties pay for a larger portion of child welfare costs than counties in nearly all other states.

In 2005, county revenues paid for 48 percent of Minnesota's $450 million in spending for children's services (or "child welfare" services). Recently, the Urban Institute conducted a 50-state survey of state spending for child welfare services and reported that Minnesota's local share of funding for these services was higher than every state but Indiana.[25] Meanwhile, state revenues paid for about 15 percent of Minnesota's child welfare spending, which was the third lowest among the 50 states.[26]

Figure 2.1: County Share of Human Services Funding, by Program, FY 2005



SOURCE: Office of the Legislative Auditor analysis of Department of Human Services data.

[25] Cynthia Andrews Scarcella, Roseana Bess, Erica Hecht Zielewski, and Rob Geen, *The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Financing* (Washington, DC: Urban Institute, 2006), 38-39.

[26] In Minnesota, 2003 reductions in state social services funding affected counties' ability to pay for child welfare services, as will federal reductions authorized in 2006. These are discussed in the next section.

A task force recently recommended increasing the state's share of child welfare funding.

In response to growing concerns about child welfare funding, DHS established a task force in 2006 that was comprised of officials representing state, county, tribal, judicial, and private agencies. The task force concluded that Minnesota's high dependence on county funding for child welfare services contributes to widely varied service outcomes among counties, as well as other problems.[27] The report proposed increasing the state's share of child welfare spending, including incentives for improved levels of performance.[28] In our view, the Legislature should consider the DHS task force report and the issue of Minnesota's heavy reliance on county funding for child welfare services.

Recent Funding Reductions

Earlier, we noted that there have been long-standing concerns about inconsistencies in the availability and implementation of human services programs throughout Minnesota. In recent years, new questions about these issues arose because:

- **State and federal funding cuts have forced counties to increase funding from local revenues or to reduce services.**

In the 2003 state budget process, the Legislature combined funding for many county social services into a block grant and reduced overall state funding for these programs by 27 percent (or about $25 million annually).[29] In addition, the Legislature has passed various provisions during the past five years that increased the county share of the cost of certain placements in nursing homes, regional treatment centers, and intermediate care facilities. Also, the 2003 Legislature discontinued state funding for chemical dependency treatment for persons with incomes that are above the federal poverty line.[30] The 2003 Legislature also reduced general purpose aid to counties, which counties use for a variety of purposes (including human services).[31] In February 2006, the President signed into law the Federal Deficit Reduction Act, which included

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[27] Task Force for Financing the Future of Child Welfare in Minnesota, *Child Safety in Minnesota: Outcome-Driven and Performance-Based System* (St. Paul: Minnesota Department of Human Services, September 25, 2006), 2. The task force also said that high dependence on county funding leads to (1) unstable funding over time, (2) pressures on counties to reduce funding for at-risk children, and (3) a lack of state leverage over county performance.

[28] The report did not recommend a specific level of new funding, but it called for the state to fulfill its financial responsibility "by establishing balanced funding with the federal government and counties." *Ibid.*, 3.

[29] The Legislature reduced state funding for these services from $93 million in fiscal year 2003 to $68 million in fiscal year 2005.

[30] The Legislature did not appropriate funding for "Tier 2" of the Consolidated Chemical Dependency Treatment Fund, which was previously available to households with incomes between 100 and 215 percent of the federal poverty threshold.

[31] General purpose aid declined by 29 percent in 2003 and 53 percent in 2004 compared with what counties would have received under previous laws, according to Minnesota House Fiscal Research Department, *Tax Committee Expenditure Changes* (St. Paul, June 2003), 6; http://www.house.leg.state.mn.us/fiscal/files/03part2/taxex.pdf; accessed December 28, 2006.

reductions in federal funding for "targeted case management."[32] According to DHS forecasts, Minnesota had expected to receive $87 million in federal targeted case management funding in fiscal year 2007, but DHS cannot determine how much this funding will actually be cut until the federal government issues regulations implementing the Deficit Reduction Act provisions.

The recent funding reductions probably affected—or will affect—social services more than other program areas. Many of the state and federal cuts were in social services programs. Furthermore, social services accounted for 78 percent of human services costs paid for with county revenues in 2005, so county decisions to replace lost state or federal funds with local revenues could affect existing social services programs. State laws do not specify a minimum level of social services that counties must provide to their residents, and the laws allow counties to limit social services based on financial constraints. For example, the Children and Community Services Act requires counties to make reasonable efforts to provide social services, but "within the limits of available funding."[33]

Increasingly, county officials have questioned their capacity to provide a reasonable level of social services to residents.

In our surveys and interviews, many county officials expressed serious concerns about their ability to provide a reasonable level of services—especially social services—to their residents. In our statewide survey of selected county board members, 75 percent said that federal and state funding does not pay for a reasonable share of counties' program implementation costs. In addition, 83 percent of the board members said that they do not think their counties will be able to manage the reductions in federal case management funding in 2007 without reducing client services. In a statewide survey, we asked county human services directors to identify the three most important issues that DHS or the Legislature should address regarding Minnesota's human services system, and the most common response was concern about program funding. For example, one director placed three funding-related issues at the top of his list of issues needing the Legislature's attention. He said:

> (1) Provide funding to reverse the effect of revenue reductions and cost shifts that counties have experienced from the state in recent years. (2) Provide funding to offset the federal revenue reductions to family services collaboratives, child support programs, and targeted case management. (3) Provide stable funding for prevention services (chemical use, child maltreatment, etc.) that are shown to work.

Another county human services director reported in his response to our survey that he proposed a 42.5 percent increase in his county's "welfare levy" for 2007, having transferred a total of $664,470 from the county's general revenue account in the previous three years to address cash flow problems in human services. The

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[32] Deficit Reduction Act of 2005, Pub. L. No. 109-171. Federal law authorizes "targeted case management" to help Medicaid-eligible people access needed medical, social, educational, or other services.

[33] *Minnesota Statutes* 2006, 256M.70, subd. 1. Similarly, *Minnesota Statutes* 2006, chapter 245, requires county boards to provide or contract for sufficient mental health services to meet the needs of county residents, but it also says that county boards shall not be required to fund services "beyond the limits of legislative appropriations."

director attributed many of these problems to the loss of state revenues from several sources.[34] The variation in counties' property tax burdens for human services that we discussed earlier may grow larger as counties make different choices about whether to reduce services or increase local taxes in response to state and federal funding cuts.

Estimates of Local Fiscal Impacts

Legislators should have a good understanding of the possible impact of changes in human services policies. In a state-supervised, county-administered human services system, these impacts may occur at either the state or county level. We found that:

- **The Minnesota Department of Human Services has not adequately helped legislators understand the local fiscal impacts of proposed legislation.**

Legislators need better information on the local fiscal impact of state actions.

In our statewide survey, 82 percent of county human services directors rated DHS as doing only a "fair" or "poor" job of analyzing the local fiscal impacts of proposed changes in federal and state human services policies. DHS officials acknowledged that the "fiscal notes" they prepare regarding the impacts of proposed legislation usually estimate only state-level fiscal impacts, not county-level impacts. They said this partly reflects (1) DHS's reluctance to estimate fiscal impacts when implementation costs may depend on decisions that will be made at the local level, and (2) DHS's lack of data on counties' workloads and salaries. However, the Minnesota Department of Finance's instructions for preparing fiscal notes indicate that state agencies should work closely with local government organizations (such as the Association of Minnesota Counties) to incorporate estimates or discussions of local impacts into the fiscal notes the state agencies prepare.[35] In our view, DHS's efforts to solicit county input for fiscal notes do not comply with the Department of Finance's guidance.

Funding Recommendations

Funding Minnesota's human services system is an ongoing challenge. Despite growth in Minnesota's overall spending for human services during the past decade, many county officials believe that their human services agencies are struggling financially. In addition, it appears that some of the inconsistencies in human services throughout Minnesota reflect differences in local funding levels.

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[34] According to the director, key revenue losses included the reduction in the county's Children and Community Services grant (starting in 2003), a reduction in Homestead and Agricultural Credit Aid (starting in 2003), and increased county shares for placements in nursing homes, regional treatment centers, and intermediate care facilities (starting in 2003 and 2004). The director also noted that his county's costs for out-of-home placements of children increased in recent years.

[35] Minnesota Department of Finance, *Fiscal Notes Policy Manual* (St. Paul, undated), 10; http://www.finance.state.mn.us/agencyapps/bis/fnts/policy_manual.pdf; accessed October 23, 2006. In addition, *Minnesota Statutes* 2006, 3.987, authorizes preparation of "local impact notes" if requested by the chairs or ranking minority members of the House or Senate tax committees. However, state agency and legislative staff told us that this process is rarely used for human services bills.

A task force of state and local officials should assess the adequacy and fairness of human services funding.

Determining what constitutes a "fair" human services funding system is no easy task, and we did not comprehensively review this issue. Nevertheless, we think that a task force of state and local officials should closely examine this topic across the boundaries of the various human services programs.

RECOMMENDATIONS

The Legislature should require the Department of Human Services, with county input, to assess (1) options for equalizing county property tax burdens for human services, (2) the adequacy and fairness of existing statutory "maintenance of effort" requirements, and (3) whether funding formulas should adjust for special demographic or geographic factors that may affect spending needs. The Legislature should require the department to report its results by January 1, 2009.

The Legislature should seriously consider the recommendations of the 2006 Department of Human Services report on child welfare funding.

The Department of Human Services should make stronger efforts to incorporate estimates of local fiscal impacts into the "fiscal notes" it prepares for the Legislature.

In our view, the central goal of the human services funding task force should be to identify general funding principles for Minnesota's human services system and determine whether the current funding system is consistent with these principles.[36] Our report provides a starting point for considering county human services tax burdens, although the task force may wish to consider other measures of counties' "ability to pay" for services.[37] In addition, the task force should analyze the need for changes in program-specific funding formulas, including a review of programs' "local share" provisions. Some local officials told us that their counties' service delivery is hindered because state funding formulas or statutory "local share" requirements do not consider factors such as counties' unique service needs, population sparsity, and limited tax bases; the task force should recommend whether state funding procedures should take such factors into account.

Although we recommend that the funding task force develop recommendations for the 2009 Legislature, the Legislature may wish to consider other funding-related issues in the meantime. For example, the Legislature should consider Minnesota's heavy reliance on local funding for child welfare services, an issue that has been a source of concern to state and local officials for many years.

In addition, we think that DHS should do more to estimate the likely local impacts of human services policy changes. When legislators discuss pending

[36] In late 2006, DHS staff told us that the department is initiating a review of state and county funding obligations across all human services programs. We think that the recommendation offered here can build on this DHS initiative.

[37] For example, the task force could consider the relationship between counties' human services tax levels and their residents' personal income levels.

bills, it is important for them to consider the legislation's expected fiscal impacts, whether at the state or local level. At a minimum, DHS should work closely with county associations to help ensure that fiscal notes contain timely, reasonable estimates of any large-scale fiscal impacts at the local level. DHS officials noted that estimates of these impacts often must be prepared within tight timeframes, which could be a significant challenge for the counties.

ASSISTANCE TO COUNTIES

To help ensure consistent implementation of human services programs, DHS is supposed to (1) ensure that counties develop and maintain networks of service providers and (2) provide training and technical assistance.[38] In their respective areas, DHS's program divisions provide various types of training and technical assistance. In assessing these support services across program areas,[39] we found that:

- **The assistance DHS provides to counties varies in quality and impact, and improvements could help counties implement programs more consistently.**

Assistance Addressing Service Gaps

Minnesota residents do not have adequate access to appropriate services in some areas of the state.

According to DHS information, clients do not have adequate access to appropriate services in some areas of the state. As shown in Table 2.2, periodic research efforts by the department's Children and Family Services and Continuing Care divisions reveal a scarcity of resources in several critical service areas. For example, shortages of crisis mental health services and treatment, especially for children, pose an ongoing challenge for many counties around the state.[40] In addition, counties reported shortages of affordable housing and local foster care options for both adults and children, particularly for racial and ethnic minorities. Counties reported difficulties meeting the demand for certain community-based services for long-term care, including evening and weekend care, adult day care services, chore services, and transportation.

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[38] Developing and maintaining networks of local service providers is often a county duty, with DHS responsible for providing assistance and oversight to ensure adequate access to services statewide. For example, *Minnesota Statutes* 2006, 256.01, subd. 2(a), makes the Commissioner of Human Services responsible for "completeness of service." *Minnesota Statutes* 2006, 256B.04, subd. 1a (Medical Assistance), states that DHS and counties are jointly responsible for promoting "accessible and quality health care for all Minnesotans" and implementing "health and human services for all areas of the state." Designation of DHS's general responsibility to provide technical assistance is also in *Minnesota Statutes* 2006, 256.01.

[39] Our work at DHS concentrated on nine of the department's divisions that administer the following program areas: child safety and permanency, child support enforcement, economic support, aging and adult services, disability services, chemical health, children's mental health, adult mental health, and health care program eligibility.

[40] For example, directors in some western and southwestern counties reported having to rely heavily on providers outside of Minnesota, particularly those located in Sioux Falls, SD and Fargo, ND.

Table 2.2: Examples of Gaps in Available Human Services, 2004-06

	Key Service Gaps
Children and Family Services	• Timely access to mental health services and treatment • Crisis response services • Local foster care • Culturally appropriate services/interpreter services • Chemical dependency treatment (particularly for methamphetamine users) • Transportation (particularly for treatment and reunification efforts)
Children's Mental Health	• Child and adolescent psychiatrists and psychologists • Home- and community-based intensive treatment services • Day treatment programs • Providers who can serve children under age 5
Continuing Care for Elderly and Adult Clients	• Evening and weekend services • Chore services • Transportation • Adult day care • Companion services • Caregiver support • Home modification services • Dementia care • Vulnerable adult crisis response • Ongoing adult protection services

SOURCE: Office of the Legislative Auditor interview with DHS staff and Department of Human Services, *Long-Term Care Gaps Analysis, 2005 Update Survey* and *Children and Family Services Review, Year-End Reports* (2003-2005).

Human services directors we spoke with also explained how limited provider options sometimes force counties into using higher-cost services. A director in one southwestern county told us:

> We have very little negotiating power with the limited providers in this region—we are not in a buyers' market. We know we have to travel to obtain services, and sometimes the county has to work with whatever is available [to stay in compliance with program requirements].

And, a director in one northern county said:

> We have to be very creative in developing local resources. We are lucky that many local providers and others are willing to take on non-traditional roles to serve our clients.

Developing local networks of service providers is often left to counties.

Neither state law nor policy establishes clear lines of authority for identifying and addressing service gaps, and DHS's involvement in addressing these needs varies. In practice, developing local networks of service providers is often a county responsibility, with DHS providing assistance and oversight to assure reasonable access to services statewide.[41] For example, the state actively intervened to ensure statewide access to short-term, mental health inpatient treatment by managing contracts with 15 community hospitals around the state; and, a current priority among DHS mental health staff is helping providers become certified to provide services under Medical Assistance health care. In contrast, DHS relies primarily on counties to assess local service gaps and identify potential providers for group residential housing programs, while department staff focus on providing training and technical assistance to counties. The department has also done little to actively address statewide gaps in access to intensive in-home family therapy, family assessment services, and child psychiatrists. Among human services directors we surveyed, 75 percent said that DHS does a "fair" or "poor" job identifying local service gaps, and 79 percent said DHS does a "fair" or "poor" job of fostering development of local resources. Several DHS managers told us that the department does not get more involved in building community capacity because (1) it is a county responsibility, and (2) DHS does not have the resources to help. Funding reductions in certain service areas, such as children's mental health, have also affected efforts to address service gaps.

RECOMMENDATION

The Department of Human Services should take a more active role to (1) identify counties where services are not adequately available to clients and (2) assist counties in addressing the service gaps.

The Department of Human Services (DHS) needs to provide stronger leadership, guidance, and oversight to address gaps in access to services.

We recognize that it is not possible to have entirely uniform access to services throughout the state. There will always be some geographic regions or types of clients that are more difficult to serve than others, and encouraging private businesses to provide services can be difficult, particularly in rural areas of the state. As discussed earlier in the chapter, however, several of the 15 counties whose ability to deliver human services consistently lagged behind others cited lack of access to key services as a primary contributor to problems meeting human services goals. We think these access issues need to be addressed directly and comprehensively with stronger DHS leadership, oversight, and guidance. DHS may need to play a more direct role—as it did for mental health beds at community hospitals—and seek additional funding, if necessary.

Training and Technical Assistance

As noted earlier in this chapter, Minnesota's human services system is highly complex and often changing. Maintaining staff expertise in such an environment

[41] As we discuss later in the chapter, administration of some home- and community-based health care services has shifted from counties to health plans, making responsibility for these service networks less clear.

is an ongoing challenge for DHS and counties. DHS provides an array of training and technical assistance for its own staff, county staff, and vendors. According to counties, the value of this assistance varies considerably among programs. DHS managers in some program areas are also concerned about the sufficiency of the training and technical assistance they can provide. While we think DHS can work with counties to improve the efficacy of its training and technical assistance, these services are not a panacea for resolving performance issues that are also closely tied with program complexity and funding constraints.

Across program areas, DHS uses a variety of techniques to provide training and program guidance to counties.

All of the DHS program divisions involved in our evaluation provide training and technical assistance to counties. The department uses its own staff and contracted services to develop and deliver training. For example, DHS contracts with the University of Minnesota to operate training offices in various locations around the state. Staff at these offices schedule and deliver child welfare training to counties and providers in their regions. And, across program areas, DHS has made greater use of online and video-conference technologies. In addition to training, DHS's technical assistance strategies include: written guidance in policy manuals and bulletin updates; access to program documents, instructions, and other guidance via the department's website; an internet-based system in which counties can submit written requests for policy guidance to DHS program staff; and individual consultation between county and DHS program staff.

Although the department provides a wide array of training opportunities, several managers identified areas in which additional assistance is needed. For example, DHS no longer routinely provides classroom training on health care eligibility determination, instead relying on online and video conferencing.[42] While this is a less expensive means of providing training, the health care eligibility director said that, for some county workers, in-person training would be more effective. DHS's Children's Mental Health Division offers a 40-hour training curriculum four times a year, but the division director said there is a need for additional training on (1) a new statutory requirement that all children in the child welfare and juvenile justice systems be screened for mental health issues, and (2) diagnostic assessment, diagnosis, and treatment planning. DHS is also concerned that job counselors who work with cash and food assistance clients need additional training to meet new requirements to identify family problems that may be barriers to employment and connect clients with needed resources. According to DHS staff, the department's training resources were cut several years ago during the state budget crisis, and the department has since been rebuilding its training capacity.

County human services directors gave mixed reviews of DHS's technical assistance.

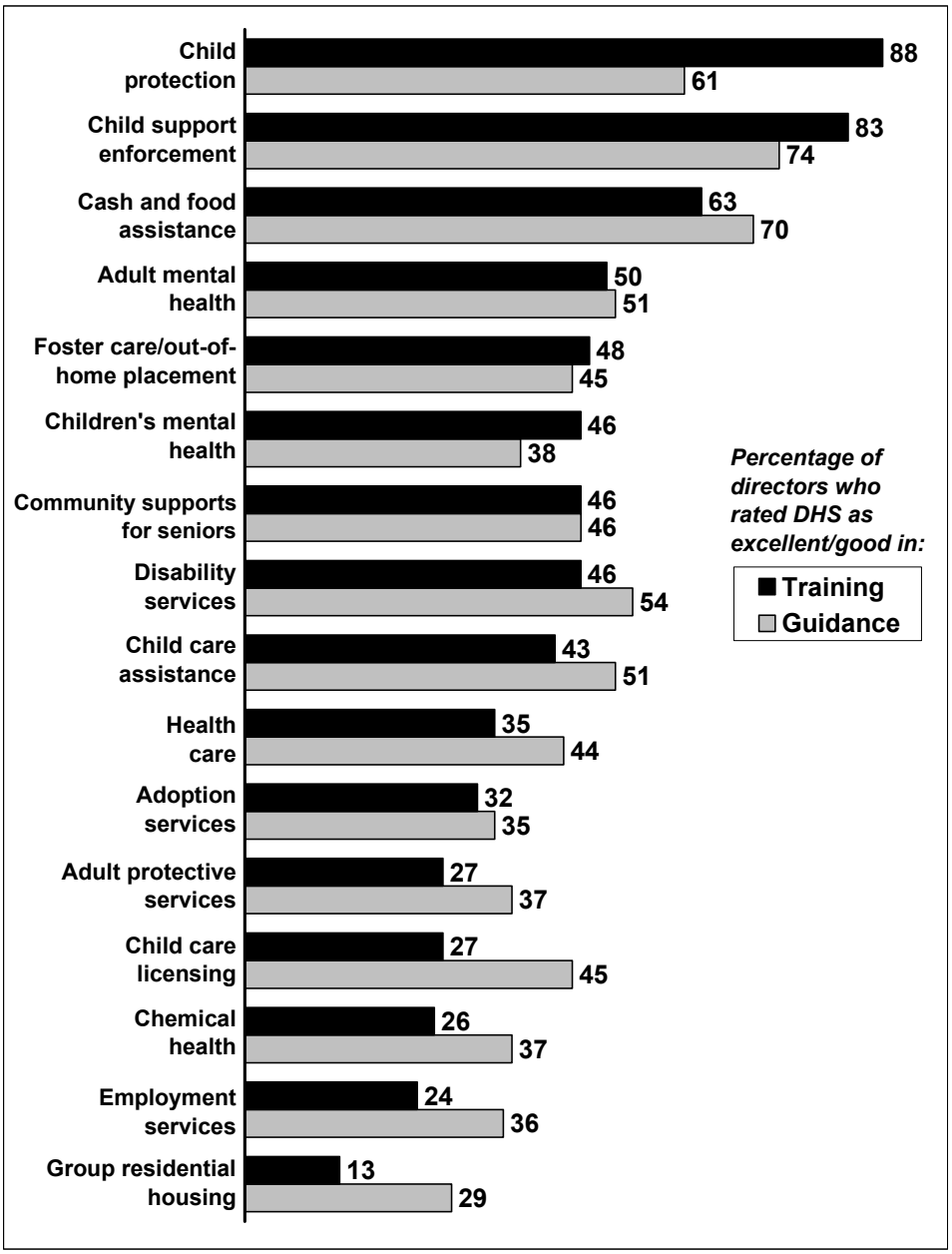
County human services directors gave mixed reviews of DHS's training and technical assistance, as shown in Figure 2.2.[43] Directors' satisfaction with training opportunities ranged from a strong endorsement of training for child protection (88 percent rated it "excellent" or "good") and child support

[42] An exception to this is recent in-person training for county staff when counties took over processing of MinnesotaCare applications.

[43] The survey asked directors to consider training content, presentation, and convenience, then rate the overall adequacy of DHS's training opportunities for county staff in each of 16 listed program areas. Separately, the survey also asked directors to rate the overall clarity of DHS program guidance, such as administrative rules, bulletins, and memos, for the same list of programs.

enforcement (83 percent rated it "excellent" or "good") to lukewarm support for the quality of health care, adult protection, and chemical health training ("excellent" or "good" ratings of 35 percent, 27 percent, and 26 percent, respectively). Directors' ratings of DHS's program guidance followed a pattern similar to that for training, with relatively high ratings for child protection, child support enforcement, and cash and food assistance, and relatively low ratings

Figure 2.2: County Human Services Directors' Ratings of DHS's Training and Program Guidance



SOURCE: Office of the Legislative Auditor August 2006 survey of county human services directors (*N*=84).

for adult protection, chemical health, and group residential housing, among others. In addition, 44 percent of surveyed directors said that DHS does an "excellent" or "good" job identifying and sharing information on best practices.[44]

DHS could use field staff more effectively to help counties.

DHS once had a corps of regional staff to provide technical assistance around the state, but those positions were eliminated more than 20 years ago. According to our survey of human services directors, 81 percent said that DHS should increase the number of its staff working outside the central office. Of the nine DHS divisions that were the primary focus of our review, seven divisions assign some staff to provide technical assistance to certain groups of counties, and three of the divisions have some of these staff based outside of St. Paul. The Children's Mental Health Division, for example, has seven technical assistance staff based in St. Paul, but each is assigned to a group of counties and is encouraged to visit each assigned county at least once a year. DHS's Disability Services Division has a team of seven training and technical assistance staff assigned to specific counties; two are based in St. Paul and the others are located outstate. According to the division director, these staff work directly with disabilities staff in the counties and are key to maintaining a good working relationship between the division and counties.

RECOMMENDATIONS

To improve training and technical assistance services, the Department of Human Services should work with counties to (1) evaluate the training and technical assistance the department provides across programs, and (2) establish priorities and actions needed to address deficiencies.

The Department of Human Services should develop strategies to use field staff more effectively.

Managers across DHS said that training and technical assistance are critical means of helping counties administer human services efficiently and effectively. While models for providing these services differ somewhat among program areas, DHS staff are attempting to identify and meet counties' needs. For example, DHS has a departmentwide training coordination team that includes county staff to help identify needs across program areas. Nevertheless, counties indicated that the training and assistance DHS provides for some program areas is more beneficial than others. We think the department should work with counties to evaluate the techniques and content of training and technical assistance.

[44] After reviewing these survey results, DHS pointed out that, in those areas where county human services directors provided the highest ratings of DHS training and guidance, the federal government has set performance expectations for the state. To meet these standards, DHS invests more (relative to other program areas) in training, guidance, and county-specific performance feedback. DHS also said two areas that do not fare well in the county survey—adoption and group residential housing—are both immensely complex programs in which small counties generally handle very few cases. Thus, according to DHS, the low ratings may be more a function of low workload volume than the quality of DHS's technical assistance.

DHS should also consider how it can use field staff more effectively. DHS managers in divisions that use field staff and many county human services directors value the professional relationships between DHS field staff and counties. Also, as the department translates state and federal policy into daily administrative procedures, it is important for DHS to clearly understand counties' front-line experiences administering human services. The first-hand knowledge of DHS staff who work closely with specific groups of counties can help provide that, particularly if they are based outside of St. Paul or spend a significant amount of time visiting county agencies. We do not specifically recommend that DHS establish regional offices, although that option should be explored if DHS were to assume administrative responsibility for more direct services (as we discuss in Chapter 3).

ACCOUNTABILITY

In earlier sections of this chapter, we examined inconsistencies among counties and challenges related to program complexity, funding pressures, and DHS's administrative assistance to counties. But underlying these challenges are issues of accountability—the extent to which DHS and counties are answerable for providing efficient, effective, and accessible human services within and across programs. Overall, we found that:

- **Accountability in Minnesota's human services system is inadequate.**

In this section, we discuss (1) how well DHS exercises its statutory supervisory authority, (2) the extent to which county boards oversee their human services agencies, (3) the clarity of state laws that define county roles in Minnesota's human services system, (4) the extent to which DHS and counties hold private service providers accountable for performance, and (5) mechanisms for responding to client concerns.

State Supervision

As discussed in Chapter 1, while state law directs counties to administer most human services under state supervision, DHS is ultimately accountable for statewide delivery of human services mandated in state and federal law. Regarding the state's supervisory authority, we found that:

DHS is responsible for systemwide performance management.

- **Overall, the Department of Human Services does not effectively supervise county performance.**

Our evaluation focused on several aspects of state supervision, including the extent to which DHS: (1) establishes performance expectations for program administration and client outcomes, (2) obtains and disseminates county-specific program data, (3) evaluates performance by counties in individual program areas, (4) evaluates counties' overall success administering the full range of human services programs, and (5) directly addresses performance concerns. We identified weaknesses in all of these areas, although strengths and weaknesses in state supervision varied among programs.

DHS has had mixed success establishing performance expectations for human services programs. DHS sets expectations for *administrative processes* better than it establishes measurable performance expectations related to *client outcomes*. Overall, procedural expectations are fairly clear because state law and rules define in detail which services should be available, the process through which an individual or family can apply for services or benefits, and how a client's case should be handled on an ongoing basis (such as the number of face-to-face meetings that need to take place each year). Several DHS staff we interviewed, however, said that it is hard to develop standards for client outcomes. For example, it is more difficult to assess a child's readiness for school (a DHS-proposed measure of child care quality) than to measure how many children are served by child care assistance. In general, human services performance measures and expectations are the most developed in cases where the federal government has mandated them and provided implementation funding—for example, in child support enforcement, cash and food assistance, and child protection. In contrast, DHS managers said that the department has done little, until recently, to develop performance measures for other areas such as aging and disability services or children's and adult mental health. DHS formerly had a staff person in its management and budget division to coordinate performance measurement departmentwide, but the position has been vacant for several years.[45]

DHS has not established performance benchmarks in several program areas, and county-specific program data are not uniformly available.

County-specific program data are not uniformly available. As a result, counties and state policymakers cannot adequately assess county and statewide performance. DHS refers to key performance measures in its budget presentations, but does not actually compile and analyze data for some of them, as shown in Table 2.3. DHS also does not compile basic county-level data for some programs, such as the number and disposition of reports to counties regarding abuse of vulnerable adults in community settings. The department publishes statewide data on the number of nursing beds per thousand residents and the percentage of disabled persons served in home- and community-based settings—both considered to be important performance indicators—but does not publish county-specific data on these indicators. In contrast, the department publishes detailed, county-specific performance data on the Minnesota Family Investment Program each month. Some counties indicated they would like greater access to DHS information systems in order to do their own analyses for the purpose of making more informed decisions about their programs, as well as local service providers' performance.

DHS's use of onsite performance reviews is uneven. At various times, counties may be subject to federal and state performance reviews, but DHS does not routinely conduct county-specific evaluations in some program areas, and not all counties are subject to systematic review. One DHS program manager said that she did not have sufficient resources to routinely visit counties, even on a rotating basis. DHS conducts on-site reviews of counties' child and family services, and

[45] DHS hired someone to fill this position, beginning in January 2007.

Table 2.3: Availability of Selected Key Performance Data, 2004-05

Program	Performance Indicator	Availability of County-Level Data
Minnesota Family Investment Program (MFIP)	• MFIP Self Support Index (percentage of adults working 30+ hours or off MFIP cash assistance three years later)	Yes
	• Percentage of adults participating in work activities for specified hours per week	Yes
Refugee Programs	• Wage rate at job placement	No
	• 90-day job retention rate	No
Child Support Enforcement	• Current child support collection rate	Yes
	• Paternity establishment rate	Yes
Children and Family Services	• Percentage of children who do not experience repeated neglect or abuse within 12 months of prior report	Yes
	• Percentage of children who entered foster care who did not have a prior out-of-home placement in the previous 12 months	Yes
	• Percentage of children reunified in less than 12 months from the time of the latest removal from their home	Yes
	• Number and disposition of reports of child maltreatment	Yes
Child Care	• Percentage of young children who are ready for school (based on observational assessment)	No
	• Percentage of child care assistance recipients who are still employed six months later	No
Group Residential Housing	• Percentage of public-funded long-term care funds expended in institutional versus community setting	Yes
	• Number of moves per calendar year for General Assistance adults	No
Aging and Adult Services	• Percentage of elders served in institutional versus community settings	Yes
	• Percentage of public-funded long-term elder care funds expended in institutional versus community settings	Yes
	• Number and disposition of reports of adult maltreatment in community settings	No
	• Number and percentage of vulnerable adults experiencing repeated neglect or abuse in community settings	No

SOURCES: Office of the Legislative Auditor interviews with DHS staff and review of DHS documents and available performance data.

these reviews have received particularly high marks from counties. In the past year, DHS has also instituted a county review process to evaluate the administration of home- and community-based waiver services for the elderly and disabled. For both the children's services and waiver reviews, each county agency is reviewed about every three to four years.

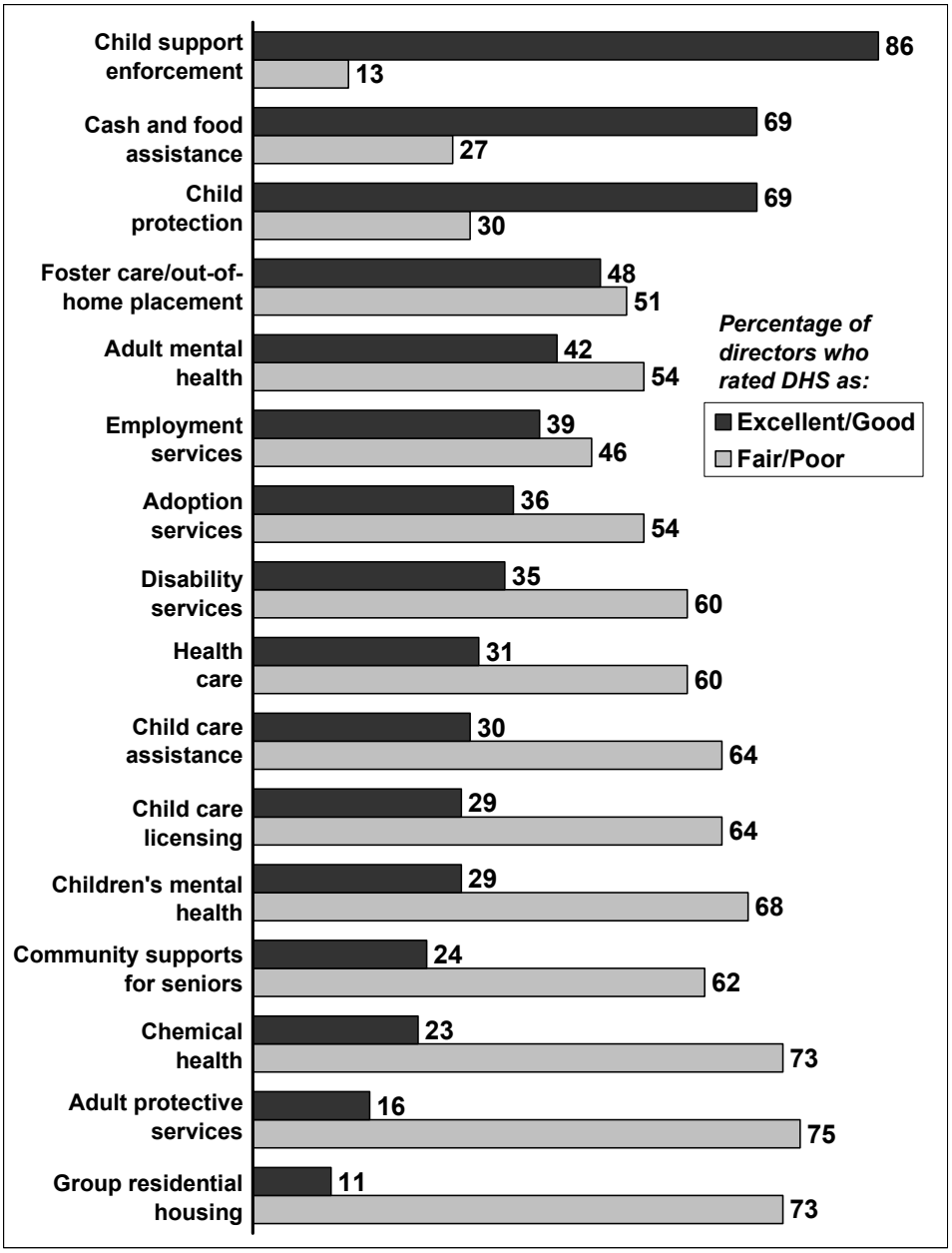
Survey responses from county human services directors corroborate our conclusion that DHS's performance evaluation is uneven. As shown in Figure 2.3, county human services directors gave relatively high ratings of DHS's assistance with performance evaluation for child support enforcement, cash and food assistance, and child protection services, where the federal government has a strong influence over performance measurement. But, for most programs included in our survey, over half of human services directors rated their satisfaction with DHS's assistance in evaluating performance as only "fair" or "poor."

DHS does not sufficiently assess individual counties' overall administrative capacity or the performance of the human services system across programs.

In addition to deficiencies in accountability for performance within individual program areas, DHS does not sufficiently consider individual counties' overall administrative capacity or the performance of the human services system across a range of programs. As a result, the department does not provide integrated assistance to counties that may have problems in multiple program areas. Staff in different DHS program divisions sometimes collaborate and coordinate assistance to counties, but we found little evidence of systematic DHS or county analysis that crossed program boundaries, such as the OLA indicator analysis discussed at the beginning of this chapter. As discussed earlier, the root causes of some performance concerns may be related to a county's demographics, tax base, and clientele, and these factors are likely to manifest themselves across program areas. For example, Hennepin County has performance weaknesses in a variety of program areas, but DHS generally interacts with Hennepin County only on a program-by-program basis. In our opinion, to best address Hennepin County's challenges, DHS needs to take an integrated approach that pulls in staff from across DHS divisions and considers the county's overall administration of human services. Similarly, we found few examples of integrated DHS assistance to small, rural counties that face other types of challenges.

DHS managers believe that they have few options for addressing persistent performance issues in counties. Staff at county human services agencies report to local governing bodies, which limits the state's ability to influence the performance of county human services employees. In addition, managers throughout DHS said they rely primarily on persuasion to influence county behavior, relying on telephone calls and, occasionally, letters. Under certain circumstances, state law allows DHS to withhold funds from counties that fail to meet performance expectations, but DHS rarely, if ever, has chosen to do so

Figure 2.3: County Human Services Directors' Ratings of DHS's Assistance with Evaluating Performance



SOURCE: Office of the Legislative Auditor August 2006 survey of county human services directors (*N*=84).

because managers believe the impact will harm program clients.[46] Many DHS program managers said that (1) most counties want to do the right thing, but (2) if a county chooses not to respond to DHS's concerns, there is little DHS will do (unless the issue is clearly one of legal compliance). For example, one DHS division director wrote:

DHS managers rely primarily on persuasion to influence county actions and said they have few options when a county chooses not to respond to DHS's concerns.

> DHS has a lot of responsibility, but no clear authority to require corrective action. There really is no penalty if counties refuse to perform up to the expected level. The state has no practical ability to suspend county duties, no ability to impose fines, and no legal authority to move administration to any other entity. We have had instances in which we have informed counties that their actions are not allowed. Responses vary. Most are quite attentive and do try to correct the situation. In some cases we have had counties that have ignored us and continue to act outside of our program rules.

DHS generally tries to balance the need to work with large counties that account for the majority of human services clients with the need to monitor and assist small counties. However, one DHS manager said that the performance of large counties is the most important because these counties drive statewide performance indicators; thus, her staff devote limited attention to small counties.

Given continuing issues with wide variation in how programs are implemented and some counties' ongoing struggles to deliver human services overall, persuasion (even combined with technical assistance) is not a sufficient means of improving human services administration statewide. DHS should identify and assist counties experiencing performance problems—whatever the cause—more directly. Our recommendations are aimed at establishing clearer expectations, using qualitative and quantitative analysis to identify issues with state policies and individual county performance, establishing improvement plans that encompass DHS and county actions, refining human services policies, and developing strategies to mitigate external challenges (such as improving access to services in sparsely populated areas of the state). However, program-specific actions are not enough. Some counties face significant challenges and are struggling to deliver services across a range of programs.

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[46] *Minnesota Statutes* 2006, 256.017, grants general authority for DHS to "disallow or withhold state and federal benefit reimbursement and federal administrative reimbursement from county agencies when the actions performed by the county agency are not in compliance with the written policies and procedures established by the commissioner." Other laws authorize DHS to withhold funds related to specific programs. For example, *Minnesota Statutes* 2006, 256M.20, subd. 3, states that if a county is not complying with federal law or regulation related to services covered by the Children and Community Services Act and the noncompliance may result in federal fiscal sanctions, the Commissioner of Human Services may withhold a portion of the county's share of state and federal funds for that program. Similarly, *Minnesota Statutes*, 2006, 119B.08, subd. 4, allows the Commissioner to withhold, reduce, or terminate county allocations for child care assistance.

RECOMMENDATIONS

To establish a performance-based approach for managing human services, the Department of Human Services should:

- ***Develop measures of effectiveness, efficiency, and availability of services that can be used on a statewide and county-specific basis for all human services programs;***
- ***Establish performance targets for each measure, with input from counties and service providers; and***
- ***Periodically provide county-by-county performance information to county human services agencies, their governing boards, and the Legislature.***

To better assess program-specific performance, the Department of Human Services should (1) to the extent possible, apply the on-site review model used in Children and Family Service Reviews to other program areas, and (2) use the results to develop plans for county and department actions to address issues raised.

To better identify and assist counties with multiple challenges, the Department of Human Services should:

- ***Periodically analyze performance measures and other program data to comprehensively assess each county's services across all major program areas;***
- ***Use the results of this analysis to do in-depth reviews with counties that appear to be struggling;***
- ***Assist counties in developing plans for department and county actions to address issues raised in the reviews; and***
- ***Require local governing boards to approve the action plans.***

The Legislature should improve its oversight of human services, including holding the Department of Human Services and individual counties more accountable for performance, following up on the effectiveness of corrective actions, and addressing deficiencies in state law and policies for human services programs.

The Legislature should amend state law to grant the Department of Human Services additional authority to act when a county is unable to meet human services program standards, and it should require the department to specify the circumstances in which it would consider using these options.

We understand that developing meaningful, measurable performance standards and collecting relevant, high-quality performance data is a significant challenge. As the basis for more direct accountability, we think DHS and counties need to invest the resources necessary to establish clear expectations for how human services are administered in Minnesota. Developing performance measures, benchmarks, and supporting data is an evolving process. However, DHS and counties should move forward—even with imperfect data—to establish a more performance-based approach to managing human services.

DHS and counties need to establish a more performance-based approach to managing human services.

When evaluating programs, qualitative data gathered through observation and interviews can be as important, and sometimes more important, than analysis of quantitative data. We think that counties also value this combination of techniques, and that is why many county human services directors strongly support the evaluation model used in the department's children and family services reviews. Because these reviews are labor-intensive for counties and DHS, we do not recommend that similar reviews be done frequently or simultaneously in every program area. Rather, we suggest that DHS work with counties to determine how, when, and in which program areas such reviews would be most useful.

On a day-to-day basis, county human services staff and DHS divisions focus on particular programs or functions. However, we think DHS has focused its oversight efforts too much on program-specific performance, allowing problems with overall administrative capacity and performance in some counties to go largely unaddressed. Using methods similar to those we used for this evaluation or other appropriate techniques, we think the department should periodically review the performance of the human services system across a range of programs and types of indicators to identify those counties that appear to be struggling, overall. Equally important, DHS and counties need to collaborate on state and local actions to address problems. County boards also have important oversight responsibilities, which we discuss in the next section, and should play a role in approving and monitoring any improvement plans.

However, having 84 county human services agencies limits DHS's ability to provide individualized assistance to counties.

The fact that Minnesota has 84 county agencies administering human services adds to the difficulty of implementing our recommendations because we are, in essence, recommending more county-specific evaluation and assistance. In Chapter 3, we discuss the merits of fostering more multi-county agencies, which would make state oversight and assistance easier. But regardless of the number of county administrative agencies, we think that DHS and counties need to directly confront issues with the cost, availability, and quality of human services delivered in some parts of the state.

The Legislature also needs to hold DHS accountable for its performance. Such oversight should include, for example, requiring DHS to (1) report on the status of implementing our recommendations and (2) include actual performance data in its budget submissions rather than simply listing proposed performance measures. Additional information on DHS and county performance will also provide the Legislature with insight about the overall effectiveness of state human services policies.

Also, DHS needs additional authority to act when a county is unable to meet human services program standards. Experience has shown that some of DHS's

existing options—such as providing additional technical assistance or using persuasion—have not always been sufficient. And, as noted, DHS rarely uses its authority to impose financial penalties on counties because of its concerns about the potential impact on clients. Thus, for instances involving persistent or egregious performance problems, DHS needs other options. For such cases, the Legislature should authorize DHS to (1) take over (or contract for) certain services provided by a county, or (2) require counties to consider, with DHS assistance, organizational changes that might improve performance (such as internal changes or mergers with other counties' human services organizations). The Legislature could provide DHS with general authority to take these actions, or it could choose to provide this authority on a case-specific basis when the need arises.

DHS needs additional authority to act when a county is unable to meet human services program standards.

DHS officials said that implementing our recommendations for increased assistance, accountability, and oversight would require a significant resource investment. In particular, the department said that increased performance measurement and reporting would require additional funding. If so, we offer no recommendations about whether this funding should come from increased appropriations or reallocations of existing funding.

Supervision of Counties by Local Governing Boards

While DHS should exercise strong oversight of county performance, so should county governing boards. State law authorizes county boards to "[manage] county funds and business,"[47] so these boards are potentially important bodies for accountability and oversight.[48] In addition, local governing boards should exercise careful oversight because human services represent a large portion of county spending, and human services have widespread impacts on the health, safety, and well-being of local residents.

To help us assess the roles of local governing bodies, we conducted statewide surveys of (1) the human services directors in each county and (2) a sample of county board members.[49] We also interviewed staff in many counties. Although local governing boards vary in their practices, we concluded that:

- **From a statewide perspective, county governing boards do not adequately oversee the performance of local human services agencies, partly because they lack sufficient data to do so.**

County human services directors reported that governing boards have limited impact in areas related to oversight of agency performance. As shown in

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[47] *Minnesota Statutes* 2006, 375.18, subd. 2. The statute provides this authority "except in cases otherwise provided for."

[48] As discussed later, some counties have governing bodies in addition to county boards that could oversee human services delivery. Specifically, some counties have "welfare boards" or "human services boards," although most of the members of these boards are county commissioners.

[49] See the Introduction for additional information on survey response rates and the board member sample.

County governing boards should strengthen their oversight of local human services agencies.

Table 2.4, a majority of directors said that their governing boards had "little or no impact" monitoring program outcomes and setting short-term goals for program performance, and only about one-third reported that their boards had a "strong impact" holding their agencies accountable for performance. In addition, only 5 percent of directors said their boards had a "strong impact" setting broad goals for program performance. County officials also told us that board members often are not sufficiently aware of the areas in which they have (or do not have) discretion to act.

Table 2.4: County Human Services Directors' Ratings of County Board Impact on Human Services

	Percentage of County Human Services Directors Who Said Their Board Had:			
Governing Board Role	Strong Impact	Some Impact	Little or No Impact	No Opinion
Determining agency's staffing	80%	19%	1%	0%
Determining agency's total expenditures	79	18	4	0
Determining salaries of individual employees	61	14	20	5
Holding agency accountable	32	60	8	0
Addressing clients' concerns	26	61	13	0
Setting spending priorities within human services	13	59	27	0
Selecting private service providers	8	32	60	0
Setting broad goals for program performance	5	57	38	0
Setting policies for social services	5	46	49	0
Monitoring program outcomes	4	41	56	0
Setting policies for public health care	4	23	61	13
Setting short-term goals for program performance	1	32	67	0
Setting policies for cash and food assistance	0	11	89	0

SOURCE: Office of the Legislative Auditor August 2006 survey of county human services directors (*N*=84).

In our view, county governing boards should strengthen their oversight roles.[50] This could include a variety of activities: monitoring the county's service effectiveness and efficiency (compared with other counties or with the county's previous performance); setting targets for future performance; signing off on strategic plans for addressing lagging performance; discussing the implications of county budget decisions on program performance; and determining ways to obtain external assistance (such as funding or technical assistance) to address program concerns.

[50] Table 2.4 also shows that county human services directors perceive that their county boards play a limited role in setting policy for human services (with a somewhat larger policy role in social services than in other programs). This is not surprising, given that policies in health care and economic support are prescribed largely by federal and state laws and regulations.

Providing county boards with better performance information would help them monitor human services agencies more effectively.

County governing boards might be able to conduct oversight more effectively if they had better information for evaluating performance. Earlier in this chapter, we noted that DHS has analyzed county-by-county performance information in some, but not all, human services programs. Also, county board members do not necessarily receive these inter-county comparisons; 46 percent of the board members we surveyed said that their local human services agency has "sometimes, rarely, or never" provided them with comparative information on counties' human services performance.[51]

In addition, performance-related data might help county boards make decisions about resource needs. As shown in Table 2.4, county human services directors think that county boards have considerable impact on resource decisions, such as setting overall staffing and spending levels. Similarly, when we asked a sample of county board members to identify their most important role, the most common responses were related to budget and staffing decisions.

In counties where the board of commissioners is the primary governing board for human services, board meetings typically cover a variety of county issues, including human services. Some county officials told us that human services issues do not receive sufficient attention during these meetings and that commissioners have more interest in discussing other topics, such as highways, rather than human services.[52] But, in 26 counties, the main governing bodies that oversee human services regularly devote separate meetings solely to human services issues.[53] Some board members told us that the size, complexity, and importance of counties' human services operations justify separate meetings for human services.

As recommended earlier, we think that DHS should provide county governing boards with more information on the performance of counties' human services programs. This would equip these boards with information to set priorities, allocate resources, and authorize service strategies. But providing local governing boards with better information is only a first step. While one county board member told us that "the only responsibility our board has is to rubber stamp [the] social service director's report," we think that each county board should commit to playing a meaningful, active role in the oversight of its local human services agency. Minnesota's county-administered human services system is worth keeping only if county boards and their human services agencies bring perspectives to decision making that state human services employees could not. Thus, at a minimum, board chairs should ensure that human services issues

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[51] While the survey indicated that county boards often do not receive information that allows for inter-county comparisons, it indicated that boards are more likely to receive information that allows them to compare their county's recent performance with its previous performance. About 27 percent of the board members surveyed said they "sometimes, rarely, or never" receive information that allows them to monitor performance changes from one year to the next.

[52] In our survey of human services directors, 39 percent said that their board members "sometimes, rarely, or never" have a sufficient understanding of key human services issues. In addition, 10 percent of the board members we surveyed said that agency staff "sometimes, rarely, or never" keep them well informed about key human services issues.

[53] Directors in counties with separate board meetings devoted to human services were slightly more likely than other directors to express satisfaction with their board members' knowledge of human services issues and their time commitment to human services discussions.

receive the time for discussion they deserve. Furthermore, as we recommended earlier, we think that county boards should be required to approve action plans when programs fail to meet statewide performance expectations. In addition, DHS should help county governing boards identify the human services areas in which the boards have discretion to act.

Issues Regarding Counties' Statutory Authority

Clear lines of authority are an important part of strong accountability.

Clear lines of authority are an important element of a strong accountability system. We examined the statutes that underlie Minnesota's "state-supervised, county-administered" human services system, and we found that:

- **State statutes that outline county roles in the human services system are fragmented and unclear.**

As described in Chapter 1 (see Table 1.4), the human services department in each county is governed predominantly by one of three types of governing boards: county boards of commissioners, "welfare boards," or "human services boards."[54] Separate statutory provisions define the roles and composition of each.[55]

However, the statutes assign overlapping roles to these governing boards, leading counties to disregard certain statutory provisions while following others. For example, *Minnesota Statutes* 2006, chapter 393, says that a "welfare board" in each county "shall administer all forms of public welfare, both for children and adults, responsibility for which now or hereafter may be imposed on the commissioner of human services."[56] This language remained in place when the Legislature enacted laws that addressed the governance roles of human services boards (in 1973) and county boards (in 1979). Today, only 17 counties comply with the statutory requirement for each county to have a welfare board.

In addition, the statutes no longer specify which local governing body has authority to administer economic support programs. Until 2003, the statutes authorized a county board to designate itself, a human services board, or a county welfare board to administer these services.[57] But the Legislature repealed the statute that contained this language, and comparable language was not enacted elsewhere in statute. Appendix D has a further discussion of these and other examples of how current state laws do not establish clear lines of authority.

There are several reasons that these statutory issues should be a matter of concern to legislators, even though these issues have had minimal effect on the day-to-

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[54] The term "welfare boards" no longer appears in statute. The statutes now refer to these boards as "local social services agencies," although state and local officials still commonly refer to them as "welfare boards."

[55] The main statutes that establish human services administrative roles for these types of boards are *Minnesota Statutes* 2006, chapter 256M (county boards), chapter 393 (welfare boards), and chapter 402 (human services boards).

[56] *Minnesota Statutes* 2006, 393.07, subd. 2.

[57] *Minnesota Statutes* 2002, 256E.08, subd. 3 (repealed in 2003).

day operations of local human services programs. First, as noted in Chapter 1, counties have only the authority granted to them by state statute. If counties administer services without clear statutory authorization, they are not complying with the law. Second, the existing statutes do not clearly specify where accountability rests at the local level. When clients or client advocates have concerns about local service delivery, or when state officials have concerns about a program's performance, the local lines of authority should be clearly defined. Third, we are not convinced that important public purposes are served by the inconsistencies that exist among the three types of local governing boards authorized in statute. For example, it is unclear why the 17 counties with welfare boards should have some of their board members appointed by DHS (see Table 1.4), while other counties do not. Likewise, it is unclear why the 17 counties with human services boards should be required to get periodic input from local advisory committees, while other counties are not required to do so.

RECOMMENDATION

The Legislature should clarify statutory authority for local human services governance, based on a review of provisions in Minnesota Statutes, chapters 256M, 393, and 402.

The Legislature should consolidate and clarify the various statutory provisions regarding local governance of human services.

In our view, the Legislature should consolidate the provisions for local governance of human services into a single chapter of statutes that applies to all counties. In doing so, the Legislature should consult with DHS and county representatives. The consolidated statute should have provisions that address the composition of local governing boards, including the roles (if any) of persons other than elected county officials. Also, the statute should address the scope of the boards' administrative duties, the authority of the boards to hire directors and staff, and the roles (if any) of advisory committees to the boards. This statute, like chapters 393 and 402 of existing law, should have provisions that allow counties to form multi-county governing bodies.

Officials in counties with human services boards and welfare boards often told us that they like having governing bodies that focus exclusively on human services issues. If the Legislature decides to designate the county board as the local governing body for human services, this board would still have the option of holding separate meetings on human services issues.

Management of Contracted Services

DHS is state government's largest purchaser of services from private sector organizations.

Private service providers play an integral role in Minnesota's human services system. DHS is the state government's largest purchaser of services from private sector organizations, many of which are nonprofit organizations paid through state grants. In 2005, for example, DHS made grant payments totaling $3.2 billion to institutions (such as hospitals and health plans) and to other nonprofit organizations. In addition, counties contract with many local human services providers. In 2005, about 64 percent of county social services spending was for purchased services, and in total, counties spent about $770 million on purchased services. We found that:

- **Oversight of private service providers by DHS and counties needs additional attention.**

As contract administrators, DHS and counties need to ensure adequate accountability for money paid to private organizations that provide human services. While our evaluation did not specifically focus on DHS and county practices for awarding and monitoring contracts with outside service providers, we identified a number of issues that point to a need for additional attention to contract oversight.

First, DHS could improve certain aspects of its grants management practices. Our office recently reviewed statewide practices for awarding and managing grant contracts, and DHS was one of six state agencies reviewed in detail.[58] Although we found that DHS had more comprehensive policies and procedures for managing grants than most of the agencies we reviewed, our evaluation identified various ways DHS should improve grants management—for example, reviewing organizations' governance arrangements and financial documents before entering into contracts; implementing procedures for monitoring the performance of contractors; and reconciling samples of contractor expenditures to supporting documentation.

DHS and counties need better data to oversee health care services provided by managed care organizations.

Second, state and county officials questioned whether sufficient data are available to comprehensively oversee health care services provided by managed care organizations. For example, in September 2005 DHS released its first report comparing the performance of Minnesota's managed care plans, but the document was not sent to county human services directors or posted on the agency's website.[59] Also, state and county officials would like to see more analysis of data on clients' use of managed care services. Such analysis could help indicate whether managed care plans are providing expected levels of service. Managed care organizations are required to submit data (known as "encounter" data) on the health care services they provide. However, because of

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[58] Minnesota Office of the Legislative Auditor, *State Grants to Nonprofit Organizations* (St. Paul, 2007), 29-30.

[59] The document was sent to a county commissioner in each county. Some human services directors told us they would like information from DHS that helps them judge the adequacy of health care services, or to compare the services of health plans operated by private organizations with those operated by counties.

limitations in the department's information systems, the encounter data are not edited for accuracy to the extent that the department would like.[60]

Third, there is a need for improved oversight of managed care organizations as they provide services beyond basic health care. In 2005, Minnesota expanded statewide what had been a demonstration project for seniors enrolled in Medical Assistance (Minnesota Senior Health Options). Under this program, managed care organizations make arrangements for provision of home- and community-based support services in addition to providing seniors with basic health care services. Previously, county staff made arrangements for seniors' support services, and the transfer of these responsibilities to health plans presents new accountability challenges. For example, various DHS and county staff question whether health plans have sufficient expertise to effectively manage referrals of clients to support services.[61] Also, while some DHS officials told us they encountered few serious problems as Minnesota Senior Health Options was implemented statewide, some DHS and county staff are concerned that the state has not adequately ensured that health plans are devoting sufficient resources to oversight of the providers of support services. No specific state requirements currently exist regarding how health plans should oversee their providers of support services, and health plans are not subject to the oversight of a publicly-accountable governing board (in contrast to county human services agencies).[62]

Most county human services directors said they need more assistance with contract management.

Finally, there may also be room to improve counties' oversight of the providers from which they purchase services. Some county officials told us that they lack the resources and expertise to adequately develop and manage contracts. Also, although counties often use state and federal funds to purchase services, DHS is not closely involved with county oversight of the providers. Nearly 90 percent of county human services directors reported in our survey that DHS does a "fair" or "poor" job helping counties identify good practices for contracting with service providers.

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[60] According to DHS officials, this limitation does not render the encounter database unusable, and for most purposes, they think the encounter database is adequate.

[61] Many private health plans have contracted with counties to continue providing these "case management" duties since 2005, partly reflecting the health plans' limited capabilities to assume responsibility for these tasks.

[62] In addition, county officials said there are unresolved legal issues regarding counties' new roles in the Minnesota Senior Health Options program. Specifically, they questioned (1) whether existing law authorizes counties to provide case management services as contractors to health plans, and (2) whether statutory limits on county tort liability apply to counties providing these services.

RECOMMENDATIONS

The Department of Human Services should carefully monitor the health plans' provision of case management services and their ability to develop and maintain networks of local service providers before the health plans are given similar responsibilities for mental health services or services for the disabled.

The Department of Human Services should expedite a resolution of problems with the transfer of encounter data from managed care plans.

Annually, the Department of Human Services should send external quality review reports of managed care organizations to county human services agencies, and it should post the reports on its public website.

The Department of Human Services, with assistance from the Department of Administration, should (1) develop model county contracts for local human services providers and (2) develop and deliver a training curriculum on contract management.

Managed care organizations provide a significant share of Minnesota's human services, so DHS should hold them publicly accountable for performance of contract terms. The health plans' new responsibilities for providing seniors with case management services and home- and community-based support services are especially worth monitoring because DHS proposed implementing a similar delivery model for adult and children's mental health in 2006 and intends to present it to the Legislature again in 2007. According to DHS, the department is in the process of developing an evaluation of the Minnesota Senior Health Options program that will look specifically at the health plans' expanded responsibilities, including issues associated with the transition of these responsibilities from counties to the plans.

Also, it is important for DHS to make available high-quality data on health plans' performance in delivering health care services. Thus, DHS should act as quickly as possible to resolve technical problems with managed care encounter data. In addition, the department should make data and reports comparing health plan performance more readily accessible to county officials and the public.

We also think that counties need additional assistance with contract management. In a recent report, our office recommended that Minnesota establish a Grants Management Office in either the Department of Administration or the Department of Finance. We also recommended that this office develop a standard grant contract and disseminate best practices for grant management to state and county government agencies.[63] If our recommendations are implemented, we expect that DHS would direct counties to these resources and provide additional assistance, as needed.

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[63] OLA, *State Grants to Nonprofit Organizations*, 39-41.

Mechanisms for Responding to Client Concerns

Clients should have ways to ask questions, voice concerns, and have their concerns fairly addressed.

In any human services system, applicants and recipients will occasionally have service-related questions and concerns. For example, individuals may have questions about how to comply with the complex requirements of Medical Assistance or the Minnesota Family Investment Program. Or, individuals may question the appropriateness of counties' eligibility decisions or the quality of the services they receive. A strong accountability system should ensure that clients have adequate opportunities to ask questions, voice concerns, and have these concerns fairly addressed. We found that:

- **Clients have several useful ways to seek redress when service-related concerns arise, but these options are not always adequate.**

First, clients can voice their concerns or questions to staff in their county's human services administrative agency. Because counties directly administer most human services programs, it is reasonable for a client to initially seek answers from local case managers, supervisors, or agency managers. But, if clients have concerns about the local agency's decisions or practices, agency staff might not provide objective advice. Also, client advocacy groups told us that it is sometimes difficult for clients to determine which agency staff to contact about their questions or concerns.[64]

Second, clients can bring their concerns to a member of the local governing board that oversees the county human services agency. In fact, one reason for having a county-administered human services system is that local boards provide a mechanism for getting citizen input on service delivery issues. But county officials and client advocacy groups told us that board members vary considerably in their ability and willingness to assist human services clients.

Third, individuals can seek resolution of some types of issues through a formal appeals process. For example, applicants for services can request hearings at DHS if they believe that county eligibility decisions have been incorrect or untimely. In these cases, administrative judges consider evidence from the applicant and county before making a decision. But staff with the Minnesota Disability Law Center told us that there are too few appeals filed because counties often do not (1) inform clients of their right to appeal, and (2) provide applicants with formal notification that the services they applied for have been denied. (We did not independently verify whether clients are adequately informed about the appeals process or service denials.) Also, the appeals process is designed to address some, not all, types of client concerns. For example, a client with concerns about the quality of services they received from county staff or a private service provider could not pursue these issues through an appeals process.

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[64] During our study, we spoke with the following individuals and groups to hear client concerns: the state ombudsman for mental health and developmental disabilities; the state ombudsman for managed care; the Governor's Council on Developmental Disabilities; and representatives from various groups that represent low-income Minnesotans and people with mental illness or disabilities.

Fourth, *Minnesota Statutes* establish state ombudsmen to act on behalf of clients in certain service areas. The state employs an ombudsman for older Minnesotans, an ombudsman for mental health and developmental disabilities, and an ombudsman for managed health care programs.[65] The ombudsman offices try to help clients (or service applicants) address service-related problems. However, ombudsmen, other client advocates, and DHS officials told us about limitations on the ability of these offices to provide assistance: lack of client awareness of ombudsman offices, staffing constraints that limit the number of cases these offices can handle, and limited authority to address problems they find.[66] In addition, there are ombudsmen in some, but not all, human services programs.

These options and others provide important mechanisms for addressing clients' service-related questions or concerns.[67] But, for the reasons discussed above, these options are not always sufficient. Client advocates told us that human services clients do not always understand their options, perhaps reflecting the complexity of the human services system and the differences in appeal or complaint options among programs. Also, clients' cognitive disabilities or language barriers may limit their ability to navigate a complex human services bureaucracy when service problems arise.

DHS should ensure that counties inform clients about how service-related concerns can be addressed.

There is no simple way to ensure that client concerns about service delivery will be adequately addressed. Nevertheless, Minnesota law requires DHS to ensure that qualifying individuals receive timely, accurate, complete, and high-quality services.[68] We offer the following recommendations as additional ways that DHS could address clients' service-related concerns.

RECOMMENDATIONS

The Department of Human Services should ensure that all county human services agencies inform clients about options for submitting and pursuing grievances about services or service-related decisions.

The Department of Human Services should modify the main page of its website to make it easier for individuals to submit service-related questions and concerns to department staff.

In general, we think that counties should strive to implement easy ways for clients to ask questions or express concerns. To supplement existing options, perhaps each county should designate one of its managers as the "client services specialist"—to receive concerns or questions from clients, refer them to

[65] The position of state ombudsman for older Minnesotans was vacant for 18 months until being filled recently, although other DHS staff fulfilled client advocacy duties in the meantime.

[66] In some counties, the ombudsman for managed health care relies on county financial workers to fulfill the ombudsman role on behalf of clients.

[67] In addition to the options discussed here, DHS and many individual counties provide information on their websites that describes human services programs and addresses common questions. Also, clients can contact program or licensing staff at DHS to express concerns about county services.

[68] *Minnesota Statutes* 2006, 256.01, subd. 2.

appropriate county or state staff, and advise clients on options to pursue. Counties should find good ways to inform clients about appeal options, ombudsman services, and whom to contact with service-related questions or concerns.

Also, we think that DHS's website could provide a simpler way for individuals to pose questions or concerns. The main page of this website currently links to a list of phone numbers for particular programs, and the list is very long and detailed. This may be helpful for some people, but some clients may find it difficult to determine the "right" program or person to contact. Thus, providing an easy-to-find place to submit a general question or concern would be a useful addition to the website.

DHS-COUNTY RELATIONSHIPS

To fulfill its statutory obligations, DHS is required to hold counties accountable for performance and ensure that they comply with the law. DHS is also responsible for providing statewide leadership and direction for Minnesota's human services system. DHS has authority over counties in important areas, which may sometimes be a source of tension between state and local officials. Nevertheless, in a "state-supervised, county-administered" human services system, state and local human services agencies must have constructive working relationships. These relationships affect the success of policy development and program implementation. We found that:

In Minnesota's human services system, the state and counties must have constructive working relationships.

- **Minnesota's human services system has been hampered by strained working relationships between DHS and the counties.**

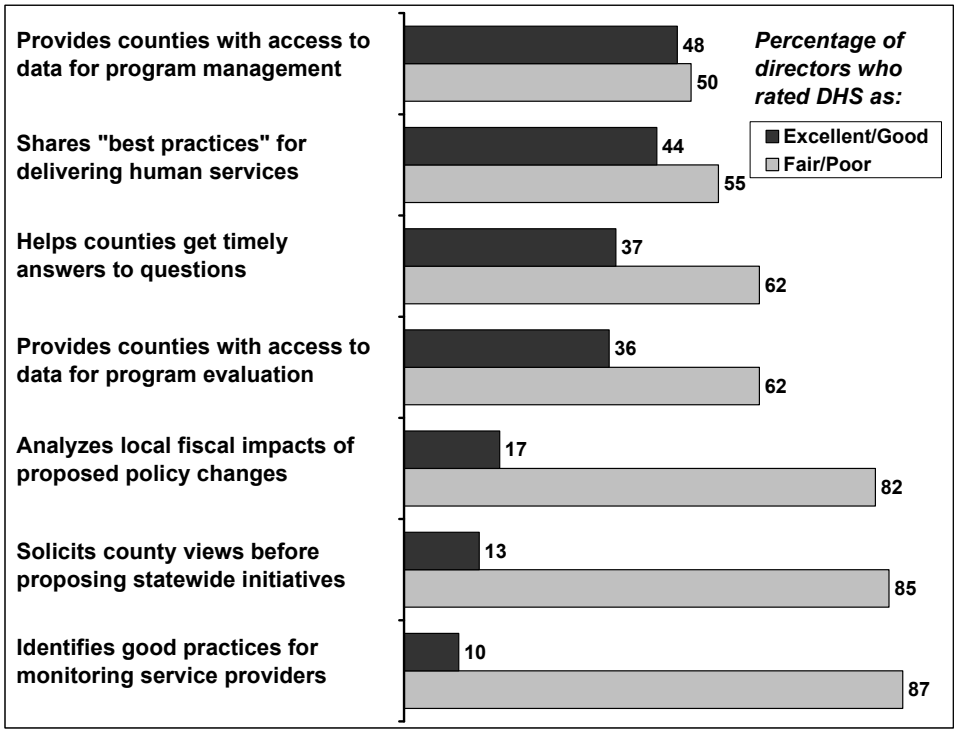
We recognize that the strength of the relationships between DHS and the counties depends on the efforts made by both parties. Nevertheless, DHS's Commissioner and senior managers play key roles in setting the relationships' tone—by the formal channels of communication they establish with counties, by their willingness to visit counties or attend meetings of county officials, and by their willingness to listen to county concerns and make decisions that are "workable" from a county perspective. The level of commitment by DHS's Commissioner and top managers to working closely with the counties has varied over time and by program, according to state and local officials with whom we spoke.

Many county officials indicated that there is significant room for improvement in the DHS-county relationships. Figure 2.4 highlights survey responses in which county human services directors gave DHS overall ratings for various aspects of its ongoing relationships with the counties.[69] For example, 85 percent of directors said that DHS does only a "fair" or "poor" job of soliciting the views of county representatives before proposing statewide initiatives. The directors gave DHS somewhat better ratings for sharing data with counties on "best practices" and day-to-day program management, but a majority of directors rated DHS as "fair" or "poor" in these areas, too. The county board members we surveyed

[69] The survey asked human services directors to provide an overall rating of DHS in each area, even if their views differed by program area.

expressed somewhat more favorable opinions than those shown in Figure 2.4; 54 percent said that DHS has a "good working relationship with counties," while 43 percent said it does not.[70]

Figure 2.4: County Human Services Directors' Ratings of DHS's Relationships with Counties



SOURCE: Office of the Legislative Auditor August 2006 survey of county human services directors (*N*=84).

State and local officials think there is room for improvement in DHS-county relationships.

Many county and state officials told us that DHS-county relationships have deteriorated during the past several years. For example, one county human services director said: "[Our county's ratings of DHS] would have been much higher four years ago. [During] these past four years, with the state budget shortfalls, it appears DHS is shifting cost to counties and has not teamed with counties to solve problems." Another county director said: "The state and county relationship has, over the past four years, become less of a partnership than in previous years. It is common for decisions to be made by the state and then counties are told of the decision and may be asked for their 'input.'" In particular, many human services directors disagreed with the state's decision to reassign responsibility for case management duties for seniors on Medical Assistance from the counties to health plans, and many did not support DHS's

[70] Our survey of a sample of county board members only asked one question about the DHS-county relationship, while the survey of county human services directors asked a variety of questions about different aspects of this relationship.

proposal for a similar transfer of case management duties in mental health services.[71] They said that DHS seems too willing to rely on private health plans for services without seriously considering counties' concerns about the quality of services the health plans provide. Local officials are concerned that DHS views counties as "just another provider," despite the important administrative roles assigned to counties in state law.

Although counties are concerned about their relationships with DHS, it appears that DHS and counties have worked together more constructively in some program areas than others. For example, in interviews and surveys, county officials tended to give higher marks to DHS in children and family services, compared with other program areas. Some local officials said that DHS managers in this program area have made stronger efforts to work with counties and solicit local opinions. Others said they liked the information that DHS has provided to counties in this area, such as county-specific performance information and DHS reviews of counties' child and family services programs.

Counties want more partnership with the state, but DHS thinks some counties have been too slow to implement changes in state policy.

DHS officials acknowledged that state-county relationships have been strained. However, they said that counties bear some responsibility for these tensions. One DHS official said that, barring blatant noncompliance with statutes or rules, "counties administer human services the way they want to. When DHS disagrees with a county, everyone knows that the county can ultimately 'thumb its nose' at the state." Some DHS officials expressed frustration that some counties have been too slow to implement changes in state policy. This rift has been particularly noticeable regarding children's mental health, where DHS is leading a change in state policy to focus on children's mental health as a program area that is distinct from child welfare, with its own diagnostic and clinical practices.[72] DHS is dissatisfied with some counties' progress in implementing the children's mental health system and with the resulting variability in services around the state.[73]

To facilitate state-county communication, DHS has had a county liaison position in the Commissioner's office since 1994. When the staff position was created, it focused solely on DHS-county relations. At that time, the liaison was expected to advocate for counties and challenge members of the department's executive team to view policy and implementation issues from the county perspective. Since then, the position (now called "chief of staff") has been changed to encompass other duties, but it remains the central contact point for county staff who want to raise a question or issue with the Commissioner's office. The

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[71] In our August 2006 survey of human services directors, only 20 percent said that health plans should continue to play an important role in coordinating health care and related social services. The health plans have contracted with counties to provide these services in many parts of the state, so many county officials do not think this transfer resulted in better or more cost-effective services. Also, only 14 percent of directors said that health plans should have a larger role in coordinating care and social services for people with serious and persistent mental illness.

[72] This policy was enacted in the Minnesota Comprehensive Children's Mental Health Act, *Laws of Minnesota* 1989, chapter 282, article 4, section 37.

[73] DHS officials also expressed frustration that county umbrella organizations—such as the Association of Minnesota Counties and Minnesota Association of County Social Service Administrators—have not always communicated effectively with their members.

current incumbent has visited all 84 county human services administrative agencies since 2003. County representatives said that this person fulfills an important role in facilitating communication between DHS and counties, but they said they do not perceive that this position is intended to advocate on behalf of county interests as had previously been the case.

In addition to the communication that occurs through the DHS liaison, there are other opportunities for DHS-county collaboration. DHS staff have regularly attended meetings of the Minnesota Association of County Social Service Administrators (MACSSA) and the Association of Minnesota Counties (AMC), and DHS and counties have collaborated on a variety of projects. For example, as an offshoot of a broader AMC project on the future of Minnesota counties, DHS co-leads a task force on managing change in the human services system.[74] According to DHS, department staff and county representatives participate in 60 or more working committees at any given time to discuss and resolve specific administrative or policy issues.[75]

Both DHS and counties need to take more responsibility for improving working relationships.

We think that stronger DHS-county working relationships would help produce a more effective, efficient human services system. Although DHS and the counties must both foster good working relationships, we think that DHS should play a leading role.

RECOMMENDATION

The Commissioner of Human Services should strive to establish better channels of communication with representatives of counties' human services agencies and their governing bodies.

We do not offer recommendations for specific structural changes to improve communication. One option is for DHS to establish an ongoing human services advisory committee comprised of representatives of county governing boards, similar to a committee of this sort established by the Minnesota Department of

[74] The broader effort is the AMC "County Futures Project." The presumption behind this effort is that, as currently structured, county roles and responsibilities are not sustainable given growing workloads, funding constraints, and demographic trends. This project's goals include determining which services counties are best positioned to provide, which services or roles could be given up, where collaboration and consolidation might make sense, and how the state-county relationship can be improved. The joint task force with DHS, "Managing Change in Human Services," has similar goals; however, the task force is currently inactive due to administrative changes at DHS. According to AMC, the task force has not functioned as effectively as some of its members would like. For more information on the human services task force, see Minnesota Association of County Social Service Administrators, *The Future of County Human Services: A MACSSA Policy Statement and Analysis* (June 2005); http://www.mncounties.org/Special_Projects/Futures/ManagingChange/50405%20MACSSA%20Policy.pdf; accessed November 14, 2006.

[75] DHS noted that many of its legislative proposals are confidential until the Governor's budget is released, thus limiting the department's ability to share information with counties. In addition, DHS officials said they have encouraged county associations to share their policy positions with DHS in advance of DHS's decision-making processes. DHS begins planning for the next legislative session immediately after the current session ends. To fully participate in this process, the department said counties would also have to start their policy proposal deliberations immediately after the session.

Health. Some county board members told us they would welcome such a committee. Or, perhaps DHS should find ways to solicit input from county officials on important DHS responsibilities—such as negotiation of contracts with health plans—that can have important impacts on client services throughout the state.[76] In general, there are various ways that agency managers, program managers, or line staff—both within DHS and individual counties—could initiate improvements in the ongoing DHS-county working relationships.

[76] In our survey of county human services directors, 85 percent said that county representatives should have a larger role in DHS' contract negotiations with health plans.

3 Alternate Administrative Arrangements

SUMMARY

Minnesota's human services system relies mainly on single-county human services agencies to directly administer most programs. However, multi-county agencies in human services, community corrections, and public health have demonstrated that consolidations can improve the effectiveness, efficiency, and consistency of services in smaller counties. The Legislature should consider ways to more strongly encourage small counties to jointly administer human services agencies. It would be impractical and undesirable for the state to assume administrative responsibility for all of the human services programs now administered by counties, but there are several programs for which a transfer of responsibility from the counties to the state should be considered.

In Chapter 2, we examined how to improve Minnesota's human services system without making fundamental changes in the underlying state and county administrative structures. But we also reported that inconsistencies in human services delivery across the state result partly from Minnesota's reliance on 84 administrative agencies that have considerable discretion in the delivery of some services. In addition, some counties—including a disproportionate share of the less populous ones—struggle to provide cost-effective services and comply with increasingly complex program requirements. To the extent that current administrative arrangements contribute to inconsistent, ineffective, or inefficient delivery of human services, these structures should be critically examined. Consequently, this chapter addresses the following questions:

- **To what extent have state laws and incentives fostered consolidation of county human services administration?**
- **Should Minnesota make greater use of multi-county administrative agencies for human services?**
- **Should the Legislature transfer responsibility for certain human services duties from counties to the state?**

In the past, some policymakers have asked whether Minnesota should "regionalize" its administration of certain human services. We have avoided using this term because it is vague; "regionalizing" could take different forms. For example, "regionalizing" could occur when combinations of two or more counties administer their human services agencies jointly; we discuss this option in this chapter. Also, "regionalizing" could occur if the Minnesota Department of Human Services (DHS)—which now fulfills most of its administrative functions from its central offices in St. Paul—established regional field offices from which its employees would directly administer certain programs. This

chapter discusses this option, too; although we focused primarily on *whether* certain responsibilities should be transferred to DHS rather than on *how* DHS should organize its service delivery.

To help us explore the desirability of agency consolidations at the county level, we interviewed directors of multi-county agencies in the human services, public health, and community corrections fields. We also reviewed previous studies of agency consolidations and analyzed expenditures on administrative staff for a sample of county human services agencies. In addition, we interviewed and surveyed directors of county human services agencies throughout the state, and we interviewed DHS staff and representatives of client advocacy groups.

CHANGES IN COUNTY HUMAN SERVICES ADMINISTRATIVE STRUCTURES

A goal of the 1973 Human Services Act was the consolidation of some counties' human services agencies.

Issues concerning Minnesota's state-county human services structure are not new. In the early 1970s, the Legislature considered transferring responsibility for human services administration from counties to a single state agency. The Legislature also considered whether services should be delivered through a smaller number of county welfare agencies (15 to 30 agencies, rather than 87). The Legislature did not authorize a state takeover of county human services administration, nor did it require county welfare agencies to consolidate. Rather, the 1973 Legislature passed the Human Services Act, which remains part of Minnesota law today. The act authorized counties—individually or in combination—to create a single human services board that would manage all human services, health, and corrections programs. Creation of these boards was voluntary, although the Legislature initially appropriated funding to plan and implement some multi-county human services boards on a pilot basis.[1]

The State Planning Agency, which oversaw these efforts, summarized the Human Services Act's underlying assumptions as follows:

> (1) The most powerful lever for encouraging integration [of services] is a single point for policy making and for funding. (2) Many of the present counties are too small to provide the array of services desirable for citizens of the state. The economies of scale gained with a population base of 50,000 makes efficiencies and effectiveness of services more probable. (3) Needs can best be met with legislation which provides flexibility for local public officials, professionals and citizens to build their own system for the delivery of services in accordance with unique local needs.[2]

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[1] *Laws of Minnesota* 1973, chapter 716. The act appropriated $183,000 for grants, evaluation, and coordination during the 1974-75 biennium.

[2] Minnesota State Planning Agency, *The Faribault, Martin, Watonwan Human Services Board: A Study of the Implementation of the Human Services Act* (St. Paul, January 1978), 3. The Human Services Act was voluntary, but it was initially limited to (1) one or more counties with a total population of 50,000 or more, or (2) all of the counties comprising a particular region of the state.

In the sections below, we discuss two of the Human Services Act's main aims: (1) the development of additional multi-county human services agencies, and (2) the integration of administrative duties between human services agencies and related agencies within individual counties.

Establishing Additional Multi-County Human Services Agencies

More than 30 years ago, the Association of Minnesota Counties reported that county and state officials had come to the conclusion "that many counties were too small in population and resources to efficiently support a number of human services."[3] Since that time, the circumstances of these small counties have not improved. Table 3.1 shows that, in aggregate, Minnesota's 32 least populous counties in 1970 lost population in subsequent years. One goal of the 1973 Human Services Act was to foster the development of more multi-county administrative agencies. However, we found that:

- **Contrary to the Legislature's expectations in the 1973 Human Services Act, few counties have consolidated their administrative structures to form multi-county human services agencies.**

Today, however, only five counties participate in multi-county human services agencies.

Only 5 of Minnesota's 87 counties participate in multi-county human services agencies—that is, agencies that jointly staff their human services programs and report to a multi-county governing board. Each of the other 82 counties operates its own human services administrative agency. The two multi-county agencies that exist today (Faribault-Martin and Lincoln-Lyon-Murray) each started in the mid-1970s; since then, no other counties have formed multi-county human services agencies.[4] Table 3.2 provides information on these two multi-county human services structures.

Table 3.1: Change in County Populations, 1970-2005

County Population, 1970	Number of Minnesota Counties in this Population Range, 1970	Median Percentage Change in County Population, 1970-2005	Number of Minnesota Counties in this Population Range, 2005
Less than 10,000	12	-19%	18
10,000-14,999	20	-16	11
15,000-19,999	13	29	11
20,000-29,999	20	21	12
30,000-49,999	13	25	18
50,000 and more	9	50	17

SOURCE: Office of the Legislative Auditor analysis of U.S. Census Bureau data.

[3] Association of Minnesota Counties, *The Minnesota Human Services Act: The 1973-75 Approach to Local Human Service Integration in Minnesota* (St. Paul, July 1974), 6.

[4] The Faribault-Martin human services agency reports to a human services board, created pursuant to *Minnesota Statutes* chapter 402. The Lincoln-Lyon-Murray human services agency reports to a multi-county welfare board, created pursuant to *Minnesota Statutes* chapter 393.

Table 3.2: Minnesota's Two Multi-County Human Services Agencies

	Faribault-Martin	Lincoln-Lyon-Murray
County populations (2005)	Faribault: 15,506 Martin: 21,002	Lincoln: 6,050 Lyon: 24,472 Murray: 8,852
History	Faribault, Martin, and Watonwan counties established a joint "human services board" in 1975. Watonwan County withdrew in 1990, for reasons that were not entirely clear to people from these counties with whom we spoke.	The three counties established a joint "welfare board" in 1974. In early 2007, Pipestone County decided not to join Lincoln-Lyon-Murray's human services board and agency.
Governing board	12 members (5 county commissioners and 1 lay member from each county)	9 members (2 county commissioners and 1 lay member from each county)
Joint powers agreement?	Yes	Yes
County financial obligations	Each county's share of costs is based on its share of the two counties' total population.	Each county's share of costs is based on its share of the three counties' 1973 welfare costs.
Comments from external reviews of the multi-county structure	According to the State Planning Agency (1978), "significant advances" in service integration, county cooperation, service capacity, and funding occurred after the consolidation. It said the merger provided the size needed to achieve economies of scale and enhance management capabilities.[a]	The Minnesota Department of Human Services (1987) said: "There is board consensus that this arrangement results in more and better services to more people at less cost than were each of the counties to operate independently."[b] DHS said that centralization of some services in one county and increased driving time caused some concerns, but these were not serious problems "in relation to how well [the agency] operates."

[a] Minnesota State Planning Agency, *The Faribault, Martin, Watonwan Human Services Board: A Study of the Implementation of the Human Services Act* (St. Paul, January 1978), 6.

[b] Minnesota Department of Human Services, *Region VIII North Welfare Department (Lincoln, Lyon, and Murray Counties): Social Service and Financial Assistance Administrative and Operational Review* (St. Paul, June 1987), 8.

SOURCES: Office of the Legislative Auditor interviews and document reviews; U.S. Census Bureau data.

Multi-county agencies are more common in local corrections and public health services than in human services.

Multi-county agencies are more common in local corrections and public health services than they are in human services. In corrections, 62 counties administer services with county employees (the other 25 counties contract with the Minnesota Department of Corrections for correctional services). Of these 62 counties, 27 participate in multi-county corrections agencies. In public health, 22 of the state's 87 counties have public health staff who are employed by multi-

county agencies rather than by individual county agencies. Also, 59 of Minnesota's 87 counties participate in multi-county public health governing boards, although many of these boards function primarily to receive and allocate state funds on behalf of their member counties rather than to integrate service delivery across county boundaries.

Multi-county administration of individual programs can be useful, but it contributes to a more complex service delivery structure than agency-level consolidation.

While few Minnesota counties have consolidated their entire human services administrative agencies or their governing bodies, many counties collaborate with other organizations to plan or administer particular types of human services.[5] In mental health services, DHS started in the mid-1990s to allocate new funding for community-based service development, and it required smaller counties to partner with other counties to qualify for these funds. Today, 84 of Minnesota's 87 counties participate in 13 multi-county partnerships that determine how state funds will be used to improve community-based adult mental health services.[6] For home- and community-based services for people with disabilities, a state law in effect since 1999 says that the Commissioner of Human Services "shall encourage counties to form partnerships that have a sufficient number of recipients and funding to adequately manage the risk and maximize use of available resources."[7] For a while, the Department of Human Services allowed multi-county alliances to expand their service capacity (creating an incentive for counties to form these alliances), but the Legislature has not authorized these expansions in recent years.[8] Today, 22 Minnesota counties participate in multi-county arrangements for home- and community-based disability services.[9]

In our view (and in the view of most participating counties), these types of *program-level* collaborations have been worthwhile efforts to improve service delivery. But they are less ambitious than the broader *agency* consolidations

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[5] There are no statutory requirements for agencies to enter into joint powers agreements when they form multi-county agencies or collaborate on individual programs, and many counties have preferred to rely on less formal agreements. For example, of the 13 multi-county partnerships that exist to plan adult mental health services, only one is based on a joint powers agreement.

[6] DHS's 1995 request for proposals said that funding would only be awarded to multi-county collaboratives or "large urban counties with sufficient numbers of the target population." The department did not define what constituted a "large" county, and it allowed counties to choose their partners in these proposals. Today, the department still allocates most mental health funding to multi-county collaboratives. However, most counties administer their adult and children's mental health services individually, rather than with shared staff or shared administration.

[7] *Minnesota Statutes* 2006, 256B.0916, subd. 2. This law also says: "In allocating resources to counties, priority must be given to groups of counties that form partnerships to jointly plan, administer, and authorize funding for eligible individuals and to counties determined by the commissioner to have sufficient waiver capacity to maximize resource use."

[8] Specifically, DHS provided additional home- and community-based waiver "slots" to multi-county alliances. Restricting the number of authorized "slots" has been a method of limiting the capacity of the home- and community-based waiver program.

[9] The 2003 Legislature required counties to pay back amounts spent in excess of their home- and community-based waiver service allocation from DHS. DHS officials told us that it can be difficult for small counties to stay within their budgets, due to large costs that occasionally occur in individual cases. Thus, DHS staff said that the statutory payback requirement provides an incentive for counties to partner (because it may be easier to manage risks by consolidating budgets); however, the 2006 Legislature delayed paybacks for several counties that were subject to this provision, potentially weakening these incentives.

envisioned in the 1973 Human Services Act. In fact, because a county's program-specific alliances often have different geographic boundaries and involve different partners for different services, these collaborations have contributed to a more complicated human services delivery structure—perhaps contrary to the intentions of the Human Services Act.[10]

We considered possible reasons why the Human Services Act had little impact on agency-level consolidation. Based on our interviews, we found that:

- **Most small counties have not consolidated their human services agencies because there are no requirements or financial incentives to do so, and because mergers can be politically difficult.**

State law typically does not require small counties to jointly administer human services to qualify for state funding.

Undoubtedly, more counties would form multi-county human services agencies if state law required small counties to participate in them. For example, state law says that single or multiple counties must have an aggregate population of at least 30,000 to qualify for a state grant under the Community Corrections Act.[11] Similarly, the law requires a community health board to have a population of at least 30,000 within its jurisdiction (or be composed of three or more counties) to qualify for a state public health grant.[12] *Minnesota Statutes* do not have comparable requirements for the state's large human services funding sources, which helps explain why there are fewer multi-county agencies in human services than in community corrections and public health.[13]

Also, the state does not presently offer financial assistance to help counties cover costs associated with planning or implementing multi-county agencies. The Legislature appropriated some funding for this purpose when it passed the 1973 Human Services Act; today, counties are fully responsible for such costs.[14] Recently, Pipestone County spent $40,000 on a consultant study to explore consolidating its human services agency with the Lincoln-Lyon-Murray human services agency. In our statewide surveys, 45 percent of county human services directors and 54 percent of a sample of board members said that the state should

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[10] Minnesota State Planning Agency, *The Faribault, Martin, Watonwan Human Services Board*, 2, said that the Legislature enacted this act "to reverse the trend toward fragmentation of local human service delivery systems."

[11] *Minnesota Statutes* 2006, 401.02, subd. 1.

[12] *Minnesota Statutes* 2006, 145A.09, subd. 3.

[13] *Minnesota Statutes* 2006, 256B.0917, subd. 2, authorizes "seniors' agenda for independent living" projects and specifies that each funded project will serve at least four counties or an area with at least 2,500 people who are age 85 or older. Presently, there are six such projects that serve 83 counties. This is a small program, with state funding under $1 million annually.

[14] In 2003, the Department of Human Services proposed—and the Legislature authorized—a study of funding options for "projects of regional significance," potentially including funding to help initiate multi-county consolidations or collaborations. The 2003 Legislature directed the Minnesota Department of Finance to include funding for these projects in the state's biennial budget proposal for fiscal years 2006-07. However, the Governor did not include funding for regional projects in the 2006-07 budget, and the 2005 Legislature did not appropriate funding for this purpose.

offer financial incentives to counties to establish multi-county human services agencies.[15]

In addition, the political challenges of merging agencies from two or more counties can be daunting. Agency consolidations would require county boards and the agencies themselves to make difficult choices, such as: (1) whether to eliminate or change certain staff positions, (2) how the participating counties should share responsibilities for agency costs, and (3) how to reconcile differences in the participating counties' human services practices. Also, these decisions would require the affected counties to establish new relationships—between board members from different counties, between staff members from different counties, and between the new governing board and consolidated staff agency.

Merging county human services agencies can be politically difficult.

Human services account for a larger share of county operating expenditures than any other service area, and many elected county officials are concerned that they would have less control over the actions of a multi-county agency than over a single-county agency. In some cases, they fear that their county's taxpayers might end up paying more for services—for example, to help pay for the liability costs resulting from decisions made in another county. Or, they fear that one county's taxpayers might have to help pay for another county's preferences for higher service levels (such as more out-of-home placements of children).[16]

County governing bodies might be more inclined to consider agency consolidation if they had more information about county performance or past experiences with implementation of multi-county structures. However, this information is often not available. State agencies have not analyzed the benefits and costs of county human services consolidations for nearly 30 years. Also, as discussed in Chapter 2, DHS does not distribute a sufficient amount of performance information to county officials, so elected officials may not know how the effectiveness or efficiency of their counties' human services programs compare with programs elsewhere in the state.

We considered whether the Legislature should encourage more consolidation of county human services agencies. We concluded that:

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[15] Human services directors in larger counties were more likely to support financial incentives than directors in small counties. About 60 percent of human services directors in counties with populations less than 20,000 opposed financial incentives to create multi-county agencies; in contrast, only 36 percent of directors in counties with populations over 20,000 opposed such incentives.

[16] In past years, some counties were concerned that joint administration of agencies or programs could subject them to greater liability. However, legislation passed in 2006 said that counties in a "joint venture or joint enterprise" are not subject to liability greater than the limits on liability for a single county (*Laws of Minnesota* 2006, chapter 232, section 3). County association representatives told us that this legislation addressed the main liability concerns of counties considering consolidations or collaborations.

- **More use of multi-county administrative arrangements could improve the Minnesota human services system's effectiveness, consistency, and administrative efficiency.**

First, directors of multi-county agencies in the human services, public health, and corrections fields said that agency consolidation has improved service effectiveness. Of particular importance, they said that consolidation allowed staff to specialize in complex service areas. For example, many small counties do not administer enough adoption cases to justify assigning a staff person exclusively to this activity, and they sometimes struggle to effectively provide these services. In contrast, the human services agency serving the combined populations of Lincoln, Lyon, and Murray counties handles enough adoption cases that it assigned a full-time worker to provide specialized adoption services to residents in all three counties.

Consolidations of local agencies have enabled small counties to develop specialized and expanded services.

Staff in multi-county agencies also told us that the larger size of a merged agency enhances effectiveness by providing the critical mass of clients and staff to justify service expansions. Some of the new programs developed by multi-county agencies include services for truant youth, employment services for clients who owe child support payments, 24-hour phone lines for child welfare emergencies, therapeutic programs for jail inmates, and locally-based environmental health inspection services. Also, staff in several multi-county agencies said they can obtain more grant funding, mainly because (1) they now have staff who specialize in writing grant applications, or (2) grant-making organizations prefer to fund projects in larger, multi-county agencies than in small, single-county agencies. Furthermore, several directors said that larger agencies are more likely to have back-up staff to cover emergencies or employee absences, and larger agencies have more options for assigning staff to clients based on the clients' location, service needs, or preferences. A final way that larger agencies may contribute to improved effectiveness is by cushioning revenue or spending fluctuations that might be difficult for a very small agency to absorb. Recently, a consultant advised Pipestone County that:

> There is marked volatility in the relative performance of Pipestone County Family Services compared to [Lincoln-Lyon-Murray] Human Services in terms of financial performance. We believe that this is primarily due to the varying scale of the respective operations and the ability of a larger operation to better shield itself from risk associated with program funding and costs.
>
> Program risk mitigation may provide the strongest qualitative argument for service consolidation. . . . Joining together can provide a form of insurance, pooling potential liabilities with pooled resources to affect positive changes and to address a serious and deleterious situation.[17]

[17] Maximus, Inc., *Human Services Consortia Feasibility Study: Pipestone County, Minnesota, Final Report to the Board of County Commissioners*, December 12, 2006, 30-31.

A second general advantage of multi-county agencies is that they contribute to a less fragmented, more consistent service delivery system. For example, a governing board that oversees more than one county can provide uniform direction for the human services operations in these counties.[18] Likewise, a multi-county administrative agency can adopt uniform policies and procedures for county staff throughout the service area. Consequently, clients living anywhere within the boundaries of the multi-county service area are more likely to get consistent services than they would if the participating counties operated independently.

Third, counties may gain efficiencies by consolidating small agencies, due to economies of scale. For example, by creating a single agency to administer services in multiple counties, these counties need just one director, not two or more. Also, agency directors gave examples of how multi-county arrangements allowed their administrative agencies to use clerical, accounting, information technology, and supervisory staff more efficiently, often by centralizing functions at one location or by consolidating positions. Some directors also said that multi-county agencies help save money in non-personnel areas—for example, through consolidation of office space, sharing vehicles or other capital equipment, and bulk purchasing.

Consolidations might also result in some administrative cost savings.

To help us assess economies of scale in administrative costs, we examined 2005 salary expenditures for managers and supervisors in 71 local agencies that participate in a DHS-administered personnel system.[19] The analysis showed evidence of modest economies of scale across agencies serving counties of relatively small populations (mostly under 50,000). For example, we estimated that a typical agency serving a population of 30,000 would have had unit costs for supervisory spending that were about 23 percent less than those for an agency serving a population of 10,000.

In our view, experience demonstrates that multi-county agencies can improve service delivery in counties now served by small, single-county agencies. But it is also important to recognize that improvements in effectiveness, consistency, and efficiency will depend partly on the skill with which counties implement consolidations. Also, cost reductions due to economies of scale in a merged agency might be offset by other types of cost increases—for example, if a merger leads to adoption of a uniform compensation schedule that increases the salaries or benefits of a large number of employees.

In our statewide surveys, county human services directors and board members overwhelmingly said that each Minnesota county should continue to have offices within its boundaries that help eligible people access the state's human services

[18] This is not always the case in local public health services. Often, a county public health agency that reports to a multi-county community health board operates autonomously from the other county public health agency (or agencies) that report to this board.

[19] Under *Minnesota Statutes* 2006, 256.012, subd. 1, counties are required to participate in the "Minnesota Merit System" unless their county-administered personnel systems meet federal requirements.

programs.[20] In our view, counties can retain this broad access to human services programs while streamlining local human services administrative structures. We recognize that structural changes are not a panacea for all of the challenges facing Minnesota's human services system. For example, agency consolidations will not help improve access to services in parts of the state with shortages of service providers. Nevertheless, we think that consolidations of small human services agencies might help counties deliver more efficient, effective services during a period of funding constraints and growing program complexity. Also, from the perspective of legislators and DHS, it might be easier to implement policy changes, supervise service delivery, and provide assistance in a system with fewer than 84 local administrative units.

RECOMMENDATIONS

The Legislature should enact provisions to more strongly encourage less populous counties to jointly administer their human services agencies.

The Department of Human Services should periodically share information with counties that helps them consider the merits of inter-agency consolidations or collaborations.

The Legislature should more strongly encourage small counties to jointly administer their human services agencies.

The Legislature should consider several options to foster the development of more multi-county human services agencies with a single director. One option would be for the Legislature to set a minimum population threshold that human services agencies must serve to qualify for state funding (for example, under the Children and Community Services Act). The Legislature has used this approach to encourage the use of multi-county agencies in community corrections and public health. Such a provision would provide a powerful incentive for small counties to consolidate their human services agencies, while allowing local officials to decide the counties with which they partner.

Another approach would link structural changes to counties' ability to meet minimum performance standards. In Chapter 2, we recommended that DHS should have a continuum of options for addressing counties' failure to meet standards for service effectiveness or efficiency. Initially, consequences might be minimal—for example, DHS could require counties to prepare corrective action plans. But more serious actions should be considered when (1) a county repeatedly violates the law or has low rankings on key measures of performance, and (2) performance could be enhanced by the county's actions (for example, if the county were to consolidate its human services agency with that of a neighboring county). Unlike the option of statutorily requiring small counties to consolidate as a condition of receiving state funding, this option is performance-based. That is, counties might be required to consider consolidation only when their services fail to meet minimum standards. DHS officials said that this approach might require them to spend more resources overseeing small counties that serve relatively few clients.

[20] In our surveys, 94 percent of county human services directors and 83 percent of our sample of county board members said that every county should have an office that helps clients enroll in programs.

A final option (which could be used in combination with the previous two) would be for the Legislature to foster the development of additional multi-county human services agencies by appropriating funding for local feasibility studies or incentive payments. County boards might prefer to weigh the pros and cons before undertaking major structural changes, or they may want to consider detailed questions about how to implement consolidation. However, these boards might be reluctant to spend local revenues for feasibility studies rather than for direct services. Shortly after the Legislature passed the 1973 Human Services Act to foster the development of more multi-county agencies, a Minnesota Department of Administration report concluded that "start-up cost subsidization of new human services boards by the state is desirable" and recommended grants of $75,000 for new multi-county boards with plans that had been approved by the state.[21] A potential drawback of this option is that it would not necessarily ensure that counties with inefficient or ineffective services would (1) seek funding for a feasibility study, or (2) consolidate with another agency, following the completion of the feasibility study.

Overall, we think that it makes sense for the Legislature to consider ways to foster more consolidation of county human services agencies, even though this could lead to new organizational configurations in an already complicated human services system. As noted earlier, some counties have a variety of program-specific collaborations, often with differing boundaries. But counties are free to choose their administrative partners, and we propose no change in this practice. Thus, counties that enter into multi-county agency consolidations could choose to align their program-specific collaborations more closely with their overall administrative structure.

DHS should periodically share information with counties regarding the merits of local consolidation.

We also think that the Department of Human Services should periodically share more information with counties regarding inter-agency consolidation. As a Minnesota Department of Administration report concluded more than 30 years ago, "If the state wishes to promote the use of the Human Services Board concept on a voluntary basis, the results to date, and any future results, should be more widely publicized."[22] For example, it would be helpful for the department to periodically evaluate the impacts of agency consolidations (such as the Faribault-Martin and Lincoln-Lyon-Murray human services agencies). This would help county officials better understand potential pitfalls and benefits as they consider consolidation. The department could also provide guidance about the pros and cons of formal methods of cooperation (such as the use of joint powers agreements) compared with less formal methods, or it could use statewide cost data to analyze the potential or actual fiscal impacts of consolidation.

Our discussion of agency consolidation has focused mainly on counties with relatively small populations, partly reflecting the analysis in Chapter 2 which showed that the human services system's performance problems are disproportionately found in these counties. However, it is worth noting that some large counties also have difficulty providing services effectively and efficiently.

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[21] Minnesota Department of Administration, Office of Human Services, *Human Services in Minnesota: Delivery Systems in Local Government, Human Services Act Recommendations* (St. Paul, December 1976), 8-9.

[22] *Ibid.*, 18.

In Chapter 2, we noted concerns regarding the adequacy of human services delivery in the state's most populous county (Hennepin). Specifically, Hennepin's performance on many human services indicators was relatively weak, and some client advocates, county officials, and state officials thought that the Hennepin County human services agency's large size might contribute to reduced efficiency or effectiveness. It is worth noting that Hennepin County consolidated its human services and public health functions into a single unit in 2004 in an effort to improve client services through a less fragmented, more innovative and flexible structure. Still, in our interviews, some people wondered whether Hennepin County's human services agency might function better if it were broken into smaller administrative units.

In larger counties, service weaknesses should be addressed through improved oversight and assistance.

To the extent that there are indications of human services shortcomings in the more populous counties, however, we think that solutions to these problems are better pursued through improvements in accountability, oversight, and assistance (as recommended in Chapter 2) than through statutorily-imposed changes in agency administrative structure. In other words, if human services in Hennepin County are not as effective, efficient, or available as they should be, DHS and Hennepin County board of commissioners should ensure that improvements occur (if they are within the control of the state or county). To address the most serious or persistent problems in counties, DHS should have stronger statutory authority—including the authority to, when necessary, assume responsibility for county services or require counties to consider structural changes. But we think that legislatively-mandated changes in counties' *internal* administrative structures should be a last resort, if they are considered at all. In our view, changes in counties' internal administrative structures are best considered by county boards, not by the Legislature. Also, we think it would be impractical for a county to have multiple human services agencies reporting to a single county board.

Consolidating Human Services Agencies with Related Agencies Within Counties

Earlier, we noted that one of the goals of the 1973 Human Services Act was to foster consolidations of administrative agencies within individual counties. The act authorized a "human services board" within a county (or a combination of counties) to manage human services, public health, and community corrections activities. According to the law, each board was required to hire a director and develop a consolidated biennial plan and budget for operation of these services. However,

- **The Legislature's efforts to foster more mergers of human services agencies with other county departments have had very limited impact.**

Today, only 17 of Minnesota's counties have their public health and human services functions under the management of a single agency, and only 3 counties have consolidated the management of their human services and corrections activities. Likewise, throughout Minnesota, there has been a limited amount of joint planning by county human services, public health, and corrections officials. The Human Services Act envisioned a consolidated planning process in which

"each affected state agency shall accept the plan of the human services board in lieu of separate plan requirements for individual programs."[23] In practice, however, even the counties that consolidated their administrative agencies in the human services, public health, and corrections fields continue to develop separate plans in these subject areas.

Officials in counties that merged their human services departments with other departments said mergers resulted in important benefits. For example, one human services director said that, prior to consolidation of the human services and public health functions in her county, a client might be seen by several staff from both agencies in a single day. The director described these practices as inefficient and ineffective for the county, as well as time-consuming for the clients. This county now has teams of public health and human services staff that coordinate services for clients. In some other counties with consolidated human services and public health agencies, staff emphasized the value of social workers and public health nurses working together on activities such as pre-admission screening and case management.

Most counties have not consolidated their human services, public health, and community corrections services, contrary to the goals of the Human Services Act.

Meanwhile, officials in other counties cited various reasons for not consolidating their human services, public health, and corrections functions. Notably, these functions report to separate state agencies (the departments of Human Services, Health, and Corrections), and there are distinct statutory requirements for programs in these different areas. In the case of corrections, many small counties contract with the Department of Corrections to provide these services, rather than doing so with their own staff. Also, county officials said it can be politically difficult to merge separate agencies that administer different programs and have staff with different backgrounds and job classifications. Finally, some county officials think that a merger of related agencies is not necessary as long as the agencies have constructive working relationships.

Our statewide survey of county human services directors found a considerable amount of support for certain types of intra-county agency consolidations. About 52 percent of directors said that more of Minnesota's counties should combine their separate human services and public health agencies; 30 percent disagreed, and 18 percent offered no opinion.[24]

If the Legislature wants to foster more coordination among the human services, public health, and corrections activities of individual counties, it should consider approaches beyond those outlined in current law.[25] But, as we stated in the previous section, we think that the Legislature should focus more of its attention on the administrative relationships *among* counties than on the administrative structures *within* counties. Thus, while it might be a wise management practice

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[23] *Minnesota Statutes* 2006, 402.062, subd. 1.

[24] Our survey did not ask directors for their opinions about consolidations of county human services and corrections agencies.

[25] For example, the Legislature could (1) require counties below a certain population threshold to have a single administrative agency for human services, public health, and corrections, (2) require state or local reviews of county management structures in counties with persistent performance problems, or (3) provide financial incentives for counties to explore agency consolidations.

for more counties to merge their human services and related agencies, we do not recommend legislative mandates.

TRANSFER OF RESPONSIBILITIES FROM COUNTIES TO DHS

As part of our evaluation of Minnesota's human services system, we examined the division of responsibilities between state and county agencies. In Chapter 2, we reported that inconsistencies in service delivery and performance have resulted in part from having a system that relies on 84 local administrative agencies that, in some services, act with considerable discretion. Thus, we considered whether to recommend that Minnesota adopt a "state-administered" system, like that in most other states. In our view,

- **It would be impractical and undesirable for the state to assume administrative responsibility for all of the human services programs now administered by counties.**

There is no compelling evidence favoring a complete shift from a county-administered human services system to a state-administered system.

Nationally, there is little research comparing the performance of state-administered and county-administered human services systems, and we found no compelling evidence that one approach is necessarily better than the other. Table 3.3 shows potential strengths and weaknesses of state-administered and county-administered systems, based on a recent report by the National Conference of State Legislatures. For example, state-administered systems may foster greater consistency of services across a state, while county-administered systems provide unique opportunities for local adaptation and oversight of programs.[26]

The Minnesota Legislature has previously mandated large-scale changes in the structure or financing of some important service systems. For example, the Legislature authorized the state to assume responsibility for funding and management of Minnesota's district courts; this change was implemented between 1989 and 2005. The Legislature mandated a statewide merger of three higher education systems (one of which was previously locally-administered) into the Minnesota State Colleges and Universities system; the merger occurred in 1995.

Although there is some precedent for large-scale changes, the transformation of Minnesota's human services system from a county-administered to a state-administered system would be a particularly challenging undertaking, especially if implemented in all programs at one time. A complete state takeover of

[26] The development of statewide policies and procedures by a single administrative agency could improve consistency, but some of Minnesota's service inconsistencies result from factors other than administrative fragmentation—such as the limited availability of providers in some parts of the state. Also, it is worth noting that the types of human services systems adopted by various states partly reflect historical governance practices. For instance, many northeastern states have a tradition of relatively weak county governments (Susan Robison, *State Human Services Organization: Strategies for Improving Results* (Denver: National Conference of State Legislatures, April 2006), 82). Minnesota, in contrast, has a long tradition of relying on county agencies to deliver a variety of health, corrections, and human services.

Table 3.3: Strengths and Weaknesses of State- and County-Administered Systems

	State-Administered Human Services Systems	County-Administered Human Services Systems
Potential Strengths	• Consistent program services and operations • Equitable distribution of resources • Administrative efficiencies • Centralized information management • Leaders can speak for the whole system • Rapid dissemination of practices • Centralized oversight of program implementation • Clear lines of responsibility and accountability	• Knowledge of local needs, resources, and priorities • Accountability through local elected officials • Governing bodies and agency staff have personal stake in communities • Size of programs and budgets is manageable • Adaptability to change • Ability to foster innovation • Counties have track records of planning and administering programs
Potential Weaknesses	• Isolation of decision makers from clients and the general public • Lack of flexibility to respond to local needs or priorities • Limited ability to engage local communities in planning, resource development, and decision making • Large, complex bureaucracies may be difficult to hold accountable • Few incentives for innovation	• Statewide variation in services (availability, quality, cost), reflecting differences in local practices, resources, and priorities • Limited ability of state government to influence counties and address weak performance • State-county tensions regarding authority, funding, and information management • Inter-county disputes

SOURCE: Office of the Legislative Auditor, adapted from Susan Robison, *State Human Services Organization: Strategies for Improving Results* (Denver: National Conference of State Legislatures, April 2006), 87-94.

services would require the adoption of detailed, statewide administrative practices in a large number of complicated program areas in which counties now exercise considerable discretion. In addition, a state takeover would involve decisions about whether to convert county employees to the state payroll, whether existing county staff would continue to manage their current clients, and whether to change office locations and supervisory structures. It would be challenging to make significant changes in these areas while maintaining service continuity and quality. Furthermore, counties have numerous contracts with local service providers, and a state takeover would require state decisions about the status of these contracts, as well as ongoing efforts to build working relationships with the providers.

Significantly, a change to a state-administered system would eliminate the role of local elected officials in human services decision making and oversight. These boards provide a mechanism for ensuring that services effectively and efficiently address the needs of communities and individual clients. We said in Chapter 2

that county boards need to improve their oversight of county human services agencies, but a state-administered system would eliminate oversight by local elected officials altogether.

A state takeover of all human services administrative duties would also require the state to assume responsibility for costs now borne by the counties. We suggested in Chapter 2 that the Legislature consider increasing the state's share of child welfare costs, given the unusually large reliance on local revenues in this important service area. However, a complete takeover of county human services costs would have a much larger fiscal impact than a state takeover of some or all child welfare costs. The counties' share of the human services system's costs in 2005 was an estimated $615 million.[27] The state's costs of a takeover might be more or less than this, depending on how the state's staffing, compensation, and service levels compare with those of the counties.

Finally, our research shows that states have rarely changed their entire human services systems from "state-administered" to "county-administered," or vice versa. In 1991, the California Legislature shifted responsibility for several large categories of services (mental health, social services, and public health) from the state to the counties and provided counties with dedicated tax revenues to pay for these services. This was probably the most noteworthy realignment of state and local human services responsibilities in an individual state in the past 20 years. The lack of other recent examples is further evidence of the difficulty involved in making large-scale changes in state-county human services responsibilities.

Smaller-scale changes in the division of administrative responsibilities between the state and counties should be considered.

Overall, a complete state takeover of counties' human services administrative duties would be difficult to implement, and it is not clear that it would result in services that are more efficient, effective, or responsive to local needs. We think it is more realistic to consider smaller changes in administrative responsibilities for certain human services programs. We concluded that:

- **Some human services programs now administered by counties might be administered more efficiently or effectively by the Minnesota Department of Human Services.**

We surveyed county human services directors to find out their preferences about which level of government should administer a variety of services the counties now administer. For most programs, the directors expressed little interest in seeing administrative responsibility transferred to DHS. But, as shown in Table 3.4, a sizable number of directors expressed interest in a state takeover of several programs. The program areas most commonly identified by directors for possible state takeover included adoption services, child care licensing, child support enforcement, and child care assistance. Also, we did not ask about this area on our survey, but some state and county officials told us they favored transferring to DHS certain complex aspects of the long-term care eligibility process—such as oversight of clients' asset transfers.

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[27] Department of Human Services, *Minnesota County Human Services Cost Report for Calendar Year 2005* (St. Paul, 2006), 1.

Table 3.4: County Preferences for State Takeover of Existing County Responsibilities, by Program

Survey question: "In each of the following program areas, please indicate whether you would prefer to see DHS responsible for directly administering services that are now administered by counties:"	Percentage of County Human Services Directors Who Responded:	
	Yes	Maybe
Adoption services	33%	32%
Child care licensing	32	24
Child support enforcement	31	23
Child care assistance	23	23
Group residential housing	23	19
Health care	11	18
Employment services	17	11
Cash and food assistance	8	11
Disability services	6	12
Chemical health	1	14
Child foster care/out-of-home placement	6	6
Community supports for seniors	4	7
Children's mental health	0	4
Child protection	1	2
Adult protective services	0	2
Adult mental health	0	1

SOURCE: Office of the Legislative Auditor August 2006 survey of county human services directors (*N*=84).

Some counties would like to transfer certain administrative responsibilities to DHS—in areas such as adoption, child care licensing, and child support enforcement.

County directors noted various reasons for identifying certain programs as prime candidates for a state takeover. Many directors said that a state takeover would make sense for services where the counties have little control over service delivery due to prescriptive federal or state regulations. For example, regarding adoption services, one director said: "Rules are set, adoptions require state approval—counties are merely an ancillary step and unnecessary." Similarly, some programs—such as child support enforcement and child care assistance—require routine or automated calculations to determine client eligibility, and these could be done by state rather than county employees.[28] In contrast, some services—such as reviews of clients' asset transfers during the long-term care eligibility process—require extremely specialized expertise that may be easier to provide centrally, rather than in each county. Some directors favored transferring certain services to DHS as a way of improving consistency across the state, as indicated in the following comment from a director:

[28] Eligibility determinations for some other programs—such as cash and food assistance—could also be considered for transfer, but counties indicated less interest in a transfer of responsibility for these programs.

> The entire array of financial programs, emergency assistance, health care, and sliding fee child care administration need attention! To think 87 counties will be consistent in making determinations related to [these] programs is craziness! DHS should administer [these] programs on a statewide basis.

In addition, some county directors favored state takeover of services that involve infrequent cases, contacts with multiple counties (or other states), or little interaction with clients. Finally, funding constraints sometimes make it difficult for county staff to perform all of their mandated duties, so directors said they identified services for possible state takeover that seem least essential to provide at the county level.

Although counties are interested in shedding some of their current human services duties, many human services directors are skeptical that DHS could administer services better than the counties. In particular, they point to DHS's past difficulties processing MinnesotaCare applications. As a 2003 report by our office concluded, "large application backlogs at DHS often delayed health care coverage for eligible applicants."[29]

The Legislature should authorize pilot projects to examine state takeovers of some county-administered services.

We talked with DHS officials about the feasibility of the state assuming responsibility for several of the services now provided by counties. Table 3.5 has a brief discussion of four areas that counties ranked as more suitable than others for a transfer of duties to the state. In each of these areas, DHS staff told us they would be willing to consider assuming responsibility for some or all duties, although they would like to further research and discuss implementation issues. DHS noted that transfers of administrative responsibility would require statutory authorization and perhaps arrangements for funding (depending on the scope of the responsibilities assumed by DHS). Also, transferring administrative responsibilities to DHS for some services would require establishing DHS regional offices, with each administering services on behalf of multiple counties. For example, child support enforcement often requires administrative staff to attend court hearings or meet with parents. If DHS took over all child support enforcement duties from counties (rather than simply taking over certain tasks), it would make sense for DHS to have administrative staff at various locations throughout the state.

RECOMMENDATIONS

The Legislature should authorize pilot projects that would transfer administrative responsibility for selected programs or services from counties to the Department of Human Services.

The Department of Human Services should engage counties in ongoing discussions about service areas in which it might make sense for the department to assume responsibility.

[29] Office of the Legislative Auditor, *MinnesotaCare* (St. Paul, January 2003), ix.

Table 3.5: Considerations Regarding Transfer of Human Services Duties to the State, Selected Programs

Adoption services

Following passage of the federal Adoption and Safe Families Act of 1996, DHS contracted with private adoption agencies to help counties handle a large increase in adoptions. Counties manage individual cases, but they often rely on private adoption agencies for background checks and home studies. DHS staff believe this partnership works well, although DHS has had difficulty finding private agencies to work in the northern part of the state. Adoption administration often involves site visits, clinical consultations, and crisis intervention, so DHS staff said they would need to set up regional offices or contract with private providers if they assumed responsibility for adoption processing.

Child care licensing

The counties conduct investigations and background studies, make recommendations on licensure to DHS, and enforce the license conditions. DHS staff said county enforcement practices probably vary, but it is convenient for counties to conduct inspections, given the large number of licensed providers (about 14,000). DHS now licenses many other types of facilities, but DHS officials said that licensing child care programs would probably require the establishment of regional offices.

Child support enforcement

County staff locate non-custodial parents, collect financial and other information, propose child support obligations, draft legal documents, appear in court as witnesses, monitor child support payments, and initiate enforcement remedies when payments are not made. DHS staff said they would be willing to consider (1) a transfer of specific county duties to DHS, or (2) a transfer of the entire child support enforcement function to DHS.[a] A transfer of all child support enforcement responsibilities to DHS would require establishing regional offices, due to the need for ongoing contact with parents and courts.[b] DHS staff said they need to research various options before drawing conclusions about feasibility.

Child care assistance

DHS now processes child care assistance payments for 48 counties. By late 2007, DHS plans to process payments for all counties, following revisions to its child care assistance information system. Meanwhile, DHS created a task force of state and county staff that is discussing ways to better manage the portion of child care assistance funds that are now allocated and managed by the counties. One option is to have DHS manage the allocations for some or all counties. This could only occur after the information system is fully operational.

[a] Examples of specialized child support activities that DHS staff said could be explored as candidates for a state takeover include: scheduling and appearing at hearings; locating missing obligors or verifying obligors' addresses; and initiating or responding to "interstate" cases (involving parents who have moved to or from Minnesota).

[b] A DHS official said that some clients might have to travel farther to attend hearings or meet with child support staff if DHS performed these duties at regional offices.

SOURCE: Office of the Legislative Auditor interviews with DHS and county staff.

DHS should advise the Legislature about (1) which particular programs or services would be most appropriate for transfers of responsibility on a pilot basis, and (2) whether the pilot projects should be conducted statewide or just in certain regions. DHS should also help the Legislature determine whether to exempt certain counties from these transfers—for example, if particular counties could provide a service more efficiently or effectively than DHS, perhaps due to their existing expertise in this service area.

Even if the Legislature were to decide that Minnesota should change from a county-administered to a state-administered human services system, we think that such a change should start with pilot projects of this sort. This would provide opportunities for the Legislature to assess DHS's service delivery costs and performance before committing to a larger-scale takeover.

List of Recommendations

- The Legislature should require the Department of Human Services to establish an ongoing working group of department and county officials to identify ways to simplify and streamline human services laws and administrative requirements. This group should annually make recommendations to the Legislature and Commissioner of Human Services (p. 24).

- The Legislature should require the Department of Human Services, with county input, to assess (1) options for equalizing county property tax burdens for human services, (2) the adequacy and fairness of existing statutory "maintenance of effort" requirements, and (3) whether funding formulas should adjust for special demographic or geographic factors that may affect spending needs. The Legislature should require the department to report its results by January 1, 2009 (p. 32).

- The Legislature should seriously consider the recommendations of the 2006 Department of Human Services report on child welfare funding (p. 32).

- The Department of Human Services should make stronger efforts to incorporate estimates of local fiscal impacts into the "fiscal notes" it prepares for the Legislature (p. 32).

- The Department of Human Services should take a more active role to (1) identify counties where services are not adequately available to clients and (2) assist counties in addressing the service gaps (p. 35).

- To improve training and technical assistance services, the Department of Human Services should work with counties to (1) evaluate the training and technical assistance the department provides across programs, and (2) establish priorities and actions needed to address deficiencies (p. 38).

- The Department of Human Services should develop strategies to use field staff more effectively (p. 38).

- To establish a performance-based approach for managing human services, the Department of Human Services should:

    - Develop measures of effectiveness, efficiency, and availability of services that can be used on a statewide and county-specific basis for all human services programs;

- Establish performance targets for each measure, with input from counties and service providers; and

- Periodically provide county-by-county performance information to county human services agencies, their governing boards, and the Legislature (p.45).

- To better assess program-specific performance, the Department of Human Services should (1) to the extent possible, apply the on-site review model used in Children and Family Service Reviews to other program areas, and (2) use the results to develop plans for county and department actions to address issues raised (p. 45).

- To better identify and assist counties with multiple challenges, the Department of Human Services should:

  - Periodically analyze performance measures and other program data to comprehensively assess each county's services across all major program areas;

  - Use the results of this analysis to do in-depth reviews with counties that appear to be struggling;

  - Assist counties in developing plans for department and county actions to address issues raised in the reviews; and

  - Require local governing boards to approve the action plans (p. 45).

- The Legislature should improve its oversight of human services, including holding the Department of Human Services and individual counties more accountable for performance, following up on the effectiveness of corrective actions, and addressing deficiencies in state law and policies for human services programs (p. 45).

- The Legislature should amend state law to grant the Department of Human Services additional authority to act when a county is unable to meet human services program standards, and it should require the department to specify the circumstances in which it would consider using these options (p. 45).

- The Legislature should clarify statutory authority for local human services governance, based on a review of provisions in *Minnesota Statutes*, chapters 256M, 393, and 402 (p. 51).

- The Department of Human Services should carefully monitor the health plans' provision of case management services and their ability to develop and maintain networks of local service providers before the health plans are given similar responsibilities for mental health services or services for the disabled (p. 54).

- The Department of Human Services should expedite a resolution of problems with the transfer of encounter data from managed care plans (p. 54).

- Annually, the Department of Human Services should send external quality review reports of managed care organizations to county human services agencies, and it should post the reports on its public website (p. 54).

- The Department of Human Services, with assistance from the Department of Administration, should (1) develop model county contracts for local human services providers and (2) develop and deliver a training curriculum on contract management (p. 54).

- The Department of Human Services should ensure that all county human services agencies inform clients about options for submitting and pursuing grievances about services or service-related decisions (p. 56).

- The Department of Human Services should modify the main page of its website to make it easier for individuals to submit service-related questions and concerns to department staff (p. 56).

- The Commissioner of Human Services should strive to establish better channels of communication with representatives of counties' human services agencies and their governing bodies (p. 60).

- The Legislature should enact provisions to more strongly encourage less populous counties to jointly administer their human services agencies (p.72).

- The Department of Human Services should periodically share information with counties that helps them consider the merits of inter-agency consolidations or collaborations (p.72).

- The Legislature should authorize pilot projects that would transfer administrative responsibility for selected programs or services from counties to the Department of Human Services (p. 80).

- The Department of Human Services should engage counties in ongoing discussions about service areas in which it might make sense for the department to assume responsibility (p. 80).

Human Services Program Descriptions

APPENDIX A

Table A.1: Health Care Programs

Medical Assistance (MA)	The largest of Minnesota's public health care programs. Serves low-income families with children, pregnant women, persons age 65 and older, and the disabled. Enrollees must meet income and asset limits, be a citizen or a noncitizen who meets specified immigration criteria, and be a resident of Minnesota. Benefits include basic health care, home health care, long-term care, and case management. Services delivered by either managed care or fee-for-service providers, depending on enrollee's county of residence and eligibility category.
MinnesotaCare	A publicly-subsidized health care program for lower-income Minnesotans who do not have access to affordable private health insurance. Eligibility criteria include income, assets, access to other health insurance, residency, and citizenship. Coverage is available to families and adults without children. Eligibility rules vary by type of household. Enrollees pay a monthly, sliding-scale premium and can be dropped from the program for failure to pay it. With some exceptions, benefits mirror those for MA. The Department of Human Services manages most MinnesotaCare cases directly.[a]
General Assistance Medical Care (GAMC)	Medical care for Minnesotans who do not qualify for Medical Assistance or other state and federal programs. Most enrollees are adults, ages 21-64, with no dependent children. To be eligible, applicants must receive General Assistance or Group Residential Housing payments or meet specified income and asset requirements. Covers basic health care services, but excludes many benefits available under Medical Assistance and MinnesotaCare. Most enrollees are served through managed care plans.

NOTES: The eligibility criteria and benefits described are very general; actual requirements are far more complex and vary by applicant or enrollee circumstances.

Effective September 1, 2006, certain GAMC recipients are enrolled in MinnesotaCare as adults without children. For their first six months of enrollment, these enrollees are exempt from MinnesotaCare premiums, income and asset limits, and eligibility criteria related to access to health insurance. Counties are required to pay these enrollees' MinnesotaCare premiums for the first six months of eligibility and have the option to continue to pay their premiums thereafter.

[a] The Department of Human Services is developing an automated eligibility system, called "HealthMatch," that will be used for all three health care programs. Once HealthMatch is implemented, responsibility for managing MinnesotaCare cases will shift to the counties.

SOURCES: Randall Chun, *Medical Assistance* (St. Paul: Minnesota House of Representatives Research Department, 2006); Randall Chun, *General Assistance Medical Care* (St. Paul: Minnesota House of Representatives Research Department, 2006); and Randall Chun, *MinnesotaCare* (St. Paul: Minnesota House of Representatives Research Department, 2006).

Table A.2: Economic Support Programs

Minnesota Family Investment Program (MFIP)	A federal-state program to provide income assistance to eligible low-income families with children and pregnant women. Services include cash assistance, food support, and employment services. Benefits are usually subject to a 60-month lifetime limit. Work participation is mandatory for most adults. Many requirements set in federal law, but numerous program details established in state law.
Diversionary Work Program (DWP)	A four-month intensive program focusing on immediate employment so that families do not need to go on welfare. Eligible families applying for income support must enroll in DWP rather than MFIP. All adults in the family are considered job-seekers and must develop and implement employment plans. Participants may be eligible for cash assistance, food support, child care assistance, and health care. Authorization for DWP is granted in federal law, but details are in state law.
Food Support (FS)	Benefits for food purchase, with amounts based on monthly net income. Participants use a debit card to access benefits. Roughly one-third of recipients get food support as part of MFIP benefits. The remaining are "stand-alone" enrollees. Like MFIP recipients, most adults without dependents must participate in employment activities.
Child Care Assistance (CCA)	Subsidized child care for eligible families, including families in MFIP and others who do not receive cash assistance but meet other income and eligibility criteria. Child care costs are fully subsidized for families with incomes below 75 percent of federal poverty guidelines (FPG). Families with incomes above 75 percent FPG are eligible for partial subsidies and responsible for copayments. Child Care Assistance includes three subprograms: MFIP, Transition Year, and Basic Sliding Fee.
Child Support Enforcement	Assists in the transfer of money from non-custodial parents to custodial parents for the financial support of children. Services include establishing paternity, establishing and modifying child support orders, collecting and distributing payments, locating parents, and enforcing support orders. The program serves families of all income levels.
Minnesota Supplemental Aid (MSA)	State-funded, but federally-mandated, cash assistance to certain aged, blind, or disabled Minnesotans receiving federal Supplemental Security Income (SSI) benefits.
Group Residential Housing (GRH)	A state-funded supplement to pay room and board for people who are aged, blind, or disabled. Recipients must be eligible for either General Assistance or SSI.
General Assistance (GA)	State-funded cash assistance to individuals or couples without children who are not eligible for federally-funded assistance programs but who are not able to provide for themselves. Recipients must be unable to work.

NOTE: The table includes Minnesota's primary economic assistance programs and does not include some smaller programs, such as refugee cash assistance. The eligibility criteria described are very general; actual requirements are far more complex.

SOURCES: Randall Chun and Danyell Punelli LeMire, *Minnesota Family Assistance: A Guide to Public Programs Providing Assistance to Minnesota Families* (St. Paul: Minnesota House of Representatives Research Department, 2006). Minnesota Office of the Legislative Auditor, *Child Support Enforcement* (St. Paul, 2006).

Table A.3: Social Services Programs

Child Protection	Services to protect children from physical abuse, neglect, and sexual abuse. Counties screen all reports of maltreatment. If conditions warrant, counties use "family assessments" to link families with community resources to reduce the risk of abuse or neglect. Counties must initiate a formal investigation if, at any time, there is reason to believe substantial endangerment or serious threat to a child exists.
Juvenile Out-of-Home Placement	Children whose parents cannot safely care for them, who are delinquent, or who require mental health or chemical dependency treatment may be placed in emergency shelters, family foster homes, or group residential facilities, such as treatment centers. County human services staff, the courts, and law enforcement officials may make the decision to remove a child from home.
Adoption Assistance	If a child is committed to the guardianship of the Commissioner of Human Services because a Minnesota court has terminated the parents' rights, the department works with counties and private adoption agencies to find a permanent home. As of September 2006, 1,625 children were under state guardianship.
Children's Mental Health	State law requires counties to develop and maintain a network of resources to provide adequate access to children's mental health services. Services include outreach, diagnostic assessment, crisis assistance, case management, family support, and a range of treatment services, such as day and residential treatment. Services must be directly provided by or supervised by a mental health professional. Some services are provided as benefits under Minnesota's public health care programs.
Adult Mental Health	Adult mental health services include acute inpatient care, outpatient treatment, residential programs, and assistance with employment, housing, social connections, family relations, and co-occurring conditions. For enrollees in Minnesota public health care programs who are not disabled, services are provided directly by the managed care health plans.
Chemical Health	A continuum of chemical dependency treatment services for persons dependent on alcohol or other drugs, including crisis, residential, and outpatient treatment. Counties make dependency assessments and develop individual treatment plans. At a minimum, treatment providers must offer individual and group counseling, client education, and transition services.
Disability Services	A wide array of services for those with developmental disabilities, physical disabilities, or chronic medical conditions whose personal or family resources are inadequate to meet their needs. Priority is placed on services that support living in the community, not institutions. Examples include home nursing care, day care, employment training, transportation, special equipment, family respite care, and home-delivered meals. Many services are Medical Assistance benefits.
Adult Protection	Services to protect adults age 18 and older who are particularly vulnerable to maltreatment, such as financial exploitation or physical abuse, because of physical or mental disability or dependency on institutional care. Counties must provide a central point of contact, assess and investigate allegations, and offer emergency protection, counseling, or community support services.
Aging Services	A wide array of services for those age 60 and older whose personal or family resources are inadequate to meet their needs. Priority is placed on services that prevent nursing home placement, including home health care, homemaker services, transportation, and adult day care. Many services are provided through Medical Assistance.

SOURCE: Office of the Legislative Auditor compilation of information from Department of Human Services fact sheets and program descriptions.

A Brief History of Human Services in Minnesota

APPENDIX B

Although Minnesota's human services system has changed significantly over time, county-based delivery of human services reflects a long-standing deference to local authority.[1] As shown in Table B.1, from Minnesota's earliest days as a state, state law required counties and towns to provide relief for people in poverty when family members or other close relatives could not provide support. Towns and counties established various institutions for doing so, including poorhouses, infirmaries, jails, and lock-ups. Few communities had trained workers to help the poor; the application process was often intrusive and humiliating; and the amount of relief granted was arbitrary, based on the personalities of those involved in the decision making. The state started establishing human service institutions in the late 1800's, including the prison in Stillwater, schools for the deaf and blind in Faribault, and the State Hospital for the Insane in St. Peter. As shown in Table B.1, by the end of the 19th century, the state had established oversight authority over local human services. Over the next 50 years, the state continued to develop and define how the state and counties were to provide human services. Still, throughout this period, county and town boards retained control over deciding to whom, how much, and in what form relief should be given.[2]

The Depression marked the beginning of significant federal involvement in the delivery of human services and an increase in state authority. Although federal relief efforts began with loans to states, by 1933 the federal government paid for many New Deal programs through grants-in-aid to states or by directly paying salaries and administrative costs. This funding policy allowed the federal government to set standards for eligibility and administration and to define state requirements for participating. With passage of the 1935 Social Security Act, for example, the federal government clearly established that it would only work directly with a state, even if the state used local government entities to administer parts of the programs. It also established that federal programs were to be implemented uniformly statewide.[3]

When implementing the Social Security Act of 1935, Minnesota chose to continue delegating significant authority to county governments rather than establishing an entirely state-run administration to deliver human services. At that time, the state required counties to create county welfare boards. These

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[1] Michael J. McMahon, *State and County Roles and Responsibilities in the Provision of Human Services: A Review of the Historical Development of Poor Relief and Related Programs in Minnesota* (St. Paul: Minnesota Department of Human Services, 2002).

[2] *Ibid.*, 3-9.

[3] *Ibid.*, 11-20.

boards were charged with administering all forms of public assistance at the local level under state oversight, in compliance with state and federal law, rule, and policy.[4] As the state's welfare program administrator, the State Board of Control "supervised" welfare boards.[5] In subsequent years, there were several changes in the state agency assigned to oversee local service administration—with duties assigned to the Department of Social Services in 1939, the Department of Public Welfare in 1953, and the Department of Human Services in 1984. Minnesota has retained this state-supervised, county-administered structure for delivering human services, although the Minnesota Legislature has since authorized other types of local governing bodies to oversee human services administration.

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[4] The federal government rejected Minnesota's original plan for implementing the Social Security Act. Minnesota had planned to implement it through local child welfare boards and the juvenile courts, but the federal government said that, since the state's authority over these bodies was primarily advisory, the plan lacked sufficient state accountability. *Ibid*., 18.

[5] *Ibid*., 23.

Table B.1: Key Events in the History of Minnesota's Human Services System

1883	The state established its oversight authority over local poor-relief institutions by creating the State Board of Corrections and Charities. The board's primary duties were to inspect and advise local institutions. Later, its role expanded to review county and town plans to build new institutions or to change their systems of care for the poor.
1901	The state replaced the State Board of Corrections and Charities with the State Board of Control. The new board assumed the responsibilities of its predecessor and had full authority to manage state human services institutions. The Board of Control also was required to inspect conditions at all state and local institutions under its purview.
1917	Minnesota enacted the state Juvenile Code. This law addressed types of relief for poor children and gave counties the option to create local child welfare boards to direct local services for children. At a county's request, the State Board of Control appointed child welfare board members. By 1930, 82 counties had child welfare boards.
1932-1934	The federal government enacted a variety of New Deal relief acts. Early funding to states was in the form of loans, and later as grants. Collectively, these acts gave state governors administrative authority to determine need and distribute funds. In Minnesota, the governor delegated administrative authority to the State Board of Control. It established statewide human services standards including: requiring use of trained social workers, use of case histories and standardized application forms, and countywide administration in those counties that had been town-based.
1935	Congress passed the Social Security Act. In its original form, the act provided for social insurance programs (Old Age Benefits and Unemployment Compensation) and three means-tested public assistance programs (Old-Age Assistance, Aid to Dependent Children, and Aid to the Blind).
1937	To implement the Social Security Act, Minnesota abolished local child welfare boards and authorized county welfare boards. County welfare boards were charged with administering all forms of public assistance to children and adults under the rules and regulations that the State Board of Control promulgated to comply with federal law.
1939	The Department of Social Security replaced the State Board of Control.
1953	The Department of Public Welfare replaced the Department of Social Security.
1973	Minnesota enacted the Human Services Act, which authorized one or more contiguous counties to establish human services boards to administer their programs.
1979	Minnesota enacted the Community Social Services Act to establish a system of planning for and providing community services administered by boards of county commissioners under the supervision of the state.
1984	The Department of Human Services replaced the Department of Public Welfare.

SOURCE: Michael J. McMahon, *State and County Roles and Responsibilities in the Provision of Human Services: A Review of the Historical Development of Poor Relief and Related Programs in Minnesota* (St. Paul: Minnesota Department of Human Services, 2002).

Related Office of the Legislative Auditor Reports

APPENDIX C

The following evaluation reports are available from the Minnesota Office of the Legislative Auditor website: http://www.auditor.leg.state.mn.us.

Child Care Reimbursement Rates (2005)

Child Protective Services (1998)

Child Support Enforcement (2006)

Controlling Improper Payments in the Medical Assistance Program (2003)

Economic Status of Welfare Recipients (2002)

Juvenile Out-of-Home Placement (1999)

Medicaid Home and Community-Based Waiver Services for Persons With Mental Retardation or Related Conditions (2004)

MinnesotaCare (2003)

Public Health Care Eligibility Determination for Noncitizens (2006)

Substance Abuse Treatment (2006)

Welfare Reform (2000)

Issues Regarding County Governance Statutes

APPENDIX D

As described in Chapter 1, the human services agency in each county is governed predominantly by one of three types of governing boards: county boards of commissioners, "welfare boards," or "human services boards."[1] Separate statutory provisions define the roles and composition of each.[2] Clear lines of authority are an important element of a strong accountability system, so we examined the statutes that underlie Minnesota's "state-supervised, county-administered" human services system.

The statutes assign overlapping roles to these governing boards, leading counties to disregard certain statutory provisions while following others. For example, *Minnesota Statutes* 2006, chapter 393, says that a "welfare board" in each county "shall administer all forms of public welfare, both for children and adults, responsibility for which now or hereafter may be imposed on the commissioner of human services."[3] At one time, all Minnesota counties established welfare boards pursuant to this statute. Subsequently, however, the Legislature enacted laws that addressed the governance roles of human services boards (in 1973) and county boards (in 1979). Over time, most counties eliminated their welfare boards and assigned duties to other governing bodies, even though the statutes still contained the language requiring each county to have a welfare board. Today, only 17 counties comply with the statutory requirement for each county to have a welfare board.

Another example of overlapping statutes is the provision in *Minnesota Statutes* 2006, chapter 256M, which says that the county board of commissioners in each county "shall be responsible for administration and funding of children and community services."[4] This language appears to override the conflicting but more general language in *Minnesota Statutes* 2006, chapters 393 and 402, adopted into law many years earlier regarding county administrative authority for

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[1] The term "welfare boards" no longer appears in statute. The statutes now refer to these boards as "local social services agencies," although state and local officials still commonly refer to them as "welfare boards."

[2] The main statutes that establish human services administrative roles for these types of boards are *Minnesota Statutes* 2006, chapter 256M (county boards), chapter 393 (welfare boards), and chapter 402 (human services boards).

[3] *Minnesota Statutes* 2006, 393.07, subd. 2.

[4] *Minnesota Statutes* 2006, 256M.60, subd. 1.

human services.[5] But, in practice, "welfare boards" (authorized by chapter 393) or "human services boards" (authorized by chapter 402) are the primary governing bodies for children's and community services in 34 counties, while county boards of commissioners are the main governing body for these services in the other 53 counties.

In addition, the statutes do not clearly specify which local governing body has authority to administer economic support (or "income maintenance") programs. Until 2003, the statutes said that "the county board may designate itself, a human services board, or a [county welfare board] to perform" duties related to the administration of economic support programs.[6] However, the 2003 Legislature repealed the Community Social Services Act that contained this language, and the law that replaced this act (the Children and Community Services Act) did not contain comparable language. Human services staff in counties have continued to administer economic support programs since 2003, but without clear statutory direction regarding oversight by local governing bodies.[7]

In addition to the statutes that assign *general* governance responsibilities to county boards (chapter 256M), welfare boards (chapter 393), and human services boards (chapter 402), there are other statutes that address local authority to administer specific human services programs. Some of these program-specific statutes establish clear lines of authority, while others do not. For example, *Minnesota Statutes* 2006, chapter 245, clearly specifies that county boards of commissioners are authorized to administer mental health services. In contrast, some other statutes use vague language to assign local governance responsibilities, without clearly specifying the type of board or staff agency to which they refer. For example, *Minnesota Statutes* 2006, chapter 256—which has provisions regarding various human services programs—uses the term "county agencies" 32 times without defining whether this refers to a type of governing board or an executive agency within county government. Likewise, *Minnesota Statutes* 2006, 256.0112, authorizes an unspecified "local agency" to enter into contracts for social services. Finally, some statutes assign administrative responsibilities to certain types of governing boards for human services but not others—an apparently inadvertent oversight that has potentially important implications for county service administration. For example, the statute that governs the Medical Assistance program (chapter 256B) assigns administrative responsibility for this program solely to welfare boards established under *Minnesota Statutes* 2006, chapter 293. However, as noted above, most

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[5] *Minnesota Statutes* 2006, 393.07, subd. 2, says that county welfare boards "shall administer all forms of public welfare, both for children and adults." *Minnesota Statutes* 2006, 402.02, subd. 2, says that human services boards (in the counties that choose to have them) shall "manage the public resources devoted to human services delivered or purchased by the counties."

[6] *Minnesota Statutes* 2002, 256E.08, subd. 3 (repealed in 2003).

[7] Also, state law does not provide clear authority for welfare boards to administer social services, although welfare boards in 17 counties do so. Until 2003, the statutes said that "a county board may delegate to a [county welfare board] established under chapter 393 authority to provide or approve contracts for the purchase of the kinds of community social services that were provided or contracted for by the county welfare boards" before the Community Social Services Act was enacted in 1979. However, the Legislature repealed this language in 2003, and it did not include such language in the new law that governed local administration of social services (chapter 256M).

Minnesota counties no longer have such boards. Thus, most counties administer their Medical Assistance program through a county board of commissioners or a human services board, although this is not explicitly authorized by statute.

Finally, the relationship between a county's governing board and its human services agency varies, depending on the particular statute under which the county operates. For example, some counties operate under statutes that explicitly authorize the appointment by the governing body of a human services director, but most counties do not.[8] In addition, the statutes specify that directors in the counties with human services boards shall serve at the pleasure of the boards; the statutes do not specifically address the board's ability to remove directors in the other 70 counties.[9]

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[8] A majority of counties operate under *Minnesota Statutes* 2006, chapter 256M, which has no provisions regarding hiring a director. The repealed law (chapter 256E) that chapter 256M replaced contained a provision that specifically authorized counties to hire directors.

[9] *Minnesota Statutes* 2006, 402.05, subd. 1a.

January 12, 2007

James R. Nobles
Legislative Auditor
100 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

We thank you for the opportunity to respond to the final OLA report *Human Services Administration*. We further appreciate your willingness to incorporate a number of our technical and substantive comments on an earlier draft of the report.

Major Findings:

Overall, we agree with almost all of the report's major findings. Specifically, we agree that

- human service access, cost, and outcomes vary across the State,
- some counties fall behind others on measures of human service performance,
- complexity of laws and administrative requirements has made service administration more burdensome,
- more use of multi-county human service agencies could improve cost effectiveness and consistency, and
- transferring certain human services duties to the State could improve administrative efficiency or effectiveness (or potentially both although not the language of the report).

We do not have the analysis necessary to support the major finding that suggests Minnesota's approach to funding human services contributes to inconsistencies in local tax burdens and services. Without further review that incorporates an analysis of all service and administrative funding in human service programs, we believe this finding may be too broad. However, we agree with an earlier OLA report finding, repeated in this report, that chemical health, mental health, and child protective services are good examples of services provided and funded inconsistently in different parts of the State. We support legislative consideration that would remove disincentives to service delivery because of county cost-sharing. We further support review to determine the relationship between human services delivery and local tax burden.

The issue of cost-sharing may be a problem in other program areas as well: however, the report does not delineate other programs where county cost requirements interfere with positive human service programs outcomes. We would suggest working with the OLA to further review specific program areas to reach a broader conclusion and recommendation in the area of human services financing. Any future

work on the issue of local tax burden can benefit from analytical support and review from the Departments of Finance and Revenue.

Key Recommendations:

Two of the OLA report's key recommendations are directed at the Department of Human Services. We will address each as well as comment on two additional key recommendations directed at the Legislature.

DHS should develop better performance information and share it regularly with counties.

The Department agrees with this key recommendation and a number of the action steps included in the specific recommendations of the full report. We will consider the value of applying the on-site review model in use in Children and Family Services Reviews to other department program areas and consider the use of program results to develop plans for county and department action to address issues raised by any reviews. Any work in this area requires a financial and personnel commitment by DHS and the counties and must be considered; however, we do believe the recommendation has merit. This recommendation further requires the Department to work cooperatively with the counties to address the issues raised by such reviews. We look forward to beginning a dialogue with the counties on how to fulfill the recommendation in the OLA report.

DHS should focus more oversight and assistance on counties struggling to deliver the full range of human services.

Although we believe this recommendation has merit, the financial commitment required for this effort would be substantial and cannot be undertaken without additional resources to DHS to accomplish successfully. This recommendation is closely connected to the previous recommendation. However, this recommendation will require even greater state and county staff effort to analyze results from performance reports, undertake in-depth reviews for counties struggling with lower than expected results, and assist counties in the development of action plans to address issues raised in reviews.

The Legislature should grant DHS additional authority to act when counties do not meet performance benchmarks.

We agree with this recommendation while emphasizing the following concern. In a number of specific program areas where DHS has attempted to hold counties accountable for program requirements by taking an adverse action such as withholding funds, we have struggled to maintain our position against subsequent legislative action to restore reduced funding or eliminate otherwise adverse actions taken by DHS. Any authority granted to DHS to hold counties accountable for results must be supported by the Legislature, thus avoiding subsequent legislative action that would provide relief to a county when a DHS action adversely impacts that county. We believe that there is important benefit in measuring county performance for positive human service outcomes and strongly support the recommendation to hold counties accountable for results in human service programs with the proper support to successfully take such actions.

The Legislature should authorize pilot projects in which DHS assumes responsibility for some county duties.

We agree with this recommendation and believe the programs listed in Table 3.4 provide a starting point for discussion with the counties. Any work to address this recommendation will require additional analysis, particularly on the issue of costs associated with a state takeover of certain county duties and the capacity of DHS to accomplish the program goals and objectives on a statewide basis.

Additional Summary Comments:

Please consider the following as additional comments about the report's findings and recommendations generally.

Throughout the report, much emphasis is placed on consistency and uniformity as positive attributes of a high functioning human services administrative system. We believe that uniformity and consistency for their own sake do not necessarily lead to positive outcomes. However, in the application of client eligibility rules and enforcement, consistency is paramount. Inconsistency which might inappropriately affect client benefits is not acceptable.

Variation in program administration, however, does not always suggest there is a problem with program results. Overall, we believe that our focus should be on outcomes and strongly support any effort to collect, report, and hold counties accountable for the appropriate results. We believe that less emphasis should be placed on variation unless it can be demonstrated that variation is unacceptable. Further development of county performance measures will assist DHS in our ability to more carefully articulate where variation is problematic and when uniformity and consistency are essential elements in positive outcomes.

Finally, on pages 69-70 the report addresses an issue that we believe merits additional review and consideration. You point out that a population-based threshold model has been successful in community public health and corrections programs. We believe further study in this area might assist DHS and the Legislature in determining the adequacy of human service program delivery. The issue of county capacity to deliver the full range of human service programs relative to the size of a county's population should be further explored to determine the merit in this approach to human services program delivery.

Again, we thank you for the opportunity to review and comment on the *Human Services Administration* report. We look forward to further discussion with counties and potential legislative action to implement the actions recommended in the report.

Sincerely,

Cal R. Ludeman
Commissioner

January 12, 2007

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to review and comment on your report, "Human Services Administration." Representatives from the Association of Minnesota Counties (AMC) and the Minnesota Association of County Social Service Administrators (MACSSA) carefully reviewed the report and appreciate the thoughtful, objective review of what is clearly a very complex topic.

In recent years, county officials have been looking at human services delivery issues and we are pleased to see that many of our conclusions parallel the findings of the report. For example, the report cites growing complexity and funding challenges as primary contributors to inefficiencies in the administration of human services. These factors were also identified through the AMC County Futures Project, as well as in a white paper developed by MACSSA on the future of county human services, as critical challenges in our current human services system. To address these challenges, AMC has begun efforts to enhance leadership capacity in local policy makers through its County Futures project as well as to explore partnerships with local universities to share best practices in local service delivery.

While many of the findings validate and support counties' perceptions of the challenges within our human services system, AMC and MACSSA wish to emphasize caution when interpreting the findings described as under-performance of some counties as measured using 33 indicators. Fully understanding the complex array of factors contributing to performance variability across the state is critical if we are to identify strategies that effectively reduce or eliminate such variability. We support the use of performance measures to quantify the success of counties' efforts and assure the desired outcomes. It should be recognized however, that these measures do not always reveal the whole story. Hennepin County and small counties face unique challenges (language barriers, poverty, demographics, distance to services, etc.) that are not always adequately recognized nor reflected in performance indicators.

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In addition to the findings mentioned above, the recommendations articulated in the report are also quite compelling. AMC and MACSSA would like to draw particular attention to the recommendation that DHS "make stronger efforts to incorporate estimates of local fiscal impacts into the 'fiscal notes' it prepares for the Legislature." Funding decisions made at the state level undoubtedly have significant fiscal implications at the local level. This must be more readily acknowledged and addressed. However, it is the recommendation of counties that such fiscal notes not be aggregated to a state level as such aggregation may lead to a misinterpretation of fiscal impacts on individual counties.

The development of a stronger partnership between DHS and counties is equally critical; one involving more collaboration and meaningful communication in which counties are viewed as authentic partners in the administration of human services. Counties therefore support the report's recommendation that the "DHS Commissioner strive to establish better channels of communication" with counties. AMC and MACSSA welcome the opportunity to assist in that endeavor and recommend expansion of communication models that currently work well within the Department such as the State/County Partnership Group convened by the Children and Family Services Division.

Finally, AMC and MACSSA wish to emphasize the importance of ensuring counties are adequately equipped to administer human services effectively. The report recommends that an ongoing workgroup of department and county officials "identify ways to simplify and streamline human services laws and administrative requirements." The importance of simplifying and streamlining our human services system cannot be over-emphasized. Counties also support the recommendation that DHS improve training and technical assistance services to counties, while also enhancing the use of field staff. Finally, AMC and MACSSA support the recommendation that county officials be given accurate data that enhance awareness and broad-based understanding of human services programs so that county boards are better equipped to ensure implementation of best practices and achievement of performance measures within human services agencies. AMC will consider measures to assist in the provision of such information.

Again, we are grateful for the opportunity to respond and appreciate the report's accurate description of the challenges faced in the administration of our human services system today. We hope it will encourage the continuation of discussions among counties, the Department, and the legislature on this topic.

Sincerely,

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AMC

Kathleen L. Johnson, President
MACSSA

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